

**APPENDIX 4D**  
**Half-Year Report**  
**For the Period Ended 30 June 2012**

**Name of entity**

**PanAust Limited**

ABN

Half yearly

Preliminary

Half year ended ('current period')

17 011 065 160



30 June 2012

**Results for Announcement to the Market**

|   | <b>30 June<br/>2012</b> | <b>30 June<br/>2011</b> |      | <b>Percentage<br/>change</b> |
|---|-------------------------|-------------------------|------|------------------------------|
|   | <b>US\$'000</b>         | <b>US\$'000</b>         |      |                              |
| Sales revenues from ordinary activities                   | 306,250                 | 301,844                 | up   | 1.5%                         |
| Sales revenue, derivative gains/(losses) and other income | 303,542                 | 295,196                 | up   | 2.8%                         |
| Net profit after tax                                      | 73,567                  | 76,985                  | down | 4.4%                         |
| Net profit after tax attributable to members              | 65,673                  | 69,399                  | down | 5.4%                         |

**Dividend**

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 resolved today to pay a maiden interim dividend for the half-year of three cents (Australian) per share (unfranked). The interim dividend is to be paid on 25 October 2012 to shareholders on the register as at 7:00pm (AEST) on 28 September 2012 (the record date). The full amount of the interim dividend will be paid from conduit foreign income and, accordingly, PanAust will not retain Australian withholding tax on distribution of dividend payments to non-resident shareholders. The financial impact of this interim dividend has not been recognised in the financial statements for the half-year ended 30 June 2012 and will be recognised in subsequent financial statements.

The details in relation to the interim dividend are set out below:

**Interim Dividend**

|   |                   |
|---|-------------------|
| Franked amount per share                            | Nil               |
| Record date for determining entitlement to dividend | 28 September 2012 |
| Dividend payment date                               | 25 October 2012   |

The **Dividend Reinvestment Plan (DRP)**, which was approved by shareholders at the Annual General Meeting on 18 May 2012, will apply in relation to the interim dividend. The DRP provides eligible shareholders with the option of reinvesting all or part of their dividends in additional PanAust shares without paying any brokerage or other entry costs. Participation in the DRP is voluntary.

Eligible shareholders will be able to elect to take up shares in the Company at a price determined by the arithmetic average of the daily volume weighted average price of shares traded on the Australian Securities Exchange over each of the five trading days commencing on 2 October 2012. No discount will apply to

shares issued under the DRP. Shares issued under the DRP will rank equally with existing ordinary fully paid shares and will be issued at a price determined under the DRP rules. Shareholders have until 7:00pm (AEST) on 28 September 2012 to elect to participate in the DRP. Further details on how eligible shareholders can elect to participate in the DRP will be sent to shareholders. The rules of the DRP are detailed on the Company's website at [www.panaust.com.au/investor-centre/dividend-information](http://www.panaust.com.au/investor-centre/dividend-information).

**Commentary on results for the period:**

**Operating results:**

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year ended was US\$140.1 million and a profit before tax of US\$102.4 million (for further details, refer to Note 2 of the Interim Financial Report for the half-year ended 30 June 2012);
- Phu Kham Copper-Gold Operation produced 124,023 tonnes (t) of concentrate containing 29,681t of copper, 28,923 ounces (oz) of gold and 236,087oz of silver, at an average cash costs of US\$1.03 per pound (lb) of payable copper produced, net of gold and silver by-product credits (C1, Brook Hunt Convention)<sup>1</sup>,
- The first gold-silver doré was poured at the Ban Houayxai Gold-Silver Operation on 1 May 2012; commercial production declared from 1 June 2012; and
- Ban Houayxai Gold-Silver Operation produced (poured) 12,664oz of gold and 10,074oz of silver.

**Key growth project events**

- Commissioning of the Phu Kham Upgrade Project (Laos) commenced in June 2012. Ramp-up commenced in mid-August 2012. The project is expected to be completed within the US\$95 million capital budget.
- Phu Kham Increased Recovery Project (Laos) received PanAust Board approval. Construction is scheduled to commence in the December quarter 2012 and be completed in the September quarter 2013;
- Inca de Oro Copper-Gold Project (Chile) feasibility study on the sulphide mineral resources was completed and concluded that the Project would not provide a sufficient return at a copper price of US\$3.00/lb. The study scope has been extended to incorporate the processing of Inca de Oro oxide mineralisation and detailed assessment of the mineral resource potential of the nearby Carmen and Artemisa deposits;
- Commenced a pre-feasibility study for the Phonsavan Copper-Gold Project (Laos) focused on the KTL deposit with a view to completing a feasibility study in mid-2013; and
- Continued exploration and evaluation activities in Laos and Chile with ongoing drilling at high priority targets within the Company's contract area in Laos. Of particular note are the results from the Nam San deposit adjacent to Phu Kham and the Long Chieng Track deposit seven kilometres north of Phu Kham in Laos.

| <b>Key Ratios</b>  | <b>30 June 2012</b> | <b>30 June 2011</b> |
|--|---------------------|---------------------|
| Basic earnings per share (cents)                                   | 11.16               | 11.81               |
| Net tangible asset backing per ordinary security (\$) <sup>#</sup> | 1.57                | 1.48                |

<sup>#</sup>NTA backing per share has been restated based on the number of shares on issue as at 30 June 2012.

**Information set out in this Half-year Report should be read in conjunction with the Annual Report for the year ended 31 December 2011**

<sup>1</sup> Brook Hunt convention for the report 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.

# **PanAust Limited**

ABN 17 011 065 160

## **Interim Financial Report for the half-year ended 30 June 2012**



**PanAust Limited ABN 17 011 065 160**  
**Interim Financial Report**  
**For the half-year ended 30 June 2012**

**Contents**

|  | Page |
|--|------|
| Directors' report                                  | 3    |
| Interim financial statements                       |      |
| Consolidated statement of comprehensive income     | 9    |
| Consolidated balance sheet                         | 10   |
| Consolidated statement of changes in equity        | 11   |
| Consolidated statement of cash flows               | 12   |
| Notes to consolidated financial statements         | 13   |
| Directors' declaration                             | 28   |
| Independent auditor's review report to the members | 29   |

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by PanAust Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

PanAust Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

PanAust Limited  
Level 1  
15 James Street  
Fortitude Valley, Queensland AUSTRALIA 4006

Postal address is:

PanAust Limited  
PO Box 2297  
Fortitude Valley BC, Queensland AUSTRALIA 4006

**PanAust Limited**  
**Directors' report**  
**For the half-year ended 30 June 2012**

**Directors' report**

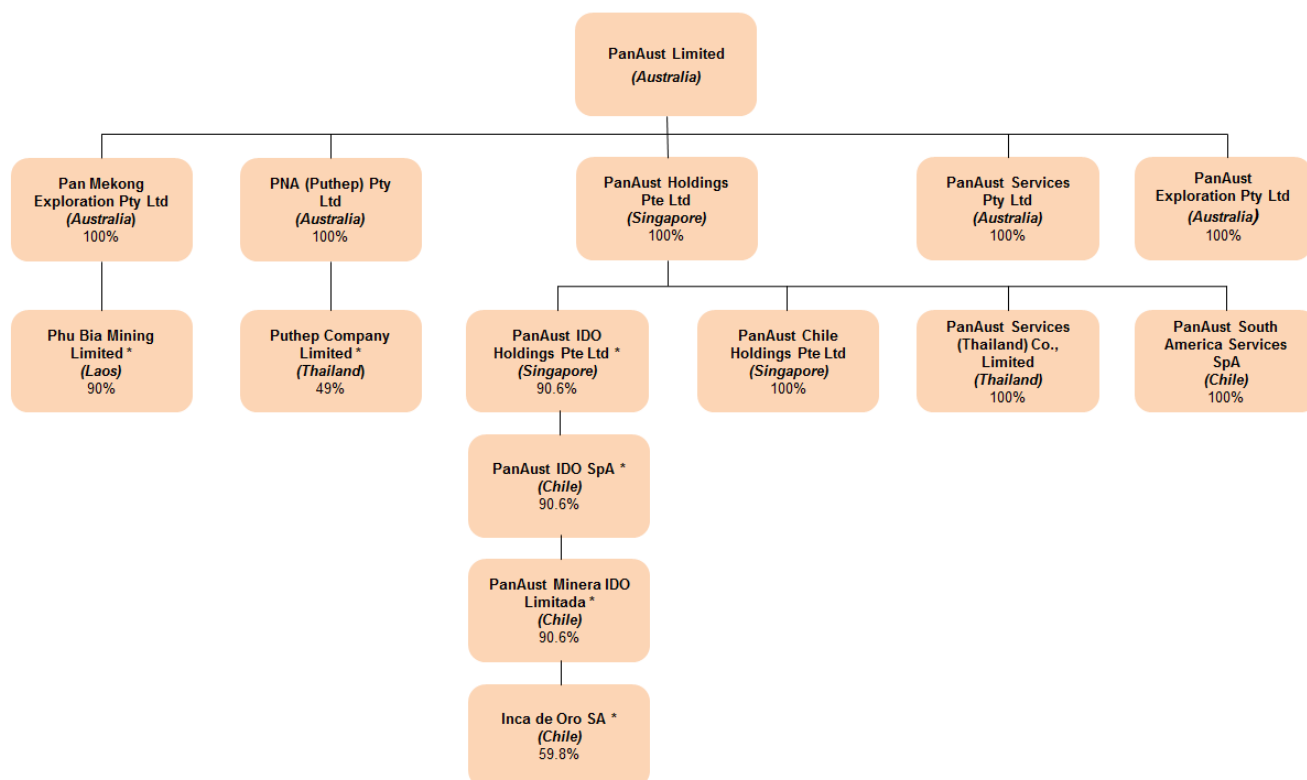
Your Directors present their report on the consolidated entity (referred to hereafter as the 'Company' or 'PanAust') consisting of PanAust Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2012.

