

ASX ANNOUNCEMENT
30 July 2010

Bank Debt Facilities

PanAust Limited is pleased to announce that it has entered into loan agreements for a total US\$102 million of debt facilities with a syndicate of four banks and the Company has agreed terms for a US\$24.8 million equipment lease facility with the ANZ Bank.

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 debt facilities will be 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 operation and repayment of the remaining US\$9.3 million of Phu Kham project debt. Drawdown on the facilities is subject to conditions precedent usual for facilities of this type.

The US\$24.8 million equipment lease facility with ANZ will have a five-year term to fund the upgrade of the Phu Kham operating fleet. ANZ has received internal approvals and the parties have entered the documentation phase with an end August target date for financial completion.

Working Capital and Funding Growth

Commenting on the transaction, PanAust's Managing Director, Gary Stafford, said the new facilities 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.

PanAust has previously advised the market that Earnings Before Interest, Tax, Depreciation and Amortisation for the year to 31 December 2010 are expected to be between US\$165 million and US\$225 million, at copper prices of between US\$2.50/lb and US\$3.00/lb respectively¹. The Company expects to meet this guidance.

"The addition of debt facilities to provide working capital and other funding for the Phu Kham Copper-Gold Operation will provide PanAust with the funding flexibility to direct a proportion of the Operation's strong cash-flows to fund the Company's growth projects which include the circa US\$150 million development of the Ban Houayxai Gold-Silver Project, resource drilling at the Phonsavan Copper-Gold Project and the acquisition of the Inca de Oro Copper-Gold Project in Chile," Mr Stafford said.

¹ Assumes gold and silver prices of US\$1,000/oz and US\$16/oz respectively and US\$0.78/litre diesel fuel cost

Summary of key terms for the debt facilities:

Interest Rate – Libor plus 4.5% and political risk insurance

Repayment schedule – Bullet repayment at 3 years

Under the hedging protocol for the loan agreement:

1. *PanAust must hedge at least 50% of the copper in every shipment at the provisional copper price received on the date of shipment.*

Hedging of the provisional price is part of PanAust's current hedging policy (to hedge between 50% and 90% of the tonnes of copper provisionally priced) and protects revenue against any downward movement in the copper price over the quotational period ("the QP"). The QP can vary from one sales contract to another but typically final payments are based on the prevailing copper price at the end of a three-month QP.

2. *PanAust is required to hedge 20% of Phu Kham copper production at a minimum copper price of US\$2.25/lb on a rolling 24-month basis.*

PanAust has already implemented strategic hedging over 2,500t of copper for each month to April 2011 (nominally 50% of copper production) in the form of put options (as protection against potential downside copper price risk on future production) executable at an average strike of US\$5,510/t (US\$2.50/lb). For the period from May 2011 to August 2012, it is anticipated that the Company will implement a prudent strategy to protect the minimum price threshold and future cash flows while maintaining significant exposure to movements in the copper price.

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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 future 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.