

ASX ANNOUNCEMENT

21 February 2013

Financial results for the 12-months to 31 December 2012

Highlights (reported on a consolidated basis unless otherwise stated)

- Profit after income tax for the year of US\$158.7 million.
- Profit after income tax attributable to PanAust Limited of US\$142.3 million.
- Sales revenue increased 24% to US\$712.7 million, boosted by the commencement of gold-silver doré sales from Ban Houayxai.
- EBITDA¹ increased 15% to US\$331.5 million.
- Net cash-flow from operating activities of US\$198.4 million.
- Successful commissioning of the Ban Houayxai Gold-Silver Operation and Phu Kham Upgrade Project.
- Final dividend of A\$0.04 per share payable in April 2013, bringing the total dividends declared for the year to A\$0.07 per share.

Summary of results²

| (US\$ million) | 12 months to 31 Dec 2012 | 12 months to 31 Dec 2011 |
|---|-----------------------------|-----------------------------|
| Sales revenue | 712.7 | 575.7 |
| Sales revenue, derivative gains/losses and other income | 706.3 | 598.0 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 331.5 | 288.2 |
| Profit after income tax | 158.7 | 146.6 |
| Profit after income tax, attributable to PanAust Limited | 142.3 | 132.1 |
| Basic earnings per share (US cents) | 24.0 | 22.5 |
| Dividend per share (Aust. cents) | 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.

2011 WINNER – SOCIAL/COMMUNITY
PRESENTED BY ETHICAL INVESTOR



2010 and 2011 WINNERS
BEST COMMUNITY DEVELOPMENT INITIATIVE AWARD



2011 LABOUR ORDER CLASS 1 MEDAL
BEST DEVELOPMENT IN A RURAL AREA
PRESENTED BY THE GOVERNMENT OF LAO PDR



PanAust Managing Director, Gary Stafford, said that the full year profit result reflects continued strong operating performance at Phu Kham and the first contribution from Ban Houayxai, which commenced commercial production on 1 June 2012.

“The successful commissioning of Ban Houayxai and the Phu Kham Upgrade were important achievements for 2012, making PanAust a more robust and flexible two-mine company and providing a broader cash flow platform for further growth, he said.”

“Ban Houayxai quickly ramped-up to full capacity and during the December 2012 quarter mill throughput rates exceeded nominal design capacity by 12%, on treatment of relatively soft oxide ore feed.

“At Phu Kham, record production during the December quarter underscored the benefits of the process plant expansion with annualised ore processing rates exceeding the expanded design capacity of 16 million tonnes per annum (Mtpa) and the plant achieving an annualised ore processing rate of 21Mtpa in December.

“The Increased Recovery Project represents the next incremental, short payback, high return investment initiative at Phu Kham. This Project is within budget – with US\$34 million to be spent in 2013 – and is ahead of schedule, with commissioning due to start next quarter.

“The Directors declared a final dividend of four cents per share bringing the total dividends declared for the 2012 year to seven cents per share.”

2012 production and financial results discussion

PanAust consolidated profit after income tax for the year ended 31 December 2012 was US\$158.7 million (2011: US\$146.6 million).

Sales revenue increased by 24% to US\$712.7 million with the commencement of gold-silver doré sales from the Ban Houayxai Gold-Silver Operation being the largest contributing factor to this increase. Ban Houayxai was successfully brought into production in late April 2012 and commenced commercial production from 1 June 2012 and sales of gold and silver from Ban Houayxai contributed US\$125.9 million to revenue. Phu Kham revenue increased marginally compared with the previous year with higher copper and gold sales volumes together with a higher average realised price for gold largely offset by a lower average copper price.

Cash costs for both operations were competitive versus the industry. Phu Kham achieved a C1¹ cash cost of US\$1.11/lb copper after precious metal credits (2011: US\$1.03/lb copper) and Ban Houayxai achieved a C1 cash cost for the seven months of commercial production of US\$537/oz after silver credits.

| <i>Production summary (100% equity basis)</i> | Units | 12 months to 31 Dec 2012 | 12 months to 31 Dec 2011 |
|---|-------|--------------------------|--------------------------|
| Copper in concentrate | t | 63,285 | 59,897 |
| Gold in concentrate and doré | oz | 135,965 | 53,590 |
| Silver in concentrate and doré | oz | 616,687 | 538,123 |

¹ 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.

Pay-metal sales for the year were 59,357t of copper in concentrate, and 132,037oz of gold and 555,179oz of silver in concentrate and doré (2011: 57,858t copper, 53,582oz gold and 479,983oz silver). The average prices received, after realised hedging, for sales during the year were US\$3.64/lb for copper, US\$1,674/oz for gold and US\$32.1/oz for silver (2011: US\$3.98/lb, US\$1,596/oz and US\$35.1/oz respectively).

