PanAust Limited
For the half-year ended 30 June 2014
(Previous corresponding period: Half-year ended 30 June 2013)
Results for Announcement to the Market

APPENDIX 4D

Half-Year Report

For the Period Ended 30 June 2014

PanAust Limited

ABN 17 011 065 160

				US$'000
Sales revenue from ordinary activities	Up	4%	to	338,474
Sales revenue, derivative gains and other income	Up	1.8%	to	345,321
Profit after income tax	Down	25%	to	32,365
Profit after income tax for the period attributable to members	Down	28%	to	28,096
Operating result - EBITDA*	Down	5%	to	124,387

* **Operating results –** EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments, exploration costs expensed and the provision for rehabilitation expensed (refer to note 2 of the consolidated financial statements).

Key Ratios	**30 June 2014**	30 June 2013
Basic earnings per share (US$ cents)	**4.71**	6.54
Net tangible assets backing per ordinary share (US$)	**1.62**	1.65

The accompanying financial report, comprises the balance sheet as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, a summary of accounting policies, other notes and directors' report.

Interim Dividend	
Dividend per share (A$)	3 cents
Franked amount per share	Nil
Record date for determining entitlement to dividend 7.00pm AEST	4-Sep-2014
Dividend payment date	3-Oct-2014

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 2014 and will be recognised in subsequent financial statements.

The **Dividend Reinvestment Plan (DRP)** 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 who have not previously elected to participate in the DRP have until 7.00pm AEST on 5 September 2014 to elect to participate.

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 8 September 2014. 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.

PanAust Limited

ABN 17 011 065 160

Interim Financial Report
for the half-year ended 30 June 2014

PanAust Limited ABN 17 011 065 160
Interim Financial Report
For the half-year ended 30 June 2014

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by PanAust Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

PanAust Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

PanAust Limited
Level 1
15 James Street
Fortitude Valley, Queensland AUSTRALIA 4006

Postal address is:

PanAust Limited
PO Box 2297
Fortitude Valley BC, Queensland AUSTRALIA 4006

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the 'Company', 'Group' or 'PanAust') consisting of PanAust Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2014 (H1 2014).

Directors

- Garry Hounsell B.Bus. (Accounting) FCA CPA FAICD (Chairman, Non-Executive Director)
- Gary Stafford B.Sc. (Hons, Mining Engineering) MAusIMM (Managing Director)
- Nerolie Withnall B.A., LLB FAICD (Non-Executive Director)
- Geoff Handley B.Sc. (Hons, Geology and Chemistry) MAusIMM FAICD. Acc. Dir. (Non-Executive Director)
- Geoff Billard B.Econ., B.Com. (Hons, Economics) FCPA FAICD (Non-Executive Director)
- Zezhong Li M.Laws, M.Public Administration International Development (Non-Executive Director)
- John Crofts B.Bus. (Transport, Economics & Accounting) (Non-Executive Director)
- Ken Pickering B. Applied Science (Mineral Engineering) (Non-Executive Director)
- Annabelle Chaplain B.A., MBA FAICD (Non-Executive Director)

Principal activities

PanAust Limited is an Australia-based mining company. The principal activities of the Group during H1 2014 were as follows:

(a) Production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operation, Laos;
(b) Production and sale of gold-silver doré from the Ban Houayxai Gold-Silver Operation, Laos; and
(c) Exploration and evaluation of projects in Laos, Papua New Guinea (PNG) and Chile.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during H1 2014 and to the date of this report were as follows:

- On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in PNG by acquiring all of the shares held by Glencore plc in Xstrata Frieda River Limited, a PNG registered company.

  Subsequent to 30 June 2014 the transaction became unconditional and is scheduled to close on 25 August 2014 when PanAust will pay an initial consideration of US$25 million on transaction completion and reimburse Glencore for its expenditures on the Project (approximately US$3.9 million) since 1 November 2013.

  A further payment of US$50 million[1] is scheduled to be paid to Glencore on 31 December 2015. In addition, on successful commencement of a mining operation at Frieda River, Glencore will receive a 2% net smelter return royalty (on PanAust's interest in the Project) to a total aggregate amount of US$50 million[1].

  PanAust expects to complete a feasibility study on the Project by the end of 2015 at a cost of approximately US$25 million.

- PanAust in an announcement to the ASX on 13 May 2014 confirmed that it had received a confidential, non-binding, indicative and incomplete proposal from the Company's largest shareholder, Guangdong Rising Assets Management (GRAM), to acquire all of the shares in the Company by way of an off-market takeover.

[1] subject to consumer price index ("CPI") escalation between the date of signing (1 Nov 2013) and on a quarterly basis each year prior to payment

Significant changes in the state of affairs (continued)

- The PanAust Board advised GRAM that its offer of A$2.30 (initially A$2.20 but subsequently increased) cash per share was materially below the level at which the Board would be prepared to recommend to PanAust's shareholders. The Company established a data room to allow GRAM and other interested parties to undertake due diligence. PanAust has indicated that if a party wishes to submit a proposal it will be considered on its merits.

- On 6 March 2014 the Company announced that a succession process had been initiated for the position of Managing Director. The PanAust Board advised on 30 May 2014 that there will be no change to the position of Managing Director during the period it is in discussions with GRAM or any other party and any subsequent process that may arise from those discussions. Mr Gary Stafford will continue to hold the position of Managing Director and provide executive leadership for the Company during this period. The performance parameters for Mr Stafford's special short term incentive announced to the market on 6 March 2014 have been varied from succession related performance parameters to takeover response performance parameters during this period.

Dividends

On 20 February 2014, the PanAust Board of Directors declared a final unfranked dividend of A$0.03 per share in respect of the year ended 31 December 2013. The final dividend was paid on 4 April 2014, and the Dividend Reinvestment Plan was applied. A total of 1,187,942 ordinary shares were issued at a price of A$1.61 per share.

On 21 August 2014, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share in respect of H1 2014. The dividend amount has not been provided for in the interim financial report for H1 2014.

Review of operations and results

Key financial data (all figures 100%)	Comparison against corresponding period 30 June 2014 US$000	30 June 2013 US$000	Change $	Change %
Sales revenue	338,474	326,051	12,423	4%
Operating results – EBITDA* (i) (ii)	124,387	130,476	(6,089)	-5%
Profit before income tax	45,701	61,709	(16,008)	-26%
Profit after income tax	32,365	43,416	(11,051)	-25%
Profit after income tax attributable to the owners of PanAust	28,096	38,912	(10,816)	-28%
Basic earnings per share US$ cents/share	4.71	6.54	(1.83)	-28%
Operating cash flow	105,142	38,554	66,588	173%
Capital expenditure	(25,935)	(82,117)	56,182	68%
Deferred stripping costs	(32,792)	(10,814)	(21,978)	-203%
Exploration and evaluation expenditure	(16,201)	(32,866)	16,665	51%
Average price after realised hedging (ii)				
Copper US$/lb	3.16	3.41	(0.25)	-7%
Gold US$/oz (iii)	1,311	1,499	(188)	-13%
Silver US$/oz	20.10	25.80	(5.70)	-22%
	Comparison at balance date 30 June 2014 US$000	**31 December 2013 US$000**	**Change $**	**Change %**
Cash and cash equivalent	129,323	130,270	(947)	-1%
Bank loans	(145,152)	(156,327)	11,175	7%
Lease liabilities	(63,163)	(67,688)	4,525	7%
Gearing (%) (iv)	7.1%	8.2%	(N/A)	-14%

(i) Operating results – EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest, revenue and interest expense. This measurement also excludes the effects of equity-settled share-based payments; exploration costs expensed and the provision for rehabilitation expensed (refer to note 2 of the consolidated financial statements).*

(ii) This is a non-IFRS financial definition and has not been subject to review by the Company's external auditor.

