



PANAUST

ASX ANNOUNCEMENT

25 August 2011

Financial results for the six months to 30 June 2011

Results summaryⁱ

(US\$ million)	6 months to 30 Jun 2011	6 months to 30 Jun 2010
Operating revenue	297.1	224.5
EBITDA	143.6	106.0
EBIT	117.7	78.3
Group consolidated net profit after tax	77.0	53.2
Net profit after tax, attributable to PanAust Limited	69.4	47.5
Underlying net profit from ordinary activities after tax, attributable to PanAust Limitedⁱⁱ	74.9	47.5
Basic earnings per share (US cents)	11.7	8.1
Return on equityⁱⁱⁱ (annualised)	22%	19%

Highlights

- Group net profit after tax (NPAT) for the June half increased 45% to US\$77.0 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 35% to US\$143.6 million.
- Stocks of copper concentrate at period end totalled 11,569 tonnes with an estimated mark to market net value of US\$16.5 million (carrying value US\$10.5 million).
- Cash balance at 30 June 2011 of US\$171.4 million, cash-flow and balance sheet strength to support PanAust's growth strategy: gearing^{iv} at 30 June 2011 was 11%.

PanAust Managing Director, Gary Stafford, said: "The improved June half 2011 result compared with the corresponding period last year reflects consistent sales volumes combined with higher prices

"Consistent with the 2010 year, production and resultant sales are again skewed to the December half-year. Adjusting for prices received during the first half of the year and assuming average copper prices for the five months to the end of December 2011 of between US\$4.00/lb and US\$4.25/lb we can expect EBITDA to rise to between US\$190 million and US\$220 million for the second half^v and full year EBITDA to range between US\$335 million and US\$365 million,

"With a strong balance sheet and cash-flows from Phu Kham, PanAust is well positioned for growth."

Commentary on Financial Results

The PanAust Group NPAT for the six-months to 30 June 2011 was US\$77.0 million; a 45% increase compared with the June half 2010 largely as a result of higher year on year commodity prices. Underlying NPAT from ordinary activities, attributable to PanAust Limited, of US\$74.9 million excludes the effect of a non-recurring non-cash share based payment expense of US\$5.5 million relating to the acquisition of a majority interest in Inca de Oro S.A. which owns the Inca de Oro Copper-Gold Project in Chile.

Sales of concentrate for the half-year totalled 123,788t (June half 2010 120,026t). Pay-metal sales for the half-year were 28,361t copper, 25,967oz gold and 220,765oz silver (June half 2010 28,579t, 28,441oz^{vi} and 192,240oz respectively). The average prices received, after realised hedging for sales during the half-year were US\$4.24/lb for copper, US\$1,332/oz for gold and US\$37.4/oz for silver (June half 2010 US\$3.14/lb, US\$1,056/oz and US\$17.4/oz respectively).

Net cash-flow from operating activities was US\$114.4 million compared with US\$80.8 million for the June half 2010.

Sustaining capital expenditure was US\$25.1 million which included US\$11.6 million for progressive construction of the tailings storage facility at Phu Kham. Expenditure on development projects totalled US\$66.3 million. Exploration and evaluation expenditure was US\$15.1 million (June half 2010 US\$14.2 million).

Royalties payable to the Government of Laos increased to US\$19.1 million, up from US\$13.0 million for the June half 2010 on higher metal prices and increased sales of gold and silver in concentrate.

Non-cash items recognised in the June half 2011 result included:

- US\$11.0 million cost recognised in the revenue line resulting from various mark-to-market movement accruals for provisional invoices and unrealised hedge losses, not included in the calculation of average realised copper price of US\$4.24/lb.
- US\$3.6 million cost recognised in the revenue line representing previously disclosed realised hedging losses in line with the original gold maturity profile on gold forward contracts which were closed out in August 2010.
- Finance and other costs: a US\$1.4 million expense to recognise the deferred premiums for put options entered into during the half-year and a US\$2.0 million derivative hedge loss on mark-to-market movements for put options entered into in prior years.

Funding

At 30 June 2011, PanAust had cash of US\$171.4 million, debt of US\$45 million, undrawn debt facilities of US\$55 million, and mobile equipment lease facilities drawn to a total of US\$51.4 million. No debt was drawn down during the half-year.

At current copper prices of around US\$4.00/lb it is anticipated that PanAust will be in a position to fund its committed growth projects from Phu Kham cash-flow while maintaining a significant cash balance.

Outlook

PanAust has refined its financial guidance range for 2011 based on actual performances to date and reforecast production and price assumptions for the balance of the year. PanAust Group EBITDA for the 2011 year is currently expected to be between US\$335 million and US\$365 million assuming copper prices for the five months to end December 2011 of between US\$4.00/lb and US\$4.25/lb.

2011 production and cost guidance for Phu Kham remains unchanged at between 62,000t and 65,000t of copper in concentrate at an average C1 cash cost of between US\$0.95/lb and US\$1.05/lb copper after precious metal credits from 50,000oz to 55,000oz gold and 450,000oz to 500,000oz silver.

