

08 November 2017

PanAust Quarterly Report for the three months to 30 September 2017

Highlights

- **Outstanding safety performance for the September quarter:**
 - 12-month rolling safety indicators: total recordable injury frequency rate (TRIFR) 1.06 per million hours worked and lost time injury frequency rate (LTIFR) 0.08.
- **Solid production and cost performance outcomes achieved at PanAust's Operations in Laos:**
 - The Phu Kham Copper-Gold Operation produced 20,009 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.46/lb after precious metal credits from 15,674 ounces (oz) of gold and 127,919oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.95/lb copper was achieved.
 - The Ban Houayxai Gold-Silver Operation recorded production of 25,146oz of gold and 223,949oz of silver at a C1 cost of US\$644/oz after silver credits. An AISC of US\$882/oz gold was achieved.
- In July, the 2017 Community Development Fund (CDF) plan for Phu Kham and Ban Houayxai was approved by the Company and the Government of Laos. Agreement to extend the Memoranda of Understanding defining coordination and management arrangements for CDF projects to 2021 was reached in September.
- In August, an internal deep dive audit on gender diversity was conducted in Laos. The objective of the audit was to identify and understand issues impacting female participation rates and barriers to succession within the workforce.
- Community engagement activities continued in Papua New Guinea (PNG) with a surgical program carried out by Interplast Australia & New Zealand at the Vanimo General Hospital in September.
- PanAust's annual risk and sustainability workshop was held in Laos during August. Also in August, the Company held its first contractor safety workshop which was well-received and attended by contractors.
- PanAust Managing Director met with the Lao Deputy Prime Minister and Minister of Finance, Somdy Douangdy, in August. The constructive meeting underlined the Government of Laos' support for the Company's Mineral Exploration and Production Agreement (MEPA).



Business overview

PanAust is pleased to report strong production and safety performances for the September 2017 quarter.

In September, an earlier than planned shutdown of the Phu Kham process plant due to accelerated wear on the SAG mill shell liners caused by harder than expected ore resulted in reduced throughput rates and increased C1 costs. The full-year forecast for both copper and gold production will drive unit costs down in the December quarter. This, coupled with a favourable outlook for the copper price until the end of the year, ensures that PanAust is well-placed for a strong finish to 2017.

PanAust Managing Director, Dr Fred Hess emphasised the unwavering commitment of PanAust's people to deliver impressive results and ensure the Company finishes the year in a strong position.

"PanAust does not outsource decision-making, choosing to instead rely on the skills, leadership and experience of its people.

"PanAust's people do not shy away from a challenge. They are the number one contributing factor to the Company's success. PanAust's consistently improving performance across all business metrics is driven by the high performance standards of its people," Dr Hess explained.

Highlighting the Company's commitment to, and promotion of, diversity, an internal deep dive audit on gender diversity was conducted in August. The aim was to understand any obstacles that impacted on female participation rates and barriers to succession within the workforce. Through 80 interviews conducted with employees within the Company, the deep dive indicated that PanAust's organisational culture provided a strong foundation for gender diversity, however more could be done to promote the issue within the Company, including additional measures and objectives. Following the deep dive, PanAust employed an all-female excavator crew and 27 female concentrate haulage and forklift drivers at its Operations in Laos. The appointments provide the necessary feed of female employees to progress into leadership roles in traditional, male-dominated operational activities.

In July, the 2017 CDF Plan for Phu Kham and Ban Houayxai was approved by the Company and the Government of Laos. The plan outlines 16 CDF projects that were developed in consultation with government authorities and community representatives.

The Memoranda of Understanding between the Company and the Government of Laos defining coordination and management arrangements for CDF projects was extended to 2021 during September. The five-year agreement to fund projects that build long-term capacity in host communities, and empower people to determine their own development priorities, demonstrates PanAust's determination to leave a lasting legacy in Laos.

"PanAust's priorities are the safety of its people and preservation of the environment and well-being of those in communities close to where it operates.

"Our steadfast resolve to ensure these priorities continue to drive Company decision-making have pushed PanAust *Way Ahead*," Dr Hess said.

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 20,009t during the quarter. A C1 cost of US\$1.46/lb copper was realised.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2017	9 months to 30 Sep 2017
Copper in concentrate	t	20,009	66,969
Gold in concentrate	oz	15,674	56,073
Silver in concentrate	oz	127,919	435,495
C1 cost after precious metal credits	US\$/lb Cu	1.46	1.20
AISC	US\$/lb Cu	1.95	1.66

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

Phu Kham production performance

The Operation mined 13.3 million tonnes (Mt) of material and processed 4.9Mt of ore.

Copper, gold and silver head grades averaged 0.51 per cent, 0.20 grams/t (g/t) and 2.01g/t respectively. An overall copper recovery rate of 79 per cent was realised.

Quarterly pay-metal in concentrate sales totalled 16,936t of copper, 14,276oz of gold and 114,310oz of silver.

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

During the quarter, the Ban Houayxai Gold-Silver Operation poured 25,146oz of gold and 223,949oz of silver in doré. A C1 cost of US\$644/oz gold was achieved.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2017	9 months to 30 Sep 2017
Gold poured	oz	25,146	90,209
Silver poured	oz	223,949	635,628
C1 cost after precious metal credits	US\$/oz	644	557
AISC	US\$/oz	882	730

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

Ban Houayxai production performance

Total material mined at Ban Houayxai during the quarter totalled 3.5Mt with 1.2Mt of ore processed.

Gold and silver head grades were 0.80g/t and 10.86g/t respectively while gold recovery averaged 77 per cent.

Payable gold and silver in doré sold during the quarter totalled 24,217oz and 219,835oz respectively.

