PanAust Limited
For the year ended 31 December 2009
(Previous corresponding period: Year ended 31 December 2008)
Results for Announcement to the Market

APPENDIX 4E
Preliminary Final Report
31 December 2009

PanAust Limited
ABN 17 011 065 160

				US$'000
Revenue from ordinary activities *(Appendix 4E item 2.1)*	up	225%	to	**348,112**
Profit from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)* *(Prior year loss US$39,959 million)*	up	158%	to	**23,171**
Net Profit for the period attributable to members *(Appendix 4E item 2.3)* *(Prior year loss US$39,959 million)*	up	148%	to	**18,991**

Dividends / distributions *(Appendix 4E item 2.4)*	**Amount per security**	**Franked amount per security**
Dividend	-	-

Key Ratios	**2009**	2008
	December	December
Basic earnings/(loss) per share (cents)*	**0.86**	(2.65)
Net tangible assets backing per ordinary share ($)^	**0.18**	0.05

**The comparative earnings per share have been restated to take into account the share rights offer component of shares issued during the year ended 31 December 2009*
^ The comparative NTA backing per share has been restated based on the number of shares on issue as at 31 December 2009

The accompanying financial report which has been audited, comprises the balance sheet as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, a summary of accounting policies, other notes and directors' report.

Commentary on results for the period:

Operating results: The consolidated operating profit for the financial year of the consolidated entity after providing for income tax was US$23,171,479. The profitable position of the Company is attributable to FY2009 being the first full year of production at the Phu Kham Copper-Gold Operation.

Repayment of Borrowings (notes 21 and 24): Loan repayments completed during the year, totalling US$207 million, have significantly improved the Company's gearing ratio (2009: 16%, 2008: 67%).
(Gearing ratio = total borrowings, divided by total borrowings plus equity)

Capital raising (note 27): Total equity raised during the year was US$331 million.

Profit from ordinary activities and net profit attributable to members: The share of profit for the non-controlling interest in Phu Bia Mining, held by the Government of Laos (10%), has been recognised for the first time this accounting period. The profit after tax result for Phu Bia Mining, for the period ended was US$41.8 million.

PanAust Limited

ABN 17 011 065 160

Financial statements

for the year ended 31 December 2009

PanAust Limited ABN 17 011 065 160

Annual Report - 31 December 2009

Directors' report

Your directors present their report on the consolidated entity consisting of PanAust Limited (referred to hereafter as the 'Company' or 'PanAust'), and the entities it controlled (collectively referred to as the 'Group') at the end of, or during, the year ended 31 December 2009 (the reporting period).

Directors

The following persons were directors of PanAust during the financial year and at the date of this report:

G. A. Hounsell, Chairman
G. Stafford, Managing Director
N. P. Withnall
A. E. Daley
G. A. Handley
G. Billard
Z. Li (appointed 18 September 2009)

Information on directors

Garry Arthur Hounsell B.Bus. (Accounting) CPA FCA FAICD. *(Chairman, Non-Executive Director).* Age 55.
Mr Hounsell is an accountant with significant experience as a director of large listed public companies. He is a Fellow of The Institute of Chartered Accountants in Australia and a Fellow of The Australian Institute of Company Directors. Prior to accepting positions as a public company director, Mr Hounsell was a senior partner of Ernst & Young and Country Managing Partner of Arthur Andersen. He was the 'signing partner' for the audit of BHP Billiton Limited from 2000 to 2002. From 2005 to 2007, he was an executive of Investec Bank (Australia) Limited. Mr Hounsell is also an external Board Member of Freehills, a leading Australian law firm.

During the past three years, Mr Hounsell has also been a director of the following listed companies:

- Qantas Airways Limited (Chairman of Qantas Audit Committee)*
- Orica Limited*
- Nufarm Limited (Chairman of Nufarm Audit Committee)*
- Mitchell Communications Group Limited (Deputy Chairman)*

** denotes current directorship*

Appointed Director and Chairman of PanAust on 1 July 2008, Mr Hounsell was also appointed as Chairman of the Remuneration Committee and the Nominations Committee. He is also a member of the Audit Committee.

Interests in shares and options
Mr Hounsell has a direct interest in 602,675 ordinary shares in PanAust. Mr Hounsell has an indirect interest in 213,616 ordinary shares in PanAust held by The Hounsell Superannuation Fund of which Mr Garry Hounsell is a beneficiary.

Gary Stafford B.Sc. (Hons, Mining Engineering) MAusIMM. *(Managing Director).* Age 49.
Mr Stafford is a mining engineer with 28 years experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Mr Stafford is also a Director of Puthep Company Limited (Thailand).

Appointed Managing Director on 7 March 1996, Mr Stafford is also a member of the Nominations Committee.

Interests in shares and options
Mr Stafford has a direct interest in 12,157,528 ordinary shares in PanAust and 25,100,000 options over ordinary shares in PanAust. An indirect interest in PanAust of 3,303,615 ordinary shares is held by The Spellbrook Superannuation Fund of which Mr Stafford is a beneficiary.

Nerolie Phyllis Withnall BA, LLB. FAICD. *(Non-Executive Director).* Age 65.
Mrs Withnall is a former commercial lawyer with specialist skills in the areas of corporate advice, capital raisings, securities and corporate trusts. Mrs Withnall is a former partner of the national law firm Minter Ellison and is a member of a number of government and community organisations, including the Takeovers Panel and the Corporations and Markets Advisory Committee. Mrs Withnall is a former member of the Senate of the University of Queensland.

Information on directors (continued)
During the past three years, Mrs Withnall has also served as a director of the following listed companies:

- Campbell Brothers Limited – appointed 1994*
- Alchemia Limited – appointed October 2003*
- QM Technologies Limited – Chairman appointed September 2003
- Redcape Property Fund Limited (formerly Hedley Leisure and Gaming Property Partners Limited) - appointed 2007*
- Computershare Limited - appointed 1 July 2008*

** denotes current directorship*

Appointed Director on 21 May 1996, Mrs Withnall is also the Chairman of the Audit Committee and is a member of the Remuneration Committee.

Interests in shares and options
Mrs Withnall has a direct interest in 565,241 ordinary shares in PanAust.

Andrew Edward Daley BSc (Hons, Mining Engineering) FAusIMM. *(Non-Executive Director).* Age 61.
Mr Daley is a Chartered Engineer (UK) and a Member of IOM3 . Mr Daley commenced his career on the Zambian Copperbelt with Anglo American and subsequently worked with Rio Tinto and Conoco Minerals in Africa, before relocating to Australia with Fluor Australia in early 1981. Since late 1983, Mr Daley has primarily worked in the resource finance sector, initially with National Australia Bank, then Chase Manhattan and as a Director of Barclays Capital mining team in London and Sydney. Returning to Australia in early 2003 Mr Daley became a director of Investor Resources Finance Pty Ltd, a company based in Melbourne that, until mid 2008, provided financial and corporate advisory services to the global resource industry.

During the past three years, Mr Daley has also served as a director of the following listed companies:

- Kentor Gold Limited (ASX) – appointed 12 November 2004*
- Dragon Mining Ltd (ASX) – appointed a director on 23 March 2005 and Chairman from 20 March 2006*^
- Minerva Resources plc (AIM) - appointed a director and Chairman 7 July 2007. Resigned 15 July 2009 when company was taken over.
- Uranex NL (ASX) - appointed 30 November 2007 and Chairman on 27 November 2009*
- Gladstone Pacific Nickel Limited (AIM) – appointed 11 February 2005 and resigned on 7 December 2007

** denotes current directorship*
^ Mr Daley has provided notice and will step down as a director of Dragon Mining Ltd in March 2010

Appointed Director on 3 August 2004, Mr Daley is also a member of the Audit Committee.

Interests in shares and options
Mr Daley has an indirect interest in 508,402 ordinary shares in PanAust held by The Motherlode Superannuation Fund of which Mr Daley is a beneficiary.

Geoffrey Arthur Handley BSc (Hons, Geology and Chemistry) MAusIMM. *(Non-Executive Director).* Age 60.
Mr Handley is a geologist with over 30 years experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Ltd., as a chemist and geologist for Placer Exploration Ltd. and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Ltd. as a Senior Geologist and was responsible for the exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Most recently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development and strategic planning.

During the past three years, Mr Handley has also served as a director of the following companies listed on the Toronto and New York Stock Exchanges:

- Eldorado Gold Corp. – appointed 29 August 2006 *
- Endeavour Silver Corp. – appointed 14 June 2006*

Mr Handley also served as a director of Boart Longyear Limited, an Australian Securities Exchange listed company, from 21 February 2007 to 15 November 2008.

Appointed Director on 29 September 2006, Mr Handley is also the Chairman of the Sustainability Committee and was a member of the Audit Committee until 27 August 2008.

Information on directors (continued)

Interests in shares and options
Mr Handley's spouse, a related party of the Company for the purposes of the Corporations Act 2001, holds 271,009 ordinary shares in PanAust.

Geoffrey Billard B.Econ, B.Com. (Hons, Economics) FCPA FAICD . *(Non-Executive director).* Age 65.
Mr Billard is an economist who has achieved wide career experience in the mining industry. This included some 20 years with CRA (now Rio Tinto) at Bougainville Copper, Argyle Diamonds and as Managing Director (Group Financial Services) before taking up senior executive positions with Pasminco and MIM in operational, marketing, finance, new project development and technology roles.

Mr Billard previously served as a director of the following listed companies:

- Bougainville Copper Limited
- Metal Manufacturers Limited

** denotes current directorship*

From 1998 until 2008, Mr Billard operated his own consulting business providing specialist advisory services on strategic projects for both corporate and government clients. In this capacity, he has previously assisted PanAust in forming and implementing corporate strategy and organisational change.

Appointed Director of PanAust on 1 July 2008, Mr Billard is also a member of the Sustainability and Remuneration Committees.

Interests in shares and options
At the date of this report, Mr Billard has an indirect interest in 125,134 ordinary shares through a Macquarie superannuation fund.

Zezhong Li M.Laws, M.Public Administration in International Development *(Non-Executive director).* Age 39.
Mr Zezhong Li is the Vice President of Guangdong Rising Assets Management (GRAM), a position which he has held since November 2008. Mr Zezhong Li is GRAM's nominee director on the Board of PanAust. GRAM is a cornerstone investor in PanAust. Mr Zezhong Li joined the Board following the completion of the share placement to GRAM in September 2009.

Prior to joining GRAM, Mr Zezhong Li worked for the Poverty Alleviation Office of the State Council and was a consultant to the United Nations Development Program.

During the past three years, Mr Zezhong Li has also served as a director of Shenzhen Zhongjin Lingnan Nonferrous Metal Co., which is a major Chinese enterprise engaged in the mining and processing of lead, zinc and other non ferrous metals. Zhongjin Lingnan is China's third largest zinc producer and is listed on the Shenzhen Stock Exchange.

Appointed Director on 18 September 2009, Mr Zezhong Li was also appointed a member of the Audit Committee on 4 December 2009.

Interests in shares and options
At the date of this report, Mr Zezhong Li did not have a direct or an indirect interest in PanAust.

Company secretary
Paul Martin Scarr B.Com, LLB (Hons), Grad. Dip. App. Corp. Gov. ACIS.

Mr Scarr is a Chartered Secretary and associate member of the Chartered Secretaries Institute of Australia. He has over 18 years experience as a lawyer. Prior to joining PanAust, he worked in private practice with both Allens Arthur Robinson and Mallesons Stephen Jacques. During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. He has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia. Mr Scarr is responsible for the company secretarial function, corporate governance issues and the legal function of the Company.

Appointed Company Secretary on 23 February 2007.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 December 2009, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees							
			Nominations		Remuneration		Sustainability		Audit	
	A	B	A	B	A	B	A	B	A	B
G. A. Hounsell	12	12	1	1	2	2	*	*	5	5
G. Stafford	12	12	1	1	*	*	*	*	*	*
N. P. Withnall	12	12	*	*	2	2	*	*	5	5
A. E. Daley	12	12	*	*	*	*	*	*	5	5
G. A. Handley	12	12	*	*	*	*	5	5	*	*
G. Billard	12	12	*	*	1	1	5	5	*	*
Z. Li (appointed 18 September 2009)	2	2	*	*	*	*	*	*	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee
** = Appointed member of the Committee during December 2009. There were not any subsequent committee meetings held during the period leading up to 31 December 2009

Earnings per share

	31 December 2009 Cents	31 December 2008 Cents
(a) Basic profit/(loss) per share		
Basic profit/(loss) per share	**0.86**	(2.65)
(b) Diluted profit/(loss) per share		
Diluted profit/(loss) per share	**0.85**	(2.65)

The comparative earnings per share have been restated to take into account the bonus element of shares issued during the year ended 31 December 2009.

Dividends

Since the end of the previous financial year, no amounts were paid or declared by way of dividend by the Company. The Directors do not recommend a final dividend in respect of the year ended 31 December 2009 (2008: nil).

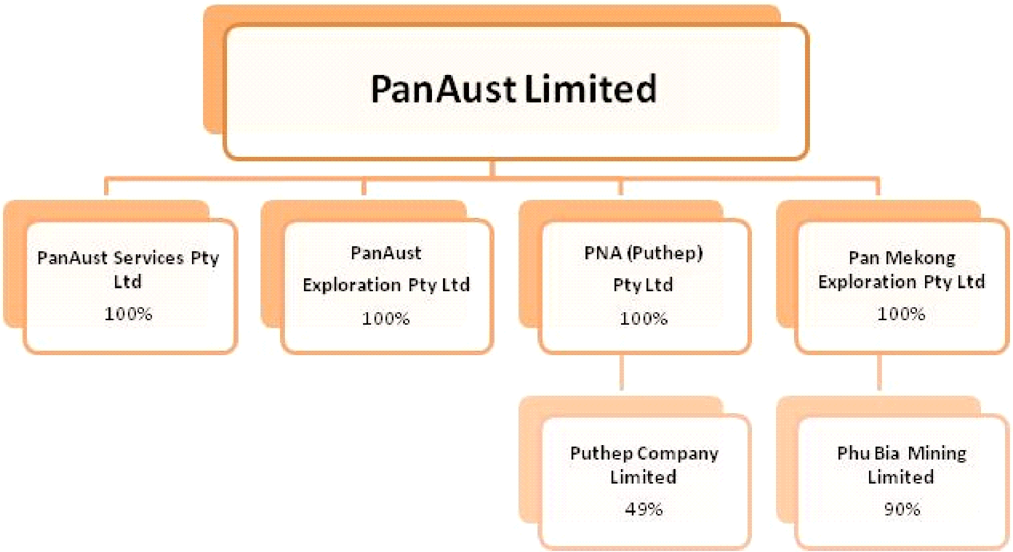
Principal activities

During the year, the principal continuing activities of the Group consisted of:
(a) Production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operations;
(b) Gold doré production from the Phu Kham Heap Leach Operation; and
(c) Exploration and evaluation of sites in Laos and Thailand.

The following significant change in the nature of the activities of the Group occurred during the year:
(a) First full year of copper-gold concentrate production at the Phu Kham Copper-Gold Operation.

Review of operations

Group Operating Structure



Corporate Structure in Laos

PanAust owns a 90% interest (2008: 90%) in the Lao registered company, Phu Bia Mining Limited (Phu Bia Mining), through the Company's wholly owned subsidiary, Pan Mekong Exploration Pty Limited. Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates exploration and mining within a contract area of 2,636 square kilometres (the 'Phu Bia Contract Area') in Laos.

The Government of Laos has exercised its option to acquire a 10% interest in Phu Bia Mining, so that PanAust's interest has reduced to 90%. The Government's interest can be funded through future dividends payable to the Government as declared by Phu Bia Mining.

Corporate Structure in Thailand

PanAust holds a shareholding interest of 49% (2008: 33.17%) in the Thai registered company Puthep Company Ltd (Puthep) through the Company's wholly owned subsidiary, PNA (Puthep) Pty Limited. Padaeng Industry Public Company Limited (Padaeng) owns the other 51% (2008: 66.83%) interest in Puthep. Puthep has a concession agreement with the Government of Thailand. The concession covers the two deposits (the PUT1 and PUT2 deposits) that comprise the Puthep Copper Project.

PanAust will earn a 51% interest in Puthep by completing a feasibility study on the Puthep Copper Project in accordance with the Participation Agreement between the parties dated 21 August 2000 (as amended). Under the Participation Agreement, the Company has options to acquire a total 60% or 70% interest in Puthep. The Government of Thailand has a right to acquire a 10% interest. If the Government of Thailand exercises its right to acquire a 10% interest, each of Padaeng and the Company must each transfer half of the shares required to be transferred to the Government of Thailand provided that Padaeng's interest does not fall below 26%.

Under the Thailand - Australia Free Trade Agreement, the Company can acquire a 60% interest without any further approvals from the Government of Thailand. The Company can acquire an interest above 60% with government approval.

Employees

The consolidated group had 1,664 permanent employees, including staff on fixed term contracts, as at 31 December 2009 (2008: 1,581 employees).

Review of operations (continued)
Operating Review for the Year

Laos

Phu Kham Copper-Gold Operation

The year ended 31 December 2009 was the first full year of copper concentrate production at the Phu Kham Copper-Gold Operation. The processing throughput for the year was 11 Mtpa of ore to produce 227,063t of concentrate containing 54,019t of copper, 43,099oz of gold and 440,306oz of silver.

Phu Kham cash costs, net of by product credits (Brook Hunt convention C1 cash costs) averaged a competitive US$0.97/lb of copper for FY2009. The average price received for copper for 2009 was US$5,219/t ($US2.37/lb) after hedging.

Copper output for the year was adversely impacted by two separate mill motor failures and a major conveyor belt tear which limited mill throughput, and lower than forecast recovery rates for the upper transitional ores which dominated production. Implementation of recovery improvement initiatives, enhanced operating practices and improved ore mineralogy saw recovery rates improve by year end.

There is potential to extend the resource at the Phu Kham Copper-Gold Operation, both to the north beyond the existing planned open pit, and in the south below the current open pit.

During 2010, PanAust will complete a review of the Phu Kham Copper-Gold Operation to determine the optimum approach to expanding production. The review will be based on nearly 18 months of operating experience and, as a starting point, will consider previous studies to extend processing rates from 12Mtpa to 16Mtpa and introduce a hydrometallurgical circuit to recover copper and gold from process tails. The review will have the objective of increasing and maintaining annual copper production at between 65,000t to 70,000t as ore head grades decline (identified as commencing in 2012 under the current mine plan).

Phu Kham has a good safety record by international standards, with the achievement of 15 months Lost Time Injury (LTI) free to the end of June 2009. Regrettably, during the year there were three contractor fatalities associated with the Company’s operations in Laos. The incidents were fully investigated and appropriate actions taken to ensure that both contractors and the Company's employees meet the Company’s high standards at all times. The Phu Kham management team has redoubled efforts in the area of contractor safety with the aim of achieving the Company’s Zero Harm objective.

Ban Houayxai Gold-Silver Project

PanAust is undertaking a feasibility study focused on the open-pit mining and carbon–in-leach (CIL) processing of the outcropping oxide and near-surface transitional mineralization at the Ban Houayxai Gold-Silver deposit, which is situated approximately 25km west of Phu Kham Copper-Gold Operation.

It is anticipated that the feasibility study results will be announced before or on the date of the release of the March 2010 quarterly report, once internal review processes are complete.

In anticipation of a positive outcome from the feasibility study and to keep the Project progressing, the Board of Directors approved the commencement of major site works which commenced during the December quarter of 2009. The early works include the construction of the temporary site accommodation, access roads and clearing of the process plant area.

Sterilisation drilling for site infrastructure was completed during the December quarter of 2009. A further drill program aimed at extending the known oxide and transitional resource has commenced after positive results were achieved during 2009.

Phu Kham Heap Leach Gold Operation

The production of gold doré continued throughout 2009 with 13,660oz (2008: 20,961oz) produced. The Heap Leach Gold Operation is nearing the end of its mine life as the oxide gold ore is depleted. It is anticipated that 2010 will be the last year of production at the operation.

Review of operations (continued)

Other Projects

In Laos, other organic growth opportunities are being pursued through exploration at:

- Phonsavan Copper Project – situated in the northern part of the contact area;
- Ban Phonxai Copper-Gold Prospect – situated near Ban Houayxai; and
- Phu He Gold Prospect – situated in the northern part of the contract area.

The Phu Bia Contract Area covers 2,636 square kilometres of highly prospective ground and remains very much under-explored. Exploration activity is on-going. A major aerial geophysical survey has been completed which provides the base-line data to assist in the targeting of on-going exploration activity.

Thailand

Puthep Copper Project

The Puthep Copper Project is a joint venture project being pursued in conjunction with Padaeng Industry Public Company Limited. The project comprises two deposits: PUT 1 and PUT 2. PanAust is undertaking a feasibility study on the PUT 1 deposit.

A revised Mineral Resource estimate was adopted for feasibility mining and engineering studies which were progressed through the year. The study has been extended after copper vat leaching was identified as the preferred processing option for near-surface copper mineralisation. The Project's environmental and social impact studies are being progressed in parallel with the feasibility study and are expected to be completed in 2010.

Capital raising

The onset of the deteriorating credit conditions in late 2008 compelled the Company to undertake a significant restructure of the PanAust balance sheet. Working capital credit from banks was scarce and falling copper prices impacted on the Company's ability to comfortably service debt obligations. PanAust needed to promptly respond to the changed financial markets landscape by accessing new capital to allow for the continued pursuit of organic growth, to supplement working capital and to restructure the balance sheet.

On 21 January 2009, PanAust announced the completion of a share placement to eligible investors of approximately 147 million shares at A$0.15 per share to raise approximately A$21 million and the launch of a share purchase plan to eligible shareholders. The share purchase plan raised approximately A$26.4 million through the issue of approximately 176 million shares at just under A$0.15 per share.

On 26 May 2009, PanAust entered into a placement agreement with Guangdong Rising Assets Management Co. Ltd (GRAM), a major Chinese investment group, under which GRAM acquired a 19.9% interest in PanAust. The placement with GRAM comprises a total investment of approximately A$215.9 million through a cornerstone investment of approximately 456.8 million shares at A$0.395 per share (equal to the closing price on 25 May 2009) and a post Equity Offer top up placement of approximately 126.7 million shares at A$0.28 per share (the same price as the Equity Offer shares). Completion under the placement agreement was conditional upon a number of key approvals which were received from the Australian Foreign Investment Review Board, the Chinese Government's National Development and Reform Commission, Chinese Government's Ministry of Commerce and PanAust shareholders. The placement was completed on 18th September 2009.