(iii) Average gold price excludes the profit and loss impact of gold forwards closed out in 2010 (refer to note 3 in the financial statements).

(iv)Gearing is calculated as net debt to net debt and equity.

Review of operations and results (continued)

Strategic and operating context

PanAust is a mid-capitalisation copper and gold producer in Laos with pre-development opportunities in Chile and PNG (pending completion of the acquisition of a controlling interest in the Frieda River Project on 25 August 2014). The Lao producing assets are the Phu Kham Copper-Gold and the Ban Houayxai Gold-Silver Operations.

In the two years to 30 June 2013, PanAust invested significant capital in two phases of expansion of the Phu Kham Copper-Gold Operation. The first expansion phase was completed in H2 2012 and delivered a design 33% increase in plant ore processing capacity. The second expansion phase was completed in H1 2013 and was designed to significantly improve metallurgical recovery rates for both copper and gold. Implementation of the expansions was timed to enable the Operation to increase production rates in 2014, which is the lowest head-grade year of the mine life, while establishing the capacity to progressively increase copper and gold production through to the end of this decade as head-grades rise from their 2014 lows.

The Ban Houayxai Gold-Silver Operation completed mining and processing of the higher gold grade oxide zones in 2013 and the Operation has successfully transitioned into a selective mining operation where the ore is harder, gold grades are slightly lower but silver grades are beginning to rise.

During H1 2014, Phu Kham produced 34,671t of copper, 29,612oz of gold and 162,085oz of silver in concentrate (H1 2013: 29,236t of copper, 30,441oz of gold and 166,596oz of silver) and Ban Houayxai produced 48,090oz of gold doré and 393,321oz in silver doré (H1 2013: 52,848oz in gold doré and 258,620oz in silver doré).

Safety performance continues to be a strong focus for PanAust and, in particular, the safety performance of our Lao-based contractors. The Company's Lost Time Injury (LTI) and Total Recordable Injury (TFI) frequency rates continue to be significantly better than industry averages and are comparable to the lowest rates reported by companies listed on the Australian Securities Exchange. On a 12-month rolling average basis at 30 June 2014, the LTI and TRI frequency rates (per million man-hours) were 0.29 and 1.24 respectively.

Despite the Company's focus on improving the safety performance of Lao-based contractors, regrettably, two employees of a Lao contract civil works company suffered fatal injuries when a slope failed during remediation work to prevent access to adits excavated by illegal miners at a remote site (contractor safety management initiatives and this incident are discussed in more detail on pages 10 and 11 of this report).

Profit after income tax

Compared to H1 2013, profit after income tax decreased 25% to US$32.4 million. Depreciation and amortisation charges increased compared to H1 2013 by US$7.0 million (12.8%). However, PanAust Group sales revenue increased by 44% to US$338.5 million, despite lower copper, gold and silver prices, reflecting a 23% increase in copper in concentrate sold.

The increase in depreciation and amortisation is primarily attributable to depreciation on a units-of-production basis with higher copper production in H1 2014 from Phu Kham being partially offset by lower gold production at Ban Houayxai; in addition to the commencement of depreciation of the Increased Recovery Project from July 2013.

Phu Kham contributed US$268.0 million to Group revenue (before derivative gains/losses), a 10.6% increase from H1 2013. This represents 79% of Group sales revenue. The result was primarily a consequence of revenue from copper sales increasing by 17.5% despite the average realised copper price decreasing by 7%. .

Ban Houayxai contributed US$70.5 million to Group revenue, down 18% from H1 2013 and representing 21% of Group sales revenue. This was primarily a result of 8.4% less gold ounces sold and lower average realised gold price of 14%

Derivative gains of US$5.5 million were recognised for H1 2014, partially offsetting the impact on revenue from the fall in copper, gold and silver prices, which compares with US$12.4 million of gains in H1 2013.

Total operations' costs decreased US$20.2 million (16.3%) to US$104 million versus H1 2013. This reflects lower unit mining and processing costs at both mine sites, in part due to productivity improvements. In addition, a large proportion of the waste mined at Phu Kham in the half-year originated from a pit stage where material quantities of ore were yet to be mined, which resulted in US$37.8 million being capitalised as deferred waste in Property Plant and Equipment.

Review of operations and results (continued)

Group employee benefits increased compared to H1 2013 by 10.6% to US$53.1 million, partially attributable to an increase in Group full time equivalent employees from 3,545 as at 30 June 2013 to 3,651 as at 30 June 2014 (reflecting a 3% increase) as well as annual salary increases. Annual salary increases are determined after consideration of a range of factors such as relevant labour market dynamics and host market CPI increases.

On 6 March 2014, the Company announced it had commenced an orderly succession process for the position of Managing Director following entry into a new 18 month service agreement with the Managing Director. As a result of this new services agreement a payment of A$4.7 million was made to the Managing Director in consideration of him agreeing to the imposition of obligations in addition to those under the previous service agreement and the cancellation of certain rights under the previous service agreement.

Treatment and refining charges increased by US$8.8 million (73%) compared with H1 2013 to US$21.0 million, coinciding with the increase in copper in concentrate sold at Phu Kham as well as an increase in benchmark terms. Other realisation costs were broadly in line with H1 2013.

Changes in the volume of inventories during H1 2014 resulted in a decrease in the value of stockpiles on hand (at cost) of US$1.6 million compared to 31 December 2013. At 30 June, the value of stockpiles on hand comprised gold doré and gold in circuit valued at US$7.2 million, copper-gold concentrate valued at US$6.3 million and stockpiles of ore valued at US$29.9 million. The corresponding period in 2013 saw an increase in value of US$16.1 million.

EBITDA* and Operating cash flow

Both EBITDA* and operating cashflow benefitted from lower operating costs and increased copper sales which largely offset the impact of lower commodity prices.

EBITDA* was US$124.4 million; US$6.1 million (5%) lower than H1 2013.

Cash flow from operating activities was US$105.1 million, 173% higher than H1 2013 (US$38.6 million), largely as a result of an increased component of waste stripping being capitalised; a reduction in working capital; and, a lower cash payment for income tax.

Reduction of Group debt led to balance sheet gearing (debt to debt plus equity) falling by 14% through lower drawing on bank loans and equipment leases. At 30 June 2014, gearing was a conservative 7.1%.

Review of operations and results by segment

To ensure the optimal structure for a rapidly growing and geographically diverse business, PanAust is structured into three business units: PanAust Asia, PanAust South America, and Project Development. Corporate functions provide support to the three business units, in particular financial control, strategic direction, management of Group-wide geological activities (including exploration); and the oversight of the corporate governance function.

The following sections report on operations, exploration and project development activity within the PanAust Asia and the PanAust South America business units.

