

28 October 2016

## PanAust Quarterly Report for the three months to 30 September 2016

### Highlights

- PanAust continued to deliver favourable Group safety results during the September quarter:
- Year-to-date 12-month safety indicator rolling averages were tracking well: lost time injury frequency rate, 0.00; total recordable injury frequency rate, 0.86
- Solid quarterly production and cost performance:
- The Phu Kham Copper-Gold Operation produced 22,259 tonnes (t) of copper in concentrate at a C1<sup>i</sup> cost of US\$1.16/lb after precious metal credits from 20,550 ounces (oz) gold and 146,552oz silver. An all-in sustaining cost<sup>ii</sup> (AISC) of US\$1.63/lb copper was achieved.
- The Ban Houayxai Gold-Silver Operation produced 27,638oz gold and 240,975oz silver at a C1 cost of US\$525/oz after silver credit. An AISC of US\$743/oz gold was achieved.
- A month-long Sepik River Awareness Program in Papua New Guinea was completed in September.
- Both the Phu Kham and Ban Houayxai mobile maintenance workshops and associated warehouse facilities have achieved a Caterpillar 5-star rating for contamination control.

### Business overview

PanAust continued to deliver solid production, cost and sustainability outcomes throughout the September quarter of 2016.

Ongoing high-performance at the Company's Laos-based operations – the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation – underpinned strong production outcomes.

Reflecting these strong outcomes, early in the December quarter of 2016, both the Phu Kham and Ban Houayxai mobile maintenance workshops and associated warehouse facilities received the maximum Caterpillar 5-star rating for contamination control. This achievement will continue to underpin lower maintenance costs and higher equipment reliability across the Operations.



Welcoming this strong performance, PanAust Managing Director, Dr Fred Hess noted that the focus on health and safety of PanAust employees provides the necessary foundation to achieve outstanding production and cost performance.

“As of 30 September 2016, PanAust’s Phu Kham Copper-Gold Operation recorded 552 days with Zero Harm. This represents over 8.4 million work hours without a recordable injury.

“As a mining company with operations, exploration and projects in mountainous and remote locations, this is a remarkable effort. It has been achieved through a determined and pro-active safety culture that exists throughout all levels of the business and across all sites,” Dr Hess said.

In September, the Frieda River Project’s stakeholder engagement continued with an intensive Sepik River Awareness Program. This was accompanied by a visit to site by the Chinese Ambassador to Papua New Guinea, the Australian High Commissioner to Papua New Guinea and several Papua New Guinean members of parliament and officials.

“The visit demonstrated the strong support of key stakeholders and the importance they place on the Project proceeding,” Dr Hess commented.

PanAust continues to explore its 2,600 km<sup>2</sup> Contract Area.

“Following an airborne geophysical magnetic survey carried out in April 2016, the Company has identified a number of exploration targets within the Lao Contract Area. Mapping and ground geophysics on the high-priority targets have begun, and a scout drilling program will be carried out on these targets in the December quarter 2016, the first of which is the gold and silver target at Pha Piang.

“With the outlook for commodity prices remaining subdued, PanAust’s focus to the end of 2016 will remain firmly fixed on delivering the best possible safety, production and cost outcomes while continuing to pursue strategic growth opportunities,” Dr Hess said.

## Operations overview

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

Copper in concentrate production at Phu Kham for the September quarter was 22,259t. Solid C1 costs of US\$1.16/lb copper were achieved.

**Table 1**

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2016	9 months to 30 Sep 2016
Copper in concentrate	t	22,259	66,616
Gold in concentrate	oz	20,550	69,305
Silver in concentrate	oz	146,552	393,465
C1 cost after precious metal credits	US\$/lb Cu	1.16	1.06
AISC	US\$/lb Cu	1.63	1.52

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 September quarter was 14.08 million tonnes (Mt) with 4.6Mt of ore processed. The average copper head grade was 0.59 per cent, and gold and silver head grades were 0.26grams/t (g/t) and 2.38g/t respectively.

Overall copper recovery averaged more than 81 per cent for the quarter. Quarterly pay-metal in concentrate sales totalled 23,611t of copper, 20,164oz of gold and 151,099oz of silver.

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

The Ban Houayxai Operation produced 27,638oz gold in doré and 240,975oz silver in doré during the September quarter at an average C1 cost of US\$525/oz after silver credits.

**Table 2**

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sep 2016	9 months to 30 Sep 2016
Gold poured	oz	27,638	101,090
Silver poured	oz	240,975	894,780
C1 cost after precious metal credits	US\$/oz	525	414
AISC	US\$/oz	743	607

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 September 2016 quarter was 3.4Mt. A total of 1.16Mt of ore was processed.

Sales during the quarter totalled 34,459oz gold and 286,340oz silver.

## **Pre-development 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.

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.

During the quarter, construction of the Exploration Access Track (EAT) continued. The EAT will improve access and flexibility in logistics to the main camp site from both the Frieda River and the existing airstrip.

In late September 2016, the Chinese Ambassador to Papua New Guinea, the Australian High Commissioner to Papua New Guinea and elected Papua New Guinean officials visited the Frieda River Project site and Wabia village, Sandaun Province. The delegation was accompanied by PanAust Managing Director, Executive General Manager Projects, and General Manager Government and Community Relations (PNG). The visit demonstrates that close ongoing engagement with the Government of Papua New Guinea, provincial administrations in Sandaun and East Sepik provinces, and host communities continues to foster strong and broad support for the Project.

Development of an Environmental Impact Study (EIS) for the Project continued throughout the September quarter 2016.

### **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.

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.

