

ASX ANNOUNCEMENT

20 February 2014

Financial results for the 12-months to 31 December 2013

Highlights (reported on a consolidated basis unless otherwise stated)

- Profit after income tax for the year of US\$43.7 million, which includes impairment of exploration assets totalling US\$50.9 million.
- Profit after income tax attributable to PanAust Limited of US\$36.4 million.
- EBITDA¹ of US\$272.5 million was within guidance.
- Sales revenue increased to US\$725.0 million: higher copper and precious metal sales resulted from higher production following completion of capital projects at Phu Kham and the first full year of production from Ban Houayxai, more than offsetting lower commodity prices.
- Net cash inflow from operating activities before tax of US\$217.0 million. Cash flow improved during the December half versus the June half of the year with increased revenue from higher sales and lower net cash outflow from investing activities following completion of the Phu Kham Increased Recovery Project in the June quarter.
- Profitability adversely impacted by the combination of lower prices and the scheduled processing of lower grade ores, higher depreciation and amortisation, and impairment charges. Unit operating costs at both operations were within budget.
- Final dividend of A\$0.03 per share payable in April 2014, bringing the total dividends declared for the year to A\$0.06 per share.

Summary of results²

(US\$ million)	12 months to 31 Dec 2013	12 months to 31 Dec 2012
Sales revenue	725.0	712.7
Sales revenue, derivative gains/losses and other income	734.0	706.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	272.5	331.1
Profit after income tax	43.7	158.3
Profit after income tax, attributable to PanAust Limited	36.4	142.0
Basic earnings per share (US cents)	6.1	24.0
Dividend per share (Aust. cents)	6	7

This announcement is unaudited. Refer to page 7 for endnotes, including explanations of the non-IFRS measures used in the announcement and for reconciliation of non-IFRS data to IFRS data.

2013 WINNER
PROJECT DEVELOPMENT
OF THE YEAR



2013 WINNER
SUSTAINABILITY LEADERSHIP
2010/2011 WINNERS
BEST COMMUNITY DEVELOPMENT



2011
LAO PDR LABOUR ORDER CLASS 1
BEST RURAL DEVELOPMENT



2011 WINNER
SOCIAL/COMMUNITY PRESENTED BY
ETHICAL INVESTOR



Phu Kham and Ban Houayxai Operations finished the year on a high with both mines recording strong production and cost performances.

Operational Free Cash Flow³ (before regional exploration and new project evaluation work) is expected to more than double to approximately US\$100 million (at US\$3.25/lb copper) during 2014 following the completion of the Increased Recovery Project in 2013; a 50% reduction in sustaining capital; and improvements in stores and shared service management.

PanAust Managing Director, Gary Stafford, said that copper production at Phu Kham was at the top end of guidance and gold production at Ban Houayxai exceeded the mid-year upward revision of guidance.

“Despite the higher pay-metal production and competitive costs, materially lower metal prices had an adverse impact on the Company’s overall financial performance

“The business transitioned to being free cash positive during the second half of 2013 following completion of a three-year capital development phase of our Lao operations which totalled circa US\$350 million. The Ban Houayxai Gold-Silver Operation and expanded Phu Kham Copper-Gold Operation had their first full-year of operation in 2013 and the Phu Kham Increased Recovery Project was commissioned in the June quarter 2013” he said,

“Completion of these projects together with reduced sustaining capital at Phu Kham and lower project costs as studies are completed should enhance cash flow over the coming years,

“Following a review, the Company considered it appropriate to recognise impairment charges for the Puthep Copper Project in Thailand, and for exploration projects that were discontinued”, he said.

The Board of Directors declared a final dividend of A\$0.03 per share, bringing the total dividend paid for the year to A\$0.06 per share.

2013 production and financial results discussion

PanAust consolidated profit after income tax for the year to 31 December 2013 was US\$43.7 million (2012: US\$158.3 million). While revenue increased and unit operating costs were stable, profitability was adversely impacted by: the lower commodity prices and the scheduled processing of lower grade ores; higher depreciation and amortisation; and impairment of previously capitalised exploration and evaluation assets.

