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22 April 2015

Quarterly Report for the three months to 31 March 2015

Highlights:

- **Strong quarterly production performances:**
  - **Phu Kham:** produced a quarterly record 21,146t of copper in concentrate at a C1[1] cost of US$1.05/lb copper after precious metal credits; quarterly records for precious metal in concentrate of 29,745oz gold and 161,339oz silver; the all-in sustaining cost[2] reduced quarter-on-quarter (q-o-q) to US$1.50/lb.
  - **Ban Houayxai:** produced 24,530oz of gold at a C1 cost of US$674/oz after silver credit. All-in sustaining costs reduced q-o-q to US$862/oz.
- The strong cost performances reflect benefits realised from the business efficiency review which was announced in January 2015; further cost improvements have been identified and are expected to provide additional future benefits.
- Following the strong March quarter performance, which has continued into April, and a review of the production forecast for the balance of the year, 2015 production guidance has been increased for gold and silver, and C1 and AISC cost guidance reduced for both Phu Kham and Ban Houayxai. 2015 guidance for Group production is for copper in concentrate of between 74,000t and 76,000t; gold in concentrate and doré of between 195,000oz and 205,000oz; and silver in concentrate and doré of between 1.4Moz and 1.5Moz.
- At 31 March 2015, the Company had: cash of US$95.9 million after one-off payments (including redundancy payments) totalling US6.3 million; debt of US$130.0 million (excluding equipment lease facilities); and undrawn debt facilities of US$120.0 million.
- The geotechnical and hydrogeological drilling program for the Frieda River feasibility study indicates the suitability of the proposed process plant and integrated storage facility sites. The drilling program will conclude in the June 2015 quarter.

Takeover offer by Guangdong Rising Assets Management

- On 30 March, PanAust's largest shareholder, Guangdong Rising Assets Management (GRAM) announced its intention to make an unconditional, off-market takeover offer to acquire all of the shares of PanAust (not currently held by GRAM) at a cash price of A$1.71 per share. The offer opened on 13 April 2015.
- The PanAust Independent Directors believe there are compelling reasons why GRAM should pay more to acquire increased ownership of PanAust and on 15 April 2015 responded with a recommendation to PanAust shareholders that they **reject** the unsolicited offer from GRAM as **inadequate**. The Target's Statement (including an Independent Expert Report) will be dispatched to PanAust shareholders on or about 30 April 2015.

Business overview

The PanAust operating business, as reflected in both the March quarter 2015 and the December quarter 2014 performances, is exceeding budget expectations. Strong production results complemented by austere operating expenditures arising from an improved management focus have positioned the Company to generate solid cash flows in the prevailing metal price environment.

The Frieda River Project remains the focus for delivering long term business sustainability. With less than 30% of the currently estimated total Measured, Indicated and Inferred Mineral Resource being mined in the proposed 20-year mine life starter project concept, the Frieda River Project also offers an outstanding platform to launch further organic growth.

By year end, PanAust will have invested approximately US$135 million on the Frieda River Project, including acquisition and studies to complete a bankable feasibility study. While the prevailing spot metal prices and their outlook will ultimately guide the final development decision by the PanAust Board, the at-risk investment for delivery to development decision of one of the world's largest undeveloped copper deposits is relatively modest when compared with the potential rewards. PanAust is of the opinion that reinvesting the free cash flows from the Lao operating business towards this goal delivers excellent value for its shareholders.

In PanAust's view the medium to long-term outlook for the copper price is excellent, primarily due to the expectation that mine supply growth will start to decline materially during the second half of this decade. This coupled with declining head grades at existing mines and the likelihood for continued unforseen supply disruptions is expected to see total world mine supply of copper flatten and maybe even decline year on year, unless higher copper prices are realised to support development decisions for new projects such as the Frieda River Project.

Operations overview

Phu Kham Operation, Laos (PanAust 90%)

Introduction

Quarterly records were posted for production of copper, gold and silver in concentrate, and total material mined.

Copper in concentrate production was 21,146t at a C1 cost of US$1.05/lb copper (Table 1); a 24% reduction q-o-q. The all-in sustaining cost reduced 22% q-o-q to US$1.50/lb copper.

Record copper production and higher precious metal credits, together with lower labour and sustaining capital costs resulting from initiatives implemented under the previously announced business efficiency review led to the strong C1 and all-in sustaining cost performances.

Table 1: Production and cost summary

Phu Kham Operation *Production summary (100% equity basis)*	Units	3 months to 31 Mar 2015
Copper in concentrate	t	**21,146**
Gold in concentrate	oz	**29,745**
Silver in concentrate	oz	**161,339**
C1 cost after precious metal credits[i]	US$/lb Cu	**1.05**
All-in sustaining cost[i]	US$/lb Cu	**1.50**

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

Production Performance

Total material mined of 14.2Mt was a quarterly record as the planned high rate of waste removal continued. Waste mining rates are expected to start to decline towards the end of 2015.

