APPENDIX 4E

Preliminary Final Report

31 December 2014

PanAust Limited

ABN 17 011 065 160

				US$'000
Sales revenue from ordinary activities *(Appendix 4E item 2.1)*	Down	6%	to	678,769
Sales revenue, derivative gains and other income	Down	5%	to	698,330
Profit/(loss) after income tax *(Appendix 4E item 2.2)*	Down	607%	to	(221,380)
Profit/(loss) after income tax for the period attributable to members *(Appendix 4E item 2.3)*	Down	590%	to	(178,109)
Net cash inflow from operating activities	Down	6%	to	161,773
Operating result – Adjusted EBITDA	Down	29%	to	194,244

Operating result – Adjusted EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments, exploration costs expensed and the provision for rehabilitation expensed (refer to note 5 of the consolidated financial statements).

Dividends / distributions (Appendix 4E item 2.4)	**Amount per security**	**Franked amount per security**
Interim dividend per share (Australian cents)	3.00	Nil
Final dividend per share (Australian cents)	Nil	Nil
Total dividend per share (Australian cents)	3.00	Nil

Key Ratios	**31 December 2014**	31 December 2013
Basic earnings/(loss) per share (cents)	**(29.80)**	6.12
Net tangible assets backing per ordinary share ($)	**1.20**	1.63

The accompanying financial report comprises the balance sheet as at 31 December 2014, the statement of profit or loss and other 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 the Directors' report.

Commentary on results for the period:

- Loss after income tax of US$221.4 million included impairments totalling US$264.7 million; loss attributable to PanAust Limited of US$178.1 million
- Record annual copper and silver production and sales: output of copper, gold and silver, and cost performance at Phu Kham, beat annual guidance
- Materially lower pay-metal prices for all commodities sold, and lower gold sales impacted revenue
- Adjusted EBITDA of US$194.2 million: in line with annual guidance range when adjusted for realised commodity prices
- The total dividends declared for the year were A$0.03 per share; no final dividend was declared due to prevailing weaker metal prices
- Balance sheet net gearing remains modest at 12.3%

PanAust Limited

ABN 17 011 065 160

Annual report
for the year ended 31 December 2014

PanAust Limited ABN 17 011 065 160
Annual report - 31 December 2014

Contents

Directors' report

Your Directors present their report on the consolidated entity of PanAust Limited (referred to hereafter as the 'Company', 'Group' or 'PanAust') consisting of PanAust Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014 (the "reporting period").

Principal activities

PanAust Limited is an Australian-based mining company. The principal activities of the Group during the financial year were:

a. Production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operation, Laos;
b. Production and sale of gold-silver doré from the Ban Houayxai Gold-Silver Operation, Laos; and
c. Exploration and evaluation of projects in Laos, Papua New Guinea (PNG) and Chile.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year and to the date of this report related to the acquisition of a majority interest in the Frieda River Copper-Gold Project, Managing Director succession, the implementation of a business efficiency review, and the recognition of impairments. Further details are as follows:

- On 25 August 2014, PanAust acquired an 80% interest in the Frieda River Copper-Gold Project in PNG from Glencore plc with joint venture partner Highlands Pacific Limited (Highlands Pacific) holding the remaining 20%. The Government of PNG has a right to acquire, at cost, up to a 30% interest in the Project which, if exercised in full, would reduce PanAust's holding to 55% and Highlands Pacific to 15%.

  Initial consideration of US$25 million was paid to Glencore on 25 August 2014 together with approximately US$4 million to reimburse costs incurred by Glencore since the date of the share sale and purchase agreement (31 October 2013). A further US$50 million (indexed for inflation) must be paid on 31 December 2015.

- Also on 25 August 2014, PanAust exercised its option under a Share Placement Agreement with Highlands Pacific to acquire approximately 64.5 million fully paid ordinary shares in Highlands Pacific taking PanAust's total holding in Highlands at that time to approximately 14% (128,865,980 shares) of the issued capital. The share placement was completed on 1 September 2014. The Share Placement Agreement related to PanAust's agreement with Glencore plc to acquire Glencore's interest in the Frieda River Project.

- On 6 March 2014 a succession process commenced for the position of Managing Director. On 11 November 2014, Mr Gary Stafford resigned. Mr Stafford had served as Managing Director of the Company since 1996. On 11 November 2014, Dr Fred Hess was appointed Managing Director of the Company. Dr Hess had previously held the position of EGM, Project Development & Operational Improvement.