Predevelopment and exploration projects overview

Frieda River Copper-Gold Project, Papua New Guinea (PanAust 80 per cent)

In Papua New Guinea, PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project. Joint venture partner Highlands Pacific holds the remaining 20 per cent.

The Special Mining Lease (SML) application and Environmental Impact Statement (EIS) for the Frieda River Project continue to be considered by the Mineral Resources Authority of Papua New Guinea and Conservation and Environment Protection Authority (CEPA) of PNG, respectively.

PanAust is investigating opportunities to increase the value of the Project and access alternative development pathways to decrease capital expenditure and reduce the overall Project risk profile. Study work to investigate these opportunities continued throughout the quarter, and indicate several potential pathways for value enhancement.

Stakeholder engagement continues with the new Government of PNG, provincial administrations, landowners and local communities towards securing all relevant permits and licenses, including a social license to operate.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

In Myanmar, PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company which holds the remaining 20 per cent of WRCL.

The joint venture holds three Exploration Licences within a 357 square-kilometre contract area in the Sagaing Region of northern Myanmar. The Exploration Licences comprise three tenement blocks: Hel Chain, Pin Hin Hka and Nam Awl.

Meetings with the Myanmar Union Minister for Natural Resources and Environmental Conservation (MoNREC) in August progressed the approvals for the Wuntho 2 exploration tenements.

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

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

Sustainability

PanAust pursues operational excellence and sustainable business outcomes in a complimentary manner, wherever it operates.

Interplast surgical program, Vanimo

In September, a PanAust-sponsored Interplast surgical program was carried out at the Vanimo General Hospital. A team of five Interplast volunteers travelled to the hospital in PNG's north. From 23 to 28

September, the team treated 15 patients who received life-changing surgery for conditions including cleft lip and palates and burn/scar contracture releases.

The program is the successful continuation of a partnership between PanAust and Interplast which commenced in Laos in 2012. In November 2016, the partnership extended to PNG.

PanAust's continued partnership with Interplast exemplifies the Company's dedication to significantly improving the lives and those living close to where it operates.

Interplast Chief Executive Officer, Prue Ingram spoke about Interplast's partnership with PanAust expanding into PNG.

"Working with PanAust in PNG has facilitated Interplast's ability to reach communities it has not previously worked in, extending the reach and impact of Interplast's work with medical professionals across the country," Prue said.



Left: PNG medical professionals learn valuable skills from the visiting Interplast team during the surgical program that ran from 23-28 September at the Vanimo General Hospital, PNG. Photo courtesy of Interplast.

PanAust Group production and sales statistics for the September 2017 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 Sep 2017	9 months to 30 Sep 2017
Total material mined	T	13,281,704	41,612,280
Copper-gold ore mined	T	4,403,978	14,355,980
Ore milled	T	4,930,343	13,970,644
Copper head grade	%	0.51	0.59
Gold head grade	g/t	0.20	0.24
Silver head grade	g/t	2.01	2.32
Concentrate produced	dmt	86,551	288,001
Copper in concentrate	T	20,009	66,969
Gold in concentrate	Oz	15,674	56,073
Silver in concentrate	Oz	127,919	435,495
Copper recovery	%	79.2	80.9
Concentrate sales	dmt	74,003	266,030
Payable copper in concentrate sold	T	16,936	61,430
Payable gold in concentrate sold	Oz	14,276	53,568
Payable silver in concentrate sold	Oz	114,310	431,083
Ban Houayxai Gold-Silver Operation		3 months to 30 Sep 2017	9 months to 30 Sep 2017
Total material mined	T	3,525,867	11,005,510
Gold-silver ore mined	t	1,242,069	3,887,817
Ore milled	t	1,223,573	3,765,107
Gold head grade	g/t	0.80	0.90
Silver head grade	g/t	10.86	9.68
Gold in doré	oz	25,146	90,209
Silver in doré	oz	223,949	635,628
Gold recovery	%	77.2	81.7
Payable gold in doré sold	oz	24,217	92,893
Payable silver in doré sold	oz	219,835	661,135

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 Sep 2017	9 months to 30 Sep 2017
Mining cost	0.66	0.57
Deferred mining and inventory adjustments capitalised	0.09	0.01
Processing cost	0.60	0.55
General and administration (site support)	0.16	0.13
Total on-site operating costs	1.50	1.27
Transport handling and marketing	0.21	0.20
Concentrate treatment and refining	0.27	0.27
Total off-site operating costs	1.99	1.74
Deduct precious metal credits	-0.53	-0.54
Total direct operating costs (C1 cost)	1.46	1.20
Royalty	0.19	0.17
Sustaining capital (includes TSF)	0.16	0.13
Rehabilitation and closure	0.03	0.02
Corporate support and shared services costs	0.10	0.09
Lease principal and interest charges	0.10	0.07
Deferred mining and inventory adjustment capitalised	-0.09	-0.01
All-in sustaining costs	1.95	1.66

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 Sep 2017	9 months to 30 Sep 2017
Mining cost	307	265
Deferred mining and inventory adjustments capitalised	12	7
Processing cost	367	323
General and administration (site support)	104	78
Total on-site operating costs	790	673
Total off-site operating costs (freight, refining)	8	6
Deduct silver credit	-154	-122
Total direct operating costs (C1 cost)	644	557
Royalty	88	83
Sustaining capital (includes TSF)	71	32
Rehabilitation and closure	3	2
Corporate support and shared services costs	46	38
Lease principal and interest charges	42	26
Deferred mining and inventory adjustment capitalised	-12	-7
All-in sustaining costs	882	730

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

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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