



ASX ANNOUNCEMENT

23 August 2012

Financial results for the six months to 30 June 2012

Highlights

- Statutory consolidated net profit after tax (NPAT) for the June half of US\$73.6 million.
- NPAT attributable to PanAust Limited of US\$65.7 million.
- EBITDAⁱ of US\$140.1 million for the June half 2012.
- Net cash-flow from operating activities of US\$69.4 million.
- **Earnings are expected to rise sharply** (by at least 30% at forecast production and commodity prices) **in the December half 2012** as the Company benefits from a step-change in contribution from Ban Houayxai and the commissioning of the Phu Kham Upgrade.
- **Maiden interim dividend of A\$0.03 per share payable in October 2012.**
- The Company's 2011 Sustainability Report was released on 27 July 2012. This report met the requirements of Application Level A+ of the GRI reporting framework.
- The Company's safety record remains excellent. LTI frequency rate (per million man hours on an annual rolling average basis) at 30 June 2012 was 0.14 (30 June 2011: 0.30). On the same basis, the TRI frequency rate at 30 June 2012 was 2.60 (30 June 2011: 2.85).

Results summaryⁱⁱ

(US\$ million)	6 months to 30 Jun 2012	6 months to 30 Jun 2011
Sales revenue	306.3	301.8
Sales revenue, derivative gains/losses and other income	303.5	295.2
Earnings before interest, tax, depreciation and amortisation (EBITDA) ⁱ	140.1	143.6
Earnings before interest and tax (EBIT) ⁱ	111.0	117.7
Statutory consolidated net profit after tax	73.6	77.0
Net profit after tax, attributable to PanAust Limited	65.7	69.4
Basic earnings per share (US cents)	11.16	11.81
Dividend per share (Aust. cents)	3	-

This announcement is unaudited. Refer to page 5 for notes, 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



Commenting on today's announcement, PanAust Managing Director, Gary Stafford, said:
 "PanAust recorded a solid financial result for the half-year with increased revenue from higher gold sales more than compensating for the lower average price received for copper.

"Looking to the December half 2012, PanAust will benefit from a full six-month contribution from Ban Houayxai, and the September quarter commissioning of the Phu Kham Upgrade Project providing production and earnings growth.

"Accordingly, earnings are expected to rise sharply by at least 30% assuming average copper prices for the five months to the end of December 2012 of between US\$3.25/lb and US\$3.75/lb.

"The Directors are delighted to declare the Company's maiden interim dividend of three cents per share. It is the Board's aim to be able to continue to provide a sustainable level of dividend payments into the future."

Half-year production and financial results discussion

PanAust Group NPAT for the six-months to 30 June 2012 was US\$73.6 million versus US\$77.0 million for the 2011 corresponding period. Sales revenue increased by 1.5% with higher gold sales and gold price more than compensating for a 12% lower average price received for copper compared with the 2011 corresponding period.

Cash costs at both operations were competitive versus the industry and came in below budget expectations, with Phu Kham C1* copper cash costs of US\$1.03/lb copper after precious metal credits (US\$0.99/lb copper in 2011 corresponding period) and Ban Houayxai C1 gold cash costs (for the first month of commercial production) at US\$514/oz.

<i>Production summary (100% equity basis)</i>	Units	6 months to 30 Jun 2012	6 months to 30 Jun 2011
Copper in concentrate	t	29,681	30,213
Gold in concentrate and doré	oz	41,587	27,268
Silver in concentrate and doré	oz	246,161	257,885

Pay-metal sales for the half-year were 28,716t copper, 39,660oz gold and 222,929oz silver (June half 2011 28,361t copper, 25,967oz gold and 220,765oz silver). The average prices received, after realised hedging, for sales during the half-year were US\$3.72/lb for copper, US\$1,611/oz for gold and US\$32.2/oz for silver (June half 2011 US\$4.24/lb, US\$1,332/oz and US\$37.4/oz respectively).

