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PanAust Limited (ASX code – PNA) this week launched a Share Purchase Plan (SPP) which together with the recent share placement will provide additional working capital and fund projects which are at the feasibility study stage. Can you explain the key dates and terms for the SPP? Why should retail investors take-up the offer?

MD Gary Stafford

The SPP offer, which opens today, represents an excellent opportunity for eligible shareholders to increase their investment in PanAust's future growth.

In summary, the SPP is open to Australian and New Zealand residents that are registered as a PanAust shareholder at any time between 30 January 2009 and 23 February 2009 (Eligible Shareholders) so there is still time to buy PanAust shares and participate. However, should we need or decide to scaleback applications (decline part of an application) then we will give preference to Eligible Shareholders that are shareholders at the time of the scaleback.

A copy of the SPP brochure and application will be posted to shareholders registered between 30 January and 23 February 2009.

Shareholders will be able to purchase up to A\$10,000 worth of shares at a discount of at least 7.5% to the average of the closing prices for the last five trading days before the issue date of the new shares. We have also set a cap on the price such that shareholders will not pay more than A\$0.15 per share which is the same price paid under the share placement to institutions and so-called sophisticated shareholders last month.

The January placement raised around A\$22 million and was substantially oversubscribed, in fact we had to scaleback the number of shares that were applied for. The placement was almost exclusively made to existing shareholders. The oversubscription signalled to us that those shareholders believe that PanAust is undervalued, that they support the Company's management and recognise the quality of the PanAust's assets. The successful placement also provides an endorsement of the Company's strategy to grow based on the sound foundation provided by the Phu Kham Copper-Gold Operation in Laos.

ABN Amro Morgans arranged the placement and will manage the SPP.

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How is PanAust's flagship Phu Kham Operation in Laos performing?

MD Gary Stafford

The Phu Kham Copper-Gold Operation continues to perform extremely well. During the December quarter, Phu Kham reached the production milestone of 100,000dmt of copper-gold concentrate produced since first commercial production commenced in June 2008, with total contained metal of approximately 25,000t of copper, 25,000oz of gold and 160,000oz of silver.

Importantly, the safety performance of the Phu Kham Operations continues to be outstanding with a record 203 days free of lost time injury achieved at the time of this report.

From a profit and loss perspective, 2008 was adversely impacted by a mark to market US\$35 million adjustment on provisional pricing of concentrate shipments made in the second-half of the year.

The Phu Kham Operations otherwise incurred an operating loss of US\$2.6 million as the Copper-Gold Operation ramped-up from the commencement of commercial production in June. The likely after tax loss for Financial Year 2008 is US\$38 million subject to final audit and Board approval and a review of the carried value (US\$8 million at the end of 2008) of the Heap Leach Gold Operation as it is anticipated that the oxide gold ore reserve will be depleted during 2009.

In 2009, the Operation is on target to produce more than 65,000t of copper, between 70,000oz and 80,000oz of gold, and between 400,000oz and 600,000oz of silver.

2009 is scheduled to be a high-grade year with a forecast head grade of 0.75% copper, which is 17% above the average life of mine ore grade of 0.64%. As a

result, copper production is expected to exceed 65,000t at a cash cost (C1) after precious metal credits of less than US\$0.90/lb¹.

Cash costs will benefit from lower input prices for some major consumables such as steel and diesel. Yesterday, we also implemented a modest program of 31 staff redundancies across exploration, operations and the corporate departments. Although any redundancies are regrettable, the program has been implemented without impacting the number of Lao nationals employed and is consistent with our strategy to train and develop Lao nationals.

It is pleasing to see the capacity of many of our Lao staff to step into roles that require a greater skill set or greater responsibility. The employees that have left us go with our gratitude for their contribution.

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How will PanAust use the funds raised through the SPP?

MD Gary Stafford

The funds raised from the SPP and share placement will be used to provide a significant working capital buffer and will also enable the Company to judiciously fund and progress value-adding, low capital organic growth opportunities at the Ban Houayxai Gold-Silver Project in Laos and at the Puthep Copper Project in northern Thailand.

Development of Ban Houayxai would grow PanAust's gold business significantly. At the anticipated Ban Houayxai production rate, and using current gold and silver prices, the proportion of PanAust total revenue that would be attributable to gold and silver would double to approximately 50%.

The Ban Houayxai pre-feasibility study, which was completed in October last year, identified the potential for a low-cost operation with an annual production of 100,000oz to 130,000oz of gold and 700,000oz to 800,000oz of silver over a minimum six-year mine life. The forecast total cash cost for the Ban Houayxai project is less than US\$330/oz gold which is very competitive when compared with the gold industry average of around US\$400/oz. This is the result of the extremely low strip ratio and soft nature of the oxide-transitional mineralisation.

Subject to a successful feasibility study and funding, it is estimated that detailed engineering and construction would take 18 months with first gold pour scheduled for Ban Houayxai in the second half of 2011.

We plan to spend around US\$6.5 million this year at Ban Houayxai, largely on drilling and assaying. We are looking to increase the size of the oxide-transitional resource and lift the Indicated and Inferred Resources into the Measured and Indicated categories.

At Puthep, we completed the major infill drilling program last October and expenditure to complete the feasibility study this year will be modest. We expect

¹ Assumes a gold price of US\$700/oz and a silver price of US\$10/oz.

to have a revised resource estimate within the next few months. We plan to spend around US\$2.5 million during 2009 to complete the Puthep feasibility study. Subject to the success of that study, we will then commence the formal approval process.

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PanAust is planning to expand the Phu Kham plant by 33% to 16Mtpa and has indicated that further expansion is possible. Can you give an update on this?

MD Gary Stafford

We will be maintaining a cautious approach towards capital expenditure until we see stability return to the commodities and equities markets. The planned expansion at Phu Kham to a throughput rate of 16Mtpa remains a value-adding opportunity and would see annual copper production grow from the forecast 65,000t in 2009 to 75,000t post-expansion. Subject to senior bank participation, if we proceed before June this year the expansion could be implemented during 2010.

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How would you summarise the outlook for PanAust?

MD Gary Stafford

Very positive, in Phu Kham we have a low-cost mine with a world class team of operators and a long mine life. This mainstay of positive cash flow, coupled to promising growth assets, will drive PanAust forward.

On the corporate side, we have rolled over US\$80 million of subordinated debt to March 2010 and we are well advanced in the process of re-financing that facility. In addition, the recent placement and the proceeds from the SPP will provide the Company with the cash resources to manage cash flow demands and progress those growth opportunities.

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Thank you Gary.

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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 financial results, operating costs, rates of return and 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.

For further information on PanAust please visit www.panaust.com.au or call:

Gary Stafford or Allan Ryan, Investor Relations Manager, or Pam Keenan, Communications Manager on (07) 3117 2000.

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