

8 May 2019

PanAust Quarterly Report for the three months to 30 March 2019

Highlights

- **Outstanding annual safety performance reflects PanAust’s commitment to Zero Harm**
 - The PanAust Group achieved an annual total recordable injury frequency rate (TRIFR) of 0.22 per million hours worked.
 - A lost time injury frequency rate (LTIFR) of 0.07 per million hours worked achieved.
- **Strong March quarter 2019 production and cost performance outcomes achieved**
 - The Phu Kham Copper-Gold Operation produced 19,820 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.14/lb after precious metal credits from 19,403 ounces (oz) of gold and 115,792oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.50/lb copper was realised.
 - The Ban Houayxai Gold-Silver Operation recorded production of 33,120oz of gold and 253,631oz of silver at a C1 cost of US\$504/oz after silver credits. An AISC of US\$644/oz gold was achieved.
- **Growth**
 - Phase one of the Wuntho Resources Company Limited scout drilling program in Myanmar continued during the quarter.
 - Completed the review of near mine Mineral Resource development targets for life of mine extensions, drilling programs will commence in the June quarter 2019.
 - In Papua New Guinea (PNG) the PNG Mineral Resources Authority (MRA) confirmed the renewal of six Exploration Licences related to the Frieda River Copper-Gold Project.
- **Sustainability**
 - On 8 February, 142 employees graduated from the Company’s Supervisory Skills Training Program. A graduation ceremony commemorating their completion of the Program was held at the Crowne Plaza in Vientiane, Laos.
 - Construction was completed on a new sub-primary school in the Lao village of Nam Eiauw and handed over to the community during the quarter. Funds to construct the school was raised by PanAust employees during its ‘Movember into December’ fundraising campaign.

2018 WINNER
ASEAN OSHNET
EXCELLENCE AWARD
OHS MANAGEMENT



2017
LAO PDR LABOUR ORDER MEDAL
2011
LAO PDR LABOUR ORDER
MEDAL CLASS 1
POVERTY REDUCTION



2015 WINNER
AUSTRALIAN CLIMATE
LEADERSHIP AWARDS
MOST PROFITABLE CARBON
REDUCTION ACTIVITY



2013 WINNER
PROJECT
DEVELOPMENT
OF THE YEAR



2013 WINNER
SUSTAINABILITY LEADERSHIP
2010/11 WINNERS
BEST COMMUNITY
DEVELOPMENT



Executive Chairman's overview

PanAust is pleased to report an excellent start to 2019 with strong results recorded across all business metrics.

The Company acknowledges its short and long-term success hinges on its ability to achieve business objectives while keeping its workforce safe. Demonstrating this commitment to safety continues to be of paramount importance, PanAust recorded a 12-month rolling Group TRIFR of 0.22 as at 31 March 2019 – the lowest rate achieved since records began in January 2008.

The record TRIFR is substantially lower than the previous record of 0.32 which PanAust recorded in June 2016 and is significantly lower than the International Council of Mining and Metals average TRIFR of 3.94.

PanAust Executive Chairman, Dr Qun Yang proudly spoke of this record.

“This milestone is underpinned by the excellent safety performance of our Lao Operations, and more recently, at the Frieda River Project in PNG. Our performance is also supported by our contractors at our Operations and Projects who also show an unwavering commitment to safety,” Dr Yang said.

While this performance is outstanding, PanAust acknowledges vigilance with regard to safety must be maintained.

“Our commitment to safety is underpinned by our Zero Harm safety philosophy whereby all workplace incidents and injuries are considered preventable. To achieve this, and to ensure everyone, every day goes home safely, our focus will remain on embracing safety as a core value, improving workforce safety behaviours, and on visible safety leadership,” Dr Yang added.

In Laos, near mine resource development and life of mine extension programs continued. The Company also received Board approval to advance the Kham Thong Lai (KTL) prefeasibility study and associated 2019 field work during the quarter.

“In 2019, our focus in Laos will be to extend the life of our current Operations and identify opportunities within our existing Mineral Exploration and Production Agreement Contract Area to grow and sustain the business.

“In PNG, we continue to work with all levels of Government and local communities to progress the Sepik Development Project permitting phase,” Dr Yang concluded.

Operations overview

Phu Kham Copper-Gold Operation, Laos (PanAust 90 per cent)

Production of copper in concentrate at the Phu Kham Copper-Gold Operation totalled 19,820t during the March quarter. A C1 cost of US\$1.14/lb copper was realised.

