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PANAUST

29 April 2014

Quarterly Report for the three months to 31 March 2014

Production and costs

- Strong production and cash cost performances continued at Phu Kham:
  - Phu Kham production of 18,123t of copper in concentrate at a C1[1] cash cost of US$1.20/lb copper after precious metal credits from 16,149oz gold and 86,328oz silver; all-in sustaining costs[2] of US$2.07/lb.
  - Ban Houayxai produced 23,356oz of gold at a C1 cash cost of US$711/oz after credit from 197,316oz silver. All-in sustaining costs were US$979/oz.
- Production and cost guidance unchanged.

Pre-development and exploration projects

- **KTL Copper-Gold Project, Laos:** Study work was completed based on a satellite open-pit with high-grade ore trucked to Phu Kham for processing. Inaugural KTL Ore Reserve estimated as a subset of the Phu Kham Ore Reserve.
- **Inca de Oro Copper-Gold Project, Chile:** Project optimisations demonstrate that a reduced mill throughput rate of approximately 9Mtpa and a higher copper cut-off grade should enhance the economic return through lower capital and operating cost structures. A revised 2014 work plan has been adopted to submit an Environmental Impact Assessment (EIA) report in mid-2014, while the final phase of the feasibility study will be deferred to the December half of 2014 or until such time as there is clarity on resolution of a number of outstanding and material commercial matters.
- **Frieda River Copper-Gold Project, PNG:** During the quarter the joint venture continued to advance PanAust's feasibility study work program. The acquisition of an 80% interest in the Project remains subject to a condition precedent[3].

Corporate

- At 31 March 2014, the Company had cash of US$117.1 million, debt of US$165.0 million (excluding equipment lease facilities) and undrawn debt facilities of US$110.0 million. The cash balance reflects seasonal effects; payment for a concentrate shipment received after quarter end; and, a quarter-on-quarter build-up in finished product inventory.

Phu Kham Operation, Laos (PanAust 90%)

Introduction

Strong production and cost performances were posted in the March quarter. Copper in concentrate production of 18,123t at a C1 cash cost of US$1.20/lb copper (Tables 1 and 7) with a quarterly record for ore milled partly compensating for the scheduled lower copper head-grade.

The all-in sustaining cost at Phu Kham of US$2.07/lb copper was similar to that achieved for the December quarter 2013 despite lower grade ore being processed and a lower precious metal by-product credit, and reflected: productivity improvements in mining and processing and lower sustaining capital, lease principal and interest charges, and royalty. These latter cost benefits were partially offset by higher treatment and refining charges and increased deferred mining charges (capitalised).

Table 1: Production and cost summary

Phu Kham Operation ***Production summary (100% equity basis)***	Units	**3 months to 31 Mar 2014**
Copper in concentrate	t	**18,123**
Gold in concentrate	oz	**16,149**
Silver in concentrate	oz	**86,328**
C1 cash cost after precious metal credits[i]	US$/lb Cu	**1.20**
All-in sustaining costs[i]	US$/lb Cu	**2.07**

Further details of the production and cost performances are contained in Table 6 and Table 7 of this report.

Production Performance

The Operation achieved a quarterly record for ore processed of over 5.2Mt, equivalent to an annualised rate of nearly 21Mt. This excellent performance resulted from quarterly records for milling rate (averaging over 2,500t/hr) and mill operating time (97%). Mill operating time for the June quarter will reflect scheduled maintenance to reline the mills, which was completed over five days in early April.

Revised instrumentation and control settings coupled with changes to the belt tension on the main overland conveyor early in the quarter eliminated a significant ore handling bottleneck. This, in combination with improvements made in crusher operating time and mining productivity, means that ore processing rates should be sustainable at between 19Mtpa and 20Mtpa.

Quarterly records were achieved for total material mined (13.8Mt) and waste mined (8.9Mt).

Recovery rates reflected the high processing rates and mix of ore types processed, together with lower average ore head grades for both copper and gold. The average copper recovery was 74.4% and gold recovery was 46.2%. Ore quality is forecast to improve during the December half of the year.