Review of Operations and results (continued)

PanAust Asia

Key operational data	Measure	30 June 2014	30 June 2013	Change	Change %
Phu Kham Operation					
Ore mined	t	9,205,505	9,174,219	31,286	0%
Waste mined	t	17,693,241	10,986,522	6,706,719	61%
Total material mined	t	26,898,746	20,160,741	6,738,005	33%
Total material milled	t	9,646,468	8,453,020	1,193,448	14%
Concentrate produced (dry metric tonnes)	dmt	151,279	129,774	21,505	17%
Copper produced	t	34,671	29,236	5,435	19%
Gold produced	oz	29,612	30,441	(829)	-3%
Silver produced	oz	162,085	166,596	(4,511)	-3%
Payable copper in concentrate sold	t	33,315	27,070	6,245	23%
Payable gold in concentrate sold	oz	28,156	30,013	(1,857)	-6%
Payable silver in concentrate sold	oz	173,506	165,651	7,855	5%
Ban Houayxai Operation					
Ore mined	t	2,655,266	2,584,126	71,140	3%
Waste mined	t	1,938,872	1,191,168	747,704	63%
Total material mined	t	4,594,138	3,775,294	818,844	22%
Total material milled	t	2,244,715	2,062,987	181,728	9%
Gold poured	oz	48,090	52,848	(4,758)	-9%
Silver poured	oz	387,916	258,620	129,296	50%
Payable gold in doré sold	oz	48,228	52,632	(4,404)	-8%
Payable silver in doré sold	oz	393,321	248,036	145,285	59%

Phu Kham Copper-Gold Operation, Laos (PanAust 90%)

Phu Kham finished the half-year strongly with records achieved for total material mined and copper recovery rates.

Phu Kham produced 151,279 dmt of concentrate during H1 2014 containing 34,671t of copper, 29,612oz of gold and 162,085oz of silver (H1 2013: 129,774 dmt of concentrate containing 29,236t of copper, 30,441oz of gold and 166,596oz of silver).

The average C1 cash cost, net of by-product credits[2] for the half-year was US$1.28/lb copper (H1 2013: US$1.37/lb). The all-in sustaining cost[2] for the half-year was US$2.26/lb after precious metal credits (H1 2013: US$2.52/lb).

[2] The following terms are non-IFRS definitions which have not been reviewed by the Company's auditor
C1 - Brook Hunt convention for the reporting of direct cash costs comprising: mine site, production, transportation and freight, treatment and refining charges and marketing costs, and based on payable metal content after by-product credits. **All in sustaining costs** = C1plus indirect costs; royalties; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised.

Review of operations and results (continued)

PanAust Asia (continued)

The lower C1 cash cost when compared with the previous corresponding period H1 2013 was largely the result of higher copper production and higher waste stripping capitalised which more than offset higher treatment and refining charges and lower precious metal credits which resulted from the impact of scheduled lower gold and silver production combining with lower average gold and silver prices.

The Operation achieved a quarterly record for ore processed of over 5.2Mt in the March quarter, equivalent to an annualised rate of nearly 21Mt. This excellent performance resulted from quarterly records for milling rate (averaging over 2,500t/hr) and mill operating time (97%). Lower mill operating time for the June quarter reflected scheduled maintenance to reline the mills and unscheduled replacement of the ball mill motor. Excluding the scheduled and unscheduled maintenance periods, the processing plant operated at a rate equivalent to more than 19.5Mtpa in the June quarter.

Record copper and high gold recovery rates were achieved in H1 2014 as the benefits of investment in the Increased Recovery Project (second expansion phase) were realised coupled with the ore quality progressively improving. The average copper recovery was 75.3% (71.1% in the first half of 2013) and gold recovery was 47.7% (40.9% in the first half of 2013). Further improvement in ore quality is forecast (based on grade control data) during H2 2014.

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

H1 2014 production at Ban Houayxai was 48,090oz in gold doré and 393,321oz in silver doré at an average C1 cash cost of US$705/oz after silver credits (H1 2013: 52,848oz in gold doré and 258,620oz in silver doré at an average C1 cash cost of US$637/oz after silver credits). The all-in sustaining cost[2] for the half-year was US$990/oz gold after silver credits (H1 2013: US$1,034/oz).

Gold production at Ban Houayxai decreased as a result of lower scheduled head grade and lower recovery on transitional/primary ore. Cash costs increased due to the lower gold production and a 63% increase in waste mined, partially offset by increased silver by-product credit. The higher costs for the half-year mask an underlying improvement in unit mining and processing costs as a consequence of productivity improvements.

Gold production is scheduled to increase during the December half and costs reduce to meet production and cost guidance for 2014.

The processing rate of 4.5Mtpa annualised for the half-year exceeded the nameplate of 4.0Mtpa, despite low mill utilisation caused by a temporary shortage of grid power and crusher downtime following a vibrating feeder breakdown occurring in June.

Improvements in the production profile for Phu Kham

A revised life-of-mine plan has been established for Phu Kham that supersedes the mine plan announced in October 2013. It is assumed that the Phu Kham concentrator operates sustainably at a 19.5Mtpa rate, as achieved over the 12 months to 30 June 2014, on Phu Kham ore feed (or a blend of Phu Kham and KTL ore).

Mining at Phu Kham is scheduled to start accessing ore with elevated copper and gold grades during the December quarter of 2014. The revised mine plan forecasts copper and gold in concentrate production in 2015 to rise to between 70,000t and 75,000t copper and between 85,000oz and 90,000oz gold. Thereafter, scheduled increases in the average copper head grade at Phu Kham over the next several years are expected to lift copper in concentrate production to approximately 90,000t and gold production to approximately 80,000oz.

The inclusion of high-grade copper-gold ore from the KTL satellite deposit at a rate of 1.5Mtpa would lift annual copper in concentrate production during the peak production years at Phu Kham to between 90,000t and 100,000t and gold production to between 90,000oz and 95,000oz. The KTL deposit is located 100km north of Phu Kham and is connected by a development road that will require upgrading and, in some stretches, re-alignment.

Review of operations and results (continued)

PanAust Asia (continued)

The feasibility study for the KTL Project estimates an initial capital cost of US$52 million including US$38 million of initial road construction costs. The Environment and Social Impact Assessment for the Project was submitted to the Government of Laos in early July with first capital commitment scheduled for October 2015 and targeting first ore in 2016. Board approval will be sought on the basis of satisfactory progress by October 2015 with the finalising of arrangements to co-fund road construction and road upgrades between KTL and Phu Kham and the identification of suitable partners to undertake ore haulage and open pit mining.

Pre-development and exploration projects

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.

Phu Kham district exploration Laos (PanAust 90%)

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets have been identified in a corridor that includes the LCT deposit and stretches northwest of Phu Kham for at least 13 kilometres to the Nam Ve prospect.

PanAust South America

Inca de Oro Copper-Gold Project Chile (60.45% PanAust, joint venture with Codelco)

The work plan for 2014 comprises two phases. The first phase, to complete the engineering studies to sufficient detail to support the submission of an Environmental Impact Assessment Report (EIA), has been completed. The second phase is to finalise the study to a feasibility standard and to complete the EIA report once acceptable agreements have been reached on a number of commercial matters that will have a material impact on the viability of the Project and any investment decision. The EIA process is expected to take approximately 18 months from the date of submission.

Carmen Copper-Gold Deposit, Chile (100% PanAust)

The latest program of resource definition and infill drilling at the Carmen deposit was concluded in January. The results will be incorporated onto a revised mineral resource estimate which is currently being finalised. The deposit is situated approximately 14 kilometres southwest of Inca de Oro.

Likely developments and expected results of operations

2014 Group consolidated production likely to be at the upper end of guidance range

Operations are on schedule to meet the upper end of the stated consolidated 2014 production guidance range for copper and gold of 65,000t to 70,000t copper in concentrate; and 160,000oz to 165,000oz gold, and approximately 1.2Moz of silver in concentrate and doré.

Guidance at Phu Kham is for copper in concentrate production in the range of 65,000t to 70,000t at an average C1 cash cost[3] of between US$1.50/lb and US$1.60/lb copper.

