



PANAUST

12 April 2012

Quarterly Report for the three months to 31 March 2012

Phu Kham Copper-Gold Operation, Laos

- Quarterly copper in concentrate production of 15,772t at an average C1¹ cash cost of US\$0.92/lb copper (after gold and silver credits) exceeded budget expectations; monthly record for ore milled achieved in March.
- **Phu Kham Upgrade Project:** Commissioning on schedule to commence in June 2012 with ramp-up to continue into the September quarter 2012.
- **Phu Kham Increased Recovery Project** received PanAust Board approval; the average annual production of copper and gold is expected to increase by approximately 5,000t and 7,500oz respectively from late 2013.

Ban Houayxai Gold-Silver Operation, Laos

- Leaching and recovery of gold onto carbon commenced on 31 March 2012; the first gold-silver doré is expected to be poured in the second half of April; ramp up to steady-state production during the June quarter 2012.

Pre-development and exploration projects

- **Inca de Oro Copper-Gold Project, Chile:** feasibility study scheduled for completion mid-2012 for consideration by the joint venture and PanAust Board in the September quarter.
- **Phonsavan Copper-Gold Project:** Scoping study work continued at Phonsavan ahead of new mineral resource estimates for KTL and Tharkhek
- **Phu Kham district exploration:** drilling at the Nam San copper-gold deposit has extended the lateral continuity of mineralisation over at least 500 metres; a scoping study is currently examining further exploration and development options for an underground mine.

Corporate

- At 31 March 2012 the Company had cash of US\$110 million and debt (non-current) of US\$57.5 million (excluding equipment lease facilities).

¹ Brook Hunt convention for reporting direct cash costs comprising: mine site, concentrate transportation and freight, treatment and refining charges and marketing costs. Based on payable copper in concentrate produced.

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



Phu Kham Operation, Laos (PanAust 90%)

Introduction

Copper in concentrate production for the quarter was 15,772t at an average C1 cash cost of US\$0.92/lb (Table 1) after precious metal credits totalling US\$0.86/lb copper, which exceeded budget expectations.

Table 1: Production and cost summary

Phu Kham Operations Production summary (100% equity basis)	Units	3 months to 31 Mar 2012
Copper in concentrate	t	15,772
Gold in concentrate	oz	14,660
Silver in concentrate	oz	138,818
C1 cash cost after precious metal credits ²	US\$/lb Cu	0.92

Further details of the production and cost performances are contained in Table 4 and Table 5 of this report

Production Performance

The Operation processed ore at an annualised rate of over 13.8Mt, above the nameplate capacity of 12Mtpa (million tonnes per annum) despite a planned three-day mill maintenance shutdown in January to undertake tie-in work for the Phu Kham Upgrade Project and a further three days unscheduled downtime caused by a faulty mill liquid resistance starter. The processing rate for March was a record with over 94% mill operating time giving annualised throughput of over 15.6Mt on softer, moderate grade ores.

Pay-metal in concentrate sales during the March quarter totalled 15,511t of copper, 15,513oz of gold and 104,606oz of silver. The average copper, gold and silver prices realised (after hedging) were US\$3.95/lb, US\$1,668/oz and US\$40.5/oz respectively.

Phu Kham 2012 production and cost guidance³

The above budget copper and gold production result in the March 2012 quarter provides a solid foundation for PanAust to meet guidance for the full year. The Company's 2012 production and cost guidance for Phu Kham is maintained at between 63,000t and 65,000t of copper in concentrate at an average C1 cash cost of between US\$1.05/lb and US\$1.15/lb copper after precious metal credits from 50,000oz to 55,000oz gold and 550,000oz to 600,000oz silver.

Rising copper production planned for Phu Kham

Copper production at Phu Kham 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 second half of 2013. Production is expected to rise to between 65,000t and 70,000t in 2013 and to between 70,000t and 75,000t in 2014. Gold and silver production is also expected to rise as a consequence of these initiatives.

² Based on invoiced pricing for gold and silver.

³ Cash cost guidance assumes by-product credits based on average gold and silver prices for 2012 of US\$1,800/oz and US\$30/oz respectively.

Phu Kham Upgrade Project

The Phu Kham Upgrade Project is designed to increase ore processing rates from a nominal 12Mtpa to 16Mtpa and improve metal recoveries through an increase in grinding and flotation capacity. The aim of the Project is to allow copper in concentrate production to be sustained on lower grade mill feed.