As indicated in the June Quarterly Report, wet season impacts on production in July were greater than were anticipated in operating schedules for 2011 and accordingly, the Company notes that it is likely that full year copper production will be towards the lower end of the guidance range but that full year gold and silver production are likely to be towards the upper end of the guidance range as a consequence of a positive reconciliation during the first half of the year for both precious metals. The re-stated EBITDA guidance in this report reflects these likelihoods.

Note that the wet weather has restricted access to higher-grade mineralisation in the deeper part of the open pit at Phu Kham. Good progress is being made pumping excess water out of the pit and access to higher grade material should resume in September.

Growth through discovery, acquisition and development

With a strong balance sheet and robust free cash flow from Phu Kham, PanAust is well positioned to pursue a 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 exploration and resource development programs in Laos and Chile.

Following drilling successes during the half-year within the Phu Kham district, PanAust has established a brown-fields exploration team to investigate potential extensions to the Phu Kham mineral resource envelope and repeats of Phu Kham-style mineralisation along a highly prospective corridor which extends at least seven kilometres due north and along strike of the northern boundary of the Phu Kham deposit.

PanAust is advancing a number of projects including, in Laos, the Ban Houayxai Gold-Silver Project which is currently under construction; the Phu Kham Upgrade Project; and the Phonsavan Copper-Gold Project where a scoping study has commenced on the development concept which contemplates two open pit mines (KTL and Tharkhek) feeding a central processing plant.

The Ban Houayxai gold-silver deposit is located approximately 25km west of the Phu Kham Copper-Gold Operation. The Project will comprise an open pit mine feeding ore to a conventional 4Mtpa Carbon In Leach (CIL) process plant capable of producing over 100,000oz of gold and 700,000oz of silver per annum.

Ban Houayxai is on schedule to commence commissioning in late 2011 and steady state production is expected during the March quarter 2012.

Implementation of the Phu Kham Upgrade Project will increase ore processing rates (from 12Mtpa to 16Mtpa) and improve metal recoveries (through an increase in grinding and flotation capacity)

and is timed to coincide with a scheduled decline in ore head grade. Detailed engineering, procurement and off-site fabrication of long lead items are all running ahead of schedule and nearing completion.

In terms of total capital expenditure across the Ban Houayxai and Phu Kham Upgrade Projects, the projected net increase in capital expenditure commitments (including deferred capital) across both projects compared with original estimates is 5% to 13%.

The capital cost of the Ban Houayxai Project, including a 15% contingency on the remaining US\$80 million capital to be spent, is expected to range from US\$183 million to US\$195 million. The increase compared with the 2009 investment case estimate of US\$150 million is primarily due to: the impact of the weaker US dollar on Australian dollar denominated costs (approximately 40% of the variance); cost inflation since the 2009 feasibility study (approximately 20% of the variance); and, scope changes (approximately 20% of the variance). An estimated US\$5 million of deferred capital will be required to fund the second lift to the tailings storage facility after operations commence during 2012.

When compared with feasibility study expectations, which were based on gold and silver prices of US\$900/oz and US\$13/oz respectively, Ban Houayxai economics are materially enhanced at prevailing metal prices.

The current estimated capital cost for the Phu Kham Upgrade Project is US\$95 million (incorporating a contingency of US\$11 million), US\$15 million below the original US\$110 million budget. Commissioning is likely to commence in the June quarter of 2012.

In Chile, PanAust is managing the feasibility study for the Inca de Oro Copper-Gold Project (59.4% attributable to PanAust), with the objective of completing an interim report in late 2011 to allow placing of orders for long lead items in early 2012. The full study is scheduled for completion during the June quarter 2012. The Inca de Oro pre-feasibility study, completed by Codelco, confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at a competitive cash cost and over a plus ten-year mine life.

The pipeline of growth projects represented by Ban Houayxai, the Phu Kham Upgrade and Inca de Oro provide the basis for a strong growth profile over the next several years. Resource development at the Phonsavan Copper-Gold Project and the brown field successes in the Phu Kham region have the potential to secure further growth in the medium to longer term.

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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 forecast operating costs, financial performance, future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

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

All financial data for the 6-month period to 30 June 2011 presented in this announcement are sourced from the Interim Financial Report for the half-year ended 30 June 2011 lodged by PanAust with the Australian Securities Exchange and it is therefore recommended that this document be referenced to provide the appropriate form and context for such data.

The EBITDA comparative for the six months to 30 June 2010 has been restated to reflect a reclassification of finance costs totalling US\$0.7M from mining costs to financing and other costs.

The comparative earnings per share and return on equity for the six months to 30 June 2010 have been adjusted to take into account the 1 for 5 share consolidation which was completed during the half-year ending 30 June 2011.

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

ⁱⁱⁱ Based on Group consolidated NPAT, excluding the effect of the non-recurring non-cash share based expense relating to the Inca de Oro S.A. acquisition. The adjusted NPAT for the June half 2011 was US\$82.5 million.

^{iv} Gearing = debt / (debt + equity).

^v Assumes gold and silver prices for the five months to the end of December 2011 of US\$1,780/oz and US\$39/oz respectively, and a US\$1.12/litre diesel fuel cost.

^{vi} Includes 4,953oz of gold contained in sales of gold doré from the now closed Phu Kham Heap Leach Operation.