Guidance at Ban Houayxai is for gold production of approximately 100,000oz at an average C1 cash cost[3] between US$650/oz and US$700/oz gold.

[3] Cash cost assumptions assume precious metals prices of US$1,300/oz gold and US$22/oz silver.

Risk Management

PanAust uses risk and incident management systems, combined with auditing and benchmarking processes to proactively identify, evaluate, prioritise and manage risks (as set out by the Enterprise Risk Management (ERM) Policy) applied uniformly across all business processes and projects in development.

The PanAust Group Executive Management Team guides corporate risk strategy and provides senior management oversight of strategic issues. It has responsibility for a high-level risk register that identifies key material business risks relevant to PanAust at the Group level. This methodology cascades through the organisation. Each of the Company's business units as well as each General Manager within these has responsibility for a high-level risk register relevant to the business unit and/or operation/department.

The Executive Management Team undertakes an annual workshop to identify key material risks based on ERM criteria and review current controls from a change management perspective. The most recent workshop was held in December 2013.

The PanAust Board approves the Enterprise Risk Management Policy and is responsible for reviewing, ratifying and monitoring PanAust systems of risk management and internal control. Each of the seven Group Risks below are then allocated to the relevant Board Committee who have a responsibility to satisfy themselves that effective measures, systems and controls are in place in relation to that risk.

Group level material risks

Seven Group level material risks have been identified. Controls are in place for each risk:

- Financing risks associated with a breach in parameters that the Board has endorsed (through the Company Capital Management Plan)

  Likely Causes: oversupply of copper relative to demand regionally or globally; fall in copper price to below a defined threshold; bank liquidity restricted impacting debt market behaviour; change in bank perception of operational fundamentals and/or copper price outlook.

- Failure to deliver future and board approved development projects within design, budget and schedule

  Likely Causes: project investment assumptions are incorrect, feasibility assumptions are incorrect, costs exceed budget; excessive scope changes; schedule is delayed; project fails to achieve performance objectives.

- Skills shortage and the ability to attract and retain people

  Likely Causes: insufficient internal capacity to support growth, highly competitive conditions when recruiting for critical roles; major reputation issues emerge (governance, significant environmental, social or safety issue); uncompetitive remuneration structure; lack of readily available skilled local labour, lack of internal development opportunities; project ramp up schedules do not match the timeframe required to recruit suitable candidates.

- Business Interruption

  Likely Causes: extended unplanned stoppage at Phu Kham caused by interruption to electricity supply; major plant, crusher or mill failure; major pit wall failure; inability to transport concentrate; high rainfall event and uncontrolled discharge that result in regulators suspending operational activities and/or a material security event.

- Significant safety, environment, or social incident affecting the corporate reputation

  Likely Causes – multiple fatality incident; deterioration in regional security; tailings breach or significant acid rock drainage (ARD) or copper laden water incident external to the operating area; significant cyanide incident; local unrest including escalating community grievances.

Risk Management (continued)

- Loss of Managing Director with Executive General Manager or Chief Financial Officer; or the Managing Director and a majority of Board members

  Likely Causes: accident or security incidents during transit via road, air or boat to projects; major health condition arises for Managing Director and Executive General Managers/CFO; exposure to tropical disease during transit in high risk areas.

- Disclosure risks (including continuous disclosure risks)

  Likely Causes: failure to give accurate, timely and appropriate disclosure.

Sustainability

PanAust recognises that sustainable business development is essential for its ongoing success particularly as a Company with a significant presence in a developing country such as Laos. The Company has an important role to play in improving the standard of living of current and future generations through meeting the global demand for copper and precious metals in a responsible way.

The Company's 2013 Sustainability Report was released on 27 May 2014. This report met the requirements of Application Level A+ of the Global Reporting Initiative (GRI) reporting framework.

Contribution in the local Community

PanAust supports community development in villages affected by the Company's mining operations, exploration activities and haulage routes through dedicated community development funds. The goal of these programmes is to help communities develop sustainable socioeconomic livelihoods that will continue beyond the life of the mine.

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. Further discussion in relation to these community development projects can be found in the 2013 PanAust Sustainability Report published on the Company's website.

In addition to the current community development projects, the Company progressed the landmark partnership with the Asian Development Bank (ADB) to deliver clean water and improved sanitation facilities to 11 towns in Laos benefiting approximately 160,000 residents. The Company is contributing a $6 million grant over a period of six years. PanAust is the first private sector donor partner with ADB for one of its sovereign projects, that will contribute significantly to achieving Laos' commitment to the Millennium Development Goals in alleviating poverty.

Safety

Safety performance continues to be a strong focus for PanAust. The Company's Lost Time Injury (LTI) and Total Recordable Injury (TRI) frequency rates continue to be significantly better than industry averages and are comparable to the lowest rates reported by companies listed on the Australian Securities Exchange. On a 12-month rolling average basis at 30 June 2014, the LTI and TRI frequency rates (per million man-hours) were 0.29 and 1.24 respectively.

The Company has established a Senior Management Taskforce (the "Taskforce") comprising the Managing Director and senior executives. The purpose of the Taskforce is to overview the recommendations emanating from serious incident investigations to ensure Company-wide awareness and to ensure focus each year on safety hot spots where lead indicators have identified common causes of incidents and near misses.

In 2013, the Taskforce focus was to reduce the number of high potential incidents involving vehicles and improve the safety performance of Lao-based contractors. Each operational General Manager had to prepare a vehicle hotspot plan with the aim of reducing the number of high potential incidents and a contractor management action plan was developed to ensure that PanAust's standards (or equivalent) were enforced.

Sustainability (continued)

At the end of 2013 there had been a 45 per cent reduction from 198 high potential incidents in 2012 to 109 during 2013. In the first half of 2014, the number of incidents had fallen to 25 indicating a further approximately 50 per cent reduction on an annualised basis.

In 2014, the Taskforce focus is on improving hazard awareness through visual leadership initiatives. These initiatives are aimed at reducing the number of high potential incidents and the TRI frequency rate.

Despite these Company-wide initiatives, regrettably, two employees of a Lao contract civil works company suffered fatal injuries when a slope failed during remediation work to prevent access to adits excavated by illegal miners at a remote exploration site near the LCT deposit, in mountainous terrain, eight kilometres northwest of Phu Kham. A comprehensive incident investigation (overseen by the Taskforce) has been undertaken to determine the cause of the incident and to develop an action plan to prevent a similar incident occurring. The Company has provided support to the victims' families and counselling support for employees impacted by the incident.

A single LTI was recorded at Ban Houayxai where a process plant employee injured his finger requiring surgery.

The Company recognises that a risk-aware workforce is integral to achieving continual safety improvement. A proactive safety culture based on lead indicators including visible leadership, task and job observations in the field, inspections, hazard identification and safety training; continue to be a focus across the PanAust workforce.

Environment

There were no significant environmental incidents (Level 4 or 5 incidents as defined in the 2013 Sustainability Report) during the half-year ended 30 June 2014 (2013: nil).

Auditor independence declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached on page 35.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

Garry Hounsell
Director

Gary Stafford
Director

Sydney
21 August 2014

Auditor’s Independence Declaration

As lead auditor for the review of PanAust Limited for the half year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PanAust Limited and the entities it controlled during the period.