Average copper and gold head grades for ore processed increased by approximately 4% and 23% respectively q-o-q, which together with a sustained high processing rate led to record metal in concentrate production. Elevated gold grades are expected to continue to be mined in the June 2015 quarter. Copper recovery increased q-o-q to 78.4% and gold recovery was 53.3%, consistent with rates anticipated for the greater quantities of transitional ore treated.

Quarterly pay-metal in concentrate sales totalled 19,379t of copper, 28,228oz of gold and 146,697oz of silver. The average copper, gold and silver prices realised (after hedging) were US$2.60/lb, US$1,226/oz and US$16.6/oz respectively.

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

Introduction

Ban Houayxai produced 24,530oz of gold in doré at an average C1 cost of US$674/oz after silver credits (Table 2). The C1 cost was 20% lower than for the December 2014 quarter, which had included an adjustment following a write-down of previously capitalised low-grade stockpiles. The all-in sustaining cost for the quarter reduced 10% q-o-q to US$862/oz gold.

Table 2: Production summary

Ban Houayxai Operation *Production summary (100% equity basis)*	Units	3 months to 31 Mar 2015
Gold poured	oz	**24,530**
Silver poured	oz	**261,268**
C1 cost after precious metal credits[ii]	US$/oz	**674**
All-in sustaining cost[ii]	US$/oz	**862**

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

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

Production Performance

Total ore processed for the quarter was at a rate equivalent to 4.8Mtpa (design capacity 4Mpta). Scheduled lower head grades for both gold and silver versus the previous quarter led to lower metal production q-o-q.

Sales during the quarter totalled 23,749oz of gold and 258,436oz of silver. Average realised gold and silver prices (after hedging) were US$1,299/oz and US$16.5/oz respectively.

Outlook

2015 Group production and cost[iii] guidance

Following the strong March quarter performances, which have continued into April, and a review of the production forecast for the balance of the year, 2015 production guidance has been increased for gold and silver, and cost guidance reduced for both Phu Kham and Ban Houayxai. Current 2015 guidance for Group production is for copper in concentrate of between 74,000t and 76,000t (from 73,000t-76,000t); gold in concentrate and doré of between 195,000oz and 205,000oz (increased from 175,000oz-183,000oz); and silver in concentrate and doré of between 1.4Moz and 1.5Moz (increased from 1.3Moz-1.4Moz).

At Phu Kham, copper production is expected to be between 74,000t and 76,000t at an average C1 cost of between US$1.40/lb and US$1.45/lb copper (down from US$1.45/lb - US$1.50/lb) after precious metal credits from 95,000oz to 100,000oz of gold (up from 80,000oz – 83,000oz) and 450,000oz to 500,000oz of silver (down from 500,000oz – 550,000oz). The all-in sustaining cost is expected to fall to between US$1.85/lb and US$1.90/lb copper (down from US$1.95/lb and US$2.00/lb).

At Ban Houayxai, gold production is expected to be between 100,000oz and 105,000oz (up from 95,000oz and 100,000oz) at an average C1 cost between US$600/oz and US$650/oz gold (down from US$650/oz and US$700/oz) after credits from between 950,000oz and 1,000,000oz silver (up from 800,000oz – 850,000oz). The all-in sustaining cost is expected to fall to between US$775/oz and US$825/oz (down from US$850/oz and US$900/oz).

The reduced unit cost estimates reflect the benefits of the workforce rationalisation and the broader business efficiency review announced on 14 January 2015. Cost estimates for both mines assume a diesel price of US$0.70 per litre delivered to site based on an oil price of approximately US$70/barrel. This compares with an average diesel price of US$0.89 per litre achieved across both mines in 2014.

Sustainable improvements to the cost structures at both mines in excess of those incorporated in the 2015 budget from the business efficiency review have been realised as a result of on-going management focus.

One initiative being implemented is the construction of a new exit route from the Phu Kham open-pit for a sustaining capital cost of US$2.5 million. This initiative will lower haulage costs by materially reducing the waste haulage distance. The payback period is expected at seven months.

[iii] C1 cost and all-in sustaining cost guidance assumes future average by-product prices of US$1,250/oz for gold, US$16/oz for silver and a diesel price assumption of US$0.70/lt.

Longer term production set to rise at Phu Kham

Looking forward, PanAust expects a near 25% increase in annual copper production (from a 2014 base) with no further development capital expenditure.

