



ASX ANNOUNCEMENT

22 May 2015

Chairman's Address to the Annual General Meeting

Attached is the Chairman's address to be given at the PanAust Limited Annual General Meeting, Friday 22 May 2015.

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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



www.panaust.com.au

CHAIRMAN'S ADDRESS:

Ladies and Gentlemen,

From a production perspective, 2014 was an excellent year for PanAust. With over 71,000 tonnes of copper, 168,755 ounces of gold, and 1.3 million ounces of silver produced, guidance for each was exceeded and we achieved annual production and sales records for both copper and silver. These outstanding results stem from numerous operational improvement initiatives and are a credit to the dedicated personnel at the Company's two operations.

Despite record copper and silver production and competitive costs, materially lower metal prices adversely effected PanAust's financial performance. Furthermore, the adoption of lower long term commodity prices coupled with the strategic focus shifting onto the advancement of the Frieda River Project, led to the recognition of non-cash impairments which totalled US\$264.7 million. As a result, a loss of US\$221.4 million after income tax for the 12 months to 31 December 2014 was posted.

Adjusted EBITDA for the year of US\$194.2 million was a credible result given the weakening in commodity prices that occurred during the year and reflects the previously mentioned strong production performance and respectable operating cost performance outcomes.

Net cash inflow from operating activities was US\$161.8 million.

At year-end, the Company had cash of US\$74.9 million, debt of US\$130.0 million excluding equipment lease facilities, and undrawn facilities of US\$145 million.

On 25 August 2014, PanAust completed the acquisition of an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea from Glencore Plc. Our joint venture partner, Highlands Pacific holds the other 20 per cent.

Frieda River is one of the largest undeveloped copper-gold deposits in the world and will provide the Company with significant resources and an opportunity for growth.

In early 2014, PanAust announced that a succession process had commenced for the position of PanAust Managing Director to replace Mr Gary Stafford who had served in this role since 1996. On 11 November 2014 Dr Fred Hess was appointed Managing Director of the Company. The PanAust Board of Directors acknowledge and thank Mr Gary Stafford for his 18-year tenure and numerous achievements including the transformation of a junior explorer into one of the top-10 independent listed copper companies globally.

Prior to being appointed Managing Director, Fred had held several executive management positions within PanAust in the nine years that he has been with the Company; most recently as the Executive General Manager Project Development and Operational Improvement. The Board's view was that Fred had the requisite skills and experience gained from more than 30 years of working in the mining industry to lead PanAust as it advances its next generation of mining projects.

Fred was a major driving force behind the development and construction of both the Phu Kham and Ban Houayxai Operations in Laos. Now, under Fred's leadership, PanAust's Values and commitment to sustainability will remain unchanged and, together with all PanAust employees, the Company will continue to strive to achieve the highest standards across its existing operations and its future growth opportunities, in particular the Frieda River Project in Papua New Guinea.

I would like to briefly cover the takeover offer from the Company's largest shareholder Guangdong Rising Assets Management, GRAM.

On 8 May 2015 your Board announced its decision to unanimously recommend that all shareholders accept the increased GRAM takeover offer of \$1.85 per share. The decision by the Independent PanAust Directors to unanimously recommend GRAM's increased offer was not taken lightly. The reasons for the recommendation have been detailed in communications to the shareholders.

GRAM's interest in PanAust has increased to over 86% as of yesterday. The scheduled close of the offer is 27 May 2015. All of the Independent PanAust Directors have now accepted GRAM's revised offer.

I would like to express my sincere appreciation to the PanAust shareholders (past and present) who have loyally supported the Company. A number of shareholders have been on the register for many years. With the support of our shareholders, we have developed the Phu Kham Copper Gold Mine, come through the Global Financial Crisis, developed the Ban Houayxai Gold Silver Mine and acquired a majority interest in the Frieda River Project. Your dedication to the Company is sincerely appreciated.

PanAust's focus on health and safety; world class training programs; community development initiatives; and environmental stewardship has had a profound and positive impact on the lives of the people living in the communities where we operate. All of our shareholders and employees (past and present) should reflect on their contribution to PanAust's success in this regard. It is something to be proud of.

Before closing I also need to give special thanks to PanAust's longest serving non-executive director, Nerolie Withnall. Nerolie is retiring from the Board today after 19 years of tremendous service, including for a period when the PanAust non-executive directors received payment in shares rather than cash. Nerolie has been a major part of the success of this Company. On behalf of my fellow Directors, shareholders (past and present) and PanAust's employees, I would like to sincerely thank Nerolie for her unwavering commitment, integrity and dedication.

In closing, I would like to say that as Chairman of PanAust for the past seven years, I am very proud of what the Company has achieved. I would like to sincerely offer my appreciation and thanks to our employees, my fellow Directors, the communities in which we operate, and of course, to our shareholders for their support and belief in PanAust over the years.

Thank you.

[Chairman's address ends]