- In late 2014 PanAust implemented a business efficiency review aimed at ensuring the business remains competitive throughout the commodity price cycle. On 14 January 2014, PanAust announced organisational changes as part of the review that resulted in a reduction in the workforce across the Group of 182 people (approximately 5% of the workforce). The changes are expected to result in an annual operating cost reduction of approximately US$15.5 million. One-off charges relating to redundancy payments totalling approximately US$4.2 million will be paid to employees during the March quarter 2015.

- In the context of prevailing copper, gold and silver prices, the Company has reviewed the carrying values of all exploration, pre-development and operating assets. The outcome is the recognition of pre-tax impairment charges totalling US$264.7 million. Details are as follows:

  - Ban Houayxai, Laos: US$67.9 million impairment (pre-tax) has been recognised against the written down value of the operating asset.

  - Mine properties: US$9.9 million impairment relating to capitalised costs.

- KTL copper-gold deposit, Laos: US$27.6 million impairment has been recognised against the capitalised exploration and evaluation costs.

- Inca de Oro / Carmen, South America: US$132.3 million impairment has been recognised against the pre-development asset and goodwill on acquisition.

- Exploration projects, Laos: US$27.1 million impairment has been recognised for exploration projects that have been discontinued.

Dividends

On 20 February 2014, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share in respect of the year ended 31 December 2013. The final dividend was paid on 4 April 2014. A total of 1,187,942 ordinary shares were issued at a price of A$1.61 per share under the Dividend Reinvestment Plan (DRP).

On 21 August 2014, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share in respect of the half-year ended 30 June 2014. The interim dividend was paid on 3 October 2014. A total of 1,018,842 ordinary shares were issued at a price of A$2.18 per share under the DRP.

Subsequent to year end, no final dividend was declared.

Operating and Financial Review

Introduction

The Operating and Financial Review is divided into the following sections:

- Business strategy and prospects for future financial years;
- Operating and financial position;
- Review of operations and results by segment; and
- Risks to financial prospects.

Business strategy and prospects for future financial years

PanAust is a mid-capitalisation copper and gold producer in Laos with pre-development opportunities in Laos, PNG and Chile. The Lao producing assets are the Phu Kham Copper-Gold and the Ban Houayxai Gold-Silver Operations.

PanAust's business model is focussed on the production and sale of copper and gold and the delivery of production goals and sustainable growth. While copper forms the core product focus, gold plays an important role in providing a measure of commodity diversity.

The strategic focus of the Company is on maximising returns from its producing assets while advancing pre-development projects that offer potential to sustain and grow the business in the long-term. Any project that progresses to the development stage is required to demonstrate compelling investment returns under conservatively realistic economic parameters.

Phu Kham is reaping the benefit of increased production levels and lower unit operating costs as a result of two phases of expansion. Implementation of the expansions at Phu Kham enabled the operation to increase production rates in 2013 and 2014 when lower copper and gold head grades were scheduled to be mined. Copper grades started to rise again during the second half of 2014 and are expected to continue to increase year on year through to 2018 and 2019 when peak grades are scheduled, providing copper in concentrate production of approximately 90,000t. Gold grade is expected to peak in 2015 before reverting back to around the Ore Reserve average.

Operating and financial review (continued)

Business strategy and prospects for future financial years (continued)

In 2015 copper production from Phu Kham is expected to rise to between 73,000t and 76,000t at an average C1 cost of between US$1.45/lb and US$1.50/lb copper after precious metal credits from 80,000oz to 83,000oz of gold and 500,000oz to 550,000oz of silver. The all-in sustaining cost is expected to fall to between US$1.95/lb and US$2.00/lb copper. Peak life-of-mine material movements in the open pit are scheduled to continue in 2015 with nearly 56 million tonnes expected to be mined (waste to ore ratio 1.9 to 1, similar to 2014). No deferred waste adjustment is scheduled to be capitalised for the year. The mill processing throughput is expected to rise to 19.5Mt of ore due to higher operating time and processing rates. The strip ratio is expected to decline from 2016 onwards and, together with increasing copper production from higher grades, will benefit cash flow.

