



ASX ANNOUNCEMENT

26 August 2010

Financial results for the six months to 30 June 2010

Results summary¹

(US\$ million)	6 months to 30 Jun 2010	6 months to 30 Jun 2009
Revenue from operations	223.9	137.7
EBITDA	105.3	37.1
EBIT	77.6	17.3
Net profit after tax	53.2	(15.8)
Net profit after tax attributable to PanAust Limited	47.5	(15.8)

Highlights

- Strong June half financial performance: on track to achieve earnings before interest, tax, depreciation and amortisation (EBITDA) for 2010 of between US\$220 million and US\$240 million at copper prices, for the December half 2010, of between US\$3.00/lb and US\$3.25/lb²
- Group net profit after tax (NPAT) for the June half of US\$53.2 million (June half 2009 loss of US\$15.8 million) driven by increased sales and higher commodity prices
- Strong balance sheet to support PanAust's growth strategy: gearing³ at 30 June 2010 was 10%
- New debt facilities entered into in July 2010 totalling US\$102 million will provide funding independence for the Company's Lao business and enable the accelerated reduction in inter-company debt from surplus Phu Kham cash-flow

PanAust Managing Director, Gary Stafford, said that the June-half 2010 financial performance was driven by strong operating performances at the flagship Phu Kham Copper-Gold Operation in Laos, which led to increased sales of copper-gold concentrate, together with higher average prices received for copper, gold and silver versus the corresponding period last year.

"For each of the past three quarters Phu Kham has produced over 16,000t of copper and strong production performances are set to continue,

“The C1 cash costs⁴ for the half-year averaged a competitive US\$0.88/lb after precious metal credits and the cash costs for the December half 2010 are anticipated to be within the guidance range of between US\$0.95/lb and US\$1.05/lb.

“To better reflect the likely outcome for the average commodity prices received for sales during 2010, PanAust has today updated its financial guidance for the 2010 year to an EBITDA of between US\$220 million and US\$240 million.

“PanAust is well positioned for growth through a strategy of discovery, acquisition and development supported by a strong balance sheet and cash-flows from Phu Kham.”

Commentary on Financial Results

The PanAust Group NPAT for the six-months to 30 June 2010 was US\$53.2 million, a US\$69 million turnaround from the June half 2009 result, due largely to increased concentrate sales volumes from Phu Kham, higher commodity prices received and no material non-recurring items coming to account.

Group net cash-flow from operating activities was US\$80.8 million compared to (US\$3.8 million) for the June half 2009.

Sales of concentrate for the half-year totalled approximately 120,000t (June half 2009 107,000t) with a pay-metal content of 28,579t copper, 23,488oz gold and 192,240oz of silver. A further 4,953oz of gold was contained in sales of gold doré from the now depleted Phu Kham Heap Leach Operation. The average prices received, after realised hedging, for sales during the half-year were US\$3.14/lb for copper, US\$1,056/oz for gold and US\$17.4/oz for silver (US\$1.60/lb, US\$872/oz and US\$13.0/oz respectively for the June half 2009).

The market for copper concentrate remains tight and PanAust has entered into sales agreements for most of its planned concentrate production to the end of 2012 under very competitive TC/RC terms.

Royalties payable to the Government of Laos increased to US\$13.0 million, up from US\$4.6 million for the June half 2009 on higher metal prices and increased concentrate sales.

At 30 June 2010, PanAust had cash of US\$72.2 million, project debt of US\$32.5 million and a mobile equipment lease facility of US\$35 million. Debt repayments on the Phu Kham Project facility totalling US\$23.2 million were made in July 2010 and the balance of US\$9.3 million was repaid in August.

Funding

In late July 2010, PanAust entered into loan agreements for a total US\$102 million of debt facilities with a syndicate of four banks and agreed terms for a US\$24.8 million equipment lease facility with the ANZ Bank to complement an existing US\$35 million equipment lease facility.

The debt facilities syndicate comprises ANZ, Investec, Sumitomo Mitsui and Commonwealth Bank of Australia. The debt facilities will have a three-year term and comprise a US\$85 million Revolving Term Facility, US\$17 million Guarantee Facility and hedging lines.

