

25 July 2016

PanAust Quarterly Report for the three months to 30 June 2016

Highlights

- Excellent safety performance: as at 30 June, the PanAust Group achieved 12 months lost time injury free for all controlledⁱ work activities
- 12-month safety indicator rolling averages were trending well below targets: lost time injury frequency rate, 0.00 (target, 0.23); total recordable injury frequency rate, 0.32 (target, 1.35).
- The Phu Kham Copper-Gold Operation produced 23,286 tonnes (t) of copper in concentrate at a C1ⁱⁱ cost of US\$0.92/lb after precious metal credits from 24,716 ounces (oz) gold and 139,869oz silver. An all-in sustaining costⁱⁱⁱ (AISC) of US\$1.38/lb copper was achieved.
- The Ban Houayxai Gold-Silver Operation produced 33,603oz gold and 293,416oz silver at a C1 cost of US\$417/oz after silver credit. An AISC of US\$628/oz gold was achieved.
- PanAust announced completion of the feasibility study for the Frieda River Copper-Gold Project in Papua New Guinea on 19 May 2016.
- On 24 June 2016, PanAust announced that a Special Mining Lease (SML) application for the Frieda River Project was registered with the Mineral Resources Authority of Papua New Guinea. The lodgement satisfied a condition of the key Exploration Licence (EL58) that an application for an SML in respect of the Frieda River Mining Project be made on or before 30 June 2016.
- PanAust published its *2015 Business Review & Sustainability Report*, the Company's tenth consecutive annual report in relation to material non-financial risks. The Report was prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines including the Mining and Metals Supplement, and was independently assured.

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



2011
LAO PDR LABOUR
ORDER CLASS 1
BEST RURAL
DEVELOPMENT



2011 WINNER
SOCIAL/COMMUNITY
PRESENTED BY
ETHICAL INVESTOR



Business overview

At the half-year mark of 2016, PanAust's key business metrics continue to demonstrate the strength and capability of its people, culture, systems and processes.

PanAust Managing Director, Dr Fred Hess said that the health and safety of PanAust employees continues to be the single most important element of the business.

"I am very pleased to report that as at the end of June 2016, our commitment to Zero Harm is reflected in the achievement of a full year of no lost time injuries across the PanAust Group.

"As a mining company with operations, exploration and projects in remote, mountainous locations of developing countries with high levels of rainfall this is a remarkable effort and has been achieved through a determined and pro-active safety culture at all levels of the business and across all sites.

"Over the course of many years, this Company has reflected on its safety performance and has put in place targeted programs focusing on hot spots and lead indicators that are now delivering tangible results.

"One year of no lost time injuries is a great achievement, but is not a reason to lose focus or diminish our efforts towards Zero Harm. We will continue to implement and measure the results of our safety programs, and reflect and learn from our own high-potential and/or actual incidents as well as from those that occur across the industry.

"Our safety standards continue to underpin our overall business performance with PanAust again reporting strong copper, gold and silver production for the June 2016 quarter. Good production outcomes coupled with the Company's ongoing focus on containing costs, has enabled solid free cash flows for the PanAust business in the prevailing depressed metal price environment," Dr Hess said.

PanAust's corporate strategy remains firmly focused on maximising returns from producing assets while advancing projects that offer potential to sustain and grow the business in the long term.

Dr Hess stated that two key milestones were reached in the June quarter in respect of PanAust's pursuit of organic growth.

"The feasibility study for the Frieda River Copper-Gold Project was completed and a Special Mining Lease (SML) application for the Project was registered with the Mineral Resources Authority of Papua New Guinea.

"We anticipate that the Frieda River Project will make a substantial positive economic contribution to Papua New Guinea at both a national and provincial level. The submission of the SML application gives us a good platform to secure support for major shared-use infrastructure, which would benefit the Project and the people of Sandaun and East Sepik provinces.

"An Environmental Impact Assessment is being prepared for the Project and is scheduled for submission in the December quarter 2016. PanAust is an internationally recognised leader in environmental management and sustainability. Our well-established, proven Group standards and operational environmental performance in similar conditions in Laos will guide environmental management programs at Frieda River," Dr Hess said.

Operations overview

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

Copper in concentrate production at Phu Kham for the June quarter was 23,286t. Favourable C1 costs of US\$0.92/lb copper were achieved due to higher precious metal credits and lower than budgeted mining costs.

Table 1

| Phu Kham Operation <i>Production summary (100% equity basis)</i> | Units | 3 months to 30 Jun 2016 | 6 months to 30 Jun 2016 |
|---|------------|-------------------------------|-------------------------------|
| Copper in concentrate | t | 23,286 | 44,357 |
| Gold in concentrate | oz | 24,716 | 48,755 |
| Silver in concentrate | oz | 139,869 | 246,913 |
| C1 cost after precious metal credits | US\$/lb Cu | 0.92 | 1.00 |
| AISC | US\$/lb Cu | 1.38 | 1.46 |

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

Phu Kham production performance

Total material mined at Phu Kham during the June quarter was 13.9 million tonnes (Mt) with 4.9Mt of ore processed. The average copper head grade was 0.59 per cent, and gold and silver head grades were 0.30grams/t (g/t) and 2.17g/t respectively.

