



8 February 2016

PanAust Quarterly Report for the three months to 31 December 2015

Highlights

- Outstanding quarterly production and cost performance.
 - Phu Kham Copper-Gold Operation: 21,861 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.18/lb after precious metal credits from 27,968 ounces (oz) gold and 112,363oz silver. All-in sustaining costsⁱⁱ (AISC) of US\$1.58/lb copper achieved.
 - Ban Houayxai Gold-Silver Operation: 36,370oz gold at a C1 cost of US\$430/oz after silver credit. AISC of US\$557/oz gold achieved.
- The Frieda River Project feasibility study is on track for submission to the Government of Papua New Guinea in the first half of 2016.
- PanAust was granted three Exploration Licences in Myanmar providing the Company with the first phase of a contract area that PanAust aims to build into a package of tenements covering 1,400 square-kilometres; exploration to commence in the first quarter 2016.
- PanAust received the Most Profitable Carbon Reduction Activity at the 2015 CDP Australian Climate Leadership Awards in recognition of energy efficiency initiatives implemented at the Company's Operations in Laos that have delivered significant cost savings.
- Exceptional 2015 full-year outcomes with PanAust recording the strongest ever annual performance metrics for the year, each exceeding agreed budget/targets.
 - Safety: total recordable injury frequency rate, 0.62 (target 1.35); Lost time injury frequency rate, 0.16 (target 0.23)
 - Production: 78,449t copper, 221,616oz gold in concentrate and doré and 1,664,242oz silver in concentrate and doré (target 74,000t to 76,000t copper, 195,000oz to 205,000oz gold, and 1.4Moz to 1.5Moz silver)
 - Costs Phu Kham: C1US\$1.30/lb (target US\$1.47/lb) and AISC US\$1.69/lb (target US\$1.99/lb)
 - Costs Ban Houayxai: C1US\$516/oz (target US\$673/oz) and AISC US\$687/oz (target US\$869/oz)

2013 WINNER
PROJECT DEVELOPMENT
OF THE YEAR



2013 WINNER
SUSTAINABILITY LEADERSHIP
2010/2011 WINNERS
BEST COMMUNITY DEVELOPMENT



2011
LAO PDR LABOUR ORDER CLASS 1
BEST RURAL DEVELOPMENT



2011 WINNER
SOCIAL/COMMUNITY PRESENTED BY
ETHICAL INVESTOR



Business overview

PanAust's business strategy is to maximise returns from its producing assets in Laos while advancing projects that offer potential to sustain and grow the business in the long term.

During the December quarter, the Phu Kham and Ban Houayxai Operations continued to deliver outstanding results across all key business indicators contributing to annual records for the 2015 year.

PanAust Managing Director, Dr Fred Hess said that in the face of significant challenges and changes throughout the year – including a depressed metal price environment and the Company's transition from being publicly listed to private ownership by Guangdong Rising Assets Management – PanAust recorded the strongest ever full-year outcomes in safety, production and expenditure.

"Full-year safety indicators achieved up to 50 per cent better than 2015 targets and from a year-on-year perspective continue to be significantly better than industry averages," Dr Hess said.

"2015 production totalled 78,449t copper, 221,616oz gold in concentrate and doré and 1,664,242oz silver in concentrate and doré and was well above targets of 74,000t to 76,000t copper, 195,000oz to 205,000oz gold, and 1.4Moz to 1.5Moz silver.

"The PanAust business efficiency review announced in January 2015 and implemented throughout the year delivered improvements to productivity through a more streamlined organisation, and numerous operational standardisations and innovations; each contributing to significant cost savings across the business.

"It was also during the course of 2015, that PanAust's workforce in Laos for the first time reached more than 90 per cent localisation. It was with this level of Lao-national personnel that our Operations delivered their best overall performance outcomes to date".

As the year drew to a close, PanAust progressed key activities to ensure the growth of the business in the long term.

Dr Hess said that a primary focus was the Frieda River Copper-Gold Project feasibility study, which is on track for submission to the Government of Papua New Guinea in the first half of 2016.

"In Myanmar, PanAust was granted three Exploration Licences providing the Company with the first phase of a contract area that we aim to build into a package of tenements covering 1,400 square-kilometres.

"Looking at the year as a whole, 2015 was a year characterised by outstanding results in the face of challenges and change for PanAust. Strong production, together with excellent cost outcomes enabled our Lao Operations to deliver solid free cash flow and by year end the business was in a strong position to withstand the subdued commodity prices that are likely to continue throughout 2016.

"In the context of ongoing economic volatility, the PanAust Executive Management Team will continue to focus on elements of the business that will ensure its ongoing success: safety, production, expenditure and strategic growth opportunities," Dr Hess said.

