

09 November 2018

## PanAust Quarterly Report for the three months to 30 September 2018

### Highlights

- **Strong 12-month rolling safety performance**
  - Total recordable injury frequency rate (TRIFR) – 0.60
  - Lost time injury frequency rate (LTIFR) – 0.07
  
- **Good production and cost outcomes achieved despite disruption to operations caused by sustained heavy rainfall during the quarter**
  - The Phu Kham Copper-Gold Operation produced 20,964 tonnes (t) of copper in concentrate at a C1<sup>i</sup> cost of US\$1.44/lb after precious metal credits from 15,058 ounces (oz) of gold and 128,457oz silver. An all-in sustaining cost<sup>ii</sup> (AISC) of US\$1.78/lb copper was realised.
  - The Ban Houayxai Gold-Silver Operation recorded production of 23,859oz of gold and 163,749oz of silver at a C1 cost of US\$809/oz after silver credits. An AISC of US\$971/oz gold was achieved.
  
- **Growth**
  - Work on an updated feasibility study and Environmental Impact Statement for the Frieda River Copper-Gold Project – based on a shared-use infrastructure model that aligns with the Government of Papua New Guinea’s national development plans – continued during the quarter.
  
- **Sustainability**
  - On 28 September the Company was honoured to receive the ‘Friend of Laos’ award at the Lao ASEAN Business Awards ceremony in Vientiane

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



## Business overview

PanAust's Operations in Laos experienced an unusually intense wet season during the September quarter. Rain levels in July and August were comparable to the natural disaster rain falls experienced in 2011 from typhoon Haima.

During July, high rainfall, low ground strength and several known geotechnical faults resulted in multiple small to medium scale failures in the Phu Kham Copper-Gold Operation's south eastern open-pit wall. In late August, a single section of the Ban Houayxai Gold-Silver Operation site access road was washed away when heavy rainfall induced a landslide.

Despite these short-term setbacks, minimal production losses were recorded during the quarter and no significant impact to full-year production or costs is expected. No mill operating time was lost, and repairs to the Ban Houayxai site access road were completed by early September. Production has returned to normal at both Operations.

PanAust Managing Director, Dr Fred Hess praised the extraordinary efforts of site-based teams during the quarter.

"PanAust's operational excellence is driven by safety and production processes that yield high performance outcomes. The strength of these systems is underpinned by dedicated employees determined to achieve these outcomes safely," Dr Hess said.

In July, following the collapse of a hydropower saddle dam in Laos' Attapeu Province, a team of volunteers from PanAust's Lao-registered Company, Phu Bia Mining mobilised and travelled to the Province to assist with relief efforts.

Separately, the Company donated US\$50,000 to the Government of Laos' Ministry of Energy and Mines central relief coordination agency. Additionally, the Company also matched monetary donations made by its employees, which resulted in a US\$9,500 contribution to the Attapeu Provincial Administration Office.

"On behalf of the Company's Executive Management Team and employees across the PanAust Group, I extend my personal thanks to those who volunteered as part of the Company's emergency response team. Their dedication to helping people in need – and returning safety – exemplifies PanAust's Values," Dr Hess said.

In August, PanAust was awarded the 'Friend of Laos' Award at the 2018 Lao ASEAN Business Awards. The award acknowledges the Company's commitment to supporting socio-economic development in Laos. Dr Hess spoke of the Company's achievement.

"Since our operations commenced in Laos, economic participation, living standards and other socio-economic indicators have markedly improved, not just for communities adjacent to our activities and along our logistics route, but also for Laos more broadly.

"Our award-winning sustainability practices in Laos provide a template for how the Company will pursue its activities in other jurisdictions, including in Papua New Guinea and Myanmar," Dr Hess explained.

As the Company moves into the final quarter of 2018, PanAust is focussed on delivering exceptional full-year safety and production outcomes.

## 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 20,964t during the September quarter. A C1 cost of US\$1.44/lb copper was realised.