Quarterly pay-metal in concentrate sales totalled 15,873t of copper, 14,128oz of gold and 75,921oz of silver. There was a material increase in copper-gold concentrate inventory at the end of the quarter versus the end of the previous period as a consequence of higher than scheduled

[i] Based on invoiced pricing for gold and silver.

production during the quarter. The average copper, gold and silver prices realised (after hedging) were US$3.14/lb, US$1,331/oz and US$20.4/oz respectively.

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

Introduction

Quarterly gold production at Ban Houayxai was 23,356oz in doré at an average C1 cash cost of US$711/oz after silver credits (Tables 2 and 8). All-in sustaining costs were US$979/oz gold.

During the March quarter, consistent with the 2014 mine schedule, a new bench mining sequence was established resulting in quarter-on-quarter lower gold production and higher total costs. The higher costs for the quarter mask an underlying improvement in unit mining and processing costs as a consequence of productivity improvements.

Gold production is scheduled to increase in subsequent quarters and costs reduce to meet production and cost guidance for 2014.

Table 2: Production summary

Ban Houayxai Operation ***Production summary (100% equity basis)***	Units	**3 months to 31 Mar 2014**
Gold poured	oz	**23,356**
Silver poured	oz	**197,316**
C1 cash cost after precious metal credits[ii]	US$/oz	**711**
All-in sustaining costs[ii]	US$/oz	**979**

Further details of the production and June cost performances are contained in Table 6 and Table 8 of this report.

Production Performance

Processing rates for the quarter continued to exceed nameplate of 4.0Mtpa (5.5Mtpa rate achieved). As scheduled, the average gold grade of ore processed decreased versus the previous quarter to 0.75g/t. An increased proportion of transitional and primary ores in the mill feed and a lower average gold head grade resulted in lower average recovery rates for gold (82.9%) and silver (52.1%).

Sales during the quarter totalled 25,924oz of gold and 221,859oz of silver. Average realised gold and silver prices were US$1,295/oz and US$20.4/oz respectively.

Outlook

2014 Group production guidance unchanged

PanAust estimates consolidated 2014 production of 65,000t to 70,000t copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 165,000oz gold and approximately 1.2Moz of silver.

[ii] Based on invoiced pricing for silver.

At Phu Kham, copper in concentrate production is expected to be in the range of 65,000t to 70,000t at an average C1 cash cost of between US$1.50/lb to US$1.60/lb copper.

At Ban Houayxai, gold production is expected to be approximately 100,000oz at an average C1 cash cost between US$650/oz and US$700/oz gold.

Longer term production set to rise at Phu Kham

Under the revised life-of-mine plan which was announced in October 2013, over the period 2015 to 2019, scheduled increases in head grade are expected to lift copper in concentrate production to peak levels of around 90,000 tonnes per year in 2018 and 2019, based on milling rates of 18Mtpa and before any contribution from the envisaged KTL satellite open pit.

Gold grades are forecast to vary year-on-year, with annual production in the range of 60,000oz to 80,000oz of gold in concentrate through to the end of this decade.

Further upside to production levels and mine life at Phu Kham are expected to be realised from: the KTL deposit near the town of Phonsavan which is planned to be developed as a satellite open pit (see below) to Phu Kham.

Pre-development and exploration projects

PanAust has a corporate strategy focused on growth by discovery, acquisition and development.

Key components of this strategy are: a commitment to progressing capital efficient organic growth opportunities; the acquisition of producing or pre-development copper assets; and, pursuit of an active exploration and resource development program in Laos and Chile.

KTL Copper-Gold Project (PanAust 90%)

In February 2014, PanAust announced the inaugural Ore Reserve estimate for the KTL deposit as a subset of the Phu Kham Ore Reserve. The basis for this estimate was a study (pre-feasibility level) of a low-capital development option whereby discrete high-grade copper-gold zones at the KTL deposit are mined, crushed and trucked to Phu Kham for processing. At the end of the quarter minimal work remained outstanding to complete the full feasibility study.