Operations overview

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

Copper in concentrate production for the December quarter was 21,861t at a C1 cash cost of US\$1.18/lb copper. Favourable costs were achieved due to a higher copper denominator, lower processing costs from lower milled tonnes, lower site-support costs and higher precious metal credits.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2015	12 months to 31 Dec 2015
Copper in concentrate	t	21,861	78,449
Gold in concentrate	oz	27,968	102,464
Silver in concentrate	oz	112,363	483,174
C1 cost after precious metal credits	US\$/lb Cu	1.18	1.30
AISC	US\$/lb Cu	1.58	1.69

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

Production performance

Total material mined at Phu Kham during the December quarter was 15.6 million tonnes (Mt) with 4.9Mt of ore processed. The average copper head grade was 0.56 per cent, and gold and silver head grades were 0.33grams/t (g/t) and 1.79g/t respectively.

During the December quarter, overall copper recovery averaged more than 80 per cent.

Quarterly pay-metal in concentrate sales totalled 25,262t of copper, 33,100oz of gold and 133,353oz of silver.

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

Ban Houayxai produced 36,370oz gold in doré at an average C1 cost of US\$430/oz after silver credits. Favourable costs were achieved from a predominantly higher production denominator aided by support from silver credits and reduced site-operating and site-support costs.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2015	12 months to 31 Dec 2015
Gold poured	oz	36,370	119,152
Silver poured	oz	345,633	1,181,068
C1 cost after precious metal credits	US\$/oz	430	516
AISC	US\$/oz	557	687

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

Production performance

Total material mined at Ban Houayxai during the December quarter was 3Mt. A total of 1.2Mt of ore was processed; the mill operated at 21 per cent above its nameplate design capacity.

Record gold production at Ban Houayxai was achieved for the December quarter and for the 2015 year.

Sales during the quarter totalled 39,076oz gold and 389,914oz silver.

Predevelopment and exploration projects overview

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

PanAust holds an 80 per cent interest in the Frieda River Project, with joint venture partner Highlands Pacific holding the remaining 20 per cent.

The Company continued to advance the Frieda River feasibility study including undertaking geotechnical analysis and engineering studies relating to mining, ore processing, waste rock and tailings storage, logistics and power.

The feasibility study program is structured around a stage-gate decision process that incorporates the findings from the technical and economic programs. The study is on track for submission to the Government of Papua New Guinea in the first half of 2016, initiating the process for regulatory approvals.

Work commenced on an Exploration Access Track which will improve access to the main camp site from the Frieda River airstrip.

Ongoing positive engagement with the Government of Papua New Guinea, provincial administrations in Sandaun Province and East Sepik Province, and host communities continued to foster strong and broad support for the Project.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

Following approval by the Government of Myanmar Cabinet and President's Office, PanAust was granted three Exploration Licences in Myanmar.

The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl – which provide the Company with the first phase of a contract area that PanAust aims to build into a package of tenements covering 1,400 square-kilometres. Basic reconnaissance work has commenced and historical exploration data undertaken by western mining companies during the 1990s has been made available to PanAust by the Government of Myanmar. This data is currently under review.

The Company's focus in Myanmar for the 2016 year is to carry out geochemical sampling and mapping to identify potential drill targets by year end and strengthen its presence in the country by establishing a permanent office in Banmauk Township. PanAust will also continue to advance other potential exploration opportunities in Myanmar throughout the upcoming year.

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 owns 100 per cent of the rights to the areas covered by the Exploration Licences.

Inca de Oro Copper-Gold Project, Chile (PanAust 61.06 per cent)

PanAust completed a feasibility study on the Inca de Oro Project in 2014. A number of commercial matters that could have a material impact on the viability of the Project are yet to be resolved with stakeholders.

No site activities were undertaken during the 2015 year and none will be planned until satisfactory commercial arrangements for the Project are established.

Sustainability

PanAust's success is founded on the combination of operational excellence and commitment to sustainable business outcomes. Over the course of the Company's development from junior explorer to mid-tier international copper and gold producer, wherever it operates, PanAust has applied leading-practice governance, government and community engagement, environmental management, health and safety, and employee engagement and development.

In advancing growth opportunities, PanAust will leverage its award-winning sustainability practices to ensure the development of operations that will contribute to host countries' long-term growth and prosperity.

Safety

As at 31 December, full-year averages for PanAust's key safety performance indicators were trending below (that is, better than) 2015 targets: total recordable injury frequency rate, 0.62 (target, 1.35); Lost time injury frequency rate, 0.16 (target, 0.23)

One recordable injury occurred during the December quarter 2015.

Community engagement

As a mining company operating in developing countries, PanAust is in a position to contribute to improving the standard of living for current and future generations. PanAust focuses on capacity-building projects in host communities focusing on the key development areas of: education, healthcare, agricultural development, small-business development (including microfinance) and infrastructure.