**Directors**

The following persons were Directors of PanAust Limited during the whole of the half-year (except where noted) and up to the date of this report:

- Garry Hounsell, B.Bus. (Accounting) CPA FCA FAICD (Chairman, Non-Executive Director)
- Gary Stafford, B.Sc. (Hons, Mining Engineering) MAusIMM (Managing Director)
- Nerolie Withnall, B.A., LL.B. FAICD (Non-Executive Director)
- Geoff Handley, B.Sc. (Hons, Geology and Chemistry) MAusIMM FAICD (Non-Executive Director)
- Geoff Billard, B.Econ., B.Com. (Hons, Economics) FCPA FAICD (Non-Executive Director)
- Zezhong Li, M.Laws, M. Public Administration in International Development (Non-Executive Director)
- John Crofts, B.Bus. (Transport, Economics & Accounting) (Non-Executive Director)
- Ken Pickering, B.Sc. (Mineral Engineering) (Non-Executive Director)
- Andrew Daley, B.Sc. (Hons, Mining Engineering) FAusIMM (Non-Executive Director), retired 18 May 2012
- Annabelle Chaplain, B.A., MBA (Non-Executive Director), appointed 1 July 2012

**Company legal structure as at 30 June 2012**



\* Beneficial interest

## **Review of operations**

The significant operational achievements of the Company during the half-year ended 30 June 2012 were as follows:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the half-year ended were US\$140.1 million and a profit before tax of US\$102.4 million (refer to note 2 of the Notes to the consolidated financial statements for further details);
- As at 30 June 2012, cash balance of US\$107 million and debt drawn (non-current) of US\$85 million (excluding equipment lease facilities);
- Phu Kham Copper-Gold Operation produced 124,023 tonnes (t) of concentrate containing 29,681t of copper, 28,923 ounces (oz) of gold and 236,087oz of silver, at average cash costs of US\$1.03 per pound (lb) of payable copper produced, net of gold and silver by-product credits (C1, Brook Hunt Convention);
- The first gold-silver doré was poured at the Ban Houayxai Gold-Silver Operation on 1 May 2012; commercial production declared from 1 June 2012; and
- Ban Houayxai Gold-Silver Operation produced (poured) 12,664oz of gold and 10,074oz of silver.

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 and Chile.

The following key growth project events occurred during the first half of 2012:

- Commissioning of the Phu Kham Upgrade Project (Laos) commenced in June 2012. Ramp-up commenced in mid-August 2012. The project is expected to be completed within the US\$95 million capital budget.
- Phu Kham Increased Recovery Project (Laos) received PanAust Board approval. Construction is scheduled to commence in the December quarter 2012 and be completed in the September quarter 2013;
- Inca de Oro Copper-Gold Project (Chile) feasibility study on the sulphide mineral resources was completed and concluded that the Project as contemplated would not provide a sufficient return at a copper price of US\$3.00/lb. The study scope has been extended to incorporate the processing of Inca de Oro oxide mineralisation and detailed assessment of the mineral resource potential of the nearby Carmen and Artemisa deposits;
- Commenced a pre-feasibility study for the Phonsavan Copper-Gold Project (Laos) focused on the KTL deposit with a view to completing a feasibility study in mid-2013; and
- Continued exploration and evaluation activities in Laos and Chile with ongoing drilling at high priority targets within the Company's contract area in Laos. Of particular note are the results from the Nam San deposit adjacent to Phu Kham and the Long Chieng Track (LCT) deposit seven kilometres north of Phu Kham in Laos.

## **Significant changes in the state of affairs**

The Ban Houayxai Gold-Silver Operation in Laos achieved practical completion in mid-April. The Operation was officially opened by H.E. Deputy Prime Minister Somsavat Lengsavad on 20 April 2012. First gold-silver doré was poured on 1 May 2012, and commercial production was declared from 1 June 2012.

## **Dividends**

On 23 August 2012, the PanAust Board of Directors declared an interim unfranked dividend of A\$0.03 per share in respect of the half-year ended 30 June 2012. The dividend amount has not been provided for in the interim financial report for the half-year ended 30 June 2012.

## **Operating Review for the half-year**

### **PanAust Asia**

#### ***Phu Kham Copper-Gold Operation***

The Operation continued to process ore at a rate above the plant nameplate capacity of 12Mtpa (million tonnes per annum) with throughput for the half-year ended 30 June 2012 of 7.0Mt of ore to produce 124,023t of concentrate containing 29,681t of copper, 28,923oz of gold and 236,087oz of silver (30 June 2011: 124,438t of concentrate containing 30,213t of copper, 27,268oz of gold and 257,885oz of silver). The average cash costs, net of by-product credits (C1, Brook Hunt Convention) for the half-year ended 30 June 2012 was US\$1.03/lb of copper (30 June 2011: US\$0.99/lb of copper).

PanAust has a number of capital efficient brownfield growth opportunities at the Phu Kham Operation. Copper production is expected to progressively increase from a base of between 63,000t and 65,000t in 2012 to between 65,000t and 70,000t in 2013, to reflect a full year of expanded throughput rates as a consequence of the Upgrade Project, and to between 70,000t and 75,000t in 2014 as a consequence of the Increased Recovery Project. Gold and silver production is also expected to rise as a consequence of these initiatives.

Studies indicate the potential for further increases in copper and gold production beyond 2014 as the mine plan captures low-grade ore in stockpiles and with the recent discovery of the Nam San deposit adjacent to Phu Kham and the Long Chieng Track deposit seven kilometres north of Phu Kham.

#### *Phu Kham Upgrade Project*

Construction work for the plant upgrade was nearing completion at the end of June 2012 and the Project remains within the US\$95 million capital budget. A progressive commissioning and ramp-up commenced in mid-August 2012.

The Phu Kham Upgrade Project is designed to increase ore processing rates from 12Mtpa to 16Mtpa and improve metal recoveries through an increase in grinding and flotation capacity. This increase in mill throughput will add to copper production capacity while timed to compensate for a scheduled fall in head grade as the open pit moves through the course of 2012 from predominantly enriched transitional ore to predominantly lower grade primary ore.

#### *Phu Kham Increased Recovery Project*

The Phu Kham Increased Recovery Project was approved by the Board of Directors in February 2012. Construction is scheduled to commence in the December quarter 2012 and be completed in the September quarter 2013 and is expected to increase the average annual copper and gold production by approximately 5,000t and 7,500oz respectively. C1 cash operating costs are expected to reduce by more than 5% as the quantum of increased metal production more than offsets the relatively modest increase in unit process costs.

The Project stems from a two-year evaluation of various methods to improve metallurgical recoveries at Phu Kham. Plant-scale test work (four separate trials) confirmed that by incorporating a strategy of less selective rougher flotation in combination with additional regrind and cleaner flotation capacity life-of-mine recovery rates for both copper and gold could be significantly increased.

Following the completion of detailed design work (to a feasibility study level), the capital cost of the Project is estimated to be US\$45 million (including a 20% contingency). An order for the key long lead item, a 3MW regrind mill, has already been placed.