On the same date as GRAM agreement, PanAust announced that it would undertake a non renounceable entitlements offer to institutional and retail shareholders and an institutional placement (Equity Offer) at A$0.28 per share to raise a total of approximately A$143 million.

The equity raising activity completed during the year has significantly strengthened the Company's balance sheet by providing elevated working capital balances and allowing for a reduction in debt levels.

Review of operations (continued)

Repayment of borrowings

A portion of the funds raised from the above mentioned Equity Offer and placement to GRAM were utilised to pay down Company loans as follows:

- US$80 million subordinated debt facility with Goldman Sachs JBWere was fully repaid 30 June 2009;
- US$100 million prepayment on the Phu Kham Copper-Gold Operation's senior project facility on 22 September 2009; and
- US$8.075 million Working Capital Facility was fully repaid on 30 November 2009.

The loan repayments completed during the year have significantly improved the Company's gearing ratio (2009: 16%, 2008: 67%) *. As a consequence of an improved balance sheet, the Company is well placed to further progress growth projects.

** Gearing ratio = total borrowings divided by total borrowings plus equity*

Operating results for the year

The consolidated operating profit for the financial year of the consolidated entity after providing for income tax was US$23,171,479 (2008: operating loss US$39,959,278). The profitable position of the Company is attributable to FY2009 being the first full year of production at the Phu Kham Copper-Gold Operation.

During December 2008, PanAust signed a sale agreement with a long term customer which incorporated the deferred settlement of an outstanding provisional pricing liability. As at 31 December 2008, the provisional pricing liability for this customer was US$39 million. The liability was progressively repaid over the first half of 2009 and concluded in July 2009.

Since 31 December 2008, the LME three month forward copper price has steadily increased from US$2,935/t (US$1.33/lb) to US$7,377/t (US$3.35/lb) as at 31 December 2009. This has had the favourable result of a provisional pricing receivable of US$3.3 million as at 31 December 2009.

Segment results are adjusted earnings before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the Managing Director to assess the performance of the operating segments. For a reconciliation to operating profit before tax refer to note 4 to the financial statements.

A summary of consolidated revenues and results (adjusted EBITDA) by segment is set out below:

	Segment revenues		**Segment results**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Phu Bia Mining	**345,724**	106,806	**121,221**	(16,528)
Other	**2,388**	152	**3,491**	(256)
Total segment revenue / consolidated result	**348,112**	106,958	**124,712**	(16,784)

(a) *Significant gains and expenses*

	31 December 2009 US$'000	31 December 2008 US$'000
Gains:		
Unrealised hedge gains	**-**	4,394
Expenses:		
Unrealised hedge losses	**(8,449)**	-

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

		31 December 2009 US$'000
(a)	A reduction in debt as a result of:	
	repayment of Goldman Sachs JBWere (GSJBWere) subordinated debt facility	**77,148**
	repayment of Working Capital Facility	**8,075**
	A reduction in debt on the Phu Kham Copper-Gold Senior Project Facility	
	Voluntary repayment	**100,000**
	Contractual repayments	**22,000**
		207,223
(b)	An increase of issued capital due to equity raisings	**331,337**
(c)	An increase in revenue as a result of Phu Kham Copper-Gold Operation operating for a full financial year	**241,154**

Likely developments and expected results of operations

Future developments and business strategies of the Company are as follows:

- Completion of a feasibility study on the Ban Houayxai Gold-Silver Project in Laos;
- Commence site construction for the Ban Houayxai Gold-Silver Project, subject to a successful feasibility study outcome and necessary approvals;
- FY2010 will be the second full year of production for the Phu Kham Copper Gold Operation, the target is to produce 60,000 to 63,000t of copper, over 43,000oz of gold and 300,000oz of silver;
- Completion of the feasibility study on the Puthep Copper Project in Thailand;
- Ongoing exploration and evaluation activities in Laos and Thailand; and
- Acquisition of producing or pre-development copper assets.

PanAust remains committed to progressing capital efficient organic growth opportunities (within the Company's Contract Area in Laos and at Puthep in Thailand). With PanAust's strengthened balance sheet, the Company has a growth strategy aimed at doubling copper (or copper equivalent) production by 2013 through the pursuit of organic growth and acquisition of new copper projects.

Environmental regulation

Under the *Corporations Act 2001,* the Company is required to report on its performance in relation to Australian environmental laws.

The Company owns a non-controlling interest in the Darlot South Gold Exploration Project in Western Australia. The Project is subject to the environmental laws of Western Australia and the Commonwealth of Australia. Sundowner Minerals N.L., part of the Barrick Gold Group, is the operator of the Project. Under the farm-in arrangements, the operator is required to comply with all relevant environmental laws and regulations. The Company is not aware of any breach of any environmental laws by the operator and has fully complied with its obligations as a non-controlling holder of tenements.

The Company's policies with respect to compliance with environmental laws in all countries in which it operates will be fully outlined in the Sustainability Report. The Sustainability Report for 2009 is due to be released in the second quarter of 2010.

Insurance of officers

During the financial year, PanAust paid an annual premium of US$109,145 to insure the directors, secretary and other officers of the Company and its controlled entities. The premiums paid during FY2008 were US$18,898 for the four month period from 31 October 2008 to 28 February 2009.

Insurance of officers (continued)
The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Loans to directors and executives
As at 31 December 2009, the Company had no outstanding loans or advances with directors or executives of the Company (2008: nil).

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

The Company has employed the auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company were considered to be important.

The Board of Directors considered the issue of auditor independence and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they did not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for audit and non-audit related services provided by the auditor of the parent entity and its related practices:

	Consolidated	
	31 December 2009 US$	31 December 2008 US$
a) Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work	**247,385**	200,994
Related practices of PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work	**155,865**	143,000
Total remuneration for audit services	**403,250**	343,994
b) Other assurance services		
PricewaterhouseCoopers Australian firm:		
Project facility bank review	**168,982**	-
Capital raising review	**38,688**	-
Controls assurance services	**-**	12,162
Other services	**19,028**	7,502
Related practices of PricewaterhouseCoopers Australian firm		
PricewaterhouseCoopers Thailand firm:		
Controls assurance services	**15,000**	-
Total remuneration for other assurance services	**241,698**	19,664
c) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax advice	**14,959**	13,291

Remuneration report
The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A Principles used to determine the nature and amount of remuneration
This report outlines the remuneration agreements in place for directors and executives of PanAust.

Remuneration philosophy

PanAust's business has grown significantly over the last three years with an almost threefold increase in the workforce from 600 staff in 2006 to over 1,650 at the end of 2009. The Company's directors and senior management team steered the Company through the turmoil of the global financial crisis and by the end of the year, the Phu Kham Copper-Gold Operation was performing well. The Company's sights are now firmly focused on its growth strategy with several projects currently being progressed.

To maintain growth as a leading copper producer, the Company needs to continue to attract, maintain and motivate a quality and highly skilled team of directors and executives. Over the last two years, the Company has had to adapt its remuneration strategy to the changing needs of the business and part of this strategy has been to increase the percentage of total discretionary remuneration. Remuneration reviews and both short and long term incentives are based on genuine and demanding performance measures to ensure that executives are focused on growing the Company and shareholder value in a sustainable way, optimising returns on capital and adhering to our core values of respect for the safety of our employees, community and environment.

Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Chairman, the Directors, the Managing Director and the senior management team. The functions of the Remuneration Committee are set out more particularly in a charter. This charter is available on PanAust's website. The Remuneration Committee of the Board of Directors of the Company comprises Mr G. A. Hounsell (Chairman), Mr G. Billard (from 4 December 2009) and Mrs N. P. Withnall, all independent non-executive directors.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions. The overall objective is to ensure maximum stakeholder benefit from the retention of a high quality Board and executive team.

In accordance with "best practice" corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration
Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution of the Company and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided among the directors as agreed by them. The latest determination was made at the Annual General Meeting held on 23 May 2008 when shareholders approved an aggregate remuneration cap of A$800,000 (2008: A$800,000) per year.

The amount of aggregate remuneration sought to be approved by shareholders, and the manner in which it is apportioned amongst directors, is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The remuneration structure of Directors' fees are detailed on page 15 of this report.

The remuneration of non-executive directors for the year ending 31 December 2009 is detailed on page 16. The remuneration structure for non-executive directors has remained unchanged since May 2008.

Remuneration report (continued)
A Principles used to determine the nature and amount of remuneration (continued)

Executive director and senior executive remuneration
Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities within the Company.

Structure

In determining the level and make-up of executive remuneration, management and the Remuneration Committee researches market levels of remuneration for comparable executive roles from which the Committee makes its recommendations to the Board.

Remuneration consists of the following key elements:

- Fixed Remuneration;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The proportion of Fixed Remuneration, STI and LTI is established for each senior executive by the Remuneration Committee. Remuneration for the most highly remunerated senior executives is detailed in the table on page 16 of this report.

Fixed Remuneration
Objective

The level of Fixed Remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market.

Fixed Remuneration is reviewed on an annual basis by the Remuneration Committee. The Committee utilises a range of relevant information sources during the review process, including comparative market data, internal sources and, where appropriate, external advice.

Structure

Fixed Remuneration is inclusive of superannuation, at a rate of 9% in accordance with legislative requirements. Senior executives (including all key management personnel) are given the opportunity to receive their Fixed Remuneration as either base salary (if based overseas) or base salary and superannuation.

Short Term Incentives (STI)
Objective

The objective of awarding STI is to link the achievement of the Company’s strategic targets with the remuneration received by the executives charged with meeting those targets. The total potential remuneration available is set at a level so as to provide sufficient incentive to the senior executive to achieve the strategic targets, and such that the cost to the Company is reasonable in the circumstances.

Structure

STI payments to Senior Executives are dependent upon the extent to which specific strategic targets set at the beginning of the financial year are met. The strategic targets consist of a number of critical tasks covering both financial and non-financial measures of performance. Typically included are operational measures such as production, cost control, sustainability measures (including safety and environment) and other specific individual achievement plan targets relating to the performance of the business unit, department or operation for which the individual is responsible.

STI grants comprise of discretionary and non-discretionary components. The non-discretionary component is the target STI which is dependent upon the accomplishment of the individual’s achievement plan. The discretionary component, which is limited to an additional 50% of the target STI, is a bonus element to reflect an executive out-performing the requirements of their annual achievement plan. The discretionary component is also dependent upon the overall financial position of the Company.

For operational roles in 2009, payment of the STI to the executive was linked to the following: 50% (2008: 25%) for production, 25% (2008: 50%) for cost and 25% (2008: 25%) for sustainability (split between meeting safety and environment targets).

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

For non-operational roles in 2009, payment of the STI to the executive was linked to the following: 75% (2008: 75%) for performance against annual achievement plan and 25% (2008: 25%) for performance against sustainability targets for the Group (split between safety and environment targets).

Sustainability performance is measured by reference to statistics for lost time injuries (lost time injury frequency rate – LTIFR), medically treated injuries (medical treatment injury frequency rate – MTIFR) and the number and consequence of reportable environmental incidents.

Measurements for production, cost and overall targets in an executive's achievement plan are measured on an annual basis. Sustainability performance targets are measured and accrued on a calendar quarterly basis so there is always an incentive for continual improvement and/or sustained out-performance for the following quarter(s). In the event PanAust has a high severity environmental incident or a fatality, then STI benefits do not accrue for that calendar quarter.

The performance targets are compatible with the Company's business plan and/or budget. The targets chosen are applicable to the individual's authority and responsibility for planning and directly controlling activities which have performance outcomes for the Company.

Group sustainability is a focal aspect of Company operations; therefore it is considered appropriate that there is a link between eligibility for the STI and meeting sustainability targets. Sustainability and sustainability reporting are part of the Company's long term commitment to incorporate the consideration of social, safety, economic and environmental risks and benefits into management approach and business decision making.

On an annual basis, after consideration of the individual performance against critical tasks, an overall assessment of each senior executive's performance, as a participant in the management team for the Company, is approved by the Remuneration Committee.

Long Term Incentives (LTI)

Objective

The objective of the Executives' Option Plan (EOP) and Share Rights Plan (SRP) is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The issue of share rights and executives' options also forms part of the Company's retention strategy.

Options are granted under the EOP that was approved by the shareholders at the 1996 Annual General Meeting (as amended by subsequent Board resolutions). EOP issues are only made to the Managing Director and senior executives as they are able to influence and have the prime responsibility for the generation of shareholder wealth, and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Share rights are granted under the Company's Share Rights Plan (SRP) which was first made available as an LTI in 2007.

The Managing Director and senior executives were offered a choice of options issued under the EOP, share rights issued under the SRP or a combination of both.

Vesting of options and share rights issued in FY2009 is subject to PanAust's total return to shareholders (TSR), including share price growth, dividends and capital returns, compared to the TSR of the S&P/ASX 300 Metals and Mining Index over a three-year period. The TSR performance hurdle was chosen on the basis of its link to the creation of shareholder value. The proportion of this LTI component to be paid correlates to TSR performance. Vesting will occur after a period of three years and is subject to the Company's ranking within the Index, as follows:

TSR rank	Portion of options that vest
Less than or at 50th percentile	Nil
Between 51st and 75th percentile	50% increasing linearly to 100% at 75th percentile
At or above 75th percentile	100%

Once vested, the options remain exercisable for a period of up to two years and the share rights remain exercisable for a period of up to ten years from the grant date. Options are granted under the EOP with cash consideration due on exercise of the options at the relevant exercise price. Share rights are granted under the plan with no cash consideration due on exercise of the share rights.

It should be noted that share rights under the SRP are also issued to other employees and contractors, but often without performance conditions. The vesting of such share rights is only subject to the employees or contractors being employed or providing services as at the relevant vesting date. This reflects the retention objective of such issues.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Company performance

The table below shows the performance for the Company as measured by its share price and market capitalisation over the last five years:

Year	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09
A$ Cents per Share	21.0	31.5	99.0	8.5	56.5
A$ market capitalisation	159,438,625	443,459,891	1,419,037,120	122,405,770	1,656,873,935
US$ profit/(loss)	(4,990,915)	(4,522,338)	(13,054,830)	(39,959,278)	23,171,479

Based on PanAust's TSR performance as at 31 December 2009, a portion of the options and share rights issued in late 2007 and in 2008 are unlikely to vest.

Structure

The tables on pages 18 - 22 provide details of options and share rights granted to key management personnel, the value of options and share rights, vesting periods and lapsed options under the EOP and SRP.

The Company is currently reviewing the EOP and SRP to ensure the plans still achieve the aim of rewarding executives in a manner which aligns with the creation of shareholder wealth.

Under the terms of the present EOP and SRP:

- The Board may invite a person who is an executive in permanent full time or permanent part time employment with the Company or on a fixed term contract with the Company to participate in the EOP. A participant may nominate an associate (such as a personal superannuation fund) to hold the options. Directors of the company are ineligible to participate in the EOP, unless they are executive directors.
- The Board may invite a person who is an employee of the Company or a contractor or an employee of a contractor to participate in the SRP. A participant may nominate an associate (such as a personal superannuation fund) to hold the share rights. Directors of the company are ineligible to participate in the SRP, unless they are executive directors.
- Participation in both the EOP and SRP is voluntary. The Board has the discretion to determine (a) the number of options and share rights to be issued under the EOP and SRP; (b) the exercise price (if any); and (c) other terms of issue of the options and share rights. The Board has the discretion to impose performance hurdles which must be satisfied before the options and share rights can be exercised.
- Where the employment of a participant in the EOP is terminated for any reason other than retirement, retrenchment or death, any unexercised options which have outstanding performance or other conditions will immediately lapse. Any unexercised options which have satisfied all conditions are not affected.
- Where the employment of a participant in the SRP is terminated for any reason other than retirement, retrenchment or death, any unvested share rights will immediately lapse. Any vested share rights are not affected.
- Where the employment of a participant in the EOP is terminated by reason of retirement, retrenchment or death, any unexercised options which have outstanding conditions will immediately lapse unless the Board exercises its discretion to the contrary. Any unexercised options which do not have any outstanding conditions are not affected.
- Where the employment of a participant in the SRP is terminated by reason of retirement, retrenchment or death, any unvested share rights will immediately lapse unless the Board exercises its discretion to the contrary. Any vested share rights are not affected.
- In the case of options or share rights, a participant will not be taken to have retired until they reach the age of 60 or such other age as the Board may approve in a particular case.
- Upon exercise of an option and payment of the exercise price, each option will convert into one ordinary fully paid share in the Company. Options must be exercised within the exercise period determined by the Board. The exercise period for an option must not exceed 5 years.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

- Upon exercise of a share right, each share right will convert into one ordinary fully paid share in the Company. There is no exercise price payable. Share rights must be exercised within the exercise period determined by the Board. The exercise period for a share right must not exceed 10 years.
- Holders of options and share rights are not thereby entitled to participate in new pro rata or bonus issues of securities made by the Company. Upon a new pro rata or bonus issue of securities, adjustments are made to the number of shares over which the options and share rights exist and/or the exercise price (if any). The relevant formula to reflect changes to the capital structure that occur by way of pro rata and bonus issues is set out in the EOP and SRP. The formula is consistent with the ASX Listing Rules. In any reconstruction, options and share rights will be similarly reconstructed in accordance with the ASX Listing Rules.
- Options and share rights may not be transferred. In addition, the Board may impose disposal restrictions upon shares acquired through the exercise of share rights. The disposal restrictions on such shares may restrict disposal of the shares until the earlier of the nominated period (up to 10 years) after the acceptance of an offer by the participant to take share rights, the cessation of the participant's employment with the Group, the occurrence of a change in control in the Company, or the receipt of the consent of the Board. There are no disposal restrictions on options issued under the EOP.
- Upon a change in the control of the Company (for example, a takeover) or a demerger, all unvested options and share rights will immediately vest and become exercisable. Immediately prior to the change in control or demerger, the Board must make appropriate arrangements to ensure that the holders of options and share rights are able to exercise the option or share right on or prior to the relevant event.
- Participation in both the EOP and SRP does not confer any right upon the participant to future issues of options or share rights.

Directors' fees

The aggregate remuneration cap for 2009 of A$800,000 (2008: A$800,000) was reviewed and ratified by shareholders at the Annual General Meeting held on 23 May 2008.

The following fees have applied:

	From 1 January 2009 $A	**From 1 January 2008 $A**
Director fee structure		
Chairman	$220,725	$180,000
Other non-executive directors	$75,000	$75,000
Additional fees		
Committee chairman	$15,000	$15,000
Committee member	$7,500	$7,500

The Chairman's remuneration during 2009, for participation on any Committee of the Board is reflected in a single all inclusive fee, which includes superannuation, for service as Chairman of the Board. Superannuation, where applicable, is paid on top of the fees receivable for other directors.

As at the date of this report, there has not been any change to the fee structure or aggregate remuneration cap.

Remuneration report (continued)
B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and the key management personnel of PanAust (as defined in AASB 124 *Related Party Disclosures)* are set out in the following tables.

The key management personnel of the Group are defined as the directors of PanAust Limited and those executives that have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. As a consequence of the growth and evolution of the Company, the application of the definition of key management personnel was reviewed and has been retrospectively applied to the following remuneration tables. The other key management personnel of the Company who are not directors of PanAust are:

- F. Hess - Executive General Manager Southeast Asia
- J. Walsh - General Manager Corporate Development
- D. Hairsine - Chief Financial Officer
- R. Usher - General Manager Phu Kham Operations

In addition, the Company Secretary & General Counsel, P. Scarr, is a Company and Group executive whose remuneration must be disclosed under the *Corporations Act 2001* as he is among the five highest remunerated executives, along with the four other key management personnel as referred to above.

The 2008 comparative information has been restated to include STI payments pertinent to FY2008 which were finalised and paid in the second quarter of 2009.

		Short-term employee benefits			**Sub-total**	**Non-cash benefits accrued**	
Name		Directors' Fees / Base Salary US$	Short Term Incentive US$	Retirement benefits/ Super-annuation US$	Cash benefits received US$	Long service leave / Termination benefits US$	Long Term Incentive US$
Non-executive directors							
G. Hounsell	**2009**	**163,152**	**-**	**14,684**	**177,836**	**-**	**-**
(appointed 1 July 2008)	2008	75,723	-	6,821	82,544	-	-
N. P. Withnall	**2009**	**78,555**	**-**	**7,070**	**85,625**	**-**	**-**
	2008	82,018	-	7,442	89,460	-	-
A. E. Daley	**2009**	**71,957**	**-**	**-**	**71,957**	**-**	**-**
	2008	84,203	-	-	84,203	-	-
G. A. Handley	**2009**	**21,294**	**-**	**57,744**	**79,038**	**-**	**-**
	2008	39,973	-	43,871	83,844	-	-
G. Billard	**2009**	**31,883**	**-**	**42,278**	**74,161**	**-**	**-**
(appointed 1 July 2008)	2008	18,684	-	14,956	33,640	-	-
Z. Li	**2009**	**17,045**	**-**	**-**	**17,045**	**-**	**-**
(appointed 18 Sept 2009)	2008	-	-	-	-	-	-
R. Bryan	**2009**	**-**	**-**	**-**	**-**	**-**	**-**
(resigned 30 June 2008)	2008	99,749	-	-	99,749	-	-
Sub-total	**2009**	**383,886**	**-**	**121,776**	**505,662**	**-**	**-**
	2008	400,350	-	73,090	473,440	-	-
Managing director							
G. Stafford	**2009**	**798,129**	**388,642**	**39,842**	**1,226,613**	**272,287**	**843,467**
	2008	664,306	130,578	42,784	837,669	172,207	302,869
Other executives							
F. Hess	**2009**	**348,505**	**164,028**	**-**	**512,533**	**-**	**198,313**
	2008	350,155	61,449	-	411,603	-	93,486
J. Walsh	**2009**	**301,006**	**117,086**	**23,980**	**442,072**	**17,931**	**156,746**
	2008	274,416	34,565	26,042	335,022	8,681	73,406
D. Hairsine	**2009**	**309,065**	**89,662**	**36,008**	**434,735**	**17,416**	**156,199**
	2008	228,563	34,565	71,984	335,112	8,510	72,806
R. Usher	**2009**	**281,489**	**121,345**	**-**	**402,834**	**-**	**109,115**
	2008	263,616	38,045	-	301,661	-	46,106
P. Scarr	**2009**	**257,225**	**88,599**	**20,523**	**366,347**	**10,933**	**134,339**
	2008	216,242	29,188	15,897	261,326	8,072	69,970
Total	**2009**	**2,679,305**	**969,362**	**242,129**	**3,890,796**	**318,567**	**1,598,179**
	2008	2,397,648	328,390	229,797	2,955,833	197,470	658,643

Remuneration report (continued)
B Details of remuneration (continued)
Amounts of remuneration (continued)

Payments to Key Management Personnel are paid in Australian dollars. The values listed in the above table are presented in the Company's functional currency, which is United States dollars. The conversion to United States dollars has been completed using the rate from the date of payment, or the rate from the date the expense has been recognised.

