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ASX ANNOUNCEMENT
16 February 2009

Phu Kham Production Costs Fall to US\$0.68/lb Copper

PanAust Limited (PanAust) is pleased to announce that the Phu Kham Copper-Gold Operation cash costs (C1) for January 2009 were US\$0.68/lb copper after precious metal credits at average prices for gold of US\$895/oz and silver of US\$10.40/oz.

PanAust Managing Director, Gary Stafford said, operating performance at Phu Kham has been outstanding and cash costs in January tumbled as scheduled higher grade ore was mined, while prices for key consumables including steel and fuel fell and the price of gold rose. This was a particularly strong result given a planned mill shutdown occurred early in the month.

Copper in concentrate production of 4,892 tonnes in January benefited from the head grade rising to 0.76% copper, in-line with the average grade anticipated for 2009. Gold production for the month was 6,424oz, of which 40% was in doré from the heap leach operation, and silver production totalled over 28,000oz.

Mr Stafford said, "the Operation is on track to achieve target production for 2009 of more than 65,000t copper, between 70,000oz and 80,000oz of gold, and between 400,000oz and 600,000oz of silver at an extremely competitive cash cost,

"Looking forward, and as long as we continue to enjoy buoyant gold prices and cost inputs don't rise, we may be able to revise downwards our previous advice that cash costs (C1) will average US\$0.90/lb copper during 2009," he said.

PanAust aims to expand its gold business and recently announced the resumption of feasibility study resource drilling at the Ban Houayxai gold-silver deposit, which is approximately 25km west of the Phu Kham Operations. The Ban Houayxai pre-feasibility, 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 of a minimum six-year mine life.

The projected total cash cost for the Ban Houayxai project is less than US\$330/oz gold which is very competitive when compared with the industry average of around US\$400/oz gold. At current gold and silver prices, the planned Ban Houayxai production rate would double the proportion of PanAust's total revenue attributable to gold and silver to around 50%. Subject to a successful outcome of the feasibility study, the target date for commencement of gold-silver production at Ban Houayxai is 2011.

***** The PanAust Share Purchase Plan (SPP) closes on 23 February 2009 *****

Eligible shareholders can purchase up to \$10,000 worth of PanAust shares at the lesser of:

- (i) a discount of 7.5% to the average closing prices over the last five trading days before the issue date for the new shares, and
- (ii) \$0.15 per share.

Participation in the SPP is open to Australian and New Zealand registered as shareholders at any time before the close of business on 23 February 2009. Full details of the offer are contained in the 2 February 2009 announcement to ASX, which is available to download from the PanAust website.

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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 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.

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