D.G. Smith

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
21 August 2014

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PanAust Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2014

	Notes	Half-year 30 June 2014 US$'000	30 June 2013 US$'000
Sales revenue	3	**338,474**	326,051
Derivative gains	3	**5,467**	12,395
Other income	3	**1,320**	878
Mining operations costs		**(104,119)**	(124,331)
Employee benefits expense		**(53,128)**	(48,033)
Treatment and refining charges		**(20,980)**	(12,136)
Royalties		**(17,544)**	(18,657)
Copper concentrate haulage		**(13,855)**	(13,578)
Marketing, realisation and freight costs		**(7,262)**	(6,588)
Changes in inventories of finished goods and work in progress		**(1,610)**	16,106
Change in the fair value of investment in Highlands Pacific Limited	5(c), 5(d)	**(2,368)**	-
Other expenses		**(6,143)**	(4,914)
		118,252	127,193
Interest and finance charges	4	**(11,034)**	(10,919)
Depreciation and amortisation expense	6(b)	**(61,517)**	(54,565)
Profit before income tax		**45,701**	61,709
Income tax expense		**(13,336)**	(18,293)
Profit after income tax for the half-year		**32,365**	43,416
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax		**-**	2,081
Total comprehensive income for the half-year		**32,365**	45,497
Profit after income tax is attributable to:			
Owners of PanAust Limited		**28,096**	38,912
Non-controlling interests		**4,269**	4,504
		32,365	43,416
Total comprehensive income for the half-year is attributable to:			
Owners of PanAust Limited		**28,096**	40,785
Non-controlling interests		**4,269**	4,712
		32,365	45,497
		Cents	**Cents**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**4.71**	6.54
Diluted earnings per share	11	**4.70**	6.52

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated balance sheet
As at 30 June 2014

	Notes	30 June 2014 US$'000	31 December 2013 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**129,323**	130,270
Receivables and other assets	5(b)	**32,487**	28,469
Inventories	6(a)	**110,330**	117,062
Current tax receivables		**1,382**	-
Derivative financial instruments	7	**323**	1
Total current assets		**273,845**	275,802
Non-current assets			
Receivables and other assets	5(b)	**9,307**	13,205
Investment in Highlands Pacific Limited	5(c)	**2,798**	3,488
Inventories	6(a)	**21,791**	19,200
Property, plant and equipment	6(b)	**902,201**	904,586
Exploration and evaluation, development and mine properties	6(c)	**220,836**	205,276
Intangible assets		**13,965**	13,965
Total non-current assets		**1,170,898**	1,159,720
Total assets		**1,444,743**	1,435,522
LIABILITIES			
Current liabilities			
Trade and other payables		**84,338**	76,904
Financial liabilities	5(d)	**1,678**	-
Borrowings	5(e)	**18,068**	29,313
Current tax liabilities		**-**	6,005
Provisions		**14,015**	16,211
Derivative financial instruments	7	**2,009**	2,215
Total current liabilities		**120,108**	130,648
Non-current liabilities			
Trade and other payables		**1,448**	-
Borrowings	5(e)	**190,247**	194,702
Deferred tax liabilities		**29,687**	25,299
Provisions		**62,392**	60,534
Total non-current liabilities		**283,774**	280,535
Total liabilities		**403,882**	411,183
Net assets		**1,040,861**	1,024,339
EQUITY			
Contributed equity	9	**556,410**	554,642
Reserves	10	**43,462**	40,237
Retained earnings	10	**329,433**	318,388
Capital and reserves attributable to owners of PanAust Limited		**929,305**	913,267
Non-controlling interests	12	**111,556**	111,072
Total equity		**1,040,861**	1,024,339

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2014

		Attributable to owners of PanAust Limited					
Half-year 2013	Notes	**Contributed equity US$'000**	**Reserves US$'000**	**Retained earnings US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
Balance at 1 January 2013		548,029	30,738	336,753	915,520	108,558	1,024,078
Adjustment relating to change in accounting policy (net of tax)		-	-	(12,358)	(12,358)	(1,373)	(13,731)
Restated total equity at the beginning of the financial period		**548,029**	**30,738**	**324,395**	**903,162**	**107,185**	**1,010,347**
Profit after income tax		-	-	38,912	38,912	4,504	43,416
Changes in fair value of cash flow hedges		-	1,873	-	1,873	208	2,081
Total comprehensive income for the period		**-**	**1,873**	**38,912**	**40,785**	**4,712**	**45,497**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		4,378	-	-	4,378	-	4,378
Total changes in non-controlling interests		-	-	-	-	1,547	1,547
Dividends provided for or paid		-	-	(25,133)	(25,133)	(4,150)	(29,283)
Employee share based payments		-	2,399	-	2,399	-	2,399
		4,378	2,399	(25,133)	(18,356)	(2,603)	(20,959)
Balance at 30 June 2013		**552,407**	**35,010**	**338,174**	**925,591**	**109,294**	**1,034,885**
Half year 2014							
Balance at 1 January 2014		**554,642**	**40,237**	**318,388**	**913,267**	**111,072**	**1,024,339**
Profit after income tax		-	-	28,096	28,096	4,269	32,365
Total comprehensive income for the period		**-**	**-**	**28,096**	**28,096**	**4,269**	**32,365**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	9	1,768	-	-	1,768	-	1,768
Total changes in non-controlling interests		-	-	-	-	525	525
Dividends provided for or paid		-	-	(17,051)	(17,051)	(4,310)	(21,361)
Employee share based payments	10	-	3,225	-	3,225	-	3,225
		1,768	3,225	(17,051)	(12,058)	(3,785)	(15,843)
Balance at 30 June 2014		**556,410**	**43,462**	**329,433**	**929,305**	**111,556**	**1,040,861**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2014

	Half-year 30 June 2014 US$'000	Half-year 30 June 2013 US$'000
Cash flows from operating activities		
Receipts from customers	**333,872**	331,897
Payments to suppliers and employees (inclusive of goods and services tax)	**(212,110)**	(252,443)
Receipts for derivatives	**5,264**	3,606
Payments for tax	**(13,885)**	(33,801)
	113,141	49,259
Interest and fees paid	**(7,921)**	(8,447)
Interest received	**528**	199
Put option premium paid	**(606)**	(2,457)
Net cash inflow from operating activities	**105,142**	38,554
Cash flows from investing activities		
Payments for property, plant and equipment	**(25,935)**	(56,223)
Deferred stripping cost	**(32,792)**	(10,814)
Payments for exploration and evaluation costs	**(16,201)**	(32,866)
Payments for brownfield development costs	**-**	(25,894)
Payments for investments in associates	**-**	(144)
Net cash outflow from investing activities	**(74,928)**	(125,941)
Cash flows from financing activities		
Proceeds from issues of shares to non-controlling interest	**153**	1,547
Proceeds from issues of shares	**-**	756
Proceeds from borrowings	**15,000**	70,660
Repayment of borrowings	**(27,000)**	-
Dividends paid to Company's shareholders	**(15,283)**	(21,511)
Finance lease payments	**(8,845)**	(11,058)
Drawdown finance lease	**4,320**	8,727
Net cash (outflow)/inflow from financing activities	**(31,655)**	49,121
Net decrease in cash and cash equivalents	**(1,441)**	(38,266)
Cash and cash equivalents at the beginning of the financial year	**130,270**	125,029
Effects of exchange rate changes on cash and cash equivalents	**494**	(1,909)
Cash and cash equivalents at end of the half-year	**129,323**	84,854

The Payments to suppliers and employees (inclusive of goods and services tax) and Payments for property, plant and equipment have been reclassified to improve the comparability of movement of deferred waste.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This interim financial report for the half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by PanAust Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

(b) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

2 Segment information

(a) Description of segments

(i) Business segments

The consolidated entity operates solely in the mining and mineral exploration industry.