In 2015 gold production at Ban Houayxai is expected to remain steady at between 95,000oz and 100,000oz at an average C1 cost between US$650/oz and US$700/oz gold after credits from between 800,000oz and 850,000oz of silver. The all-in sustaining cost is expected to fall to between US$850/oz and US$900/oz. In 2015 the strip ratio is expected to be approximately 1 to 1 and mill throughput is scheduled to be 4.7Mt, nearly 20% above design capacity. As with Phu Kham, no deferred waste adjustment is scheduled to be capitalised for the year.

In 2015 the operational focus will be on making further improvements in productivity, efficiency and cost management, thereby maximising the producing assets cash flow generating potential.

No major capital project expenditures are planned for 2015 in Laos. Sustaining capital for Lao operations in 2015 is estimated to be US$16.8 million, which is included in the all in sustaining cost guidance figures.

New equipment leases of US$24.1 million are budgeted for 2015 (2014: US$10.4 million refer to note 9(b)), with the associated incremental amortised costs also included in the all in sustaining cost guidance figures. Other corporate capital expenditures (excluding Frieda River) are expected to be less than US$2.0 million (2014: US$44.4 million, refer to the consolidated statement of cashflows on pg 62).

The primary pre-development focus is on completing the feasibility study for the Frieda River Copper-Gold Project in PNG by the end of 2015. The Frieda River copper-gold deposit is one of the largest undeveloped copper deposits in the world and offers excellent potential for the establishment of a long-life operation. The aim of the Frieda River feasibility study is to evaluate the economic viability of a mid-sized starter project that is planned to mine and process the near surface higher grade core of the deposit to produce a copper-gold concentrate for export to custom smelters.

In 2015, the planned capital expenditure for Frieda River is as follows:

- US$25.5 million external feasibility study costs relating to consultancy fees, temporary staff and study support costs;
- US$15.5 million internal management fees for project development, geology and corporate support provided by head office; and
- US$8.5 million for site based activities.

In 2014, capital expenditures relating to the investments in Frieda River and Highlands Ltd was US$33.8 million (refer to the consolidated statement of cashflows on pg 62). PanAust also has an obligation to make a second acquisition payment to Glencore of US$50 million (indexed) on 31 December 2015.

Operating and Financial Position

This section of the operating and financial review provides detail with respect to the operating and financial position of the Company.

Key financial data (all figures 100%)	2014 US$000	2013 US$000	Change $	Change %
Group Sales revenue	678,769	725,048	(46,279)	(6%)
Copper derivative gains/(losses)	11,260	7,468	3,792	51%
Gold derivative gains/(losses)	6,008	(166)	6,174	3,719%
Phu Kham sales revenue (before derivative gains and losses)	534,943	557,951	(23,008)	(4%)
Comprising:				
Sales revenue from copper in concentrate	447,436	454,080	(6,644)	(1%)
Sales revenue from gold in concentrate	80,715	96,880	(16,165)	(17%)
Sales revenue from silver in concentrate	6,792	6,992	(200)	(3%)
Copper derivative gains				
Ban Houayxai sales revenue (before derivative gains and losses)	143,826	171,239	(27,413)	(16%)
Comprising:				
Sales revenue from gold in doré	127,195	157,113	(29,918)	(19%)
Sales revenue from silver in doré	16,631	14,125	2,506	18%
Operating results – Adjusted EBITDA (i)	194,244	272,454	(78,210)	(29%)
Profit/(loss) before income tax	(235,970)	69,426	(305,396)	(440%)
Profit/(loss) after income tax	(221,380)	43,696	(265,076)	(607%)
Profit/(loss) after income tax attributable to the owners of PanAust	(178,109)	36,383	(214,492)	(590%)
Basic earnings/(loss) per share US$ cents/share	(29.80)	6.12	(35.90)	(587%)
Net cash inflow from operating activities	161,773	171,541	(9,768)	(6%)
Capital expenditure	(44,421)	(103,550)	59,129	57%
Deferred stripping costs	(44,708)	(21,078)	(23,630)	(112%)
Exploration and evaluation expenditure	(23,814)	(48,373)	24,559	51%
Payments for Investment activities	(33,761)	(4,670)	(29,091)	(623%)
Cash and cash equivalent	74,069	130,270	(56,201)	(43%)
Bank loans	(125,968)	(156,327)	30,359	19%
Lease liabilities	(57,151)	(67,688)	10,537	16%
Gearing (%) (ii)	12.3%	8.2%	(N/A)	50%
Phu Kham average price after realised hedging (iii)				
Copper US$/lb	3.05	3.34	(0.29)	(9%)
Gold US$/oz	1,259	1,347	(88)	(7%)
Silver US$/oz	18.55	22.90	(4.35)	(19%)
Ban Houayxai average price after realised hedging (iii)				
Gold US$/oz	1,297	1,398	(101)	(7%)
Silver US$/oz	18.51	22.80	(4.29)	(19%)

(i) Operating results – Adjusted EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest, revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments; exploration costs expensed and the provision for rehabilitation expensed (refer to note 4 of the consolidated financial statements).
(ii) Gearing is calculated as net debt to net debt and equity.
(iii)This is a non-IFRS financial definition and has not been subject to review by the Company's external auditor.