It is planned that high-grade KTL copper mineralisation will augment the feed to the Phu Kham SAG mill which has a nominal capacity of 20Mtpa. Following the recent debottlenecking of ore handling systems at Phu Kham, crushing and conveying capacity is expected to be between 19Mtpa and 20Mtpa. Delivery of crushed KTL ore to the SAG mill will provide increased flexibility and the potential for higher utilisation, thereby providing options for further increases to copper and gold production from 2017 for a four to seven-year period, either through additional processing rates and/or deferral of lower grade feed.

Phu Kham district, Laos (PanAust 90%)

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets have been identified in a corridor, which includes the LCT deposit and stretches northwest of Phu Kham for at least 13 kilometres to the Nam Ve prospect.

LCT

The LCT deposit outcrops and comprises two broad zones of poly-metallic mineralisation associated with a silicified breccia complex that hosts a series of porphyritic intrusions. An upper zone is gold and silver rich while the lower zone contains base metals together with gold and silver.

As outlined in the December quarter 2013 report, the results of a scoping study have confirmed the requirement for the identification of additional resources to augment those already estimated at LCT before further studies are warranted.

Nam Ve

The current phase of exploration drilling was concluded during the quarter. Drilling has so far identified two zones of mineralisation: a northern zone containing gold mineralisation; and a southern zone containing poly-metallic mineralisation. Surface mapping and sampling together with ongoing geological interpretation work will assist in guiding the next drill programs.

Inca de Oro Copper-Gold Project, Chile (60.45% PanAust, joint venture with CODELCO)

Project optimisations demonstrate that a reduced mill throughput rate of approximately 9Mtpa, and a higher copper cut-off grade should enhance the economic return through lower capital and operating cost structures.

A revised work plan for 2014 has been adopted by the joint venture. The first phase is to complete the engineering studies to sufficient detail to support the submission of an Environmental Impact Assessment (EIA) report in mid-2014. The second phase is to finalise the study to a feasibility standard over a six-month period once acceptable agreements have been reached on a number of commercial matters that will have a material impact on the viability of the Project and any investment decision. The EIA approval process is expected to take approximately 18 months from the date of submission.

Background

The Inca de Oro sulphide feasibility study, which was completed in 2012, considered a 12Mtpa open pit and flotation processing operation. The study concluded that the cost profile after the first five years of production needed to be improved for the Inca de Oro Project to be economically robust.

The joint venture partners agreed that there was significant potential to improve the Project through evaluation of the oxide resources at Inca de Oro and the definition and the potential identification and incorporation of higher value mineralisation from nearby deposits into the development plan.

Carmen Copper-Gold Deposit, Chile (100% PanAust)

The latest program of resource definition and infill drilling at the Carmen deposit was concluded in January. The results will be incorporated into a revised mineral resource estimate which is currently being finalised. The deposit is situated approximately 14 kilometres southwest of Inca de Oro.

Agreement to acquire a majority interest in the Frieda River Copper-Gold Deposit, PNG

On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ("Glencore") for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea (the "PanAust Glencore Agreement").

The Government of PNG has a right to acquire, at cost, up to a 30% interest in the Frieda River Project which, if exercised in full, would reduce PanAust's holding to 55%.

The PanAust Glencore Agreement is subject to a condition precedent relating to all applicable regulatory approvals. These approvals include Glencore satisfaction of the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc. PanAust understands that the sale of Glencore's Las Bambas copper mine project ("Las Bambas") will satisfy that conditional approval and clear the way for the completion of the sale of Glencore's interest in Frieda River to PanAust.

PanAust notes the announcement made by Glencore on 13 April that it has entered in to an agreement for the sale of its entire interest in Las Bambas. The announcement stated that the transaction is subject to certain regulatory approvals and is expected to close prior to the end of September 2014.

The only other approval required for the PanAust Glencore Agreement to complete is the indicative approval of the Investment Promotion Authority of Papua New Guinea. The sunset date for satisfaction of the condition precedent is 30 September 2014. PanAust and Glencore can agree to extend the sunset date.

