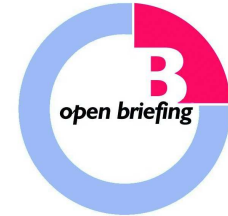


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PanAust Limited (ASX code – PNA) recently announced its first sales of concentrate from the Company's flagship Phu Kham Copper-Gold Operation in Laos. How is the ramp-up progressing and when do you expect to reach steady state production?

MD Gary Stafford

Our initial focus has been on ramping-up ore feed to the design rate of 12 million tonnes per annum (Mtpa). I am delighted to observe that through August we have consistently achieved the design rate and we are on-track to achieve name-plate capacity for the month. This after only two months of post-commissioning commercial operations.

Indeed, by 16 August we had already processed nearly 500,000t of ore for the month despite a scheduled maintenance down-day. This compares to 620,000 tonnes processed for the whole of July. All of this is being achieved in one of the wettest wet seasons ever recorded in Laos and underscores the success of wet season preparations and the Operation's capacity to perform under adverse weather conditions.

Although, in these early days of the Operation's life, we should reasonably expect that there will be teething problems, I am greatly encouraged by the capacity of the Operation's team to deal with such issues as they arise. This is the same magnificent team that were instrumental in delivering the project ahead of

schedule and within budget. Their focus will now turn to maintaining design feed rates and optimising copper recovery through the flotation plant, which is already running at 60% with a budget target of 67% by the end of this year.

The bottom line is the Company is generating strong cash flow.

The second shipment of copper-gold concentrate (approx 10,600 dry metric tonnes) has just left Sriracha Harbour, Thailand. The third concentrate shipment is scheduled for early September.

By the end of August, we anticipate concentrate production will have exceeded 30,000dmt containing approximately 7,500t of copper and approximately 10,000oz of gold with a value of over US\$60 million after smelter deductions.

Under steady-state operations, 10,000dmt shipments of concentrate will occur approximately every two weeks. Assuming a copper price of US\$3.30/lb and a gold price of US\$790/oz, this would return monthly revenue of approximately US\$40 million. By comparison, the total cash operating costs for the Phu Kham Operation in July were approximately US\$12.5 million. This suggests that the Project will, at steady state operation, achieve cash operating costs after precious metal credits of around US\$1.00/lb despite elevated fuel prices and thereby be firmly within the second cost quartile for copper producers globally.

For 2009, the first full year of production, we are scheduled to produce 240,000t of concentrate containing 60,000t of copper, 60,000oz of gold and 600,000oz of silver.

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The increased cost of fuel and other consumables and access to reliable power are significant issues being faced by developers of new and existing mines around the world. What is the situation regarding PanAust's Operations in Laos?

MD Gary Stafford

You can be assured that our operating margins are very healthy. We are fortunate to be mining an ore-body with a globally low strip ratio, by industry standards, of less than 1:1 (reference CRU Analysis) and we also have access to reliable and competitively priced hydro-power which means that we have a low sensitivity to fuel price fluctuations. Our current total annual fuel usage, including the mining fleet and fuel for trucking of concentrate to Sriracha Harbour is around 22 million litres. On that basis, a US\$10/litre increase in the price of fuel would equate to only US\$2.2 million per year.

Furthermore, Laos is one of the few places in the world that is building a power-supply surplus with major increases in hydro-power capacity under construction which places PanAust in a good position for the development of additional projects within the Contract Area.

There have been increases in the cost of consumables in a number of areas although these have been partly offset by the increased value of by-product credits (gold and silver) and the below benchmark treatment and refining charges our

concentrate sales agent (BHP Billiton) has negotiated. We plan to undertake the first review of unit production costs after the first four months of commercial production which is at the end of the September quarter.

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What is the status of the planned expansions for Phu Kham?

MD Gary Stafford

We have already committed to expanding the Phu Kham process plant during 2009. We expect to take delivery of the 6.5MW ball mill in mid-2009 which, together with other plant modifications, will lift throughput by 30% to 16Mtpa. Commissioning of the expanded plant by the end of 2009 will increase concentrate production from 2010 to 300,000tpa containing on average 75,000t of copper, 65,000oz of gold and 600,000oz of silver.

We have appointed GRD Minproc to undertake engineering and procurement for this project and will utilise our own in-house project implementation team to provide project management and to manage construction.

A feasibility study aimed at a further expansion of ore throughput at Phu Kham to 21Mtpa and copper production to 100,000tpa (Project 100) is scheduled for completion in the December quarter.

In anticipation of a successful outcome to this study, we have already placed an order for a second 6.5MW ball mill to ensure the shortest time possible for delivery of this long-lead item. Under the current schedule, it is anticipated that this second mill will be operating by the end of 2010 followed by commissioning and expansion to the 21Mtpa throughput rate by mid-2011.

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Can you give a general update on the potential to add to resources and reserves in the vicinity of Phu Kham?

MD Gary Stafford

We are aiming to maintain a 10-year-plus mine life at Phu Kham and are targeting an additional 50 million tonnes of ore to support the Project 100 concept.

Scout drilling has intersected copper-gold mineralisation in an area that extends 800m to the north-west of the main Phu Kham orebody and has similar host rock geology to that of Phu Kham. The total strike length of the existing Phu Kham orebody is just over one kilometre.

