

**ASX ANNOUNCEMENT**  
**7 September 2009**

## **Drilling extends Ban Houayxai gold-silver mineralisation along strike and confirms high-grade mineralisation at depth**

Drilling results from the Ban Houayxai Gold-Silver Project (Table 1 and Figure 2) feasibility study drill program have extended the known gold-silver mineralisation along strike to the south by 100 metres (Figure 1) and provided encouraging indications of the resource potential at depth.

Drill hole HRC329 intersected 45 metres at average grades of 1.4g/t gold and 15.4g/t silver from 12 metres. The hole was drilled to follow-up drilling results announced in late June that had previously extended known mineralisation. These intersections have the potential to extend the oxide-transitional Mineral Resource.

In the northeast of the deposit (Figure 1), drill hole HDD111 intersected high-grade gold-silver mineralisation, confirming the potential of primary mineralisation at depth:

- HDD111: 89m at 2.1g/t gold and 21.9g/t silver from 290m, including:
  - 17.6m at 7.7g/t gold and 79.2g/t silver from 316.4m.

The aim of the drill program, which was completed in August, was to increase the size of the oxide-transitional Mineral Resource and to increase the proportion of mineralisation in the Measured and Indicated categories. The data from the drill program will be incorporated into the feasibility study resource estimate which is scheduled to be completed during the December quarter.

### **Background**

PanAust is undertaking a feasibility study at Ban Houayxai focused on initial open-pit mining and carbon-in-leach (CIL) processing of the outcropping oxide and near-surface transitional gold-silver mineralisation. The feasibility study work is scheduled to be completed by the end of 2009 for reporting in the March quarter 2010.

The Ban Houayxai pre-feasibility study completed in October 2008 identified the potential to develop a low-cost operation 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. Once the viability of exploiting the oxide-transitional mineralisation is established, the Company will commence evaluation of the primary mineralisation with a view to extending mine life beyond ten years.

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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 production performances, potential mineralisation, resources and reserve 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 Statements

The data in this report that relates to exploration results for the Ban Houayxai gold-silver deposit is based on information reviewed 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 in the form and context in which they appear.

Table 1: Ban Houayxai significant drill results

Hole No. Depth of hole	From (m)	Interval (m)	Gold Grade (g/t)	Silver Grade (g/t)	Comments
<b>HDD096</b> 204.2m	0.0	57.0	0.6	4.9	
	65.0	25.0	0.8	2.8	
<b>HDD098</b> 123.5m	1.0	73.3	0.7	6.2	
	79.0	41.0	0.9	17.1	
<b>HDD099</b> 201.5m	4.0	10.0	0.3	1.7	
	123.0	12.0	1.1	2.2	
	140.0	6.0	2.0	2.0	
	164.0	32.0	0.5	1.4	
<b>HDD111</b> 432.7m	191.0	59.0	0.6	10.1	
	256.0	4.0	0.3	2.5	
	277.0	8.0	0.5	4.2	
	290.0	89.0	2.1	21.9	
	inlc.: 316.4	17.6	7.7	79.2	
<b>HRC318</b> 115.0m	35.0	41.0	0.8	7.6	Hole ended in 0.5g/t gold mineralisation
	87.0	7.0	0.3	3.0	
	112.0	3.0	1.4	116.4	
<b>HRC320</b> 75.0m	0.0	2.0	0.5	3.7	
	14.0	34.0	1.5	8.9	
	55.0	2.0	0.7	42.3	
<b>HRC329</b> 125.0m	12.0	45.0	1.4	15.4	

Intersection grades are down-hole length weighted calculations using a cut-off grade of 0.3g/t gold.

Grades are rounded to one decimal place.

All drill holes are orientated at -60deg to an azimuth of 180deg.