In the vicinity of PanAust's operations in Laos, the Company continued to support economic development initiatives to decrease reliance on PanAust's in-country mining activities over time. During the December quarter, the construction of a marketplace in Nasaysavang village (near to Ban Houayxai) was completed with a significant contribution from PanAust. The market provides a central point of trade for agricultural and household goods between families from four villages with a combined population of approximately 3,500 and supports government and community planning priorities associated with the local district's Economic Development Plan.



Handover ceremony of the Nasaysavang market from PanAust to the local provincial authorities in October 2015

Environment

PanAust's focus on environmental management continues to foster positive business outcomes. PanAust experienced no reportable environmental incidents throughout 2015.

In November, PanAust received the Most Profitable Carbon Reduction Activity at the 2015 CDP Australian Climate Leadership Awards. The Award recognised an array of energy efficiency initiatives that PanAust has put in place at its operations in Laos that, together, have delivered significant cost savings.

The Award recognised the profitability of site-based carbon reduction initiatives including mine haulage fleet operating-time improvements, a passive system that has negated reliance on electricity for water treatment, and solar lighting.

It was the second year running that PanAust was included in the Australian Climate Disclosure Leadership Index which recognises the top twenty companies for climate disclosure through CDP.



PanAust Group Risk Manager, Ms Bernie Wardle is pictured (second from right) accepting the Most Profitable Carbon Reduction Activity Award on behalf of PanAust at the CDP Australian Climate Leadership Awards held in Sydney in November 2015

In Papua New Guinea, the Environmental Impact Statement for the Frieda River Copper-Gold Project continued to be advanced during the quarter, and environmental and social baseline data was updated.

PanAust Group production and sales statistics December 2015 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 31 Dec 2015	12 months to 31 Dec 2015
Total material mined	t	15,617,669	55,759,575
Copper-gold ore mined	t	4,904,238	17,815,742
Ore milled	t	4,867,506	19,185,752
Copper head grade	%	0.56	0.53
Gold head grade	g/t	0.33	0.33
Silver head grade	g/t	1.79	1.90
Concentrate produced	dmt	92,447.33	340,308.37
Copper in concentrate	t	21,860.57	78,448.84
Gold in concentrate	oz	27,967.98	102,464.32
Silver in concentrate	oz	112,362.79	483,173.98
Copper recovery	%	80.17	77.29
Concentrate sales	dmt	109,443	343,195.18
Payable copper in concentrate sold	t	25,262	76,970.83
Payable gold in concentrate sold	oz	33,100	100,022
Payable silver in concentrate sold	oz	133,353	476,799
Ban Houayxai Gold-Silver Operation			
Total material mined	t	3,283,177	12,467,198
Gold-silver ore mined	t	1,262,530	5,255,915
Ore milled	t	1,244,009	4,941,391
Gold head grade	g/t	1.07	0.91
Silver head grade	g/t	14.70	13.06
Gold in doré	oz	36,370	119,152
Silver in doré	oz	345,633	1,181,068
Gold recovery	%	84.63	83.06
Payable gold in doré sold	oz	39,076	119,994
Payable silver in doré sold	oz	389,914	1,198,872

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 31 Dec 2015	12 months to 31 Dec 2015
Mining cost	0.67	0.68
Deferred mining and inventory adjustments capitalised	-0.01	0.03
Processing cost	0.58	0.63
General and administration (site support)	0.12	0.15
Total on-site operating costs	1.36	1.50
Transport handling and marketing	0.19	0.22
Concentrate treatment and refining	0.32	0.32
Total off-site operating costs	1.87	2.04
Deduct precious metal credits	-0.69	-0.74
Total direct operating costs (C1 cost)	1.18	1.30
Royalty	0.13	0.15
Sustaining capital (includes TSF)	0.07	0.07
Corporate support and shared services costs	0.09	0.09
Lease principal and interest charges	0.10	0.12
Deferred mining and inventory adjustment capitalised	0.01	-0.03
All-in sustaining costs	1.58	1.69

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 31 Dec 2015	12 months to 31 Dec 2015
Mining cost	166	214
Deferred mining and inventory adjustments capitalised	22	9
Processing cost	310	355
General and administration (site support)	58	73
Total on-site operating costs	557	651
Total off-site operating costs (freight, refining)	16	19
Deduct silver credit	-143	-153
Total direct operating costs (C1 cost)	430	516
Royalty	74	78
Sustaining capital (includes TSF)	1	14
Corporate support and shared services costs	38	43
Lease principal and interest charges	35	44
Deferred mining and inventory adjustment capitalised	-22	-9
All-in sustaining costs	557	687

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

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