Net cash-flow from operating activities was US\$198.4 million (2011: US\$239.1 million). The year-on-year decrease was largely a reflection of: the build-up of inventory – stores, product in circuit and finished goods awaiting sale – (a year-on-year build-up of US\$55.6 million); together with higher payment for taxation paid in arrears for the 2011 year (US\$18.5 million increase year-on-year); and lower receipts for derivative settlements (year-on-year down US\$14.6 million).

Capital expenditure on development projects during 2012 totalled US\$134.1 million (2011: US\$173.0 million). Sustaining capital expenditure was a further US\$69.6 million (2011: US\$59.2 million) of which US\$31.2 million (2011: US\$20.0 million) was for ongoing construction of the tailings storage facility at Phu Kham, where the rate of construction was accelerated to accommodate the increased ore processing rates associated with the Upgrade Project.

Exploration and evaluation expenditure increased to US\$67.9 million (2011: US\$41.6 million), with expenditures in Laos contributing US\$43.3 million to the total; largely on the Phonsavan Copper-Gold Project and resource development drilling at the Ban Houayxai, Nam San and Long Chieng Track (LCT) deposits. Exploration and evaluation expenditure in Chile increased to US\$24.6 million and included Inca de Oro feasibility study costs, resource drilling at the Artemisa and Carmen deposits.

Depreciation, amortisation and impairment charges increased by US\$30.0 million to US\$88.4 million, with the commencement of depreciation on Ban Houayxai assets contributing US\$28.3 million to the increase. Impairment of exploration assets was US\$5.0 million in 2012 (2011: US\$7.4 million).

During 2012, PanAust's 90% owned subsidiary, Phu Bia Mining, paid to the Government of Laos US\$35.6 million in royalty payments and a profits tax payment, paid in arrears for the 2011 year, of US\$31.9 million. In addition US\$22.0 million in value added tax was paid during 2012, which is able to be offset against 2012 profits tax payable in 2013.

Capital Management

At 31 December 2012, PanAust had cash of US\$125.0 million; debt of US\$85.0 million; undrawn debt facilities of US\$15.0 million; and mobile equipment lease facilities drawn to a total of US\$80.5 million.

In January 2013, PanAust announced that it has entered into loan agreements for debt facilities totalling US\$275 million. The facilities comprise a four-year US\$250 million revolving debt facility with a syndicate of seven banks led by ANZ Bank, and a US\$25 million working capital facility with ANZ (Laos). The revolving debt facility replaced the previous US\$100 million facility entered into in 2010, which was scheduled to mature in the September quarter 2013.

PanAust's cash balance, supported by significant cash-flow from both Phu Kham and Ban Houayxai, places the Company in a strong position to meet anticipated cash commitments during the first half of 2013. These include: the balance of project expenditure for the US\$45 million Phu

Kham Increased Recovery Project of approximately US\$34 million; an estimated net tax payment of approximately US\$23.6 million due to the Government of Laos for the 2012 tax year; and a final dividend payment³ of up to US\$24.2 million.

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 four cents (Australian) per share (unfranked). The final dividend is to be paid on 5 April 2013 to shareholders on the register as at 7:00pm (AEDT) on 14 March 2013 (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 2012 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 18 March 2013. 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

Financial and Production Guidance

PanAust EBITDA for the 2013 year is currently expected to be between US\$320 million and US\$350 million, assuming a copper price of US\$3.60/lb⁴ based on: consolidated full year production of between 62,000t and 65,000t of copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 175,000oz gold and between 1.1 million and 1.2 million oz of silver.

As outlined in the December quarter 2012 report, a change to the 2013 Phu Kham mine schedule is expected to result in the average copper head grade being approximately 10% below the average Ore Reserve grade of 0.50%, with higher grade mineralisation previously scheduled for 2013 deferred into subsequent years. The average C1 cash cost in 2013 for Phu Kham is expected to be between US\$1.15/lb and US\$1.25/lb after precious metal credits.

The 31 December 2012 Phu Kham Ore Reserve supports a mine life of over 10 years, assuming an ore processing rate of 17Mtpa (versus 16Mtpa nameplate capacity) following completion of the Upgrade Project during 2012. The higher throughput rate is supported by actual operating experience and data. For the first time the Phu Kham Ore Reserve estimate takes account of the increased metallurgical recovery rates anticipated following commissioning of the Increased

Recovery Project, scheduled for the June quarter 2013. Copper and gold recovery rates are each expected to increase by approximately six percentage points, lifting the life-of-mine average recovery for copper from 77% to 83% and for gold from 47% to 53%.

