

ASX ANNOUNCEMENT
18 May 2009

Phu Kham Copper-Gold Operation, Laos 2009 Ore Reserve Estimate

PanAust Limited is pleased to announce the results of the 2009 Ore Reserve and Mineral Resource estimates for the Company's Phu Kham Copper-Gold Operation, Laos.

Ore Reserve and Mineral Resource Estimates¹

Table 1: Phu Kham Copper-Gold Ore Reserves as at 1 January 2009

Commodity price assumptions: Copper US\$1.75/lb Gold US\$700/oz Silver US\$11/oz	Tonnes (Mt)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)	Copper In-Situ (Mt)	Gold In-Situ (Moz)	Silver In-Situ (Moz)
Proved	104	0.66	0.27	2.0	0.69	0.90	6.8
Probable	41	0.64	0.25	2.1	0.26	0.33	2.8
Total	146	0.66	0.26	2.1	0.96	1.23	9.6

Table 2: Phu Kham Copper-Gold Mineral Resources as at 1 January 2009

0.3% copper cut-off grade	Tonnes (Mt)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)	Copper In-Situ (Mt)	Gold In-Situ (Moz)	Silver In-Situ (Moz)
Measured	111	0.68	0.27	2.0	0.75	0.95	7.12
Indicated	68	0.62	0.23	2.1	0.43	0.50	4.63
Inferred	15	0.57	0.18	1.8	0.08	0.08	0.86
Total	194	0.65	0.25	2.0	1.26	1.53	12.61

The 2009 Ore Reserve has been estimated based on commodity price assumptions of US\$1.75/lb copper, US\$700/oz gold and US\$11/oz silver (US\$2.00/lb, US\$600/oz and US\$12/oz respectively for the 31 December 2007 Ore Reserve).

The change between the 2008 and 2009 Ore Reserve estimate largely reflects depletion due to mining (approximately 6.7Mt at 0.6% copper) and, in the case of the Ore Reserve

¹ Refer to notes at the end of this report.

estimate, the lower price assumption used for copper. Depletion represents the sole difference between the 2008 and 2009 Mineral Resource estimates.

Table 3: Phu Kham Heap Leach Gold Ore Reserves

Gold price assumption: US\$850/oz		Tonnes (Mt)	Gold Grade (g/t)	Gold In-Situ (000 oz)
Phu Kham Heap Leach Gold Operation including stockpiles	Proved	-	-	-
	Probable	0.6	0.9	16
	Total	0.6	0.9	16

Table 4: Phu Kham Heap Leach Gold Mineral Resources

0.5g/t gold cut-off grade		Tonnes (Mt)	Gold Grade (g/t)	Gold In-Situ (000 oz)
Phu Kham Heap Leach Gold Operation including stockpiles	Measured	0.4	0.94	14
	Indicated	0.6	0.86	16
	Inferred	0.1	1.1	3
	Total	1.1	0.91	33

Production at the seasonal Heap Leach Gold Operation is expected to continue during the next dry season (October 2009 to April 2010) before concluding as the Ore Reserve is depleted.

Production Outlook and Phu Kham Expansion

Phu Kham is targeting 2009 production of 65,000t of copper ($\pm 5\%$), between 65,000oz and 75,000oz of gold (includes 15,000oz in heap leach doré) and between 400,000oz and 600,000oz of silver.

Process plant ore throughput for the year is likely to exceed the design 12Mt capacity this rate as softer transitional ore is processed. Copper recovery has averaged 64% in the seven months to end April 2009 and is expected to average between 65% and 70% for the balance of the 2009 year as a number of minor capital modifications to the process plant are implemented mid-year.

2009 is a relatively high-grade year with the average production grade for copper, based on the new Ore Reserve, scheduled to be 0.8% copper. The revised life of mine schedule based on the 2009 Ore Reserve estimate, has brought more high-grade ore into the mining schedule through to the end of 2011 when the copper grade is scheduled to decline to around 0.6% copper. Accordingly, implementation of the previously announced expansion of Phu Kham to a throughput rate of 16Mtpa will be deferred until the end of 2010.

Once complete the Phu Kham expansion will enable annual copper production to be maintained in excess of 70,000t during periods of lower grade ore feed. The capital cost for the expansion is subject to review and is likely to be in the range of US\$50 million to US\$60 million of which US\$5 million has already been spent and includes a second 6.5MW ball mill which is currently partly fabricated.

Since the commencement of commercial production in June 2008, monthly copper recoveries have ranged widely, which reflects variability of the ore types treated, ranging from predominantly near surface transitional ore types that are chalcocite dominated, to chalcopyrite dominated primary ore type. While this mixture of ore types will continue for the next few years, recovery rates will progressively increase as flotation improvement initiatives are implemented, flotation capacity is increased and increasing proportions of primary ore are processed.

The proportion of primary ore will increase from less than 5% for 2009 to around 30% for 2010 and 2011. The copper recovery rate for primary ore, which constitutes approximately 65% of the current Ore Reserve, is expected to be in the 80% to 85% range.

The Operation is achieving very competitive cash operating costs on the lower recovery transitional ore, due to competitive labour costs, a very low strip ratio and proactive cost management. The cash operating cost for the four months to 30 April 2009 was US\$0.84/lb after precious metal credits. The operating cost guidance for 2009 remains US\$0.80/lb copper after precious metal credits².

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Notes for the Mineral Resource and Ore Reserve estimates:

1. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
2. The Mineral Resources and Ore Reserve estimates are reported on a 100% ownership basis.
3. Rounding may lead to minor computational errors.
4. The Mineral Resource estimate for the Phu Kham Copper-Gold Operation is based on a geologically constrained multiple indicator kriging model using a 0.3% copper cut-off grade.
5. The Ore Reserve estimate for the Phu Kham Copper-Gold Operation is based on commodity price assumptions of US\$1.75/lb copper, US\$700/oz gold and US\$11/oz silver.

² Assumes US\$900/oz gold and US\$12.5/oz silver

6. The Mineral Resource estimate for the Phu Kham Heap Leach Gold Operation is based on geologically constrained multiple indicator kriging model using a 0.5g/t gold cut-off.
7. The Ore Reserve estimate for the Phu Kham Heap Leach Gold Operation is based on a gold price assumption of US\$850/oz.

Competent Person Statements

Mineral Resources

The data in this report that relates to Mineral Resources for the Phu Kham Copper-Gold Operation and the Phu Kham Heap Leach Gold Operation is based on information reviewed by Mr Dan 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 styles of mineralisation and type of deposits 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 Mineral Resources in the form and context in which they appear.

Ore Reserves

The data in this report that relates to Ore Reserves for the Phu Kham Copper-Gold Operation and the Phu Kham Heap Leach Operation is based on information reviewed by Mr Robert Usher who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Usher is a full time employee of the PanAust Group.

Mr Usher has sufficient experience relevant 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 Usher consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.

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 production performances, potential mineralisation, resources and reserves, 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.