



PANAUST

19 April 2016

## PanAust Quarterly Report for the three months to 31 March 2016

### Highlights

- PanAust reports an excellent start to 2016 with very strong results across all key business indicators: safety, production and costs.
  - As at 31 March, 12-month rolling safety indicator averages were trending well below targets: lost time injury frequency rate, 0.08 (target, 0.23); total recordable injury frequency rate, 0.47 (target, 1.35).
  - In March 2016, the Phu Kham Operation (mining, processing and maintenance) achieved for the first time in its history no recordable injuries for a 12 month period (369 days).
  - The Phu Kham Copper-Gold Operation produced 21,071 tonnes (t) of copper in concentrate at a C1<sup>i</sup> cost of US\$1.09/lb after precious metal credits from 24,039 ounces (oz) gold and 107,044oz silver. All-in sustaining costs<sup>ii</sup> (AISC) of US\$1.56/lb copper was achieved.
  - The Ban Houayxai Gold-Silver Operation achieved record quarterly production of 39,849oz gold and 360,389oz silver at a C1 cost of US\$336/oz after silver credit. AISC of US\$495/oz gold was achieved.
- The Frieda River Project feasibility study was mostly complete by 31 March and is on track for submission to PanAust's joint venture partner, Highlands Pacific during the second quarter of 2016.
- In January 2016, PanAust was granted three Exploration Licences in Myanmar, with exploration activities commencing during the first quarter 2016.
- PanAust received from its parent company, Guangdong Rising Assets Management (GRAM) two annual awards: 'Excellence in Safety' and 'Excellence in Operations'.

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 is pleased to report that following exceptional business performance for the 2015 year, an equally strong start to 2016 was achieved. For the three months to 31 March 2016, Phu Kham and Ban Houayxai once again delivered outstanding results for safety, production and costs.

PanAust Managing Director, Dr Fred Hess said that the Company's commitment to the health and safety of its workforce continues to underpin operational excellence.

"Very strong copper, gold and silver production – including quarterly records for gold and silver at Ban Houayxai – together with excellent cost outcomes achieved throughout the first quarter, continue to deliver solid free cash flows for PanAust in the prevailing depressed metal price environment.

"PanAust has been operating as a private company for over nine months now and continues to enjoy the strong support of its parent company, Chinese state-owned enterprise, GRAM.

"At GRAM's Annual General Meeting held in Guangzhou earlier this year, I had the honour of accepting two awards on behalf of PanAust. The first for 'Excellence in safety' and the other for 'Excellence in Operations'. The awards are recognition by GRAM of PanAust's outstanding performance during 2015.

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

"During the first quarter of 2016, we continued to progress the Frieda River Project feasibility study and by 31 March, it was largely complete. The study remains on track for submission to our joint venture partner, Highlands Pacific during the second quarter. It is expected that it will be submitted to the Government of Papua New Guinea by the end of the second quarter; initiating the process for regulatory approvals.

"In Myanmar, PanAust was granted three Exploration Licences. PanAust has commenced the first phase of exploration over a tenement package of 600 square-kilometres.

"With the outlook for commodity prices remaining subdued, PanAust has continued to focus on the key elements of the business within our control: safety, production, cost and strategic growth opportunities.

"The pursuit of our strategic growth opportunities are enhanced as a wholly owned subsidiary of GRAM. With PanAust's financial capacity strengthened, we are actively seeking organic growth via our existing assets and looking further afield at potential high-quality acquisitions," Dr Hess said.

## Operations overview

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

Copper in concentrate production for the March quarter was 21,071t, which was above budget as a result of higher mined head grades, improved recoveries and higher mill throughputs. Favourable C1 costs of US\$1.09/lb copper were achieved from lower direct site operating costs, a higher copper production denominator, and higher precious metal credits.

