

ASX ANNOUNCEMENT
1 March 2010

PanAust to acquire majority interest in Codelco's Inca de Oro Copper-Gold Project, Chile

PanAust Limited ("PanAust") has made a binding offer to Corporación Nacional del Cobre de Chile ("Codelco") for PanAust to acquire a majority interest in the Chilean registered company Inca de Oro S.A. The Board of directors of Codelco has passed a resolution recommending the acceptance of PanAust's offer. Under Chilean law, the offer is subject to approval by Presidential Decree.

Following a re-structure of Codelco subsidiaries, Inca de Oro S.A. will own the Inca de Oro Copper-Gold Project where an Indicated and Inferred sulphide Mineral Resource of 259 million tonnes grading 0.46% copper and 0.13g/t gold has been identified. The Project is currently the subject of a pre-feasibility study scheduled for completion in mid-2010.

The pre-feasibility study has confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000 tonnes of copper and 40,000 ounces of gold in concentrate at a competitive cash cost over a plus ten-year mine life. Once the pre-feasibility study results have been reviewed, the focus for Inca de Oro S.A. will be the completion of a feasibility study on the Inca de Oro Project over the following 12 to 18 months.

Inca de Oro S.A. will evaluate other copper mining assets in Chile for acquisition, including copper assets currently owned by Codelco.

With reference to the damage and loss of life caused by the massive earthquake southwest of Santiago on 27 February, PanAust extends its sympathies to the people of Chile and employees of Codelco that may have been affected by this tragedy.

Deal Structure

PanAust's interest in Inca de Oro S.A. will be held through a 90% interest in PanAust Minera. An independent Australian private investment company, The Minera Group, will hold the other 10% of PanAust Minera. PanAust Minera will hold a 66% interest in Inca de Oro S.A. (giving PanAust a 59.4% beneficial interest) and Codelco will retain a 34% interest.

PanAust Minera will initially invest US\$45 million of equity into Inca de Oro S.A. to acquire 66% of the company of which: US\$23 million will be paid to acquire study data and the majority interest; US\$10 million will be allocated to fund a feasibility study on the Inca de Oro Project; and US\$12 million will be retained as cash to support growth initiatives and initial development costs for the Project.

PanAust has sufficient cash reserves and earnings to meet these commitments.

Overview of the Inca de Oro Deposit

The Inca de Oro deposit is a typical oxide-transitional-primary zoned Andean style porphyry copper-gold deposit located near the town of Inca de Oro (“gold of the Incas”, population of approximately 500), in the province of Chañaral, Region III of Atacama, Chile (Figure 1).

Inca de Oro is approximately 100 kilometres northwest of Copiapó, and 108 kilometres from the town of El Salvador and Codelco’s nearby mining operations. The closest port, Barquito, near Chañaral is approximately 117 kilometres away. The principal activities of Region III are mining (copper mining represents approximately 90% of the region’s exports), agriculture, fishing, and tourism.

Fig. 1: Location of Inca de Oro and Codelco’s El Salvador Copper Mine and Potrerillos smelter



The Inca de Oro deposit is Codelco’s most recent copper-gold porphyry discovery in Northern Chile, representing the company’s seventh discovery between 1991 and 2005. Inca de Oro is situated on a plateau at an elevation of 1,640 metres above sea level and is overlain by a cover sequence of post mineralisation gravel that varies between 20 metres and 80 metres in thickness.

The deposit hosts an Indicated and Inferred sulphide Mineral Resource of 259 million tonnes grading 0.46% copper and 0.13g/t gold (Table 1).

The pre-feasibility study contemplates the development of an open pit mining operation that supplies ore to a conventional flotation process plant to produce a copper-gold concentrate. The potential to produce a molybdenum concentrate will also be evaluated.

In addition, the pre-feasibility study is evaluating the potential of oxide mineralisation that overlays the sulphide resource to support a heap leach SX-EW operation.

