

ASX ANNOUNCEMENT**26 May 2010****Cornerstone Investor standstill obligation is lifted**

Under the Placement Agreement dated 26 May 2009, between PanAust Limited and Guangdong Rising Assets Management Co Ltd (GRAM), it was agreed that GRAM would not acquire more than an additional 1% shareholding in PanAust in the 12-month period following completion of the transaction. This standstill obligation was subject to a limited number of exceptions.

Twelve months have elapsed since the original entry into the Placement Agreement and as contemplated by one of the exceptions, the PanAust directors, other than Zezhong Li (the GRAM nominated director), have agreed to lift the standstill obligation. Accordingly, GRAM is now able to acquire more PanAust shares on market.

It should be noted that:

- GRAM currently has a 19.8% interest in PanAust shares and GRAM did not exercise its right under the Placement Agreement to acquire an additional 1% of PanAust's shares during the standstill period.
- GRAM currently has one nominated director on the Board of PanAust. If GRAM increases its holding to 25% of the issued capital of the Company, this will trigger a right for GRAM to nominate a further director. However, the Placement Agreement provides that the Chairman and a majority of the Board of Directors of PanAust must continue to be independent non-executive directors.
- At the time of its initial investment, GRAM obtained advice from the Foreign Investment Review Board that the Australian government had no objection to GRAM acquiring up to a 25% interest in PanAust.

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