The value for Long Term Incentives presented in the table above is calculated in accordance with AASB 2 *Share-based Payments* and represents options and share rights that have been expensed during the current year. Refer to tables on pages 18 and 21 for full details of the fair A$ value at the grant date for all options and share rights issued by the Company to the Managing Director and other executives in previous, this or future reporting periods, and the number of options and share rights issued to these executives during the reporting period.

Long service leave and termination benefits represent amounts provided for long service leave and termination entitlements during the year ended 31 December 2009. Termination benefits are those referred to under Part C Service Agreements (audited) of this Remuneration Report. Termination benefits payable when the Managing Director leaves the employment of the Company (other than for gross misconduct) are included in the table.

Termination benefits for other executives are payable only upon termination of employment by the Company (other than for gross misconduct). Termination benefits are not normally payable if the senior executive resigns.

The relative proportions of remuneration that are linked to performance and those that are fixed are detailed in the below table. The 2008 comparative information has been restated to account for STI payments pertinent to FY2008, which were determined and paid in the second quarter of 2009.

Name	Total fixed remuneration		At risk -STI		At risk - LTI	
	2009	2008	**2009**	2008	**2009**	2008
Executive directors of PanAust Limited						
G. Stafford	**36%**	67%	**16%**	10%	**48%**	23%
Other executives						
F. Hess	**49%**	69%	**23%**	12%	**28%**	19%
J. Walsh	**53%**	74%	**19%**	8%	**28%**	18%
D. Hairsine	**56%**	74%	**15%**	8%	**29%**	18%
R. Usher	**55%**	76%	**24%**	11%	**21%**	13%
P. Scarr	**55%**	71%	**17%**	9%	**28%**	20%

Remuneration report (continued)

C Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter details the terms and conditions of appointment, including remuneration and the obligation to comply with policies of the Company.

The Managing Director and the other executives are employed under service agreements with no fixed term. Each of these agreements provides for the provision of performance related cash bonuses and participation, when eligible, in the EOP and SRP. The current service agreements may be terminated by either party with three months notice. The service agreement provides for a payment of a termination benefit, other than for gross misconduct, equal to one month's salary for each year of service to a maximum of twelve months for the Managing Director and to a maximum of six months for other executives. The other significant provisions of the service agreements relating to remuneration are set out below.

Name	Employment commencement date	Total fixed remuneration $A
Managing Director		
G. Stafford	07-Mar-96	832,000
Other executives		
F. Hess	17-Oct-05	436,800
J. Walsh	01-Jul-04	364,000
D. Hairsine	27-Sep-04	364,000
R. Usher	05-Sep-06	340,000
P. Scarr	05-Feb-07	301,600

Total Fixed Remuneration is inclusive of superannuation and is reviewed annually by the Remuneration Committee. Total Fixed Remuneration is listed in Australian dollars as this is the currency referred to in the service agreements and is the currency in which the salary is paid.

D Share-based compensation

Options

Following the completion of the entitlements offer, as announced on 26 May 2009, the exercise price of options issued to executives under the Executive Options Plan was recalculated in accordance with ASX Listing Rule 3.11.2. The revised exercise price has reduced by A$0.02 for unissued shares under option.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods for the Managing Director and other executives are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price A$ cents	Fair value per option at grant date A$ cents	Unissued shares under option	% Vested
23-Mar-07	1 April 2010	29-Feb-12	38.00	8.10	3,900,000	n/a
29-May-07	1 April 2010	29-Feb-12	38.00	8.10	3,500,000	n/a
22-Feb-08	31 December 2010	31-Dec-12	88.00	25.90	660,000	n/a
23-May-08	31 December 2010	31-Dec-12	88.00	29.80	4,400,000	n/a
27-Apr-09	31 December 2011	31-Dec-13	30.50	8.50	2,900,000	n/a
22-May-09	31 December 2011	31-Dec-13	42.12	9.40	17,200,000	n/a

Options granted under the EOP carry no dividend or voting rights. Options held under the EOP do not have a right to participate in any share issue of the Company.

When exercisable, each option is convertible into one fully paid ordinary share of PanAust Limited. Options may only be exercised in accordance with the Company policy on trading in securities. The exercise price is determined by the Remuneration Committee at the date of offer.

Remuneration report (continued)
D Share-based compensation (continued)

Fair value of options

The fair value attributed to options at grant date was calculated using a Black Scholes pricing model that takes into account the following:

	Dec 2009	**Dec 2008**	**Dec 2007**	**Dec 2006**
Dividend yield	Nil	Nil	Nil	Nil
Expected Volatility	40%	40%	40%	30-50%
Risk-free interest rate	3.8% - 4.4%	6.15% - 6.7%	6.50%	5.75%
Staff turnover	0.0%	16.7%	16.7%	0.0%

Options granted

Details of options over ordinary shares in the Company provided as remuneration to the Managing Director and other executives of the Company are set out below.

Name	**Number of options granted during the year**		**Number of options vested during the year**	
	2009	2008	**2009**	2008
Managing Director				
G. Stafford	**17,200,000**	4,400,000	**-**	-
Other executives				
R. Usher	**2,900,000**	-	**-**	-
P. Scarr	**-**	660,000	**-**	-

Shares issued on exercise of options

Details of ordinary shares in the Company issued as a result of the exercise of options to the Managing Director of PanAust and other executives of the Group are set out below.

Name	**Date of exercise of options**	**Exercise price A$ cents per share**	**Number of ordinary shares issued on exercise of options during the year**	
			2009	**2008**
Managing Director				
G. Stafford	16 May 2008	18.00	-	2,000,000
Other executives				
F. Hess	22 September 2008	18.00	-	2,000,000
J. Walsh	14 May 2008	18.00	-	750,000
D. Hairsine	13 October 2008	18.00	-	750,000
R.Usher	28 May 2009	32.00	1,000,000	-

No amounts are unpaid on any shares issued on the exercise of options.

Share Rights Plan

The terms and conditions of each grant of share rights to executives in the previous, this or future reporting periods are as follows:

Grant date	**Expiry date**	**Number granted**	**A$ exercise price cents**	**Performance hurdle**	**A$ fair value per share right at grant date**
02-Apr-07	31-Mar-17	1,050,000	Nil	TSR	15.9 cents
25-Feb-08	31-Dec-17	1,720,000	Nil	TSR	44.1 cents
27-Apr-09	31-Dec-18	6,400,000	Nil	TSR	20.4 cents

Remuneration report (continued)
D Share-based compensation (continued)
Fair value of share rights

The fair value attributable to share rights in the table above was calculated using a model with the following inputs:

	Dec-2009	Dec-2008	Dec-2007
Dividend yield	Nil	Nil	Nil
Expected volatility	40%	40%	40%
Risk-free interest rate	2.75% - 5.1%	6.15% - 6.7%	6.50%
Staff turnover	0.0%	16.7%	16.7%

Details of share rights issued under the SRP provided as remuneration to the executives of the Company are set out below. When exercised, each share right is convertible into one ordinary share of PanAust.

Name	Number of share rights granted during the year		Number of share rights vested during the year	
	2009	2008	2009	2008
Other executives				
F. Hess	**2,000,000**	550,000	**-**	-
J. Walsh	**1,600,000**	420,000	**-**	-
D. Hairsine	**1,600,000**	420,000	**-**	-
R. Usher	**-**	330,000	**-**	-
P. Scarr	**1,200,000**	-	**-**	-

No share rights were issued to the Managing Director.

Remuneration report (continued)

E Additional information

This section of the remuneration report details matters required to be reported by the *Corporations Act 2001* which have not been dealt with elsewhere in this report.

Details of remuneration of the Managing Director and other executives

For each cash bonus and grant of options and share rights included in the tables on pages 17 and 18 - 19, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. Bonuses for services performed during 2009 are paid in 2010, no portion is payable in future years. The percentage which was not paid was forfeited. The options and share rights vest after three years, provided the vesting conditions are met. No options or share rights will vest if the conditions are not satisfied, hence the minimum value of the option or share right yet to vest is nil. The maximum value of the options or share rights yet to vest is calculated by taking the fair value of the options and share rights as at the grant date and deducting that component of the fair value of options and share rights which has already been expensed.

		Cash bonus	Options and share rights		
Name	**Year granted**	**Paid** %	**Financial years in which grant may vest**	**Minimum total value of grant yet to vest** US$	**Maximum total value of grant yet to vest** US$
G. Stafford (EOP)	**2009**	**87**	**2011**	**nil**	**1,105,877**
	2008	85	2010	nil	448,896
	2007	100	2010	nil	22,193
F. Hess (EOP)	**2009**	**80**	**n/a**	**n/a**	**n/a**
	2008	80	n/a	n/a	n/a
	2007	100	2010	nil	4,765
F. Hess (SRP)	**2009**	**-**	**2011**	**nil**	**271,935**
	2008	-	2010	nil	76,012
	2007	-	2010	nil	4,677
J. Walsh (EOP)	**2009**	**96**	**n/a**	**n/a**	**n/a**
	2008	75	n/a	n/a	n/a
	2007	100	2010	nil	7,743
J. Walsh (SRP)	**2009**	**-**	**2011**	**nil**	**217,549**
	2008	-	2010	nil	58,045
	2007	-	n/a	n/a	n/a
D. Hairsine (SRP)	**2009**	**74**	**2011**	**nil**	**217,548**
	2008	75	2010	nil	58,045
	2007	100	2010	nil	7,600
R.Usher (EOP)	**2009**	**89**	**2011**	**nil**	**164,294**
	2008	83	n/a	n/a	n/a
	2007	100	2010	nil	2,978
R. Usher (SRP)	**2009**	**-**	**n/a**	**n/a**	**n/a**
	2008	-	2010	nil	45,607
	2007	-	n/a	n/a	n/a
P. Scarr (EOP)	**2009**	**88**	**n/a**	**n/a**	**n/a**
	2008	95	2010	nil	53,416
	2007	100	2010	nil	7,743
P. Scarr (SRP)	**2009**	**-**	**2011**	**nil**	**163,161**
	2008	-	n/a	n/a	n/a
	2007	-	n/a	n/a	n/a

For options and/or share rights issued to the Managing Director and other executives during the periods illustrated above, nil have vested and nil were forfeited.

Remuneration report (continued)
E Additional information (continued)

Share-based compensation: Options and Share Rights

Further details relating to options and share rights are set out below.

Name	A Remuneration consisting of options and share rights	B Value at grant date US$	C Value at exercise date US$	D Value at lapse date US$
G. Stafford	36.0%	843,467	-	(356,115)
F. Hess	28.0%	198,313	-	-
J. Walsh	25.0%	156,746	-	-
D. Hairsine	26.0%	156,199	-	-
R. Usher	21.0%	109,115	(4,711)	-
P. Scarr	26.0%	134,339	-	-

A = The percentage of the value of remuneration consisting of options and share rights, based on the value of options and share rights expensed during the current year.
B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options and share rights granted as part of remuneration that has been expensed during the current year.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Risk management products

The Company's securities trading policy applies to shares and also to debt securities and financial products issued or created over its share rights or options by third parties and associated products which executives or directors may procure to limit the risk of a holding in the Company.

Corporate governance statement

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of PanAust support, and have adhered to, principles of corporate governance appropriate for a company such as PanAust. The Company's corporate governance statement is contained after the auditor's independence declaration in this financial report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

G. A. Hounsell
Chairman

G. Stafford
Managing Director

Brisbane
25 February 2010

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Auditor's Independence Declaration

As lead auditor for the audit of PanAust Limited for the year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PanAust Limited and the entities it controlled during the period.

Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
25 February 2010

Corporate governance statement

PanAust is committed to best practice corporate governance practices appropriate for a company of its size and type at this stage of its evolution. This commitment is founded on a culture of integrity rather than a "tick a box" mentality. In accordance with Listing Rule 4.10, this statement discloses the extent to which the Company has followed the recommendations (the "Recommendations") made by the ASX Corporate Governance Council (the "Council"). The relevant Recommendations are considered under each of the corporate governance principles identified by the Council. Where a Recommendation has not been followed, the Company is obliged to disclose the reasons why the Recommendation has not been followed. This is referred to as "if not, why not" reporting. Unless otherwise stated, the Company has adhered to the Recommendation for the full period of this report.

It should be noted that the Council recognises that not all of the Recommendations will be suitable for all companies at all times in their corporate development. In this regard, the Board recognises that the Company's corporate governance practices must continue to evolve and develop as the Company grows. The Company has continued to develop its corporate governance practices over the past financial year.

Principle 1 – Lay solid foundations for management and oversight

In accordance with the Recommendations, the Company has adopted a Board Charter setting out the functions reserved to the Board. This Board Charter is available on the Company's website. The Company also has in place a Delegated Authorities Manual which clearly sets out the delegated authorities of each level of management and staff. This Delegated Authorities Manual was reviewed and updated over the course of the year. It is approved by the Board and promulgated throughout the PanAust Group and makes clear to every employee what is or is not within the scope of their authority. In addition, the Company developed a specific manual to deal with delegated authorities in the context of major projects. This considers some of the particular issues inherent in managing major projects, including the reporting of material deviations from project budgets and appropriate tender processes.

Each Director of the Company has entered into a formal letter of appointment. The letter of appointment deals with the matters recommended by the Council. The Recommendations provide that the Company should disclose the process of evaluating the performance of senior executives. Senior executives prepare annual achievement plans which reflect their role description in the context of the strategic plan of the Company. Performance against these annual achievement plans is assessed on an annual basis. This annual review also includes an assessment of the senior executives' "key behavioural indicators" (whilst the executive may have achieved certain performance goals, this assessment considers whether the executive's behaviour has been consistent with the values of the Company). The process is documented and managed by the Managing Director. It is overseen by the Remuneration Committee and has been completed for the 2009 year. Further information is contained in the Remuneration Report on pages 11-22.

The Chairman and the Remuneration Committee consider the performance of the Managing Director. Again, the outcomes of the review are reflected in the results of the remuneration review. This review has been completed for the 2009 year.

Principle 2 – Structure the Board to add value

The skills and experience of each of the Directors is detailed in the Directors' Report. During the course of the year, Mr Zezhong Li was appointed as a nominee non-executive director of Guangdong Rising Assets Management (GRAM) (a cornerstone investor in the Company with a 19.9% shareholding). All other non-executive directors (comprising a majority) are independent. In addition, the Chairman is an independent director. The roles of the Chairman and Managing Director are not exercised by the same person. It should be noted that the placement agreement entered into with GRAM provides that the Chairman and majority of the Directors must continue to be independent non-executive Directors.

The Board has adopted specific principles with respect to assessing the independence of directors. In order to be independent, the Director must be independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered or independent judgment. In the context of the independence of directors, materiality is considered from the perspective of both the Company and the Director. The determination of independence requires a consideration of both quantitative and qualitative elements. An item is presumed to be immaterial from a quantitative perspective if it is equal to or less than 5% of the relevant base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors include whether a relationship is strategically important, the competitive landscape and the nature of the relationship (including the contractual or other arrangements governing the relationship).

On the basis of these measures, the following Directors of PanAust are considered to be independent:

Name	Position
G. Hounsell	Chairman, Non-Executive Director
N.P. Withnall	Non-Executive Director
A.E. Daley	Non-Executive Director
G.A. Handley	Non-Executive Director
G. Billard	Non-Executive Director

The Company has established a Nominations Committee. A charter for the Nominations Committee was adopted during the course of the year. This is available on the Company's website. The membership of the Nominations Committee comprises the Chairman and the Managing Director. At this stage of the development of the Company, that membership is considered appropriate.

In 2008, the Company developed an induction checklist to assist new Directors to familiarise themselves with material issues relating to the Company. With the appointment of Mr Zezhong Li in 2009, this was expanded into an induction kit.

With respect to assessing the performance of Directors, the policy of the Board has been that the Chairman annually reviews the performance of all Directors. Directors whose performance has been unsatisfactory would be asked to retire.

In 2008, the Board undertook a process of self-evaluation managed by the then newly appointed Chairman and the Company Secretary & General Counsel. This included an assessment of the performance of the Board as a whole and the performance of each Director through the circulation and completion of a detailed questionnaire. A two year appraisal period was considered appropriate. At the end of 2009, the performance of the Board and each Committee and Director was assessed against this background. This will provide the basis for performance evaluation for 2010.

There is a procedure in place for Directors to seek independent professional advice as considered necessary, at the Company's expense. Prior written approval of the Chairman is required, but will not be unreasonably withheld.

Principle 3 – Promote ethical and responsible decision making

PanAust has adopted a "Vision and Values" statement which provides that PanAust's business affairs are to be conducted legally and ethically with strict observance of the highest standards of integrity and propriety. The statement is available on the Company's website. Within this framework, the Board and management have a responsibility to carry out their functions in order to maximise the financial performance of the PanAust Group. In addition, the Company is a signatory to the "Enduring Values" framework developed by the International Council on Mining and Metals in 2003.

The Company has adopted a Sustainability Policy. The Board of the Company has established a Sustainability Committee. The charter of the Sustainability Committee is available on the Company's website. Its purpose is to satisfy itself that the Company has in place effective measures, systems and controls in relation to the environment, community, occupational health and safety and other sustainability matters. It monitors the reporting of the Company in relation to the Global Reporting Initiative sustainability reporting guidelines.

The Company also has in place a number of policies and procedures in relation to occupational health and safety, equal employment opportunity, other human resources matters and ethical business practices. These policies and procedures are supplemented and reinforced through regular training.

The Company considers its existing "Vision and Values" statement and policies and procedures to meet the objectives of the Code of Conduct provided for in the Recommendations. The practices of the Company in this regard are considered appropriate for the Company at this stage of its development.

In accordance with the Recommendations, the Company has a policy relating to the trading of securities by Directors, senior executives, employees and contractors. The policy was updated during the course of the year and is available on the Company's website.

The policy provides that Directors must disclose to the Company any financing arrangements in the nature of margin loans so as to enable the Company to determine whether or not such arrangements are material for the purposes of complying with its continuous disclosure obligations. The Company also has in place policies and procedures to ensure that trading by Directors is reported to the market in accordance with the obligations arising under the Listing Rules and the Corporations Act.

Principle 4 – Safeguard integrity in financial reporting

In accordance with the Recommendations and Listing Rule 12.7, the Company has an Audit Committee.

The membership of the Audit Committee comprises four Non-Executive Directors (Nerolie Withnall, Andrew Daley, Zezhong Li and Garry Hounsell). The majority of the Non-Executive Directors who serve on the Audit Committee are independent. There is a different chairman for the Audit Committee and the Company. Accordingly, the Audit Committee is constituted in accordance with the ASX Listing Rules and the Recommendations. The qualifications of the members of the Audit Committee are contained in the Directors' Report.

The Audit Committee has a formal charter. The charter was reviewed and updated during the course of the year. It is available on the Company's website. The number of meetings of the Audit Committee held during 2009 is detailed on page 4.

Principle 5 – Make timely and balanced disclosure

PanAust complies with its continuous disclosure obligations in accordance with the requirements of the ASX Listing Rules and the Corporations Act. The Managing Director has primary responsibility for ensuring the market is properly informed. In this regard, the Managing Director works closely with the Company Secretary & General Counsel and the Chief Financial Officer to ensure that disclosure is timely, factual, and objective and does not omit any material information.

In settling the wording of announcements, drafts are circulated as appropriate to managers who can provide relevant input and raise any issues with respect to the particular wording of announcements. This provides intensive quality control of both the content and expression of announcements.

In accordance with the JORC Code, PanAust has in place procedures to ensure it obtains relevant "form and context" consent from relevant experts in relation to the disclosure of exploration results, mineral resource and ore reserve information.

The Company has developed a culture of complying with its continuous disclosure obligations under the leadership of the Board and the Managing Director. With consideration to the size of the Company and the complexity of its operations, the Company is continuing to develop a detailed policy and procedure relating to disclosure.

A detailed policy concerning disclosure in accordance with the Recommendations will be adopted and will be published on the Company's website.

Principle 6 – Respect the rights of shareholders

The Board of Directors aims to ensure that shareholders are provided all information necessary to assess the performance of the Company and the Board. This reflects the core value of the Company to strive for excellence in communications with all stakeholders.

Information on all major developments affecting the Company is communicated to the shareholders through the annual report, annual review, sustainability report, quarterly reports, announcements and the Annual General Meeting. The Company's website is a key communications tool. It provides information to shareholders back to 2005. Transcripts of material such as the Chairman's address and media briefings are available on the website. Shareholders may provide feedback to the Company and ask questions through the website. The website is continually updated, making it an informative, user friendly, business and communications tool.

Whilst it is a legal requirement to provide shareholders with an opportunity to ask questions at the Annual General Meeting, the Company and the Board has engendered a culture whereby shareholders are encouraged to ask questions and to provide feedback to the Board. At the last Annual General Meeting of the Company, shareholders had the benefit of engaging with senior operational management at displays detailing the operational processes of the Phu Kham Copper-Gold Operations.

The Recommendations provide that companies should have a communications policy. PanAust has recently appointed a Communications Manager and it is expected that a formal communications policy will be adopted in the near future which will be provided on the Company's website. PanAust considers that the initiatives referred to above, the principles contained in its statement of Vision and Values and the practices it adopts meet the spirit of the Recommendation and are appropriate for a Company of its size.

Principle 7 – Recognise and manage risk

The Recommendations provide that companies should establish policies for the oversight and management of material business risks. In addition, the Recommendations provide that the Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks.

The Audit Committee has responsibility for satisfying itself that effective measures, systems and controls are in place in relation to the management of material business risks, including operational, financial reporting, compliance, reputational and market related risks. The Sustainability Committee has a particular role in satisfying itself that effective measures, systems and controls are in place with respect to environmental, community, occupational health and safety and other sustainability risks.

As reported in the corporate governance statement for 2008, the Company established a central risk register following consultation and work-shops throughout the Company. During the course of 2009, PanAust made substantial progress in the development of its risk management policies and procedures in relation to operations and sustainability. This included the development of a risk based management system based on ISO – AS/NZS 31000. This system includes clear parameters for materiality and guidance on treatment and reporting measures.

