



ASX ANNOUNCEMENT

18 May 2012

Phu Kham Increased Recovery Project

PanAust is pleased to announce the results of plant scale test work for the Phu Kham Increased Recovery Project (Table 1). The four plant scale tests on a variety of ore blends returned an average increase in copper recovery of 7.5% with a range from 5% to 11%. For gold, the average recovery increase was even more significant at 15.8% with a ranged from 11% to 20%. The increase has been measured relative to pre-test recovery results on similar ore types.

Once implemented in the second half of 2013, the Increased Recovery Project is expected to result in increases in annual copper and gold production of approximately 5,000t and 7,500oz respectively.

Consequently, copper production at the Phu Kham Copper-Gold Operation in Laos is expected to progressively increase over the next three years following completion of the Phu Kham Upgrade Project in 2012 (expansion of ore processing rates by 33%) and the Increased Recovery Project in the second half of 2013.

Current 2012 production guidance is for between 63,000t and 65,000t copper and 50,000oz to 55,000oz of gold. Copper production is expected to rise to between 65,000t and 70,000t in 2013 and between 70,000t and 75,000t from 2014. Gold and silver production is also expected to rise as a consequence of these initiatives.

Table 1: Increase in recovery rates (absolute terms)

Plant trial	1	2	3	4
Copper recovery	+8%	+11%	+6%	+5%
Gold recovery	+19%	+11%	+13%	+20%

The Increased Recovery Project is designed to increase both copper and gold recovery rates at Phu Kham by on average six percentage points. This would lift the currently estimated life-of-mine copper recovery rates from 77% to at least 83% and gold recovery rates from 47% to at least 53%. It is expected that the increase in recovery rates will be higher for the more complex transitional ores than for primary ores, which inherently return higher average recovery rates.

Where mill throughput rates exceed the post upgraded nameplate of 16 million tonnes per year, it is likely that some metallurgical recovery potential may be sacrificed in favour of increased concentrate output and therefore metal production.

Unit processing costs are expected to rise by US\$0.50/t largely due to the increased power consumption associated with the Increased Recovery Project. However, C1 cash operating cost

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



per pound of copper are expected to reduce by more than 5% as the quantum of increased metal production more than offsets the relatively modest increase in unit costs.

The Increased Recovery Project initiative stems from a two-year evaluation of various technologies that could potentially improve metallurgical recoveries at Phu Kham. The plant scale test work has confirmed that by incorporating a strategy of less selective rougher flotation in combination with additional regrind and cleaner capacity, recovery rates for both copper and gold could be materially increased.

Following detailed design work (to a feasibility study level) the estimated capital cost of the project has been reduced by US\$20 million (includes a 20% contingency) compared with the preliminary estimate announced on 23 February 2012 to US\$45 million.

An order for the key long lead item, a 3MW regrind mill, has already been placed. Completion commissioning is currently scheduled for the second half of 2013.

In parallel with implementing capital projects underpinning the expected year-on-year rise in copper and gold production at Phu Kham over the next three years, PanAust will this year complete its first mineral resource estimate for the adjacent Nam San copper-gold deposit. This relatively high-grade deposit may provide a future source for feed to the Phu Kham processing plant that is expected to augment lower grade ore from the current open-pit.

It is expected that studies and development work to access the Nam San deposit will also be completed over the next three years thereby providing a potential further source for growth in copper production from the Phu Kham Operations.

For further information contact:

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

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 production performances, 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.

Phu Kham Increased Recovery Project

