

APPENDIX 4D
Half-Year Report
For the Period Ended 30 June 2009

Name of entity **PanAust Limited**

ABN	Half yearly	Preliminary	Half year ended ('current period')
17 011 065 160	<input checked="" type="checkbox"/>	<input type="checkbox"/>	30 June 2009

Results for Announcement to the Market

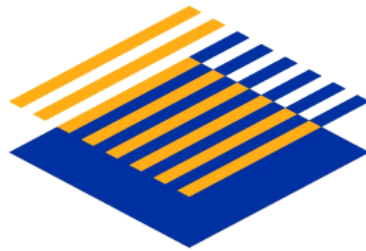
	30 June 2009 US\$'000	30 June 2008 US\$'000	Percentage Change
Revenues from ordinary activities	139,570	38,601	up 262%
Profit/(loss) from ordinary activities after tax attributable to members	(15,785)	(389)	up 3958%
Net profit/(loss) for the period attributable to members	(15,785)	(389)	up 3958%
Dividend	Nil	Nil	
Commentary on results for the period			
<ul style="list-style-type: none"> • Phu Kham was established as a low-cost copper-gold producer with an excellent safety record. Cash operating costs averaged a competitive US\$0.91/lb of payable copper after precious metal credits • Revenue from sales of US\$137.7 million (June half 2008 US\$38.4 million) reflecting the ramp up of copper-gold concentrate production at Phu Kham • Group net loss after tax and non-recurring items was US\$15.8 million (June half 2008 loss US\$0.4 million) The non-recurring items totalled US\$19.1 million • The balance sheet was strengthened significantly as approximately A\$191 million of equity capital was raised during the June half and US\$80 million of subordinated debt was retired • Placement agreement with Guangdong Rising Assets Management (GRAM), for GRAM to become a cornerstone investor by investing approximately A\$216 million to acquire a 19.9% interest in PanAust. Proceeds will be applied to retire US\$100 million of project debt and support organic growth • Growth to be underpinned by a strong balance sheet and free cash flow from Phu Kham 			
NTA Backing			
	30 June 2009	30 June 2008	
Net tangible asset backing per ordinary security	13 cents	8 cents *	
<i>* NTA backing per share has been restated based on the number of shares on issue as at 30 June 2009</i>			

Information set out in this Half-year Report should be read in conjunction with the Annual Report for the year ended 31 December 2008.

PanAust Limited

ABN 17 011 065 160

Interim Financial Report for the half-year ended 30 June 2009



PanAust Limited ABN 17 011 065 160
Interim Financial Report
For the half-year ended 30 June 2009

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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 2008 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

Directors

The following persons were directors of PanAust Limited 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. (Non-Executive Director)
- A. E. Daley, B.Sc. (Hons., Mining Engineering) F.A.I.M.M. (Non-Executive Director)
- G. A. Handley, B.Sc. (Hons., Geology and Chemistry) (Non-Executive Director)
- G. Billard, B.Econ., B.Com. (Hons., Economics) FCPA FAICD (Non-Executive Director)

Review of operations

PanAust's results for the first half of 2009 are shown below, along with comparative results for the first half of 2008:

	Half-year ended	
	30 June 2009 US\$'000	30 June 2008 US\$'000
Sales revenue	137,696	38,379
Net profit/(loss) after tax	(15,785)	(389)
Operating cash flow	(7,020)	(27,706)
Copper concentrate sales (tonnes)	106,965	8,785
Gold sales from heap leach operation (ounces)	9,214	17,532

Operating review for the half-year

Capital Raising

On 26 January 2009, PanAust announced the completion of a share placement to eligible investors of approximately 147 million shares at A\$0.15 per share to raise approximately A\$21 million and the launch of a share purchase plan to eligible shareholders. The share purchase plan raised approximately A\$26.4 million through the issue of approximately 176 million shares at just under A\$0.15 per share.

On 26 May 2009, PanAust entered into a placement agreement with Guangdong Rising Assets Management Co. Ltd (GRAM), a major Chinese investment group, under which GRAM will acquire a 19.9% interest in PanAust Limited. On the same date, PanAust announced that it would undertake a non-renounceable entitlements offer to institutional and retail shareholders and an institutional placement (Equity Offer) at A\$0.28 per share to raise a total of approximately A\$143 million.

The placement agreement with GRAM comprises a total investment of approximately A\$215.9 million through a cornerstone investment of approximately 456.8 million shares at A\$0.395 per share (equal to the closing price on 25 May 2009) and a post-Equity Offer top-up placement of approximately 126.7 million shares at A\$0.28 per share (the same price as the Equity Offer shares). Completion under the placement agreement is conditional upon a number of approvals. At the date of this report, key approvals have been received from the Australian Foreign Investment Review Board, the Chinese Government's National Development and Reform Commission and PanAust shareholders. The remaining approval required is from the Chinese Government's Ministry of Commerce.