## **Operating Review for the half-year (continued)**

### ***Ban Houayxai Gold-Silver Project***

The Ban Houayxai gold-silver deposit is located approximately 25 kilometres west of Phu Kham and comprises an open pit mine feeding ore to a conventional 4Mtpa Carbon in Leach (CIL) process plant.

The Operation achieved practical completion in mid-April and the first gold-silver doré was poured on 1 May 2012. Commercial production was declared from 1 June 2012. The project was completed within 5% of the US\$200 million capital budget.

During the half-year, the Operation produced (poured) 12,664 oz of gold and 10,074 oz of silver. Gold production for June 2012 was 9,257oz at cash costs of US\$514/oz, net of silver credits.

PanAust is targeting full year 2012 production of 80,000oz of gold and between 200,000oz and 250,000oz of silver, followed by average annual production of approximately 100,000oz of gold and 700,000oz of silver over the life-of-mine. The oxide ore that is scheduled to be mined in the first year is partly silver depleted and will result in initial silver production being below the life of mine average.

### ***Phonsavan Copper Gold Project – potentially the next green-field development in Laos***

A pre-feasibility study is underway at the Phonsavan Copper-Gold Project with a view to completing a feasibility study in mid-2013. The studies will focus on a project centred on the KTL copper-gold deposit and will consider the potential to add further mineralisation sourced from deposits in the area including the Tharkhek copper-gold and gold deposits.

### ***Regional Exploration, Laos***

PanAust is undertaking regional exploration activities at several defined prospects within the Company's 2,636 square kilometre Contract Area in Laos. The area is under explored and is highly prospective for copper and gold, offering excellent potential for the discovery of significant new resources as the basis for organic growth.

### ***Puthep Copper Project***

PanAust has commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner. PanAust holds a 49% beneficial interest in the Project.

## **PanAust South America**

### ***Inca de Oro Copper-Gold Project***

During the June half, PanAust completed the Inca de Oro feasibility study (joint venture with Codelco in Chile). The study focused on the sulphide (supergene and primary) mineral resources and concluded that the Project would not provide a sufficient return at a US\$3.00/lb copper price. The joint venture partners agree that there is significant potential to improve the robustness of the Project through; exploitation of the oxide resources at Inca de Oro; the definition and incorporation of mineralisation from nearby deposits into the development plan; and securing a competitively priced life-of-mine power tariff.

Drilling has commenced at the nearby Artemisa deposit which is part of the Inca de Oro joint venture and drilling is planned at the Carmen deposit (PanAust 100%) to identify additional mineral resources and convert the largely inferred mineral resource to measured and indicated.

The studies required to assess the opportunities for enhancing the Project economics coupled with negotiations to secure a life-of-mine power tariff for the Project are expected to be completed in late 2013.

## **Sustainability**

The Company's 2011 Sustainability Report was released on 27 July 2012. This report met the requirements of Application Level A+ of the Global Reporting Initiative (GRI) reporting framework. This is an improvement on the previous year's B+ Application Level. For further details regarding the Company's safety, environment and community performance please refer to the 2011 PanAust Sustainability Report.



## **Sustainability (continued)**

### **Safety**

The Company's safety record remains excellent. The LTI frequency rate (LTI's per million man hours) as at 30 June 2012 on an annual rolling average basis was 0.14 (30 June 2011: 0.30). The TRI frequency rate (TRI's per million man hours) as at 30 June 2012 on an annual rolling average basis was 2.60 (30 June 2011: 2.85).

### **Environment**

There have been no material environmental related incidents reported during the half-year ended 30 June 2012 (2011: nil).

### **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. Further discussion in relation to these community development projects can be found in the 2011 PanAust Sustainability Report published on the Company's website.

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

## **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## **Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*. This report is made in accordance with a resolution of Directors.



Garry Hounsell  
Director



Gary Stafford  
Director

Sydney  
23 August 2012



## Auditor's Independence Declaration

As lead auditor for the review of PanAust Limited for the half year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PanAust Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'D.G. Smith', written in a cursive style.

Debbie Smith  
Partner  
PricewaterhouseCoopers

Brisbane  
23 August 2012

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
*Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001*  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

**PanAust Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 30 June 2012**

|   | Notes | Half-year                   |                             |
|---|-------|-----------------------------|-----------------------------|
|   |       | 30 June<br>2012<br>US\$'000 | 30 June<br>2011<br>US\$'000 |
| Sales revenue   | 3     | 306,250                     | 301,844                     |
| Derivative losses   | 3     | (3,832)                     | (7,920)                     |
| Other income  | 3     | 1,124                       | 1,272                       |
| Changes in inventories of finished goods and work in progress           |       | 5,501                       | 1,795                       |
| Mining operations costs   |       | (82,361)                    | (69,584)                    |
| Employee benefits expense   |       | (32,506)                    | (25,142)                    |
| Royalties   |       | (17,278)                    | (19,087)                    |
| Concentrate haulage   |       | (13,712)                    | (15,246)                    |
| Treatment and refining charges  |       | (9,661)                     | (7,571)                     |
| Marketing and realisation costs   |       | (6,209)                     | (6,378)                     |
| Other expenses  |       | (6,456)                     | (9,568)                     |
| Interest and finance charges  | 5     | (8,686)                     | (6,638)                     |
| Depreciation and amortisation expense                                   |       | (29,084)                    | (25,916)                    |
| Put option premium expense  | 5     | (710)                       | (1,360)                     |
| Share based payment expense from acquisition                            | 5     | -                           | (5,530)                     |
| <b>Profit before income tax</b>   |       | <b>102,380</b>              | <b>104,971</b>              |
| Income tax expense  |       | (28,813)                    | (27,986)                    |
| <b>Profit for the half-year</b>   |       | <b>73,567</b>               | <b>76,985</b>               |
| <b>Other comprehensive income</b>                                       |       |                             |                             |
| Cash flow hedges, net of tax  | 4     | 2,184                       | 11,057                      |
| <b>Total comprehensive income for the half-year</b>                     |       | <b>75,751</b>               | <b>88,042</b>               |
| <b>Profit is attributable to:</b>                                       |       |                             |                             |
| Owners of PanAust Limited   |       | 65,673                      | 69,399                      |
| Non-controlling interests   |       | 7,894                       | 7,586                       |
|   |       | <b>73,567</b>               | <b>76,985</b>               |
| <b>Total comprehensive income for the half-year is attributable to:</b> |       |                             |                             |
| Owners of PanAust Limited   |       | 67,639                      | 79,350                      |
| Non-controlling interests   |       | 8,112                       | 8,692                       |
|   |       | <b>75,751</b>               | <b>88,042</b>               |

Cents

Cents

**Earnings per share attributable to the ordinary equity holders of the Company:**

|                            |    |       |       |
|----------------------------|----|-------|-------|
| Basic earnings per share   | 19 | 11.16 | 11.81 |
| Diluted earnings per share | 19 | 11.12 | 11.75 |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**PanAust Limited**  
**Consolidated balance sheet**  
**As at 30 June 2012**