Annual copper in concentrate production is expected to continue to rise steadily over the next several years as the average copper head grade increases and the metallurgical characteristics of the ore improve leading to further gains in copper recovery rates. The resulting increase in copper production, together with the expected decline in waste stripping from 2016 onwards will benefit cash flow. The annual production of copper in concentrate is expected to peak in 2018 and 2019 at approximately 90,000t. Gold in concentrate is expected to generally range between 70,000oz and 75,000oz per annum from 2016 onwards. No further development capital is required to deliver this increasing production growth.

Pre-development and exploration projects

The Company's strategy is to maximise returns from its producing assets while advancing the Frieda River Project study. Based on a positive outcome to the feasibility study, this Project will sustain the business for at least a further 20 years and offer the opportunity for further organic growth beyond the initial mid-size starter project.

Frieda River Copper-Gold Project, Papua New Guinea (PanAust 80%)

Work continues on PanAust's stage 1 feasibility study concept for the Project. A program of drilling progressed during the quarter and is providing additional geotechnical and hydrogeological data at the proposed locations for the integrated storage facility, process plant site and areas of the open-pit. The quantity and quality of the existing geological data set for Frieda River Project deposit means that no further resource drilling is required under the current study program. Expenditures for the quarter totalled US$8.1 million. Expenditures are expected to fall in the June quarter with the completion of the drill program.

Whilst PanAust is targeting completion of the feasibility study by the end of 2015, the feasibility study program is structured around a stage-gate decision process that incorporates the findings from the technical and economic programs rather than a prescribed timeframe.

Background

The Frieda River Project feasibility study concept is currently based on an open-pit feeding ore to a conventional flotation processing plant at 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, fragmented 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 and as a consequence above average metal production. Thereafter, the ore is expected to become progressively harder.

KTL Copper-Gold Project, Laos (PanAust 90%)

A road design survey was completed in the March quarter 2015 that has resulted in the preferred road alignment to Phu Kham being reduced from 120 kilometres to 107 kilometres. Furthermore, the Government of Laos continues to progress the upgrade and construction of the road as part of a regional infrastructure initiative.

Progress with the public road coupled with lower prevailing fuel prices, to which the KTL is highly leveraged, materially improve the economics for a development of the deposit as a satellite ore source to Phu Kham. Desktop work will continue. However, no material expenditures are currently budgeted for the KTL Project in 2015.

Phu Kham district exploration, Laos (PanAust 90%)

Exploration activities in the Phu Kham district have transitioned to early stage generative and target identification work. It is planned that this work will continue throughout 2015 seeking new geological targets for evaluation.

A limited drilling program was completed during the quarter at the Nam Ve prospect, with no material result. A short drill program is also planned during the June quarter to test a copper target in the LCT Valley.

Inca de Oro Copper-Gold Project, Chile (PanAust 61.06%)

No site activities are planned for 2015.

An intense rainfall event in late March caused flooding and mudslides in parts of Chile including the region in which Inca de Oro is located. Widespread damage and loss of life was reported but fortunately the town of Inca de Oro, while cut-off for a few days, was spared and there were no reported injuries. PanAust is assessing how it can provide assistance to those affected.

Sustainability

Safety

A single lost time injury (LTI) occurred during the quarter at the Phu Kham Operation when an employee was struck in the thigh by a metal shard which had been ejected from a self-propelled mobile crusher track roller during its relocation.

PanAust's safety performance remains favourable when compared with the industry.

The LTI frequency rate on a 12-month rolling average basis at 31 March 2015 was 0.22 per million man-hours which compares favourably to the 2015 target of 0.23 per million man-hours.

The TRI (Total Recordable Injury) frequency rate on a 12-month rolling average basis at 31 March 2015 was 0.80 per million man-hours which compares favourably to the 2014 target of 1.35 per million man-hours.

Environment

There were no reportable environmental incidents during the March quarter.

The EIS for Frieda River continues to be advanced to plan, with a focus on updating Environmental and Social baseline data during the quarter.

Local Community Projects

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

PanAust also continued a program of community engagement in the Frieda River Project area and logistics corridor in Papua New Guinea.

Corporate

Financial

At 31 March 2015, the Company had cash of US$95.9 million after one-off payments (including redundancy payments) totalling approximately US$6.3 million. The Company had debt of US$130.0 million; undrawn debt facilities of US$120.0 million following the commencement of amortisation of the facilities; and, mobile equipment lease facilities drawn to a total of US$53.9 million. No mandatory debt repayments are anticipated during 2015.

Group exploration expenditure (unaudited) for the March quarter 2015 was US$0.7 million.

Takeover Offer by Guangdong Rising Assets Management

On 30 March, PanAust's largest shareholder, Guangdong Rising Assets Management (GRAM) announced its intention to make an unconditional, off-market takeover offer to acquire all of the shares of PanAust (not currently held by GRAM) at a cash price of A$1.71 per share.

