Rules 4.2A.3

APPENDIX 4D

Half-Year Report
For the Period Ended 30 June 2010

Name of entity **PanAust Limited**

ABN	Half yearly	Preliminary	Half year ended ('current period')
17 011 065 160	✓		30 June 2010

Results for Announcement to the Market

	30 June 2010 US$'000	30 June 2009 US$'000		Percentage Change
Revenues from ordinary activities	**224,474**	139,570	up	61%
Operating result - Adjusted EBITDA	**105,326**	37,138	up	184%
Net profit/(loss) from ordinary activities after tax	**53,152**	(15,785)	up	437%
Net profit/(loss) for the period attributable to members	**47,461**	(15,785)	up	401%
Dividend	**Nil**	Nil		

Commentary on results for the period

- Strong production performance at the Phu Kham Copper-Gold Operation with over 32,000t of copper produced at an average cash cost of US$0.88/lb, net of by-product credits (C1, Brook Hunt Convention);
- Increased ore reserve tonnes by 17% at the Phu Kham Copper-Gold Operation with further potential increases from ongoing resource extension drilling;
- Successful conclusion to the Ban Houayxai Gold-Silver Project feasibility study and near completion of the major earthworks in preparation for development;
- Approval from the Board for the development of the Ban Houayxai Gold-Silver Project and lodgement of the Environmental and Social Impact Assessement study;
- Made a binding offer to Codelco to acquire a majority interest in the Inca de Oro Copper-Gold Project in Chile, subject to approval by Presidential Decree;

NTA Backing	30 June 2010	30 June 2009
Net tangible asset backing per ordinary security	20 cents	10 cents*

** NTA backing per share has been restated based on the number of shares on issue as at 30 June 2010*

Information set out in this Half-year Report should be read in conjunction with the Annual Report for the year ended 31 December 2009.

PanAust Limited

ABN 17 011 065 160

Interim Financial Report for the half-year ended 30 June 2010

PanAust Limited ABN 17 011 065 160

Interim Financial Report

For the half-year ended 30 June 2010

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 2009 and any public announcements made by PanAust Limited during the interim 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 2
99 Melbourne Street
South Brisbane Queensland AUSTRALIA 4101

Postal address is:

PO Box 3468
South Brisbane Queensland AUSTRALIA 4101

Directors' report

Your directors present their report on the consolidated entity consisting of PanAust Limited (referred to hereafter as 'PanAust'), and the entities it controlled (collectively referred to as the 'Company' or the 'Group') at the end of, or during, the half-year ended 30 June 2010.

Directors
The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

G. A. Hounsell, B.Bus. (Accounting) CPA FCA FAICD (Chairman, Non-Executive Director)
G. Stafford, B.Sc. (Hons., Mining Engineering) M.A.I.M.M. (Managing Director)
N. P. Withnall, B.A., LL.B., FAICD (Non-Executive Director)
A. E. Daley, B.Sc. (Hons., Mining Engineering) F.A.I.M.M. (Non-Executive Director)
G. A. Handley, B.Sc., M.A.I.M.M., FAICD (Hons., Geology and Chemistry) (Non-Executive Director)
G. Billard, B.Econ., B.Com. (Hons., Economics) FCPA FAICD (Non-Executive Director)
Z. Li, M.Laws, M.Public Administration in International Development (Non-Executive Director)

Review of operations
PanAust's results for the first half of 2010 are shown below, along with comparative results for the first half of 2009:

	Half-year ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Sales revenue	**223,903**	137,696
Net profit/(loss) before income tax	**67,105**	(13,047)
Net operating cash flow	**80,754**	(3,821)
Copper concentrate sales (dry metric tonnes)	**120,026**	106,965
Gold sales from heap leach operation (ounces)	**4,953**	9,214

The significant operational achievements for the first half of 2010 were:

- Strong production performance at the Phu Kham Copper-Gold Operation with over 32,000t of copper produced at an average cash cost of US$0.88/lb, net of gold and silver by-product credits (C1, Brook Hunt Convention);
- Increased ore reserve tonnes by 17% at the Phu Kham Copper-Gold Operation with potential further increases from ongoing resource extension drilling; and
- Received the 2010 award for the Best Community Development Initiative at the Asia Mining Congress in Singapore.

PanAust has a corporate strategy focused on growth by discovery, acquisition and development. The following key growth project events occurred during the first half of 2010:

- Approval from the Board for the development of Ban Houayxai following the successful conclusion to the Ban Houayxai Gold-Silver Project feasibility study;
- Major earthworks nearing completion at Ban Houayxai and lodgement of the Environmental and Social Impact Assessment study;
- Made a binding offer to Codelco to acquire a majority interest in the Inca de Oro Copper-Gold Project in Chile, subject to approval by Presidential Decree; and
- Continued exploration and evaluation activities in Laos and Thailand with on-going drilling at high priority targets within the Company's contract area in Laos. Of particular note are results from the Phonsavan Copper-Gold Project and the new gold discovery at Tharkhek in Laos.

Review of operations (continued)

Operating review for the half-year

Laos

Phu Kham Copper-Gold Operation

The strong production and cash cost performance outcomes realised in late 2009 continued throughout the first half of 2010. The Phu Kham Copper-Gold Operation throughput for the six months ended 30 June 2010 was 6.6 Mt of ore to produce 128,361t of concentrate containing 32,016t of copper, 25,915oz of gold and 229,034oz of silver (six months ended 30 June 2009: 98,926t of concentrate containing 23,910t copper, 18,809oz of gold and 173,158oz of silver). The average cash cost, net of by product credits (C1, Brook Hunt Convention) for the half year ended 30 June 2010 was US$0.88/lb of copper (30 June 2009: US$0.91/lb of copper).