The A\$143 million proceeds from the Equity Offer were received before the balance date and it is anticipated the A\$215.9 million proceeds from the placement agreement with GRAM will be received during September 2009.

Repayment of borrowings - subordinated debt facility

A portion of the funds raised from the above mentioned Equity Offer were utilised to repay the Company's US\$80 million subordinated debt facility with Goldman Sachs JBWere. As at 30 June 2009, the facility had been fully repaid.

Review of operations (continued)

Settlement of provisional pricing liability

During December 2008, PanAust signed a sale agreement with a long-term customer which incorporated the deferred settlement of the outstanding provisional pricing liability. As at 31 December 2008, the provisional pricing liability for this customer was US\$39 million. The liability was progressively repaid over the first half of 2009 with the last instalment of US\$6m completed in July 2009.

Since 31 December 2008, the LME three month forward copper price has steadily increased from US\$2,935/tonne (t) (US\$1.33/lb) to US\$5,102/t (US\$2.31/lb) as at 30 June 2009. This has had the favourable result of a provisional pricing receivable of US\$9.6 million as at 30 June 2009.

Cash balances

Proceeds from the recent Equity Offer have strengthened the Company's balance sheet through the repayment of the Goldman Sachs JBWere (GSJBW) facility and elevated working capital balances. The placement of shares to GRAM will provide the Company with the flexibility to progress growth projects and the option of repaying a significant part of the project debt for the Phu Kham Copper-Gold Operation.

The significant Phu Kham Operations achievements for the first half of 2009 were:

- An excellent safety record achieving 12 months without Lost Time Injury. This equates to over 6.5 million man hours without a lost time injury;
- Production of 98,926t of copper concentrate containing 23,910t copper, 18,809oz gold, 173,158oz silver, and 8,050oz of gold doré;
- Average cash costs of US\$0.91/lb of payable copper (net of gold and silver credits); and
- Commencement of construction of a new haulage route to cross the Mekong River by ferry, which is due for completion in September 2009. As a result, haulage cost savings will begin to be realised in the second half of 2009;

The following key growth project events occurred during the first half of 2009:

- Feasibility study for the Ban Houayxai Gold-Silver Project in Laos commenced and is scheduled for completion in the March quarter 2010; and
- Announcement of a revised mineral resource estimate for PUT 1 copper deposit in Northern Thailand.

Matters subsequent to the half-year ended

On 8 July 2009, an Extraordinary General Meeting was held for the consideration of a resolution to approve the issue of shares to Guangdong Rising Assets Management Co Ltd (GRAM). In addition, the subsequent approval of shareholders was sought in relation to the share placement conducted in conjunction with the institutional component of the accelerated non-renounceable rights issue (as announced to the ASX on 26 May 2009). Both matters were approved at this meeting.

Subsequent to the end of the half year, an agreement has been reached between PanAust and the banks providing the Working Capital Facility whereby the parties agreed that those banks be paid a monetary sum instead of being issued options under an option deed dated 23 December 2008. The option deed had been entered into as part of the consideration for the agreement of the provision of the Working Capital Facility to Phu Bia Mining Limited. Under the terms of the option deed, each of the three banks providing the Working Capital Facility were entitled to be issued 18 million options. Subject to meeting obligations under the terms of the option settlement deed, the Company has agreed to pay each of the Working Capital Facility banks a total of US\$2.166 million instead of issuing the options.

On 30 July 2009, PanAust Limited advised the Agent for the bank syndicate to the Facilities Agreement for the Phu Kham Copper-Gold Operation that the requisite bank majority had been achieved in favour of the Company's proposals on the amendment of certain terms in the Facilities Agreement dated 26 June 2007. On the same day, Phu Bia Mining Limited certified a copy of the banks' Independent Engineer's report on the Completion Tests for the Phu Kham Copper-Gold Operation. The certification of completion was a pre-condition to the change of terms of the Facilities Agreement.

Matters subsequent to the half-year ended (continued)

The banks have formally indicated their acceptance of PanAust's position subject to PanAust agreeing as a priority to apply equity funds (that are raised subsequently) for debt reduction. Consistent with this, PanAust anticipates reducing the bank debt by US\$100 million on receipt of the funds (approximately A\$215.9 million) from completion of the placement agreement with GRAM. This is also consistent with PanAust's previously stated intention for part of the GRAM placement proceeds.

Other than the above mentioned, PanAust Limited has not encountered any material subsequent events since the half-year balance date 30 June 2009.

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

Brisbane
28 August 2009



PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Auditor's Independence Declaration

As lead auditor for the review of PanAust Limited for the half-year ended 30 June 2009, 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 audit;
and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'R. Hubbard'.

