28 August 2008

Financial results for the 6 months to 30 June 2008

During the June half 2008, PanAust emerged as a significant producer of copper-gold concentrate in Southeast Asia. Activities during the half year focused on commissioning and early stage throughput ramp up of the Phu Kham Copper-Gold Operation in Laos, as well as on project evaluation and exploration activities in Laos and Thailand.

By the end of the half, the Company had commenced generating significant cash flow at the Phu Kham Copper-Gold Operation. Looking forward, cash flow is predicted to rise dramatically during the second half of 2008 as concentrate production at Phu Kham ramps up towards steady state levels and gold doré production resumes in late September.

PanAust Limited Financial Summary[1] for the 6 months ending 30 June 2008:

- Revenue from sales of US$38.4 million (June half 2007 US$12.2 million), which includes one month of copper-gold concentrate sales.
- Record revenue from gold doré sales of US$16.1 million (June half 2007 US$12.2 million).
- Profit contribution from Southeast Asia operations of US$8.3 million (June half 2007 loss US$0.2 million).
- Group net loss of US$0.4 million (June half 2007 loss US$0.3 million).
- Group exploration and evaluation costs for the half year were US$17.0 million (June half 2007 US$5.5 million).
- At 30 June 2008, PanAust had cash and equivalents of US$8.5 million, debt of US$244.2 million and undrawn facilities totalling US$42.8 million (debt and undrawn facilities exclude equipment leases).

Key Points for the half year

- Production of copper-gold concentrate commenced at Phu Kham in late April and commercial concentrate production was declared on 1 June 2008. Operating costs have been expensed from that date. Subsequent operational ramp up has continued to plan.
  - First sales of copper-gold concentrate occurred in June with a total of 8,785 dry metric tonnes (dmt) sold returning revenue of US$22.3 million (based on provisional pricing and metal content assumptions of 25% copper, 7g/t gold and 65g/t silver).

[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. All results reflect 100% ownership of PBM. From the conclusion of the GoL taking up the 10% interest, PanAust will commence recognising the minority interest in the profit and loss of PBM.

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  - All copper sales are unhedged allowing PanAust to take full advantage of prevailing high copper prices.
- The Phu Kham Copper-Gold Ore Reserve estimate increased substantially in April 2008, following a successful resource extension and infill drill program.
  - The higher copper and gold grades associated with the revised Ore Reserve estimate resulted in higher annual metal production forecasts for the Operation.
- Positive drill results from ongoing exploration at the Puthep Copper Project in Thailand, and the Ban Houayxai Gold-Silver Project in Laos, led to substantial increases to the estimated Mineral Resources for both these projects, underscoring the potential of the Company's pipeline of organic growth opportunities.
  - At Puthep, the new Mineral Resource estimate for the PUT1 copper deposit supports the goal to develop a bulk flotation operation that could produce concentrate containing 50,000t of copper per annum for a PanAust equity share of at least 30,000t of copper per annum. The Puthep Copper Project is at the pre-feasibility study stage with completion of the feasibility study scheduled for the first half of 2009.
  - The Ban Houayxai Pre-Feasibility Study (PFS) advanced well during the first half 2008, evidenced by the announcement of a considerable increase in the Mineral Resource in August 2008. The PFS is on track for completion during the current September quarter. PanAust is confident that the Project will proceed to a full feasibility study with the aim of establishing an ore reserve that could support a project producing greater than 100,000oz of gold per annum. The target for first production is 2011.
- Appointment of a new Chairman and Non-Executive Director
  - Mr Garry Hounsell was appointed as the new Chairman effective 1 July 2008 following the retirement of Chairman Mr Robert Bryan
  - Mr Geoff Billard was appointed Non-Executive Director effective 1 July 2008

Outlook

Phu Kham Operations

Ramp-up of the copper-gold process plant throughput to the design rate of 12Mtpa is continuing with design monthly throughput of one million tonnes of ore expected to be achieved for August, several months ahead of plan.

Good progress has been made with the mechanical completion tests for the process plant, and sign-off by the independent expert has been received. Financial completion tests will follow and are targeted for conclusion by the end of December 2008.

Once the design throughput rate has been achieved, the focus will shift to optimising metallurgical recoveries for the various ore types. Ramp-up to full steady state production is scheduled to take 12 months.

Under steady state operations, 10,000dmt shipments of concentrate containing around 2,500t of copper, 2,250oz of gold and 21,000oz of silver will occur approximately every two weeks. Using commodity price assumptions of US$3.30/lb for copper, US$790/oz for gold this would return monthly revenue of approximately US$40 million after smelter deductions.