On 30 June 2010, the Company reported to the ASX a 17% increase in the total estimated Phu Kham Ore Reserve. The 2010 Ore Reserve estimate incorporates data from the successful 2009 south pit area infill and resource extension drill program and supports a mine life of 14 years at current 12Mtpa design ore processing rates.

The Company is currently conducting a design review for a planned expansion of processing capacity. Implementation of the expansion will be timed to coincide with a scheduled decline in ore grades as mine production moves from near-surface transition ore to a higher proportion of lower grade primary ore in 2012. The objective of the expansion will be to maintain and potentially increase copper production.

The expansion review is scheduled to be completed during the September quarter 2010, for announcement in the December quarter 2010. Commissioning an expansion to a nominal 16Mtpa during 2012 would see the 2010 Ore Reserve support a mine life of 12 years.

The Company's safety record remains excellent by international comparison. The Lost Time Injury (LTI) frequency rate (LTI's per million man-hours) at 30 June 2010 on annual rolling average basis was 0.37, compared with the latest available data from the Minerals Council of Australia that reports an average LTI frequency rate of 1.8 for the Australian Opencut Metalliferous mining industry.

Phu Kham Heap Leach Operation

Operations at the Phu Kham Heap Leach ceased during the half year ended 30 June 2010. Between November 2005 and April 2010, the Phu Kham Heap Leach Operation produced nearly three tonnes of gold and played an important role in the initial development of PanAust's operating presence in Laos. After closure activities are complete, the workforce will be redeployed to duties at the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Project.

Ban Houayxai Gold-Silver Project

In March 2010, the Board of Directors approved the development of the Ban Houayxai Gold-Silver Project. The approval followed the successful conclusion of the project feasibility study which was based on an open pit mining operation feeding ore to a conventional 4Mtpa Carbon In Leach process plant to produce over 100,000oz of gold and 700,000oz of silver per annum.

At 30 June 2010, construction for the new northern access road and site works for the process plant and camp site were largely complete. The commencement of major on-site plant construction work and operations is subject to Government of Laos approvals and acceptance of the Environmental and Social Impact Assessment study which has been submitted to the Water Resources and Environment Administration of the Government of Laos.

The Project is scheduled for completion in early 2012 with steady state production expected to be achieved during the March quarter 2012.

Review of operations (continued)

Thailand

Puthep Copper Project

An Independent Expert review of the feasibility study concurs with the conclusion that whole of ore vat leaching is the preferred processing option for near-surface chalcocite mineralisation. The review also recommended further copper leach test work and more definition of capital costs. The Puthep Company is targeting a project with an annual production rate of 25,000t to 30,000t of cathode copper over an eight-year mine life.

Through the second half of 2010 and 2011, Puthep will submit a mine plan to apply for mining leases and complete community consultation and an Environmental and Social Impact Assessment study. PanAust will also table a proposal to the Independent Expert and the Puthep management committee for further technical work

Chile

Inca de Oro Copper-Gold Project

On 1 March 2010, PanAust announced that it had made a binding offer to Corporación Nacional del Cobre de Chile (“Codelco”) for PanAust to acquire a majority interest in the Chilean registered company Inca de Ora S.A., which owns the Inca de Ora Copper-Gold Project. The Inca de Oro pre-feasibility study, which was recently completed by Codelco, has confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at a competitive cash cost and over a plus ten-year mine life. The pre-feasibility study report will be reviewed by PanAust during the September quarter.

PanAust’s interest in Inca de Oro S.A. will be held through a 90% interest in PanAust Minera, the remaining 10% being held by an independent Australian private company, The Minera Group. PanAust Minera will hold a 66% interest in Inca de Oro S.A. (giving PanAust a 59.4% beneficial interest) and Codelco will retain a 34% interest.

The acquisition will fit well with PanAust’s corporate strategy for growth and represents an excellent opportunity to establish a business in one of the world’s most attractive copper mining regions.

Under Chilean Law, the offer is subject to approval by Presidential Decree. It is anticipated that the President of the Republic of Chile will consider the proposal during the September quarter of 2010.

The acquisition advances PanAust’s corporate strategy for growth.

Matters subsequent to the half-year ended

On 30 July 2010, PanAust entered into loan agreements for a total US$102 million of debt facilities with a syndicate of four banks. The facilities have a three year term and comprise a US$85 million Revolving Limit Facility, US$17 million Guarantee Facility and hedging lines.

The debt facilities are secured by the Company’s assets in Laos and will be used for general corporate purposes, including funding of working capital and operating expenses, funding of working capital for the Phu Kham Copper-Gold Operation and repayment of the remaining Phu Kham Project debt.

The Company also agreed to terms for a new US$24.8 million equipment lease facility with ANZ Bank to complement an existing US$35 million equipment lease facility. The new lease facility will have a five year term and will fund the upgrade of the Phu Kham operating fleet.

At the date of this report, US$45 million has been drawn from the Revolving Limit Facility.

Other than the above, since 30 June 2010 there have been no material subsequent events.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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 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.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

G. A. Hounsell
Chairman

G. Stafford
Managing Director

Sydney
26 August 2010

PRICEWATERHOUSECOOPERS

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Auditor's independence declaration

As lead auditor for the review of PanAust Limited for the half-year ended 30 June 2010, 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.

