PANAUST LIMITED ABN 17 011 065 160
Level 1, 15 James Street, Fortitude Valley, Brisbane | QLD | 4006 | Australia
PO Box 2297, Fortitude Valley Business Centre | QLD | 4006
T: +61 (0)7 3117 2000 | F: +61 (0)7 3846 4899 | E: info@panaust.com.au

30 October 2014

Quarterly Report for the three months to 30 September 2014

Production and costs

- **Phu Kham:** produced 16,562t of copper in concentrate at a C1[1] cash cost of US$1.69/lb copper after precious metal credits from 13,907oz gold and 79,483oz silver; the all-in sustaining cost[2] reduced quarter-on-quarter to US$2.41/lb. Record quarterly recovery rates were achieved for both copper and gold. Higher copper and gold grades are schedule for the December quarter.
- **Ban Houayxai:** produced 22,541oz of gold at a C1 cash cost of US$748/oz after credit from 210,703oz silver. All-in sustaining costs were US$1,095/oz. Higher grades and recovery rates for both gold and silver are scheduled for the December quarter.
- **Group consolidated copper and gold production for 2014 is on track to achieve the upper end of guidance ranges.**

Corporate

- Acquisition of an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea was completed on 25 August 2014. PanAust is targeting the completion of a feasibility study by November 2015. Preliminary economic analysis indicates that the feasibility study development concept is robust at a copper price of US$2.80/lb and a gold price of US$1,300/oz.
- At 30 September 2014, the Company had cash of US$88.0 million after payment of the initial consideration for the Frieda River Project interest of approximately US$29 million and a A$5 million share placement to Highlands Pacific Limited. The Company had debt of US$150.0 million (excluding equipment lease facilities) and undrawn debt facilities of US$125.0 million. Finished product inventory increased by US$8 million quarter-on-quarter due to the timing of sales shipments.

Phu Kham Operation, Laos (PanAust 90%)

Introduction

Copper in concentrate production for the June quarter was 16,562t at a C1 cash cost of US$1.69/lb copper (Table 1). The all-in sustaining cost reduced quarter-on-quarter (q-o-q) to US$2.41/lb copper due to a reduction in sustaining capital.

Year to date C1 cash costs are lower than guidance with the September quarter result reflecting the anticipated wet season impact of higher mining and concentrate transport costs coupled to a reduction in deferred mining costs as a greater proportion of waste stripping is expensed during the second half of the year. Variances in deferred mining have no effect on all-in sustaining costs.

Looking forward, the December quarter is scheduled to be the highest copper and gold production quarter for 2014, which will benefit C1 and all-in sustaining costs.

Table 1: Production and cost summary

Phu Kham Operation *Production summary (100% equity basis)*	Units	**3 months to 30 Sep 2014**	9 months to 30 Sep 2014
Copper in concentrate	t	**16,562**	51,233
Gold in concentrate	oz	**13,907**	43,519
Silver in concentrate	oz	**79,483**	241,568
C1 cash cost after precious metal credits[i]	US$/lb Cu	**1.69**	1.39
All-in sustaining cost[i]	US$/lb Cu	**2.41**	2.30

Further details of the production and cost performances are contained in Table 5 and Table 6 of this report.

Production Performance

As foreshadowed ore quality improved in the September quarter and as a result new quarterly records were posted for both copper and gold recovery rates of 79.3% and 53.2% respectively. This included monthly record recovery rates for copper of 80.0% in July, and gold of 55.9% in August.

The copper and gold head grades for ore mined and processed are scheduled to rise in the December quarter 2014 with metallurgical recovery rates sustained around September quarter levels.

Quarterly pay-metal in concentrate sales totalled 13,633t of copper, 11,706oz of gold and 63,889oz of silver. The average copper, gold and silver prices realised (after hedging) were US$3.06/lb, US$1,235/oz and US$18.68/oz respectively.

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

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

Introduction

Quarterly gold production at Ban Houayxai was 22,541oz in doré at an average C1 cash cost of US$748/oz after silver credits (Table 2). The all-in sustaining cost was US$1,095/oz gold.

