



ASX ANNOUNCEMENT

23 February 2012

Financial results for the 12-months to 31 December 2011

Highlights

- Statutory consolidated net profit after tax (NPAT) for the year of US\$146.6 million.
- Strong cash-flow funded capital expenditure for the Ban Houayxai Gold-Silver and Phu Kham Copper-Gold Upgrade Projects, which will underpin an increase in production commencing in 2012.
- EBITDAⁱ of US\$284.2 million in 2011 is expected to rise significantly in 2012 with the commissioning of the Ban Houayxai and Phu Kham Upgrade projects. Current guidance for 2012 is for EBITDA to be between US\$340 million to US\$400 million.
- Operating profit (or EBITⁱⁱ) margin 38% (43% in 2010) despite weather related operational challenges during 2011.
- Underlying NPAT* attributable to PanAust Limited of US\$137.6 million.
- Net cash-flow from operating activities of US\$239.1 million.
- Cash-flow and balance sheet strength to support PanAust's ongoing growth strategy: cash balance at 31 December 2011 of US\$156 million; gearingⁱⁱⁱ at 31 December 2011 was 11%.

Results summary^{iv}

(US\$ million)	12 months to 31 Dec 2011	12 months to 31 Dec 2010
Sales revenue	575.7	591.2
Sales revenue, derivative gains/losses and other income	598.0	575.4
Earnings before interest, tax, depreciation and amortisation (EBITDA) ⁱ	284.2	300.1
Earnings before interest and tax (EBIT) ⁱⁱ	224.7	245.8
Statutory consolidated net profit after tax	146.6	160.1
Net profit after tax, attributable to PanAust Limited	132.1	143.4
Underlying net profit from ordinary activities after tax, attributable to PanAust Limited	137.6	143.4
Basic earnings per share (US cents)	22.5	24.5

This announcement is unaudited. Refer to page 6 for endnotes, including explanations of the non-IFRS measures used in the announcement and for reconciliation of non-IFRS data to IFRS data.

* Underlying net profit from ordinary activities after tax "Underlying NPAT", attributable to members, excludes the effect of a non-recurring non-cash share based payment expense of US\$5.5 million relating to the acquisition of a majority interest in Inca de Oro S.A. which owns the Inca de Oro Copper-Gold Project in Chile.

PanAust Managing Director, Gary Stafford, said that the full year profit result reflects a solid performance at the Phu Kham Operation which ended the year on a high after enduring a difficult period mid-year.

“Record production performances during the December quarter illustrated the underlying strength of the Phu Kham Operation as it recovered from the severe rainfall events of mid-2011,” he said,

“Copper in concentrate production was adversely impacted by the postponement of access to higher-grade ores, but cash cost performance was solid, assisted by higher precious metal credits,

“Cash-flow from Phu Kham supported a significant capital development program during 2011 without the need to draw down debt facilities. A total of approximately US\$240 million was spent on growth activities including exploration and evaluation,

“With gold-silver production commencing at Ban Houayxai in March, cash-flow is set to receive a significant boost in 2012.”

Commentary on Financial Results

PanAust Group NPAT for the year ended 31 December 2011 was US\$146.6 million (2010: US\$160.1 million). The effects of lower production levels for copper and gold versus 2010 were more than offset by higher prices received for all commodities, resulting in sales revenue after derivative gains and other income rising nearly 4% in 2011 to US\$598.0 million. This revenue included realised and unrealised hedge gains of US\$16.1 million and US\$4.0 million respectively. Operating costs increased in 2011 versus the previous year with the most notable variances being US\$8.4 million of non-recurring remediation charges associated with the mid-2011 severe rainfall events and the expensing of US\$7.4 million (2010: nil) of capitalised exploration costs.

Underlying NPAT from ordinary activities, attributable to PanAust Limited, of US\$137.6 million (2010: US\$143.4 million) excludes the effect of a non-recurring, non-cash share based payment expense of US\$5.5 million relating to the acquisition of a majority interest in Inca de Oro S.A., which owns the Inca de Oro Copper-Gold Project in Chile.

Sales of concentrate for the year totalled 256,347dmt (2010: 273,252dmt). Pay-metal sales for the year were 57,858t copper, 53,582oz gold and 479,983oz silver (2010: 63,976t, 61,148oz^v and 441,156oz respectively). The average prices received, after realised hedging, for sales during the year were US\$3.98/lb for copper, US\$1,470/oz for gold and US\$35.1/oz for silver (2010: US\$3.44/lb, US\$1,148/oz and US\$15.5/oz respectively).

EBIT of US\$224.7 million provided a healthy operating profit margin of 38% (2010: 43%), despite continued inflationary pressures on salaries and certain consumables such as fuel, and lower production volumes.

