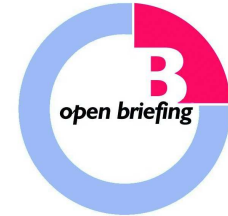


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PanAust Limited (ASX code – PNA) is raising A\$358 million through a cornerstone investment in the Company and an Equity Offer. How are the various transactions structured and how will the funds be used?

MD Gary Stafford

PanAust has entered into a share placement agreement with Guangdong Rising Assets Management (GRAM), a major Chinese investment group, under which GRAM will invest A\$180 million (approximately US\$141 million) to acquire a 19.9% interest in PanAust. Subject to PanAust shareholder and regulatory approvals, GRAM will subscribe for approximately 457 million fully paid ordinary shares in PanAust at an issue price of A\$0.395 per share, equivalent to 19.9% of PanAust's share capital.

In addition to the share place agreement with GRAM, PanAust is progressing through several stages of a A\$142 million equity offer to issue approximately 509 million shares in PanAust at an issue price of A\$0.28 per share, which is fully underwritten by ABN AMRO Morgans Corporate Limited.

Under the equity offer, we have completed an institutional placement and the institutional component of an accelerated non renounceable entitlements offer, in a ratio of 2 new shares for every 9 existing shares held, to raise A\$74 million. The

retail component of the entitlements offer (to raise A\$69 million) is open and will close on 22 June.

GRAM will maintain its 19.9% interest in the Company post the equity offer through an additional top-up placement of approximately 125 million shares at the same price as the equity offer (A\$0.28 per share) to raise a further A\$35 million.

Proceeds of the equity offer will be used to repay the Company's US\$80 million¹ subordinated debt facility with Goldman Sachs JBWere (GSJBW) and provide working capital.

The A\$215 million (US\$169 million) raised from the GRAM cornerstone investment will be used to strengthen PanAust's balance sheet through paying down a substantial part of the US\$185 million project debt for the Phu Kham Copper-Gold Operation and thereby provide substantial flexibility for PanAust to pursue growth opportunities.

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What has been the response from investors and the market in general?

MD Gary Stafford

Judging by the market response we have got our timing right. The feedback from PanAust's shareholders to both the cornerstone investment by GRAM and the equity offer has been positive. It is also pleasing to see that the PanAust share price has largely traded within a narrow range around the pre-issue price of A\$0.395 and substantially above the A\$0.28 entitlements offer price which illustrates the market's support of the overall transaction.

We have had an encouraging response to the retail entitlements offer with currently more than 30% of the entitlements applications including requests for top up shares in addition to the 2 for 9 entitlement. While the offer is fully underwritten, those that apply for top up shares will be given priority ahead of sub-underwriters for any shortfall. The offer closes on 22 June so eligible shareholders that have not yet responded to the offer need to act quickly if they wish to participate.

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What will be your balance sheet position following the raising? What debt repayment and refinancing obligations do you have?

MD Gary Stafford

PanAust's gearing (net debt to net debt plus equity) will reduce to less than 19%. Gearing as at the end of 2008 was 72%.

In addition to repayment of the US\$80 million GSJBW facility and associated fees there are mandatory repayments on the project facilities in 2009 totalling around US\$22 million. Obviously that figure is not relevant if we retire most or all of the Phu Kham project facility this year.

¹ Amount excludes capitalised interest since late February 2009 roll-over date and redemption fees

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Why have you raised such a large amount of equity finance at this time and why did you choose GRAM as a cornerstone investor?

MD Gary Stafford

PanAust commenced funding discussions with various parties in the second half of 2008 with the aim of repaying the GSJBW facility before the end of February 2009. Unfortunately the global credit crisis interrupted the process as markets froze. In late December we were able to agree a 13-month rollover of the GSJBW facility.

With equity markets largely closed at the beginning of the year, together with our advisor Rothschild, we embarked on a process to identify a cornerstone investor to refinance the GSJBW facility. The much improved equity market of recent months has enabled us to formulate a transaction that allows all shareholders to participate and that will give PanAust funding flexibility and management time to pursue growth initiatives. For example, we are moving to complete a feasibility study and development decision on the Ban Houayxai gold-silver deposit and the current security arrangements under the Phu Kham project facility could have been a constraint on the Ban Houayxai development decision if we had not moved to raise sufficient funds to substantially reduce the project facility.