Scheduled lower head grades for both gold and silver led to lower q-on-q metal production which directly impacted upon the per ounce cash costs. An increase in waste removal in the North pit area contributed to the q-o-q increase in all-in sustaining costs; however, this was partially offset by a reduction in sustaining capital. Scheduled higher gold and silver head grades, and recovery rates during the December quarter 2014 are expected to lift production, reduce costs and enable the Operation to meet full year guidance for production and operating costs.

Table 2: Production summary

Ban Houayxai Operation ***Production summary (100% equity basis)***	Units	**3 months to 30 Sep 2014**	9 months to 30 Sep 2014
Gold poured	oz	**22,541**	70,632
Silver poured	oz	**210,703**	598,619
C1 cash cost after precious metal credits[ii]	US$/oz	**748**	730
All-in sustaining cost[ii]	US$/oz	**1,095**	1,035

Further details of the production and June cost performances are contained in Table 5 and Table 7 of this report.

Production Performance

A monthly record for total ore mined of nearly 0.59Mt was achieved in September. The ore processing rate for the quarter was maintained at 4.3Mtpa annualised (design capacity 4Mpta) despite reduced crusher operating time associated with unscheduled maintenance downtime in July to repair the apron feeder and replace a primary crusher bearing. Mill feed was maintained through the use of mobile in-pit crushers. By early August the crushing circuit had returned to normal operation.

Sales during the quarter totalled 20,899oz of gold and 187,801oz of silver. Average realised gold and silver prices (after hedging) were US$1,272/oz and US$19.06/oz respectively.

Outlook

2014 Group consolidated production likely to be at the upper end of the guidance range

Operations are on-schedule to meet the upper end of the stated consolidated 2014 production guidance range for copper and gold of 65,000t to 70,000t copper in concentrate; and 160,000oz to 165,000oz gold, and approximately 1.2Moz of silver in concentrate and doré.

Guidance at Phu Kham is for copper in concentrate production in the range of 65,000t to 70,000t at an average C1 cash cost[iii] of between US$1.50/lb and US$1.60/lb copper. C1 cash costs for the

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[ii] Based on invoiced pricing for silver.

[iii] Cash cost assumptions assume precious metals prices of US$1,300/oz gold and US$22/oz silver.

9 months to 30 September averaged US$1.39/lb and are thereby below the guidance range. Q-o-q cost performance is forecast to improve in the December 2014 quarter.

Guidance at Ban Houayxai is for gold production of approximately 100,000oz at an average C1 cash cost between US$650/oz and US$700/oz gold. C1 cash costs for the 9 months to 30 September were US$730/oz and were thereby slightly above the guidance range. Cost performance versus the 9-month average is forecast to improve in the December 2014 quarter.

Longer term production set to rise at Phu Kham

The revised mine plan announced in July forecasts copper and gold in concentrate production in 2015 to rise to between 70,000t and 75,000t copper and 85,000oz and 90,000oz gold. Thereafter, scheduled increases in the average copper head grade at Phu Kham over the next several years are expected to lift copper in concentrate production to approximately 90,000t and gold production is expected to average approximately 80,000oz.

The potential inclusion of high-grade copper-gold ore from the KTL satellite deposit at a rate of 1.5Mtpa would lift annual copper in concentrate production during the peak production years at Phu Kham to between 90,000t and 100,000t and gold production to between 90,000oz and 95,000oz. The KTL deposit is located 120km north of Phu Kham and is connected by a new public road development that will require upgrading and, in some stretches re-alignment for the purposes of hauling the envisaged ore quantities.

The feasibility study for the KTL Project estimates an initial capital cost of US$52 million including an allocation of US$38 million for road construction costs. The Environment and Social Impact Assessment for the Project was submitted to the Government of Laos in early July. The Company is currently focused on identifying potential funding partners to contribute to the road upgrade costs and the identification of suitable partners to undertake ore haulage and open pit mining. Implementation of the Project is subject to Board approval of a revised funding and development plan that incorporates these elements. Subject to Board approval, first capital commitment is scheduled for October 2015 targeting first ore in late 2016.