|  | Notes | 30 June<br>2012<br>US\$'000 | 31 December<br>2011<br>US\$'000 |
|--|-------|-----------------------------|---------------------------------|
| <b>ASSETS</b>  |       |                             |                                 |
| <b>Current assets</b>  |       |                             |                                 |
| Cash and cash equivalents                                      |       | 107,034                     | 155,525                         |
| Receivables and other assets                                   |       | 19,305                      | 15,668                          |
| Inventories  | 6     | 84,062                      | 56,279                          |
| Derivative financial instruments                               | 7     | 518                         | 4,248                           |
| <b>Total current assets</b>                                    |       | <b>210,919</b>              | <b>231,720</b>                  |
| <b>Non-current assets</b>                                      |       |                             |                                 |
| Receivables and other assets                                   | 8     | 21,982                      | 53,449                          |
| Investments accounted for using the equity method              |       | 23,287                      | 23,151                          |
| Property, plant and equipment                                  | 9     | 860,682                     | 525,264                         |
| Exploration, evaluation, and mine development                  | 10    | 154,497                     | 342,871                         |
| Intangible assets  |       | 13,965                      | 13,965                          |
| Derivative financial instruments                               | 7     | 445                         | 2,431                           |
| <b>Total non-current assets</b>                                |       | <b>1,074,858</b>            | <b>961,131</b>                  |
| <b>Total assets</b>  |       | <b>1,285,777</b>            | <b>1,192,851</b>                |
| <b>LIABILITIES</b>   |       |                             |                                 |
| <b>Current liabilities</b>                                     |       |                             |                                 |
| Trade and other payables                                       |       | 87,370                      | 84,495                          |
| Borrowings   | 11    | 19,166                      | 14,961                          |
| Current tax liabilities  |       | 8,899                       | 30,418                          |
| Provisions   |       | 8,719                       | 13,564                          |
| <b>Total current liabilities</b>                               |       | <b>124,154</b>              | <b>143,438</b>                  |
| <b>Non-current liabilities</b>                                 |       |                             |                                 |
| Trade and other payables                                       |       | 2,367                       | 3,334                           |
| Borrowings   | 12    | 142,613                     | 92,019                          |
| Deferred tax liabilities                                       |       | 33,021                      | 25,645                          |
| Provisions   |       | 36,419                      | 34,426                          |
| Derivative financial instruments                               | 7     | 811                         | -                               |
| <b>Total non-current liabilities</b>                           |       | <b>215,231</b>              | <b>155,424</b>                  |
| <b>Total liabilities</b>                                       |       | <b>339,385</b>              | <b>298,862</b>                  |
| <b>Net assets</b>  |       | <b>946,392</b>              | <b>893,989</b>                  |
| <b>EQUITY</b>  |       |                             |                                 |
| Contributed equity   | 13    | 544,571                     | 542,617                         |
| Reserves   | 14(a) | 25,087                      | 21,941                          |
| Retained earnings  | 14(b) | 278,792                     | 213,119                         |
| Capital and reserves attributable to owners of PanAust Limited |       | 848,450                     | 777,677                         |
| Non-controlling interests                                      | 15    | 97,942                      | 116,312                         |
| <b>Total equity</b>  |       | <b>946,392</b>              | <b>893,989</b>                  |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**PanAust Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 30 June 2012**

| Half-year 2011   | Notes | Attributable to owners of<br>PanAust Limited |                      |                                  |                   | Non-controlling<br>interests<br>US\$'000 | Total<br>equity<br>US\$'000 |
|--|-------|--|----------------------|----------------------------------|-------------------|--|-----------------------------|
|  |       | Contributed<br>equity<br>US\$'000            | Reserves<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>US\$'000 |  |                             |
| <b>Balance at 1 January 2011</b>                                 |       | <b>541,232</b>                               | <b>5,134</b>         | <b>80,998</b>                    | <b>627,364</b>    | <b>50,457</b>                            | <b>677,821</b>              |
| Profit for the half-year   |       | -  | -                    | 69,399                           | 69,399            | 7,586                                    | 76,985                      |
| Changes in fair value of cash flow<br>hedges, net of tax         |       | -  | 9,951                | -                                | 9,951             | 1,106                                    | 11,057                      |
| <b>Total comprehensive income for<br/>the half-year</b>          |       | <b>-</b>                                     | <b>9,951</b>         | <b>69,399</b>                    | <b>79,350</b>     | <b>8,692</b>                             | <b>88,042</b>               |
| <b>Transactions with owners in their<br/>capacity as owners:</b> |       |  |                      |                                  |                   |  |                             |
| Contributions of equity, net of<br>transaction costs             |       | 770  | -                    | -                                | 770               | -  | 770                         |
| Total changes in non-controlling<br>interests                    |       | -  | -                    | -                                | -                 | 14,503                                   | 14,503                      |
| Non-controlling interest from<br>acquisition                     |       | -  | -                    | -                                | -                 | 24,085                                   | 24,085                      |
| Share based payment expense from<br>acquisition                  |       | -  | -                    | -                                | -                 | 5,530                                    | 5,530                       |
| Employee share based payments                                    |       | -  | 1,928                | -                                | 1,928             | -  | 1,928                       |
|  |       | <b>770</b>                                   | <b>1,928</b>         | <b>-</b>                         | <b>2,698</b>      | <b>44,118</b>                            | <b>46,816</b>               |
| <b>Balance at 30 June 2011</b>                                   |       | <b>542,002</b>                               | <b>17,013</b>        | <b>150,397</b>                   | <b>709,412</b>    | <b>103,267</b>                           | <b>812,679</b>              |
| <b>Half-year 2012</b>  |       |  |                      |                                  |                   |  |                             |
| <b>Balance at 1 January 2012</b>                                 |       | <b>542,617</b>                               | <b>21,941</b>        | <b>213,119</b>                   | <b>777,677</b>    | <b>116,312</b>                           | <b>893,989</b>              |
| Profit for the half-year   |       | -  | -                    | 65,673                           | 65,673            | 7,894                                    | 73,567                      |
| Changes in fair value of cash flow<br>hedges, net of tax         | 14    | -  | 1,966                | -                                | 1,966             | 218                                      | 2,184                       |
| <b>Total comprehensive income for<br/>the half-year</b>          |       | <b>-</b>                                     | <b>1,966</b>         | <b>65,673</b>                    | <b>67,639</b>     | <b>8,112</b>                             | <b>75,751</b>               |
| <b>Transactions with owners in their<br/>capacity as owners:</b> |       |  |                      |                                  |                   |  |                             |
| Contributions of equity, net of<br>transaction costs             | 13    | 1,954  | -                    | -                                | 1,954             | -  | 1,954                       |
| Total changes in non-controlling<br>interests                    |       | -  | -                    | -                                | -                 | (26,482)                                 | (26,482)                    |
| Employee share based payments                                    | 14    | -  | 1,180                | -                                | 1,180             | -  | 1,180                       |
|  |       | <b>1,954</b>                                 | <b>1,180</b>         | <b>-</b>                         | <b>3,134</b>      | <b>(26,482)</b>                          | <b>(23,348)</b>             |
| <b>Balance at 30 June 2012</b>                                   |       | <b>544,571</b>                               | <b>25,087</b>        | <b>278,792</b>                   | <b>848,450</b>    | <b>97,942</b>                            | <b>946,392</b>              |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**PanAust Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2012**

|   | <b>Half-year</b> |           |
|---|------------------|-----------|
|   | <b>30 June</b>   | 30 June   |
|   | <b>2012</b>      | 2011      |
|   | <b>US\$'000</b>  | US\$'000  |
| <b>Cash flows from operating activities</b>                               |                  |           |
| Receipts from customers   | <b>301,262</b>   | 301,190   |
| Payments to suppliers and employees (inclusive of goods and services tax) | <b>(189,147)</b> | (155,714) |
| Receipts (payments) for derivatives                                       | <b>2,510</b>     | (5,238)   |
| Payments for income tax   | <b>(41,208)</b>  | (20,432)  |
|   | <b>73,417</b>    | 119,806   |
| Interest and fees paid (inclusive of put option premium payments)         | <b>(4,891)</b>   | (5,608)   |
| Interest received   | <b>919</b>       | 510       |
| <b>Net cash inflow from operating activities</b>                          | <b>69,445</b>    | 114,708   |
| <b>Cash flows from investing activities</b>                               |                  |           |
| Payment of development costs  | <b>(98,607)</b>  | (77,963)  |
| Payments for property, plant and equipment                                | <b>(39,901)</b>  | (27,888)  |
| Payments of exploration and evaluation costs                              | <b>(40,541)</b>  | (15,079)  |
| Payments for investment in subsidiary, net                                | <b>(24)</b>      | (27,461)  |
| Payments for investment in associate                                      | <b>(138)</b>     | (399)     |
| <b>Net cash outflow from investing activities</b>                         | <b>(179,211)</b> | (148,790) |
| <b>Cash flows from financing activities</b>                               |                  |           |
| Proceeds from borrowings  | <b>40,000</b>    | 24,820    |
| Proceeds from issues of shares  | <b>1,954</b>     | 770       |
| Proceeds from issues of shares to non-controlling interest                | <b>4,642</b>     | -         |
| Finance lease payments  | <b>(8,470)</b>   | (4,577)   |
| Drawdown finance lease  | <b>22,649</b>    | -         |
| <b>Net cash inflow from financing activities</b>                          | <b>60,775</b>    | 21,013    |
| <b>Net decrease in cash and cash equivalents</b>                          | <b>(48,991)</b>  | (13,069)  |
| Cash and cash equivalents at the beginning of the half-year               | <b>155,525</b>   | 184,759   |
| Effects of exchange rate changes on cash and cash equivalents             | <b>500</b>       | (294)     |
| <b>Cash and cash equivalents at end of the half-year</b>                  | <b>107,034</b>   | 171,396   |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## **1 Summary of significant accounting policies**

This interim financial report for the half-year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by PanAust Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### **(a) Basis of preparation**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

### **(b) Comparatives**

Comparative information has been reclassified where appropriate to enhance comparability.