(ii) Operating segments

Operating segments have been determined based on the analysis provided in the reports reviewed by the Chief Operating Decision Maker (CODM), being the Managing Director, in assessing performance and determining strategy. The CODM considers the business from a geographic basis represented by: PanAust Asia; PanAust South America; and Corporate, which includes Project Development and Operational Improvement. The corporate head office in Brisbane provides the business units with support in relation to finance, commercial and technical services, risk management, human resources, governance and public reporting. The Corporate and PanAust South America segments are currently disclosed as "Other".

2 Segment information (continued)

(b) Segment information

	Other 2014 US$'000	**PanAust Asia 2014 US$'000**	**Consolidated 2014 US$'000**	**Other 2013 US$'000**	**PanAust Asia 2013 US$'000**	**Consolidated 2013 US$'000**
Sales revenue	-	338,474	338,474	-	326,051	326,051
Derivative gains	-	5,467	5,467	-	12,395	12,395
Interest income	490	38	528	145	54	199
Other income	269	523	792	-	679	679
Changes in inventories	-	(1,610)	(1,610)	-	16,106	16,106
Change in the fair value of investment in Highlands Pacific Limited	(2,368)	-	(2,368)	-	-	-
Mining operations costs	-	(104,119)	(104,119)	-	(124,331)	(124,331)
Employee benefits expense	(18,431)	(34,697)	(53,128)	(13,181)	(34,852)	(48,033)
Royalties	-	(17,544)	(17,544)	-	(18,657)	(18,657)
Realisation costs	-	(42,097)	(42,097)	-	(32,302)	(32,302)
Other expenses	(622)	(5,521)	(6,143)	(814)	(4,100)	(4,914)
Interest and finance charges	(148)	(10,886)	(11,034)	(34)	(10,885)	(10,919)
Depreciation & amortisation expense	(866)	(60,651)	(61,517)	(529)	(54,036)	(54,565)
Inter-segment interest	7,142	(7,142)	-	8,693	(8,693)	-
Inter-segment management fees	3,751	(3,751)	-	4,017	(4,017)	-
Profit/(loss) before tax	**(10,783)**	**56,484**	**45,701**	**(1,703)**	**63,412**	**61,709**
Income tax	86	(13,422)	(13,336)	-	(18,293)	(18,293)
Profit/(loss) after tax	**(10,697)**	**43,062**	**32,365**	**(1,703)**	**45,119**	**43,416**
Segment result - EBITDA * (iii)	**(13,150)**	**137,537**	**124,387**	**(8,400)**	**138,876**	**130,476**
Segment assets	**539,871**	**904,872**	**1,444,743**	**563,949**	**882,102**	**1,446,051**
Segment liabilities	**9,009**	**394,873**	**403,882**	**7,871**	**403,295**	**411,166**

2 Segment information (continued)

(b) Segment information (continued)

(iii) EBITDA*

The CODM assesses the performance of the operating segments based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation ('EBITDA'). This measurement basis excludes the effects of non-recurring expenditure from the operating segments. This measurement also excludes the effects of equity-settled share-based payments, exploration costs expensed, the provision for rehabilitation expensed and change in the fair value of investment in Highlands Pacific Limited.

A reconciliation of EBITDA* to operating profit before income tax is provided as follows:

	Other US$'000	PanAust Asia US$'000	Consolidated US$'000
30 June 2014			
EBITDA*	(13,150)	137,537	124,387
Interest income	490	38	528
Interest expense and finance charges	(148)	(10,886)	(11,034)
Depreciation and amortisation	(866)	(60,651)	(61,517)
Share-based payments	(1,883)	(1,342)	(3,225)
Exploration costs expensed	-	(950)	(950)
Provision for rehabilitation expensed	-	(120)	(120)
Change in the fair value of investment in Highlands Pacific Limited	(2,368)	-	(2,368)
Inter-segment interest	7,142	(7,142)	-
Profit/(loss) before income tax	**(10,783)**	**56,484**	**45,701**

	Other US$'000	PanAust Asia US$'000	Consolidated US$'000
30 June 2013			
EBITDA*	(8,400)	138,876	130,476
Interest income	145	54	199
Interest expense and finance charges	(34)	(10,885)	(10,919)
Depreciation and amortisation	(529)	(54,036)	(54,565)
Share-based payments	(1,578)	(821)	(2,399)
Exploration costs expensed	-	(965)	(965)
Provision for rehabilitation expensed	-	(118)	(118)
Inter-segment interest	8,693	(8,693)	-
Profit/(loss) before income tax	**(1,703)**	**63,412**	**61,709**

3 Sales revenue, derivative gains/(losses) and other income

	Half-year	
	30 June 2014 US$'000	**30 June 2013 US$'000**
From continuing operations		
Sales revenue		
Copper in concentrate (a)	**227,458**	193,590
Gold in concentrate	**37,030**	44,382
Silver in concentrate	**3,484**	4,267
Realised losses on gold hedges	**-**	(2,081)
Gold in doré	**62,597**	79,472
Silver in doré	**7,905**	6,421
	338,474	326,051
Derivative gains		
Copper sales realised derivative gains (b)	**4,407**	3,607
Copper sales unrealised derivative gains (b)	**206**	8,699
Gold and silver sales realised derivative gains (c)	**532**	-
Copper put options and gold unrealised net derivative gains	**322**	89
	5,467	12,395
	343,941	338,446
Other income		
Interest Income	**528**	199
Sundry income	**515**	354
Net gain on disposal of property, plant and equipment	**8**	325
Foreign exchange gains (net)	**269**	-
	1,320	878

(a) Copper in concentrate

PanAust delivers concentrate to customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price or a pre-determined fixed price.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (usually three to four months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

The Company hedges between 50% to 90% (but no less than 50%) of the copper price exposure based on the provisional invoice pricing to minimise any potential for a liability (refund of proceeds to the customer) resulting from a lower price being realised during the QP (compared to the prevailing price applied to determine the provisional payment). Accordingly, a lower copper price at the end of the QP compared to the provisional invoice will result in a hedging gain, which will be offset by any decrease in the revenue recognised on final invoice. A higher copper price at the end of the QP compared to the provisional invoice will result in a hedging loss, which will be offset by any increase in the revenue recognised on final invoice.

3 Sales revenue, derivative gains/(losses) and other income (continued)

(a) Copper in concentrate (continued)

At balance sheet date, provisional invoices for copper issued with an open QP have been revalued at rates which provide an estimate of the average settlement price and resulted as follows:

30 June 2014			30 June 2013		
Tonnes	**US$/t**	**US$/lb**	**Tonnes**	**US$/t**	**US$/lb**
15,940	7,015	3.18	12,766	6,731	3.05

The aforementioned have resulted in a favourable US$4.0 million (2013: US$4.0 million unfavourable) mark-to-market adjustment to profit or loss for outstanding provisional pricing of sales at balance date.

(b) Copper sales derivative gains

The table below summarises the realised/unrealised gains and losses from settlement of copper derivatives during the half-year ended, as well as the mark-to-market value of outstanding copper derivatives as at 30 June 2014.

	30 June 2014				30 June 2013			
			Average hedge price				Average hedge price	
	Tonnes	US$ million	US$/t	US$/lb	Tonnes	US$ million	US$/t	US$/lb
Realised gains	20,100	4.4	7,138	3.24	11,180	3.6	7,729	3.51
Unrealised gains/(losses) on outstanding QP copper derivatives	9,075	(2.0)	6,803	3.09	7,200	3.8	7,275	3.30
Unrealised gains on outstanding longer term copper derivatives	-	-	-	-	2,125	2.8	8,062	3.66

(c) Gold and silver derivative gains

During 2014, gold forwards have been taken out over 65,000oz gold. In the half-year ended, 28,000oz of these forwards have been closed out, resulting in a realised gain of US$0.5 million. The remaining 37,000oz maturing in July 2014 through to December 2014 have been marked to market as at 30 June 2014 resulting in an unrealised gain of US$0.3 million recorded for the half-year ended.