Impairment charges totalling US\$50.9 million were recognised that comprised US\$27.1 million for discontinued exploration and evaluation projects (including KTL Project stand-alone processing studies and capitalised exploration costs at the nearby Tharkek deposit) and US\$23.7 million in relation to the Company’s joint venture investment in the Puthep Copper Project in Thailand. PanAust commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner during the first half of 2011. With no plans to develop the asset the Company has recognised an impairment provision of the total investment in Puthep as at 31 December 2013.

Sales revenue (before derivative gains) increased 2% to US\$725.0 million with higher pay-metal sales volumes more than offsetting lower average commodity prices. Pay-metal sales increased following higher production at both Phu Kham and Ban Houayxai (see table below).

EBITDA was US\$272.5 million (2012: US\$331.1 million) and reflects lower realised pay-metal prices and higher absolute operating costs associated with increased milling rates at both operations.

Net cash inflow from operating activities was US\$171.5 million (2012: US\$214.9 million) which was adversely affected by a build-up of inventories (including stores and stockpiles) reflecting expanded operations at Phu Kham and the first full year of operations at Ban Houayxai. A focus on inventory reduction during the second half of 2013 saw total inventories fall by more than 6% over this period.

Depreciation and amortisation charges increased by US\$34.9 million to US\$118.3 million reflecting the first full-year of depreciation of both Ban Houayxai and the Phu Kham Upgrade, and the commencement of depreciation of the Phu Kham Increased Recovery Project.

<i>Production summary (100% equity basis)</i>	Units	12 months to 31 Dec 2013	12 months to 31 Dec 2012
Copper in concentrate	t	64,885	63,285
Gold in concentrate and doré	oz	183,769	135,965
Silver in concentrate and doré	oz	955,357	616,687

Copper in concentrate sales increased by over 5% to 62,611t, and gold and silver sales in concentrate and doré increased by 39% and 66% respectively to 184,337oz and 922,967oz (2012: 59,357t copper, 132,037oz gold and 555,179oz silver).

The average prices received, after realised hedging, for sales during the year were US\$3.34/lb for copper, US\$1,378/oz for gold and US\$22.8/oz for silver (2012: US\$3.64/lb, US\$1,674/oz and US\$32.1/oz respectively).

Phu Kham and Ban Houayxai remain competitive on both a C1ⁱ cash cost and all-in sustaining costⁱⁱ basis despite the impact of lower prices for precious metal credits.

The Phu Kham C1 cash cost was US\$1.36/lb copper after deducting precious metal credits (2012: US\$1.11/lb copper), and the all-in sustaining cost was US\$2.37/lb copper. The increase in C1 cash cost when compared with the prior year was largely the result of lower average gold and silver prices which reduced precious metal credits, and the lower average grade of material processed which increased the relative operating costs per pound of copper.

The Ban Houayxai C1 cash cost was US\$611/oz gold after deducting silver credits (for the seven months of commercial production during 2012: US\$537/oz gold), and the all-in sustaining cost was US\$964/oz. The increase in C1 cash cost versus the prior year was largely the result of increased costs associated with the mining and processing of scheduled harder ores, and a lower scheduled average gold head grade, partly offset by higher silver production which more than compensated for a lower average realised price for silver credits.

ⁱ Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits.

ⁱⁱ The all-in sustaining cost includes indirect costs (an allocation of Brisbane corporate support and shared services costs); royalties; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised.

Capital expenditure on development projects decreased year-on-year by US\$108.5 million to US\$25.6 million during 2013 as the major development phase of the Company's operations in Laos was concluded. No project development capital is currently approved for the 2014 year. Sustaining capital expenditure, excluding deferred stripping costs, was US\$74.5 million of which US\$27.1 million was for the latest stages of construction of the tailings storage facilities (TSF's) at Phu Kham and Ban Houayxai. In 2014, sustaining capital expenditure is expected to more than halve to approximately US\$35 million, in large part driven by reduced construction requirements at the Phu Kham TSF.

Exploration and evaluation expenditures were lower at US\$48.4 million (2012: US\$67.9 million) with exploration accounting for US\$21.3 million of the total. Exploration and evaluation expenditure is currently budgeted to reduce further in 2014 to US\$28 million coinciding with: the conclusion of study work at Inca de Oro during the year; resource drilling at the Carmen deposit in Chile; and, the KTL Copper-Gold Project in Laos.