The facilities, which are secured by the Company's assets in Laos, will provide funding independence for the Company's Lao business and enable the accelerated reduction of inter-company debt from surplus Phu Kham cash-flow.

Funds from the revolving term facility have been used to retire the outstanding US\$9.3 million of Phu Kham project debt and a further US\$23 million has been used to close out the Company's gold hedge book (forward contracts and puts), which was required under the project debt facility. Under the project debt facility, PanAust had gold forward contracts covering less than 25% of planned gold production at the Phu Kham Operation over the next three years at prices ranging from US\$776/oz to US\$858/oz and deferred premium gold puts covering approximately 60,000oz at a strike of US\$700/oz.

The remaining funds from the debt facility will be used for general corporate purposes including funding of working capital and operating expenses for the Phu Kham Copper-Gold Operation. This will provide PanAust with the flexibility to accelerate repayment of inter-company debt and thereby fund the Company's growth projects which include the US\$150 million development of the Ban Houayxai Gold-Silver Project, resource drilling at the Phonsavan Copper-Gold Project and the acquisition of a majority interest in the Inca de Oro Copper-Gold Project in Chile.

Outlook

Financial Guidance

PanAust Group EBITDA for the 2010 year is expected to be between US\$220 million and US\$240 million at copper prices for the December half year of between US\$3.00/lb and US\$3.25/lb.

This is based on expected 2010 production for Phu Kham Copper-Gold Operations of over 63,000t of copper, 50,000oz gold and 400,000oz of silver, at an average C1 cash cost after precious metal credits of between US\$0.95/lb and US\$1.05/lb copper.

During the December half of 2010, PanAust's Lao subsidiary is expected to have utilised all carried forward tax losses and will transition to a tax payable position.

Growth through discovery, acquisition and development

PanAust is advancing a number of projects including, in Laos, the Ban Houayxai Gold-Silver Project which is currently under construction with completion scheduled for early 2012; the proposed upgrade to increase the ore processing rate at the Phu Kham Copper-Gold Operation by 2012 with the aim of maintaining and potentially increasing copper production and timed to coincide with a scheduled decline in ore grades; and, the Phonsavan Copper-Gold Project where resource drilling at the KTL deposit has confirmed copper-gold mineralisation over a strike length of approximately 2km.

An Independent Expert review of the feasibility study for the Puthep Copper Project in northern Thailand concurs with the study conclusion that whole of ore vat leaching is the preferred processing option for near-surface chalcocite mineralisation. The Puthep Company⁵ 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.

In Chile, PanAust is planning to acquire a controlling interest in the Inca de Oro 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. 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.

The Ban Houayxai, Phu Kham upgrade and Inca de Oro projects provide the potential to double metal production from 2010 levels, on a copper equivalent basis⁶, by 2014.

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Forward-Looking Statements

This announcement includes certain "Forward-Looking Statements". All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast operating costs, financial performance, potential mineralisation, resources and reserves, exploration results and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

¹ PanAust's assets in Laos are held by Phu Bia Mining Limited (PBM). The Government of Laos (GoL) has exercised its right to acquire a 10% interest in PBM. Results referred to in this announcement reflect 100% ownership of PBM other than the "Net profit after tax attributable to PanAust Limited" which recognises the GoL minority interest.

All financial data for the 6-month period to 30 June 2010 presented in this announcement are sourced from the Interim Financial Report for the half-year ended 30 June 2010 lodged by PanAust with the Australian Securities Exchange and it is therefore recommended that this document be referenced to provide the appropriate form and context for such data.

² Assumes gold and silver prices of US\$1,100/oz and US\$16.5/oz respectively and US\$0.85/litre diesel fuel cost.

³ Gearing = debt / (debt + equity).

⁴ Brook Hunt convention for reporting direct cash costs comprising: mine site, concentrate transportation and freight, treatment and refining charges and marketing. Based on payable copper in concentrate produced.

⁵ PanAust holds a shareholding interest of 49% 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% 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%.

⁶ Assumes US\$3.00/lb copper, US\$1,200/oz gold and US\$16/oz silver.