B. Delaney
Partner
PricewaterhouseCoopers

Brisbane
26 August 2010

PanAust Limited
Consolidated statement of comprehensive income
For the half-year ended 30 June 2010

	Notes	**30 June 2010 US$'000**	30 June 2009 US$'000
Revenue	3	**224,474**	139,570
Changes in inventories of finished goods and work in progress		**1,365**	(6,177)
Mining costs		**(61,893)**	(42,467)
Depreciation and amortisation expense		**(27,735)**	(19,844)
Employee benefits expense		**(18,025)**	(12,058)
Concentrate haulage		**(12,712)**	(12,437)
Treatment and refining charges		**(6,393)**	(9,506)
Royalties		**(13,027)**	(4,600)
Marketing and realisation costs		**(5,615)**	(4,077)
Other expenses		**(6,736)**	(5,248)
Profit before financing and income tax		**73,703**	23,156
Unrealised hedge gains/(losses)	4	**4,343**	(5,309)
Finance and other costs	4	**(10,941)**	(16,808)
Share option expense	4	**-**	(14,086)
Profit/(loss) before income tax		**67,105**	(13,047)
Income tax expense	5	**(13,953)**	(2,738)
Profit/(loss) for the half-year		**53,152**	(15,785)
Other comprehensive income/(loss)			
Changes in fair value of cash flow hedges, net of tax		**1,954**	(3,681)
Total comprehensive income (loss) for the half-year		**55,106**	(19,466)
Profit/(loss) is attributable to:			
Owners of PanAust Limited		**47,461**	(15,785)
Non-controlling interest		**5,691**	-
		53,152	(15,785)
Total comprehensive income for the half-year is attributable to:			
Owners of PanAust Limited		**49,220**	(19,466)
Non-controlling interest		**5,886**	-
		55,106	(19,466)
		Cents	Cents
Profit/(loss) per share from operations attributable to the ordinary equity holders of the company:			
Basic profit/(loss) per share	21	**1.62**	(0.87)
Diluted profit/(loss) per share	21	**1.60**	(0.87)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of financial position
As at 30 June 2010

	Notes	**30 June 2010 US$'000**	31 December 2009 US$'000
ASSETS			
Current assets			
Cash and cash equivalents		**72,224**	88,203
Receivables and other assets	6	**42,347**	33,713
Inventories	7	**41,357**	37,145
Derivative financial instruments	8	**7,935**	131
Total current assets		**163,863**	159,192
Non-current assets			
Receivables	9	**42,137**	45,582
Investments accounted for using the equity method	10	**19,176**	18,792
Property, plant and equipment	11	**321,640**	309,715
Exploration and evaluation, development and mine properties	12	**187,216**	161,500
Deferred tax assets		**-**	12,466
Intangible assets		**5,380**	5,380
Derivative financial instruments	8	**488**	1,143
Total non-current assets		**576,037**	554,578
Total assets		**739,900**	713,770
LIABILITIES			
Current liabilities			
Trade and other payables		**44,602**	44,030
Borrowings	13	**40,264**	25,596
Provisions		**2,831**	2,755
Derivative financial instruments	8	**7,523**	8,268
Total current liabilities		**95,220**	80,649
Non-current liabilities			
Payables		**2,737**	3,558
Borrowings	14	**27,266**	76,252
Provisions		**20,581**	19,946
Deferred tax liabilities		**2,177**	-
Derivative financial instruments	8	**12,101**	11,195
Total non-current liabilities		**64,862**	110,951
Total liabilities		**160,082**	191,600
Net assets		**579,818**	522,170
EQUITY			
Contributed equity	15	**540,931**	540,948
Reserves	16(a)	**12,065**	8,761
Accumulated losses	16(b)	**(14,894)**	(62,355)
Capital and reserves attributable to owners of PanAust Limited		**538,102**	487,354
Non-controlling interest	17	**41,716**	34,816
Total equity		**579,818**	522,170

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of changes in equity
As at 30 June 2010

Half-year 2009	Notes	Contributed equity US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
		Attributable to members of PanAust Limited					
Balance as at 1 January 2009		**216,935**	**394**	**(81,346)**	**135,984**	**21,940**	**157,924**
Loss for the half-year		-	-	(15,785)	(15,785)	-	(15,785)
Changes in the fair value of cash flow hedges, net of tax	16	-	(3,681)	-	(3,681)	-	(3,681)
Total comprehensive income for the half-year		**-**	**(3,681)**	**(15,785)**	**(19,466)**	**-**	**(19,466)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		146,686	-	-	146,686	-	146,686
Total changes in non-controlling interest	15	-	-	-	-	2,018	2,018
Employee share based payments	16	-	998	-	998	-	998
Unlisted share options - GSJBWere	16	-	14,086	-	14,086	-	14,086
		146,686	15,084	-	161,770	2,018	163,788
Balance at 30 June 2009		**363,621**	**11,797**	**(97,131)**	**278,288**	**23,958**	**302,246**

Half-year 2010	Notes	Contributed equity US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
		Attributable to members of PanAust Limited					
Balance at 1 January 2010		**540,948**	**8,761**	**(62,355)**	**487,354**	**34,816**	**522,170**
Profit for the half-year		-	-	47,461	47,461	5,691	53,152
Changes in the fair value of cash flow hedges, net of tax	16	-	1,759	-	1,759	195	1,954
Total comprehensive income for the half-year		**-**	**1,759**	**47,461**	**49,220**	**5,886**	**55,106**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		(17)	-	-	(17)	-	(17)
Total changes in non-controlling interest	15	-	-	-	-	1,014	1,014
Employee share based payments		-	1,545	-	1,545	-	1,545
Balance at 30 June 2010		**540,931**	**12,065**	**(14,894)**	**538,102**	**41,716**	**579,818**