## **2 Segment information**

### **(a) Description of segments**

#### **(i) Business segments**

The consolidated entity operates solely in the mining and mineral exploration industry.

#### **(ii) Operating segments**

Operating segments have been determined based on the analysis provided in the reports reviewed by the Chief Operating Decision Maker (CODM), being the Managing Director, in assessing performance and determining strategy. The CODM considers the business from a geographic basis represented by: PanAust Asia; PanAust South America; and Corporate, which includes Project Development and Operational Improvement. The corporate head office in Brisbane provides the business units with support in relation to finance, commercial and technical services, risk management, human resources, governance and public reporting. The Corporate and PanAust South America segments are currently disclosed as "Other".

The performance of each segment is based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis excludes from profit before tax the effects of profit or loss items such as depreciation, amortisation, and impairment, interest revenue, interest and finance expense and equity-settled share-based payments.

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**2 Segment information (continued)**

**(b) Segment information**

| <b>Half-year<br/>2012</b>    | <b>Other<br/>US\$'000</b> | <b>PanAust Asia<br/>US\$'000</b> | <b>Eliminations<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|------------------------------|---------------------------|----------------------------------|----------------------------------|----------------------------------|
| Sales revenue                | -                         | 306,250                          | -                                | 306,250                          |
| Derivative losses            | -                         | (3,832)                          | -                                | (3,832)                          |
| Interest revenue             | 664                       | 77                               | -                                | 741                              |
| Other revenue                | 2                         | 381                              | -                                | 383                              |
| <b>Total segment revenue</b> | <b>666</b>                | <b>302,876</b>                   | <b>-</b>                         | <b>303,542</b>                   |

|   |                |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|
| <b>Segment result - Adjusted EBITDA<br/>(refer to below reconciliation)</b> | <b>(3,809)</b> | <b>143,928</b>   | <b>-</b>         | <b>140,119</b>   |
| <b>Segment assets</b>   | <b>476,175</b> | <b>1,127,425</b> | <b>(317,823)</b> | <b>1,285,777</b> |
| <b>Segment liabilities</b>  | <b>35,648</b>  | <b>621,560</b>   | <b>(317,823)</b> | <b>339,385</b>   |

| <b>Half-year<br/>2011</b>    | <b>Other<br/>US\$'000</b> | <b>PanAust Asia<br/>US\$'000</b> | <b>Eliminations<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|------------------------------|---------------------------|----------------------------------|----------------------------------|----------------------------------|
| Sales revenue                | -                         | 301,844                          | -                                | 301,844                          |
| Derivative losses            | -                         | (7,920)                          | -                                | (7,920)                          |
| Interest revenue             | 710                       | 100                              | -                                | 810                              |
| Other revenue                | 2                         | 460                              | -                                | 462                              |
| <b>Total segment revenue</b> | <b>712</b>                | <b>294,484</b>                   | <b>-</b>                         | <b>295,196</b>                   |

|   |                |                |                  |                  |
|---|----------------|----------------|------------------|------------------|
| <b>Segment result - Adjusted EBITDA<br/>(refer to below reconciliation)</b> | <b>336</b>     | <b>143,269</b> | <b>-</b>         | <b>143,605</b>   |
| <b>Segment assets</b>   | <b>493,546</b> | <b>827,852</b> | <b>(269,812)</b> | <b>1,051,586</b> |
| <b>Segment liabilities</b>  | <b>2,048</b>   | <b>506,671</b> | <b>(269,812)</b> | <b>238,907</b>   |

A reconciliation of the segment results (adjusted EBITDA), excluding the effects of eliminations, to profit/(loss) before income tax is provided as follows:

|  | <b>Other<br/>US\$'000</b> | <b>PanAust Asia<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|--|---------------------------|----------------------------------|----------------------------------|
| <b>Adjusted EBITDA - 30 June 2012</b>  | <b>(3,809)</b>            | <b>143,928</b>                   | <b>140,119</b>                   |
| Interest revenue                       | 664                       | 77                               | 741                              |
| Interest expense and finance charges   | (4)                       | (8,682)                          | (8,686)                          |
| Put option premium expense             | -                         | (710)                            | (710)                            |
| Depreciation and amortisation          | (434)                     | (28,650)                         | (29,084)                         |
| <b>Profit/(loss) before income tax</b> | <b>(3,583)</b>            | <b>105,963</b>                   | <b>102,380</b>                   |



**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**2 Segment information (continued)**

**(b) Segment information (continued)**

|  | Other<br>US\$'000 | PanAust Asia<br>US\$'000 | Consolidated<br>US\$'000 |
|--|-------------------|--------------------------|--------------------------|
| <b>Adjusted EBITDA - 30 June 2011</b>  | 336               | 143,269                  | 143,605                  |
| Interest revenue                       | 710               | 100                      | 810                      |
| Interest expense and finance charges   | (4)               | (6,634)                  | (6,638)                  |
| Put option premium expense             | -                 | (1,360)                  | (1,360)                  |
| Share based payment expense            | (5,530)           | -                        | (5,530)                  |
| Depreciation and amortisation          | (210)             | (25,706)                 | (25,916)                 |
| <b>Profit/(loss) before income tax</b> | <b>(4,698)</b>    | <b>109,669</b>           | <b>104,971</b>           |

**3 Sales revenue, derivative gains/(losses) and other income**

|  | Half-year                   |                             |
|--|-----------------------------|-----------------------------|
|  | 30 June<br>2012<br>US\$'000 | 30 June<br>2011<br>US\$'000 |
| <b>From continuing operations</b>                            |                             |                             |
| <i>Sales revenue</i>   |                             |                             |
| Copper in concentrate  | <b>232,353</b>              | 265,834                     |
| Copper in concentrate price adjustment                       | <b>4,735</b>                | (6,816)                     |
| Gold in concentrate  | <b>49,515</b>               | 38,148                      |
| Silver in concentrate  | <b>6,693</b>                | 8,251                       |
| Realised losses on gold hedges                               | <b>(2,184)</b>              | (3,573)                     |
| Gold in doré   | <b>14,954</b>               | -                           |
| Silver in doré   | <b>184</b>                  | -                           |
|  | <b>306,250</b>              | 301,844                     |
| <i>Derivative gains/(losses)</i>                             |                             |                             |
| Copper sales realised derivative gains/(losses)              | <b>821</b>                  | (1,703)                     |
| Copper sales unrealised derivative losses                    | <b>(2,222)</b>              | (4,180)                     |
| Gold and silver sales realised derivative gains              | <b>1,873</b>                | -                           |
| Copper and gold put options unrealised net derivative losses | <b>(4,304)</b>              | (2,037)                     |
|  | <b>(3,832)</b>              | (7,920)                     |
|  | <b>302,418</b>              | 293,924                     |
| <i>Other revenue</i>   |                             |                             |
| Interest Income  | <b>741</b>                  | 810                         |
| Sundry income  | <b>383</b>                  | 324                         |
| Net gains on disposal of property, plant and equipment       | <b>-</b>                    | 138                         |
|  | <b>1,124</b>                | 1,272                       |

### **3 Sales revenue, derivative gains/(losses) and other income (continued)**

#### **(a) Copper in concentrate**

PanAust delivers concentrate to customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price or a pre-determined fixed price.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (usually three to four months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

The Company hedges between 50% to 90% (but no less than 50%) of the copper price exposure based on the provisional invoice pricing to minimise any potential for a liability (refund of proceeds to the customer) resulting from a lower price being realised during the QP (compared to the prevailing price applied to determine the provisional payment). Accordingly, a lower copper price at the end of the QP compared to the provisional invoice will result in a hedging gain, which will be offset by any decrease in the revenue recognised on final invoice. A higher copper price at the end of the QP compared to the provisional invoice will result in a hedging loss, which will be offset by any increase in the revenue recognised on final invoice.

As at 30 June 2012, provisional invoices issued with an open QP have been revalued at rates which provide an estimate of the average settlement price. This has resulted in 13,353t of copper (2011: 18,345t) being revalued using the LME closing copper price as at 30 June 2012 of US\$7,691/t (US\$3.49/lb) (2011: three month forward copper price US\$9,315/t (US\$4.23/lb)).

The aforementioned have resulted in an unfavourable US\$0.8 million (2011: US\$2.8 million favourable) mark-to-market adjustment to profit or loss for outstanding provisional pricing of sales at balance date.