All major equipment is on site and installation of the new flotation cells is well advanced. At the end of the quarter the overall Project progress stood at over 60% complete and commissioning remains on schedule to commence in June 2012 with ramp-up continuing into the September quarter.

The estimated capital cost for the Phu Kham Upgrade Project is US\$95 million. At the end of the quarter Project expenditure totalled approximately US\$44 million.

Phu Kham Increased Recovery Project

In February, the PanAust Board approved the Phu Kham Increased Recovery Project that, once implemented in the December half of 2013, is expected to increase the average annual copper and gold production by approximately 5,000t and 7,500oz respectively.

The Project stems from a two-year evaluation of various methods to improve metallurgical recoveries at Phu Kham. Plant-scale test work completed in January 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 increased by more than six percentage points to at least 83% and 53% respectively. Cash operating cost per pound of copper would correspondingly reduce by more than five per cent.

The preliminary capital estimate for the Project is US\$65 million. On that basis, and assuming a US\$3.80/lb copper price and US\$1,700/oz gold price, the payback period will be less than 18 months. A final capital cost estimate will be determined after definitive design work has been completed in June 2012.

An order for the key long-lead item – a 3MW regrind mill – has been placed and the mill is scheduled for delivery to site in the March quarter 2013. The fast-track approach to the Project is expected to enable project commissioning to commence in the December half of 2013.

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90%)

Processing of ore commenced during the quarter following the commissioning of the crushing and milling circuits and leaching and recovery of gold onto carbon commenced on 31 March 2012. The down-stream sections of the process plant, including the tailings handling systems, are being progressively commissioned and the first bar of gold-silver doré is expected to be poured in mid-April. The Operation is scheduled to ramp up to steady-state production during the June quarter 2012.

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. PanAust is targeting annual production of approximately 100,000oz of gold and 700,000oz of silver. 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.

The total capital cost of construction is expected to be US\$195 million. A further US\$5 million will be required to fund the second lift of the tailings storage facility later in 2012.

Resource development drilling continued during the quarter. The purpose of the drilling program is to define a pervasive, relatively high-grade, gold-silver zone that extends from surface through the oxide and primary zones of the deposit.

Significant intersections from recent infill drilling are presented in Table 7 and include:

- HDD0251 4 metres at 23.65g/t gold and 19.8g/t silver from 205 metres

Ban Houayxai production and cost guidance⁴

The current estimate for 2012 production at Ban Houayxai is approximately 85,000oz of gold at a cash cost of between US\$550/oz and US\$600/oz after a credit from approximately 200,000oz of silver.

Pre-development and exploration projects

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.

Ban Houayxai and the Phu Kham Upgrade and Increased Recovery Projects 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.

Inca de Oro Copper-Gold Project, Chile (59.4% PanAust)

PanAust is managing the feasibility study for the Inca de Oro Copper-Gold Project. The study is scheduled for completion during the June quarter 2012 for consideration by the joint venture and PanAust Boards in the September quarter 2012. The Inca de Oro pre-feasibility study, completed by Codelco, indicated 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 over a plus ten-year mine life. Study work to date indicates that higher grade supergene mineralisation may support elevated copper production during the first few years of any mine development before grades and consequent copper production decline. The development concept contemplates the deferred processing of oxide mineralisation, mined and stockpiled during the pre-strip, through a heap leach and SX-EW operation to produce copper cathode that will offset the decline in copper in concentrate production.

Phu Kham district incorporating Nam San and Long Chieng Track (LCT) (90% PanAust)

PanAust has established a brown-fields exploration team to investigate potential 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. This follows the discovery in 2011 of the Nam San copper-gold deposit adjacent to Phu Kham and

⁴ Cash cost guidance assumes bi-product credit based on an average silver price for 2012 of US\$30/oz.

significant primary mineralisation approximately six kilometres northwest of Phu Kham at the LCT copper-gold prospect.