R. Hubbard
Partner
PricewaterhouseCoopers

Brisbane
28 August 2009

PanAust Limited
Statement of comprehensive income
For the half-year ended 30 June 2009

		Half-year ended	
		30 June	30 June
		2009	2008
	Notes	US\$'000	US\$'000
Revenue from continuing operations	3	139,570	38,601
Other income		2	218
Changes in inventories of finished goods and work in progress		(6,177)	8,123
Mine operating costs		(45,056)	(18,325)
Depreciation and amortisation expense		(19,844)	(7,923)
Concentrate haulage		(12,437)	(949)
Employee benefits expense		(12,058)	(12,688)
Treatment and refining charges		(9,506)	(175)
Royalties		(4,600)	(2,198)
Other expenses		(6,738)	(3,766)
Profit/(loss) before financing costs and income tax		23,156	918
Unrealised hedge losses	4	(5,309)	(504)
Share option expense	4	(14,086)	(2,423)
Interest and finance costs	4	(16,808)	(4,406)
Profit/(loss) before income tax		(13,047)	(6,415)
Income tax (expense)/benefit	5	(2,738)	6,026
Profit/(loss) from continuing operations		(15,785)	(389)
Profit/(loss) after income tax attributable to owners of PanAust Limited		(15,785)	(389)
Other comprehensive income			
Changes in fair value of cash flow hedges		(4,926)	(5,213)
Income tax relating to components of other comprehensive income		1,245	3,975
Other comprehensive income for the half-year, net of tax		(3,681)	(1,238)
Total comprehensive income attributable to owners of PanAust Limited		(19,466)	(1,627)
		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share		(0.87)	(0.03)
Diluted loss per share		(0.67)	(0.02)

The comparative earnings per share have been restated to take into account the bonus element of shares issued during the half-year ended 30 June 2009.

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

PanAust Limited
Statement of financial position
As at 30 June 2009

	Notes	30 June 2009 US\$'000	31 December 2008 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents		36,106	6,245
Inventories	6	25,684	31,861
Trade and other receivables		19,184	18,510
Derivative financial instruments	7	279	768
Total current assets		<u>81,253</u>	<u>57,384</u>
Non-current assets			
Receivables		35,160	34,982
Derivative financial instruments	7	3,685	8,504
Investments accounted for using the equity method	8	17,711	14,632
Property, plant and equipment		292,332	293,750
Exploration and evaluation, development and mine properties	9	169,436	156,158
Deferred tax assets		23,777	25,269
Intangible assets		5,380	5,380
Total non-current assets		<u>547,481</u>	<u>538,675</u>
Total assets		<u>628,734</u>	<u>596,059</u>
LIABILITIES			
Current liabilities			
Trade and other payables		55,236	90,368
Borrowings	10	39,700	107,223
Lease liabilities		7,721	7,721
Derivative financial instruments	7	4,421	2,120
Provisions		2,385	1,960
Total current liabilities		<u>109,463</u>	<u>209,392</u>
Non-current liabilities			
Payables		4,072	4,982
Borrowings		153,375	163,000
Lease liabilities		34,987	38,848
Provisions		17,196	17,198
Derivative financial instruments	7	7,395	4,715
Total non-current liabilities		<u>217,025</u>	<u>228,743</u>
Total liabilities		<u>326,488</u>	<u>438,135</u>
Net assets		<u>302,246</u>	<u>157,924</u>
EQUITY			
Contributed equity	11	363,622	216,936
Reserves	12(a)	11,797	393
Accumulated Losses	12(b)	(97,131)	(81,346)
Capital and reserves attributable to the owners of PanAust Limited		<u>278,288</u>	<u>135,983</u>
Minority interest	13	<u>23,958</u>	<u>21,941</u>
Total equity		<u>302,246</u>	<u>157,924</u>

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

PanAust Limited
Statement of changes in equity
As at 30 June 2009

Half-year 2008	Notes	Attributable to members of PanAust Limited				Minority Interest US\$'000	Total equity US\$'000
		Contributed equity US\$'000	Reserves US\$'000	Retained earnings US\$'000	Total US\$'000		
Total equity at the beginning of the half-year		215,985	(9,438)	(41,387)	165,160	15,035	180,195
Profit/(loss) for the half-year		-	-	(389)	(389)	-	(389)
Changes in the fair value of cash flow hedges, net of tax		-	(1,238)	-	(1,238)	-	(1,238)
Total comprehensive income for the half-year		-	(1,238)	(389)	(1,627)	-	(1,627)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		574	-	-	574	-	574
Total changes in minority interest		-	-	-	-	5,880	5,880
Employee share scheme		-	833	-	833	-	833
Unlisted share options - GSJBWere		-	2,423	-	2,423	-	2,423
Equity movement for the half-year ended		574	3,256	-	3,830	5,880	9,710
Balance at 30 June 2008		216,559	(7,420)	(41,776)	167,363	20,915	188,278

