

19 November 2015

PanAust Quarterly Report for the three months to 30 September 2015

Highlights

- PanAust achieved its goal of Zero Harm for the September quarter 2015 with no reportable safety incidents or injuries across the Group's operations in Laos and Projects in Laos, Papua New Guinea and Chile.
- Phu Kham Copper-Gold Operation, Laos: production of 17,445 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.49/lb after precious metal credits from 24,053 ounces (oz) gold and 98,088oz silver. All-in sustaining costsⁱⁱ (AISC) of US\$1.79/lb copper achieved.
- Ban Houayxai Gold-Silver Operation, Laos: produced 27,526oz gold at a C1 cost of US\$474/oz after silver credit. AISC were US\$667/oz.
- PanAust transitioned to 100 per cent ownership by Chinese state-owned enterprise, Guangdong Rising Assets Management (GRAM), as a result of the lodgement of a notice of compulsory acquisition in June.
- Reflecting the Company's new ownership, the PanAust Board of Directors was reconstituted in July.
- GRAM has affirmed its support of PanAust's established strategic path and continues with its stated intention that PanAust's management team and operational, governance and sustainability standards will remain in place.
- The Frieda River Project feasibility study remains on track for submission to the Government of Papua New Guinea in early 2016.
- Both Phu Kham and Ban Houayxai mobile maintenance workshops and associated warehouse facilities achieved a Caterpillar 5-star rating for contamination control.

Business overview

PanAust continued to deliver high-performance production, cost and sustainability outcomes during the September quarter 2015. Despite a weak commodity price environment, Phu Kham and Ban Houayxai delivered solid free cash flow.

PanAust's solid operational and financial position in the current depressed metal price environment is a direct result of the initiatives undertaken to reduce expenditure in early 2015 that have achieved recurring savings to date of more than \$48 million.

Both Phu Kham and Ban Houayxai mobile maintenance workshops and associated warehouse facilities received the maximum Caterpillar 5-star rating for contamination control. PanAust's facilities are only two of seven across the globe to receive the maximum 5-star rating and the first in a developing country. It is

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



the second year running that Phu Kham has achieved this rating and the third for Ban Houayxai. This achievement will continue to underpin lower maintenance costs and higher equipment reliability across the Operations.

With year-to-date production totalling 56,588t copper, 157,279oz gold in concentrate and doré, and 1,206,245oz silver in concentrate and doré, PanAust is on track to achieve its 2015 production targets of 74,000t to 76,000t copper, 195,000oz to 205,000oz gold, and 1.4Moz to 1.5Moz silver.

Looking beyond 2015, Phu Kham's production outlook is positive with annual production of copper in concentrate expected to peak in 2018 and 2019 at approximately 90,000t per annum. With large-scale capital investment programs completed, no further development capital is required to realise this growth.

PanAust is well positioned to face the significant pressure exerted by current depressed metal prices. In the face of economic volatility, the PanAust management team will continue to focus on elements of the business that it can control: production, expenditure and strategic growth opportunities.

PanAust's strategy is to maximise returns from its producing assets in Laos while advancing the Frieda River Copper-Gold Project feasibility study in Papua New Guinea. Frieda River remains the focus for delivering a long-term source of production for the Company. Significant resources are being deployed to advance the study.

The Frieda River Project has the potential to sustain the PanAust business for at least a further 20 years from its first production and offers the opportunity for organic growth beyond the initial mid-size starter project that focuses on the Horse-Ivaal-Trukai (HIT) deposit. The full value of Frieda River is expected to be realised through the development of the nearby Nena, Koki and Ekwai deposits which together provide the potential for expanding production and extending mine life.

Operations overview

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

Copper in concentrate production for the September quarter was 17,445t at a C1 cash cost of US\$1.49/lb copper.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sept 2015	9 months to 30 Sept 2015
Copper in concentrate	t	17,445	56,588
Gold in concentrate	oz	24,053	74,496
Silver in concentrate	oz	98,088	370,811
C1 cost after precious metal credits	US\$/lb Cu	1.49	1.34
AISC	US\$/lb Cu	1.79	1.74

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 quarter was 12.6 million tonnes (Mt) with 4.9Mt of ore processed. The average copper head grade was 0.47 per cent and gold and silver head grades were 0.31grams/t (g/t) and 1.67g/t respectively. Copper recovery averaged 75 per cent for the quarter.