Table 1

Phu Kham Copper-Gold Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Mar 2019
Copper in concentrate	t	19,820
Gold in concentrate	oz	19,403
Silver in concentrate	oz	115,792
C1 cost after precious metal credits	US\$/lb Cu	1.14
AISC	US\$/lb Cu	1.50

Further details of the production and cost performances are contained in Tables 3 and 4 of this report

Phu Kham production performance

More than 12.2 million tonnes (Mt) of ex-pit material was mined during the quarter which included 5.1Mt of copper-gold ore.

Copper, gold and silver head grades averaged 0.50 per cent, 0.24 grams/t (g/t) and 1.82g/t respectively. An overall copper recovery rate of more than 81 per cent was achieved.

Quarterly pay-metal in concentrate sales totalled 19,801t of copper, 21,171oz of gold and 123,687oz of silver.

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90 per cent)

The Ban Houayxai Gold-Silver Operation poured 33,120oz of gold and 253,631oz of silver in doré during the March quarter. A C1 cost of US\$504/oz gold was realised.

Table 2

Ban Houayxai Gold-Silver Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Mar 2019
Gold poured	oz	33,120
Silver poured	oz	253,631
C1 cost after precious metal credits	US\$/oz	504
AISC	US\$/oz	644

Further details of the production and cost performances are contained in Tables 3 and 5 of this report

Ban Houayxai production performance

The Operation mined more than 3.2Mt of ex-pit material during the quarter. Mined material included more than 1Mt of gold-silver ore. Close to 1.3Mt of ore was processed.

Gold and silver head grades averaged 0.95g/t and 11.01g/t respectively. A gold recovery percentage of 83 was achieved.

Payable gold and silver in doré sold during the quarter totalled 28,179oz and 217,594oz respectively.

Pre-development and exploration projects overview

Frieda River Project, PNG (PanAust 80 per cent)

In PNG, PanAust holds an 80 per cent interest in the Frieda River Project with the remaining 20 per cent interest held by Highlands Frieda Limited.

On 7 March 2019, PanAust entered into an agreement for the purchase of Highlands' 20 per cent interest in the Frieda River Project. This agreement is subject to a number of conditions precedent including the implementation of a transaction whereby Cobalt 27 Capital Corp. acquires all of the shares in Highlands Pacific Limited which it does not currently own by way of a 'Scheme of Arrangement'.

In December 2018, PanAust announced the Sepik Development Project, a new nation-building development pathway for the Frieda River Project. The new pathway focuses on the development of shared-use infrastructure that will support, and in turn be supported by, a hydroelectric facility and mine operation.

The Sepik Development Project contemplates four interdependent projects that together will create a new economic corridor across the West and East Sepik Provinces: the Sepik Infrastructure Project, the Frieda River Hydroelectric Project, the Frieda River Copper-Gold Project, and the Sepik Power Grid Project.

PanAust executives held several meetings with Government of PNG ministers during the March quarter. Meetings focused on key environmental aspects, Project scope and cost, funding strategy and indicative Project timelines. PanAust remains committed to advancing the nation-building Sepik Development Project.

The first round of Women in Mining training for the year was completed in the seven near-Project villages during the quarter. Delivered in partnership with the Australian Department of Foreign Affairs and Trades, the Women in Mining Project helps ensure the equitable distribution of benefits that mining accrues for communities.

Exploration Licences, Myanmar (PanAust 90 per cent)

In Myanmar, PanAust holds a 90 per cent interest in Wuntho Resources Company Limited (WRCL) with the remaining 10 per cent interest held by joint venture partner Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company.

WRCL holds tenements covering approximately 775 square-kilometres in the Sagaing region of Myanmar and has applied for additional Exploration Licences in the same Region.

Phase one of the scout drilling program of the WRCL prospects continued during the quarter.

KTL Copper-Gold Project, Laos (PanAust 90 per cent)

A desktop review of the 2013 prefeasibility study of the Kham Thong Lai (KTL) Copper-Gold Project in the north of the Contract Area was completed in 2018. The review assessed opportunities to lower the

Project's capital cost by using equipment that will become available as closure of the Phu Kham and Ban Houayxai Operations approaches.

Findings of the desktop review supported a prefeasibility study based on updated Project metrics with study work and associated field work programs commencing during the quarter

Inca de Oro Copper-Gold Project, Chile (PanAust 66 per cent)

PanAust completed a feasibility study on the Inca de Oro Copper-Gold Project in 2014. No material site activities are currently being undertaken or are planned.

Sustainability

PanAust is committed to ensuring its presence positively impacts the host communities and countries in which it operates. The Company's way of doing business, the PanAust Way, is a modern approach to mining that measures success not merely by production volumes but equally by the sustainability of its interaction with its people, hosts communities and government and the environment.

Developing a national workforce that will support economic growth beyond closure

On 8 February, 142 employees graduated from the Company's Supervisory Skills Training Program in Laos.