Half-year 2009	Notes	Attributable to members of PanAust Limited				Minority interest US\$'000	Total equity US\$'000
		Contributed equity US\$'000	Reserves US\$'000	Retained earnings US\$'000	Total US\$'000		
Total equity at the beginning of the half-year		216,935	394	(81,346)	135,984	21,940	157,924
Profit/(loss) for the half-year		-	-	(15,785)	(15,785)	-	(15,785)
Changes in the fair value of cash flow hedges, net of tax		-	(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	11	146,686	-	-	146,686	-	146,686
Total changes in minority interest	13	-	-	-	-	2,018	2,018
Employee share based payments	12a	-	998	-	998	-	998
Unlisted share options - GSJBWere	12a	-	14,086	-	14,086	-	14,086
Equity movement for the half-year ended		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

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

PanAust Limited
Cash flow statement
For the half-year ended 30 June 2009

		Half-year ended	
		30 June	30 June
		2009	2008
	Notes	US\$'000	US\$'000
Cash flows from operating activities			
Receipts from customers		107,061	28,062
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(96,281)</u>	<u>(36,403)</u>
		10,780	(8,341)
Payments of exploration and evaluation costs		(3,199)	(13,013)
Interest received		47	231
Interest and finance costs paid		<u>(14,648)</u>	<u>(6,583)</u>
Net cash (outflow) inflow from operating activities	16	<u>(7,020)</u>	<u>(27,706)</u>
Cash flows from investing activities			
Payments for development costs		(10,119)	(75,947)
Payments for property, plant and equipment		(12,119)	(17,784)
Payments for investment in associate		<u>(2,614)</u>	<u>(3,994)</u>
Net cash (outflow) inflow from investing activities		<u>(24,852)</u>	<u>(97,725)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		150,404	574
Transaction costs		(3,717)	-
Proceeds / (repayment) of borrowings		(84,954)	111,707
Borrowing and loan establishment costs		<u>-</u>	<u>(2,712)</u>
Net cash inflow (outflow) from financing activities		<u>61,733</u>	<u>109,569</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the half-year		29,861	(15,862)
Effects of exchange rate changes on cash and cash equivalents		6,245	24,414
		<u>-</u>	<u>(61)</u>
Cash and cash equivalents at end of the half-year		<u>36,106</u>	<u>8,491</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year period ended 30 June 2009 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 2008 and any public announcements made by PanAust Limited during the interim financial reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated below.

(a) Basis of preparation of half-year financial report

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of PanAust Limited comply with International Financial Reporting Standards (IFRS).

Basis or measurement

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments measured at fair value.

(b) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(c) Revenue recognition

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the Company, the quantity and quality of the goods have been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable.

PanAust delivers concentrate to copper traders 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 trader makes a provisional payment to PanAust by way of a provisional invoice for the contained copper in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period specified by the terms of the sale contract, or the pre-determined fixed price. For contracts with an open pricing period, the period can be a few days or one month and can commence up to four months after shipment date. 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 and the QP often reflects the average time to elapse between the date of shipment and the date of processing by the smelter at final destination.

(i) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. Interest is recognised as the interest accrues (using the effective interest method, where applicable) to the gross carrying amount of the financial asset.

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 senior management team in assessing performance and determining strategy. The consolidated entity derives its revenue from copper-gold and gold doré mining activity and related preparation and as such, performance is assessed for the Phu Kham Operations of Phu Bia Mining Limited.

The 'Other' segment refers to corporate activities, expenditure on undeveloped properties and any other items that are not appropriate to allocate to an individual operating segment.

Performance of the segments is assessed on a stand-alone pre-tax basis reflected as the Segment Result reported in the Statement of Comprehensive Income.

(b) Primary reporting format - operating segments

Half-year 2009	Other US\$'000	Phu Bia Mining US\$'000	Total continuing operations US\$'000
Sales to external customers	-	<u>137,696</u>	<u>137,696</u>
Interest revenue	46	1	47
Other revenue	<u>1,817</u>	<u>10</u>	<u>1,827</u>
Total segment revenue	<u>1,863</u>	<u>137,707</u>	<u>139,570</u>
Segment result	<u>(16,669)</u>	<u>3,622</u>	<u>(13,047)</u>
Income tax expense			<u>(2,738)</u>
Loss for the year			<u>(15,785)</u>
Segment assets	<u>53,705</u>	<u>575,029</u>	<u>628,734</u>
Half-year 2008	Other US\$'000	Phu Bia Mining US\$'000	Total continuing operations US\$'000
Sales to external customers	-	<u>38,379</u>	<u>38,379</u>
Interest revenue	126	58	184
Other revenue	<u>170</u>	<u>86</u>	<u>256</u>
Total segment revenue	<u>296</u>	<u>38,523</u>	<u>38,819</u>
Segment result	<u>(8,687)</u>	<u>2,272</u>	<u>(6,415)</u>
Income tax expense			<u>6,026</u>
Loss for the year			<u>(389)</u>
Segment assets	<u>38,110</u>	<u>498,443</u>	<u>536,553</u>

2 Segment information (continued)

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, segment result and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

