

ASX ANNOUNCEMENT

14 October 2008

**Long-term contract and spot sales of
Phu Kham Copper-Gold Concentrate**

PanAust Limited is pleased to announce that it has entered into a long-term sales agreement with Tongling Nonferrous Metals, operator of China's largest copper smelter, for the supply of copper-gold concentrate from its 90% owned Phu Kham Copper-Gold Operation in Laos.

The concentrate sales contract was formally signed overnight in London by PanAust Managing Director, Mr Gary Stafford.

The frame contract is for an initial four-year period to December 2012 and can be extended by agreement. Total concentrate tonnage for the first four years is 80,000 dry metric tonnes (dmt) and treatment and refining charges (TC/RC) will be negotiated annually. The contract terms were negotiated by BHP Billiton, agent for all Phu Kham concentrate sales.

In addition to the new frame contract with Tongling, PanAust also agreed yesterday terms with a metal trader for the spot market sale of a further 20,000 dmt of concentrate for delivery this year. PanAust has now secured spot and long-term markets for 40% of Phu Kham's copper-gold concentrate production to 2010.

"We are delighted to have entered into a sales agreement with Tongling. This is our first long-term contract with a smelter and we look forward to a long and mutually rewarding relationship," Mr Stafford said.

"We will continue with our strategy of entering into a mix of long-term and spot sale agreements in order to both develop strategic relationships and capitalise on competitive TC/RCs in the currently tight market for copper concentrate," he said.

Phu Kham Operation is cash flow positive. Commercial copper-gold concentrate production commenced at Phu Kham in June this year and the Operation is ramping-up to steady state production. The Phu Kham process plant achieved name plate throughput capacity in late July and the sale of Phu Kham's fourth 10,000 dmt shipment of copper-gold concentrate was completed in early October.

Production for 2009, the first full year of production is targeted to be 240,000dmt of concentrate containing 60,000t of copper, 60,000oz of gold and 600,000oz of silver. An expansion in 2009 will increase annual production to an average of 300,000dmt of concentrate containing 75,000t of copper, 65,000oz of gold and 600,000oz of silver from 2010.

For further information contact:

Mr Gary Stafford
Managing Director
PanAust Limited

Mr Allan Ryan
Investor Relations Manager

Tel: +61 7 3117 2000

Email: info@panaust.com.au

Website: www.panaust.com.au



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 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.