**Table 1**

Phu Kham Copper-Gold Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2018	9 months to 30 Sep 2018
Copper in concentrate	t	20,964	61,624
Gold in concentrate	oz	15,058	49,615
Silver in concentrate	oz	128,457	397,203
C1 cost after precious metal credits	US\$/lb Cu	1.44	1.36
AISC	US\$/lb Cu	1.78	1.79

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

### Phu Kham production performance

A total of 11.1 million tonnes (Mt) of ex-pit material was mined during the quarter which included 5Mt of copper-gold ore.

Copper, gold and silver head grades averaged 0.56 per cent, 0.22 grams/t (g/t) and 2.22g/t respectively. An overall copper recovery rate of more than 81 per cent was realised.

Quarterly pay-metal in concentrate sales totalled 19,425t of copper, 15,541oz of gold and 127,867oz of silver.

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

The Ban Houayxai Gold-Silver Operation poured 23,859oz of gold and 163,749oz of silver in doré during the September quarter. A C1 cost of US\$809/oz gold was realised.

**Table 2**

Ban Houayxai Gold-Silver Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2018	9 months to 30 Sep 2018
Gold poured	oz	23,859	76,690
Silver poured	oz	163,749	478,561
C1 cost after precious metal credits	US\$/oz	809	780
AISC	US\$/oz	971	990

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

### Ban Houayxai production performance

A total of 3.4Mt of total material mined was achieved at Ban Houayxai during the quarter. Mined material included 1Mt of gold-silver ore. Over 1.3Mt of ore was processed.

Gold and silver head grades averaged 0.73g/t and 7.85g/t respectively. A gold recovery percentage of 78 was achieved.

Payable gold and silver in doré sold during the quarter totalled 23,579oz and 155,224oz respectively.

### **Pre-development and exploration projects overview**

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

In Papua New Guinea (PNG), PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project.

In August 2018, PanAust announced it had completed a revision to the scope of the Project to integrate with the Government of PNG's strategic development plan. The revised scope supports a mine life in excess of 30 years and greater extraction of the extensive Mineral Resource by leveraging third-party shared-use infrastructure.

PanAust expects to complete an updated feasibility study and Environmental Impact Statement for the revised Project scope in the December quarter 2018.

#### **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.

WRCL holds tenements covering roughly 900 square-kilometres in the Sagaing region of Myanmar and has applied for additional Exploration Licences in the same Region.

A drilling program of the Company's Exploration Licences in Myanmar is scheduled to commence in December 2018.

#### **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 achieves this by meeting the demand for resources in a socially responsible way, by ensuring traditional rights and values are supported, and respecting cultural heritage.

#### **Ongoing commitment to the socio-economic development of Laos: PanAust wins 'Friend of Laos' Award at the Lao ASEAN Business Awards**

In September, PanAust received the 'Friend of Laos Award' at the 2018 Lao ASEAN Business Awards ceremony in Vientiane.

The Lao ASEAN Business Awards recognise outstanding businesses operating in Laos and seek to inspire their participation in an integrated market, thereby strengthen the competitiveness of the Lao private sector

within the ASEAN economic community. The 'Friend of Laos Award' acknowledges a Company's contribution to the Lao socio-economic development.

The Award highlights PanAust's ongoing commitment to ensuring its presence positively impacts its host communities.



Left: (left to right) PanAust General Manager Support Services, Shaun Massey; PanAust Executive General Manager Support Services, Adrian Bell; Phu Bia Mining Chairman, Mr Chanpheng Bounnaphol and Phu Bia Mining Government Relations Manager, Manilath Arounlangsy accept the 'Friend of Laos' award at the Lao ASEAN Business Awards ceremony, 28 September

### Sustainable growth: Signing of the Frieda River Accord

On 20 September, an Accord was signed between Frieda River Project owners/operators, and representatives of the Project's seven landowning communities at a ceremony held in the village of Paupe.

The Accord reflects a shared commitment to create an environment that enables a cooperative approach to advancing the Project. The accord was prompted by work stoppages initiated by a small group of disgruntled employees earlier in the year.