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 2010

	Notes	Half-year 30 June 2010 US$'000	30 June 2009 US$'000
Cash flows from operating activities			
Receipts from customers		**228,463**	107,061
Payments to suppliers and employees (inclusive of goods and services tax)		**(138,464)**	(96,281)
		89,999	10,780
Interest received		**170**	47
Interest and finance costs paid		**(9,415)**	(14,648)
Net cash inflow (outflow) from operating activities		**80,754**	(3,821)
Cash flows from investing activities			
Payments for development costs		**(34,054)**	(10,119)
Payments of exploration and evaluation costs		**(14,241)**	(3,199)
Payments for property, plant and equipment		**(8,736)**	(12,119)
Payments for investment in associate		**(384)**	(2,614)
Funds held in escrow for acquisition	6	**(5,000)**	-
Net cash outflow from investing activities		**(62,415)**	(28,051)
Cash flows from financing activities			
Repayment of borrowings		**(34,318)**	(84,954)
Proceeds from issues of shares and other equity securities		**-**	150,404
Transaction costs		**-**	(3,717)
Net cash (outflow) inflow from financing activities		**(34,318)**	61,733
Net (decrease) increase in cash and cash equivalents		**(15,979)**	29,861
Cash and cash equivalents at the beginning of the half-year		**88,203**	6,245
Cash and cash equivalents at end of the half-year		**72,224**	36,106

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 2010 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 of 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 2009 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.

(c) Employee share trust

During the period the Company established a trust to administer the PanAust Executive Long-Term Share Plan. The trust is consolidated to reflect that the substance of the relationship is that the trust is controlled by PanAust.

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. Where considered relevant, the group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. PanAust is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

(ii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2009)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 January 2011. The group does not expect that any significant adjustments will be necessary as the result of applying the revised rules.

2 Segment information

(a) Description of segments

Business segments
The consolidated entity operated solely in the mining and mineral exploration industry.

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 representing mining and mineral exploration activity in Laos, referred to below as the Phu Bia Mining segment.

The “Other” segment refers to corporate activities, expenditure on undeveloped properties and any other items that are not appropriate to allocate to the Phu Bia Mining segment and are not separately included in the reports provided to the CODM.

The performance of each segment is based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of profit or loss items such as depreciation and amortisation, interest revenue and expense, equity settled share based payments and the effects of jurisdictional taxes.

(b) Segment information

Half-year 2010	Phu Bia Mining US$'000	Other US$'000	Eliminations US$'000	Consolidated US$'000
Sales to external customers	223,903	-	-	223,903
Interest revenue	76	379	-	455
Other revenue	92	24	-	116
Total segment revenue	**224,071**	**403**	**-**	**224,474**
Unrealised hedge gains	4,343		-	4,343
Segment result - adjusted EBITDA	**109,420**	**(4,094)**	**-**	**105,326**
Segment assets	**653,466**	**537,420**	**(450,986)**	**739,900**
Segment liabilities	**605,688**	**5,380**	**(450,986)**	**160,082**

Half-year 2009	Phu Bia Mining US$'000	Other US$'000	Eliminations US$'000	Consolidated US$'000
Sales to external customers	137,696	-	-	137,696
Interest revenue	1	46	-	47
Other revenue	10	1,817	-	1,827
Total segment revenue	**137,707**	**1,863**	**-**	**139,570**
Unrealised hedge losses	(5,309)		-	(5,309)
Segment result - adjusted EBITDA	**31,346**	**5,792**	**-**	**37,138**
Segment assets	**575,029**	**344,042**	**(290,337)**	**628,734**
Segment liabilities	**612,418**	**4,407**	**(290,337)**	**326,488**

2 Segment information (continued)

A reconciliation of the segment result (adjusted EBITDA), excluding the effects of eliminations, to profit/(loss) before income tax is provided as follows:

	Phu Bia Mining US$'000	Other US$'000	Consolidated US$'000
Adjusted EBITDA - 30 June 2010	**109,420**	**(4,094)**	**105,326**
Interest revenue	76	379	455
Interest expense and finance charges	(10,941)	-	(10,941)
Depreciation and amortisation	(27,688)	(47)	(27,735)
Profit/(loss) before income tax	**70,867**	**(3,762)**	**67,105**
Adjusted EBITDA - 30 June 2009	**31,346**	**5,792**	**37,138**
Interest revenue	1	551	552
Interest expense and finance charges	(7,926)	(8,881)	(16,807)
Share option expense - GSJBW	-	(14,086)	(14,086)
Depreciation and amortisation	(19,797)	(47)	(19,844)
Profit/(loss) before income tax	**3,624**	**(16,671)**	**(13,047)**

3 Revenue

	Half-year	
	30 June 2010 US$'000	30 June 2009 US$'000
Sales revenue		
Copper in concentrate	**201,242**	97,296
Copper in concentrate price adjustment	**(5,219)**	27,410
Copper sales realised hedge losses	**(5,498)**	(14,784)
Gold in concentrate	**28,097**	18,681
Gold sales realised hedge losses	**(3,742)**	(1,421)
Silver in concentrate	**3,346**	2,218
Gold doré	**5,677**	8,296
	223,903	137,696
Other revenue		
Interest	**455**	552
Associate administrative charges	**23**	1,312
Sundry income	**93**	10
	571	1,874
	224,474	139,570

(a) Copper in concentrate

PanAust delivers concentrate to copper customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price, or a fixed price determined by reference to the LME copper price at the time of fixing.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust by way of 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). This pricing methodology is normal for the industry with the QP historically reflecting the average time to elapse (usually 3 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. More recently, trading companies occasionally use different QP terms to arbitrage the copper price and maximise their return from discounted treatment and refining charges.