Drilling results during the quarter at the Nam San copper-gold deposit extended the zone of mineralisation, with lateral continuity demonstrated over at least 500 metres. The zone remains open to the east, northwest and at depth. The latest drill results are presented in Table 6 and include:

- GDD1143 42 metres at 1.71% copper and 0.38g/t gold from 522 metres
44 metres at 1.10% copper and 0.28g/t gold from 620 metres
- GDD1146 54 metres at 1.61% copper and 0.53g/t gold from 772 metres
- GDD1144 26 metres at 1.15% copper and 0.56g/t gold from 767 metres

Drilling at Nam San is aimed at defining an inferred mineral resource in the December half of 2012. Scoping study work has commenced for Nam San including preliminary metallurgical test work; selection of possible portal locations for underground access; mining methods; and mining rates.

The discovery of primary mineralisation at LCT, together with the Nam San deposit, will influence the exploration and development strategy for the Phu Kham district. Should sufficient inferred resources be identified during 2012, then the scoping study will consider opportunities for increasing copper and gold production from the Phu Kham district either: through blending high-grade feed from the newly discovered deep zone with ore from the current open-pit; or, through the development of new processing facilities. The latest drill results from LCT are presented in Table 6 and include:

- LDD013 27 metres at 1.26g/t gold and 4g/t silver from 108 metres
22 metres at 3.20g/t gold and 1g/t silver from 139 metres
12 metres at 0.71% copper, 0.70g/t gold and 44g/t silver from 231 metres

Phonsavan Copper-Gold Project, Laos (90% PanAust)

The Project comprises two copper-gold deposits: KTL and Tharkhek, located five kilometres apart and close to existing road and power infrastructure.

Following completion of an initial scoping study, a pre-feasibility study will commence in the June quarter once an updated mineral resource has been estimated for KTL and inaugural resource models/estimates have been completed for the nearby Tharkhek copper-gold and gold prospects. The development concept for the Project contemplates two open pit mines (KTL and Tharkhek) feeding a central processing plant.

Resource drilling programs are underway at both the KTL and Tharkhek (copper-gold and gold) deposits. Significant drill assay results from the current program are presented in Table 8 and include:

KTL

- KDD141 32 metres at 1.67% copper, 0.43g/t gold and 3.1g/t silver from 146 metres
- KDD138 6 metres at 1.15% copper, 0.73g/t gold and 7.5g/t silver from 112 metres
10 metres at 2.14% copper, 0.85g/t gold and 4.2g/t silver from 160 metres
- KDD153 4 metres at 2.31% copper, 0.18g/t gold and 3.5g/t silver from 4 metres

Tharkhek gold

- TKD118 14 metres at 5.16g/t gold and 0.4g/t silver from 112 metres

Regional Exploration, Laos (90% PanAust)

PanAust is undertaking regional exploration activities at several identified prospects within the Company's 2,636km² Contract Area in Laos. The Contract Area remains 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 of the business.

Sustainability

Safety

One lost time injury (LTI) occurred during the quarter when a contractor received a foot injury in a vehicle incident at Phu Kham.

The LTI frequency rate (LTI's per million man-hours) on a 12-month rolling average basis at 31 March 2012 was 0.11.

Environment

There were no reportable environmental incidents during the March quarter.

Local Community Projects, Laos

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.

Corporate

At 31 March 2012, the Company had cash of US\$110 million, debt of US\$57.5 million (non-current), undrawn debt facilities of US\$42.5 million, and mobile equipment lease facilities drawn to a total of US\$71.1 million. This reflects expenditure during the quarter at the Ban Houayxai Gold-Silver Project and the Phu Kham Upgrade Project, including scheduled increases to the mobile equipment fleet at Ban Houayxai and to meet the post-Upgrade production rates at Phu Kham.

Copper price exposure

PanAust's hedging policy seeks to protect the Company against near-term sharp falls in the copper price, and revenue loss over the quotation period on provisionally priced shipments while maintaining a significant exposure to the prevailing copper price.

The Company manages short-term and provisional price risk (over the quotational period) on copper sales through swaps and fixed price agreements with customers. Protection against potential downside copper price risk on future production is currently provided predominantly by put options and to a lesser degree by swaps over the next two years. These strategies are consistent with the hedging protocol stipulated under the Company's bank loan agreements.

At the time of this report, 8,475t (75%) of PanAust's copper sales from shipments for the period from January to April 2012, that are currently subject to provisional pricing, are covered by hedging and fixed price agreements at an average copper price of US\$3.84/lb.

PanAust's copper hedging positions and fixed price agreements as at the date of this report are summarised in Tables 2 and 3.