Operating and Financial Review (continued)

Operating and Financial Position (continued)

Production compared to guidance

Group consolidated production during 2014 for all pay-metals, copper, gold and silver, exceeded annual guidance (see table) with Phu Kham posting quarterly production records for both copper and gold in concentrate in the December 2014 quarter. Copper production increased year-on-year by 10% while Group gold production exceeded guidance despite declining 8% year-on-year due to scheduled lower grades at Ban Houayxai. Silver production increased by 34% year-on-year.

Annual production (actuals and 2014 guidance)	2014 actual	2014 guidance
Copper production (t)	71,155	65,000-70,000
Gold production (oz)	168,755	160,000-165,000
Silver production (oz)	1,279,625	1,300,000
Phu Kham C1 cost (US$/lb copper)	1.39	1.50-1.60
Phu Kham all-in sustaining cost (US$/lb copper)	2.21	-
Ban Houayxai C1 cost (US$/oz gold)	737	650-700
Ban Houayxai all-in sustaining cost (US$/oz gold)	987	-

Profit after income tax (including discussion of impairments)

Significant reduction in copper, gold and silver prices, in addition to substantial one-off impairments and redundancy costs have impacted the profit after income tax result for the year ended 31 December 2014. Copper and gold derivative gains partially offset the decreased revenue from the reduction in copper and gold prices.

Using long term price assumptions of US$1,250 and US$16 per ounce for gold and silver respectively, the impairment review of operating assets has resulted in a post-tax impairment of US$50.9 million (pre-tax of US$67.9 million) against the written down value of the Ban Houaxyai Gold-Silver Operation. After recognition of the impairment, the carrying value of the Ban Houayxai Gold-Silver Operation is approximately US$200 million. In addition, US$12.4 million has been written off the value of the Ban Houayxai low-grade mineralisation stockpiles. This decision reflects the price assumptions above and updated test work which shows lower recoveries from those stockpiles than those assumed in prior analysis.

As a result of lower forecast commodity prices as at 31 December 2014 coupled with PanAust prioritising the advancement of the Frieda River Project, the Company has recognised impairment charges totalling US$196.8 million against pre-development projects (where a development commitment is deemed unlikely during the five year strategic planning window) and for discontinued exploration prospects. Specifically, the impairment amounts are: US$92.8 million for Inca de Oro, US$8.6 million of goodwill; US$30.9 million for Carmen; US$27.6 million for KTL; US$27.1 million associated with the various Lao exploration prospects; and US$9.9 million for other capitalised costs.

Redundancy expenses of US$4.2 million were recognised as a result of a business efficiency review implemented in January 2015 resulting in a near 5% (182 people) reduction in the work force across the whole business.

Operating and Financial Review (continued)

Operating and Financial Position (continued)

Mine operating costs decreased US$24.1 million (10%) to US$242.5 million largely reflecting a reduction in diesel fuel prices. Treatment and refining charges increased US$14 million (48%) to US$43 million coinciding with the increase in copper in concentrate sold at Phu Kham as well as an increase in benchmark terms. Other realisation costs were broadly in line with 2013.

Employee benefits expense increased year-on-year by 18% to US$105.6 million, mainly attributable to one-off redundancy expenses recognised for the year ended 31 December 2014 of US$4.2 million and a one-off payment of approximately US$4.2 million was made to the Company's former Managing Director (Mr Gary Stafford) for entering into a new service agreement appropriate for institution of a succession process (refer to section H of the Remuneration Report for further details). Total Group employees increased by 2.2% over the 12 months to 31 December 2014, primarily due to the Company acquiring a majority interest in the Frieda River Copper-Gold Project in August 2014 and the PanAust Asia business segment introducing concentrate haulage into Vietnam.