GRAM was selected following a lengthy process that saw tremendous interest from 23 potential investors in total. We agreed terms with GRAM because they were competitive on price and have a growth strategy that fits with PanAust's strategy. We have not entered into any agreements with GRAM in relation to offtake of copper-gold concentrate.

The proposed investment by GRAM will create a strategic alliance to further PanAust's ambitions to grow its business globally, with a particular focus on Asia and potential access to Chinese mine development opportunities and engineering skills.

This strategy includes the Ban Houayxai Gold-Silver Project the development of which – once the funds are received from GRAM – should be able to be funded from internally generated cash flow thereby significantly reducing funding risk for shareholders.

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What are the key dates? What approvals are required to receive the total funds?

MD Gary Stafford

As I said before, the institutional component of the equity offer was concluded earlier this month and the retail entitlements offer is scheduled to close on 22 June. Therefore, eligible retail shareholders that haven't already participated in the offer should act quickly if they wish to.

The investment by GRAM requires approvals from PanAust shareholders, and Australian and Chinese regulatory approvals. The EGM for shareholders to vote

on the transaction is scheduled for 8 July and we anticipate that, subject to shareholder and regulatory approvals, the GRAM investment will be completed by around the end of July.

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What is PanAust's view on the copper market?

MD Gary Stafford

As you might expect, PanAust is bullish on copper which is supported by strong supply demand dynamics over the next several years. The copper price has strengthened considerably since the start of the year and continues to maintain a level above US\$2.00/lb, much to the surprise of most commentators that have underestimated the strength of demand from China and the resilience of the Chinese economy. We are seeing spot TC/RC's (treatment and refining charges) at around half the 2009 benchmark prices which indicates strong demand for concentrate from smelters and is helped to a degree by a shortage of copper scrap. Furthermore, there is very little new supply coming on stream, relatively speaking, during the foreseeable future.

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What is the operating outlook for Phu Kham?

MD Gary Stafford

Phu Kham is now established as a low-cost copper producer. The Operation remains on track to achieve the 2009 target of 65,000t ($\pm 5\%$) of copper in concentrate together with 65-75,000oz of gold and 400-600,000oz of silver.

Throughput rates continue to exceed design capacity and we are beginning to see the benefits of our current focus on improving and optimising recovery rates from the more metallurgically complex but higher grade transitional ores that comprise the bulk of production for this year.

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Can you detail the growth opportunities that you will pursue post the fund raising?

MD Gary Stafford

In terms of priorities, our focus is on optimising the Phu Kham Operation so as to provide a strong cash flow foundation for future funding of the Company's growth in Laos.

The Ban Houayxai Gold-Silver Project near Phu Kham provides the most advanced organic growth opportunity. At Ban Houayxai, we are completing a major infill drilling campaign to elevate confidence in the resource for scheduled completion of all feasibility study work by the end of 2009 (for reporting during the first quarter of 2010).

The Ban Houayxai pre-feasibility study completed in October 2008 identified the potential to develop a low cost operation by late 2011 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 increased flexibility that the funds from the equity financing provide will support a renewed exploration effort in our highly prospective 2,636 sq km contract area in Laos where we have a number of advanced targets.

In the northern part of the contract area we have the Phonsavan Copper Project where we have identified three distinct areas of copper mineralisation over 10km; and Phu He a nearby gold deposit. In the southern area we are planning to commence drilling later this year at Ban Phonxai which is northeast of the Ban Houayxai gold-silver deposit and prospective for copper, gold and other metals.

In Thailand, we are progressing the Puthep Copper Project where a feasibility study is scheduled for completion later this year.

The combination of established copper-gold production and adequate funding, together with organic growth opportunities and longer term prospects, have the potential to secure PanAust's future growth.

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Thank you Gary.

Forward-Looking Statements

This announcement includes "Forward-Looking Statements". All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows and potential mineralization, resources and reserves 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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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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