3 Revenue

	Half-year ended	
	30 June	30 June
	2009	2008
	US\$'000	US\$'000
From continuing operations		
<i>Sales revenue</i>		
Copper in concentrate	97,295	18,064
Copper in concentrate price adjustment	12,626	-
Gold in concentrate	17,261	3,976
Silver in concentrate	2,218	283
Gold dore	8,296	16,056
	<u>137,696</u>	<u>38,379</u>
<i>Other revenue</i>		
Interest	47	184
Scrap Sales	10	38
Joint venture administrative charges	1,817	-
	<u>1,874</u>	<u>222</u>
	<u>139,570</u>	<u>38,601</u>

(a) Copper in concentrate

As at 30 June 2009, PanAust had issued provisional invoices for copper concentrate sales containing 9,682t of payable copper. Of this, 5,910t were subject to fixed price terms at an average price of US\$4,611/t (US\$2.09/lb). The remaining 3,772t of payable copper has been valued using the LME three month forward copper price of US\$5,102/t (US\$2.31/lb) as at 30 June 2009. This latter valuation provides an estimate of the average settlement price.

4 Finance costs

	Half-year ended	
	30 June	30 June
	2009	2008
	US\$'000	US\$'000
<i>Finance costs</i>		
Interest paid/payable	9,347	8,117
Finance charges paid/payable	1,873	2,649
Provisions: unwinding of discount	588	517
Other borrowing costs	5,000	-
	16,808	11,283
Interest capitalised	-	(5,354)
Finance charges capitalised	-	(1,523)
Finance costs expensed	16,808	4,406
Unrealised hedge losses	5,309	504
Share option expense - GSJBWere options	14,086	2,423

Finance Costs - other borrowing cost

The US\$80 million subordinated debt facility (refer to Note 10) with Goldman Sachs JBWere (GSJBW) was repaid in its entirety in June 2009. As part of the consideration for the early repayment of the facility, a US\$5 million redemption fee was paid. Had any part of the loan been outstanding after 31 July 2009, PanAust would have incurred an increased interest rate and have had to issue an additional tranche of 75 million options. With the repayment of the loan, these additional obligations were not incurred.

Share option expense - GSJBWere options

On 2 January 2009, an agreement was reached between the Company and GSJBW to roll over the subordinated debt facility in its entirety, 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. A non-cash accounting expense of US\$14,086,045 has been recognised to represent the fair value of the options at grant date, being 15 April 2009.

5 Income tax expense

	Half-year ended	
	30 June 2009 US\$'000	30 June 2008 US\$'000

(a) Income tax (benefit)/expense

Deferred tax	2,738	(6,026)
<i>Deferred income tax (revenue) expense included in income tax expense comprises:</i>		
Decrease (increase) in deferred tax assets	(1,965)	(19,303)
Increase (decrease) in deferred tax liabilities	3,458	13,277
Increase (decrease) in hedge reserve	1,245	-
	<u>2,738</u>	<u>(6,026)</u>

As at 30 June 2009, the income tax expense and deferred tax balances are attributable to Phu Bia Mining Limited.

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. Due to the on-going loss position of the tax consolidated Group, tax balances have not been recognised for the half-year ended 30 June 2009.

6 Current assets - Inventories

	30 June 2009 US\$'000	31 December 2008 US\$'000
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Raw materials

Raw materials and stores - at cost	20,216	17,659
Provision for obsolete stores	(74)	(74)
	<u>20,142</u>	<u>17,585</u>

Work in progress

Work in progress - at cost	3,245	3,241
Gold in heaps - at cost	1,144	2,784
	<u>4,389</u>	<u>6,025</u>

Finished goods

Gold bullion - lower of cost and net realisable value	171	1,228
Copper-gold concentrate - lower of cost and net realisable value	982	7,023
	<u>1,153</u>	<u>8,251</u>
	<u>25,684</u>	<u>31,861</u>

(a) Net realisable value

Inventory has been recognised at lower of cost and net realisable value so as to not overstate the estimated selling price of stocks on site and at port. At 30 June 2009, no adjustment for net realisable value was required.

7 Derivative financial instruments

	30 June 2009 US\$'000	31 December 2008 US\$'000
Current assets		
Gold put options	<u>279</u>	<u>768</u>
Total current derivative financial instrument assets	<u>279</u>	<u>768</u>
Non-current assets		
Gold put options	<u>3,685</u>	<u>8,504</u>
Total non-current derivative financial instrument assets	<u>3,685</u>	<u>8,504</u>
Total derivative financial instrument assets	<u>3,964</u>	<u>9,272</u>
Current liabilities		
Interest rate swaps - cash flow hedges ((a)(i))	-	410
Gold hedge liability	3,198	1,710
Copper hedge liability	<u>1,223</u>	<u>-</u>
Total current derivative financial instrument liabilities	<u>4,421</u>	<u>2,120</u>
Non-current liabilities		
Gold hedge liability	<u>7,395</u>	<u>4,715</u>
Total non-current derivative financial instrument liabilities	<u>7,395</u>	<u>4,715</u>
Total derivative financial instrument liabilities	<u>11,816</u>	<u>6,835</u>
Net derivative financial instrument asset/(liability)	<u>(7,852)</u>	<u>2,437</u>

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

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, gold price and copper price in accordance with the mandatory hedging program for the project financing for the Phu Kham Copper-Gold Operation.