#### **(b) Gold doré**

The Ban Houayxai Gold-Silver Operation was commissioned during the half-year ended. A total of 9,552oz of gold and 7,044oz silver was sold at average realised prices of \$1,569/oz and \$27/oz respectively.

#### **(c) Realised losses on gold hedges**

In 2010, the project financing was renegotiated and, as a result, the gold forward contracts were closed out in August 2010 at an average rate of US\$1,244 per ounce. The unrealised losses recognised in the hedging reserve at the time of the close out of these gold forwards will remain in the hedging reserve and be recognised as realised hedge losses in line with the original gold forward maturity profile. In the half-year ended 30 June 2012, a loss of US\$2.2 million (2011: US\$3.6 million loss) was recognised as realised on gold forwards. A further US\$6.3 million will be expensed over the remaining six quarters through to December 2013.

#### **(d) Copper sales derivative gains/(losses)**

During 2011, the Company discontinued the application of hedge accounting for provisional price copper exposure. The accounting treatment now closely aligns the mark-to-market movement through the profit or loss of both the revalued provisional invoices, and the copper swaps undertaken to hedge the exposure to movements in the copper price. Consistent with the requirements of the Company's debt facility, during the half-year ended 30 June 2012, the Company entered into some longer term copper swaps over 5,180t of future production between October 2013 and April 2014. The mark-to-market revaluation of these copper swaps resulted in an unrealised loss of US\$0.8 million.

### **3 Sales revenue, derivative gains/(losses) and other income (continued)**

#### **(e) Gold and silver derivative gains**

During 2011, gold and silver forwards were taken out over 35,565oz gold and 166,602oz silver. These forwards were subsequently closed out, resulting in a gain of US\$2.2 million, with US\$0.3 million realised in 2011. The remaining US\$1.9 million of this gain was realised in the six months to June 2012.

### **4 Other comprehensive income**

Other comprehensive income relates to the movement in the hedge reserve for cash flow hedges.

For the half-year ended 30 June 2012, total other comprehensive income of US\$2.2 million offsets the realised losses on gold hedges related to gold forward contracts closed out during the year ended 31 December 2010 that would have otherwise been recognised in prior periods had hedge accounting not been adopted for those contracts. Refer to Note 3(c) for further detail.

### **5 Finance and other costs**

|  | <b>30 June<br/>2012<br/>US\$'000</b> | 30 June<br>2011<br>US\$'000 |
|--|--------------------------------------|-----------------------------|
| <b>Finance costs</b>                             |                                      |                             |
| Interest and finance charges                     |                                      |                             |
| Interest on bank debt facility                   | <b>1,019</b>                         | 1,097                       |
| Interest on lease facilities                     | <b>1,583</b>                         | 1,307                       |
| Finance charges                                  | <b>4,148</b>                         | 3,363                       |
| Other interest                                   | <b>316</b>                           | 233                         |
|  | <b>7,066</b>                         | 6,000                       |
| Unwinding of discount                            | <b>1,620</b>                         | 638                         |
|  | <b>8,686</b>                         | 6,638                       |
| Put option premium expense (a)                   | <b>710</b>                           | 1,360                       |
| Share based payment expense from acquisition (b) | -                                    | 5,530                       |

#### **(a) Put option premium expense**

Consistent with the requirements of the Company's debt facility, put options have been established to protect the Company against the downside copper risk. The related put option premium expense is immediately recognised in profit or loss.

## 5 Finance and other costs (continued)

### (b) Share based payments expense from acquisition

On 17 March 2011, a shareholders agreement was signed between the Company and Victory Mining Finance Ltd ('Victory') in relation to the management and control of PanAust IDO Holdings Pte Ltd. At the date of the agreement, Victory had a 10% shareholding in PanAust IDO Holdings Pte Ltd, with the Company through its wholly owned subsidiary, PanAust Holdings Pte Ltd, holding the remaining 90% of shares. A non-cash accounting expense of US\$5.53 million (10% of the purchase price for a majority interest in Inca de Oro S.A.) has been recognised to represent the fair value of the non-controlling interest shares granted to Victory, in exchange for services provided in identifying an acquisition target.

## 6 Current assets - Inventories

|   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|---|--------------------------------------|---------------------------------|
| <b>Raw materials</b>                    |                                      |                                 |
| Raw materials and consumables - at cost | 69,238                               | 48,180                          |
| Provision for obsolete stores           | <u>(1,145)</u>                       | <u>(936)</u>                    |
|   | <b>68,093</b>                        | <b>47,244</b>                   |
| <b>Work in progress</b>                 |                                      |                                 |
| Work in progress - at cost              | 6,537                                | 2,875                           |
| Gold in circuit - at cost               | <u>2,702</u>                         | <u>-</u>                        |
|   | <b>9,239</b>                         | <b>2,875</b>                    |
| <b>Finished goods</b>                   |                                      |                                 |
| Copper-gold concentrate - at cost       | 4,528                                | 6,160                           |
| Gold bullion - at cost                  | <u>2,202</u>                         | <u>-</u>                        |
|   | <b>6,730</b>                         | <b>6,160</b>                    |
|   | <b>84,062</b>                        | <b>56,279</b>                   |

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**7 Derivative financial instruments**

|   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|---|--------------------------------------|---------------------------------|
| <b>Current assets</b>   |                                      |                                 |
| Gold and silver forward contracts                             | -                                    | 1,870                           |
| Copper forward contracts                                      | <b>149</b>                           | 1,560                           |
| Copper put options  | <b>369</b>                           | 818                             |
| Total current derivative financial instrument assets          | <b>518</b>                           | 4,248                           |
| <b>Non-current assets</b>                                     |                                      |                                 |
| Copper put options  | <b>444</b>                           | 2,409                           |
| Gold put options  | <b>1</b>                             | 22                              |
| Total non-current derivative financial instruments            | <b>445</b>                           | 2,431                           |
| <b>Non-current liabilities</b>                                |                                      |                                 |
| Copper forward contracts                                      | <b>(811)</b>                         | -                               |
| Total non-current derivative financial instrument liabilities | <b>(811)</b>                         | -                               |
| <b>Net derivative financial instrument assets</b>             | <b>152</b>                           | 6,679                           |

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the copper price and gold price in accordance with the Company Hedging Policy and the hedging protocol as required under Phu Bia Mining Amended and Restated Facilities Agreement executed on 30 July 2010.

The hedging protocol as required by the banks is as follows:

- The Company must hedge at least 50% of the copper in every shipment at the provisional copper price invoiced on the date of the shipment; and
- The Company is required to hedge 20% of the Phu Kham copper production at a minimum copper price of US\$2.25/lb on a rolling 24 month basis.

**(a) Copper price risk hedging**

The Company manages the copper provisional price risk on sales contracts (over the quotational period) and short term production (6 to 12 months) with a combination of bank hedging facilities and negotiated fixed price terms with customers.

PanAust's current hedging program, which is in accordance with the hedging protocol under the Facilities Agreement, seeks to maximise the Company's exposure to the prevailing copper price, but protect the Company against near term falls in the copper price and revenue loss over the quotational period on provisionally priced copper concentrate sales.

As at 30 June 2012, the Company had entered into several copper swap contracts and fixed price agreements as part of its short term hedging program for copper concentrate sales which are subject to quotational period price adjustments. As at 30 June 2012, a total of 5,800t of copper, which has been sold, was hedged at a price of US\$7,664/t (US\$3.48/lb) (2011: 10,175t of copper at a price of US\$9,017/t (US\$4.09/lb)).

## **7 Derivative financial instruments (continued)**

### **(a) Copper price risk hedging (continued)**

To protect the Company against the downside copper price risk on future production, put options and copper swap contracts have been entered into. As at 30 June 2012, put options have been established to cover 19,131t of copper, deliverable through to January 2014, at an average strike price of US\$5,049/t (US\$2.29/lb), in addition to copper swaps over 5,180t, maturing between October 2013 and April 2014, at an average price of US\$7,513/t (US\$3.41/lb).

Copper put options do not qualify for hedge accounting and the mark-to-market movement of these put options is recognised in profit or loss immediately, with a loss of US\$2.4 million (2011: loss of US\$1.9 million) recorded during the half-year ended. The mark-to-market movement of the copper swaps as at 30 June 2012 resulted in an unrealised loss of US\$0.8 million.