Overall copper recovery averaged more than 79 per cent for the quarter.

Quarterly pay-metal in concentrate sales totalled 23,559t of copper, 25,351oz of gold and 142,486oz of silver.

At the mid-year point of 2016, the Phu Kham Operation continues to perform strongly; surpassing all key safety, production and cost metrics.

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

The Ban Houayxai Operation produced 33,603oz gold in doré and 293,416oz silver in doré during the June quarter at an average C1 cost of US\$417/oz after silver credits.

Table 2

| Ban Houayxai Operation <i>Production summary (100% equity basis)</i> | Units | 3 months to 30 Jun 2016 | 6 months to 30 Jun 2016 |
|---|---------|-------------------------------|-------------------------------|
| Gold poured | oz | 33,603 | 73,452 |
| Silver poured | oz | 293,416 | 653,805 |
| C1 cost after precious metal credits | US\$/oz | 417 | 374 |
| AISC | US\$/oz | 628 | 556 |

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

Ban Houayxai production performance

Total material mined at Ban Houayxai during the June 2016 quarter was 3.3Mt. A total of 1.1Mt of ore was processed with the mill operating at almost 10 per cent above its nameplate design capacity.

Sales during the quarter totalled 29,148oz gold and 274,616oz silver.

At the mid-year point of 2016, the Ban Houayxai Operation continues to perform strongly; surpassing all key safety, production and cost metrics.

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 Copper-Gold Project in Papua New Guinea. Joint venture partner, Highlands Pacific holds the remaining 20 per cent.

PanAust announced on 19 May 2016 the completion of the feasibility study for the Frieda River Project and on the 24 June that a Special Mining Lease (SML) application for the Project was lodged with the Mineral Resources Authority of Papua New Guinea. The lodgement satisfied a condition of the key Exploration Licence (EL58) that an application for an SML in respect of the Frieda River Mining Project be made on or before 30 June 2016.

Frieda River represents one of the largest undeveloped copper-gold deposits in the world. The Horse-Ivaal-Trukai, Ekwai and Koki (HITEK) global Mineral Resource is estimated at over 2.7 billion tonnes of mineralisation at an average grade of 0.42 per cent copper and 0.23g/t gold and contains approximately 12Mt of copper and 19 million ounces of gold. PanAust considers that the optimum approach to this substantial Mineral Resource is via a multi-staged development that involves an initial project that forms the platform for subsequent phases of exploration, Mineral Resource definition and development.

The feasibility study contemplates an initial Project based on the HITEK copper-gold porphyry deposits and comprises a large-scale, open-pit mining operation that feeds ore to a conventional process plant nominally rated at 40 million tonnes per annum. Average annual production of metal in concentrate is 175,000t copper and 250,000oz gold over the initial mine life, estimated at 17 years.

At the Frieda River Project site, work progressed throughout the June quarter on the construction of an exploration access track (EAT). The EAT will improve access and flexibility in logistics to the main camp site from both the Frieda River and the existing airstrip.

Close and ongoing engagement with the Government of Papua New Guinea, provincial administrations in Sandaun and East Sepik provinces, as well as with host communities continues to demonstrate 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 in January 2016. The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl.

During the second quarter, a program of geochemical sampling and mapping, and data analysis continued with the aim of identifying potential drill targets by year end.

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 68.8 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 is part of a global industry that has a critical role to play in improving the standard of living for current and future generations through meeting the demand for copper and precious metals in a responsible manner.

PanAust has applied leading-practice governance, government and community engagement, environmental management, health and safety, and employee engagement and development to all of its activities in each country in which it has a presence.

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.

Governance

In June 2016, the PanAust Board of Directors carried out a site visit to the Lao Operations with the aim of deepening their understanding of the Company’s business, site logistics and sustainability commitments. Board members also met with relevant Government of Lao ministers during the visit.



The PanAust Board of Directors overlooking the open pit at Phu Kham during the Board’s site visit in June 2016; (left to right) Mr Qian Deng, Mr Gang Yu, Dr Fred Hess, Dr Lixin Wang, and Mr Minzhi Han

PanAust's Seventh Annual Employee Awards

PanAust recognises that employees make the most significant contribution to the Company's success in all aspects of its business: safety, operational excellence and sustainability outcomes.

The Company's Employee Awards Program is undertaken each year to recognise and reward PanAust employees whose contribution to the business is widely seen as outstanding and an exemplar of the Company's Vision and Values.

Following a rigorous nomination and final selection process, the '7th Gala Employee Awards Ceremony' was held in Vientiane, Laos on 7 May 2016 to announce this year's Employee Award recipients. As per previous years, winners represented a wide variety of professions and locations from across the Company.



PanAust's Employee Award winners at the 7th Annual Awards Ceremony held in Vientiane, May 2016

Public reporting of sustainability performance

PanAust published its tenth consecutive annual report in relation to material non-financial risks. The *2015 Business Review & Sustainability Report* was prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines including the Mining and Metals Supplement and was independently assured.