4 Interest and finance charges

	30 June 2014 US$'000	30 June 2013 US$'000
Interest and finance charges		
Debt interest	**2,944**	2,169
Lease interest	**1,295**	1,532
Fees and charges	**1,685**	1,729
Amortisation of prepaid finance charge	**1,284**	1,961
Political risk insurance	**1,267**	1,542
Trade finance	**728**	542
	9,203	9,475
Unwinding of discount on restoration provision	**1,831**	1,444
	11,034	10,919

5 Financial assets and liabilities

(a) Cash and cash equivalents

	30 June 2014 US$'000	31 December 2013 US$'000
Cash at bank and in hand	**106,085**	94,065
Deposits at call	**23,238**	36,205
	129,323	130,270

5 Financial assets and liabilities (continued)

(b) Receivables and other assets

	30 June 2014 US$'000	31 December 2013 US$'000
Current assets		
Trade receivables (i)	**22,960**	18,358
Other receivables (i)	**1,060**	1,606
Government of Laos receivable (ii)	**2,198**	2,420
	26,218	22,384
Prepayments - insurance and general	**5,904**	5,560
Prepayments - lease facility fees	**365**	525
	6,269	6,085
Total current assets	**32,487**	28,469
Non-current assets		
Prepayments	**414**	596
Government of Laos receivable (ii)	**8,893**	12,609
Total non-current assets (iii)	**9,307**	13,205

(i) As at 30 June 2014, no trade receivables or other receivables were past due or impaired (31 December 2013: nil). It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

(ii) PanAust owns a 90% interest (2013: 90%) in the Lao registered company, Phu Bia Mining Limited (Phu Bia Mining), through the Company's wholly owned subsidiary, Pan Mekong Exploration Pty Limited.

The Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining. A Shareholders Agreement was executed in May 2011, and the Share Transfer Agreement ('STA') was signed by the Government of Laos and Pan Mekong Exploration Pty Limited on 2 August 2012. Under the agreement, the Government of Laos acquired its 10% shareholding interest in Phu Bia Mining. A purchase price amounting to US$29 million for the transfer of shares to the Government of Laos has been agreed. The amount receivable is discounted to factor the passage of time.

In February 2014, Phu Bia Mining declared a dividend, with 10% of that dividend, amounting to $4,310,000, being payable to the Government of Laos. In accordance with the STA, the amount was applied against the receivable.

(iii) Secured by charges over offshore proceeds bank accounts.

(iv) The value of non-current assets approximates their fair value.

5 Financial assets and liabilities (continued)

(c) Investment in Highlands Pacific Limited

	30 June 2014 US$'000	31 December 2013 US$'000
Investment in Highlands Pacific Limited	**2,798**	3,488
Total investment in Highlands Pacific Limited	**2,798**	3,488

Investment in Frieda River Copper-Gold Project

On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. This agreement is between PanAust SPV1 Pte. Ltd. and Glencore.

The 20% remaining interest in the Frieda River Copper-Gold Project is held by Highlands Pacific Limited. On 7 November 2013, PanAust SPV2 Pte. Ltd. paid a total of A$5 million (US$4.67 million) for a share placement of 64,432,990 shares at A$0.0776 per share in Highlands Pacific Limited. The value of the share placement has been revalued to US$2.8 million based on the share price of A$0.046 per share and USD/AUD exchange rate of A$1.0594 as at 30 June 2014.

(d) Financial liabilities

	30 June 2014 US$'000	31 December 2013 US$'000
Investment in Highlands Pacific Limited	**1,678**	-
Total financial liabilities	**1,678**	**-**

As at 30 June 2014, the Company held an option to subscribe for an additional 64,432,990 fully paid ordinary shares in Highlands Pacific Limited at a subscription price of A$0.0776 per share. A financial liability of US$1.7 million had been recognised for the mark-to-market valuation of this option as at 30 June 2014.

(e) Borrowings

	30 June 2014 US$'000	31 December 2013 US$'000
Secured		
Bank loans	**-**	12,000
Lease liabilities	**18,068**	17,313
Total current borrowings	**18,068**	29,313
Secured		
Bank loans	**145,152**	144,327
Lease liabilities	**45,095**	50,375
Total non-current borrowings	**190,247**	194,702

6 Non - financial assets and liabilities

(a) Inventories

	30 June 2014 US$'000	31 December 2013 US$'000
Current		
Raw materials and store inventory		
Raw materials and consumables - at cost	**91,816**	92,192
Provision for obsolete stores	**(3,104)**	(949)
	88,712	91,243
Work in progress		
Ore stockpiles - at cost	**8,125**	10,868
Gold in circuit - at cost	**2,344**	2,439
	10,469	13,307
Finished goods		
Copper-gold concentrate - at cost	**6,311**	8,101
Gold bullion - at cost	**4,838**	4,411
	11,149	12,512
Total current inventories	**110,330**	117,062
Non-current		
Work in progress		
Ore stockpiles - lower cost or Net Realisable Value (i)	**21,791**	19,200
Total non-current inventories	**21,791**	19,200
Total inventories	**132,121**	136,262

(i) As at 30 June 2014, the Company had stockpiles of lower grade ore of 2.2 million tonnes for the Ban Houayxai Gold-Silver operation, valued at Net Realisable Value of US$11.8 million with US$419,000 of the cost for this stockpile expensed during the period, and 1.8 million tonnes for the Phu Kham Copper-Gold operation, valued at cost of US$10.0 million.

6 Non - financial assets and liabilities (continued)

(b) Property, plant and equipment

	Note	Office equipment US$'000	Deferred stripping costs US$'000	Mine properties US$'000	Mining plant and equipment US$'000	Motor vehicles US$'000	Total US$'000
As at 31 December 2013							
Cost or fair value		16,836	46,476	382,657	828,311	17,707	1,291,987
Accumulated depreciation		(7,258)	(2,334)	(119,047)	(249,952)	(8,810)	(387,401)
Net book amount		**9,578**	**44,142**	**263,610**	**578,359**	**8,897**	**904,586**
Half-year ended 30 June 2014							
Opening net book amount		9,578	44,142	263,610	578,359	8,897	904,586
Additions		5,444	37,750	1,774	18,304	9	63,281
Transfer out	6(c)	-	-	-	(4,142)	-	(4,142)
Reclassification, net		2,028	-	28,263	(30,962)	671	-
Depreciation charge		(1,898)	(1,380)	(18,204)	(38,491)	(1,544)	(61,517)
Asset write-off, net		(7)	-	-	-	-	(7)
Closing net book amount		**15,145**	**80,512**	**275,443**	**523,068**	**8,033**	**902,201**
As at 30 June 2014							
Cost or fair value		23,680	84,226	420,420	803,758	18,358	1,350,442
Accumulated depreciation		(8,535)	(3,714)	(144,977)	(280,690)	(10,325)	(448,241)
Net book amount		**15,145**	**80,512**	**275,443**	**523,068**	**8,033**	**902,201**

(c) Exploration, evaluation, and mine development

		Pre-production exploration & evaluation	
	Note	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Opening net book amount		205,276	183,333
Additions		11,418	49,064
Impairment charge (i)		-	(27,121)
Transfers in	6(b)	4,142	-
Net book amount		**220,836**	**205,276**

The transfer in from mining plant and equipment represents the adjustment of the Phonsavan sustainability study cost.