**Table 1**

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Mar 2016
Copper in concentrate	t	21,071
Gold in concentrate	oz	24,039
Silver in concentrate	oz	107,044
C1 cost after precious metal credits	US\$/lb Cu	1.09
AISC	US\$/lb Cu	1.56

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 March quarter was 14.5 million tonnes (Mt) with 4.3Mt of ore processed. The average copper head grade was 0.55 per cent, and gold and silver head grades were 0.30grams/t (g/t) and 1.85g/t respectively.

Overall copper recovery averaged more than 77 per cent for the quarter.

Quarterly pay-metal in concentrate sales totalled 17,899t of copper, 20,089oz of gold and 92,625oz of silver.

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

Quarterly production records were achieved at Ban Houayxai with 39,849oz gold in doré and 360,389oz silver in doré produced at an average C1 cost of US\$336/oz after silver credits. Favourable costs were achieved largely from the combination of higher production and lower processing costs.

**Table 2**

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Mar 2016
Gold poured	oz	39,849
Silver poured	oz	360,389
C1 cost after precious metal credits	US\$/oz	336
AISC	US\$/oz	495

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 March 2016 quarter was 3Mt. A total of 1.2Mt of ore was processed with the mill operating at 20 per cent above its nameplate design capacity. Sales during the quarter totalled 38,571oz gold and 340,651oz 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.

During the first quarter of 2016, PanAust continued to advance the Frieda River feasibility study and by 31 March, the feasibility study was largely complete. The study is undergoing internal review prior to independent peer review in the second quarter of the year.

The study remains on track for submission to our joint venture partner, Highlands Pacific.

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

Close engagement with the Government of Papua New Guinea, provincial administrations in Sandaun Province and East Sepik Province, as well as 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. The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl.

During the first quarter of 2016, PanAust commenced a program of geochemical sampling and mapping with the aim of identifying potential drill targets by year end.

Strengthening its presence and seeking to advance other potential exploration opportunities will continue to be a priority for PanAust in Myanmar during 2016.

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. No material site activities are currently planned.

## Sustainability

PanAust's success is founded on the combination of operational excellence and commitment to sustainable business outcomes. 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.

### Safety

As at 31 March 2016, PanAust's 12-month rolling safety indicator averages were trending well below Company targets: lost time injury frequency rate, 0.08 (target, 0.23); total recordable injury frequency rate, 0.47 (target, 1.35). During the month of March 2016, the Phu Kham Operation (mining, processing and maintenance) achieved for the first time its history 12 months injury free (369 days).



**Safety:** In the March quarter 2016, the Phu Kham Copper-Gold Operation achieved for the first time in its history 12 month injury free (369 days)

### Lao-national employee development

As a mining company operating in developing countries, PanAust values its contribution to improving the standard of living for current and future generations. Part of the intended legacy of PanAust in each jurisdiction where it operates is a skilled workforce.

PanAust's Lao based Leadership Development Program targets high-potential employees and focuses on developing their skills in relation to strategy and planning, problem solving, and leadership techniques to positively support and influence work teams.

In February, a graduation ceremony to recognise completion of the Leadership Development Program by 75 employees was held in Vientiane, Laos. Seventy-three of the graduate cohort were Lao-national; continuing the year-on-year trend of an increase in Lao-national Leadership graduates: 40 in 2014; 63 in 2015; and 73 at the recent graduation ceremony.



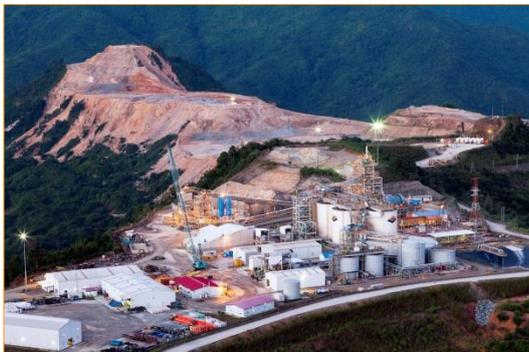
**Lao-national employee development:** a group of Lao-national Leadership Development graduates at a ceremony held in Vientiane to mark their successful completion of the program

## Environment

PanAust’s focus on environmental management continues to foster positive business outcomes.