Changes in the value and volume of inventories during 2014 resulted in a year-on-year decrease in the value (at cost) of stockpiles on hand at 31 December 2014 of US$12.6 million, comprising gold doré and gold in circuit valued at US$7.8 million, copper-gold concentrate valued at US$6.9 million and stockpiles of ore valued at US$17.6 million; compared to values at 31 December 2013 of US$6.8 million, US$8.1 million and US$30.1 million respectively.

Depreciation and amortisation charges increased year-on-year by US$10.8 million. The increase is primarily attributable to depreciation on a units-of-production basis with higher copper production from Phu Kham and higher silver production at Ban Houayxai.

Interest and finance charges decreased $0.5 million from the prior year to US$21.4 million. Total debt drawn decreased by US$32 million to US$130 million as at 31 December 2014, coinciding with the Company's focus to reduce capital expenditure.

<u>Adjusted EBITDA and operating cash flow</u>

Adjusted EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, and interest revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments, exploration costs expensed and the provision for rehabilitation expensed (refer to note 3 of the consolidated financial statements).

Both Adjusted EBITDA and operating cashflow were adversely affected by lower commodity prices and an increase in overall operating costs. Adjusted EBITDA was US$194.2 million; US$78.2 million (29%) lower than the prior year. Net cash inflow from operating activities was US$161.8 million, 6% lower than 2013 (US$171.5 million).

Payments for deferred stripping costs increased 112% year-on-year to US$44.7 million. The increase was consistent with 2014 production guidance. Approximately 62% of material mined was capitalised as deferred waste in 2014 as the pit wall at Phu Kham was cut-back to provide access to deeper ores.

As a broad guideline, waste costs associated with new mining stages are capital in nature until such time as substantial ore can be extracted on a commercial basis. As at the end of August 2014, capitalisation of waste movements from stage 5 of the Phu Kham open pit ceased, with the stage 5 ore body subsequently considered to be in commercial production. All waste movements from September 2014 onwards have been expensed. No deferred waste adjustment is scheduled to be capitalised in 2015.

Operating and Financial Review (continued)

Operating and Financial Position (continued)

Arising from PanAust's acquisition of a majority interest in the Frieda River Project, a further payment of US$50 million[1] must be paid to Glencore on 31 December 2015. In addition, on successful commencement of a mining operation at Frieda River, Glencore will receive a 2% net smelter return royalty (on PanAust's interest in the Project) to a total aggregate amount of US$50 million[1]. There are a number of limited circumstances in the Share Sale Agreement with Glencore where this final Net Smelter Return payment is required to be made prior to commercial production including in the case where Frieda River Limited receives proceeds from the sale of part of its interest in the Frieda River Project as a result of the PNG Government exercising its option to acquire up to a 30% interest in the Project.

Capital expenditures

Overall capital expenditure decreased by US$59.1 million (57%) during the year. This is largely due to the completion of the Company's major development phase in Laos which commenced in 2010. This phase of development ended in the 2013 June quarter with the completion of the Increased Recovery Project ($25.6 million was capitalised in 2013 relating to this project).

Payments for the investment in Frieda River Limited amounted to US$29.4 million (Nil in 2013). An initial consideration of US$25 million was paid to Glencore together with approximately US$4 million to reimburse costs incurred by Glencore since the date of the share sale and purchase agreement (31 October 2013).

Payments for the investment in Highlands Pacific during 2014 amounted to US$4.4 million (US$4.7 in 2013). This related to PanAust exercising its option under a Share Placement Agreement with Highlands Pacific to acquire approximately 64.5 million fully paid ordinary shares in Highlands Pacific taking PanAust's total holding in Highlands to approximately 14% (128,865,980 shares) of the issued capital.

Property Plant and Equipment expenditure decreased 50% year-on-year to US$44.4 million. This expenditure mainly comprised new leased equipment of US$10.3 million and Tailings Storage Facilities (TSF) expenditure of US$7.5 million. The balance related to the refurbishment, replacement and purchase of various property, plant and equipment and construction projects.

Exploration and evaluation expenditure in Laos decreased 69% year-on-year to US$8 million, as the Company's exploration strategy transitioned towards lower-cost grassroots exploration activities. In Chile, exploration and evaluation expenditure decreased 74% year-on-year to US$6 million as a result of the completion of resource drilling at the Inca de Oro Project and the Carmen deposit in 2013 and a focus on engineering and optimisation studies in 2014. The remaining balance of exploration and evaluation expenditure relates to expenditure incurred for Frieda River since the date of acquisition.