The PanAust Independent Directors believe there are compelling reasons why GRAM should pay more to acquire increased ownership of PanAust and on 15 April 2015 responded with their recommendation to PanAust shareholders that they **reject** the unsolicited offer from GRAM as **inadequate**.

The full details and reasons for this recommendation will be set out in PanAust's Target's Statement (including an Independent Experts Report) which will be dispatched to PanAust shareholders on or about 30 April 2015.

Commodity price exposure

Copper

PanAust's copper hedging positions and fixed price agreements as at 31 March 2015 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 31 March 2015, a total of 12,075t (51%) of PanAust's copper sales from shipments for the period from January 2015 to March 2015, that are currently subject to provisional pricing, are covered by hedging and fixed price agreements at an average copper price of US$2.66/lb.

Table 3: Hedging and fixed price agreements on provisional invoicing

Settlement period	Tonnes	Average Price US$/lb
Jun Qtr 2015	9,775	2.66
Sep Qtr 2015	2,300	2.69

<u>Gold/Silver price hedging</u>

During the March quarter strategic hedge positions were undertaken on the Company's gold production. As at 31 March 2015, a total of 12,000oz of gold from January 2015 to March 2015 was hedged at an average gold price of US$1,261/oz (Table 4).

PanAust currently has no silver hedging in place.

Table 4: Strategic hedging

Settlement period	Ounces	Average Price US$/oz
Gold forwards:		
Jun Qtr 2015	12,000	1,261

Issued Capital

The issued capital of the Company at 31 March 2015 comprised:

647,862,526	Ordinary fully paid shares
848,126	Unlisted share rights

Proposed 2014 reporting calendar:

- 22 July 2015 — June quarter 2015 report
- 20 August 2015 — June half 2015 financial results
- 28 October 2015 — September quarter 2015 report

Dates are provisional and remain subject to confirmation.

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Directors at 31 December 2014

Garry Hounsell	Chairman
Dr Fred Hess	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 31 Mar 2015**
Total material mined	t	**14,195,274**
Copper-gold ore mined	t	**5,176,554**
Ore milled	t	**4,699,642**
Copper head grade	%	**0.57**
Gold head grade	g/t	**0.37**
Silver head grade	g/t	**2.34**
Concentrate produced	dmt	**92,145**
Copper in concentrate	t	**21,146**
Gold in concentrate	oz	**29,745**
Silver in concentrate	oz	**161,339**
Copper recovery	%	**78.4**
Concentrate sales	dmt	**89,691**
Payable copper in concentrate sold	t	**19,379**
Payable gold in concentrate sold	oz	**28,228**
Payable silver in concentrate sold	oz	**146,697**
Average copper price realised (copper revenue recognised / sales) after realised hedging	US$/lb	**2.60**
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,226**
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**16.6**
Ban Houayxai Gold-Silver Operation		
Total material mined	t	**3,090,541**
Gold-silver ore mined	t	**1,345,935**
Ore milled	t	**1,212,007**
Gold head grade	g/t	**0.76**
Silver head grade	g/t	**11.21**
Gold in doré	oz	**24,530**
Silver in doré	oz	**261,268**
Gold recovery	%	**82.0**
Payable gold in doré sold	oz	**23,749**
Payable silver in doré sold	oz	**258,436**
Average gold price realised (gold revenue recognised / sales) after realised hedging	US$/oz	**1,299**
Average silver price realised (silver revenue recognised / sales) after realised hedging	US$/oz	**16.5**

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 31 Mar 2015
Mining cost	0.59
Deferred mining and inventory adjustments capitalised	(0.03)
Processing cost	0.59
General and administration	0.16
Total on-site operating costs	**1.31**
Transport handling and marketing	0.26
Concentrate treatment and refining	0.32
Total off-site operating costs	**0.58**
Deduct precious metal credits	(0.85)
Total direct operating costs (C1 cost)	**1.05**
Royalty	0.15
Sustaining capital (includes TSF)	0.07
Corporate support and shared services costs	0.08
Lease principal and interest charges	0.11
Deferred mining and inventory adjustment capitalised	0.03
All-in sustaining costs	**1.50**

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 31 Mar 2015
Mining cost	315
Deferred mining and inventory adjustments capitalised	8
Processing cost	414
General and administration	94
Total on-site operating costs	**831**
Total off-site operating costs (freight, refining)	22
Deduct silver credit	(179)
Total direct operating costs (C1 cost)	**674**
Royalty	84
Sustaining capital (includes TSF)	3
Corporate support and shared services costs	55
Lease principal and interest charges	55
Deferred mining and inventory adjustment capitalised	(8)
All-in sustaining costs	**862**

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.

End notes:

[1] 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.

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