7 Derivative financial instruments

	30 June 2014 US$'000	31 December 2013 US$'000
Current assets		
Gold and Silver forward contracts	**323**	-
Copper put options	**-**	1
Total current derivative financial instrument assets	**323**	1
Current liabilities		
Copper forward contracts	**(2,009)**	(2,215)
Total current derivative financial instrument liabilities	**(2,009)**	(2,215)
Net derivative financial instruments liabilities	**(1,686)**	(2,214)

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the copper price and gold price in accordance with the Company Hedging Policy and the hedging protocol as required under the Phu Bia Mining loan agreement.

(a) Copper price risk hedging

The Company manages the copper provisional price risk on sales contracts (over the quotational period) and short term production (6 to 12 months) with a combination of bank hedging facilities and negotiated fixed price terms with customers.

As at 30 June 2014, the Company had entered into several copper swap contracts and fixed price agreements as part of its short term hedging program for copper concentrate sales which are subject to quotational period price adjustments. A total of 10,575t of copper is covered by these copper swap contracts and fixed price agreements as at 30 June 2014 at an average copper price of US$6,820/t (US$3.09/lb). Refer to Note 3(b) for further details.

To protect the Company against the downside copper price risk on future production, put options have been established to cover 2,346t of copper, deliverable through to July 2014, at an average strike price of US$4,960/t (US$2.25/lb).

(b) Gold price risk hedging

As at 30 June 2014, the Company, as part of its short term strategic hedging program for gold production, had entered into gold forward contracts from July 2014 to December 2014 over 37,000oz of gold at an average price of US$1,336/oz.

8 Fair value measurement of financial instruments

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Investment in Highlands Pacific Limited

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014.

Consolidated entity **At 30 June 2014**	**Level 1** **US$'000**	**Level 2** **US$'000**	**Level 3** **US$'000**	**Total** **US$'000**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**-**	**323**	**-**	**323**
Investment in Highlands Pacific Limited	**2,798**	**-**	**-**	**2,798**
Total assets	**2,798**	**323**	**-**	**3,121**
Liabilities				
Financial liabilities	**1,678**	**-**	**-**	**1,678**
Derivatives used for hedging	**-**	**2,009**	**-**	**2,009**
Total liabilities	**1,678**	**2,009**	**-**	**3,687**

Consolidated entity **At 31 December 2013**	**Level 1** **US$'000**	**Level 2** **US$'000**	**Level 3** **US$'000**	**Total** **US$'000**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**-**	**1**	**-**	**1**
Investment in Highlands Pacific Limited	**3,488**	**-**	**-**	**3,488**
Total assets	**3,488**	**1**	**-**	**3,489**
Liabilities				
Derivatives used for hedging	**-**	**2,215**	**-**	**2,215**
Total liabilities	**-**	**2,215**	**-**	**2,215**

(b) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

9 Contributed equity

(a) Share capital

	30 June 2014 Shares	31 December 2013 Shares	30 June 2014 US$'000	31 December 2013 US$'000
Ordinary shares - fully paid (c)	**635,580,654**	620,345,589	**556,410**	554,642
Treasury shares	**(37,470,121)**	(23,802,060)	**-**	-
	598,110,533	596,543,529	**556,410**	554,642

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issued price	US$'000
1 January 2014	Opening balance	620,345,589		554,642
	Dividend reinvestment plan	1,187,942	A$1.61	1,768
	Executive Long Term Share Plan	13,668,061	-	-
	Employees share rights exercised	379,062	-	-
30 June 2014	Balance	**635,580,654**		**556,410**
	Treasury shares (i)	(37,470,121)		-
30 June 2014	Balance excluding treasury shares	**598,110,533**		**556,410**

(i) Represents shares issued under the Executive Long Term Share Plan (LTSP). The LTSP is a loan backed share plan, under which the Company issues shares or a trustee transfers shares to the executive at market value. The purchase price of the share is funded by a loan from the Company.

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

10 Reserves and retained earnings

(a) Reserves

	30 June 2014 US$'000	31 December 2013 US$'000
Movement		
Hedging reserve - cash flow hedges		
Opening balance	**-**	(3,728)
Transfer to net profit	**-**	3,728
Closing balance	**-**	-
Share based payments reserve		
Opening balance	**40,237**	34,466
Employee share based payments	**3,225**	5,771
Closing balance	**43,462**	40,237

(b) Retained earnings

	30 June 2014 US$'000	31 December 2013 US$'000
Balance 1 January	**318,388**	324,395
Net profit for the period	**28,096**	36,383
Dividends (i)	**(17,051)**	(42,390)
Closing balance	**329,433**	318,388

(i) On 20 February 2014, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share for a total amount of A$18,430,000 (US$17,051,000). The dividend was paid on 4 April 2014.

11 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	Half-year	
	30 June 2014 US$'000	**30 June 2013 US$'000**
The following reflects the income used in the calculations of basic and diluted earnings per share:		
Profit attributable to ordinary equity holders of the Company	**28,096**	38,912

(b) Weighted average number of shares used as denominator

	Half-year	
	2014 Number	**2013 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**597,007,154**	595,282,870
Adjustments for calculation of diluted earnings per share:		
Unlisted securities	**1,087,789**	1,854,096
Adjusted weighted average number of ordinary shares used in calculating diluted profit per share	**598,094,943**	597,136,966

12 Non-controlling interests

	30 June 2014 US$'000	**31 December 2013 US$'000**
Interest in:		
Share capital	**62,208**	61,683
Retained earnings	**49,348**	49,389
	111,556	111,072

13 Contingencies

Frieda River Joint Venture arrangements

	30 June 2014 US$'000	31 December 2013 US$'000
Capital commitments		
Within 1 year	**33,088**	29,437
Between 1 and 3 years	**50,000**	50,000
Total	**83,088**	79,437

The above table relates to possible capital commitments incurred by PanAust Group relating to the purchase of all shares in Xstrata Frieda River Limited, payable to Mount Isa Mines Limited in two installments: US$25 million on completion plus vendor group aggregate expenses from November 2013 up to the date of completion of the purchase, and on 31 December 2015 (US$50 million, subject to consumer price index escalation). The purchase price also includes 2% Net Smelter Return (NSR) royalty payments (capped at US$50 million, subject to consumer price index escalation) to be paid from the commencement of commercial production. The NSR royalty payments have been excluded from the above table; given sufficiently reliable estimates of this amount of the obligation cannot be made as at this point in time.

Subject to the completion of the PanAust Glencore Agreement, PanAust will have the option to subscribe for a further 64,432,990 fully paid ordinary shares at a subscription price of A$0.0776 per share in Highlands Pacific Limited, with Highlands having the reciprocal option to require PanAust to subscribe for the shares. The PanAust Highlands Agreement provides the framework for the future relationship between PanAust and Highlands in relation to the Frieda River Joint Venture.

14 Events occurring after the reporting period

On 21 August 2014, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share in respect of the half-year ended 30 June 2014. The dividend amount has not been provided for in the interim financial report for the half-year ended 30 June 2014.

No other matter or circumstance has occurred subsequent to the half-year ended that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

PanAust Limited
Directors' declaration
30 June 2014

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 18 to 33 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that PanAust Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Garry Hounsell
Director

Gary Stafford
Director

Sydney
21 August 2014

Independent auditor's review report to the members of PanAust Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PanAust Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for PanAust Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PanAust Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PanAust Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Brisbane
21 August 2014

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