In addition, we will undertake a program of resource extension drilling around the existing orebody where mineralisation is open and where resources are defined as inferred.

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PanAust recently announced a significant upgrade in the estimated Mineral Resource for the PUT1 deposit which is part of the Puthep Copper Project in north-east Thailand. How is this project shaping up and what is the future work program at Puthep? Where might it sit relative to Phu Kham in terms of scale and attributes?

MD Gary Stafford

In late July we announced a new Mineral Resource estimate which, for the first time, incorporated the primary copper-gold mineralisation which occurs beneath the extensive near-surface transitional copper resource. At a 0.3% copper cut-off we have estimated a combined Measured, Indicated and Inferred Mineral Resource of 183 million tonnes at a grade of 0.5% copper and 0.13g/t gold (a full table of the estimated Mineral Resources for PUT1 is appended).

Puthep is currently at the pre-feasibility study stage with completion of the feasibility study scheduled for the first half 2009. Preliminary work suggests that the resource has the potential to support a bulk flotation operation similar to the Company's Phu Kham Copper-Gold Operation. The target for first production is 2012.

The mineralisation commences close to surface and a significant proportion of that mineralisation would require little or no blasting. This provides the potential for development of another low strip ratio and low operating cost mine.

The Puthep Project is a joint venture with Padaeng Industry Public Company Limited (listed on the Stock Exchange of Thailand). The joint venture goal is to complete a feasibility study to support the development of an operation with the capacity to produce concentrate containing 50,000t of copper per annum for a PanAust equity share of at least 30,000t of copper.

PanAust will earn a 51% interest in the project by completing a feasibility study and has options to further increase its interest to between 60% and 70%.

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PanAust has encountered encouraging exploration results from its Ban Houayxai Gold-Silver deposit in Laos. Can you outline the possible dimensions and characteristics of the deposit in terms of size, shape, orientation and grade? What's the plan for Ban Houayxai?

MD Gary Stafford

We continue to be encouraged by results from this Project and are very close to being able to provide a new resource estimate for Ban Houayxai, which will outline the scale of the currently defined gold-silver deposit. The project pre-feasibility study is on schedule to be completed this quarter.

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PanAust has a target of producing 150,000tpa of copper by 2014. Can you broadly map out how that might be achieved?

MD Gary Stafford

PanAust has a clearly defined growth path which includes capital efficient brown-field expansions at Phu Kham and the development of our advanced projects at Puthep and Ban Houayxai. These organic growth projects are our focus and together could support our goal of achieving 150,000t of copper per annum. We are also advancing a number of exploration projects within our Contract Area in Laos including advanced exploration at the Phonsavan Copper Project and early exploration at several other prospects.

Within Indochina, we are targeting regional bolt-on acquisitions. Further afield we will search for Phu Kham-size opportunities, targeting stable countries with a history of supporting foreign mining investment. We will be opportunistic and are prepared to move early and our purchasing power will increase as Phu Kham moves to full production and Project finance is re-structured.

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Despite the successful commissioning of Phu Kham, ahead of schedule and within budget, the PanAust share price has fallen from its highs of earlier this year. Can you explain this?

MD Gary Stafford

It is very disappointing for the Company and its shareholders to see the share price fall due to the impact of broader market factors which are outside the Company's control. It defies the fundamentals.

With the successful commissioning of the Phu Kham Copper-Gold Operation which signals the commencement of strong cash flows, together with positive news flow from exploration and evaluation activities at Puthep and Ban Houayxai we would have expected an upward re-rating of the share price.

The company is well funded and at the end of June had cash and equivalents of US\$8.5 million and undrawn facilities totalling US\$48.9 million.

Until financial completion tests at Phu Kham are concluded, scheduled for year-end, surplus cash flow will be used to pre-pay debt via a cash sweep. Subsequent to the completion tests, 45% of surplus cash flow from Phu Kham will be directed to pre-payment of debt. This means that, at current commodity prices, PanAust could repay all of its current debts within 12 months.

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Thank you Gary.

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 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.

Competent Person Statement

The data in this report that relates to the PUT 1 Mineral Resource, Puthep Copper Project, Thailand, is based on information reviewed by Mr Daniel 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 style of mineralisation and type of deposit 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 PUT 1 Mineral Resource in the form and context in which it appears.

PUT 1 Mineral Resources (100% equity basis), Puthep Copper Project, Thailand

Copper cut-off grade (%)	Category	Tonnes (Mt)	Copper grade (%)	Gold grade (g/t)	Copper in-situ (000 t)	Gold in-situ 000 oz
0.25	Measured	18.6	0.47	0.11	87	65
	Indicated	90.9	0.45	0.12	408	354
	Inferred	154.7	0.41	0.13	640	663
	Total	264.2	0.43	0.13	1,135	1,081
0.30	Measured	14.2	0.53	0.11	75	51
	Indicated	64.1	0.52	0.13	335	267
	Inferred	104.7	0.48	0.13	503	454
	Total	183.0	0.50	0.13	913	771

(Estimated using a geologically constrained model, ordinary kriging at the indicated cut-off grades)

Note: Rounding may cause minor computational discrepancies.

For further information on PanAust please visit www.panaust.com.au or call Gary Stafford or Allan Ryan on (07) 3117 2000.

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