During 2013, PanAust's 90% owned subsidiary, Phu Bia Mining, paid to the Government of Laos US\$45.1 million in royalty payments and a profits tax payment (paid in arrears for the 2012 year) of US\$24.7 million. In addition, US\$20.8 million in value added tax was paid during the year, which is able to be offset against 2013 profits tax payable in 2014.

Payments of dividends to shareholders totalled US\$37.1 million, which excludes dividends taken as PanAust shares under the Company's Dividend Reinvestment Plan.

Corporate

At 31 December 2013, PanAust had cash of US\$130.3 million; debt of US\$162.0 million; undrawn debt facilities of US\$113.0 million; and mobile equipment lease facilities drawn to a total of US\$67.7 million.

One of the mining equipment lease facilities (entered into on 26 June 2007 with a limit of US\$48.5 million) matured on 31 December 2013 with a residual payment due of US\$7.0 million rolled over into a new facility for US\$23.5 million, which also covers additional equipment for the Lao operations to be purchased in 2014 as a result of the increase in tonnes being mined.

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 final dividend for the December half-year of A\$0.03 per share (unfranked). The final dividend is to be paid on 4 April 2014 to shareholders on the register as at 7:00pm (AEDT) on 6 March 2014 (the record date). The full amount of the final 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 final dividend has not been recognised in the financial statements for the year ended 31 December 2013 and will be recognised in subsequent financial statements.

The Dividend Reinvestment Plan (DRP) will apply in relation to the final 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 can 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 10 March 2014. No discount will apply to shares issued under the DRP for this final dividend. Shares issued under the DRP will rank equally with existing ordinary fully paid shares.

Outlook

Production and EBITDA Guidance (consolidated basis)

As previously advised, PanAust estimates consolidated 2014 production of 65,000t to 70,000t copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 165,000oz gold and approximately 1.2Moz of silver.

EBITDA for the 2014 year is expected to be between US\$200 million and US\$225 million assuming an average copper price of between US\$3.20/lb and US\$3.40/lb⁴.

At Phu Kham, copper production is expected to rise to between 65,000t and 70,000t at an average C1 cash cost of between US\$1.50/lb to US\$1.60/lb copper reflecting increased year-on-year open pit waste strip requirements, higher benchmark TC/RC charges and scheduled lower copper and gold grades. Peak life-of-mine material movements in the open pit are scheduled for 2014 with 52 million tonnes mined (waste to ore ratio 1.7 to 1 versus 1.0 to 1 in 2013). Approximately 30% of total material mined will be capitalised as deferred waste and low grade ore stocks. The mill is scheduled to process 18.5Mt of ore.

At Ban Houayxai, gold production is expected to be approximately 100,000oz at an average C1 cash cost between US\$650/oz and US\$700/oz gold. Mill throughput is scheduled to be 4.8Mt in 2014, 20% above design, despite harder transitional ores being scheduled, and the benefits of higher silver head grade should largely offset the effect of the increased power draw on operating costs.

Longer term production set to rise at Phu Kham

The revised life-of-mine plan (announced in October 2013) which is based on a new resource model and incorporates the additional processing capacity and improved recovery performance provided by the Upgrade (expansion) completed in 2012 and the Increased Recovery Project completed in 2013 provides for significant organic growth at that Operation. Over the period 2015 to 2019, scheduled increases in head grade will lift copper in concentrate production to peak levels of around 90,000 tonnes per year in 2018 and 2019. Gold grades are forecast to be variable, with annual production in the range of 60,000oz to 80,000oz of gold in concentrate through to the end of this decade.

Further upside to production levels and mine life at Phu Kham could be realised from resource development programs underway within the vicinity of the Phu Kham processing plant; evaluation of the recovery performance of lower grade mineralisation at Phu Kham; and a study which is evaluating the potential for trucking of high-grade ore from the KTL deposit for processing at Phu Kham.

Pre-development and exploration projects

Consistent with its corporate strategy of growth by discovery, acquisition and development, the Company is progressing capital efficient organic growth opportunities close to existing assets in Laos; exploration and resource development in Laos and Chile; and is seeking strategic opportunities to acquire pre-development or producing copper assets that could provide production growth over the next five to ten years and also sustain the business in the longer term.