Until satisfaction of the condition precedent, the PanAust Glencore Agreement provides for work to proceed with a feasibility study consistent with PanAust's development concept for the Project. Expenses incurred by Glencore from the date of entry into the PanAust Glencore Agreement until completion will be paid to Glencore upon completion.

Sustainability

Safety

No lost time injuries (LTI's) were recorded during the March quarter.

The LTI frequency rate on a 12-month rolling average basis at 31 March 2014 was 0.34 per million man-hours.

The TRI (Total Recordable Injury) frequency rate on a 12-month rolling average basis at 31 March 2014 was 1.83 per million man-hours.

Environment

There were no reportable environmental incidents during the March quarter.

Local Community Projects, Laos

In the vicinity of Phu Kham, Ban Houayxai and Phonsavan, PanAust continues to advance a number of community development projects with a focus on agriculture, education, health, infrastructure and small business development.

Corporate

At 31 March 2014, the Company had cash of US$117.1 million, debt of US$165.0 million, undrawn debt facilities of US$110.0 million, and mobile equipment lease facilities drawn to a total of US$63.4 million. The cash balance reflects seasonal cash flow impacts including taxation and performance related benefits to employees together with deferred receipt of US$13.3 million for a concentrate shipment sold in late March but with funds received in April, and a quarter-on-quarter build-up in finished product inventory of US$6.1 million.

Group exploration expenditure (unaudited) for the March quarter was US$3.0 million.

Dividend payments to shareholders totalling A$16.5 million for the final dividend, which was declared on 20 February 2014, were made on 4 April 2014.

Commodity price exposure

Copper

PanAust's copper hedging positions and fixed price agreements as at 31 March 2014 are summarised in Tables 3 and 4.

PanAust's hedging policy seeks to protect the Company against near-term sharp falls in the copper price, and revenue loss over the quotation period on provisionally priced shipments, while maintaining a significant exposure to the prevailing copper price.

The Company manages short-term and provisional price risk (over the quotational period) on copper sales through swaps and fixed price agreements with customers.

As at 31 March 2014, a total of 10,350t (67%) of PanAust's copper sales from shipments for the period from December 2013 to March 2014, that are currently subject to provisional pricing, are covered by hedging and fixed price agreements at an average copper price of US$3.24/lb.

During the March quarter, PanAust took the opportunity to partly utilise previously disclosed (December quarter 2013 report) strategic hedging for provisionally priced shipments made during the quarter, with the balance closed out realising a gain of US$2.7 million.

Table 3: Hedging and fixed price agreements on provisional invoicing

Settlement period	Tonnes	Average Price US$/lb
Jun Qtr 2014	10,350	3.24

Table 4: Remnant mandatory hedging

Settlement period	Tonnes	Average Strike Price US$/lb	Premium payable US$
Copper Put Options:			
Dec half 2014	2,346	2.25	587,080

Gold/Silver price hedging

During the March quarter strategic hedge positions were undertaken on the Company's gold production. As at 31 March 2014, a total of 34,000oz (approximately 20% of the mid-point for 2014 production guidance) of gold from April to August was hedged at an average gold price of US$1,348/oz (Table 5).

PanAust currently has no silver hedging in place.

Table 5: Strategic hedging

Settlement period	Ounces	Average Price US$/oz
Gold forwards:		
Jun Qtr 2014	18,000	1,334
Sep Qtr 2014	16,000	1,363

Issued Capital

The issued capital of the Company at 31 March 2014 comprised:

634,392,712	Ordinary fully paid shares
571,233	Unlisted share rights

Proposed 2014 reporting calendar:

- 30 May 2014 — Annual General Meeting
- 24 July 2014 — June quarter 2014 report
- 21 August 2014 — June half 2014 Financial results
- 28 October 2014 — September quarter 2014 report

Dates are provisional and remain subject to confirmation.