Table 2: Hedging and fixed price agreements on provisional invoicing

Settlement Period	Tonnes	Average Price US\$/lb
June Qtr 2012	8,475	3.84

**Table 3: Strategic hedging:
Copper Put Options**

Settlement Period	Tonnes	Average Strike Price US\$/lb	Premium payable US\$
Copper Put Options:			
June half 2012	3,363	2.25	1,625,892
December half 2012	7,563	2.25	3,002,027
June half 2013	6,237	2.37	1,533,833
December half 2013	2,985	2.25	1,410,654
June half 2013	2,346	2.25	709,719
Total	22,494	2.28	8,282,250
Copper Swaps:			
Settlement Period	Tonnes	Average Price US\$/lb	
December Qtr 2013	2,500	3.65	-

Gold/Silver price hedging

PanAust currently has no gold or silver hedging in place but may consider hedging part of future gold and silver production.

Issued Capital

The issued capital of the Company at 31 March 2012 comprised:

602,479,854	Ordinary fully paid shares
5,305,796	Unlisted options
268,383	Unlisted share rights

Proposed 2012 reporting calendar:

- 18 May 2012 Annual General Meeting
- 19 Jul 2012 June quarter 2012 report
- 23 Aug 2012 Interim financial result
- 30 Oct 2012 September quarter 2012 report

Dates are provisional and remain subject to confirmation.

Directors

Garry Hounsell	Non-executive Chairman
Gary Stafford	Managing Director
Geoff Billard	Non-executive Director
Andrew Daley	Non-executive Director
Geoff Handley	Non-executive Director
Nerolie Withnall	Non-executive Director
Zezhong Li	Non-executive Director
John Crofts	Non-executive Director
Ken Pickering	Non-executive Director

Registered and principal office

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Securities Exchange Listing

Australian Securities Exchange Code: PNA
PanAust is a constituent of the S&P/ASX 100 Index.

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Website: www.computershare.com.au

Attachment

Table 4: Production and sales statistics

Phu Kham Copper-Gold Operation	Units	3 months to 31 Mar 2012
Total material mined	t	8,620,715
Copper-gold ore mined	t	3,133,891
Ore milled	t	3,454,357
Copper head grade	%	0.64
Gold head grade	g/t	0.33
Silver head grade	g/t	3.67
Concentrate produced	dmt	66,621
Copper in concentrate	t	15,772
Gold in concentrate	oz	14,660
Silver in concentrate	oz	138,818
Copper recovery	%	71.3
Concentrate sales	dmt	69,110
Payable copper in concentrate sold	t	15,511
Payable gold in concentrate sold	oz	15,513
Payable silver in concentrate sold	oz	104,606
Average copper price realised (copper revenue recognised / sales) after realised hedging	US\$/lb	3.95
Average gold price realised (gold revenue recognised / sales) after realised hedging	US\$/oz	1,668
Average silver price realised (silver revenue recognised / sales)	US\$/oz	40.5

Table 5: Production costs (US\$/lb copper)

Phu Kham Copper-Gold Operation	3 months to 31 Mar 2012
Mining cost	0.54
Processing cost	0.59
General & Administration	0.19
Total on-site operating costs	1.32
Transport handling and marketing	0.31
Concentrate treatment and refining	0.15
Total off-site operating costs	0.46
Deduct precious metal credits	(0.86)
Total direct operating costs (C1 cash cost)	0.92
Royalty	0.26
Depreciation and amortisation	0.34
Total costs	1.52

Notes: Costs are based on payable copper in concentrate produced. May include minor computational discrepancies due to rounding.

Table 6: Phu Kham district drill intersections

Hole No. Depth of hole Orientation	From (m)	Interval (m)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)
Nam San copper-gold deposit					
GDD1143 1,004m -70 to 000	522.0	42.0	1.71	0.38	6
	620.0	44.0	1.10	0.28	2
GDD1144 1,012m -60 to 000	717.0	18.0	0.31	0.12	2
	747.0	10.0	0.32	0.17	1
	767.0	26.0	1.15	0.56	2
GDD1146 936m -60 to 000	638.0	10.0	0.51	0.25	3
	686.0	32.0	0.56	0.04	1
	772.0	54.0	1.61	0.53	4
	834.0	14.0	0.71	0.14	2
LCT copper-gold prospect					
LDD013 270m -60 to 180	108.0	27.0	0.01	1.26	4
	139.0	22.0	<0.01	3.20	1
	231.0	12.0	0.71	0.70	44
LDD015 378m -60 to 80	121.0	4.0	0.05	1.57	29
LDD017 443m -60 to 180	168.0	4.0	0.09	0.40	16.7
	222.0	11.0	0.21	0.73	2.9

Intersection grades are down-hole length weighted calculations using a cut-off grade of 0.3% copper or 0.3g/t gold and a maximum sub-grade interval of 4m.