Quarterly pay-metal in concentrate sales totalled 13,644t of copper, 17,729oz of gold and 78,568oz of silver. The average copper, gold and silver prices realised (after hedging) were US\$2.35/lb, US\$1,125/oz, and US\$15.18/oz respectively.

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

Ban Houayxai produced 27,526oz gold in doré at an average C1 cost of US\$474/oz after silver credits. Favourable C1 costs of US\$474/oz were achieved from a significant production denominator impact and lower operating costs.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Sept 2015	9 months to 30 Sept 2015
Gold poured	oz	27,526	82,783
Silver poured	oz	299,565	835,434
C1 cost after precious metal credits	US\$/oz	474	554
AISC	US\$/oz	667	743

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 quarter was 3Mt. A total of 1.2Mt of ore was processed, as the mill operated at 21 per cent above its nameplate design capacity.

Sales during the quarter totalled 26,682oz gold and 278,486oz silver. Average realised gold and silver prices (after hedging) were US\$1,125/oz and US\$14.82/oz respectively.

Favourable C1 costs of US\$474/oz were achieved from continuing operating costs improvement initiatives, lower consumable prices and there being no major planned maintenance events (mill shutdowns) for the quarter.

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 joint venture is making solid progress on the Frieda River Project with work continuing on the feasibility study. Since acquiring its interest in the project in August 2014, PanAust has invested around \$50 million and is undertaking a significant amount of work to advance the study, including:

- Seismic, hydrogeological, geotechnical and river bathymetry field programs
- Laboratory testing to support geotechnical and metallurgical evaluations
- Geological modelling
- Engineering studies relating to mining, ore processing, waste rock storage, logistics and power generation
- Technical and economic evaluations to support the proposed development concept
- Planning for an exploration access track between the Frieda River and the project site
- Preliminary discussions with potential financiers

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

Ongoing positive engagement with the Government and communities continues to foster host-country support for the Project's long-term presence within Papua New Guinea.

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 have been undertaken during the 2015 year or are planned prior to agreeing satisfactory commercial arrangements for the Project.

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 progressing the Frieda River Copper-Gold Project in Papua New Guinea, PanAust will leverage its award-winning sustainability practices to ensure the development of a world-class mining operation that will contribute to the host country's long-term growth and prosperity.

Governance

The acquisition of PanAust by GRAM was completed on 20 July and a reconstituted PanAust Board of Directors that reflects the change of ownership was announced on 3 August. With Mr Zezhong Li's appointment to Chairman and Dr Fred Hess remaining as Managing Director, the new Board retains strong links to the previous Board.

Furthermore, to ensure leading practice governance standards are maintained, PanAust has appointed an external Advisory Panel. Three of the four Advisors were members of PanAust's previous Board of Directors; bringing a great depth of knowledge and continuity to PanAust's governance processes. PanAust management held inaugural meetings with the Advisory Panel in September.

PanAust announced a number of additions to the Company's Executive Management Team during the quarter. Mr Andrew Price joined the Company as Chief Financial Officer and Ms Laurinda Zhang started with PanAust as Company Secretary. Mr Paul Scarr remains on the PanAust Executive Team as General Counsel.

To support the development of the Frieda River Project, the position of Executive General Manager – Projects was filled by Mr Stacey Barlow, and two new PanAust executive roles were announced and filled internally: General Manager Government and Community Relations, PNG, Mr Glen Connell; and General Manager Frieda River Studies, Mr Scott Cowie.

Safety

PanAust achieved its goal of Zero Harm for the September quarter 2015 with no reportable safety incidents or injuries across the Group's operations in Laos and Projects in Laos, Papua New Guinea and Chile.

As at 30 September, 12-month rolling averages for PanAust's key safety performance indicators were trending below (that is, better than) 2015 targets:

- Total recordable injury frequency rate, 0.60 (target: 1.35)
- Lost time injury frequency rate, 0.22 (target: 0.23)

Environment

PanAust's focus on environmental management continues to foster positive business outcomes. The Company has experienced no reportable environmental incidents during the year to date.

In consultation with the Government of Laos and host communities, PanAust has been working towards closure of the Phu Kham Heap Leach Gold Operation. The site's decommissioning continued throughout the quarter with a move from active to passive treatment methods for leach pad run-off water. The purpose-built system requires minimal ongoing maintenance labour and will allow for the full decommissioning and removal of the plant infrastructure and the area to be rehabilitated. Extensive monitoring of the downstream river system throughout the quarter consistently confirmed that excess water discharged is within ambient limits.