Assuming an ore processing rate of 17Mtpa and using Increased Recovery Project average life-of-mine recovery rates, the average Ore Reserve grades imply annual metal production in concentrate of over 70,000t copper and 65,000oz gold. The resultant increase in metal production is expected to reduce cash costs per pound of copper by between five and seven per cent (in comparison to the cash costs if the Increased Recovery Project was not implemented). Plant scale test work has indicated that greater improvements in recoveries may be achieved on certain ore types. Based on the new Ore Reserve, the average waste:ore strip ratio for Phu Kham is 1.4:1.

During 2013 and into 2014 it is envisaged that changes to the mine plan to address short-term stability issues associated with one of the interim pit slopes at Phu Kham (as discussed in the December 2012 quarterly report) will necessitate the processing of some mineralisation below the Ore Reserve economic cut-off grade, resulting in annualised copper in concentrate production in the 65,000t to 70,000t range for approximately twelve to eighteen months from mid-2013.

Total Ore Reserve tonnes at Ban Houayxai increased by 22% with the 31 December 2012 estimate and contained gold and silver increased by 25% and 26% respectively when compared with the previous, 2012, estimate after mining depletion during the 2012 year. At the current design ore processing rate of four million tonnes per annum for harder transitional and primary mineralisation, the Ore Reserve supports a mine life of over 10 years.

Detailed short to medium term scheduling has commenced based on the latest Ban Houayxai Ore Reserve estimate with the objective of optimising cash flow through 2013 and 2014 to off-set the cash flow impact of sub-70,000t annual copper production from Phu Kham through the same period.

Background

PanAust is well placed to pursue its strategy of growth by discovery, acquisition and development.

Key components of this strategy are: a commitment to progressing capital efficient organic growth opportunities; the acquisition of producing or pre-development copper assets; and, pursuit of an active exploration and resource development program in Laos and Chile.

Successful completion of the Ban Houayxai and Phu Kham Upgrade projects in 2012 together with the Increased Recovery Project scheduled for implementation in mid-2013 are the platform for a pipeline of pre-development and exploration projects that should maintain a strong growth profile for the Company over the medium to long-term.

Work on the Phonsavan Copper-Gold Project pre-feasibility study was commenced in mid-2012 and is expected to be reported on in the September quarter 2013. Phonsavan is located in the northern part of the Company's Contract Area in Laos. The scope of the study is for the development of a project with an average annual output of approximately 25,000t of copper and 20,000oz of gold over a mine life of approximately 10 years. Drilling carried out as part of the study, has identified a relatively high-grade zone which may provide for increased metal production rates during the early part of the mine schedule. Subject to ongoing success with drilling and evaluations, a full feasibility study is expected to be completed by the end of 2013 incorporating additional assay and geological data.

The Phu Kham district is a high-priority target for exploration activities. In January 2013 an initial mineral resource was announced for the LCT deposit which is located close to the Phu Kham Operation. An ongoing drill program at LCT is aimed at extending the limits of copper-gold and gold-silver mineralisation. At Nam San which is adjacent to Phu Kham, higher-grade copper-gold mineralisation provides the target for a potential underground operation.

In Chile, work continued on the extended Inca de Oro Copper-Gold Project feasibility study. The results of the Inca de Oro sulphide study completed in mid-2012 identified the need to secure cost-effective power for the Project, and to expand the resource base of the Project to ensure its economic viability. The extended study incorporates evaluation of the oxide mineralisation at Inca de Oro and the potential to incorporate mineralisation from the joint venture's nearby Artemisa deposit and PanAust's 100% owned Carmen deposit.

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Forward-Looking Statements

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

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 2012 | 12 months to 31 Dec 2011 |
|--|-----------------------------|-----------------------------|
| | US\$'000 | US\$'000 |
| EBITDA | 331,472 | 288,212 |
| Interest expense (net of interest revenue) and finance charges | (16,594) | (12,395) |
| Share based payment expense from acquisition | - | (5,530) |
| Put option premium expense | (1,864) | (2,955) |
| Depreciation, amortisation and impairment | (88,413) | (58,453) |
| Share-based payments | (4,372) | (3,984) |
| Generative exploration costs expensed ⁵ | (1,848) | - |
| Provision for rehabilitation expensed | (5,998) | (1,079) |
| Profit/(loss) before income tax | 212,383 | 203,816 |

The EBITDA shown for the year ended 31 December 2011 of US\$288.2 million differs from that announced on 23 February 2012 (US\$284.2 million) due to a change in the treatment of 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 No adjustment has been made to the total dividend amount for shareholders that may wish to accept new shares via the Company's dividend reinvestment plan rather than receive cash.

⁴ Assumes gold and silver prices of US\$1,700/oz and US\$30/oz respectively.

⁵ Exploration costs that were not attributable to a defined project. Previously these costs were capitalised and in 2011 were included in the depreciation, amortisation and impairment line.

Financial data for the 12-month period to 31 December 2012 presented in this announcement are sourced from the Financial Statements for the year ended 31 December 2012 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.