Table 7: Ban Houayxai Gold-Silver Project; drill intersections from resource extension and infill program

Hole No. Depth of hole Orientation	From (m)	Interval (m)	Gold Grade (g/t)	Silver Grade (g/t)
HDD0251 414m -60 to 180	205.0	4.0	23.65	19.8
	220.0	6.0	0.42	2.9
	253.0	16.0	0.30	1.5
HDD0253 448m -60 to 180	385.0	10.0	1.85	2.1
HDD0254 258m -60 to 180	300.0	19.0	0.50	7.3
HDD0255 240m -60 to 180	0.0	4.0	0.38	1.4
	146.0	17.0	0.84	43.1
	200.0	7.0	0.44	1.7
HDD0257 405m -60 to 180	263.0	24.0	0.96	59.5
	293.0	14.0	1.71	35.5

Hole No. Depth of hole Orientation	From (m)	Interval (m)	Gold Grade (g/t)	Silver Grade (g/t)
HDD0259 284m -60 to 180	154.0	12.0	0.33	16.9

Intersection grades are down-hole length weighted calculations using a 0.3g/t gold cut-off and a maximum sub-grade interval of 4m.

Table 8: Phonsavan Copper Project; significant drill intersections

Hole No. Depth of hole Orientation	From (m)	Interval (m)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)
KTL copper-gold deposit:					
KDD049A 437m -60 to 000	132.0	24.0	0.51	0.02	1.6
KDD137 332m -60 to 000	226.0	24.0	0.41	0.17	2.5
KDD138 249m -60 to 000	112.0 160.0	6.0 10.0	1.15 2.14	0.73 0.85	7.5 4.2
KDD141 213m -60 to 000	106.0 132.0 146.0	12.0 8.0 32.0	0.38 0.46 1.67	0.18 0.25 0.43	2.2 3.4 3.1
KDD142 188m -60 to 000	102.0	12.0	0.40	0.21	2.1
KDD144 358m -60 to 000	84.0 138.0 214.0	4.0 10.0 6.0	0.54 0.73 0.43	0.09 0.11 0.06	2.0 2.9 1.4
KDD145 133m -60 to 000	6.0	40.0	0.58	0.10	1.6
KDD147 169m -60 to 000	0.0 14.0 30.0	4.0 10.0 56.0	0.78 0.33 0.42	0.08 0.15 0.16	1.7 2.6 2.5
KDD149 151m -60 to 000	0.0 16.0	8.0 4.0	0.35 0.57	0.31 0.01	2.3 0.3
KDD151 255m -60 to 000	34.0 56.0	12.0 32.0	0.85 0.39	0.40 0.06	10.5 2.0
KDD153 255m -60 to 000	4.0	4.0	2.31	0.18	3.5
Tharkhek copper-gold:					
TKD098 323m -60 to 180	300.0	4.0	0.66	0.03	1.0

Hole No. Depth of hole Orientation	From (m)	Interval (m)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)
TKD107 291m -60 to 180	190.0	6.0	0.39	0.01	0.8
Tharkhek gold					
TKD097 268m -60 to 180	108.0	10.0	0.01	0.81	0.2
TKD118 192m -60 to 180	170.0	10.0	0.04	0.73	0.3
TKD122 234m -60 to 180	112.0	14.0	0.02	5.16	0.4

Intersection grades are down-hole length weighted calculations using a 0.3% copper or 0.3g/t cut-off and a maximum sub-grade interval of 4m.

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 financial, production and cost performances, potential mineralisation, exploration results 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.

Competent Person Statements

The data in this report that relates to exploration results are based on information reviewed by Mr Daniel Brost who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Brost is a full time employee of PanAust Limited. Mr Brost has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Brost consents to the inclusion in the report of the exploration results in the form and context in which they appear.