Frieda River Project

On 25 August 2014, PanAust announced that the acquisition of an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea (PNG) from Glencore plc had been completed. Joint venture partner Highlands Pacific Limited holds the other 20%.

The joint venture companies also announced that PanAust had exercised its option under a Share Placement Agreement with Highlands Pacific, to acquire approximately 64.5 million fully paid ordinary shares in Highlands Pacific. The share placement was completed on 1 September 2014, bringing PanAust's shareholding in Highlands Pacific to approximately 14% (128,865,980 shares) of the issued share capital.

On 2 September 2014, a progress update on the development concept for the Frieda River Copper-Gold Project was announced by the joint venture partners. The due diligence project parameters reported by PanAust on 1 November 2013 ("due diligence evaluation"), were superseded through further data analysis and the development of a definitive scope for the feasibility study and a base case development concept.

The base case demonstrates a higher value outcome than previous studies with a development concept comprising an open pit and a single process plant module incorporating a SAG mill and two ball mills. This development concept leverages off the experience gained at PanAust's Phu Kham Copper-Gold Operation in Laos which has a similar process plant configuration and compact footprint, and is located in very similar terrain.

The preliminary capital cost estimate for the base case is approximately US$1.7 billion (2013 dollars including 15% contingency on direct development costs), excluding mining fleet and power station (leased costs included in all-in sustaining costs) and assumes power is supplied by intermediate fuel oil (IFO) generators.

Preliminary analysis indicates that the base case development concept would be robust at a copper price of US$2.80/lb (and gold price of US$1,300/oz). The following table summarises the key life-of-mine parameters for the base case development case:

Total mill feed (Measured and Indicated Resources only)	600Mt @ 0.50% Cu, 0.30g/t Au
Processing rate	30Mtpa $^{+}/_{-}$ 20%
Waste:ore strip ratio	0.7:1
Average annual copper in concentrate production (tonnes)	125,000
Average annual gold in concentrate production (ounces)	200,000
C1 cash cost[iv] (US$/lb copper)	1.30 – 1.40
All-in sustaining cost (US$/lb copper)	1.60 – 1.70
Project development capital cost (US$Bn)	circa 1.7

Life-of-mine mill feed is estimated to be approximately 600 million tonnes, a 36% increase over that contemplated in the due diligence evaluation, with an average processing rate of 30Mtpa over a 20-year mine life to produce average annual copper and gold in concentrate of 125,000t and 200,000oz respectively. Relatively soft ores are expected to be processed in the first five years of operation allowing mill throughput rates of more than 20% above the life-of-mine average. Thereafter the ore is scheduled to become progressively harder leading to throughput rates of approximately 20% below the life-of-mine average in the final years of operation.

A staged development approach will be considered which would require lower initial capital expenditure with a deferred capital expansion of the processing facilities in years three to five.

In addition, the feasibility study will also evaluate a hydro-power option with renewable power generated by utilising the positive water balance within the tailings storage facility (TSF) catchment, thereby augmenting IFO generated power. The lower cost of hydro-power compared to IFO generated power will be weighed against the capital expenditure required to install turbines and the accelerate construction of the TSF (to store water for hydro-power generation).

[iv] Assumes US$1,300/oz gold price

Given the extensive database that is already available for the Project, it is anticipated that the feasibility study will be completed and application for a Special Mining Licence lodged before November 2015.

All sources of funding are being considered in a funding plan that is being developed.

Other 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, Papua New Guinea and Chile.

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.

Inca de Oro Copper-Gold Project, Chile (61.06% PanAust, joint venture with CODELCO)

PanAust is finalising the Inca de Oro study to a feasibility standard and plans to complete the Environmental Impact Assessment (EIA) report 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.

Sustainability

Safety

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

The LTI frequency rate on a 12-month rolling average basis at 30 September 2014 was 0.15 per million man-hours which compares favourably to the 2014 target of 0.20 per million man-hours.

The TRI (Total Recordable Injury) frequency rate on a 12-month rolling average basis at 30 September 2014 was 1.06 per million man-hours which compares favourably to the 2014 target of 1.67 per million man-hours.