The Company usually hedges 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 pricing period (compared to the prevailing price applied to determine the provisional payment). Accordingly, a lower copper price at the end of the pricing period 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 pricing period 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.

As at 30 June 2010, provisional invoices issued with an open QP have been revalued at prices which provide an estimate of the average settlement price. The revaluation has resulted in 52,055 dry metric tonnes (dmt) of copper concentrate containing an estimated 12,420t of copper being revalued using the three-month forward copper price as at 30 June 2010, of US$6,542/t (US$2.97/lb). This revaluation has resulted in a US$4 million mark-to-market decrease in profit.

4 Finance and other costs

	Half-year	
	30 June 2010 US$'000	30 June 2009 US$'000
Finance costs		
Interest charges paid/payable	**1,544**	8,739
Finance charges paid/payable	**2,289**	1,873
Put option premium expense (a)	**6,493**	608
Unwinding discount on provisions	**615**	588
Redemption fee	**-**	5,000
	10,941	16,808
Unrealised hedge (gains)/losses (b)	**(4,343)**	5,309
Share option expense (c)	**-**	14,086

(a) Put option premium expense

Relates to upfront and deferred put option premium expense for copper put options.

(b) Unrealised hedge losses

The derivative activities during the half-year ended 30 June 2009 resulted in a negative impact to profit or loss as a result of the adverse movement in the fair value of hedge instruments. The derivative activities during the half year ended 30 June 2010 have resulted in a positive impact to profit or loss due to the favourable volatility in gold and copper prices as at balance date (refer to note 8).

(c) Share option expense

A non-cash accounting expense of US$14.086 million was recognised during the half year ended 30 June 2009 to represent the fair value of options granted on 15 April 2009 to Goldman Sachs JBWere (GSJBW). On 2 January 2009, an agreement was reached between the Company and GSJBW to rollover a subordinated debt facility, with a new maturity date of 31 March 2010. As part of the consideration for the rollover of the facility with GSJBW, 75 million options were issued over ordinary shares with a strike price of A$0.105 per share (being a 24% premium to market close on 31 December 2008) and a three year term. The issue of the 75 million options was approved by shareholders at the Extraordinary General Meeting held on 15 April 2009. The subordinated debt facility was repaid in its entirety in June 2009.

5 Income tax expense

	Half-year	
	30 June 2010 US$'000	30 June 2009 US$'000
(a) Income tax expense		
Deferred tax	**13,953**	2,738
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	**10,955**	(1,965)
Increase in deferred tax liabilities	**3,689**	3,458
(Decrease) increase in hedge reserve	**(691)**	1,245
	13,953	2,738

The income tax expense and deferred tax balances are attributable to Phu Bia Mining Limited.

(b) Tax consolidation legislation

Effective 1 January 2004, for the purposes of Australian income taxation, PanAust Limited and its 100% Australian owned subsidiaries have formed a tax consolidated Group. The head entity of the Group is PanAust Limited.

6 Current assets - Trade and other receivables

	30 June 2010 US$'000	31 December 2009 US$'000
Trade and other receivables		
Trade receivables	**17,357**	23,502
Other receivables	**2,448**	1,264
	19,805	24,766
Prepayments		
Prepayments - general	**12,594**	7,116
Prepayments - lease facility fees	**319**	319
Prepayments - loan facility fees	**4,629**	1,512
	17,542	8,947
Cash restricted or pledged		
Funds held in escrow for acquisition (a)	**5,000**	-
	42,347	33,713

As at 30 June 2010, no trade receivables or other receivables were past due or impaired (31 December 2009: nil). It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

(a) Funds held in escrow for acquisition

On 1 March 2010, PanAust announced that it had made a binding offer to Corporación Nacional del Cobre de Chile ("Codelco") for PanAust to acquire a majority interest in the Chilean registered company Inca de Ora S.A.. Under Chilean Law, the offer is subject to approval by Presidential Decree. It is anticipated that the President of the Republic of Chile will consider the proposal during the September quarter of 2010. The US$5 million represents a deposit paid by the Company which will be offset against the purchase price should the President approve the transaction or be refunded to the Company should the President not approve the transaction. Refer to note 18((b(i)).

7 Current assets - Inventories

	30 June 2010 US$'000	31 December 2009 US$'000
Raw materials		
Raw materials and stores - at cost	**29,767**	26,519
Provision for obsolete stores	**(676)**	(274)
	29,091	26,245
Work in progress - at cost		
Work in progress	**2,122**	2,652
Gold in heaps	**-**	1,992
	2,122	4,644
Finished goods - at cost		
Gold bullion	**-**	1,866
Copper-gold concentrate	**10,144**	4,390
	10,144	6,256
	41,357	37,145