Net cash-flow from operating activities was US\$239.1 million (2010: US\$265.2 million), which was sufficient to fund all capital programs during the year and maintain a significant cash reserve at year end.

There was significant expenditure on development projects in 2011, totalling US\$173.0 million (2010: US\$53.6 million), with the commitment to both the Ban Houayxai Gold-Silver and the Phu Kham Upgrade Projects., Sustaining capital expenditure was US\$59.2 million (2010: US\$57.6 million) of which US\$29.2 million was for the Ban Houayxai mining fleet and expanding the Phu Kham mining fleet to cater for increased mining volumes associated with the Upgrade

Project, and US\$20.0 million (2010: US\$23.1 million) for progressive construction of the tailings storage facility at Phu Kham. Exploration and evaluation expenditure was US\$41.6 million (2010: US\$26.3 million), which included feasibility study work for the Inca de Oro Copper-Gold Project in Chile.

Capital demands will substantially reduce through the June half of 2012 with the completion of construction of the Ban Houayxai gold-silver project and the Phu Kham Upgrade. Thereafter, cash flow will increase as both operations ramp-up to design production levels through the June and September quarters respectively.

During 2011, PanAust's 90% owned subsidiary, Phu Bia Mining, paid to the Government of Laos US\$34.8 million in royalty payments and, in February 2011, presented its first profits tax payment, paid in arrears for the 2010 year, of US\$20.4 million. In addition US\$16.1 million in Value Added Tax was paid during 2011, offsetable against 2011 profits tax payable in 2012.

Non-cash items recognised in the 2011 result included:

- US\$7.4 million expense included in the depreciation, amortisation and impairment line representing the accumulated costs incurred in exploration of areas where there is no continuing significant activity planned.
- US\$6.8 million cost recognised in the revenue line representing previously disclosed realised hedging losses in line with the original gold maturity profile on gold forward contracts which were closed out in August 2010.

Capital Management

At 31 December 2011, PanAust had cash of US\$156 million, debt of US\$45 million (non-current), undrawn debt facilities of US\$55 million, and mobile equipment lease facilities drawn to a total of US\$64 million. No non-lease debt was drawn down during the year.

PanAust's cash balance coupled with strong cash-flow from Phu Kham, modest gearing and existing undrawn facilities mean that the Company is well placed to meet remaining capital commitments during the first half of 2012 at Ban Houayxai and Phu Kham Upgrade together with an estimated net payment of approximately US\$30 million due to the Government of Laos for the 2011 tax year.

Dividend Policy

PanAust aims to create value from its assets and deliver enhanced returns to its shareholders versus its industry peers, in part through the payment of dividends. The Board of directors can declare dividends at its discretion and it is the Board's objective to declare a maiden dividend that can be maintained or progressively increased. The capacity to pay dividends is balanced with the need for PanAust to fund its pipeline of future growth projects and is subject to long term profitability.

Due to the significant demands on capital during the first half of 2012, to fund project development and to meet the Company's tax obligations to the Government of Laos, the Board of Directors has resolved not to pay a final dividend for the 2011 year. However, provided budget production and revenue levels are achieved at Phu Kham and Ban Houayxai post-commissioning of both development projects, and subject to capital requirements at the time, then the Board considers that it is likely that a maiden interim dividend will be paid in the second half of 2012 consistent with the Company's dividend policy.

Outlook

Financial and Production Guidance

PanAust Group EBITDA for the 2012 year is currently expected to be between US\$340 million and US\$400 million, assuming copper prices between US\$3.50/lb and US\$4.00/lb respectively^{vi} and the following guidance for metal production from Phu Kham (mid-point of production range) and Ban Houayxai:

Phu Kham Copper-Gold Operation: between 63,000t and 65,000t of copper in concentrate at an average C1 cash cost of between US\$1.05/lb and US\$1.15/lb copper after precious metal credits from 50,000oz to 55,000oz gold and 550,000oz to 600,000oz silver.

Ban Houayxai Gold-Silver Operation: approximately 85,000oz of gold at a cash cost of between US\$550/oz and US\$600/oz after a credit from approximately 200,000oz of silver.

Background

PanAust is well placed to pursue its strategy of 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 minerals assets with a particular focus on copper assets; and pursuit of exploration and resource development programs in Laos and Chile.

The Ban Houayxai gold-silver deposit, located approximately 25km west of Phu Kham, is scheduled to commence gold production in March 2012 and will comprise an open pit mine feeding ore to a conventional 4Mtpa Carbon in Leach (CIL) process plant with a nominal production capacity of 100,000oz of gold and 700,000oz of silver per annum. Initial production from partly silver-depleted oxide ore will result in production of silver below the life of mine average. The silver grade of ore processed, and hence silver production, is scheduled to increase over the following two years.