### **(b) Gold and silver price risk hedging**

Phu Bia Mining agreed to establish a gold hedging program as part of the original project financing for the Phu Kham Copper-Gold Operation. This program comprised a stream of gold forward contracts and deferred premium puts options for the sale of gold produced during the period from 2007 to 2013.

The remaining gold put options cover approximately 20,500oz of gold at a strike rate of US\$700/oz through to 31 December 2013. The put options do not qualify for hedge accounting and the mark-to-market movement of these put options is recognised in profit or loss statement immediately, with a loss of US\$0.02 million recorded during the half-year ended 30 June 2012 (2011: US\$0.1 million). The deferred premiums were paid out during 2010.

## **8 Non-current assets - Receivables and other assets**

|                                   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|-----------------------------------|--------------------------------------|---------------------------------|
| Prepayments                       | <b>1,463</b>                         | 1,806                           |
| Government of Laos receivable (a) | <b>20,519</b>                        | 51,643                          |
|                                   | <b>21,982</b>                        | 53,449                          |

The value of non-current receivables and other assets approximates their fair value.

(a) PanAust owns a 90% interest (2011: 90%) in the Lao registered company, Phu Bia Mining Limited (Phu Bia Mining), through the Company's wholly owned subsidiary, Pan Mekong Exploration Pty Limited. Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates exploration and mining within a contract area in Laos.

In 2007, the Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining Limited. A Shareholders Agreement was executed in May 2011, however, the transfer of the shares has not yet been completed. The amount receivable represents the fair value of estimated future cash flows (discounted). The consideration for the transfer of shares may be paid from future dividend flows.

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**9 Non-current assets - Property, plant and equipment**

| <b>Consolidated</b>                      |      | <b>Office<br/>equipment<br/>US\$'000</b> | <b>Mine<br/>properties<br/>US\$'000</b> | <b>Mining plant<br/>and<br/>equipment<br/>US\$'000</b> | <b>Motor<br/>vehicles<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|--|------|--|---|--|--|---------------------------|
|  | Note |  |   |  |  |                           |
| <b>As at 31 December<br/>2011</b>        |      |  |   |  |  |                           |
| Cost or fair value                       |      | 7,629                                    | 248,716                                 | 448,830  | 10,195                                 | 715,370                   |
| Accumulated<br>depreciation              |      | (2,985)                                  | (68,516)                                | (114,665)  | (3,940)                                | (190,106)                 |
| Net book amount                          |      | <u>4,644</u>                             | <u>180,200</u>                          | <u>334,165</u>   | <u>6,255</u>                           | <u>525,264</u>            |
| <b>Half-year ended, 30<br/>June 2012</b> |      |  |   |  |  |                           |
| Opening net book<br>amount               |      | 4,644                                    | 180,200                                 | 334,165  | 6,255                                  | 525,264                   |
| Additions                                |      | 2,001                                    | 30,714                                  | 41,141   | 2,591                                  | 76,447                    |
| Depreciation charge                      |      | (659)                                    | (6,368)                                 | (20,691)   | (911)                                  | (28,629)                  |
| Asset write-off                          |      | (153)                                    | (100)                                   | (202)  | -                                      | (455)                     |
| Transfer in (a)                          | 10   | -  | 90,271                                  | 197,784  | -                                      | 288,055                   |
| Closing net book amount                  |      | <u>5,833</u>                             | <u>294,717</u>                          | <u>552,197</u>   | <u>7,935</u>                           | <u>860,682</u>            |
| <b>As at 30 June 2012</b>                |      |  |   |  |  |                           |
| Cost or fair value                       |      | 9,477                                    | 369,601                                 | 687,553  | 12,786                                 | 1,079,417                 |
| Accumulated depreciation                 |      | (3,644)                                  | (74,884)                                | (135,356)  | (4,851)                                | (218,735)                 |
| Net book amount                          |      | <u>5,833</u>                             | <u>294,717</u>                          | <u>552,197</u>   | <u>7,935</u>                           | <u>860,682</u>            |

(a) Commercial production was declared at the Ban Houayxai Gold-Silver Operation on 1 June 2012. Costs incurred for exploration, evaluation and mine development have been transferred to mine properties and mining plant and equipment (refer to Note 10). Depreciation is calculated from 1 June 2012.

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**10 Non-current assets - Exploration, evaluation, and mine development**

| <b>Consolidated</b>                 | Note | <b>Preproduction<br/>exploration &amp;<br/>evaluation<br/>US\$'000</b> | <b>Mine<br/>pre-production<br/>US\$'000</b> | <b>Mine<br/>development<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|-------------------------------------|------|--|---|--|---------------------------|
| <b>As at 31 December 2011</b>       |      |  |   |  |                           |
| Opening net book amount             |      | 52,896   | 26,438                                      | 60,494                                   | 139,828                   |
| Additions                           |      | 87,203   | 2,572                                       | 120,657                                  | 210,432                   |
| Impairment charge                   |      | (7,389)  | -   | -  | (7,389)                   |
| Closing net book amount             |      | 132,710  | 29,010                                      | 181,151                                  | 342,871                   |
| <b>Half-year ended 30 June 2012</b> |      |  |   |  |                           |
| Opening net book amount             |      | 132,710  | 29,010                                      | 181,151                                  | 342,871                   |
| Additions                           |      | 37,561   | 3,660                                       | 58,460                                   | 99,681                    |
| Transfer out (a)                    | 9    | (15,774)   | (32,670)                                    | (239,611)                                | (288,055)                 |
| Closing net book amount             |      | 154,497  | -   | -  | 154,497                   |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

(a) Commercial production was declared at the Ban Houayxai Gold-Silver Operation on 1 June 2012. Costs incurred for exploration, evaluation and mine development have been transferred to mine properties and mining plant and equipment (refer to Note 9).

**11 Current liabilities - Borrowings**

|                   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|-------------------|--------------------------------------|---------------------------------|
| <b>Secured</b>    |                                      |                                 |
| Lease liabilities | <b>19,166</b>                        | 14,961                          |

For further information, refer to note 12.

**12 Non-current liabilities - Borrowings**

|                                      | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|--------------------------------------|--------------------------------------|---------------------------------|
| <b>Secured</b>                       |                                      |                                 |
| Bank loans                           | <b>83,656</b>                        | 43,036                          |
| Lease liabilities                    | <b>58,957</b>                        | 48,983                          |
| Total secured non-current borrowings | <b>142,613</b>                       | 92,019                          |



## **12 Non-current liabilities - Borrowings (continued)**

The fair values of non-current borrowings approximate their book values because the interest rates applicable to the borrowings are not materially different to market rates.

### **(a) Bank loans**

On 30 July 2010, the Company entered into an amended and restated loan agreement for a total US\$102 million of debt facilities with a syndicate of four banks. In February 2011, the debt facilities were increased with the inclusion of another bank to lift the commitments to a total of US\$120 million. The debt facilities have a three year term (expiring 30 July 2013) and comprise:

- Tranche A: US\$100 million Revolving Facility for general corporate purposes including funding of working capital and operational expenditure (but excluding the development of growth and expansion projects unless prior approval is received), funding of working capital for the Phu Kham Copper-Gold Operation and repayment of any existing outstanding bank debt (including the repayment of 'out of the money' gold hedging positions);
- Tranche B: US\$20 million guarantee facility, for general corporate purposes but limited to the issue of letters of credit, bank guarantees and performance bonds; and
- extensive hedging lines for commodity, currency and interest rates (refer to note 7 for further detail on the hedging program).

The key terms for the debt facilities are as follows:

- Repayment in full at expiry of the three year term;
- Secured by charges over Phu Bia Mining Limited production assets in Laos and key contractual rights, except for mobile plant which is subject to equipment leasing arrangements;
- Secured by shares held by PanAust Limited in Pan Mekong Exploration Pty Ltd and shares held by Pan Mekong Exploration Pty Ltd in Phu Bia Mining Limited; and
- An interest rate of LIBOR plus a fixed margin of 4.5% p.a.

In December 2011, approval was granted by the banking syndicate to extend the debt facility to now include the funding of the development of the Ban Houayxai Gold-Silver Operation and the Phu Kham Upgrade.

At the date of this report, US\$85 million (2011: US\$45 million) has been drawn from the Revolving Facility.