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Directors

Garry Hounsell	Chairman
Gary Stafford	Managing Director
Nerolie Withnall	Non-executive Director
Geoff Handley	Non-executive Director
Geoff Billard	Non-executive Director
Zezhong Li	Non-executive Director
John Crofts	Non-executive Director
Ken Pickering	Non-executive Director
Annabelle Chaplain	Non-executive Director

Attachments

Table 6: Production and sales statistics

Phu Kham Copper-Gold Operation	Units	**3 months to 31 Mar 2014**
Total material mined	t	**13,838,359**
Copper-gold ore mined	t	**4,971,387**
Ore milled	t	**5,242,549**
Copper head grade	%	**0.46**
Gold head grade	g/t	**0.21**
Silver head grade	g/t	**1.38**
Concentrate produced	dmt	**79,081**
Copper in concentrate	t	**18,123**
Gold in concentrate	oz	**16,149**
Silver in concentrate	oz	**86,328**
Copper recovery	%	**74.4**
Concentrate sales	dmt	**72,337**
Payable copper in concentrate sold	t	**15,873**
Payable gold in concentrate sold	oz	**14,128**
Payable silver in concentrate sold	oz	**75,921**
Average copper price realised (copper revenue recognised / sales) after realised hedging	US$/lb	**3.14**
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,331**
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**20.4**
Ban Houayxai Gold-Silver Operation		
Total material mined	t	**2,247,723**
Gold-silver ore mined	t	**1,365,271**
Ore milled	t	**1,175,430**
Gold head grade	g/t	**0.75**
Silver head grade	g/t	**10.30**
Gold in doré	oz	**23,356**
Silver in doré	oz	**197,316**
Gold recovery	%	**82.9**
Payable gold in doré sold	oz	**25,924**
Payable silver in doré sold	oz	**221,859**
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,295**
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**20.4**

Cumulative data may incorporate post reporting period adjustments to prior periods.

Table 7: Phu Kham Copper-Gold Operation production costs (US$/lb copper)

	3 months to 31 Mar 2014
Mining cost	0.66
Deferred mining and inventory adjustments	(0.36)
Processing cost	0.74
General and administration	0.19
Total on-site operating costs	**1.22**
Transport handling and marketing	0.27
Concentrate treatment and refining	0.28
Total off-site operating costs	**0.55**
Deduct precious metal credits	(0.57)
Total direct operating costs (C1 cash cost)	**1.20**
Royalty	0.19
Sustaining capital (includes TSF)	0.10
Indirect costs	0.11
Lease principal and interest charges	0.10
Deferred mining and inventory adjustment capitalised	0.36
All-in sustaining costs	**2.07**

Notes: Costs are based on payable copper in concentrate produced. May include minor computational discrepancies due to rounding.

Table 8: Ban Houayxai Gold-Silver Operation production costs (US$/oz gold)

	3 months to 31 Mar 2014
Mining cost	313
Deferred mining and inventory adjustments	(31)
Processing cost	418
General and administration	171
Total on-site operating costs	**870**
Total off-site operating costs (freight, refining)	16
Deduct silver credit	(174)
Total direct operating costs (C1 cash cost)	**711**
Royalty	87
Sustaining capital (includes TSF)	32
Indirect costs	73
Lease principal and interest charges	44
Deferred mining and inventory adjustment capitalised	31
All-in sustaining costs	**979**

Notes: Costs are based on payable gold produced. May include minor computational discrepancies due to rounding.

Forward-Looking Statements

This announcement includes certain "Forward-Looking Statements". All statements, other than statements of historical fact, included herein, including without limitation, statements regarding financial, production and cost performances, potential mineralisation, exploration results and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Footnotes:

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[1] Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs. Based on payable metal content after by-product credits.

[2] All-in sustaining costs reported are: the C1 cash cost plus royalties; corporate support and shared services costs; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised.

[3] Includes Glencore satisfying the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc, and the approval of the Investment Promotion Authority of Papua New Guinea. The sunset date for satisfaction of the condition precedent is 30 September 2014. However, PanAust and Glencore may agree to extend this date.