The risk management strategy is underpinned by comprehensive registers developed at all operating departments and each project which strive to identify risk. The registers link to operational controls already in place such as audits and reviews and test the robustness of these processes. Gaps or inadequacies that are identified are subject to treatment plans to reduce or limit exposure. Ownership of risk registers at a departmental level is promoted.

Up to this point in time of the development of the Company and given the size of the Company and the nature of its operations (a single operating mine), the Board considers the policies and procedures the Company has in place to be appropriate. The Company has appointed a Risk Manager and is moving towards the establishment of a fully integrated risk oversight and internal control system in accordance with an appropriate and recognized standard, which will be appropriately disclosed on the Company's website.

The Board has received assurance from its Managing Director and Chief Financial Officer that the declaration as to the financial records and statements made under section 295A of the *Corporations Act 2001* has been founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 - Remunerate fairly and responsibly

In accordance with the Recommendations, PanAust has a Remuneration Committee which consists of independent Non-Executive Directors; namely, Garry Hounsell as Chairman and Nerolie Withnall and Geoff Billard as members. A charter of the Remuneration Committee is available on the Company's website. The Remuneration Report contained on pages 12 to 21 provides details with respect to the Company's remuneration policies and practices. The Board considers the structure of the committee to be appropriate for the Company's size and stage of development.

There is a clear distinction made between remuneration paid to Non-Executive Directors (who are not entitled to short term or long term incentives) and the Managing Director and other senior executives.

At the last annual general meeting of the Company, the Company's Remuneration Report for 2008 was overwhelmingly supported by the Company's shareholders (approximately 95% of all lodged proxies were in favour of adopting the report).

This financial report covers both PanAust Limited as an individual entity and the consolidated entity consisting of PanAust and its subsidiaries, collectively referred to as the 'Group'. The financial report is presented in United States dollars.

The financial report was authorised by the directors on 25 February 2010. The Company has the power to amend and reissue the financial report.

PanAust Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

PanAust Limited
Level 2
99 Melbourne Street
South Brisbane Queensland AUSTRALIA 4101
Telephone: +61 (0) 7 3117 2000

Postal address is:

PO Box 3468
South Brisbane Queensland AUSTRALIA 4101

PanAust Limited
Statements of comprehensive income
For the year ended 31 December 2009

	Notes	Consolidated 31 December 2009 US$'000	Consolidated 31 December 2008 US$'000	Parent entity 31 December 2009 US$'000	Parent entity 31 December 2008 US$'000
Revenue from operations	5	**348,112**	106,958	**6,247**	4,422
Other income	6	**-**	450	**-**	88
Changes in inventories of finished goods and work in progress		**(3,377)**	6,107	**-**	-
Mining costs		**(100,399)**	(74,205)	**-**	-
Depreciation and amortisation expense	7	**(42,773)**	(29,132)	**-**	-
Employee benefits expense		**(30,454)**	(26,559)	**-**	-
Concentrate haulage		**(23,517)**	(11,343)	**-**	-
Treatment and refining charges		**(19,201)**	(6,298)	**-**	-
Royalties		**(18,040)**	(3,949)	**-**	-
Marketing and other realisation costs		**(9,357)**	(6,169)	**-**	-
Provision for unrecoverable intercompany loans		**-**	-	**(1,221)**	(18,886)
Other expenses	7	**(9,661)**	(5,934)	**(1,728)**	(2,414)
Profit/(loss) before financing and income tax		**91,333**	(50,074)	**3,298**	(16,790)
Unrealised hedge gains/(losses)		**(8,449)**	4,394	**-**	-
Interest and finance charges	7	**(18,168)**	(15,416)	**(3,882)**	(4,465)
Share option expense	7	**(14,086)**	(2,423)	**(14,086)**	(2,423)
Option deed settlement	7	**(6,500)**	-	**-**	-
Redemption fee	7	**(5,000)**	-	**(5,000)**	-
Profit/(loss) before income tax		**39,130**	(63,519)	**(19,670)**	(23,678)
Income tax (expense)/benefit	8	**(15,959)**	23,560	**-**	-
Profit/(loss) for the year		**23,171**	(39,959)	**(19,670)**	(23,678)
Other comprehensive (loss)/income					
Cash flow hedges, net of tax	28, 29	**(9,300)**	5,607	**-**	-
Total comprehensive income/(loss) for the year		**13,871**	(34,352)	**(19,670)**	(23,678)
Profit/(loss) is attributable to:					
Owners of PanAust Limited		**18,991**	(39,959)	**(19,670)**	(23,678)
Non-controlling interest		**4,180**	-	**-**	
		23,171	(39,959)	**(19,670)**	(23,678)
Total comprehensive income/(loss) for the year is attributable to:					
Owners of PanAust Limited		**10,621**	(34,352)	**(19,670)**	(23,678)
Non-controlling interest		**3,250**	-	**-**	
		13,871	(34,352)	**(19,670)**	(23,678)
		Cents	Cents		
Earnings per share for profit/(loss) from operations attributable to the ordinary equity holders of the parent entity:					
Basic earnings/(loss) per share	38	**0.86**	(2.65)		
Diluted earnings/(loss) per share	38	**0.85**	(2.65)		

The comparative earnings per share have been restated to take into account the bonus element of shares issued during the year ended 31 December 2009.

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

PanAust Limited
Balance sheets
As at 31 December 2009

	Notes	Consolidated 31 December 2009 US$'000	Consolidated 31 December 2008 US$'000	Parent entity 31 December 2009 US$'000	Parent entity 31 December 2008 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**88,203**	6,245	**59,830**	23
Receivables and other assets	10	**33,713**	18,510	**10,385**	267
Inventories	11	**37,145**	31,861	**-**	-
Derivative financial instruments	12	**131**	768	**-**	-
Total current assets		**159,192**	57,384	**70,215**	290
Non-current assets					
Receivables	13	**45,582**	34,982	**-**	-
Investments accounted for using the equity method	14	**6,021**	2,021	**-**	-
Other financial assets	15	**12,771**	12,611	**420,695**	248,039
Property, plant and equipment	16	**293,217**	293,750	**-**	-
Exploration and evaluation, development and mine properties	17	**177,998**	156,158	**-**	-
Deferred tax assets	18	**12,466**	25,269	**-**	-
Intangible assets	19	**5,380**	5,380	**-**	-
Derivative financial instruments	12	**1,143**	8,504	**-**	-
Total non-current assets		**554,578**	538,675	**420,695**	248,039
Total assets		**713,770**	596,059	**490,910**	248,329
LIABILITIES					
Current liabilities					
Trade and other payables	20	**44,030**	90,368	**-**	1,351
Borrowings	21	**25,596**	114,944	**-**	77,148
Provisions	22	**2,755**	1,960	**-**	-
Derivative financial instruments	12	**8,268**	2,120	**-**	-
Total current liabilities		**80,649**	209,392	**-**	78,499
Non-current liabilities					
Payables	23	**3,558**	4,982	**205**	205
Borrowings	24	**76,252**	201,848	**-**	-
Provisions	26	**19,946**	17,198	**-**	-
Derivative financial instruments	12	**11,195**	4,715	**-**	-
Total non-current liabilities		**110,951**	228,743	**205**	205
Total liabilities		**191,600**	438,135	**205**	78,704
Net assets		**522,170**	157,924	**490,705**	169,625
EQUITY					
Contributed equity	27	**540,948**	216,936	**540,948**	216,936
Reserves	28(a)	**8,761**	393	**22,312**	5,574
Accumulated losses	28(b)	**(62,355)**	(81,346)	**(72,555)**	(52,885)
Capital and reserves attributable to the owners of PanAust Limited		**487,354**	135,983	**490,705**	169,625
Non-controlling interest	29	**34,816**	21,941	**-**	-
Total equity		**522,170**	157,924	**490,705**	169,625

The above balance sheets should be read in conjunction with the accompanying notes.

PanAust Limited
Statements of changes in equity
For the year ended 31 December 2009

2008 - Consolidated	Notes	Attributable to members of PanAust Limited: Contributed equity US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
Balance at 1 January 2008		**215,985**	**(9,438)**	**(41,387)**	**165,160**	**15,035**	**180,195**
Loss for the year		-	-	(39,959)	(39,959)	-	(39,959)
Changes in fair value of cash flow hedges, net of tax		-	5,607	-	5,607	-	5,607
Total comprehensive loss for the year		**-**	**5,607**	**(39,959)**	**(34,352)**	**-**	**(34,352)**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	27	951	-	-	951	-	951
Total changes in non-controlling interest	29	-	-	-	-	6,906	6,906
Employee share based payments	28	-	1,801	-	1,801	-	1,801
Unlisted share rights - GSJBWere	28	-	2,423	-	2,423	-	2,423
Equity movement for the year		**951**	**4,224**	**-**	**5,175**	**6,906**	**12,081**
Balance at 31 December 2008		**216,936**	**393**	**(81,346)**	**135,983**	**21,941**	**157,924**

2009 - Consolidated	Notes	Attributable to members of PanAust Limited: Contributed equity US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
Balance at 1 January 2009		216,936	393	(81,346)	135,983	21,941	157,924
Profit for the year		-	-	18,991	18,991	4,180	23,171
Changes in fair value of cash flow hedges, net of tax	28	-	(8,370)	-	(8,370)	(930)	(9,300)
Total comprehensive income for the year		**-**	**(8,370)**	**18,991**	**10,621**	**3,250**	**13,871**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	27	324,012	-	-	324,012	-	324,012
Total changes in non-controlling interest	29	-	-	-	-	9,625	9,625
Employee share based payments	28	-	2,652	-	2,652	-	2,652
Unlisted share rights - GSJBWere	28	-	14,086	-	14,086	-	14,086
Equity movement for the year		**324,012**	**16,738**	**-**	**340,750**	**9,625**	**350,375**
Balance at 31 December 2009		**540,948**	**8,761**	**(62,355)**	**487,354**	**34,816**	**522,170**

PanAust Limited
Statements of changes in equity
For the year ended 31 December 2009
(continued)

2008 - Parent	Notes	**Contributed equity US$'000**	**Reserves US$'000**	**Accumulated losses US$'000**	**Total US$'000**
Balance at 1 January 2008		215,985	1,350	(29,207)	188,128
Loss for the year		-	-	(23,678)	(23,678)
Total comprehensive loss for the year		**-**	**-**	**(23,678)**	**(23,678)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	27	951	-	-	951
Employee share based payments	28	-	1,801	-	1,801
Unlisted share rights - GSJBWere	28	-	2,423	-	2,423
Equity movement for the year		**951**	**4,224**	**-**	**5,175**
Balance at 31 December 2008		**216,936**	**5,574**	**(52,885)**	**169,625**

2009 - Parent	Notes	**Contributed equity US$'000**	**Reserves US$'000**	**Accumulated losses US$'000**	**Total US$'000**
Balance at 1 January 2009		**216,936**	**5,574**	**(52,885)**	**169,625**
Loss for the year		-	-	(19,670)	(19,670)
Total comprehensive loss for the year		**-**	**-**	**(19,670)**	**(19,670)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	27	324,012	-	-	324,012
Employee share based payments		-	2,652	-	2,652
Unlisted share rights - GSJBWere	27	-	14,086	-	14,086
Equity movement for the year		**324,012**	**16,738**	**-**	**340,750**
Balance at 31 December 2009		**540,948**	**22,312**	**(72,555)**	**490,705**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

PanAust Limited
Cash flow statements
For the year ended 31 December 2009

		Consolidated		Parent entity	
	Notes	**31 December 2009 US$'000**	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Cash flows from operating activities					
Receipts from customers		**293,644**	138,249	**-**	-
Payments to suppliers (inclusive of goods and services tax) and employees		**(231,556)**	(126,864)	**(214)**	(713)
		62,088	11,385	**(214)**	(713)
Interest received		**146**	282	**141**	178
Interest and fees paid		**(26,004)**	(5,639)	**(5,000)**	-
Net cash inflow (outflow) from operating activities	36	**36,230**	6,028	**(5,073)**	(535)
Cash flows from investing activities					
Payments for property, plant and equipment		**(17,681)**	(24,789)	**-**	-
Payments for investment in associate		**(3,695)**	(9,944)	**-**	-
Payments of exploration and evaluation costs		**(18,235)**	(22,802)	**-**	-
Payment of development costs		**(19,335)**	(98,007)	**-**	-
Loans to subsidiaries		**-**	-	**(177,589)**	(85,188)
Net cash outflow from investing activities		**(58,946)**	(155,542)	**(177,589)**	(85,188)
Cash flows from financing activities					
Proceeds from issues of shares		**323,563**	951	**323,563**	951
(Repayment)/proceeds from borrowings		**(218,889)**	136,917	**(81,094)**	74,000
Borrowing and loan establishment costs		**-**	(6,422)	**-**	-
Net cash inflow (outflow) from financing activities		**104,674**	131,446	**242,469**	74,951
Net increase (decrease) in cash and cash equivalents		**81,958**	(18,068)	**59,807**	(10,772)
Cash and cash equivalents at the beginning of the financial year		**6,245**	24,414	**23**	10,708
Effects of exchange rate changes on cash and cash equivalents		**-**	(101)	**-**	87
Cash and cash equivalents at end of year	9	**88,203**	6,245	**59,830**	23

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for PanAust Limited (or "parent entity") as an individual entity and the consolidated entity of the Company and its subsidiaries (the "Company", "Group" or "PanAust").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS
The financial report of PanAust complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of measurement
These financial statements have been prepared under the historical cost convention, except for derivative financial instruments measured at fair value.

The carrying amount of assets and liabilities approximates their fair value.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Comparative information has been reclassified where appropriate to enhance comparability.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2009 and the results of all subsidiaries for the reporting period then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposal are also recorded in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity. Such investments include both investments in shares issued by the subsidiaries and other parent entity interests that in substance form part of the parent entity's investment in the subsidiaries. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Other amounts advanced on commercial terms and conditions are included in receivables.

1 Summary of significant accounting policies (continued)

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures
The interest in a joint venture is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

The Group has adopted AASB 8 *Operating Segments* from 1 January 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in reportable segments presented, but certain additional segment information has been disclosed and comparative information has been re-presented on a consistent basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the parent entity's functional and presentation currency. All group companies have a United States dollar functional currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the Group, the quantity and quality of the goods have been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable.

PanAust delivers concentrate to copper customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price, or a pre-determined fixed priced. For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust by way of a provisional invoice for the contained copper and precious metal credits, for gold and silver, in the shipment. Final settlement is based on the average LME copper price over a subsequent pricing period specified by the terms of the sales contract, or the pre-determined fixed price.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). This pricing methodology is normal for the industry and the QP often reflects the average time to elapse between the date of shipment and the date of processing by the smelter at final destination.

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the relevant entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(h) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(aa)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the relevant entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognised in profit or loss.

(l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in current receivables (note 10) and non-current receivables (note 13) in the balance sheets.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- Derivatives that do not qualify for hedge accounting.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

1 Summary of significant accounting policies (continued)

Amounts accumulated in equity are recycled in profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within ‘finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(o) Property, plant and equipment

All property, plant and equipment is shown at historical cost, less subsequent depreciation except for land which is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Economic life assets' depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Mining plant and equipment	3-10 years *
- Motor vehicles	3-5 years
- Office equipment	3-5 years

* Except for life of mine assets which are depreciated on the units-of-production method. This is in accordance with AASB 116 *Property, Plant & Equipment* that requires a depreciation method that closely reflects the assets’ expected use or output. Depreciation is based on assessments of proven and probable reserves to be mined by the current production equipment.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Exploration and evaluation expenditure

Costs arising from exploration, evaluation and related restoration activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

1 Summary of significant accounting policies (continued)

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(q) Development properties and amortisation

Development expenditure incurred by or on behalf of the company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure having a specific nexus with the development property.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as “development properties”.

A development property is reclassified to “mining plant and equipment” at the end of the commissioning phase, when the production reaches a previously determined capacity. The development of the Phu Kham Copper-Gold Operation was reclassified as “mining plant and equipment” as at 1 June 2008.

When further development expenditure is incurred in respect of mining plant and equipment after the commencement of production, such expenditure is capitalised only when it is probable that the additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is recognised as part of the cost of production.

No amortisation is provided in respect of development properties until they are reclassified as mining plant and equipment, from which date they are amortised on the units-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(u) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated at rates specified for the liability. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

Restoration costs that are expected to be incurred are provided for as part of the cost of exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs.

Mine closure and restoration costs are provided for at the present value of future expected expenditure required to settle the Group's obligations discounted using a rate specified to the liability. When the provision is recognised a corresponding asset is also recognised as part of the development costs of the mine to the extent that it is considered that the provision gives access to future economic benefits. The capitalised cost of this asset is amortised over the life of the mine. On an ongoing basis, the closure liability is remeasured at each reporting period in line with the changes in time value of money (recognised as a finance expense in profit or loss and an increase in provision), and changes in estimates of future costs or methods of rehabilitation. Changes in the closure liability are recognised prospectively as additions or changes to the corresponding asset and liability. Additional restoration or other environmental costs arising from mine production activities are expensed. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant national or regional (Australian or overseas) legislation in relation to restoration of such sites in the future. The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

Under Amendment No.3 to the MEPA entered into on 9 April 2007, Phu Bia Mining agreed to the establishment of an Environmental Protection Fund to be funded by Phu Bia Mining at the rate of US$1/ounce of gold sold and US$1/tonne of copper sold. The establishment of this fund does not limit the obligations of Phu Bia Mining under its Environmental Social Management and Monitoring Plan (ESMMP) as approved by the Government of Laos. Phu Bia Mining must provide any additional funds required to complete the approved rehabilitation plan under the ESMMP. Amounts payable to the fund are provided for as sales are made, and are expensed in profit or loss.

(v) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables and represent employees' services up to the reporting date which are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave and annual leave expected to be settled within 12 months of the reporting date are recognised in the current provision for employee benefits and represent employees' services up to the reporting date which are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on debt instruments with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to senior executives via the Company's Executive Option Plan (EOP) and Share Rights Plan (SRP). SRP issues are also made to a wider cross section of employees, including Brisbane staff and expatriate employees (and some contractors) based in Laos and Thailand. Information relating to these plans is set out in Note 39.

The fair value of options under the EOP is recognised as an employee benefit expense with a corresponding entry to the share-based payment reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

1 Summary of significant accounting policies (continued)

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

The terms of issue of options to senior executives under the EOP and of share rights under the SRP will provide for performance conditions relating to the performance of PanAust as measured by total shareholder return (TSR) against the S&P/ASX 300 Metals and Mining Index.

Upon the exercise of options, the cash payment is recognised as share capital.

The market value of shares issued to employees for no cash consideration under the SRP is recognised over the period during which the employees become unconditionally entitled to the shares. The expense is recognised as employee benefits expense with a corresponding entry to the share-based payments reserve.

(iv) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at balance date.

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the theoretical cash flows arising if each subsidiary were to source each guarantee on market terms as an arm's length transaction.

When guarantees in relation to loans of subsidiaries or associates are provided for no consideration, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

1 Summary of significant accounting policies (continued)

(aa) Intangible assets

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The goodwill included on PanAust's balance sheet represents the excess of the cost of the acquisition of the 20% non-controlling interest held by Newmont SEA in Phu Bia Mining Limited over the book value of the non-controlling interest at the date of acquisition on 14 November 2005. Goodwill on the acquisition is included in intangible assets (note 19).

(ab) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(ac) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below where relevant:

(i) AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards* arising from AASB 3 and AASB 127 are applicable for annual reporting periods commencing on or after 1 July 2009.

Revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs must be expensed. This is different to the Group's current policy as set out in note 1(h) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. (See note 1(b) (i)). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

There will be no impact on the Group's financial statements as at the date of this report as the Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 January 2010.

(ii) AASB 2008-8 Amendments to IAS 39 *Financial instruments: Recognition and Measurement* (effective for annual periods beginning on or after 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

1 Summary of significant accounting policies (continued)

(iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* are applicable for reporting periods commencing on or after 1 January 2010.

Of the amendments made the following are relevant to the Group.

Amendments to AASB 101 *Presentation of Financial Statements* clarify the current versus non-current classification of certain liabilities and will not impact the total amount of liabilities in the financial statements. The Group will apply the amendment from 1 January 2010 and the new rules would not affect the classifications currently adopted by the Group.

Amendments to AASB 107 *Statement of Cash Flows* clarifies the classification of cash flows from investing activities and stipulates that only expenditures that result in a recognised asset in the balance sheet are eligible for classification as investing activities. The Group will apply the amendment from 1 January 2010. It is not envisaged that the amendment will result in any alteration to the Group's current classifications of investment cash flows in its financial statements.

Amendments to AASB 117 *Leases* affect the classification of leases where those leases include both elements of land and buildings and removes the assumption that if title does not pass to the lessee at the end of the lease that it be classified as an operating lease. The amendment requires retrospective application on the date it is adopted. The Group is currently reassessing the classification of any land related leases it holds and the related impact on the financial statements is yet to be determined. The Group will apply the amendment from 1 January 2010.

Amendments to AASB 118 *Revenue* add guidance in determining whether an entity is acting as principal or agent. The amendment is applicable to annual reporting periods commencing on or after 1 January 2010. The Group has assessed the application of the amendment and does not envisage any change to the financial statements. The Group will apply the amendment from 1 January 2010.

(iv) AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash –settled Share-based Payment Transactions [AASB 2]* is applicable to annual reporting periods commencing on or after 1 January 2010.

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity-settled or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial period commencing on 1 January 2010. There will be no impact on the Group's or the parent entity's financial statements.

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheets (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009. The Group has not yet determined the potential effects of the amendments.

(v) AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* are applicable to annual reporting periods beginning on or after 1 January 2013.
AASB 9 addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess the full impact. However, initial indications are that there is unlikely to be any material impact. The Group has not yet decided when to adopt AASB 9.

1 Summary of significant accounting policies (continued)

(vi) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 Amendments to *Australian Accounting Standards* are applicable to annual reporting periods beginning on or after 1 January 2011 and must be applied retrospectively. In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 January 2011. When the amendments are applied the Group and parent will need to disclose any transactions between its subsidiaries and its associates. The Group is yet to assess the impact, if any, of the amendment on the related party disclosures.

(vii) AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation* 19 (effective for annual periods beginning on or after 1 July 2010). AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (the year ended 31 December 2010) and the Company has not entered into any debt for equity swaps since 1 January 2010.

Other new standards published but not mandatory for annual reporting periods ended 31 December 2009 are not expected to have an impact on the financial statements for the Group.