Net cash-flow from operating activities was US\$69.4 million compared with US\$114.7 million for the June half 2011. The reduction largely reflects the higher year-on-year income tax payment (for the 2011 year, paid in arrears) together with costs associated with the commencement of commercial production at Ban Houayxai including the build-up of consumables and gold in circuit inventories. Total depreciation and amortisation increased across both operations with the acquisition of new mine equipment for Phu Kham and completion of the Ban Houayxai Gold-Silver Operation. Likewise the operating costs now reflect the commencement of commercial production at Ban Houayxai.

* 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.

Sustaining capital expenditure was US\$39.9 million which included US\$15.2 million for progressive construction of the tailings storage facility at Phu Kham. Expenditure on development projects totalled US\$98.6 million. Exploration and evaluation expenditure was US\$40.5 million (June half 2011 US\$15.1 million) comprising expenditure of US\$26.2 million in Laos and US\$14.3 million in Chile.

Royalties payable to the Government of Laos declined marginally to US\$17.3 million (June half 2011 US\$19.1 million) largely as a result of the lower average copper price received for sales.

Capital Management

At 30 June 2012, PanAust had cash of US\$107 million, debt of US\$85 million (non-current), undrawn debt facilities of US\$15 million, and mobile equipment lease facilities drawn to a total of US\$78.1 million. To fund capital commitments during the half-year, US\$40 million of debt was drawn down to supplement cash flow.

During the December half 2012, PanAust will begin to reap the benefits from circa US\$300 million of capital projects that will substantially grow the Company's production profile: Ban Houayxai commenced commercial production on 1 June 2012 and the Phu Kham Upgrade Project will be commissioned progressively during the September quarter 2012.

Maiden 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 **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 for this interim dividend. 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.

Outlook

Financial and Production Guidance

PanAust is in good shape to meet full year production guidance of approximately 64,000t copper, 135,000oz gold and 650,000oz silver. Current copper and gold prices are below the prices assumed for 2012 financial guidance. Accordingly, Group EBITDA is expected to be within 5% of US\$340 million (the lower end of the range for current guidance), assuming a copper price range of US\$3.25/lb to US\$3.75/lb for the final five months of the yearⁱⁱⁱ.

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 mineral assets with a focus on copper; and pursuit of exploration and resource development programs in Laos and Chile.

PanAust has a strong profile of capital efficient brownfield growth at the Phu Kham Copper-Gold Operation, where copper production is expected to progressively increase over the next three years following completion of the Phu Kham Upgrade Project this year and the Increased Recovery Project in the September quarter 2013.

From a base of between 63,000t and 65,000t in 2012, production is expected to rise 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 more low-grade ore into stockpiles and with the discovery of the Nam San deposit adjacent to Phu Kham and the nearby Long Chieng Track (LCT) deposit.

Also 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.

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 is pleased to report that its 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.

The Company's safety record remains excellent. The Lost Time Injury (LTI) frequency rate (per million man hours on an annual rolling average basis) was 0.14 (30 June 2011: 0.30). On the same basis, the Total Recordable Injury (TRI) frequency rate at 30 June 2012 was 2.60 (30 June 2011: 2.85).

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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 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 EBIT and EBITDA to IFRS data is presented below:

Group Consolidated	6 months to 30 June 2012	6 months to 30 June 2011
	US\$'000	US\$'000
Adjusted EBITDA	140,119	143,605
Depreciation, amortisation	(29,084)	(25,916)
Adjusted EBIT	111,035	117,689
Interest revenue	741	810
Interest expense and finance charges	(8,686)	(6,638)
Share based payment expense from acquisition	-	(5,530)
Put option premium expense	(710)	(1,360)
Profit/(loss) before income tax	102,380	104,971

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

Financial data for the 6-month period to 30 June 2012 presented in this announcement are sourced from the Interim Financial Report for the half-year ended 30 June 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.

ⁱⁱⁱ Assumes gold and silver prices for the five months to the end of December 2012 of US\$1,600/oz and US\$28/oz respectively, and a US\$1.10/litre diesel fuel cost.