On 1 October 2014, PanAust reported that a security incident occurred at the Phu Kham Operation accommodation camp on 30 September 2014 during which an employee was wounded. Two assailants were identified and later arrested in connection with the incident, which was related to a workplace grievance.

Environment

There were no reportable environmental incidents during the September quarter.

Local Community Projects

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.

PanAust commenced community engagement in Papua New Guinea with visits to all seven communities in the Frieda River Project area and logistics corridor. Community plans and projects are currently being reviewed as part of the annual review cycle.

Corporate

Receipt of non-binding indicative proposal

On 13 May 2014, PanAust announced that it was approached by Guangdong Rising Assets Management (GRAM), the Company's largest (approximately 23%) shareholder with a non-binding, indicative and incomplete proposal to acquire all of the shares in PanAust for a cash consideration of A$2.20 per share. The indicative offer price was subsequently increased to A$2.30 per share.

At the time, the PanAust Board advised GRAM that this price was materially below the level at which it would be prepared to recommend a takeover offer to its shareholders. The Company agreed to permit GRAM access to due diligence information to assist it to materially improve its indicative offer price.

The Company advises that GRAM has not presented a revised takeover proposal and the matter has not materially progressed during the quarter. The Company will inform the market of any change to these circumstances.

The Company is focused on its strategy of optimising the performance of its operating assets and completing the feasibility study for Frieda River.

Financial

At 30 September 2014, the Company had cash of US$88.0 million after payment of the initial consideration for the Frieda River Project interest of approximately US$29 million[v], and a A$5 million share placement to Highlands Pacific Limited. The Company had debt of US$150.0 million, undrawn debt facilities of US$125.0 million, and mobile equipment lease facilities drawn to a total of US$61.9 million. Finished goods inventory increased by US$8 million (carried at cost) due to timing differences between sales and shipments.

Group exploration expenditure (unaudited) for the June quarter was US$2.4 million.

Dividend payments to shareholders totalling A$16.3 million for the interim dividend, which was declared on 21 August 2014, were made on 3 October 2014.

[v] Includes the initial US$25 million payment for acquisition of a majority interest in the Frieda River Copper-Gold Project in PNG together with reimbursement of project costs since 1 November 2013, the date of the purchase agreement with Glencore plc

Commodity price exposure

Copper

PanAust's copper hedging positions and fixed price agreements as at 30 September 2014 are summarised in Table 3.

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 30 September 2014, a total of 11,725t (60%) of PanAust's copper sales from shipments for the period from June 2014 to September 2014, that are currently subject to provisional pricing, are covered by hedging and fixed price agreements at an average copper price of US$3.13/lb.

Table 3: Hedging and fixed price agreements on provisional invoicing

Settlement period	Tonnes	Average Price US$/lb
Dec Qtr 2014	10,575	3.13
Mar Qtr 2015	1,150	3.13

Gold/Silver price hedging

During the June and September quarters strategic hedge positions were undertaken on the Company's gold production. As at 30 September 2014, a total of 32,000oz of gold from October 2014 to March 2015 was hedged at an average gold price of US$1,341/oz (Table 4).

PanAust currently has no silver hedging in place.

Table 4: Strategic hedging

Settlement period	Ounces	Average Price US$/oz
Gold forwards:		
Dec Qtr 2014	18,000	1,348
Mar Qtr 2015	14,000	1,333

Issued Capital

The issued capital of the Company at 30 September 2014 comprised:

635,580,654	Ordinary fully paid shares
1,822,985	Unlisted share rights

Proposed 2014 reporting calendar:

- 21 January 2015 — December quarter 2014 report
- 19 February 2015 — FY2014 financial results

Dates are provisional and remain subject to confirmation.

For further information contact:

Investors:

Gary Stafford	Managing Director
Joe Walsh	General Manager Corporate Development
Allan Ryan	Investor Relations Manager

Telephone: (07) 3117 2000
Facsimile: (07) 3846 4899
Email: info@panaust.com.au
Website: www.panaust.com.au

Media:
Matthew Gerber or Garry Nickson
MAGNUS
Tel: +61 2 8999 1010

Registered and principal office
Level 1, 15 James Street,
Fortitude Valley, Brisbane
Qld 4006

Securities Exchange Listing
Australian Securities Exchange Code: PNA
PanAust is a constituent of the S&P/ASX 200 Index.