8 Derivative financial instruments

	30 June 2010 US$'000	31 December 2009 US$'000
Current assets		
Copper put options	**5,005**	96
Cash flow hedge - copper forward contracts	**2,925**	-
Gold put options	**5**	35
Total current derivative financial instrument assets	**7,935**	131
Non-current assets		
Gold put options	**488**	1,143
Total non-current derivative financial instrument assets	**488**	1,143
Total derivative financial instrument assets	**8,423**	1,274
Current liabilities		
Cash flow hedge - gold forward contracts	**7,523**	5,927
Cash flow hedge - copper forward contracts	**-**	2,341
Total current derivative financial instrument liabilities	**7,523**	8,268
Non-current liabilities		
Cash flow hedge - gold forward contracts	**12,101**	11,195
Total non-current derivative financial instrument liabilities	**12,101**	11,195
Total derivative financial instrument liabilities	**19,624**	19,463
Net derivative financial instrument liability	**(11,201)**	(18,189)

(a) Instruments used by the company as required by the Mandatory Hedging Program

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in gold prices in accordance with the mandatory hedging program for the Senior Project Facility (2007) for the Phu Kham Copper-Gold Operation.

The Company has entered into forward contracts for the sale of gold produced by the Phu Kham Operation from 2010 to 2013. These contracts comprise committed gold forward hedging of 44,148oz at escalating prices between US$776/oz and US$858/oz.

The gain or loss from remeasuring the gold forward contracts at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged sale is recognised. The ineffective portion is recognised in profit or loss immediately. There was no ineffectiveness in either period for the gold forwards. In the half-year ended 30 June 2010, a loss of US$3,741,632 (2009: US$1,420,539) was recognised as realised on gold forwards.

The gold put options entered into by the Company cover approximately 60,000oz of gold at a strike rate of US$700/oz. The put options do not qualify for hedge accounting and the mark-to-market movement of these put options is recognised in profit or loss immediately, with a loss of US$684,110 recorded during the half-year ended (2009: US$5,307,541).

The committed gold hedges represent less than 25% of the anticipated gold production from the Phu Kham Copper-Gold Operation over the next three years. The spot price as at 30 June 2010 used to revalue these forwards and put options was US$1,241/oz.

8 Derivative financial instruments (continued)

(b) Copper swap contracts and put options

PanAust's current hedging program seeks to maximise the Company's exposure to the prevailing copper price, but protect the Company against near term sharp falls in the copper price and revenue loss over the quotation period on provisionally priced copper concentrate sales.

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

As at 30 June 2010, the Company has entered into several copper swap contracts as part of its short term hedging program for copper concentrate sales which are subject to quotational period price adjustments. The purpose of this hedging activity is to cover potential exposure to adverse copper price fluctuations over the quotational period. As at 30 June 2010, a total of 6,100t of copper, which has been shipped, is hedged at an average price of US$6,985/t (US$3.17/lb).

The gain or loss from remeasuring the copper swap contracts at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged sale is recognised. Any ineffective portion is recognised in profit or loss immediately. This is due to minor scheduling adjustments necessary for settlement at maturity. In the half-year ended 30 June 2010, a gain of US$114,955 (2009: US$50) was recognised for the ineffective portion of copper hedges. Realised losses from the settlement of copper hedges for the half-year ended 30 June 2010 was US$5,498,223 (2009: US$14,783,598).

To protect the Company against downside copper price risk on future production, as at 30 June 2010, put options had been established to cover 25,000 tonnes of copper, which represents 2,500t of copper per month to April 2011, deliverable at an average strike price of US$5,510/t (US$2.50/lb).

The copper put options do not qualify for hedge accounting and the mark-to-market movement of these put options is recognised in profit or loss immediately, with a gain of US$4,909,239 recorded during the half-year ended (2009: loss US$nil).

9 Non-current assets - Receivables

	30 June 2010 US$'000	31 December 2009 US$'000
Prepayments		
Prepaid tax	**6,069**	5,384
Prepayments - lease facility fees	**958**	1,118
Prepayments - loan facility fees	**-**	5,290
	7,027	11,792
Other receivables		
Government of Laos receivable	**32,560**	31,546
Other receivables from associates	**2,550**	2,244
	35,110	33,790
	42,137	45,582

10 Non-current assets - Investments accounted for using the equity method

	30 June 2010 US$'000	31 December 2009 US$'000
Shares in associates	**6,021**	6,021
Advances to associates	**13,155**	12,771
	19,176	18,792

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

PanAust holds a shareholding interest of 49% (2009: 33.17%) in the Thai registered company Puthep Company Ltd (Puthep) through the Company's wholly owned subsidiary, PNA (Puthep) Pty Limited. Padaeng Industry Public Company Limited (Padaeng) owns the other 51% (2009: 66.83%) interest in Puthep. Puthep has a concession agreement with the Government of Thailand. The concession covers the two deposits (the PUT1 and PUT2 deposits) that comprise the Puthep Copper Project.

PanAust will earn a 51% interest in Puthep by completing a feasibility study on the Puthep Copper Project in accordance with the Participation Agreement between the parties dated 21 August 2000 (as amended). Under the Participation Agreement, the Company has options to acquire a total 60% or 70% interest in Puthep. The Government of Thailand has a right to acquire a 10% interest. If the Government of Thailand exercises its right to acquire a 10% interest, Padaeng and the Company must each transfer half of the shares required to be transferred to the Government of Thailand provided that Padaeng's interest does not fall below 26%.