### **(b) Lease liabilities**

The Company has entered into 3 equipment lease facilities to finance the acquisition of a variety of mining, haulage and miscellaneous equipment for the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation as follows:

| <b>Equipment lease facility</b> | <b>Date</b> | <b>Facility limit</b> | <b>Amount drawn</b> | <b>Expiring date</b> | <b>Principal balance</b> |
|---------------------------------|-------------|-----------------------|---------------------|----------------------|--------------------------|
| 1                               | 26-Jun-2007 | US\$48.5 million      | Fully drawn         | 31-Dec-2013          | US\$19.5 million         |
| 2                               | 21-Jan-2011 | US\$24.8 million      | Fully drawn         | 25-Jan-2016          | US\$19.9 million         |
| 3                               | 16-Dec-2011 | US\$65 million        | US\$41.2 million    | 21-Dec-2016          | US\$38.6 million         |

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

### 13 Contributed equity

#### (a) Share capital

|                              | <b>30 June<br/>2012<br/>Shares</b> | 31 December<br>2011<br>Shares | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|------------------------------|------------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| Ordinary shares - fully paid | <b>604,599,995</b>                 | 593,992,185                   | <b>544,571</b>                       | 542,617                         |
| Treasury shares              | <b>(12,578,995)</b>                | (5,296,792)                   | -                                    | -                               |
|                              | <b>592,021,000</b>                 | 588,695,393                   | <b>544,571</b>                       | 542,617                         |

#### (b) Movements in ordinary share capital

| Date           | Details                           | Number of<br>shares | US\$'000       |
|----------------|-----------------------------------|---------------------|----------------|
| 1 January 2012 | Opening balance                   | 593,992,185         | 542,617        |
|                | Executive options exercised       | 1,010,000           | 1,954          |
|                | Executive Long Term Share Plan    | 7,282,203           | -              |
|                | Employees share rights exercised  | 2,315,607           | -              |
| 30 June 2012   | Balance                           | <u>604,599,995</u>  | <u>544,571</u> |
|                | Treasury shares (i)               | (12,578,995)        | -              |
| 30 June 2012   | Balance excluding treasury shares | <u>592,021,000</u>  | <u>544,571</u> |

(i) Represents shares issued under the Executive Long Term Share Plan (LTSP). The LTSP is a loan backed share plan, under which the Company issues shares or a trustee transfers shares to the executive at market value. The purchase price of the share is funded by a loan from the Company.

#### (c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

### 14 Reserves and retained earnings

#### (a) Reserves

|                                    | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|------------------------------------|--------------------------------------|---------------------------------|
| Hedging reserve - cash flow hedges | <b>(6,187)</b>                       | (8,153)                         |
| Share-based payments reserve       | <b>31,274</b>                        | 30,094                          |
|                                    | <b>25,087</b>                        | 21,941                          |

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

**14 Reserves and retained earnings (continued)**

**(a) Reserves (continued)**

|   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|---|--------------------------------------|---------------------------------|
| <b>Hedging reserve - cash flow hedges</b> |                                      |                                 |
| Opening balance                           | <b>(8,153)</b>                       | (20,976)                        |
| Transfer to net profit - gross            | <b>1,966</b>                         | 14,216                          |
| Revaluation - gross                       | -                                    | 861                             |
| Deferred tax                              | -                                    | (2,254)                         |
| Closing balance                           | <b>(6,187)</b>                       | (8,153)                         |
| <b>Share based payments reserve</b>       |                                      |                                 |
| Opening balance                           | <b>30,094</b>                        | 26,110                          |
| Employee share based payments             | <b>1,180</b>                         | 3,984                           |
| Closing balance                           | <b>31,274</b>                        | 30,094                          |

**(b) Retained earnings**

|   | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|---|--------------------------------------|---------------------------------|
| Opening balance                                       | <b>213,119</b>                       | 80,998                          |
| Net profit attributable to members of PanAust Limited | <b>65,673</b>                        | 132,121                         |
| Closing balance                                       | <b>278,792</b>                       | 213,119                         |

**15 Non-controlling interests**

|                                    | <b>30 June<br/>2012<br/>US\$'000</b> | 31 December<br>2011<br>US\$'000 |
|------------------------------------|--------------------------------------|---------------------------------|
| <b>Interest in:</b>                |                                      |                                 |
| Share capital                      | <b>54,795</b>                        | 81,277                          |
| Minority interest - hedge reserves | <b>(112)</b>                         | (330)                           |
| Retained earnings                  | <b>43,259</b>                        | 35,365                          |
|                                    | <b>97,942</b>                        | 116,312                         |

In 2007, the Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining Limited, and the Shareholders Agreement was signed on 6 May 2011. As at 30 June 2012, the transfer of the shares had not yet been completed. Given the exercise of the option and the execution of the Shareholders Agreement, it is considered appropriate to recognise the interest in Phu Bia Mining of the Government of Laos.

**PanAust Limited**  
**Notes to consolidated financial statements**  
**For the half-year ended 30 June 2012**  
(continued)

## 16 Business combination

PanAust's interest in Inca de Oro S.A. is held through a 90.6% (2011: 90%) interest in PanAust IDO Holdings Pte Ltd. The remaining 9.4% (2011:10%) in PanAust IDO Holdings Pte Ltd is held by an independent private company. During the half-year ended, Inca de Oro S.A. made a call upon shareholders. As a result, a call was made upon the shareholders of PanAust IDO Holdings Pte Ltd. PanAust met 100% of its share of the call and met a proportion of the call made upon the other shareholder of PanAust IDO Holdings Pte Ltd. Codelco met 100% of the call made upon it as a shareholder of Inca de Oro S.A. As a result of the responses to the calls and following the issue of shares, PanAust holds a 59.80% (2011: 59.4%) beneficial interest in Inca de Oro S.A.

## 17 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries which have been changed or been acquired during the half-year ended 30 June 2012, in addition to those reported at 31 December 2011:

| Name of entity                           | Country of incorporation | Class of shares | Beneficial Equity holding |           |
|--|--------------------------|-----------------|---------------------------|-----------|
|  |                          |                 | 2012<br>%                 | 2011<br>% |
| PanAust Chile Holdings Pte Ltd           | Singapore                | Ordinary        | 100                       | -         |
| PanAust Services (Thailand) Co., Limited | Thailand                 | Ordinary        | 100                       | -         |

## 18 Events occurring after the reporting period

(a) On 2 August 2012, the Share Transfer Agreement was signed by the Government of Laos and Phu Bia Mining Limited. Under the agreement, the Government of Laos acquires its 10% shareholding interest in Phu Bia Mining. The interest has been recognised by the Company in its accounts since the Government of Laos exercised its option in 2007.

(b) On 10 August 2012, the Company completed the acquisition of the balance of the Carmen tenements in Chile for US\$8 million. The tenements are wholly owned by PanAust and will be integrated into the Carmen resource studies to be completed.

(c) On 23 August 2012, the PanAust Board of Directors declared an interim unfranked dividend of A\$0.03 per share in respect of the half-year ended 30 June 2012. The dividend amount has not been provided for in the interim financial report for the half-year ended 30 June 2012.

No other matter or circumstance has occurred subsequent to the half-year ended that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

## 19 Earnings per share

### (a) Reconciliation of earnings used in calculating earnings per share

| Half-year                   |                             |
|-----------------------------|-----------------------------|
| 30 June<br>2012<br>US\$'000 | 30 June<br>2011<br>US\$'000 |

*The following reflects the income used in the calculations of basic and diluted earnings per share:*

|   |               |        |
|---|---------------|--------|
| Profit attributable to ordinary equity holders of the Company | <b>65,673</b> | 69,399 |
|---|---------------|--------|

### (b) Weighted average number of shares used as denominator

| Half-year      |                |
|----------------|----------------|
| 2012<br>Number | 2011<br>Number |

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

|                    |             |
|--------------------|-------------|
| <b>588,261,995</b> | 587,423,912 |
|--------------------|-------------|

#### Adjustments for calculation of diluted earnings per share:

Unlisted securities

|                  |           |
|------------------|-----------|
| <b>2,246,707</b> | 3,240,585 |
|------------------|-----------|

Adjusted weighted average number of ordinary shares used in calculating diluted profit per share

|                    |             |
|--------------------|-------------|
| <b>590,508,702</b> | 590,664,497 |
|--------------------|-------------|

**PanAust Limited**  
**Directors' declaration**  
**30 June 2012**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 13 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that PanAust Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Garry Hounsell  
Director



Gary Stafford  
Director

Sydney  
23 August 2012



## **Independent auditor's review report to the members of PanAust Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of PanAust Limited, which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the PanAust Limited Group (the consolidated entity). The consolidated entity comprises both PanAust Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PanAust Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PanAust Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*D.G. Smith*

Debbie Smith  
Partner

Brisbane  
23 August 2012