2 Financial risk management

PanAust's activities, and the debt required to fund these activities, exposes it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

Mandatory Hedging Program

The banks providing project finance for the Phu Kham Copper-Gold Operation required a hedging program to be implemented by the Company as a condition of the project debt financing (Mandatory Hedging Program). This program incorporated currency, interest rate and gold hedging with a view to minimise potential adverse effects on the ability of the Group to service its debt obligations on the following bases:

- Commodity price risk, relating to the future sales of gold from the Phu Kham Heap Leach Gold Operation and from the Phu Kham Copper-Gold Operation (extending until 2013);
- Interest rate risk associated with borrowing and investment activities but particularly with regard to the project finance debt facilities for the Phu Kham Copper-Gold Operation (all interest rate swaps had matured by 31 December 2009); and
- Foreign exchange risk relating primarily to the currency of purchases of the Group for the construction of the Phu Kham Copper-Gold Operation (all foreign exchange hedges had matured by 31 December 2008).

At the balance date, under this program PanAust has hedged a percentage of the forecast gold production with certain banks of the project finance syndicate led by the ANZ Bank.

Company Hedging Policy

PanAust’s hedging policy, subject to availability of credit lines, is to hedge the following copper price exposures:

- Strategic – Future production: Up to 50% of the estimated copper production of the Phu Kham Copper Gold Operation for a maximum of 24 months; and
- Provisional Price - Past production: To hedge not less than 50%, nor more than 90% of its provisional copper pricing exposure once an invoice has been issued for the relevant shipment of copper concentrate.

Under the hedging policy approved by the PanAust Board (Company Hedging Policy) a number of basic “hedging guidelines” are recognised and taken into consideration when developing a suitable hedging strategy for the Company. The hedging guidelines are as follows:

- Hedging positions will only be entered into if the Company is totally comfortable with the ability to be able to deliver under the contracts and the resulting cash position;
- The overall aim of any hedging entered into will be to ensure that PanAust remains in a position to meet its financial obligations in an orderly and timely manner and to achieve an acceptable return on its investments; and
- Management of cash flow risk will be undertaken through the forecasting of cash inflows and outflows using internally produced cash flow forecasts. Whilst there is a debt facility in place, forecasts will be in a form pursuant to the debt facility “waterfall requirements” (the order in which operating cash flow is applied) outlined in those facility agreements.

In applying these hedging guidelines, the Company must also consider the mandatory hedging requirements which may be imposed by financiers as a precondition to the provision of finance.

The primary objective of the Company Hedging Policy is to provide a framework to investigate, recommend and (upon approval) execute appropriate strategies.

2 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk
PanAust operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar.

Foreign exchange risk arises from both future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured using sensitivity analysis and cash flow forecasting.

Sensitivity of post-tax profit/(loss) and equity to movements in US$ exchange rates by -/+15%, with all other variables held constant, are shown in the table below. The sensitivity is demonstrated for both the 2009 and 2008 years. The exposure is mainly as a result of foreign exchange gains/losses on translation of Australian dollar denominated cash and cash equivalents and payables.

	Profit/(loss) after tax		Equity	
	15% weaker	15% stronger	15% weaker	15% stronger
2009	US$'000	US$'000	US$'000	US$'000
Consolidated				
Cash and cash equivalents	474	(350)	-	-
Trade and other payables	(729)	539	-	-
	(255)	189	-	-
Parent				
Cash and cash equivalents	98	(72)	-	-
	98	(72)	-	-

	Profit/(loss) after tax		Equity	
	15% weaker	15% stronger	15% weaker	15% stronger
2008	US$'000	US$'000	US$'000	US$'000
Consolidated				
Cash and cash equivalents	1,102	(815)	-	-
Trade and other payables	(3,914)	2,893	-	-
	(2,812)	2,078	-	-
Parent				
Cash and cash equivalents	3	(2)	-	-
	3	(2)	-	-

Phu Bia Mining has a functional currency of United States dollars, however, due to the nature of its business and the location of its operations, the company deals in a number of currencies. The principal currencies dealt with are United States dollars, Australian dollars, Thai Baht and Lao Kip. The above analysis has used a common sensitivity of -/+15% (2008: -/+15%).

2 Financial risk management (continued)

(ii) Cash flow interest rate risk

PanAust's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. During 2009, all of the floating-to-fixed interest rate swaps entered into by the Company as part of the Mandatory Hedging Program under the project financing for the development of the Phu Kham Copper-Gold Operations matured.

Sensitivity of post-tax profit/(loss) and equity to changes in interest rates by -0.5%/+2% from the 31 December 2009 rates of 0.51% for cash and 4.03% for borrowings with all other variables held constant, are shown in the table below. The sensitivity is demonstrated for both the 2009 and 2008 years. The exposure is mainly as a result of borrowings and cash at bank at floating rates.

	Profit/(loss) after tax		Equity	
	0.5% decrease	**2% increase**	**0.5% decrease**	**2% increase**
2009	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Consolidated				
Cash and cash equivalents	(441)	1,764	-	-
Receivables from Government of Laos	-	-	(158)	(631)
Option premium payable	28	(113)	-	-
Borrowings	509	(2,037)	-	-
	96	(386)	(158)	(631)
Parent				
Cash and cash equivalents	(299)	1,197	-	-
	(299)	1,197	-	-

	Profit/(loss) after tax		Equity	
	2% decrease	**2% increase**	**2% decrease**	**2% increase**
2008	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Consolidated				
Cash and cash equivalents	(125)	125	-	-
Receivables from Government of Laos	-	-	438	(438)
Derivatives - cash flow hedges	-	-	66	(65)
Option premium payable	125	(125)	-	-
Borrowings	6,461	(6,461)	-	-
	6,461	(6,461)	504	(503)
Parent				
Cash and cash equivalents	(458)	458	-	-
	(458)	458	-	-

2 Financial risk management (continued)

(iii) Commodity price risk
PanAust is exposed to commodity price risk. This arises from the sale of copper, gold and silver that is priced on, or benchmarked to, open market exchanges. The Company has entered into forward contracts and put options to hedge the gold price as part of its Mandatory Hedging Program (as required under the project financing for the Phu Kham Copper-Gold Operation), as well as a short-term hedging program for copper concentrate sales subject to quotational period price adjustments and put options to cover future production.

(a) Quotational period copper price sensitivity
At 31 December 2009, had the copper price changed by -/+20% from the 31 December 2009 three month forward price of US$7,377/t (US$3.35/lb) (2008: -20%/+50% from the 31 December 2008 three month forward price of US$2,935/t (US$1.33/lb)), post tax profit and equity for the year would have been impacted as per the table below. The parent entity has no exposure to movements in copper prices.

	Profit/(loss) after tax		**Equity**	
	20% decrease	**20% increase**	**20% decrease**	**20% increase**
2009	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Consolidated				
Financial assets				
Accounts receivable	(4,701)	4,701	-	-
Derivatives - put options	1,681	(92)	-	-
Financial Liabilities				
Derivatives - cash flow hedges	-	-	5,854	(5,862)
	(3,020)	4,609	5,854	(5,862)

	Profit/(loss) after tax		**Equity**	
	20% decrease	**50% increase**	**20% decrease**	**50% increase**
2008	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Consolidated				
Financial assets				
Accounts receivable	(1,535)	3,837	-	-
Financial Liabilities				
Accounts payable	(8,103)	20,256	-	-
	(9,638)	24,093	-	-

2 Financial risk management (continued)

(b) Cash flow hedge gold price sensitivity
At 31 December 2009, had the gold price changed by -/+20% from the year end price of US$1,098/oz (2008: US$865/oz), post-tax profit and equity for the year would have been impacted as per the table below. The sensitivity is demonstrated for both the 2009 and 2008 years. This impact is as a result of the gold forward contracts and put options in place. The parent entity has no exposure to movements in gold prices.

	Profit/(loss) after tax		Equity	
	20%	20%	20%	20%
	decrease	increase	decrease	increase
2009	US$'000	US$'000	US$'000	US$'000
Consolidated				
Financial assets				
Derivatives - put options	1,625	(639)	-	-
Financial Liabilities				
Derivatives - cash flow hedges	-	-	11,725	(12,043)
	1,625	(639)	11,725	(12,043)

	Profit/(loss) after tax		Equity	
	20%	20%	20%	20%
	decrease	increase	decrease	increase
2008	US$'000	US$'000	US$'000	US$'000
Consolidated				
Financial assets				
Derivatives - put options	4,819	(2,899)	-	-
Financial Liabilities				
Derivatives - cash flow hedges	-	-	11,982	(11,871)
	4,819	(2,899)	11,982	(11,871)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high-credit-quality counterparties are accepted, and the Company utilises ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and payable to individual counterparties. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Due to the immediate payment terms and nature of invoicing for the copper concentrate sales and gold doré sales, the credit risk exposure is considered to be low.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset.

PanAust also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness.

2 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims at flexibility in funding by maintaining committed credit lines available at a prudent level.

The table below analyses the Company's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009 **Consolidated**	**Less than 1 year** **US$'000**	**Between 1 and 2 years** **US$'000**	**Between 2 and 5 years** **US$'000**	**Over 5 years** **US$'000**
Bank loans	17,875	17,875	27,250	-
Trade and other payables	42,052	-	-	-
Option premium payable	1,706	1,601	2,344	-
Finance lease liabilities	7,721	7,721	23,406	-
Interest rate swaps *	-	-	-	-
Total	69,354	27,197	53,000	-

As at 31 December 2008 **Consolidated**	**Less than 1 year** **US$'000**	**Between 1 and 2 years** **US$'000**	**Between 2 and 5 years** **US$'000**	**Over 5 years** **US$'000**
Bank loans	107,223	17,875	49,500	95,625
Trade and other payables	72,643	-	-	-
Options premium payable	1,274	1,706	3,945	-
Finance lease payable	7,721	7,721	23,163	-
Interest rate swaps*	410	-	-	-
Total	189,271	27,302	76,608	95,625

* The net amounts expected to be receivable in relation to the interest rate swaps have been estimated using interest rates applicable at the reporting date.

The parent entity has provided a guarantee with respect to loans of subsidiaries amounting to US$101.8 million (2008: US$241.6 million), secured by registered mortgages over the assets of the subsidiary (refer to note 32).

As at 31 December 2009 **Parent**	**Less than 1 year** **US$'000**	**Between 1 and 2 years** **US$'000**	**Between 2 and 5 years** **US$'000**	**Over 5 years** **US$'000**
Bank loans	17,875	17,875	27,250	-
Finance lease payable	7,721	7,721	23,406	-
Total non-derivatives	25,596	25,596	50,656	-

As at 31 December 2008 **Parent**	**Less than 1 year** **US$'000**	**Between 1 and two years** **US$'000**	**Between 2 and 5 years** **US$'000**	**Over 5 years** **US$'000**
Bank loans	107,223	17,875	49,500	95,625
Finance lease payable	7,721	7,721	23,163	-
Total non-derivatives	114,944	25,596	72,663	95,625

2 Financial risk management (continued)

The table below analyses the Company's gold derivative instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
Forward gold sales contracts - cash flow hedges			
- inflow	14,267	12,391	16,878
- outflow	(20,157)	(17,046)	(22,228)

At 31 December 2008	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
Forward gold sales contracts - cash flow hedges			
- inflow	12,033	14,267	29,268
- outflow	(13,712)	(14,696)	(32,142)

The table below analyses the Company's copper derivative instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Copper derivative instruments were first undertaken by the Company during 2009 and therefore there is no comparative information for 2008.

At 31 December 2009	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
Forward copper sales contracts - cash flow hedges			
- inflow	26,957	-	-
- outflow	(29,183)	-	-

The above derivatives apply to Phu Bia Mining.

2 Financial risk management (continued)

(d) Fair value hierarchy

The Company has adopted the amendment to AASB7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level following a fair value measurement hierarchy as detailed below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments measured at fair value use Level 2 valuation techniques. There has not been any transfer between fair value hierarchy levels during the 2009 and 2008 reporting periods.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(b) Critical judgements in applying the entity's accounting policies

(i) Determination of Ore Reserves and Mineral Resources
The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for estimating the timing of the payment of close down and restoration costs.

When a change in estimated recoverable copper or gold contained in proved and probable ore reserves is made, the change in amortisation and depreciation is accounted for prospectively.

(ii) Units of Production Method of Depreciation and Amortisation
The Group applies the units of production method for depreciation and amortisation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves, resources and production capacity are the Group’s history of converting resources to reserves and the relevant timeframes, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets.

(iii) Mine restoration provisions estimates
The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances. Restoration provisions are disclosed in Note 26.

Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

3 Critical accounting estimates and judgements (continued)

(iv) Income taxes
The Group is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(v) Fair values of derivative financial instruments
The Group assesses the fair value of its gold and copper put options and forward contracts, currency options and interest rate swaps in accordance with the accounting policy stated in Note 1(n). Fair values have been determined based on well established option pricing models and market conditions existing at the balance date, or using discounted cash flows. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, copper prices, gold prices and volatilities and the period to maturity could have a significant impact on the fair valuation attributed to the Group's derivatives. When these assumptions change in the future, such differences will impact asset carrying values and the hedging reserve and / or profit or loss in the period in which they change or become known.

(vi) Impairment
Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, units operating costs, future capital requirements and future operating performance. The impairment test for 2009 has been based on proved and probable reserves, real long term copper prices of US$2.25/lb and gold prices of US$900/oz, analysts' price projections of 2010 and operating costs commensurate with these price assumptions.

(vii) Quotational period price adjustments
For amounts at balance date still subject to price adjustments due to the quotational period remaining open, a final settlement price is estimated based on the relevant forward price curve. The actual settlement price may vary from this estimate. The extent of variations due to quotational period price adjustments are disclosed in the accounts.

(viii) Share based payments
The fair value at grant date of share rights, options and unlisted options is independently determined using a pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

4 Segment information

(a) Description of segments

(i) Business segments
The consolidated entity operates solely in the mining and mineral exploration industry.

(ii) Operating segments
Operating segments have been determined based on the analysis provided in the reports reviewed by the Chief Operating Decision Maker (CODM), the Managing Director, in assessing performance and determining strategy. The CODM considers the business from a geographic basis representing mining and mineral exploration activity in Laos, referred to below as the Phu Bia Mining segment.

The "Other" segment refer to corporate activities, expenditure on undeveloped properties and any other items that are not appropriate to allocate to the Phu Bia Mining segment and are not separately included in the reports provided to the CODM.

The performance of each segment is based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of profit or loss items such as depreciation and amortisation, interest revenue and expense, equity-settled share-based payments and the effects of jurisdictional taxes.

(b) Segment information

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2009 is as follows:

2009	**Other US$'000**	**Phu Bia Mining US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Sales to external customers	-	345,698	-	345,698
Interest revenue	943	2	-	945
Other revenue	1,445	24	-	1,469
Total segment revenue	**2,388**	**345,724**	**-**	**348,112**
Unrealised hedge losses	**-**	**8,449**	**-**	**8,449**
Segment result	**3,491**	**121,221**	**-**	**124,712**
Segment assets	**528,891**	**608,239**	**(423,360)**	**713,770**
Segment liabilities	**3,376**	**611,584**	**(423,360)**	**191,600**
Other segment information				
Investments in associates	-	6,021	-	6,021
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	81	35,120	-	35,201
Increase in deferred exploration, evaluation and development costs	-	28,922	-	28,922

4 Segment information (continued)

2008	**Other US$'000**	**Phu Bia Mining US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Sales to external customers	-	106,722	-	106,722
Interest revenue	152	84	-	236
Consolidated revenue	**152**	**106,806**	**-**	**106,958**
Unrealised hedge gains	**-**	**4,394**	**-**	**4,394**
Segment result	**(256)**	**(16,528)**	**-**	**(16,784)**
Segment assets	**275,759**	**578,108**	**(257,808)**	**596,059**
Segment liabilities	**79,227**	**616,716**	**(257,808)**	**438,135**
Other segment information				
Investments in associates	-	2,021	-	2,021
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	47	135,378	-	135,425
Increase in deferred exploration, evaluation and development costs	-	21,646	-	21,646

A reconciliation of the segment result (adjusted EBITDA), excluding the effects of eliminations, to profit/(loss) before income tax is provided as follows:

	Other US$'000	**Phu Bia Mining US$'000**	**Consolidated US$'000**
Adjusted EBITDA - 2009	3,495	121,217	124,712
Interest revenue	943	2	945
Interest expense and finance charges	(3,881)	(14,287)	(18,168)
Share option expense - GSJBW	(14,086)	0	(14,086)
Option deed settlement	0	(6,500)	(6,500)
Redemption fee	(5,000)	0	(5,000)
Depreciation and amortisation	(100)	(42,673)	(42,773)
Profit before income tax	**(18,629)**	**57,759**	**39,130**

	Other US$'000	**Phu Bia Mining US$'000**	**Consolidated US$'000**
Adjusted EBITDA - 2008	(256)	(16,528)	(16,784)
Interest revenue	152	84	236
Interest expense and finance charges	(4,465)	(10,951)	(15,416)
Share option expense - GSJBW	(2,423)	0	(2,423)
Depreciation and amortisation	(113)	(29,019)	(29,132)
Loss before income tax	**(7,105)**	**(56,414)**	**(63,519)**

4 Segment information (continued)

(c) Other segment information

(i) Segment revenue
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and AASB 8 *Operating Segments.*

Sales between segments are carried out at arm's length and are eliminated on consolidation. These arm's length transactions include US$6 million (2008: US$4 million) attributable to the parent entity which have been excluded for the purpose of segment revenue reporting. The revenue from external parties reported to the CODM is measured in a manner consistent with that of the statement of comprehensive income.

Revenues from external customers are derived from the sale of copper-gold concentrate and gold doré, and as such, a majority of the revenue generated is attributable to the Phu Bia Mining segment. The revenue from external customers attributable to the Phu Bia Mining segment are from customers in various countries. These customers may choose to send the product to a country of their choice for further processing. Most of the product is sent to China for processing (77%) with some also sent to India (13%) and Korea (10%). During 2009, the first full year of production, one major customer accounted for 40% of sales revenue, two other major customers accounted for 20% and 19% of sales and the remainder of 21% is attributable to other customers, which are not individually material.

(ii) Segment assets and liabilities
The amounts provided to CODM with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

5 Revenue

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
From continuing operations				
Sales revenue				
Copper in concentrate (a)	**270,818**	71,145	**-**	-
Copper in concentrate price adjustment (a)	**36,713**	(4,546)	**-**	-
Copper sales realised hedge losses	**(19,005)**	-	**-**	-
Gold in concentrate	**43,055**	20,025	**-**	-
Gold sales realised hedge losses	**(4,037)**	-	**-**	-
Silver in concentrate	**6,245**	1,450	**-**	-
Gold doré	**11,909**	18,595	**-**	-
	345,698	106,669	**-**	-
Other revenue				
Interest	**945**	236	**141**	143
Associate administrative charges	**1,445**	-	**-**	-
Sundry income	**24**	53	**-**	-
Management fees	**-**	-	**6,106**	4,279
	2,414	289	**6,247**	4,422
	348,112	106,958	**6,247**	4,422

(a) Copper in concentrate

PanAust delivers concentrate to copper customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price, or a pre-determined fixed priced.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust by way of a provisional invoice for the contained copper and precious metal credits, for gold and silver, in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). This pricing methodology is normal for the industry and the QP often reflects the average time to elapse between the date of shipment and the date of processing by the smelter at final destination.

At balance date, provisional invoices issued with an open QP have been revalued at rates which provide an estimate of the average settlement price. This has resulted in 29,507 dry metric tonnes (dmt) of copper concentrate containing an estimated 6,837t of copper being revalued using the three-month forward copper price as at 31 December 2009, of US$7,377/t (US$3.35/lb). Pending the issue of the final invoices a further 10,115 dmt of concentrate sold on a very short QP and containing an estimated 2,352t of copper was revalued at an average price of US$6,897/t (US$3.13/lb) which represents the average price for five days starting the third day after bill of lading at completion of the QP.

The aforementioned have resulted in a favourable US$3.3 million mark-to-market adjustment to profit or loss for outstanding provisional pricing of sales at balance date.

6 Other income

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Foreign exchange gains (net)	**-**	450	**-**	88

7 Expenses

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
(a) Profit before income tax includes the following specific expenses:				
Depreciation				
Mining plant and equipment	**29,322**	16,829	**-**	-
Motor vehicles	**730**	462	**-**	-
Office equipment	**484**	301	**-**	-
Mine properties	**-**	1,678	**-**	-
Total depreciation	**30,536**	19,270	**-**	-
Amortisation				
Mine property development	**12,237**	9,862	**-**	-
Total amortisation	**12,237**	9,862	**-**	-
Total depreciation and amortisation	**42,773**	29,132	**-**	-
(b) Finance costs				
Interest and finance charges paid/payable	**16,991**	21,008	**3,882**	4,465
Share option expense	**14,086**	2,423	**14,086**	2,423
Option deed settlement	**6,500**	-	**-**	-
Redemption fee	**5,000**	-	**5,000**	-
Unwinding of present value discount	**1,177**	830	**-**	-
Amount capitalised	**-**	(5,703)	**-**	-
Amount recognised as prepayment	**-**	(719)	**-**	-
Finance costs expensed	**43,754**	17,839	**22,968**	6,888
Intercompany management fees (included in Other expenses at Note 7(b))	**-**	-	**600**	600
Rental expense relating to operating leases				
Minimum lease payments	**707**	796	**-**	-
Total rental expense relating to operating leases	**707**	796	**-**	-
Defined contribution superannuation expense	**490**	473	**-**	-
Other expenses				
Professional and consultancy fees	**2,213**	1,840	**313**	1,799
Investor relations	**1,368**	1,044	**-**	-
Travel expenses	**857**	1,367	**-**	-
Community relations	**725**	568	**-**	-
Foreign exchange losses (net)	**1,717**	-	**809**	-
Other	**2,781**	1,115	**606**	615
	9,661	5,934	**1,728**	2,414

7 Expenses (continued)

(b) Finance costs

Share option expense - GSJBW options
On 2 January 2009, an agreement was reached between the Company and GSJBW to roll over the subordinated debt facility in its entirety, with a new maturity date of 31 March 2010. As part of the consideration for the rollover of the facility with GSJBW, 75 million options were issued over ordinary shares with a strike price of A$0.105 per share (being a 24% premium to market close on 31 December 2008) and a three year term. The issue of the 75 million options was approved by shareholders at the Extraordinary General Meeting held on 15 April 2009. A non-cash accounting expense of US$14.086 million has been recognised to represent the fair value of the options at grant date, being 15 April 2009.

Redemption fee
The US$80 million subordinated debt facility (refer to note 21) with Goldman Sachs JBWere (GSJBW) was repaid in its entirety in June 2009. As part of the consideration for the early repayment of the facility, a US$5 million redemption fee was paid. Had any part of the loan been outstanding after 31 July 2009, PanAust would have incurred an increased interest rate and have had to issue an additional 75 million options. With the repayment of the loan, these additional obligations were not incurred.

Option settlement deed
In July 2009, an agreement was reached between PanAust and the banks providing the Working Capital Facility whereby the parties agreed that those banks be paid a monetary sum instead of being issued options under the option deed dated 23 December 2008. The option deed had been entered into as part of the consideration for the agreement of the provision of the Working Capital Facility to Phu Bia Mining. Under the terms of the option deed, each of the three banks providing the Working Capital Facility were entitled to be issued 18 million options. Subject to meeting obligations under the settlement deed, the Company agreed to pay each of the Working Capital Facility banks a total of US$2.166 million instead of issuing the options.

8 Income tax expense/(benefit)

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
(a) Income tax expense/(benefit)				
Deferred tax	**15,959**	(23,560)	**-**	-
Income tax expense/(benefit) is attributable to:				
Decrease/(increase) in deferred tax assets (note 18)	**15,959**	(23,560)	**-**	-

8 Income tax expense/(benefit) (continued)

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**39,130**	(63,519)	**(19,670)**	(23,678)
Tax at the Australian tax rate of 30% (2008: 30%)	**11,739**	(19,056)	**(5,901)**	(7,103)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Expenditure not allowed for income tax purposes	**16,577**	2,259	**4,731**	1,762
Other assessable income	**83**	-	**63**	-
Unrecoverable intercompany loans	**-**	-	**366**	5,665
Foreign exchange translation	**710**	-	**-**	-
Other deductible expenses	**(11,768)**	(6,106)	**(1,360)**	(748)
Non-assessable income	**(253)**	(1,344)	**-**	(63)
International tax rate differential	**(2,888)**	2,821	**-**	-
Tax losses not recognised	**1,759**	(2,134)	**2,101**	487
Income tax expense/(benefit)	**15,959**	(23,560)	**-**	-

(c) Tax losses

Unused tax losses	**14,237**	8,966	**14,237**	8,966
Potential tax benefit @ 30%	**4,271**	2,690	**4,271**	2,690

The income tax expense and deferred tax balances reported for both 2009 and 2008 are attributable to Phu Bia Mining Limited.

(d) Tax consolidation legislation

Effective 1 January 2004, for the purposes of Australian income taxation, PanAust Limited and its 100% Australian owned subsidiaries have formed a tax consolidated Group. The head entity of the Group is PanAust Limited.

9 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Cash at bank and in hand	**48,203**	6,245	**19,830**	23
Deposits at call	**40,000**	-	**40,000**	-
	88,203	6,245	**59,830**	23

(a) Cash at bank and on hand

These are interest bearing with floating interest rates between nil% to 3.55% (2008: nil% to 5.0%).

10 Current assets - Receivables and other assets

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Trade and other receivables				
Trade receivables	**23,502**	8,795	**-**	-
Other receivables	**1,264**	614	**-**	-
Receivable from subsidiary	**-**	-	**10,385**	-
	24,766	9,409	**10,385**	-
Prepayments				
Prepayments - general	**7,116**	7,088	**-**	267
Prepayments - lease facility fees	**319**	251	**-**	-
Prepayments - loan facility fees	**1,512**	1,762	**-**	-
	8,947	9,101	**-**	267
	33,713	18,510	**10,385**	267

As at 31 December 2009, no trade receivables or other receivables were past due or impaired (31 December 2008: nil). It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

11 Current assets - Inventories

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Raw materials				
Raw materials and stores - at cost	**26,519**	17,659	**-**	-
Provision for obsolete stores	**(274)**	(74)	**-**	-
	26,245	17,585	**-**	-
Work in progress				
Work in progress - at cost	**2,652**	3,241	**-**	-
Gold in heaps - at cost	**1,992**	2,784	**-**	-
	4,644	6,025	**-**	-
Finished goods				
Gold bullion - lower of cost and net realisable value	**1,866**	1,228	**-**	-
Copper-gold concentrate - lower of cost and net realisable value	**4,390**	7,023	**-**	-
	6,256	8,251	**-**	-
	37,145	31,861	**-**	-

(a) Net realisable value

Inventory has been recognised at net realisable value so as to not overstate the value of stocks on site and at port. As at 31 December 2009, because of the increase in gold and copper prices, inventory write-downs were not required. As at 31 December 2008, copper concentrate inventory was written down by US$838,589 and gold bullion was written down by US$274,292.

12 Derivative financial instruments

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Current assets				
Gold put options (a(iii))	**35**	768	**-**	-
Copper put options (b)	**96**	-	**-**	-
Total current derivative financial instrument assets	**131**	768	**-**	-
Non-current assets				
Gold put options (a(iii))	**1,143**	8,504	**-**	-
Total non-current derivative financial instrument assets	**1,143**	8,504	**-**	-
Total derivative financial instrument assets	**1,274**	9,272	**-**	-
Current liabilities				
Cash flow hedge - gold forward contracts (a(iii))	**5,927**	1,710	**-**	-
Cash flow hedge - copper forward contracts (b)	**2,341**	-	**-**	-
Cash flow hedge - interest rate swaps (a(i))	**-**	410	**-**	-
Total current derivative financial instrument liabilities	**8,268**	2,120	**-**	-
Non-current liabilities				
Cash flow hedge - gold forward contracts (a(iii))	**11,195**	4,715	**-**	-
Total non-current derivative financial instrument liabilities	**11,195**	4,715	**-**	-
Total derivative financial instrument liabilities	**19,463**	6,835	**-**	-
Net derivative financial instrument (liabilities)/assets	**(18,189)**	2,437	**-**	-

(a) Instruments used by the Group as required by the Mandatory Hedging Program

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange, interest rates, copper price and gold price in accordance with the mandatory hedging program for the project financing for the Phu Kham Copper-Gold Operation (refer to note 2).

(i) Interest rate swap contracts - cash flow hedges
As at 31 December 2009, all interest rate swaps entered into by the Company had matured.

The interest rate swaps were put in place to protect part of the loans undertaken for the Phu Kham Copper-Gold Operation from exposure to increasing interest rates. Under the swap contracts, the Company was obliged to receive interest at variable rates and to pay interest rates at a fixed rate of between 5.12% and 5.1375%.

The contracts required settlement of net interest receivable or payable each 90 days from 30 June 2008 to 30 June 2009. The settlement dates coincided with the dates on which interest is payable on the underlying debt. In the year ended 31 December 2009, a loss of US$444,318 (2008: US$1,664,164) was recognised as interest expense.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately. In the year ended 31 December 2009, a loss of US$54,288 (2008: gain US$45,290) was transferred to profit or loss and recognised as a hedge loss (2008: hedge gain) relating to the ineffective portion of the interest rate swaps due to differences in values and timing of maturities between the interest rate swaps and the hedged debt.

12 Derivative financial instruments (continued)

(ii) Forward exchange contracts - cash flow hedges
All forward exchange contracts matured during 2008 and no further contracts were undertaken during 2009. The forward exchange contracts were entered into to protect against exchange rate movements as the Laos based Phu Kham Copper-Gold Operation utilised materials and services purchased from Australia during the construction and development of the mine.

During the year ended 31 December 2008 a gain of US$601,433 was removed from equity and the benefit reduced the acquisition cost of components. There was no ineffectiveness on the forward exchange contracts.

(iii) Gold forward contracts and put options
The Company has entered into forward swap contracts for the sale of gold produced by the Phu Kham Operation from 2009 to 2013. These contracts comprise committed gold forward hedging of 54,148 ounces at escalating prices between US$765/oz and US$860/oz.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged sale is recognised. The ineffective portion is recognised in profit or loss immediately. There was no ineffectiveness in either year for the gold forwards. In the year ended 31 December 2009, a loss of US$4,037,499 (2008: Nil) was recognised as realised loss on gold forwards.

The put options entered into by the Company cover approximately 73,600 ounces of gold at a strike rate of US$700/oz. The put options do not qualify for hedge accounting and the mark to market movement of these put options is recognised in profit or loss immediately, with a loss of US$8,093,924 recorded during 2009 (2008: gain US$4,998,318).

The committed gold hedges represent less than 25% of the anticipated gold production from the Phu Kham Copper-Gold Operation over the next four years. The spot price as at 31 December 2009 used to revalue these forwards and put options was US$1,098/oz.

(b) Copper swap contracts and put options

PanAust's current hedging program seeks to maximise the Company's exposure to the prevailing copper price, but protect the Company against near-term sharp falls in the copper price and revenue loss over the quotation period on provisionally priced copper concentrate sales.

The Company manages the copper provisional price risk on sales contracts (over the quotational period) and short-term production (6 to 12 months) with bank hedging facilities, and a combination of negotiated fixed price terms with customers and put options.

At balance date, the Company has entered into several copper swap contracts as part of its short-term hedging program for copper concentrate sales which are subject to quotational period price adjustments. The purpose of this hedging activity is to cover potential exposure to adverse copper price fluctuations over the quotational period. As at 31 December 2009, a total of 4,000t of copper, which has been shipped, is hedged at a price of US$6,739/t (US$3.06/lb).

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged sale is recognised. The ineffective portion is recognised in profit or loss immediately. In the year ended 31 December 2009 a loss of US$114,955 was recognised for the ineffective portion of copper hedges. Realised losses from the settlement of copper hedges for the year ended 31 December 2009 was US$19,004,311 (2008: Nil).

To protect the Company against the downside copper price risk on future production, as at 31 December 2009, put options had been established to cover 5,500 tonnes of copper, deliverable in the first quarter of 2010, at an average strike price of US$5,809/t (US$2.64/lb).

The copper put options do not qualify for hedge accounting and the mark-to-market movement of these put options is recognised in profit or loss immediately, with a gain of US$95,836 recorded during 2009 (2008: nil).

13 Non-current assets - Receivables and other assets

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Prepayments				
Prepaid tax	**5,384**	3,628	**-**	-
Prepayments - Lease facility fees	**1,118**	1,505	**-**	-
Prepayments - Loan facility fees	**5,290**	7,928	**-**	-
	11,792	13,061	**-**	-
Other				
Other receivables from associates	**2,244**	-	**-**	-
Government of Laos receivable	**31,546**	21,921	**-**	-
	33,790	21,921	**-**	-
	45,582	34,982	**-**	-

The value of non-current receivables and other assets approximates their fair value.

Tax prepaid by Phu Bia Mining Limited is able to be offset against future income tax payments.

The receivable amount from the Government of Laos to acquire 10% interest in Phu Bia Mining Limited represents the fair value of estimated future cash flows required to obtain the interest based on 10% of current equity invested by PanAust as at the end of the financial year. The amount receivable has been calculated in accordance with the terms of the Mineral Exploration and Production Agreement (MEPA).

The Government of Laos is yet to sign the Shareholders Agreement with Phu Bia Mining and are yet to formally accept the purchase price which has been calculated in accordance with the MEPA.

14 Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Shares in associate	**6,021**	2,021	**-**	-

(a) Interest in associate

The interest in associates are accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity (refer to note 15).

14 Non-current assets - Investments accounted for using the equity method (continued)

	Ownership interest held by consolidated entity	
	31 December 2009 %	**31 December 2008 %**
Name		
Puthep Company Limited - ordinary	**49.00**	33.17

(i) Principal activity

Puthep Company Limited is a copper exploration company incorporated in Thailand
Puthep Company's sole asset is the Puthep Copper Project in northern Thailand

	Consolidated 31 December 2009 US$'000	**Consolidated 31 December 2008 US$'000**
(ii) Carrying amount of investment in associate		
Balance at the beginning of the financial year	**2,021**	1,021
Shares acquired during the financial year	**4,000**	1,000
Carrying amount of investment at year end	**6,021**	2,021

PanAust holds a shareholding interest of 49% (2008: 33.17%) in the Thai registered company Puthep Company Ltd (Puthep) through the Company's wholly owned subsidiary, PNA (Puthep) Pty Limited. Padaeng Industry Public Company Limited (Padaeng) owns the other 51% (2008: 66.83%) interest in Puthep. Puthep has a concession agreement with the Government of Thailand. The concession covers the two deposits (the PUT1 and PUT2 deposits) that comprise the Puthep Copper Project.

PanAust will earn a 51% interest in Puthep by completing a feasibility study on the Puthep Copper Project in accordance with the Participation Agreement between the parties dated 21 August 2000 (as amended). Under the Participation Agreement, the Company has options to acquire a total 60% or 70% interest in Puthep. The Government of Thailand has a right to acquire a 10% interest. If the Government of Thailand exercises its right to acquire a 10% interest, each of Padaeng and the Company must each transfer half of the shares required to be transferred to the Government of Thailand provided that Padaeng's interest does not fall below 26%.

Under the Thailand - Australia Free Trade Agreement, the Company can acquire a 60% interest without any further approvals from the Government of Thailand. The Company can acquire an interest above 60% with government approval.

15 Non-current assets - Other financial assets

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Other unlisted securities				
Equity securities	**7**	7	**-**	-
Provision for impairment of unlisted shares	**(7)**	(7)	**-**	-
Other investments				
Loan to equity accounted investment **	**12,771**	12,611	**-**	-
Loans to subsidiaries *	**-**	-	**477,874**	303,996
Provision for unrecoverable intercompany loans	**-**	-	**(57,386)**	(56,164)
	12,771	12,611	**420,488**	247,832
Shares in subsidiaries (note 35)	**-**	-	**207**	207
	-	-	**207**	207
	12,771	12,611	**420,695**	248,039

* Represents parent entity interest in subsidiaries as described in Note 1(b)(i).

** Represents advances for exploration expenditure to Puthep Company Limited. The amounts are not past due or impaired.

The fair value of the loan to the equity accounted investment and of loans to subsidiaries approximates their fair value.

16 Non-current assets - Property, plant and equipment

Consolidated	**Office Equipment US$'000**	**Mining Plant and Equipment US$'000**	**Motor Vehicles US$'000**	**Total US$'000**
At 1 January 2008				
Cost	643	34,149	2,241	37,033
Accumulated depreciation	(202)	(3,284)	(135)	(3,621)
Net book amount	441	30,865	2,106	33,412
Year ended 31 December 2008				
Opening net book amount	441	30,865	2,106	33,412
Additions	1,274	21,306	3,825	26,405
Disposals	(13)	-	-	(13)
Depreciation charge	(866)	(16,405)	(296)	(17,567)
Transfers in/(out)	665	253,791	(2,943)	251,513
Closing net book amount	1,501	289,557	2,692	293,750
At 31 December 2008				
Cost	2,566	309,244	3,123	314,933
Accumulated depreciation	(1,065)	(19,687)	(431)	(21,183)
Net book amount	1,501	289,557	2,692	293,750

16 Non-current assets - Property, plant and equipment (continued)

Consolidated	**Office Equipment US$'000**	**Mining Plant and Equipment US$'000**	**Motor Vehicles US$'000**	**Total US$'000**
Year ended 31 December 2009				
Opening net book amount	1,501	289,557	2,692	293,750
Additions	438	34,024	739	35,201
Depreciation charge	(484)	(29,322)	(730)	(30,536)
Transfers in/(out) (note 17)	-	(5,198)	-	(5,198)
Closing net book amount	1,455	289,061	2,701	293,217
At 31 December 2009				
Cost	3,005	338,069	3,862	344,936
Accumulated depreciation	(1,550)	(49,008)	(1,161)	(51,719)
Net book amount	1,455	289,061	2,701	293,217

The parent entity does not hold any property, plant or equipment.

(a) Leased assets

Mining plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated		**Parent entity**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Cost	**49,774**	47,033	**-**	-
Accumulated depreciation	**(18,137)**	(9,101)	**-**	-
Net book amount	**31,637**	37,932	**-**	-

(b) Security

The Group's property, plant and equipment has been pledged as security under the Facilities Agreement for the Phu Kham Copper-Gold Operation held with a syndicate of banks led by the ANZ Investment Bank, refer to notes 21 and 24.

17 Non-current assets - Exploration and evaluation, development and mine properties

Consolidated	Preproduction Exploration & Evaluation US$'000	Phu Kham Copper-Gold Development US$'000	Phu Kham Pre-production US$'000	Restoration Asset US$'000	Phu Kham Heap Leach Operation US$'000	Total US$'000
Year ended 31 December 2008						
Carrying amount at start of year	35,686	205,354	22,182	11,363	13,977	288,562
Additions	28,382	45,119	53,766	2,631	768	130,666
Amortisation charge	-	-	(3,808)	(869)	(5,185)	(9,862)
Disposals	(1,680)	-	-	-	-	(1,680)
Amortisation transferred in	-	-	-	-	(15)	(15)
Transfers in/(out)	(14,683)	(250,473)	14,683	-	(1,040)	(251,513)
Carrying amount at end of year	47,705	-	86,823	13,125	8,505	156,158

Consolidated	Preproduction Exploration & Evaluation US$'000	Phu Kham Copper-Gold Development US$'000	Phu Kham Pre-production US$'000	Restoration Asset US$'000	Phu Kham Heap Leach Operation US$'000	Total US$'000
Year ended 31 December 2009						
Carrying amount at start of year	47,705	-	86,823	13,125	8,505	156,158
Additions	28,435	-	-	-	487	28,922
Amortisation charge	-	-	(6,661)	(1,325)	(4,251)	(12,237)
Disposals	-	-	-	(43)	-	(43)
Transfers in (note 16)	-	-	5,198	-	-	5,198
Carrying amount at end of year	76,140	-	85,360	11,757	4,741	177,998

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

18 Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
The balance comprises temporary differences attributable to:				
Tax losses	**24,009**	36,032	**-**	-
Property, plant & equipment	**3,079**	1,662	**-**	-
Payables	**1,316**	-	**-**	-
Provisions	**1,066**	633	**-**	-
Cash flow hedges	**4,865**	1,709	**-**	-
	34,335	40,036	**-**	-
Total deferred tax assets	**34,335**	40,036	**-**	-
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	**(21,869)**	(14,767)	**-**	-
Net deferred tax assets	**12,466**	25,269	**-**	-

18 Non-current assets - Deferred tax assets (continued)

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Movements:				
Opening balance at start of year	**25,269**	-	**-**	-
(Charged)/credited to profit or loss (note 8)	**(15,959)**	23,560	**-**	-
Credited to equity	**3,156**	1,709	**-**	-
Closing balance at end of year	**12,466**	25,269	**-**	-
Deferred tax assets to be recovered within 12 months	**12,466**	15,959	**-**	-
Deferred tax assets to be recovered after more than 12 months	**-**	9,310	**-**	-
	12,466	25,269	**-**	-

19 Non-current assets - Goodwill

Consolidated	**Goodwill US$'000**
Year ended 31 December 2008	
Opening and closing net book amount	5,380
At 31 December 2008	
Cost	5,380
Accumulated amortisation and impairment	-
Net book amount	5,380
Year ended 31 December 2009	
Opening and closing net book amount	5,380
At 31 December 2009	
Cost	5,380
Accumulated amortisation and impairment	-
Net book amount	5,380

The goodwill balance relates to Phu Bia Mining in Laos. In order to test the goodwill for impairment it has been necessary to assess the recoverable amount of all of the Phu Bia Mining assets. The recoverable amount of the Phu Bia Mining assets has been assessed by reference to value in use. AASB 136 requires certain cash flows to be excluded from a value in use calculation, including the benefits of conversion of resources to reserves and future expansions.

The value in use has been determined by estimating the cash flows for the current life of mine based on current reserves assessments. The cash flow projections are based on long term mine plans (which exceed five years, as is typical in the mining industry) for the Phu Kham Copper-Gold Operation, reflecting estimated reserves and production profiles.

In arriving at a value in use, a pre tax discount rate of 12% has been applied to cash flows expressed in nominal terms.

A key assumption to which the calculation of value in use of the Phu Kham Copper-Gold Operation is sensitive is a change to operating margins as a result of movements in the long term copper price. The long term copper price has been assessed at $2.25/lb. Management determined this long term copper price based on a range of commodity price forecasts prepared by recognised financial institutions.

Should the copper price vary materially from this long term estimate then a change would be made to the life of mine plan with corresponding impacts on production levels and associated operating cost structures.

The Phu Kham cash generating unit's recoverable amount exceeds its carrying value, thereby demonstrating no impairment.

20 Current liabilities - Payables

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Trade payables	**31,420**	32,401	**-**	1,351
Accrued expenses	**10,904**	16,180	**-**	-
Gold put option premium payable	**1,706**	1,274	**-**	-
Other payables	**-**	40,513	**-**	-
	44,030	90,368	**-**	1,351

(a) Other Payables

PanAust delivers concentrate to copper customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price, or a pre-determined fixed priced. For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust by way of a provisional invoice for the contained copper and precious metal credits, for gold and silver, in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period as specified by the terms of the sales contract, or the pre-determined fixed price.

This pricing methodology is normal for the industry and the Quotational Period (QP) often reflects the average time to elapse between the date of shipment and the date of processing by the smelter at final destination.

In late 2008 the copper price was falling which resulted in a liability. PanAust recognised a liability of US$19 million for the settlement of the QP in relation to the issue of final invoices. An additional US$21 million was recognised as a result of the revaluation of provisional invoices issued with an open QP. These invoices had been revalued using the LME three-month forward copper price as at 31 December 2008, of US$2,935/t (US$1.33/lb).

During December 2008, PanAust signed a sale agreement with a long-term customer which incorporated the deferred settlement of the outstanding provisional pricing liability. As at 31 December 2008, the provisional pricing liability for this customer was US$39 million. The liability was progressively repaid over the first half of 2009 with the last instalment of US$6 million completed in July 2009.

21 Current liabilities - Borrowings

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Secured				
Bank loans	**17,875**	107,223	**-**	77,148
Lease liabilities (note 33)	**7,721**	7,721	**-**	-
Total secured current borrowings	**25,596**	114,944	**-**	77,148

21 Current liabilities - Borrowings (continued)

Bank loans

(a) Senior Project Facility

Under the senior project facility for the Phu Kham Copper-Gold Operation, the scheduled mandatory repayments for the next twelve months are US$17.875 million.

(b Working Capital Facility

On 23 December 2008, PanAust entered into a US$8.075 million Working Capital Facility with three of the banks providing the senior project facility. The Working Capital Facility was fully repaid on 30 November 2009.

In July 2009, an agreement was reached between PanAust and the banks providing the Working Capital Facility whereby the parties agreed that those banks be paid a monetary sum instead of being issued options under the option deed dated 23 December 2008. The option deed had been entered into as part of the consideration for the agreement of the provision of the Working Capital Facility to Phu Bia Mining. Under the terms of the option deed, each of the three banks providing the Working Capital Facility were entitled to be issued 18 million options. Subject to meeting obligations under the settlement deed, the Company agreed to pay each of the Working Capital Facility banks a total of US$2.166 million instead of issuing the options.

(c) Subordinated Debt Facility

The fully subordinated debt facility held with Goldman Sachs JBWere (GSJBW) was repaid in its entirety in June 2009.

The US$80 million facility was entered into on 5 March 2008, with a term to 31 March 2009. The purpose of the facility was to provide working capital during the ramp-up phase of the Phu Kham Copper-Gold Operation, expenditure on the preliminary works for the expansion of Phu Kham and the on-going exploration and evaluation program (which included Thailand). As part of the consideration for the agreement with GSJBW, three tranches each of 5 million unlisted options were issued to GSJBW. All of these options have since expired without being exercised.

On 2 January 2009, an agreement was reached between the Company and GSJBW to roll-over the facility in its entirety, with a new maturity date of 31 March 2010. As part of the consideration for the roll-over of the facility with GSJBW, 75 million options were issued over ordinary shares with a strike price of A$0.105 per share (being a 24% premium to market close on 31 December 2008) and a three-year term. All of these options were exercised on 5 May 2009.

With the repayment of the loan in June 2009, additional obligations under the terms of the facility were curtailed. Had any of the loan been outstanding after 31 July 2009, PanAust would have incurred an increased interest rate and have had to issue an additional tranche of 75 million options.

Refer to Note 24 Non-current liabilities - Borrowings for further detail.

22 Current liabilities - Provisions

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Employee benefits	**2,529**	1,844	**-**	-
Environmental protection fund	**226**	116	**-**	-
	2,755	1,960	**-**	-

	Environmental protection fund US$'000
Consolidated - 2009	
Carrying amount at start of year	116
Additional provisions charged to profit or loss	110
Carrying amount at end of year	226

23 Non-current liabilities - Payables

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Loan from controlled entity	**-**	-	**205**	205
Gold put option premium payable	**3,558**	4,982	**-**	-
	3,558	4,982	**205**	205

24 Non-current liabilities - Borrowings

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Secured				
Bank loans	**45,125**	163,000	**-**	-
Lease liabilities (note 33)	**31,127**	38,848	**-**	-
Total secured non-current borrowings	**76,252**	201,848	**-**	-

The fair values of non-current borrowings approximate their book values because the interest rates applicable to the borrowings are not materially different to market rates.

(a) Bank loans

(i) Senior project facility

On 26 June 2007, the Company entered into a Loan Facilities Agreement for the Phu Kham Copper-Gold Operation with a syndicate of banks led by the ANZ Investment Bank. The facilities were undertaken to provide for the completion of the development and construction of the Phu Kham Copper-Gold Operation in Laos. The Loan Facilities Agreement also provided for a Working Capital Facility, which was entered into with three of the syndicate banks on 23 December 2008 and repaid on 30 November 2009 (refer to note 21).

24 Non-current liabilities - Borrowings (continued)

As at 31 December 2009, the Company had a Project Loan Facility balance of US$63 million following the repayment of US$122 million during the year. On 22 September 2009, utilising some of the proceeds from the GRAM placement, a prepayment of US$100 million was completed. The other payments completed during the year, totalling US$22 million, were loan repayments per the terms of the facility agreement. The term of the facility extends to 31 December 2014.

The interest rate as at reporting date was 4.80% (2008: 3.95%), which represents the base rate of 0.30% plus a margin.

On 30 July 2009, the Company advised the Agent for the bank syndicate to the Facilities Agreement for the Phu Kham Copper-Gold Operation that the requisite bank majority had been achieved in favour of the Company's proposals on the amendment of certain terms in the Facilities Agreement dated 26 June 2007. On the same day, Phu Bia Mining Limited certified a copy of the bank's independent engineer's report on the Completion Tests for the Phu Kham Copper-Gold Operation. The certification of completion was a pre-condition to the change of terms of the Facilities Agreement, as follows:

- the PanAust Limited guarantee will remain in place until the loan is fully repaid;
- the post –Completion cash sweep to debt pre-payments will be raised from 45% of free cash flow to 75%; and
- an increase in margin on the term facilities by 2.25% to 4.5% until the Power Purchase Agreement with Electicite du Laos (EDL) is signed, thereafter the increase will be reduced to 1.75%.

Phu Bia Mining signed the Power Purchase Agreement with EDL on 26 October 2009, thereby limiting the increase in margin to 1.75% from that date.

(b) Lease liabilities

The lease facility agreement was entered into on 26 June 2007 with a syndicate of banks led by ANZ Investment Bank. During May 2008 approval was granted by the syndicate of banks to increase the facility limit from US$35 million to US$48.5 million. The lenders under this facility have the benefit of security over the leased assets.

The equipment lease facility has a variable interest rate and is repayable in quarterly instalments to 31 December 2013. The average interest rate at reporting date on funds drawn from the facility is 2.68% (2008: 3.83%).

(c) Financing arrangements

As at reporting date, the facilities available to PanAust were fully utilised, with the exception to a Letter of Credit Facility to the amount of US$2 million which has not been drawn upon.

25 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
The balance comprises temporary differences attributable to:				
Exploration and evaluation	**21,551**	14,767	**-**	-
Cash flow hedges	**318**	-	**-**	-
	21,869	14,767	**-**	-
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	**(21,869)**	(14,767)	**-**	-
Net deferred tax liabilities	**-**	-	**-**	-

26 Non-current liabilities - Provisions

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Restoration (i)	**16,518**	15,383	**-**	-
Employee benefits	**3,399**	1,815	**-**	-
Other provisions	**29**	-	**-**	-
	19,946	17,198	**-**	-

(i) A provision for restoration is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on anticipated technology, legal requirements and future costs which have been discounted to their present value. In determining the restoration provision, the Company has assumed no significant changes will occur in the relevant country legislation in relation to restoration of such mines in the future.

(a) Movements in provisions
Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Restoration US$'000
Consolidated - 2009	
Non-current	
Carrying amount at start of year	15,383
- unwinding of discount	1,177
- amounts used during the year	(42)
Carrying amount at end of year	16,518

27 Contributed equity

	Consolidated and Parent entity		Consolidated and Parent entity	
	31 December 2009 Shares	31 December 2008 Shares	**31 December 2009 US$'000**	31 December 2008 US$'000
(a) Share capital				
Ordinary shares				
Fully paid	**2,932,520,239**	1,440,067,882	**540,948**	216,936

27 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	US$'000
1 January 2008	Opening balance	1,433,370,828	215,985
	Unlisted options exercised	6,100,000	951
	Employee share rights exercised (e)	597,054	-
31 December 2008	Balance	1,440,067,882	216,936
1 January 2009	Opening balance	1,440,067,882	216,936
	Share placement (d(i))	147,065,717	14,708
	Share purchase plan (d(ii))	176,019,477	16,844
	Share placement (d(iii))	279,778,563	57,288
	Entitlements offer (d(iv))	229,031,303	55,471
	GRAM Placement (d(v))	583,517,352	187,026
	Options exercised - GSJBWere (f(ii))	75,000,000	5,842
	Executive options exercised (f(i))	1,000,000	250
	Employee share rights exercised (e)	1,039,945	-
			554,365
	Less: Transaction costs arising on share issue		(13,417)
31 December 2009	Balance	2,932,520,239	540,948

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

(d) *Capital raising - ordinary shares issued*

(i) Share placement
On 28 January 2009, PanAust issued 147,065,717 fully paid ordinary shares at an issue price of A$0.15 per share to institutional, sophisticated and professional investors.

(ii) Share purchase plan
The share purchase plan was launched on 2 February 2009 which entailed the issue of 176,019,477 fully paid ordinary shares at an issue price of A$0.14985 per share.

(iii) Share placement
A further 279,778,563 fully paid ordinary shares were issued to institutional, sophisticated and professional investors through a share issue launched on 26 May 2009 at an issue price of A$0.28. This issue price equates to a 29.1% discount to the closing share price on 25 May 2009.

(iv) Entitlements offer
Coinciding with the above mentioned share placement on 26 May 2009, an entitlements offer was launched. This entailed a 2 for 9 accelerated non renounceable entitlements offer at an issue price of A$0.28 and the issue of 229,031,303 ordinary shares.

(v) Cornerstone investment agreement
On 26 May 2009, the same date as the announcement of the share placement and entitlements offer ((iii) and (iv) above), PanAust entered into a placement agreement with Guangdong Rising Assets Management Co. Ltd (GRAM), a major Chinese investment group, under which GRAM acquired a 19.9% interest in PanAust Limited.

27 Contributed equity (continued)

The placement agreement with GRAM comprises a total investment of approximately A$215.9 million through a cornerstone investment of approximately 456.8 million shares at A$0.395 per share (equal to the closing price on 25 May 2009) and an ex-Equity Offer top up placement of approximately 126.7 million shares at A$0.28 per share (the same price as those granted per (iii) above). Completion under the placement agreement was conditional upon a number of approvals which were received. The transaction was completed on 18 September 2009.

(e) Share Rights Plan

Information relating to the PanAust Share Rights Plan, including details of shares issued under the plan is set out in note 39.

(f) Share Options

(i) Executives' Options Plan
Information relating to the PanAust Executives' Options Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 39.

(ii) Unlisted options
As part of the consideration for the provision of the subordinated debt facility agreement entered into with GSJBW on 5 March 2008, three tranches each of 5 million unlisted options were issued to GSJBW. All of these options have expired during 2009 without being exercised.

A further 75 million options were issued over ordinary shares as part of the consideration for the rollover of the facility on 2 January 2009. The options were issued with a strike price of A$0.105 per share (being a 24% premium to market close on 31 December 2008) and a three-year term. All of these options were exercised on 5 May 2009.

(g) Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistently with others in the industry, PanAust monitors capital on the basis of the gearing ratio. This ratio is calculated as debt (total borrowings) divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet (including non-controlling interest) plus debt.

The Company has complied with the covenant requirements on the Senior Project Facility with a syndicate of banks led by the ANZ Investment Bank during the periods reported.

During 2009, the Company's strategy was to reduce the consolidated gearing ratio to within a 10% to 25% range by the end of the financial year. The gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

	Consolidated		**Parent entity**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Total borrowings	**101,848**	316,792	**205**	77,148
Total equity	**522,169**	157,923	**490,705**	169,625
Total capital	**624,017**	474,715	**490,910**	246,773
Gearing ratio	**16 %**	67 %	**0 %**	31 %

The reduction in the gearing ratio during the year is primarily the result of loan pay downs completed on the senior project facilities and the subordinated facility.

28 Reserves and accumulated losses

	Consolidated		**Parent entity**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
(a) Reserves				
Hedging reserve - cash flow hedges	**(13,551)**	(5,181)	**-**	-
Share-based payments reserve	**22,312**	5,574	**22,312**	5,574
	8,761	393	**22,312**	5,574

	Consolidated		**Parent entity**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Movements:				
Hedging reserve - cash flow hedges				
Balance at beginning of year	**(5,181)**	(10,788)	**-**	-
Revaluation - gross	**(31,296)**	2,253	**-**	-
Transfer to/(from) net profit - gross	**20,086**	1,708	**-**	-
Deferred tax	**2,840**	1,709	**-**	-
Transfer to capitalised development	**-**	(63)	**-**	-
Balance at end of year	**(13,551)**	(5,181)	**-**	-
Share-based payments reserve				
Balance at beginning of year	**5,574**	1,350	**5,574**	1,350
Valuation of share options - GSJBW	**14,086**	2,423	**14,086**	2,423
Valuation of employee options and share rights	**2,652**	1,801	**2,652**	1,801
Balance at end of year	**22,312**	5,574	**22,312**	5,574
(b) Accumulated losses				
Balance at the beginning of the financial year	**(81,346)**	(41,387)	**(52,885)**	(29,207)
Net profit/(loss) attributable to members of PanAust	**18,991**	(39,959)	**(19,670)**	(23,678)
Balance at end of year	**(62,355)**	(81,346)	**(72,555)**	(52,885)

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share based payments reserve is used to recognise the fair value of executive options, other unlisted options and employee share rights issued.

(ii) Hedge reserve
The hedging reserve is used to record gains or losses on hedging instruments accounted for as cash flow hedges that are recognised directly in equity, as described in notes 1(n) and 12. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

29 Non-controlling interest

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Interest in:				
Share capital	**31,566**	21,941	**-**	-
Cash flow hedge reserves	**(930)**	-	**-**	-
Profit for the year	**4,180**	-	**-**	-
	34,816	21,941	**-**	-

The Government of Laos has exercised its option to acquire a 10% interest in Phu Bia Mining Limited, which will be paid from future dividend flows. The 10% interest has been valued as the discounted future cash flows relating to an amount equivalent to 10% of PanAust's cash investment in Phu Bia Mining as at reporting date.

The Government of Laos is yet to sign the Shareholders Agreement with Phu Bia Mining and are yet to formally accept the purchase price which has been calculated in accordance with the MEPA.

30 Key management personnel disclosures

(a) Directors

The following persons were directors of PanAust during the financial year:

Non-executive directors: G. A. Hounsell
N. P. Withnall
A. E. Daley
G. A. Handley
G. Billard
Z. Li (appointed 18 September 2009)

Executive Director: G. Stafford

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	***Position***
F. Hess	Executive General Manager Southeast Asia
J. Walsh	General Manager Corporate Development
D. Hairsine	Chief Financial Officer
R. Usher	General Manager Phu Kham Operations

The key management personnel of the Group are the directors of PanAust Limited and those executives that have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. As a consequence of the growth and evolution of the Company, the application of the definition of key management personnel was reviewed and has been retrospectively applied.

30 Key management personnel disclosures (continued)

(c) Compensation

	Consolidated		Parent entity	
	31 December 2009 US$	31 December 2008 US$	**31 December 2009 US$**	31 December 2008 US$
Short-term employee benefits	**3,302,844**	2,480,609	**-**	-
Post-employment benefits	**221,606**	213,899	**-**	-
Long-term benefits	**307,633**	189,398	**-**	-
Share based payments	**1,463,840**	588,673	**-**	-
	5,295,923	3,472,579	**-**	-

The 2008 comparative information has been restated to include STI payments pertinent to FY2008 which were determined and paid in the second quarter of 2009.

(d) Equity instrument disclosures

(i) Options and share rights provided as remuneration and shares issued on the exercise of such options
Details of options and share rights provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options and share rights detailed in the Remuneration Report and note 39.

(ii) Option and share right holdings
The numbers of options over ordinary shares in the Company under the EOP and share rights under the SRP held during the year by the Managing Director and other key management personnel of the Company, including their personally related parties, are set out below.

Name		Balance at start of year	Granted as compens-ation	Exercised	Vested/ (lapsed) during year	Balance at end of year	Vested and exercisable	Unvested
Managing Director								
G. Stafford (EOP)	**2009**	**9,900,000**	17,200,000	-	**(2,000,000)**	**25,100,000**	**-**	**25,100,000**
	2008	7,500,000	4,400,000	(2,000,000)	-	9,900,000	2,000,000	7,900,000
Other executives								
F. Hess (EOP)	**2009**	**800,000**	**-**	**-**	**-**	**800,000**	**-**	**800,000**
	2008	2,800,000	-	(2,000,000)	-	800,000	-	800,000
F. Hess (SRP)	**2009**	**950,000**	**2,000,000**	**-**	**-**	**2,950,000**	**-**	**2,950,000**
	2008	400,000	550,000	-	-	950,000	-	950,000
J. Walsh (EOP)	**2009**	**1,300,000**	**-**	**-**	**-**	**1,300,000**	**-**	**1,300,000**
	2008	2,050,000	-	(750,000)	-	1,300,000	-	1,300,000
J. Walsh (SRP)	**2009**	**420,000**	**1,600,000**	**-**	**-**	**2,020,000**	**-**	**2,020,000**
	2008	-	420,000	-	-	420,000	-	420,000
D. Hairsine (EOP)	**2009**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2008	750,000	-	(750,000)	-	-	-	-
D. Hairsine (SRP)	**2009**	**1,070,000**	**1,600,000**	**-**	**-**	**2,670,000**	**-**	**2,670,000**
	2008	650,000	420,000	-	-	1,070,000	-	1,070,000
	2008	-	-	-	-	-	-	-
R. Usher (EOP)	**2009**	**1,500,000**	**2,900,000**	**(1,000,000)**	**-**	**3,400,000**	**-**	**3,400,000**
	2008	1,500,000	-	-	-	1,500,000	1,000,000	500,000
R. Usher (SRP)	**2009**	**330,000**	**-**	**-**	**-**	**330,000**	**-**	**330,000**
	2008	-	330,000	-	-	330,000	-	330,000

As at 31 December 2009, no options or share rights were vested and exercisable for key management personnel.

30 Key management personnel disclosures (continued)

(iii) Share holdings
The numbers of shares in the Company held during the financial year by each director of PanAust and other key management personnel of the Company, including their personally related parties, are set out below.

Name		Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of PanAust Limited					
G. A. Hounsell	**2009**	**500,000**	**-**	**102,675**	**602,675**
	2008	-	-	500,000	500,000
G. A. Hounsell (indirect) (i)	**2009**	**70,000**	**-**	**143,616**	**213,616**
	2008	-	-	70,000	70,000
G. Stafford	**2009**	**12,580,334**	**-**	**(422,806)**	**12,157,528**
	2008	11,080,334	2,000,000	(500,000)	12,580,334
G. Stafford (indirect) (ii)	**2009**	**3,495,314**	**-**	**(191,699)**	**3,303,615**
	2008	3,495,314	-	-	3,495,314
N.P. Withnall	**2009**	**448,507**	**-**	**116,734**	**565,241**
	2008	448,507	-	-	448,507
A.E. Daley (indirect) (iii)	**2009**	**311,861**	**-**	**196,541**	**508,402**
	2008	311,861	-	-	311,861
G.A. Handley (indirect) (iv)	**2009**	**155,000**	**-**	**116,009**	**271,009**
	2008	155,000	-	-	155,000
G. Billard (indirect) (v)	**2009**	**35,648**	**-**	**89,486**	**125,134**
	2008	-	-	35,648	35,648
Other executives					
F. Hess	**2009**	**2,028,570**	**-**	**450,794**	**2,479,364**
	2008	28,570	2,000,000	-	2,028,570
J. Walsh	**2009**	**1,807,800**	**-**	**66,734**	**1,874,534**
	2008	2,057,800	750,000	(1,000,000)	1,807,800
D. Hairsine	**2009**	**2,227,750**	**-**	**(4,944)**	**2,222,806**
	2008	1,977,750	750,000	(500,000)	2,227,750
R. Usher	**2009**	**14,663**	**1,000,000**	**222,221**	**1,236,884**
	2008	14,663	-	-	14,663

(i) Mr Hounsell has an indirect interest in 213,616 ordinary shares in PanAust held by The Hounsell Superannuation Fund, of which Mr Hounsell is a beneficiary.

(ii) Mr Stafford has an indirect interest in 3,303,615 ordinary shares options in PanAust held by The Spellbrook Superannuation Fund of which Mr Stafford is a beneficiary.

(iii) Mr Daley has an indirect interest in 508,402 ordinary shares in PanAust held by The Motherlode Superannuation Fund of which Mr Daley is a beneficiary.

(iv) Mr Handley has an indirect interest in 271,009 ordinary shares in PanAust held by his spouse.

(v) Mr Billard has an indirect interest in 125,134 ordinary shares in PanAust through a Macquarie superannuation fund of which Mr Billard is a beneficiary.

(e) Other transactions with key management personnel

(i) Assaying fees of US$1,248,008 (2008: US$2,192,068) paid to Australian Laboratory Services Pty Ltd and subsidiaries on normal commercial terms, a wholly owned subsidiary of Campbell Brothers Limited of which Mrs N. Withnall is a director.

(ii) PanAust's long-term share service provider is Computershare Limited, of which Mrs N. Withnall is a director. Service fees of US$957,432 (2008: US$323,867), have been paid to Computershare during the year on normal commercial terms.

30 Key management personnel disclosures (continued)

(iii) Prior to his appointment as a Non-Executive Director of the Company on 1 July 2008, Mr Billard provided consultancy services to Company. These services facilitated the development of corporate strategy and management structure. However, given the largely facilitative role undertaken by Mr Billard and the conclusion of the provision of the services since he became a Non-Executive Director, the Board considers that Mr Billard is independent. A total of US$45,171 of fees were paid during 2008 (2009: nil).

31 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated		Parent entity	
	31 December 2009 US$	31 December 2008 US$	**31 December 2009 US$**	31 December 2008 US$
(a) Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work	**247,385**	200,994	**-**	-
Related practices of PricewaterhouseCoopers Australian firm:				
PricewaterhouseCoopers Laos firm:				
Audit and review of financial reports and other audit work	**155,865**	143,000	**-**	-
Total remuneration for audit services	**403,250**	343,994	**-**	-
(b) Other assurance services				
PricewaterhouseCoopers Australian firm:				
Other assurance services				
Project facility bank review	**168,982**	-	**-**	-
Capital raising review	**38,688**	-	**-**	-
Controls assurance services	**-**	12,162	**-**	-
Other services	**19,028**	7,502	**-**	-
Related practices of PricewaterhouseCoopers Australian firm:				
PricewaterhouseCoopers Thailand firm:				
Controls assurance services	**15,000**	-	**-**	-
Total remuneration for audit-related services	**241,698**	19,664	**-**	-
(c) Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax advice	**14,959**	13,291	**-**	-

32 Contingent liabilities

The parent entity had contingent liabilities at 31 December 2009 in respect of:

Guarantees given in respect of loans of subsidiaries amounting to US$101.8 million (2008: US$241.6 million), secured by registered mortgages over the assets of the subsidiaries, comprising:

(a) lease facility of Phu Bia Mining Limited amounting to US$38.8 million (2008: US$48.5 million);
(b) loan facility of Phu Bia Mining Limited amounting to US$63 million (2008: US$185 million); and
(c) working capital loan facility of Phu Bia Mining Limited was fully repaid during the year (2008: US$8.1million).

32 Contingent liabilities (continued)

These guarantees may give rise to liabilities in the parent entity if the subsidiaries do not meet their obligations under the terms of the facilities subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

33 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Property, plant and equipment				
Within one year	**7,913**	9,245	**-**	-
	7,913	9,245	**-**	-

During the December quarter of 2009, a further six 100-tonne CAT777D dump trucks were added to the mining fleet to meet the needs of a scheduled increase in material movements. The remaining balance payable as at 31 December 2009, of US$570,000, was paid in early 2010.

The other capital expenditure commitment for the Company relates to the contracted construction and purchase of two ball mills. The ball mills will be integral to the Group's growth projects.

As at 31 December 2009, there was not any committed spend on the Company’s exploration and evaluation projects, however the Company will continue to progress the projects during 2010. Such expenditure is included in the US$12.3m exploration and evaluation budget approved by the Board in December 2009.

The Ban Houayxai Gold-Silver Project has Board approval to progress pre-development site work. This work began in November 2009 and will continue in 2010. As at 31 December 2009, there was not any committed expenditure on this project.

(b) Lease commitments : Group as lessee

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,336**	986	**-**	-
Later than one year but not later than five years	**280**	637	**-**	-
	1,616	1,623	**-**	-
Representing:				
Non-cancellable operating leases	**1,616**	1,623	**-**	-
	1,616	1,623	**-**	-

(i) Non-cancellable operating leases
The Group leases various business premises, computer equipment and other plant and equipment under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

33 Commitments (continued)

(ii) Finance leases
The Group leases various plant and equipment with a written down value of US$31.6 million (2008: US$37.9 million) under finance leases expiring 31 December 2013 (refer to note 16).

	Consolidated		**Parent entity**	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**8,705**	9,421	**-**	-
Later than one year but not later than five years	**32,859**	42,708	**-**	-
Minimum lease payments	**41,564**	52,129	**-**	-
Future finance charges	**(2,716)**	(5,560)	**-**	-
Total lease liabilities	**38,848**	46,569	**-**	-
Representing lease liabilities:				
Current (note 21)	**7,721**	7,721	**-**	-
Non-current (note 24)	**31,127**	38,848	**-**	-
	38,848	46,569	**-**	-

The weighted average interest rate implicit in the leases is 2.68% (2008: 3.83%).

34 Related party transactions

(a) Parent entities
The ultimate parent entity within the Group is PanAust Limited.

(b) Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 30.

(c) Subsidiaries
Interests in subsidiaries are set out in note 35.

(d) Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		**Parent entity**	
	31 December 2009 US$	31 December 2008 US$	**31 December 2009 US$**	31 December 2008 US$
Advances made to Puthep Company Limited	**3,695,895**	8,944,054	**-**	-
Interest and administrative charges to associate, Puthep Company Limited	**2,244,000**	-	**-**	-
Advances made to wholly-owned subsidiaries	**-**	-	**173,876,402**	90,099,546
Finance related charges to subsidiary, Phu Bia Mining Limited	**-**	-	**6,106,264**	4,278,780
Expense incurred on provision for unrecoverable advances	**-**	-	**(1,221,100)**	(18,886,237)
Administrative, management and accounting services from subsidiary, PanAust Services Pty Ltd	**-**	-	**(600,000)**	(600,000)
Tax consolidation legislation				
Tax losses assumed from wholly-owned tax consolidated entities	**-**	-	**(14,237)**	(8,966)

34 Related party transactions (continued)

(e) Outstanding balances arising from transactions with related parties

	Consolidated		Parent entity	
	31 December 2009 $	31 December 2008 $	**31 December 2009 $**	31 December 2008 $
Loans and advances to associates and subsidiaries				
Loans to subsidiaries (i)	**-**	-	**420,487,674**	247,832,372
Advances to Puthep Company Limited (i)	**12,771,418**	12,610,911	**-**	-
Other receivables from associates (iii)	**2,244,000**	-	**-**	-
Other receivables from subsidiary (iii)	**-**	-	**10,385,044**	4,278,780
Loan from a controlled entity (ii)	**-**	-	**205,458**	205,458
End of year	**15,015,418**	12,610,911	**431,078,176**	252,316,610

(i) Represents loans and advances to subsidiary or associate for no fixed repayment term.

(ii) Represents an interest free loan from a controlled entity, Masons Hill Gold Limited. The loan has no fixed repayment term.

(iii) Represents administrative fee and finance related charges to associates and subsidiaries.

35 Subsidiaries

Name of entity	Place of incorporation	Class of shares	Equity holding	
			2009 %	2008 %
PanAust Services Pty Ltd	QLD	Ordinary	**100**	100
PanAust Exploration Pty Ltd	QLD	Ordinary	**100**	100
Pan Mekong Exploration Pty Ltd	QLD	Ordinary	**100**	100
Phu Bia Mining Limited (Subsidiary of Pan Mekong Exploration Pty Ltd) (refer to note 29)	Laos	Ordinary	**90**	90
PNA (Puthep) Pty Ltd	QLD	Ordinary	**100**	100
PanAust Canada Ltd	Canada	Ordinary	**100**	-
Masons Hill Gold Limited	WA	Ordinary	**90**	90
Terra Firma Resources NL	QLD	Ordinary	**100**	100

Since balance date, the Company has incorporated two foreign entities. At the date of this report, both entities are inactive.

36 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Profit/(loss) for the year	**23,171**	(39,959)	**(19,670)**	(23,678)
Depreciation and amortisation	**42,773**	29,131	**-**	-
Unlisted options granted	**14,086**	2,423	**14,086**	2,423
Capitalised interest expense	**3,882**	6,422	**3,882**	1,797
Executive options issued	**1,430**	637	**1,430**	637
Employee shares issued	**1,221**	1,164	**1,221**	1,164
Fair value (gains)/losses on other financial assets at fair value through profit or loss	**8,449**	(4,394)	**-**	-
Unwinding of present value discount	**1,177**	830	**-**	-
Net exchange differences	**(49)**	101	**(653)**	88
Intercompany management fees	**-**	-	**(5,506)**	(3,679)
Movement in provision for unrecoverable intercompany loans	**-**	-	**1,221**	18,886
Decrease (increase) in deferred tax assets	**12,803**	(25,269)	**-**	-
Increase (decrease) in provisions	**3,543**	(1,220)	**-**	-
Decrease (increase) in prepayments	**1,423**	(2,803)	**267**	498
(Decrease) increase in trade creditors	**(47,762)**	66,745	**(1,351)**	1,294
(Increase) decrease in inventories and deferred waste	**(12,315)**	(18,574)	**-**	-
(Increase) decrease in receivables	**(17,602)**	(9,206)	**-**	35
Net cash inflow (outflow) from operating activities	**36,230**	6,028	**(5,073)**	(535)

During December 2008, the Company signed a sale agreement with a long-term customer which incorporated the deferred settlement of the outstanding provisional pricing liability relating to copper concentrate sales completed during 2008. The provisional pricing liability, for this customer, as at 31 December 2008 was US$39 million. The liability was progressively repaid over the first half of 2009, with the last instalment of US$6 million completed in July 2009. The net cashflow from operating activity reported for the year ended is US$36 million. Excluding the effects of the deferred provisional pricing liability, there would have been a net cash inflow from operating activities of US$75 million.

37 Non-cash investing and financing activities

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Acquisition of plant and equipment by means of finance leases	**-**	21,701	**-**	-

38 Earnings per share

(a) Reconciliations of earnings used in calculating earnings per share

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
The following reflects the income used in the calculations of basic and diluted earnings per share:				
Profit/(loss) attributable to ordinary equity holders of the company	**18,991**	(39,959)	**-**	-

(b) Weighted average number of shares used as the denominator

	Consolidated		Parent entity	
	31 December 2009 Number	31 December 2008 Number	**31 December 2009 Number**	31 December 2008 Number
*Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share **	**2,216,291,272**	1,507,101,718	**-**	-
Unlisted securities	**20,355,718**	-	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted profit/(loss) per share	**2,236,646,990**	1,507,101,718	**-**	-

Potential shares yet to be issued under the EOP and SRP are treated as dilutive for the purpose of calculating diluted earnings per share, as there is potential for the shares to decrease the profit attributable to existing ordinary equity holders.

(c) Conversions, calls, subscription or issues after 31 December 2009

A total of 260,310 share rights have vested since balance date.

* The comparative weighted average number of ordinary shares have been restated to take into account the bonus element of shares issued during the year ended 31 December 2009.

39 Share-based payments

(a) Executives' Option Plan

The establishment of the Company's Executives' Option Plan (EOP) was approved by shareholders at the 1996 annual general meeting.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price (i)	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2009								
24-May-06	13-Apr-09	32.00	2,000,000	-	-	(2,000,000)	-	-
04-Sept-06	13-Sept-09	32.00	1,000,000	-	(1,000,000)	-	-	-
23-Mar-07	29-Feb-12	38.00	4,550,000	-	-	-	4,550,000	-
29-May-07	29-Feb-12	38.00	3,500,000	-	-	-	3,500,000	-
05-Oct-07	07-Oct-12	81.00	750,000	-	-	-	750,000	-
22-Feb-08	31-Dec-12	88.00	2,310,000	-	-	(330,000)	1,980,000	-
23-May-08	31-Dec-12	88.00	4,400,000	-	-	-	4,400,000	-
05-Aug-08	30-Jun-13	78.00	364,000	-	-	(364,000)	-	-
27-Apr-09	31-Dec-13	30.50	-	4,200,000	-	-	4,200,000	-
22-May-09	31-Dec-13	42.12	-	17,200,000	-	-	17,200,000	-
Total			**18,874,000**	**21,400,000**	**(1,000,000)**	**(2,694,000)**	**36,580,000**	**-**
Weighted average price (cents)			58.98	39.84	32.00	40.21	49.81	-

Grant Date	Expiry date	Exercise price A$ Cents	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2008								
13-Oct-05	13-Oct-08	18.00	5,500,000	-	(5,500,000)	-	-	-
27-Mar-06	27-Mar-09	18.00	600,000	-	(600,000)	-	-	-
24-May-06	13-Apr-09	32.00	2,000,000	-	-	-	2,000,000	2,000,000
4-Sept-06	13-Sept-09	32.00	1,000,000	-	-	-	1,000,000	1,000,000
23-Mar-07	29-Feb-12	40.00	4,550,000	-	-	-	4,550,000	-
29-May-07	29-Feb-12	40.00	3,500,000	-	-	-	3,500,000	-
05-Oct-07	07-Oct-12	83.00	750,000	-	-	-	750,000	-
22-Feb-08	31-Dec-12	90.00	-	2,310,000	-	-	2,310,000	-
23-May-08	31-Dec-12	90.00	-	4,400,000	-	-	4,400,000	-
05-Aug-08	30-Jun-13	80.00	-	364,000	-	-	364,000	-
Total			**17,900,000**	**7,074,000**	**(6,100,000)**	**-**	**18,874,000**	**3,000,000**
Weighted average price (cents)			32.96	84.49	18.00	-	58.98	32.00

39 Share-based payments (continued)

(i) Exercise price

Following the completion of the entitlements offer, which was launched on 26 May 2009 (refer to note 27), the exercise price of options issued to executives under the PanAust Executives' Options Plan was reduced by A$0.02 in accordance with ASX Listing Rule 3.11.2.

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2009 was A$0.32 (2008: A$0.18).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.40 years (2008: 2.99 years).

(ii) Fair value of options granted

The assessed fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The non-variable model inputs for options granted during the year ended 31 December 2009 included:

(a) options are granted for no consideration, have a three year life and each tranche vests and is exercisable upon obtaining any performance hurdles;

(b) expected price volatility of the Company's shares: 40% (2008: 40%); and

(c) expected dividend yield: nil% (2008: nil%).

Set out below are the variable model inputs for options granted during 2008 and 2009:

Grant date	Expiry date	Exercise price A$ cents	Number	Risk free interest rate	Staff turnover rate	Price hurdle A$	Fair value at grant date A$ cents	Share price at grant date A$ cents
25-Feb-08	31-Dec-12	88.00	2,310,000	6.70%	16.70%	TSR	25.9	108.0
23-May-08	31-Dec-12	88.00	4,400,000	6.65%	16.70%	TSR	29.8	117.0
5-Aug-08	30-Jun-13	78.00	364,000	6.15%	16.70%	TSR	16.5	69.0
27-Apr-09	31-Dec-13	30.50	4,200,000	3.80%	0.00%	TSR	8.5	29.5
22-May-09	31-Dec-13	42.12	17,200,000	4.40%	0.00%	TSR	9.4	36.0

Options are granted for no consideration and vest based on PanAust's TSR ranking within the S&P/ASX 300 Metals and Mining Index. Vested options are exercisable for a period of up to 5 years from the grant date.

(b) Share Rights Plan

Under the Share Rights Plan (SRP) established in 2007, eligible employees may be offered rights to acquire fully-paid ordinary shares in the Company annually for no cash consideration.

The number of share rights issued to participants in the SRP is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the ten trading days immediately before the date of the offer.

39 Share-based payments (continued)

Set out below are summaries of share rights issued under the SRP:

Grant date	Expiry date	Exercise price A$ cents	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2-Apr-07	31-Mar-17	Nil	1,775,000	-	-	(400,000)	1,375,000	-
1-May-07	31-Mar-17	Nil	1,300,000	-	-	(800,000)	500,000	-
14-May-07	14-May-17	Nil	512,494	-	(163,081)	(182,353)	167,060	-
29-May-07	14-May-17	Nil	79,311	-	(12,069)	(67,242)	0	-
1-Jun-07	14-May-17	Nil	186,630	-	(40,472)	(99,260)	46,898	-
1-Oct-07	1-Oct-17	Nil	393,665	-	(93,960)	(179,330)	120,375	-
26-Feb-08	31-Dec-17	Nil	2,385,000	-	-	(415,000)	1,970,000	-
26-Feb-08	31-Jan-18	Nil	1,227,530	-	(357,863)	(318,597)	551,070	255,940
5-Mar-08	31-Jan-18	Nil	107,190	-	(28,850)	(69,520)	8,820	-
30-Apr-08	31-Mar-18	Nil	300,950	-	(51,040)	(83,030)	166,880	-
14-May-08	31-Mar-18	Nil	14,020	-	(5,000)	(8,100)	920	-
31-Jul-08	30-Jun-18	Nil	373,650	-	(62,680)	(222,740)	88,230	-
31-Jul-08	30-Jun-18	Nil	29,000	-	-	-	29,000	-
5-Aug-08	30-Jun-18	Nil	185,000	-	-	(185,000)	0	-
17-Nov-08	31-Oct-18	Nil	967,690	-	(224,930)	(326,580)	416,180	-
25-Mar-09	30-Sep-18	Nil	-	202,703	-	-	202,703	-
25-Mar-09	28-Feb-19	Nil	-	1,090,010	-	(123,180)	966,830	-
27-Apr-09	31-Dec-18	Nil	-	11,600,000	-	(700,000)	10,900,000	-
18-Jun-09	30-Apr-19	Nil	-	2,029,837	-	(178,263)	1,851,574	-
27-Oct-09	1-Sep-19	Nil		218,447	-	-	218,447	
			9,837,130	**15,140,997**	**(1,039,945)**	**(4,358,195)**	**19,579,987**	**255,940**

39 Share-based payments (continued)

Set out below are the variable model inputs for share rights issued during 2008 and 2009:

Grant date	Expiry date	Exercise price A$ cents	Number	Risk free interest rate	Staff turnover rate	Price hurdle A$	Fair value at grant date A$ cents	Share price at grant date A$ cents
26-Feb-08	31-Dec-17	Nil	2,385,000	6.70%	16.70%	TSR*	44.1	106.0
26-Feb-08	31-Dec-17	Nil	1,459,950	-	16.70%	Nil	72.7	106.0
5-Mar-08	31-Jan-18	Nil	107,190	-	16.70%	Nil	72.7	101.0
30-Apr-08	31-Mar-18	Nil	300,950	-	16.70%	Nil	80.1	118.0
14-May-08	31-Mar-18	Nil	14,020	-	16.70%	Nil	80.1	115.0
31-Jul-08	30-Jun-18	Nil	393,100	-	16.70%	Nil	60.3	83.0
31-Jul-08	30-Jun-18	Nil	29,000	6.15%	16.70%	TSR*	32.5	83.0
5-Aug-08	30-Jun-18	Nil	185,000	6.15%	16.70%	TSR*	32.5	69.0
17-Nov-08	31-Oct-18	Nil	967,690	-	16.70%	Nil	18.2	25.0
25-Mar-09	30-Sep-18	Nil	202,703	2.75%	16.70%	TSR*	6.6	23.0
25-Mar-09	28-Feb-19	Nil	1,090,010	-	16.70%	Nil	36.8	23.0
27-Apr-09	31-Dec-18	Nil	11,600,000	3.70%	0.00%	TSR*	20.4	29.5
18-Jun-09	30-Apr-19	Nil	2,029,837	-	0.00%	Nil	39.5	34.0
27-Oct-09	1-Sep-19	Nil	218,447	5.10%	0.00%	TSR*	35.5	47.0

Share rights subject to TSR performance hurdle are offered to the Managing Director, senior executives and senior managers for no cash consideration and vest based on PanAust's TSR ranking within the S&P/ASX 300 Metals and Mining Index. Share rights with no performance hurdles are offered to other employees for no cash consideration and vest based on terms of employment of up to three years. Vested share rights are exercisable for a period of 10 years from the grant date. The assumed share price volatility used in the fair value calculation is 40% and the dividend yield is nil.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	31 December 2009 US$'000	31 December 2008 US$'000	**31 December 2009 US$'000**	31 December 2008 US$'000
Options issued under the EOP	**1,221**	637	**1,221**	637
Share rights issued under the SRP	**1,430**	1,164	**1,430**	1,164
	2,651	1,801	**2,651**	1,801

39 Share-based payments (continued)

(d) Unlisted Options

On 2 January 2009, an agreement was reached between the Company and GSJBW to roll over the subordinated debt facility in its entirety, with a new maturity date of 31 March 2010. As part of the consideration for the rollover of the facility with GSJBW, 75 million options were issued over ordinary shares with a strike price of A$0.105 per share (being a 24% premium to market close on 31 December 2008) and a three year term. The issue of the 75 million options was approved by shareholders at the Extraordinary General Meeting held on 15 April 2009.

A non-cash accounting expense of US$14,086,045 has been recognised to represent the fair value of the options at grant date, being 15 April 2009.

40 Schedule of tenements and joint venture arrangements

Projects and activities	Tenement description	Beneficial Interest %	Joint venture operator	Joint venture partners
Laos				
Phu Bia Contract Area - copper and gold evaluation and development	The consolidated entity has 90% interest in Phu Bia Mining Limited that holds the Phu Bia Mining Contract Area under a Mineral Exploration and Production Agreement with the Government of Laos.			
Thailand				
Puthep - copper evaluation and development	The consolidated entity is party to an agreement to earn a 51% interest (with further options to acquire a total of 60% to 70% interest, refer to Note 14) in Puthep Company Limited, a subsidiary of Padaeng Industry Public Company Limited.			
Western Australia				
Darlot South- gold exploration	M 37/246, 265, 320, 343, 345, 393 and P 37/4669 and MLA 37/776	16%	Sundowner Minerals N.L. (1)	Sundowner Minerals N.L. (1) RAL Baker

(1) Wholly owned subsidiary of Barrick Gold of Australia

Exploration, evaluation and development costs capitalised (note 17) includes nil amount (2008: $nil) pertaining to interests in Darlot South joint venture.

In the directors' opinion:

(a) the financial statements and notes set out on pages 29 to 94 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

G. A. Hounsell
Chairman

G. Stafford
Managing Director

Brisbane
25 February 2010

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Independent auditor's report to the members of PanAust Limited

Report on the financial report

We have audited the accompanying financial report of PanAust Limited (the company), which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both PanAust Limited and the PanAust Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com.au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent auditor's report to the members of PanAust Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of PanAust Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 22 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of PanAust Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
25 February 2010

PanAust Limited
Shareholder information
31 December 2009

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows, and is current as at 22 February 2010.

A. Distribution of shares

Analysis of numbers of shareholders by size of holding:

	Class of equity security			
	Ordinary shares			
Holding	Total Holders	Units	Redeemable preference shares	% Issued Capital
1 - 1000	1,111	596,693	-	0.02 %
1,001 - 5,000	3,987	12,240,366	-	0.42 %
5,001 - 10,000	3,145	25,525,445	-	0.87 %
10,001 - 100,000	9,502	344,892,049	-	11.76 %
100,001 and over	2,164	2,549,525,996	-	86.93 %
	19,909	2,932,780,549	-	100.00 %

There were 1,150 holders of less than a marketable parcel of 1,064 ordinary shares totalling 628,984 shares.

B. Shareholders

Twenty largest quoted shareholders

Name	Ordinary shares Number held	Percentage of issued shares
Guangdong Rising H.K. (Holding) Limited	583,517,352	19.90
National Nominees Limited	327,857,895	11.18
JP Morgan Nominees Australia Limited	276,362,880	9.42
HSBC Custody Nominees (Australia) Limited	216,004,813	7.37
ANZ Nominees Limited <Cash Income A/C>	74,090,049	2.53
Citicorp Nominees Pty Limited	58,601,855	2.00
Mr Robert Bryan	36,666,667	1.25
AMP Life Limited	32,367,278	1.10
Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/C>	32,099,060	1.09
Leyshon Equities Pty Ltd	29,524,274	1.01
Cogent Nominees Pty Ltd	26,607,852	0.91
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/C>	23,446,371	0.80
Cogent Nominees Pty Limited <SMP Accounts>	22,639,133	0.77
Queensland Investment Corporation	20,993,492	0.72
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	15,498,013	0.53
Mr Gary Stafford	15,461,143	0.53
De Bortoli Wines Pty Limited	13,915,745	0.47
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	13,412,242	0.46
Citicorp Nominees Pty Limited <CFSIL CFS WS Small Comp A/C>	12,095,010	0.41
UCA Growth Fund Limited	12,000,000	0.41
	1,843,161,124	62.86

A number of these shareholders are nominee companies which hold the legal interest in shares where others hold the relevant interest. For the purposes of the Corporations Act, there are no substantial holders of equity in the Company.

C. Voting rights

All ordinary shares issued by PanAust carry one vote per share without restriction.

D. Holders of other equity securities

There are the following holders of unlisted equity securities issued by the Company:

Equity securities	Total holders	Number of securities
Options under the Executive Option Pan	9	36,580,000
Share rights under the Share Rights Plan, subject to performance conditions	15	15,195,150
Share rights under the Share Rights Plan, not subject to performance conditions	152	4,384,837

None of these equity securities have voting rights

E. On-market buy back

There is no current on-market buy back.