[1] subject to consumer price index ("CPI") escalation between the date of signing (31 October 2013) and on a quarterly basis each year prior to payment

Operating and Financial Review (continued)

Operating and Financial Position (continued)

Group employees

The Group had 3,721 permanent employees, including staff on fixed term contracts, as at 31 December 2014 (2013: 3,643 employees). Reference should be made to Note 9(e) of the financial statements which discusses organisation changes that occurred in January 2015.

Review of operations and results by Segment

To ensure the optimal structure for a geographically diverse business, PanAust is structured into three business units: PanAust Asia, PanAust South America, and Project Development. Corporate functions provide support to the three business units, in particular: financial control; strategic direction; management of Group-wide geological activities (including exploration), and the oversight of the corporate governance function.

The following sections report on operations, exploration and project development activity within the PanAust Asia business unit, the PanAust South America business units and in relation to Frieda River (at this stage, part of Project Development).

Operating and Financial Review (continued)

Review of operations and results by Segment (continued)

PanAust Asia

Key operational data	Units	2014	2013	Change	Change %
Phu Kham Copper –Gold Operation					
Ore mined	t	18,079,056	21,018,966	(2,939,910)	(14%)
Waste mined	t	34,184,082	21,823,754	12,360,328	57%
Total material mined	t	52,263,138	42,842,720	9,420,418	22%
Ore milled	t	18,639,887	18,286,148	353,739	2%
Concentrate produced	dmt	311,173	283,818	27,355	10%
Copper produced	t	71,155	64,885	6,270	10%
Gold produced	oz	67,817	71,223	(3,406)	(5%)
Silver produced	oz	372,851	317,754	55,097	(17%)
Copper recovery	%	76.9	73.1	3.8	5%
Payable copper in concentrate sold	t	68,122	62,611	5,511	9%
Payable gold in concentrate sold	oz	64,088	71,919	(7,831)	(11%)
Payable silver in concentrate sold	oz	366,149	304,185	61,694	20%
Total direct operating costs (C1 cost)	US$/lb	1.39	1.36	0.03	2%
All-in sustaining costs	US$/lb	2.21	2.37	(0.16)	(7%)
Ban Houayxai Gold-Silver Operation					
Ore mined	t	5,687,236	5,243,062	444,174	8%
Waste mined	t	4,737,615	2,755,948	1,981,667	72%
Total material mined	t	10,424,851	7,999,010	2,425,841	30%
Ore milled	t	4,528,344	4,454,449	73,895	2%
Gold poured	oz	100,938	112,546	(11,608)	(10%)
Silver poured	oz	906,938	637,603	269,335	42%
Gold recovery	%	81.9	87.4	(5.5)	(6%)
Payable gold in doré sold	oz	100,961	112,418	(11,457)	(10%)%
Payable silver in doré sold	oz	898,517	618,782	279,735	45%%
Total direct operating costs (C1 cost)	US$/oz	737	611	126	21%
All-in sustaining costs	US$/oz	987	964	23	2%

The following terms are non-IFRS definitions which have not been reviewed by the Company’s auditor:
C1 - Brook Hunt convention for the reporting of direct cash costs comprising: mine site; product transportation and freight; treatment and refining charges; and marketing costs, and is based on payable metal content after by-product credits. All-in sustaining costs = C1 plus royalties; corporate support and shared services costs; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised.

Phu Kham Copper-Gold Operation, Laos (PanAust 90%)

Strong production and cost performances were achieved at Phu Kham with record annual copper in concentrate production of 71,155t at a C1 cost of US$1.39/lb net of by-product credits achieved (2013: 67,817t at US$1.36/lb). This compares favourably with the 2014 guidance for copper production of between 65,000t and 70,000t at a C1 cost of between US$1.50/lb and US$1.60/lb copper. The all-in sustaining cost reduced to US$2.21/lb (2013: US$2.37/lb).

Operating and Financial Review (continued)

Review of operations and results by Segment (continued)

A record total of 52.3 million tonnes of material was mined during the year as the Operation entered a period of peak material movement which is scheduled to extend through 2015. A total of 18.1 million tonnes of copper-gold ore was mined giving an average waste to ore strip ratio for the year of 1.9:1 (2013: 1:1). The elevated strip ratio reflects the requirement for additional waste stripping as the pit walls are cut-back to provide access to deeper ores.