Shareholder enquiries to:
Computershare Registry Services
PO Box 523, Brisbane Qld 4001
Telephone: 1300 552 270
Facsimile: (07) 3229 9860
Website: www.computershare.com.au

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 5: Production and sales statistics

Phu Kham Copper-Gold Operation	Units	**3 months to 30 Sep 2014**	9 months to 30 Sep 2014
Total material mined	t	**11,212,411**	38,111,158
Copper-gold ore mined	t	**3,936,588**	13,142,092
Ore milled	t	**4,323,982**	13,970,450
Copper head grade	%	**0.48**	0.48
Gold head grade	g/t	**0.19**	0.20
Silver head grade	g/t	**1.40**	1.37
Concentrate produced	dmt	**71,893**	223,172
Copper in concentrate	t	**16,562**	51,232
Gold in concentrate	oz	**13,907**	43,519
Silver in concentrate	oz	**79,483**	241,568
Copper recovery	%	**79.3**	76.5
Concentrate sales	dmt	**61,746**	214,228
Payable copper in concentrate sold	t	**13,633**	46,948
Payable gold in concentrate sold	oz	**11,706**	39,862
Payable silver in concentrate sold	oz	**63,889**	237,395
Average copper price realised (copper revenue recognised / sales) after realised hedging	US$/lb	**3.06**	3.13
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,235**	1,292
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**18.68**	19.70
Ban Houayxai Gold-Silver Operation			
Total material mined	t	**2,544,116**	7,138,254
Gold-silver ore mined	t	**1,293,366**	3,948,632
Ore milled	t	**1,069,152**	3,313,867
Gold head grade	g/t	**0.82**	0.81
Silver head grade	g/t	**10.13**	10.96
Gold in doré	oz	**22,541**	70,631
Silver in doré	oz	**210,703**	598,619
Gold recovery	%	**81.1**	82.3
Payable gold in doré sold	oz	**20,899**	69,127
Payable silver in doré sold	oz	**187,801**	581,123
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,272**	1,300
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**19.06**	19.77

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

Table 6: Phu Kham Copper-Gold Operation production costs (US$/lb copper)

	3 months to 30 Sep 2014	9 months to 30 Sep2014
Mining cost	0.88	0.77
Deferred mining and inventory adjustments	(0.26)	(0.38)
Processing cost	0.75	0.77
General and administration	0.19	0.19
Total on-site operating costs	**1.55**	1.36
Transport handling and marketing	0.36	0.29
Concentrate treatment and refining	0.28	0.28
Total off-site operating costs	**0.64**	0.57
Deduct precious metal credits	(0.51)	(0.54)
Total direct operating costs (C1 cash cost)	**1.69**	1.39
Royalty	0.17	0.18
Sustaining capital (includes TSF)	0.05	0.10
Indirect costs	0.12	0.13
Lease principal and interest charges	0.12	0.11
Deferred mining and inventory adjustment capitalised	0.26	0.38
All-in sustaining costs	**2.41**	**2.30**

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

Table 7: Ban Houayxai Gold-Silver Operation production costs (US$/oz gold)

	3 months to 30 Sep 2014	9 months to 30 Sep 2014
Mining cost	336	325
Deferred mining and inventory adjustments	(87)	(47)
Processing cost	496	443
General and administration	160	160
Total on-site operating costs	**905**	881
Total off-site operating costs (freight, refining)	16	16
Deduct silver credit	(172)	(166)
Total direct operating costs (C1 cash cost)	**748**	730
Royalty	86	87
Sustaining capital (includes TSF)	33	42
Indirect costs	93	85
Lease principal and interest charges	47	44
Deferred mining and inventory adjustment capitalised	87	47
All-in sustaining costs	**1,095**	1,035

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

<u>Forward-Looking Statements</u>

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.

End notes:

[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.