(i) Interest rate swap contracts - cash flow hedges

As at 30 June 2009, all interest rate swaps entered into by the Group had matured.

The contracts required settlement of net interest receivable or payable each 90 days from 30 June 2008 to 30 June 2009. The settlement dates were timed to coincide with the dates on which interest is payable on the underlying debt.

(ii) Gold forward contracts and put options

The Group has entered into forward swap contracts for the sale of gold produced by the Phu Kham Operations from 2009 to 2013. The open contracts comprise committed gold forward hedging of 62,074 ounces at an average strike price of US\$806/ounce. The open put options cover 84,373 ounces of gold at a strike price of US\$700/ounce.

The spot price at 30 June 2009 used to revalue these forwards and put options was US\$944.60/oz.

(iii) Copper forward contracts

The Group has entered into several copper forward contracts to cover potential exposure to adverse copper price fluctuations. The contracted forward swaps pertain to copper concentrate sales completed since 31 December 2008, which are subject to a 'quotational period' for which provisional invoices have been received and the issue of the final invoice is pending. As at 30 June 2009, a total of 2,000 tonnes of copper is hedged at a price of US\$4,345 (US\$1.97lb). The purpose of this hedging activity is to provide PanAust with increased certainty over future sales revenue.

7 Derivative financial instruments (continued)

(b) Copper hedging program

PanAust's current policy, subject to availability of credit lines is to hedge the following copper price exposures:

- not less than 50% of the estimated copper production of the Phu Kham Copper-Gold Operation for the balance of the 2009 calendar year;
- not less than 20% of the estimated copper production of the Phu Kham Copper-Gold Operation for the 2010 calendar year by 31 January 2010; and
- to hedge not less than 50% nor more than 90% of its provisional copper pricing exposure once an invoice has been issued for the relevant shipment of copper concentrate.

(c) Fixed price sale contracts

The Group has entered into several copper concentrate sale contracts which incorporate a fixed price component. By definition, the fixed pricing terms do not constitute a derivative and therefore are not recognised at mark-to-market values. As at the balance date, the company had agreed to fixed terms for 5,910t of payable copper at an average price of US\$4,611/t (US\$2.09/lb).

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

	30 June 2009 US\$'000	31 December 2008 US\$'000
Shares in associates	6,021	2,021
Advances to associates	11,690	12,611
	<u>17,711</u>	<u>14,632</u>

The Company has the right to earn a 51% interest in Puthep Company Limited, a Thai incorporated subsidiary of Padaeng Industry Public Company Limited (Padaeng) and the licence holder of the Puthep Copper Project in Thailand through a Participation Agreement entered into in 2000 (as amended). The Company is required to complete a bankable feasibility study. The Company has completed the expenditure requirements of the First and Second Earning Period of the Participation Agreement (US\$2 million) and has earned a 33.17% interest in Puthep Company Limited. As confirmed by an audit completed during the first half of 2009, the Company has met all of the requirements under the Participations Agreement to move from a 33.17% interest to a 49% interest in Puthep Company Limited. The additional shares are in the process of being issued.

Under the Thailand - Australia Free Trade Agreement, the Company can acquire a 60% interest in Puthep Company Limited without any further approvals from the Government of Thailand.

Under the Participation Agreement, the Company has the ability to acquire a total of 60% or 70% interest in Puthep. The Government of Thailand has an option to acquire a 10% interest. If the Government of Thailand exercises its option to acquire a 10% interest, each of Padaeng and the Company must transfer half of the shares to the Government of Thailand provided that Padaeng's interest is not to fall below 26%.

9 Non-current assets - Exploration and evaluation, development and mine properties

Consolidated	Preproduction Exploration & Evaluation US\$'000	Phu Kham Pre- production US\$'000	Restoration Asset US\$'000	Phu Kham Heap Leach Operation US\$'000	Total US\$'000
Opening net book amount	47,705	86,823	13,125	8,505	156,158
Additions	13,488	4,338	354	-	18,180
Amortisation charge	-	(2,914)	(593)	(2,133)	(5,640)
Transfers in/(out)	-	882	(103)	(41)	738
Closing net book amount	<u>61,193</u>	<u>89,129</u>	<u>12,783</u>	<u>6,331</u>	<u>169,436</u>

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.

10 Current liabilities - Borrowings

	30 June 2009 US\$'000	31 December 2008 US\$'000
Bank loans	<u>39,700</u>	<u>107,223</u>

Under the senior project facility for the Phu Kham Copper-Gold Operation, the anticipated contractual repayments for the next twelve months are US\$31.6 million.