Now in its ninth year, the Program provides existing team leaders, supervisors and high-potential employees with the training required for success in front-line leadership roles. The Program is a key component to the Company's leadership development strategy and comprises 10 modules designed to develop employee's skills with regards to human relations in the workplace.

The Program also supports PanAust's commitment to localisation. At the end of 2018, the Company was pleased to record its highest level of localisation; 92 per cent of PanAust's workforce in Laos was comprised of Lao-national employees.



Above: Supervisory Skill Training Program graduates celebrate their successful completion of the Program at a ceremony held in their honour at the Crowne Plaza Hotel in Vientiane, Laos

Commitment to local communities wherever the Company operates

On 25 February, the Company handed over a newly constructed sub-primary school for disadvantaged students to the Nam Eian community – a small village in Laos half way between Nam Gnone and the Natou Port.

Money required to construct the school was raised by employees in both Laos and Brisbane as part of the Company's 'Movember into December' fundraising event.

Employee support for local communities in Laos highlights the Company's commitment to advancing communities close to where it operates.



Above: Phu Bia Mining employees, with members of the Nam Eian village standing in front of the newly constructed sub-primary school

Public reporting of business and sustainability reporting



On 16 April 2019, PanAust released its 2018 Business Review and Sustainability Report. The Report was independently assured and prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, including the Mining and Metals Supplement.

The Report is the Company's thirteenth instalment of its annual consolidated reporting on PanAust's sustainability performance. It provides a balanced and comprehensive overview of the Company's performance in six core business elements: governance, economic, social, environmental, and health and safety performance, and employees.

PanAust's 2018 Business Review and Sustainability Report is available on the 'Annual publications' page on the Company's website.

PanAust Group production and sales statistics for the March quarter 2019

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 Mar 2019
Total material mined	t	12,219,505
Copper-gold ore mined	t	5,167,833
Process plant available time	%	94.7
Process plant operating time	%	94.1
Ore milled	t	4,822,211
Copper head grade	%	0.50
Gold head grade	g/t	0.24
Silver head grade	g/t	1.82
Concentrate produced	dmt	84,350
Copper in concentrate	t	19,820
Gold in concentrate	oz	19,403
Silver in concentrate	oz	115,792
Copper recovery	%	81.39
Concentrate sales	dmt	85,005
Payable copper in concentrate sold	t	19,801
Payable gold in concentrate sold	oz	21,171
Payable silver in concentrate sold	oz	123,687
Ban Houayxai Gold-Silver Operation	Units	3 months to 30 Mar 2019
Total material mined	t	3,252,472
Gold-silver ore mined	t	1,054,588
Process plant available time	%	97.8
Process plant operating time	%	97.1
Ore milled	t	1,292,517
Gold head grade	g/t	0.95
Silver head grade	g/t	11.01
Gold in doré	oz	33,120
Silver in doré	oz	253,631
Gold recovery	%	83.26
Payable gold in doré sold	oz	28,179
Payable silver in doré sold	oz	217,594

Cumulative data may incorporate post reporting period adjustments to prior periods

Table 4

Phu Kham Copper-gold Operation production costs US\$/lb copper	3 months to 30 Mar 2019
Mining cost	0.65
Deferred mining and inventory adjustments capitalised	-0.03
Processing cost	0.60
General and administration (site support)	0.17
Total on-site operating costs	1.40
Transport handling and marketing	0.19
Concentrate treatment and refining	0.24
Total off-site operating costs	1.82
Deduct precious metal credits	-0.68
Total direct operating costs (C1 cost)	1.14
Royalty	0.19
Sustaining capital (includes TSF)	0.07
Rehabilitation and closure	0.01
Corporate support and shared services costs	0.07
Lease principal and interest charges	0.00
Deferred mining and inventory adjustment capitalised	0.03
All-in sustaining costs	1.50

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

Table 5

Ban Houayxai Gold-Silver Operation production costs US\$/oz gold	3 months to 30 Mar 2019
Mining cost	260
Deferred mining and inventory adjustments capitalised	7
Processing cost	273
General and administration (site support)	75
Total on-site operating costs	615
Total off-site operating costs (freight, refining)	9
Deduct silver credit	-121
Total direct operating costs (C1 cost)	504
Royalty	86
Sustaining capital (includes TSF)	39
Rehabilitation and closure	-1
Corporate support and shared services costs	23
Lease principal and interest charges	0
Deferred mining and inventory adjustment capitalised	-7
All-in sustaining costs	644

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

For further information contact:

Ms Kate Horan

T +61 7 3117 2089

E kate.horan@panaust.com.au

ⁱ Brook Hunt convention for the reporting of direct costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits

ⁱⁱ AISC reported are the C1 cost plus royalties, allocated corporate support charges, shared services costs, sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised