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PANAUST

ASX ANNOUNCEMENT
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Financial results for the year ending 31 December 2010

Results summary[i]

(US$ million)	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Revenue from operations	**573.9**	348.1
EBITDA	**300.1**	124.7
EBIT	**245.8**	81.9
Group consolidated net profit after tax	**160.1**	23.2
Net profit after tax, attributable to PanAust Limited	**143.4**	19.0

Highlights

- Strong financial result, driven by record production and sales combined with higher copper and gold prices.
- Group net profit after tax (NPAT) increased 590% to US$160.1 million (2009: US$23.2 million).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 141% to US$300.1 million (2009: US$124.7 million).
- Net cash flow from operating activities increased 633% to US$265.2 million (2009: US$36.2 million).
- Strong balance sheet and cash flow to support PanAust's growth strategy.
- Cash balance at 31 December 2010 of US$184.8 million (2009: US$88.2 million).

PanAust Managing Director, Gary Stafford, said that the outstanding financial performance was an endorsement of the quality of the Phu Kham Copper-Gold Operation and of the Operation's management team.

"Phu Kham is a consistent, strong performer that provides a solid foundation for PanAust's growth strategy," he said,

"At Phu Kham we had consecutive quarterly production records at the end of 2010 and in the December quarter nearly 19,000t of copper in concentrate was produced at an average C1[ii] cash cost of US$0.76/lb,

"With a solid balance sheet and cash flow from Phu Kham, PanAust is well positioned to fund committed growth projects at Ban Houayxai and Phu Kham that are expected to see annual production rise over the next 18 months to between 65,000t and 70,000t copper, and more than 150,000oz of gold and 1,000,000oz of silver. In turn, the cash flow from these increased production volumes will contribute to the funding of studies and development of other projects in the portfolio including Inca de Oro in Chile, Phonsavan Copper-Gold in Laos and Puthep in Thailand."

Given the current growth projects of the Company, no dividend will be paid.

Commentary on Financial Results

The PanAust Group net profit after tax for the year ending 31 December 2010 was US$160.1 million (2009: US$23.2 million). Net cash flow from operating activities was US$265.2 million (2009: US$36.2 million).

During 2010, PanAust's 90% owned subsidiary, Phu Bia Mining, paid to the Government of Laos US$28 million in royalty payments and, in February 2011, presented its first profits tax payment of US$18 million.

Phu Bia Mining owns and operates the Phu Kham Copper-Gold Operation in Laos. Phu Kham achieved total copper production for the year of 67,806t of copper (2009: 54,019t) at an average C1 cash cost of US$0.87/lb copper (2009: US$0.97/lb) after precious metal credits from 60,642oz of gold and 507,590oz of silver (2009: 56,759oz and 440,306oz respectively).

Sales of concentrate for the year totalled 273,252dmt (2009: 231,851t) with a pay-metal content of 63,976t copper, 56,127oz gold and 441,156oz silver (2009: 52,728t copper, 42,743oz gold and 404,329oz silver). A further 5,021oz of gold (2009: 12,541oz) was contained in sales of gold doré from the Phu Kham Heap Leach Operation. Oxide gold ore reserves were exhausted during 2009 and production of gold doré from the Heap Leach Operation ceased in April 2010. The average copper, gold and silver prices realised from sales during the year (after realised hedging) were US$3.44/lb, US$1,148/oz and US$15.45/oz respectively (2009: US$2.37/lb, US$917/oz and US$21.65/oz).

Funding

In late July 2010, PanAust entered into loan agreements for a total US$102 million of debt facilities with a syndicate of four banks and agreed terms for a new US$24.8 million equipment lease facility with the ANZ Bank to complement an existing (US$31 million at 31 December 2010) equipment lease facility.

The debt facilities syndicate comprises ANZ, Investec, Sumitomo Mitsui and Commonwealth Bank of Australia. The debt facilities have a three-year term and comprise an US$85 million Revolving Term Facility, US$17 million Guarantee Facility and other lines of credit.

In February 2011, the debt facilities were increased to a total of US$120 million with the addition of a fifth bank, Credit Suisse, to the syndicate.

The facilities, which are secured by the Company's assets in Laos, provide funding independence for the Company's Lao-based business and have enabled the accelerated reduction of inter-company debt from surplus Phu Kham cash-flow. During 2010, Phu Bia Mining Limited repaid a total of US$90 million in intercompany loans to PanAust.

At 31 December 2010, PanAust had cash of US$185 million, debt of US$45 million, undrawn debt facilities of US$40 million, and a mobile equipment lease facility of US$31 million.

Outlook

Financial Guidance

PanAust Group EBITDA for the 2011 year is currently expected to be between US$335 million and US$390 million, assuming copper prices of between US$4.00/lb and US$4.50/lb respectively[iii].

This guidance is based on estimated 2011 production from the Phu Kham Copper-Gold Operation of 62,000t to 65,000t of copper in concentrate at an average C1 cash cost of between US$0.95/lb and US$1.05/lb copper after precious metal credits from 50,000oz to 55,000oz of gold and 450,000oz to 500,000oz of silver.

Growth through discovery, acquisition and development

With a strong balance sheet and free cash flow from Phu Kham, PanAust is well positioned to pursue a strategy of growth by discovery, acquisition and development.

Key components of this strategy are: a commitment to progressing capital efficient organic growth opportunities; the acquisition of producing or pre-development copper assets; and, pursuit of an exploration and resource development program in Laos and Chile.

The Ban Houayxai gold-silver deposit is located approximately 25km west of the Phu Kham Copper-Gold Operation within Phu Bia Mining's Contract Area. In November 2009, PanAust commenced pre-development work for an operation comprising an open pit mine feeding ore to a conventional 4Mtpa Carbon In Leach (CIL) process plant to produce over 100,000oz of gold and 700,000oz of silver per annum.

At the end of 2010, the Project construction was 21% complete, and expenditure and commitments totalled approximately US$78 million out of the total board approved capital for the Project of US$150 million. On-site foundation work for the permanent buildings and ball mill are well advanced and the ball mill has been delivered to site. Installation of the CIL tank ring beams was completed and erection of the tanks has commenced. The current priority for construction is completion of the initial construction phase for the tailings storage facility before the wet season. In November 2010, a program of grade control drilling commenced. Data from the program will provide detailed data for mine planning and scheduling during the early production phase.

The Project remains on schedule for initial commissioning to commence in late 2011 with steady state production attained during the March quarter 2012. In mid-October 2010, PanAust announced that the Company's Board of Directors had approved a US$110 million development to increase ore processing rates and improve metal recoveries at the Phu Kham Operation (the Phu Kham Upgrade). An order for the major long-lead item, the 13MW ball mill, was placed in November 2010. The investment is expected to deliver from mid-2012 an increase in design copper in concentrate production to between 65,000tpa and 70,000tpa from current design levels of between 60,000tpa and 65,000tpa and implementation is timed to coincide with a scheduled decline in ore head grade.

Whereas there are upward pressures on the capital cost for completing the Ban Houayxai Project, changes of scope for the Phu Kham Upgrade will probably lead to a decline in capital costs of similar magnitude (US$15 million to US$25 million) such that the combined capital costs for both projects will remain much the same. A review of the capital costs, ore reserves and mine schedules for both projects will be completed during the June quarter.

Yesterday, PanAust announced that the acquisition of a majority interest in the Inca de Oro Copper-Gold Project in Chile from Corporación Nacional del Cobre de Chile ("Codelco") had been approved by Presidential Decree. PanAust expects that the acquisition of its interest will be completed within the next few weeks. The Company will now move rapidly to complete the feasibility study for the Inca de Oro Project, with the objective of placing orders for long lead items in early 2012.

The acquisition fits well with PanAust's corporate strategy for growth and represents an excellent opportunity to establish a business in one of the world's most attractive copper mining regions.

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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 and financial performances 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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[i] All data contained in this report are shown on a consolidated (100%) basis unless otherwise stated. PanAust's assets in Laos are held by Phu Bia Mining Limited (PBM). The Government of Laos (GoL) has exercised its right to acquire a 10% interest in PBM.

All financial data for the 12-month period to 31 December 2010 presented in this announcement are sourced from the Financial Statements for the year ended 31 December 2010 lodged by PanAust with the Australian Securities Exchange. This document should be referenced to provide the appropriate form and context for such data.

[ii] Brook Hunt convention for reporting of direct cash costs comprising: mine site, concentrate transportation and freight, treatment and refining charges and marketing costs. Based on payable copper in concentrate produced, after precious metal credits.

[iii] Assumes gold and silver prices of US$1,350/oz and US$28/oz respectively and US$0.85/litre diesel fuel cost.