11 Property, plant and equipment

	Office equipment US$'000	**Mine properties US$'000**	**Mining plant and equipment US$'000**	**Motor vehicles US$'000**	**Total US$'000**
Half-year ended 30 June 2010					
Opening net book amount	1,455	-	289,061	2,701	293,217
Additions	155	9,246	11,959	769	22,129
Depreciation	(251)	(8,019)	(17,235)	(463)	(25,968)
Transfers in/(out)	-	45,399	(13,137)	-	32,262
Closing net book amount	1,359	46,626	270,648	3,007	321,640
At 30 June 2010					
Cost	3,161	77,864	336,890	4,631	422,546
Accumulated depreciation	(1,802)	(31,238)	(66,242)	(1,624)	(100,906)
Net book amount	1,359	46,626	270,648	3,007	321,640

12 Non-current assets - Development, exploration and evaluation

Consolidated	Preproduction exploration & evaluation US$'000	Mine preproduction US$'000	Restoration asset US$'000	Phu Kham Heap Leach Operation US$'000	Mine development US$'000	Total US$'000
Half-year ended 30 June 2010						
Opening net book amount	76,140	85,360	11,757	4,741	-	177,998
Additions	16,787	-	-	-	26,460	43,247
Amortisation charge	-	(1,767)	-	-	-	(1,767)
Transfers in/(out)	-	(15,764)	(11,757)	(4,741)	-	(32,262)
Closing net book amount	92,927	67,829	-	-	26,460	187,216

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

13 Current liabilities - Borrowings

	30 June 2010 US$'000	31 December 2009 US$'000
Secured		
Bank loans	**32,543**	17,875
Lease liabilities	**7,721**	7,721
Total secured current borrowings	**40,264**	25,596

The senior project loan facility for the Phu Kham Copper-Gold Operation is expected to be repaid within 12 months and hence the total balance of the facility is classified as a current liability.

For further information, refer to note 20.

14 Non-current liabilities - Borrowings

	30 June 2010 US$'000	31 December 2009 US$'000
Secured		
Bank loans	**-**	45,125
Lease liabilities	**27,266**	31,127
Total secured non-current borrowings	**27,266**	76,252

15 Contributed equity

	30 June 2010 Shares	31 December 2009 Shares	**30 June 2010 US$'000**	31 December 2009 US$'000
(a) Share capital				
Fully paid ordinary shares	**2,953,892,669**	2,932,520,239	**550,676**	540,948
(b) Other equity securities				
Executive Long-Term Share Plan			**(9,745)**	-
Total contributed equity			**540,931**	540,948

(c) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**US$'000**
1 January 2010	Opening balance	2,932,520,239	540,948
	Executive Long Term Share Plan	19,133,200	9,745
	Employee share rights (subject to TSR)	1,625,000	-
	Employee share rights (not subject to TSR)	614,230	-
			550,693
	Less: Transaction costs		(17)
30 June 2010	Closing Balance	2,953,892,669	550,676

(d) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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.

15 Contributed equity (continued)

(e) Capital risk management

	30 June 2010 US$'000	31 December 2009 US$'000
Total borrowings	**67,530**	101,848
Total equity	**579,818**	522,170
Total capital	**647,348**	624,018
Gearing ratio	**10 %**	16 %

16 Reserves and accumulated losses

	30 June 2010 US$'000	31 December 2009 US$'000
(a) Reserves		
Hedging reserve - cash flow hedges	**(11,792)**	(13,551)
Share-based payments reserve	**23,857**	22,312
	12,065	8,761
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**(13,551)**	(5,181)
Revaluation - gross	**10,802**	(31,296)
Transfer to net profit - gross	**(8,422)**	20,086
Deferred tax	**(621)**	2,840
Closing balance	**(11,792)**	(13,551)
Share-based payments reserve		
Opening balance	**22,312**	5,574
Valuation options and share rights	**1,545**	2,652
Options issued to GSJBWere	**-**	14,086
Closing balance	**23,857**	22,312

(b) Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2010 US$'000	31 December 2009 US$'000
Opening balance	**(62,355)**	(81,346)
Net profit attributable to members of PanAust Limited	**47,461**	18,991
Closing balance	**(14,894)**	(62,355)

17 Non-controlling interest

	30 June 2010 US$'000	31 December 2009 US$'000
Interest in:		
Share capital	**32,580**	31,566
Reserves	**(735)**	(930)
Retained profits	**9,871**	4,180
	41,716	34,816

The Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining Limited during 2007, which will be paid from future dividend flows. The 10% interest has been valued as the discounted future cash flows relating to an amount equivalent to 10% of PanAust's cash investment in Phu Bia Mining as at 30 June 2010.

The Government of Laos is yet to sign the Shareholders Agreement with Phu Bia Mining. The purchase price has been calculated in accordance with the MEPA.

18 Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	30 June 2010 US$'000	31 December 2009 US$'000
(i) Mining property, plant and equipment		
Payable:		
Within one year	**13,359**	7,913
(ii) Mine development		
Payable:		
Within one year	**97,596**	-
Later than one year but not later than five years	**30,603**	-
Total	**128,199**	-

i) The capital expenditure commitment for mining property, plant and equipment represents the upgrade of the Phu Kham operating fleet. It is anticipated that the fleet upgrade will be funded through a lease facility with a five year term (refer to note 20).

ii) The Ban Houayxai Gold-Silver Project was approved by the PanAust Board of Directors on 29 March 2010. The approval followed the successful completion of the Feasibility Study based on an open pit mining operation feeding ore to a conventional 4 Mtpa Carbon In Leach (CIL) process plant to produce over 100,000oz of gold and 700,000oz of silver per annum, with a minimum eight year mine life.

iii) Exploration at a number of sites, including the KTL Copper-Gold Project, the Tharkhek and Ban Phonxai prospects, is continuing with committed expenditure as at 30 June 2010 of US$1.9 million. The Board approved an exploration budget for FY2010 of US$12.6 million.