The International Cyanide Management Code (ICMC, the Code), administered by the International Cyanide Management Institute (ICMI), is a voluntary program for the responsible manufacture, transport, and use and disposal of cyanide in the production of gold. The Ban Houayxai Operation was designed and constructed to be Code-compliant and achieved Code pre-operational certification in 2012, and was subsequently operationally certified in March 2013. PanAust undergoes third-party audits on a triennial basis with that carried out in January 2016 showing full Code compliance and successful operational re-certification was achieved.

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.



**Environment:** following the third-party audit carried out in January 2016, the Ban Houayxai Gold-Silver Operation in Laos again achieved ICMC certification

## PanAust Group production and sales statistics March 2016 quarter

**Table 3**

<b>Phu Kham Copper-Gold Operation</b>	<b>Units</b>	<b>3 months to 31 Mar 2016</b>
Total material mined	t	14,480,832
Copper-gold ore mined	t	4,270,307
Ore milled	t	4,886,708
Copper head grade	%	0.55
Gold head grade	g/t	0.30
Silver head grade	g/t	1.85
Concentrate produced	dmt	90,536
Copper in concentrate	t	21,071
Gold in concentrate	oz	24,039
Silver in concentrate	oz	107,044
Copper recovery	%	77.80
Concentrate sales	dmt	80,010
Payable copper in concentrate sold	t	17,899
Payable gold in concentrate sold	oz	20,089
Payable silver in concentrate sold	oz	92,625
<b>Ban Houayxai Gold-Silver Operation</b>		<b>3 months to 31 Mar 2016</b>
Total material mined	t	3,232,951
Gold-silver ore mined	t	1,294,180
Ore milled	t	1,226,188
Gold head grade	g/t	1.17
Silver head grade	g/t	16.01
Gold in doré	oz	39,849
Silver in doré	oz	360,389
Gold recovery	%	85.05
Payable gold in doré sold	oz	38,571
Payable silver in doré sold	oz	340,651

Cumulative data may incorporate post reporting period adjustments to prior periods

**Table 4**

<b>Phu Kham Copper-gold Operation production costs US\$/lb copper</b>	<b>3 months to 31 Mar 2016</b>
Mining cost	0.57
Deferred mining and inventory adjustments capitalised	-0.01
Processing cost	0.59
General and administration (site support)	0.12
<b>Total on-site operating costs</b>	<b>1.29</b>
Transport handling and marketing	0.18
Concentrate treatment and refining	0.30
<b>Total off-site operating costs</b>	<b>1.77</b>
Deduct precious metal credits	-0.67
<b>Total direct operating costs (C1 cost)</b>	<b>1.09</b>
Royalty	0.13
Sustaining capital (includes TSF)	0.10
Corporate support and shared services costs	0.07
Lease principal and interest charges	0.16
Deferred mining and inventory adjustment capitalised	0.01
<b>All-in sustaining costs</b>	<b>1.56</b>

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

**Table 5**

<b>Ban Houayxai Gold-Silver Operation production costs US\$/oz gold</b>	<b>3 months to 31 Mar 2016</b>
Mining cost	159
Deferred mining and inventory adjustments capitalised	22
Processing cost	226
General and administration (site support)	53
<b>Total on-site operating costs</b>	<b>460</b>
Total off-site operating costs (freight, refining)	8
Deduct silver credit	-132
<b>Total direct operating costs (C1 cost)</b>	<b>336</b>
Royalty	79
Sustaining capital (includes TSF)	22
Corporate support and shared services costs	26
Lease principal and interest charges	56
Deferred mining and inventory adjustment capitalised	-22
<b>All-in sustaining costs</b>	<b>495</b>

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

---

<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