In June 2016, Government of Myanmar officials including H.E. U Ohn Win, Minister of Natural Resources and Environment Conservation, Director General of Geology, Dr Ye Myint Swe, and key forestry officials carried out a site visit to the Phu Kham Copper Gold Operation with the aim of deepening their understanding of Company's business and sustainability credentials.

### **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 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**

The Company welcomed Mr Simon Milroy to the executive management team in September 2016. Mr Milroy joins PanAust as General Manager Corporate Development, a position previously held by Mr Joe Walsh.

### **Safety**

As at 31 September 2016, PanAust's 12-month rolling safety indicator averages were below Company targets: lost time injury frequency rate, 0.00; total recordable injury frequency rate, 0.86.

During the month of July, PanAust completed safety benchmarking against the December 2015 Citi Group Spotlight on Safety Report. The benchmarking confirmed that PanAust continues to outperform the ASX 100 in relation to its safety lag indicator performance for total recordable injury frequency rates and lost time injury frequency rates.

### **Community engagement**

Maintaining community and government support of our operations and projects – our social licence to operate – is essential to PanAust's ongoing success. Communication of our Vision and Values, sustainability performance and operational standards to our stakeholders continues through this consistent, transparent and relevant engagement.

During the September quarter 2016, PanAust undertook a Sepik River Awareness Program in Papua New Guinea. Spanning a month and encompassing approximately 55 meetings with 80 villages along the 700-kilometre long Sepik River corridor, the program was led senior PanAust staff and supported by the Government of Papua New Guinea. Each visit comprised a PanAust presentation followed by

question/answer time and was held in a central village location to ensure maximum participation by women and youth.



*A Sepik River community attends a PanAust presentation during the Sepik River Awareness Program, September 2016*

### **Women in Leadership conference**

Reflecting PanAust’s commitment to furthering equal opportunities for women in countries where we operate, high-potential Phu Bia Mining employees were invited to attend a ‘Women in Leadership’ conference in Vientiane.

Held over two days in late September, the conference was opened by Australian Minister for Foreign Affairs, Hon. Julie Bishop and included a variety of speakers, workshops and case studies aimed at furthering the development of women in leadership roles in the Lao PDR. A video case study prepared by the Australian Chamber of Commerce Laos (Austcham Lao) which showcased women employees from Phu Bia Mining in leadership roles was shown at the conference.



*Phu Bia Mining employees participating in workshops at the ‘Women in Leadership’ conference in Vientiane, September 2016*

## PanAust Group production and sales statistics September 2016 quarter

**Table 3**

<b>Phu Kham Copper-Gold Operation</b>	<b>Units</b>	<b>3 months to 30 Sep 2016</b>	<b>9 months to 30 Sep 2016</b>
Total material mined	t	14,082,138	42,477,233
Copper-gold ore mined	t	5,105,643	14,898,310
Ore milled	t	4,615,546	14,448,945
Copper head grade	%	0.59	0.58
Gold head grade	g/t	0.26	0.29
Silver head grade	g/t	2.38	2.13
Concentrate produced	dmt	96,005	287,580
Copper in concentrate	t	22,259	66,616
Gold in concentrate	oz	20,549	69,304
Silver in concentrate	oz	146,552	396,465
Copper recovery	%	81.24	79.46
Concentrate sales	dmt	93,338	276,206
Payable copper in concentrate sold	t	21,611	63,570
Payable gold in concentrate sold	oz	20,164	67,698
Payable silver in concentrate sold	oz	151,099	397,309
<b>Ban Houayxai Gold-Silver Operation</b>		<b>3 months to 30 Sep 2016</b>	<b>9 months to 30 Sep 2016</b>
Total material mined	t	3,447,204	9,959,595
Gold-silver ore mined	t	1,329,463	3,944,717
Ore milled	t	1,162,771	3,472,960
Gold head grade	g/t	0.88	1.05
Silver head grade	g/t	10.30	13.29
Gold in doré	oz	27,638	101,090
Silver in doré	oz	240,975	894,780
Gold recovery	%	83.28	84.98
Payable gold in doré sold	oz	34,459	102,179
Payable silver in doré sold	oz	286,340	901,607

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 2016	9 months to 30 Sep 2016
Mining cost	0.64	0.58
Deferred mining and inventory adjustments capitalised	0.00	0.00
Processing cost	0.56	0.54
General and administration (site support)	0.12	0.13
<b>Total on-site operating costs</b>	<b>1.32</b>	<b>1.25</b>
Transport handling and marketing	0.18	0.18
Concentrate treatment and refining	0.29	0.29
<b>Total off-site operating costs</b>	<b>1.80</b>	<b>1.72</b>
Deduct precious metal credits	-0.64	-0.66
<b>Total direct operating costs (C1 cost)</b>	<b>1.16</b>	<b>1.06</b>
Royalty	0.13	0.13
Sustaining capital (includes TSF)	0.11	0.10
Corporate support and shared services costs	0.07	0.07
Lease principal and interest charges	0.16	0.15
Deferred mining and inventory adjustment capitalised	0.00	0.00
<b>All-in sustaining costs</b>	<b>1.63</b>	<b>1.52</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 2016	9 months to 30 Sep 2016
Mining cost	247	196
Deferred mining and inventory adjustments capitalised	5	13
Processing cost	359	287
General and administration (site support)	68	58
<b>Total on-site operating costs</b>	<b>679</b>	<b>555</b>
Total off-site operating costs (freight, refining)	7	8
Deduct silver credit	-162	-149
<b>Total direct operating costs (C1 cost)</b>	<b>525</b>	<b>414</b>
Royalty	90	84
Sustaining capital (includes TSF)	12	23
Corporate support and shared services costs	38	31
Lease principal and interest charges	84	67
Deferred mining and inventory adjustment capitalised	-5	-13
<b>All-in sustaining costs</b>	<b>743</b>	<b>607</b>

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

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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