On 23 December 2008, PanAust entered into a revolving working capital facility agreement for US\$8.075 million with three of the banks providing the senior project facility. As part of the consideration for the provision of the facility, 18 million options were offered to each of the three banks providing the facility. As at 30 June 2009, the options had not been granted. Refer to Note 14, Events occurring after the balance sheet date, and Note 15, Contingent liability for further detail.

On 5 March 2008, the Company executed an agreement with GSJBW for a US\$80 million subordinated debt facility. The funds were used to finance working capital during the ramp up phase of the Phu Kham Copper-Gold Operation, expenditure on the preliminary works for the expansion of Phu Kham and the substantially increased exploration and evaluation program (which included Thailand). As part of the consideration for the agreement with GSJBW, three tranches each of 5 million unlisted options were issued to GSJBW. All of these options expired without being exercised.

On 2 January 2009, an agreement was reached between the Company and GSJBW to roll over the facility in its entirety, with a new maturity date of 31 March 2010. As part of the consideration for the roll over 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. All of these options were exercised on 5 May 2009.

The GSJBW facility was repaid in its entirety in June 2009. Had any part of the loan been outstanding after 31 July 2009, PanAust would have incurred an increased interest rate and have had to issue an additional tranche of 75 million options. With the repayment of the loan, these additional obligations were not incurred.

11 Contributed equity

	30 June 2009 Shares	31 December 2008 Shares	30 June 2009 US\$'000	31 December 2008 US\$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>2,348,521,565</u>	<u>1,440,067,882</u>	<u>363,622</u>	<u>216,936</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	US\$'000
1 January 2009	Opening balance	1,440,067,882	216,936
	Share placement (i)	147,065,717	14,708
	Share purchase plan (ii)	176,019,477	16,844
	Share placement (iii)	279,778,563	57,288
	Entitlements offer (iv)	229,031,304	55,471
	Options exercised - GSJBWere	75,000,000	5,842
	Executive options exercised	1,000,000	250
	Share rights exercised	558,623	-
			<u>367,339</u>
	Less: Transaction costs		<u>(3,717)</u>
30 June 2009	Closing Balance	<u>2,348,521,566</u>	<u>363,622</u>

(c) 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.

Capital Raising - ordinary shares issued

(i) Share placement

On 28 January 2009, PanAust issued 147,065,717 fully paid ordinary shares at an issue price of A\$0.15 per share to institutional, sophisticated and professional investors.

(ii) Share purchase plan

A share purchase plan was launched on 2 February 2009 and resulted in the issue of 176,019,477 fully paid ordinary shares at an issue price of A\$0.14985 per share.

(iii) Share placement

A further 279,778,563 fully paid ordinary shares were issued to institutional, sophisticated and professional investors through a share issue launched on 26 May 2009 at an issue price of A\$0.28. This issue price equates to a 29.1% discount to the closing share price on 25 May 2009.

(iv) Entitlements offer

Coinciding with the above mentioned share placement on 26 May 2009, an entitlements offer was launched. This entailed a 2 for 9 accelerated non-renounceable entitlements offer at an issue price of A\$0.28 and resulted in the issue of 229,031,304 ordinary shares.

11 Contributed equity (continued)

(d) Share Options

(i) *Executives' options plan*

During May 2009, 1,000,000 executive options were exercised at a price of A\$0.32 per share.

(ii) *Unlisted options*

As part of the consideration for the provision of the fully subordinated debt facility agreement with GSJBWere, 75,000,000 unlisted options have been exercised at a strike price of A\$0.105 per share (being a 24% premium to market close on 31 December 2008). The options were exercised on 5 May 2009.

12 Reserves and accumulated losses

	30 June 2009 US\$'000	31 December 2008 US\$'000
(a) Reserves		
Hedging reserve - cash flow hedges	(8,862)	(5,181)
Share-based payments reserve	<u>20,659</u>	<u>5,574</u>
	<u>11,797</u>	<u>393</u>

	30 June 2009 US\$'000	31 December 2008 US\$'000
Movements:		
<i>Hedging reserve - cash flow hedges</i>		
Balance 1 January 2009	(5,181)	(10,788)
Revaluation - gross	(4,536)	2,253
Transfer to net profit - gross	(390)	1,708
Deferred tax	1,245	1,709
Transfer to capitalised development	-	(63)
Balance 30 June 2009	<u>(8,862)</u>	<u>(5,181)</u>

	30 June 2009 US\$'000	31 December 2008 US\$'000
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 January 2009	5,574	1,350
Valuation options and share rights	998	1,801
Options issued to GSJBWere	14,086	2,423
Balance 30 June 2009	<u>20,659</u>	<u>5,574</u>

12 Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2009 US\$'000	31 December 2008 US\$'000
Opening balance 1 January 2009	(81,346)	(41,387)
Net loss attributable to members of PanAust Limited	<u>(15,785)</u>	<u>(39,959)</u>
Closing balance 30 June 2009	<u>(97,131)</u>	<u>(81,346)</u>

13 Minority interest

	30 June 2009 US\$'000	31 December 2008 US\$'000
Interest in:		
Share capital	<u>23,958</u>	<u>21,941</u>
	<u>23,958</u>	<u>21,941</u>

The Government of Laos has exercised its option to acquire a 10% interest in Phu Bia Mining Limited, which will be paid for 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 2009.