Record copper and gold recovery rates were achieved for the year as the benefits of investment in the Increased Recovery Project (second expansion phase) were realised coupled with the ore quality progressively improving.

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90%)

Gold production at Ban Houayxai was in line with guidance with an output of 100,938oz at a C1 cost net of silver credits of US$737/oz gold (2013: 112,546oz at US$611/oz). The all-in sustaining cost was US$987/oz (2013: US$964/oz). The production guidance for 2014 was 100,000oz at a C1 cost of between US$650/oz and US$700/oz. The increase in C1 cost compared with the previous corresponding period was largely the result of lower gold production on lower scheduled grades and lower gold recovery rates as less oxide ore is mined and processed, and increased waste mining. These were partly offset by higher silver credits as grades and hence production increased which more than compensated for a lower average realised silver price.

A total of over 4.5 million tonnes or ore was processed during the year which exceeded the process plant nameplate capacity of 4.0 million tonnes.

As indicated earlier in this report, an impairment of US$67.9 million (pre-tax) has been recognised against the written down value of the operating asset. In addition, a write-down of US$12.4 million has been recognised against low-grade mineralisation stockpiles.

KTL Copper-Gold Project, Laos (PanAust 90%)

During 2014, the Company completed a study into the development of the KTL copper-gold deposit as a satellite open-pit to Phu Kham. The study estimated an initial capital cost of US$52 million including an allocation of US$38 million for road construction costs. The Environment and Social Impact Assessment for the Project was submitted to the Government of Laos in July 2014.

As indicated earlier in this report an impairment of exploration and evaluation costs totalling US$27.6 million has been recognised in the accounts. No material expenditures are currently budgeted for the KTL Project in 2015. KTL mineralisation is retained in the Mineral Resource statement but has been removed from the Ore Reserves estimate for Phu Kham.

Exploration, Laos (PanAust 90%)

The Phu Bia Contract Area in Laos is prospective for copper and gold. After a period of elevated expenditure on exploration activities driven by higher-cost drill outs at Phu Kham, Ban Houayxai, LCT and KTL, expenditure on exploration declined in 2014 as the Company’s exploration strategy transitioned towards lower-cost target generation exploration activities. Impairments totalling US$27.1 million have been recognised in the 2014 accounts to exploration projects there were discontinued. An impairment of US$9.9 million relating to other capitalised costs has also been recognised.

Operating and Financial Review (continued)

Review of operations and results by Segment (continued)

PanAust South America

Inca de Oro Copper-Gold Project (61.3% PanAust) and Carmen (100% PanAust), Chile

PanAust advanced the Inca de Oro Project study feasibility study during 2014. A number of commercial matters that will have a material impact on the viability of the Project are still to be resolved. No site activities are currently planned for 2015 at Inca de Oro or the nearby Carmen deposit.

With a priority focused on advancing the Frieda River Project in PNG, it is unlikely that the Inca de Oro Project will be developed within the next five to seven years. An impairment totalling US$132.3 million has been recognised in the 2014 accounts to reflect the discounted future value of the assets and goodwill on acquisition.

Project Development

Frieda River Project (80% PanAust, joint venture with Highlands Pacific (20%)), Papua New Guinea

On 25 August 2014, PanAust acquired an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea (PNG) from Glencore plc. Joint venture partner Highlands Pacific Limited holds the remaining 20%.

The Government of PNG has a right to acquire, at cost, up to a 30% interest in the Frieda River Project which, if exercised in full, would reduce PanAust’s holding to 55% and Highlands Pacific to 15%.

The Frieda River Project feasibility study concept is currently based on an open-pit mine feeding ore to a conventional flotation processing plant at an average processing rate of 30Mtpa over a 20-year mine life to produce average annual copper and gold in concentrate of 125,000t and 200,000oz respectively. Relatively soft and highly fragmented ores are expected to be processed in the first five years of operation allowing mill throughput rates of more than 20% above the life-of-mine average and as a consequence above average metal production. Thereafter, the ore is expected to become progressively harder, leading ultimately to throughput rates of approximately 20% below the life-of-mine average in the final years of operation.

The preliminary capital cost estimate for the base case is approximately US$1.7 billion (2013 dollars including 15% contingency on direct development costs), excluding mining fleet and power station (leased costs included in all-in sustaining costs) and assumes power is supplied by intermediate fuel oil (IFO) generators. The C1 cost is estimated at US$1.30/lb to US$1.40/lb after precious metal credits, with an all-in sustaining cost of US$1.60/lb to US$1.70/lb.