PanAust's Independent Tailings and Geotechnical Review Panel (comprising two industry-leading experts for tailings storage facilities) meet at PanAust's operations each year to review the design, construction and operation of the tailings storage facilities (TSFs) at Phu Kham and Ban Houayxai. Following the Panel's annual site inspection earlier in the year, the Panel's 2015 report for each TSF was submitted to PanAust during the September quarter. Overall, the review findings were positive and no material issues reported.

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

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. During the year to date, PanAust has not experienced any reportable community incidents.

In the vicinity of Phu Kham and Ban Houayxai in Laos, PanAust continued to support a range of capacity-building projects in local communities focusing on the key development areas of: education, healthcare, agricultural development, small-business development (including microfinance) and infrastructure.

In Papua New Guinea, PanAust undertook a Frieda River Project Awareness Program along the Sepik River. Approximately 55 villages in a catchment of more than 300,000 people were involved in the program which spanned four weeks and covered a 700-kilometre river corridor. The program was led by key members of PanAust staff and supported by PNG Government representatives. Each village visit comprised a PanAust presentation and video followed by question/answer time and was held in a central village location to ensure participation by women and youth.

PanAust Group production and sales statistics September 2015 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 Sept 2015	9 months to 30 Sept 2015
Total material mined	t	12,588,123	40,141,906
Copper-gold ore mined	t	3,797,668	12,911,504
Ore milled	t	4,909,763	14,318,245
Copper head grade	%	0.47	0.52
Gold head grade	g/t	0.31	0.32
Silver head grade	g/t	1.67	1.93
Concentrate produced	dmt	76,453.01	247,861.04
Copper in concentrate	t	17,445.44	56,588.27
Gold in concentrate	oz	24,053.15	74,496.34
Silver in concentrate	oz	98,087.56	370,811.19
Copper recovery	%	75.2	76.4
Concentrate sales	dmt	61,600	233,752
Payable copper in concentrate sold	t	13,644	51,708
Payable gold in concentrate sold	oz	17,729	66,921
Payable silver in concentrate sold	oz	78,568	343,446
Ban Houayxai Gold-Silver Operation			
Total material mined	t	3,047,209	9,184,021
Gold-silver ore mined	t	1,291,668	3,993,385
Ore milled	t	1,212,111	3,697,382
Gold head grade	g/t	0.90	0.85
Silver head grade	g/t	14.73	12.5
Gold in doré	oz	27,526	82,783
Silver in doré	oz	299,565	835,434
Gold recovery	%	82.6	82.7
Payable gold in doré sold	oz	26,682	80,918
Payable silver in doré sold	oz	278,486	808,958

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 Sept 2015	9 months to 30 Sept 2015
Mining cost	0.75	0.69
Deferred mining and inventory adjustments capitalised	0.11	0.05
Processing cost	0.64	0.65
General and administration (site support)	0.16	0.17
Total on-site operating costs	1.66	1.55
Transport handling and marketing	0.21	0.23
Concentrate treatment and refining	0.34	0.33
Total off-site operating costs	2.21	2.10
Deduct precious metal credits	(0.73)	(0.76)
Total direct operating costs (C1 cost)	1.49	1.34
Royalty	0.12	0.15
Sustaining capital (includes TSF)	0.08	0.08
Corporate support and shared services costs	0.09	0.09
Lease principal and interest charges	0.14	0.13
Deferred mining and inventory adjustment capitalised	(0.11)	(0.05)
All-in sustaining costs	1.81	1.74

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 Sept 2015	9 months to 30 Sept 2015
Mining cost	209	235
Deferred mining and inventory adjustments capitalised	(21)	3
Processing cost	341	375
General and administration (site support)	77	79
Total on-site operating costs	606	692
Total off-site operating costs (freight, refining)	21	20
Deduct silver credit	(153)	(158)
Total direct operating costs (C1 cost)	473	554
Royalty	76	80
Sustaining capital (includes TSF)	7	20
Corporate support and shared services costs	44	45
Lease principal and interest charges	48	48
Deferred mining and inventory adjustment capitalised	21	(3)
All-in sustaining costs	668	743

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