Table 1: Sulphide Mineral Resources (0.3% copper cut-off)

	Indicated				Inferred				Total			
	Mt	CuT (%)	Au (g/t)	Mo (%)	Mt	CuT (%)	Au (g/t)	Mo (%)	Mt	CuT (%)	Au (g/t)	Mo (%)
Supergene	-	-	-	-	10.2	1.33	0.13	0.005	10.2	1.33	0.13	0.005
Primary	180.5	0.45	0.15	0.012	68.3	0.35	0.09	0.010	248.8	0.42	0.13	0.011
Total	180.5	0.45	0.15	0.010	78.5	0.48	0.10	0.009	259.0	0.46	0.13	0.011

Infrastructure in the vicinity is excellent with power, road and rail adjacent to the property, and potential access to Codelco's water rights and copper smelter within the region. Use of sea water for process water is also being evaluated as a cost effective alternative. It should be possible to secure a labour force from the nearby cities of Diego de Almagro, Salvador and Copiapó.

The results of the pre-feasibility study will be announced during the June quarter 2010.

About Chile

One third of the world's mined copper production came from Chile in 2009¹ and the largest proliferation of known copper resources is located within Chile. Chile is synonymous with copper not just as a result of being highly prospective for the metal but also as a result of having a well established mining law and being open to foreign investment. The country's mature mining industry means that excellent technical skills are available in country as is experienced labour.

About Codelco

Codelco is the Chilean state-owned copper mining company, formed in 1976 and headquartered in Santiago, Chile.

Codelco is currently the largest copper producer in the world and operates some of the world's largest copper mines. In 2008, the company produced 1.55 million tonnes of copper, equivalent to 10.2% of total world refined copper production. Codelco has the largest known copper reserves and resources in world. At the end of 2008 the company had in its mining plan Reserves and Resources containing 119 million tonnes of in-situ copper. It is estimated that current reserves will support mining operations for a further 70 years at current production rates.

¹ Source CRU

PanAust Strategy

PanAust has a corporate strategy focused on growth by discovery, acquisition and development and is striving to double production in copper equivalent terms over the next five years.

As part of this strategy, the Company looks to acquire quality assets that complement its existing copper assets and support annual production of 50,000t of copper or copper equivalent.

PanAust's proposed joint venture with Codelco, through its purchase of a 59.4% beneficial interest in Inca de Oro S.A., will fit well with this strategy. Furthermore, the development and operational expertise gained from the Phu Kham Copper-Gold Operation will greatly contribute to the joint venture realising the full potential of the Inca de Oro Project.

Shareholders' Agreement

A Shareholder's Agreement has been finalised. Important terms of this agreement include:

- In the event of a change in control of PanAust, Codelco will have the option to acquire PanAust Minera's interest in Inca de Oro S.A. at fair market value if they do not want to be associated with the new controlling entity.
- PanAust Minera will offer Inca de Oro S.A. a subordinated shareholder loan of US\$100 million, at commercial terms.
- PanAust Minera will appoint three directors and Codelco will appoint two directors to the board of Inca de Oro S.A. Mr Gary Stafford will be the Chairman of the board.
- Inca de Oro S.A. will be run as a commercial business entity that will pursue mine development opportunities, manage operations and conduct new business activities in Chile.
- Assuming that the Inca de Oro deposit is developed into a mining operation and following financial completion (satisfaction of project finance caveats for operating performance) Codelco has a right to cause Inca de Oro S.A. to list on the Santiago Stock Exchange.

Timetable

It is a requirement of Chilean law that any divestment of mining tenements by Codelco must be approved by Presidential Decree. It is anticipated that the President of the Republic of Chile will consider the proposal within the next three to four months.

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Competent Person Statement

The data in this report that relates to Exploration Results and Mineral Resources are based on information compiled 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 Exploration Results and Mineral Resources 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 production and cost performances, potential mineralisation, mineral resources, 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.