The current production target for calendar 2008 is 30,000t of copper, 27,000oz of gold and 300,000oz of silver in concentrate, and 30,000oz of gold doré. Production of gold doré at the seasonal Phu Kham Heap Leach Operation is treated as a by-product to the copper-gold operation.

A review of production costs and an update of production targets for 2008 will occur at the end of the September quarter, following the first four months of commercial production. This review will also assess the impact of the recent increase in the price of key consumables. The Phu Kham Operation has a low strip ratio and has access to competitively priced hydro-power which means that the operation has a low sensitivity to fuel price fluctuations. Current indications are that the average cash operating costs at steady-state production will be approximately US$1/lb copper after precious metal credits, placing the operation in the second quartile of copper producers.

The production target for 2009, the first full year of operation, is to produce 240,000t of concentrate containing 60,000t of copper, 60,000oz of gold and 600,000oz of silver, plus 20,000oz of gold doré as the heap leach reserve is depleted.

Phu Kham copper-gold expansion

PanAust has committed to a capital efficient expansion of the Phu Kham copper-gold operation during 2009, with the aim of lifting annual production from 2010 to an average of approximately 300,000t of concentrate containing 75,000t of copper, 65,000oz of gold and 600,000oz of silver.

A feasibility study aimed at further lifting Phu Kham copper production to 100,000tpa (Project 100) is currently underway and is scheduled for completion during the December quarter 2008. In anticipation of a positive outcome to this study, an order for the required 6.5MW mill has been placed to secure the shortest delivery time possible for this long lead item.

To support future expansions at Phu Kham, PanAust is targeting resource extensions in an area immediately north-west of the Phu Kham copper-gold deposit. Scout drilling has intersected copper-gold mineralisation in the target area which extends for approximately 800m and has similar host rock geology to that of the main copper-gold deposit.

Market Outlook

The medium to long term outlook for copper remains strong, supported by forecast growth in the BRIC economies. For the copper concentrate market, supply tightness caused largely by increased smelting capacity, particularly in India and China, has put downward pressure on treatment and refining charges (TC/RC's) which remain at historically low levels. Despite some commentators negative short term outlook for the copper price, the supply demand fundamentals for copper appear to remain supportive for the copper price in the medium to longer term.

PanAust has spot sale contracts in place for approximately 30% of production to 2010 at a combined TC/RC of less than US$0.05/lb copper with no price participation, which is around 50% of prevailing benchmark terms. The first 40,000t of concentrate was sold with a combined TC/RC of less than US$0.03/lb. All copper sales are unhedged. PanAust has a modest amount of gold hedging in place as a requirement under its project financing arrangements. Committed gold hedging represents approximately 3% of forecast total revenue from the Phu Kham Operations through to the end of 2013 (assuming conservative price assumptions averaging US$2/lb for copper and US$770/oz for gold).

Growth Strategy

PanAust has a five-year strategy to achieve production of over 150,000tpa of copper by 2014. The Company will utilise the core competencies of its management team from exploration and pre-feasibility through to development and operations.

PanAust will advance organic growth opportunities from projects and exploration activities within the Contact Area in Laos and in neighbouring Thailand as part of an Indo-China growth strategy that is focused on delivering incremental growth utilising the existing infrastructure and management presence. The Company will also investigate opportunities for bolt-on acquisitions based on value, with a preference for copper projects. The objective is to develop operations in the region which will deliver production of at least 30,000tpa copper. The exploration and evaluation budget for 2008 is US$30 million.

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Competent Person Statement

References in this report to the Puthep Copper Project, PUT 1 Mineral Resource, the Ban Houayxai Gold-Silver Mineral Resource, and the Phu Kham Copper-Gold Ore Reserve have been reviewed by Mr Daniel Brost who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Brost is a full time employee of PanAust Limited. Mr Brost has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Brost consents to the inclusion in the report of the references to the Puthep and Ban Houayxai Mineral Resources and the Phu Kham Copper-Gold Ore Reserve in the form and context in which they appear.

Ownership

PanAust's assets in Laos are held by Phu Bia Mining Limited. The Government of Laos has exercised its right to acquire a 10% interest in Phu Bia Mining. The Government interest will be funded through future dividends payable to the Government as declared by Phu Bia Mining.

PanAust owns 33.17% of the Puthep Copper Project. PanAust will earn a 51% interest by completing a feasibility study and has further options to acquire a total 60% to 70% interest.

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 cash flows 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.