18 Commitments and contingencies (continued)

(b) Other contingencies

(i) A binding offer was made to Corporación Nacional del Cobre de Chile ("Codelco") on 1 March 2010. Under Chilean Law, the offer is subject to approval by Presidential Decree. It is anticipated that the President of the Republic of Chile will consider the proposal during the September quarter of 2010 at which time, should approval be established, a balance of US$40 million will be payable, in addition to the US$5 million paid to date (refer to note 6).

Apart from the above, there have been no significant changes to commitments or contingencies of the Company since the last annual reporting period.

19 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries and trusts which have been incorporated during the half-year ended 30 June 2010, in addition to those reported at 31 December 2009:

Name of entity	Place of incorporation/ establishment	Class of shares	Equity holding	
			2010	2009
			%	%
PanAust Holdings Pte Ltd	Singapore	Ordinary	**100**	-
PanAust IDO Holdings Pte Ltd	Singapore	Ordinary	**100**	-
Minera Panaust IDO Limitada	Chile	Ordinary	**100**	-
Panaust IDO SPA	Chile	Ordinary	**100**	-
PanAust Executive Long-Term Share Plan Trust	Australia	n/a	**n/a**	-

20 Events occurring after the reporting period

(a) Borrowings

On 30 July 2010, the Company entered into loan facilities with a syndicate of four banks. The debt facilities have a three year term and and comprise:

(i) *Tranche A:* US$85 million revolving limit for general corporate purposes including funding of working capital and operational expenditure, funding of working capital for the Phu Kham Copper-Gold Operation and repayment of any existing outstanding bank debt (including the repayment of 'out of the money' gold hedging positions); and

(ii) *Tranche B:* US$17 million guarantee facility, for general corporate purposes but limited to the issue of letters of credit, bank guarantees and performance bonds.

The key terms for the debt facilities are as follows:

- Repayment in full at expiry of the three year term;
- Secured by charges over Phu Bia Mining Limited production assets in Laos, except for mobile plant which is subject to equipment leasing arrangements; and
- An interest rate of LIBOR plus a fixed margin of 4.5% p.a.

Under the hedging protocol for the loan agreement:

- The Company must hedge at least 50% of the copper in every shipment at the provisional copper price invoiced on the date of shipment; and
- The Company is required to hedge 20% of the Phu Kham copper production at a minimum copper price of US$2.25/lb on a rolling 24 month basis.

The Company has also agreed to terms for a US$24.8 million equipment lease facility with the ANZ Bank. The lease facility will have a five year term and will be utilised to fund the upgrade of the Phu Kham operating fleet.

At the date of this report, US$45 million has been drawn from the Revolving Limit Facility.

21 Earnings per share

	Half-year	
	30 June 2010 Cents	30 June 2009 Cents

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

The following reflects the income used in the calculations of basic and diluted earnings per share:		
Profit/(loss) attributable to ordinary equity holders of the company	**47,461**	(15,785)

(b) Weighted average number of shares used as the denominator

	Half-year	
	30 June 2010 Number	30 June 2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share	**2,933,798,832**	1,808,188,157
Adjustments for calculation of diluted earnings per share:		
Unlisted securities	**36,580,000**	-
Adjusted weighted average number of ordinary shares used in calculating diluted profit/(loss) per share	**2,970,378,832**	1,808,188,157

22 Share-based payments

(a) Executive Long Term Share Plan

On 21 May 2010, the Company issued shares under the new Long Term Share Plan (LTSP). The LTSP is a senior executive long-term incentive scheme. A total of 19,133,200 shares were issued to a trust controlled by the Company (refer to note 15) with a value at grant date of A$0.5093. The principal terms of issue of the shares and the related loan of US$9,744,539 are as follows:

(a) subject to performance conditions, the vesting date for the new shares is 31 December 2012;
(b) a loan is advanced in the amount of the market value of the shares on the date of issue. The market value was calculated using the three month volume weighted average price of the shares in the Company for the period ending on the date of issue;
(c) five year loan term;
(d) the shares cannot be disposed of unless the loan is repaid or satisfactory arrangements entered into to ensure that the proceeds from the sale are applied in repayment of the loan;
(e) the loan will not attract interest;
(f) the after tax benefit of dividends received must be applied in repayment of the loan;
(g) the loan is non-recourse so in no circumstances will the individual be liable for an amount in excess of the market value of the shares; and
(h) If the shares do not vest, they simply go back into the scheme for future issues under the LTSP.

As was the case under previous long-term inventive schemes, the measure of performance continues to be Total Shareholder Return (“TSR”). The Company will have to perform in the top 25% of companies in the comparator group, S&P/ASX 300 Metals and Mining Index, for the full number of shares issued under the scheme to vest.

TSR Ranking	Percentage of shares that vest
Less than or at 50th percentile	Nil
Between the 51st percentile and the 75th percentile	50% increasing linearly to 100% at the 75th percentile
At or above the 75th percentile	100%

PanAust Limited
Directors' declaration
for the half-year ended 30 June 2010

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 26 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 2010 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.

G. A. Hounsell
Chairman

G. Stafford
Managing Director

Sydney
26 August 2010

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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 statements of PanAust Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the PanAust Limited Group (the consolidated entity). The consolidated entity comprises both PanAust Limited (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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 2010 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

(continued)

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

Independence

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

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 *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

B. Delaney
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