In Laos, a study is underway at the KTL Copper-Gold Project to evaluate development options for the KTL copper-gold deposit. These have included the development of a stand-alone integrated open-pit mining and flotation processing operation; and a low-capital alternative under which the deposit is mined as a satellite open-pit to Phu Kham. An options analysis has demonstrated that the economics favour the low-capital option whereby discrete high-grade copper-gold zones at the KTL deposit are mined, crushed and trucked to Phu Kham for processing. No further work is planned on the development of a stand-alone open pit mining and flotation processing operation at the KTL deposit.

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets have been identified in a corridor, which includes the LCT deposit and stretches northwest of Phu Kham for at least 13 kilometres to the Nam Ve prospect.

In Chile, the extended Inca de Oro feasibility study has been evaluating the potential for existing oxide and additional sulphide resources to make a material contribution to the Inca de Oro Copper-Gold Project (60.45% PanAust, joint venture with CODELCO).

Over the next few months the joint venture will conduct a review of the Project following the completion of resource drilling at the nearby Carmen deposit (PanAust 100%) and after identifying the potential for the provision of more competitively priced power and a low cost solution to the supply of water to site.

The joint venture will consider an analysis of different options for project scale from a down-scaled higher grade 9Mtpa processing rate to an expanded 18Mtpa processing rate. Initial evaluations favour the smaller, higher grade approach, which should provide improved operating costs over the first ten years of project life.

On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. The PanAust Glencore Agreement is subject to a condition precedent relating to all applicable regulatory approvals including Glencore satisfying the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc, and the approval of the Investment Promotion Authority of Papua New Guinea.

For further information contact:

Investors:

Mr Gary Stafford
Managing Director
PanAust Limited

Mr Allan Ryan
Investor Relations Manager

Tel: +61 7 3117 2000

Email: info@panaust.com.au

Website: www.panaust.com.au

Media:

Matthew Gerber or Garry Nickson

Magnus

Tel: +61 2 8999 1010

Forward-Looking Statements and Financial Data

This announcement includes certain "Forward-Looking Statements". All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralisation, resources and reserves, and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Financial data for the 12-month period to 31 December 2013 presented in this announcement are sourced from the Financial Statements for the year ended 31 December 2013 lodged by PanAust with the Australian Securities Exchange and it is recommended that this document be referenced to provide the appropriate form and context for such data.

¹ The measure earnings before interest, taxes, depreciation and amortisation (EBITDA) excludes from profit before income tax the effects of profit or loss items such as depreciation, amortisation and impairment, interest revenue and expense, and equity-settled share-based payments. Reconciliation of EBITDA to IFRS data is presented below.

Group Consolidated	12 months to 31 Dec 2013	12 months to 31 Dec 2012
	US\$'000	US\$'000
EBITDA	272,454	331,079
Interest expense (net of interest revenue) and finance charges	(21,506)	(16,594)
Put option premium expense	-	(1,864)
Depreciation and amortisation	(118,336)	(83,409)
Impairment (incl. exploration, Puthep Copper Project investment)	(50,850)	(5,047)
Generative exploration costs expensed ⁵	(1,869)	(1,848)
Provision for rehabilitation expensed	(3,514)	(5,998)
Share-based payments	(5,771)	(4,372)
Change in fair value of investment in Highlands Pacific Limited	(1,182)	-
Profit/(loss) before income tax	69,426	211,947

The EBITDA shown for the year ended 31 December 2012 of US\$331.1 million differs from that announced on 21 February 2013 (US\$331.5 million) due to a change in the accounting treatment of deferred capital (waste stripping), and share based payments that relate to employee share plans.

² PanAust's assets in Laos are held by Phu Bia Mining Limited (PBM). The Government of Laos (GoL) owns a 10% interest in PBM. Results referred to in this announcement reflect 100% ownership of PBM other than the "Net profit after tax attributable to PanAust Limited" which recognises the GoL minority interest.

³ Net cash flow from operations after: tax; sustaining and development capital expenditure; net lease drawdowns and repayments; and, corporate costs. The estimate assumes average gold and silver prices of US\$1,300/oz and US\$22/oz respectively.

⁴ Assumes average by-product prices of US\$1,300/oz for gold and US\$22/oz for silver.

⁵ Exploration costs that were not attributable to a defined project.