As at 30 June 2009, the minority interest share of profit has not been recognised in the income statement as the Government of Laos is yet to formally acknowledge the amount payable in order to acquire the 10% interest in Phu Bia Mining Limited. The calculation of the amount payable by the Government of Laos is defined in the terms of the Mineral Exploration and Production Agreement (MEPA).

14 Events occurring after the balance sheet date

(a) Cornerstone investment agreement

On 26 May 2009, PanAust entered into a placement agreement with Guangdong Rising Assets Management Co. Ltd (GRAM), a major Chinese investment group, under which GRAM will acquire a 19.9% interest in PanAust Limited. On the same date, PanAust announced that it would undertake a non-renounceable entitlements offer to institutional and retail shareholders and an institutional placement (Equity Offer) at A\$0.28 per share to raise a total of approximately A\$143 million.

The placement agreement with GRAM comprises a total investment of approximately A\$215.9 million through a cornerstone investment of approximately 456.8 million shares at A\$0.395 per share (equal to the closing price on 25 May 2009) and a post-Equity Offer top-up placement of approximately 126.7 million shares at A\$0.28 per share (the same price as the Equity Offer shares). Completion under the placement agreement is conditional upon a number of approvals. At the date of this report, key approvals had been received from the Australian Foreign Investment Review Board, the Chinese Government's National Development and Reform Commission and PanAust shareholders. The remaining approval required is from the Chinese Government's Ministry of Commerce.

The A\$143 million proceeds from the Equity Offer were received before the balance date and it is anticipated the A\$215.9 million proceeds from the placement agreement with GRAM will be received during September 2009.

(b) Bank Loans

(i) Completion Test under Phu Kham project financing

On 30 July 2009, PanAust Limited advised the Agent for the bank syndicate to the Facilities Agreement for the Phu Kham Copper-Gold Operation that the requisite bank majority had been achieved in favour of the Company's proposals on the amendment of certain terms in the Facilities Agreement dated 26 June 2007. On the same day, Phu Bia Mining Limited certified a copy of the banks' Independent Engineer's report on the Completion Tests for the Phu Kham Copper-Gold Operation. The certification of completion was a pre-condition to the change of terms of the Facilities Agreement.

The banks have formally indicated their acceptance of PanAust's position subject to PanAust agreeing as a priority to apply equity funds (that are raised subsequently) for debt reduction. Consistent with this, PanAust anticipates reducing the bank debt by US\$100 million on receipt of the funds (approximately A\$215.9 million) from completion of the placement agreement with GRAM. This is also consistent with PanAust's previously stated intention for part of the GRAM placement proceeds.

(ii) Working Capital Facility

Subsequent to the end of the half year, an agreement has been reached between PanAust and the banks providing the Working Capital Facility whereby the parties agreed that those banks be paid a monetary sum instead of being issued options under an option deed dated 23 December 2008. The option deed had been entered into as part of the consideration for the agreement of the provision of the Working Capital Facility to Phu Bia Mining Limited. Under the terms of the option deed, each of the three banks providing the Working Capital Facility were entitled to be issued 18 million options. Subject to meeting obligations under the terms of the option settlement deed, the Company has agreed to pay each of the Working Capital Facility banks a total of US\$2.166 million instead of issuing the options.

15 Contingent liability

As outlined in note 14(b)(ii), the Company has agreed to the terms of an option settlement deed. Should the terms as outlined in the deed be met, the maximum consideration payable to each of the three banks will be US\$2.166 million.

16 Cash flow - net cash flow from operating activities

During December 2008, PanAust signed a sale agreement with a long term customer which incorporated the deferred settlement of the outstanding provisional pricing liability relating to copper concentrate sales completed during 2008. The provisional pricing liability, for this customer, as at 31 December 2008 was US\$39 million. Since this date, a total of US\$32.5 million has been settled. The net cash outflow from operating activity reported for the half-year ended is US\$7.0 million. Excluding the effects of the deferred provisional pricing liability, there would have been a net cash inflow from operating activity of US\$25.5 million.

PanAust Limited
Directors' declaration
for the half-year ended 30 June 2009

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 21 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 company's and consolidated entity's financial position as at 30 June 2009 and of their 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
Director



G. Stafford
Director

Brisbane
28 August 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Independent auditor's 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 comprise the statement of financial position as at 30 June 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for PanAust Limited (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 an Interim 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 2009 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.

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 the *Corporations Act 2001* including:

Liability limited by a scheme approved under Professional Standards Legislation