The total estimated capital cost for construction of the Ban Houayxai Project is US\$200 million incorporating a contingency of US\$12 million and US\$5 million of deferred capital to fund the second lift of the tailings storage facility later this year (after operations commence).

The Phu Kham Upgrade Project is designed to increase ore processing rates from 12Mtpa to 16Mtpa. The Upgrade is timed to coincide with a scheduled decline in ore head grade during 2012. By the end of 2011 detailed engineering and procurement were largely completed and off-site fabrication of long lead items was nearing completion. Commissioning of the Upgrade is scheduled for the June quarter 2012 with ramp-up to continue into the following quarter.

The estimated capital cost for the construction of the Phu Kham Upgrade Project is US\$95 million incorporating a contingency of US\$14 million.

Following drilling successes within the Phu Kham district, including the discovery of the Nam San copper-gold deposit and significant mineralisation at the LCT copper-gold prospect, PanAust has established a brown-fields exploration team to investigate potential repeats of Phu Kham-style mineralisation along a highly prospective corridor which extends at least seven kilometres due north and along strike of the northern boundary of the Phu Kham deposit.

Drilling at the Nam San deposit will be accelerated over the next 6-12 months with the objective of defining an inferred mineral resource in the second half of 2012. In addition, conceptual studies

have commenced to investigate possible portal locations for underground access, mining methods and mining rates.

The discovery earlier in 2011 of primary mineralisation approximately six kilometres northwest of Phu Kham at LCT, together with the Nam San deposit, will influence the exploration and development strategy for the Phu Kham district. Should sufficient inferred resources be identified during 2012, then PanAust will commence a scoping study to investigate opportunities for increasing copper and gold production from the Phu Kham district either: through blending high-grade feed from the newly discovered deep zone with ore from the current open-pit; or, through the development of new processing facilities.

In Chile, PanAust is managing the feasibility study for the Inca de Oro Copper-Gold Project (59.4% attributable to PanAust). The study is scheduled for completion during the June quarter 2012 for consideration by the joint venture and PanAust Boards in the September quarter 2012. The Inca de Oro pre-feasibility study, completed by Codelco, indicated the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate over a plus ten-year mine life. Study work to date indicates that higher grade supergene mineralisation may support elevated copper production during the first few years of any mine development before grades and consequent copper production decline. The development concept contemplates the deferred processing of oxide mineralisation, mined and stockpiled during the pre-strip, through a heap leach and SXEW operation to produce copper cathode that will offset the decline in copper in concentrate production.

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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 potential mineralisation, resources and reserves, 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.

ⁱ The measure earnings before interest, taxes, depreciation and amortisation (EBITDA) excludes from profit before income tax the effects of profit or loss items such as depreciation, amortisation, and impairment, interest revenue and expense and equity-settled share-based payments. Reconciliation of EBITDA to IFRS data is presented in note ii below.

ⁱⁱ The measure earnings before interest and taxes (EBIT) excludes from profit before income tax the effects of profit or loss items such as interest revenue and expense. Reconciliation of EBIT and EBITDA to IFRS data is presented below.

31 December 2011	Consolidated
	US\$'000
Adjusted EBITDA	284,228
Depreciation, amortisation and impairment	(59,532)
Adjusted EBIT	224,696
Interest income	1,413
Interest expense and finance charges	(13,808)
Share based payment expense from acquisition	(5,530)
Put option premium expense	(2,955)
Profit/(loss) before income tax	203,816

31 December 2010	Consolidated
	US\$'000
Adjusted EBITDA	300,114
Depreciation and amortisation	(54,285)
Adjusted EBIT	245,829
Interest income	1,073
Interest expense and finance charges	(13,968)
Put option premium expense	(16,947)
Profit/(loss) before income tax	215,987

ⁱⁱⁱ Gearing = debt / (debt + equity).

^{iv} PanAust's assets in Laos are held by Phu Bia Mining Limited (PBM). The Government of Laos (GoL) has exercised its right to acquire a 10% interest in PBM. Results referred to in this announcement reflect 100% ownership of PBM other than the "Net profit after tax attributable to PanAust Limited" which recognises the GoL minority interest.

Financial data for the 12-month period to 31 December 2011 presented in this announcement are sourced from the Financial Statements for the year ended 31 December 2011 lodged by PanAust with the Australian Securities Exchange and it is recommended that this document be referenced to provide the appropriate form and context for such data.

The comparative earnings per share and return on equity have been adjusted to take into account the 1 for 5 share consolidation which was completed in May 2011.

^v Included 5,021oz of gold contained in sales of gold doré from the now closed Phu Kham Heap Leach Operation.

^{vi} Assumes gold and silver prices of US\$1,800/oz and US\$30/oz respectively.