The signing of the Accord marks the beginning of a stronger relationship and commits to improving interactions between PanAust, Frieda River landowners, employees and host communities. It sets out a shared vision for a successful Project that is built on a foundation of trust, respect for due process, and law and order.



Left: PanAust representatives, community leaders and representatives from local Government following the signing of the Accord, 20 September 2018

## PanAust Group production and sales statistics for the September 2018 quarter

**Table 3**

Phu Kham Copper-Gold Operation	Units	3 months to 30 Sep 2018	9 months to 30 Sep 2018
Total material mined	t	11,163,674	38,616,516
Copper-gold ore mined	t	5,000,485	15,365,341
Process plant available time	%	94.9	95.9
Process plant operating time	%	94.4	95.4
Ore milled	t	4,557,446	14,122,083
Copper head grade	%	0.56	0.54
Gold head grade	g/t	0.22	0.23
Silver head grade	g/t	2.22	2.18
Concentrate produced	dmt	90,200	264,183
Copper in concentrate	t	20,964	61,624
Gold in concentrate	oz	15,058	49,615
Silver in concentrate	oz	128,457	397,203
Copper recovery	%	81.75	81.22
Concentrate sales	dmt	84,338	262,129
Payable copper in concentrate sold	t	19,425	60,714
Payable gold in concentrate sold	oz	15,541	50,954
Payable silver in concentrate sold	oz	127,867	427,116
Ban Houayxai Gold-Silver Operation	Units	3 months to 30 Sep 2018	9 months to 30 Sep 2018
Total material mined	t	3,353,469	11,395,889
Gold-silver ore mined	t	1,049,127	3,628,834
Process plant available time	%	97.5	97.2
Process plant operating time	%	96.5	96.4
Ore milled	t	1,302,388	3,921,270
Gold head grade	g/t	0.73	0.76
Silver head grade	g/t	7.85	7.47
Gold in doré	oz	23,859	76,690
Silver in doré	oz	163,749	478,561
Gold recovery	%	77.89	79.76
Payable gold in doré sold	oz	23,579	79,268
Payable silver in doré sold	oz	155,224	479,348

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 2018	9 months to 30 Sep 2018
Mining cost	0.69	0.70
Deferred mining and inventory adjustments capitalised	-0.02	-0.03
Processing cost	0.63	0.61
General and administration (site support)	0.15	0.16
<b>Total on-site operating costs</b>	<b>1.45</b>	<b>1.44</b>
Transport handling and marketing	0.22	0.21
Concentrate treatment and refining	0.23	0.24
<b>Total off-site operating costs</b>	<b>1.90</b>	<b>1.89</b>
Deduct precious metal credits	-0.46	-0.53
<b>Total direct operating costs (C1 cost)</b>	<b>1.44</b>	<b>1.36</b>
Royalty	0.16	0.18
Sustaining capital (includes TSF)	0.08	0.12
Rehabilitation and closure	0.00	0.00
Corporate support and shared services costs	0.08	0.09
Lease principal and interest charges	0.00	0.00
Deferred mining and inventory adjustment capitalised	0.02	0.03
<b>All-in sustaining costs</b>	<b>1.78</b>	<b>1.79</b>

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 2018	9 months to 30 Sep 2018
Mining cost	365	379
Deferred mining and inventory adjustments capitalised	-6	-7
Processing cost	410	390
General and administration (site support)	131	110
<b>Total on-site operating costs</b>	<b>900</b>	<b>871</b>
Total off-site operating costs (freight, refining)	8	6
Deduct silver credit	-98	-97
<b>Total direct operating costs (C1 cost)</b>	<b>809</b>	<b>780</b>
Royalty	81	84
Sustaining capital (includes TSF)	30	72
Rehabilitation and closure	0	1
Corporate support and shared services costs	45	45
Lease principal and interest charges	0	0
Deferred mining and inventory adjustment capitalised	6	7
<b>All-in sustaining costs</b>	<b>971</b>	<b>990</b>

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](mailto:kate.horan@panaust.com.au)

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<sup>i</sup> 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

<sup>ii</sup> 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