Figure 1: Drill collar locations for significant intercepts from the latest drilling

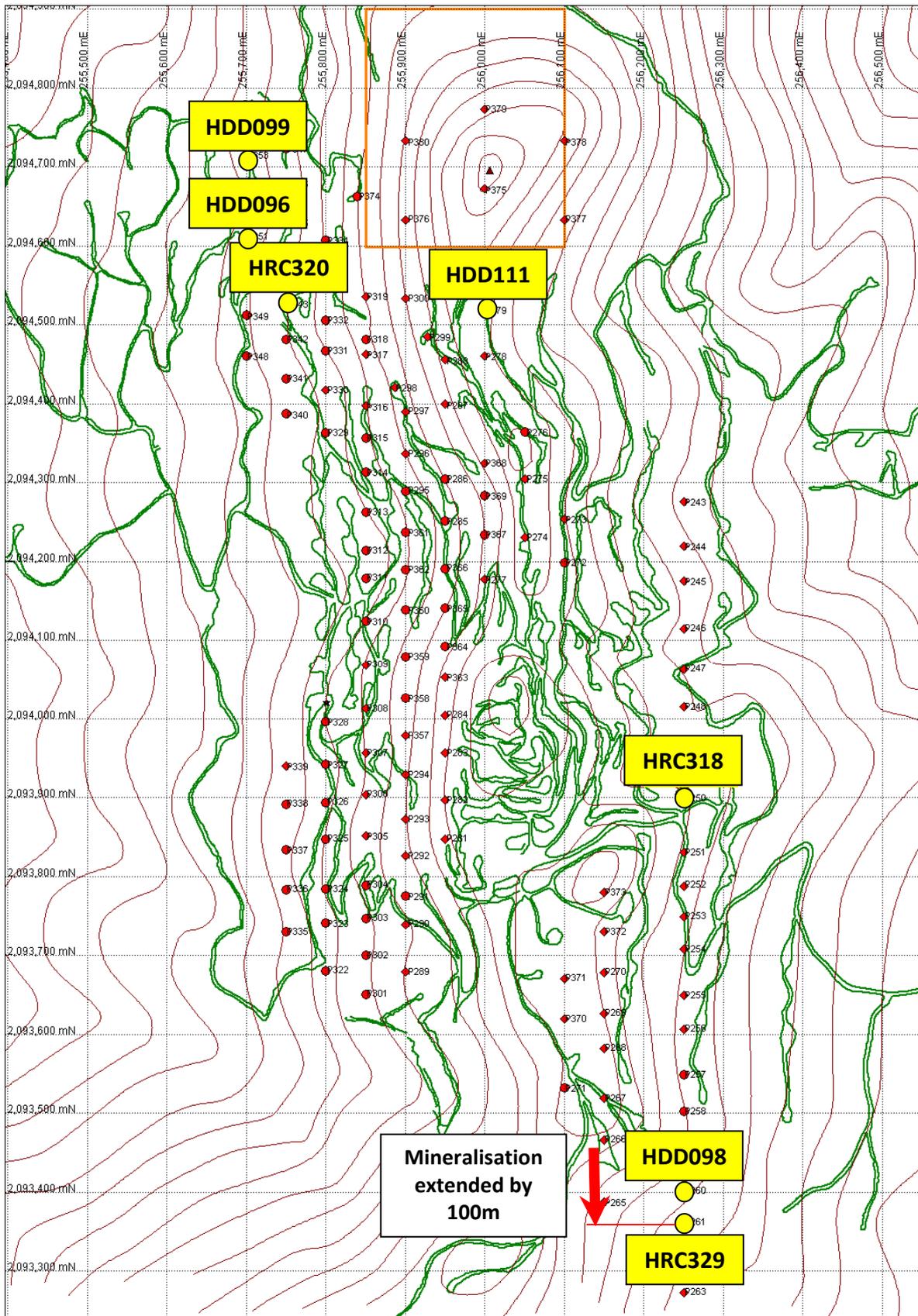


Figure 2: Location of the Ban Houayxai gold-silver deposit