The Report demonstrates PanAust's commitment to identifying and managing material sustainability issues and public reporting transparency. Its release to the public also verifies PanAust's parent Company, Guangdong Rising Asset Management's support for PanAust to continue this practice as an un-listed company.

The 2015 Report is a one-year snapshot of the results of PanAust's sustainability culture, which is cultivated throughout the organisation from the top down. The Report is structured around six core business elements: economic performance, governance, social performance, environmental performance, health and safety, and employees.

PanAust's *2015 Business Review & Sustainability Report* and those for the previous nine years, can be viewed online, www.panaust.com.au/reports

PanAust Group production and sales statistics March 2016 quarter

Table 3

| Phu Kham Copper-Gold Operation | Units | 3 months to 30 Jun 2016 | 6 months to 30 Jun 2016 |
|---|--------------|--------------------------------|--------------------------------|
| Total material mined | t | 13,914,262 | 28,395,095 |
| Copper-gold ore mined | t | 5,522,361 | 9,792,667 |
| Ore milled | t | 4,946,692 | 9,833,400 |
| Copper head grade | % | 0.59 | 0.57 |
| Gold head grade | g/t | 0.30 | 0.30 |
| Silver head grade | g/t | 2.17 | 2.01 |
| Concentrate produced | dmt | 101,039 | 191,575 |
| Copper in concentrate | t | 23,286 | 44,357 |
| Gold in concentrate | oz | 24,716 | 48,755 |
| Silver in concentrate | oz | 139,869 | 246,913 |
| Copper recovery | % | 79.34 | 78.57 |
| Concentrate sales | dmt | 102,858 | 182,868 |
| Payable copper in concentrate sold | t | 23,559 | 41,959 |
| Payable gold in concentrate sold | oz | 25,351 | 47,348 |
| Payable silver in concentrate sold | oz | 142,486 | 246,210 |
| Ban Houayxai Gold-Silver Operation | | 3 months to 30 Jun 2016 | 6 months to 30 Jun 2016 |
| Total material mined | t | 3,279,440 | 6,512,391 |
| Gold-silver ore mined | t | 1,321,074 | 2,615,254 |
| Ore milled | t | 1,084,001 | 2,310,189 |
| Gold head grade | g/t | 1.10 | 1.14 |
| Silver head grade | g/t | 13.42 | 14.79 |
| Gold in doré | oz | 33,603 | 73,452 |
| Silver in doré | oz | 293,416 | 653,805 |
| Gold recovery | % | 86.24 | 85.61 |
| Payable gold in doré sold | oz | 29,148 | 67,720 |
| Payable silver in doré sold | oz | 274,616 | 615,267 |

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 Jun 2016 | 6 months to 30 Jun 2016 |
|---|-------------------------------|-------------------------------|
| Mining cost | 0.53 | 0.55 |
| Deferred mining and inventory adjustments capitalised | -0.01 | -0.01 |
| Processing cost | 0.48 | 0.53 |
| General and administration (site support) | 0.12 | 0.13 |
| Total on-site operating costs | 1.14 | 1.21 |
| Transport handling and marketing | 0.18 | 0.18 |
| Concentrate treatment and refining | 0.29 | 0.29 |
| Total off-site operating costs | 1.60 | 1.68 |
| Deduct precious metal credits | -0.68 | -0.68 |
| Total direct operating costs (C1 cost) | 0.92 | 1.00 |
| Royalty | 0.13 | 0.13 |
| Sustaining capital (includes TSF) | 0.10 | 0.10 |
| Corporate support and shared services costs | 0.07 | 0.07 |
| Lease principal and interest charges | 0.14 | 0.15 |
| Deferred mining and inventory adjustment capitalised | 0.01 | 0.01 |
| All-in sustaining costs | 1.38 | 1.46 |

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 Jun 2016 | 6 months to 30 Jun 2016 |
|---|-------------------------------|-------------------------------|
| Mining cost | 200 | 178 |
| Deferred mining and inventory adjustments capitalised | 7 | 15 |
| Processing cost | 302 | 260 |
| General and administration (site support) | 57 | 55 |
| Total on-site operating costs | 566 | 508 |
| Total off-site operating costs (freight, refining) | 8 | 8 |
| Deduct silver credit | -157 | -143 |
| Total direct operating costs (C1 cost) | 417 | 374 |
| Royalty | 85 | 81 |
| Sustaining capital (includes TSF) | 35 | 28 |
| Corporate support and shared services costs | 33 | 29 |
| Lease principal and interest charges | 65 | 60 |
| Deferred mining and inventory adjustment capitalised | -7 | -15 |
| All-in sustaining costs | 628 | 556 |

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

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ⁱ All work conducted by employees, visitors, consultants and contractors on an active PanAust owned or leased site including operations, private easement and exploration sites irrespective of whether PanAust or the contractor provide direct supervision of the work activities (PanAust sets standards, has a high level of workplace visibility, provides oversight, and monitors the outcomes); all locations external to a PanAust owned or leased sites where PanAust employees directly supervise or conduct work

ⁱⁱ 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

ⁱⁱⁱ 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