Further details of the project concept, including an outline of trade-off studies for a lower-capital staged development approach, and the potential use of hydro-power were included in a 2 September 2014 announcement to the Australian Securities Exchange.

Preliminary analysis indicates that the base case development concept would be robust at a long-term copper price of US$2.80/lb (assumes a gold price of US$1,300/oz and an oil price of US$100/bbl).

Given the extensive database that is already available for the Project, it is anticipated that the feasibility study will be completed and an application for a mining lease will be lodged in late 2015.

All sources of funding are being considered in a funding plan that is being developed.

Operating and Financial Review (continued)

Risks to financial prospects

Introduction

Under the Company's Enterprise Risk Management Policy, all material risks must be identified and managed. PanAust's risk management policy, standards and procedures meet relevant international standards, including the International Organisation for Standardisation's (ISO) ISO 31000 Standard on Risk Management.

Detailed information in relation to risk management is provided in the Company's Sustainability Report (published annually). The purpose of this section of the Operating and Financial Review is to provide a discussion of risks that could materially affect PanAust's financial prospects. Applying PanAust's risk management procedures, eight material risks have been identified. A description of each risk (including its context and likely causes) and the steps the Company has taken to mitigate the risk is provided below.

Failure to deliver a development project to design, within budget and on schedule

Failure to deliver a major project to design, within budget and on schedule could reduce the Company's return on investment, decrease free cash flow and increase the Company's cost of capital. The risk could be caused by: incorrect feasibility study assumptions or analysis, actual costs exceeding budget, inadequate project planning, delays in permitting and other factors.

The Company mitigates this risk through: the implementation of project planning and governance procedures, stakeholder engagement strategies (community, government, joint venturer, contractor and financier), the preparation of personnel resourcing plans, and the structuring of key contractual arrangements.

Financing risks associated with a breach in capital management parameters

The Board approves parameters for capital management through consideration and approval of a Capital Management Plan which is tabled at each scheduled Board meeting. A number of inputs to the Capital Management Plan rely on risk factors external to the Company, including commodity prices and foreign exchange rates. Operating outside of the Capital Management Plan could result in reduced profitability and cash flow (potentially triggering a requirement to draw down on existing loan facilities) and could jeopardise planned development timeframes thereby harming the Company's financial prospects.

The Company mitigates this risk through: regular review of the Capital Management Plan, a Board approved hedging policy; annual budgeting processes; maintenance of a strong balance sheet, internal cost controls, budgetary analysis and cash inflow/outflow forecasting; procuring the availability of committed funds through debt facilities; contingency plans; and management of contract payment terms and options. (Additional detail addressing this risk is provided under Financial Risk Management page 99).

Significant gap in the Company's production or cashflow profile

Given ore reserves for operations in Laos will be depleted within the next ten years, additional reserves or a new operation within the Company's development projects will need to be brought into production to ensure the Company's long-term future results and financial condition.

To mitigate this risk, life of mine plans for the Company's Lao operations are updated regularly and overlap with the indicative project development schedule for the Frieda River Project. In addition, the Company engages in stakeholder engagement and permitting co-ordination to meet development project schedules. Other strategies in place include: exploration activities; cash flow management and productivity improvement plans for each operation; business interruption controls (discussed below); and the maintenance of relationships with financiers. (Additional detail addressing this risk is provided under Financial Risk Management on page 99).

Operating and Financial Review (continued)

Risks to financial prospects (continued)

A significant safety, environmental, or social incident affecting PanAust's ability to operate

A significant safety, environmental or social incident could negatively impact on PanAust's ability to operate in any of its host countries. This could result in material damage to PanAust's financial prospects. Examples of such incidents include: a multiple fatality, a tailings storage facility breach or significant acid rock drainage; a significant cyanide incident; local unrest including escalating community grievances; and a sustained significant failure to deliver returns to stakeholders or to meet agreed milestones.

The Company mitigates this risk through: the implementation of sustainability and corporate governance policies, standards and procedures; stakeholder identification, engagement and expectation management; grievance mechanisms in place for each project; and crisis management plans.

Business Interruption impacting the Company's current operations

An extended unplanned stoppage at one of the Company's operations would have a negative impact on the Company's financial prospects. This might be caused by interruption to electricity supply; major plant, crusher or mill failure; major pit wall failure; inability to transport concentrate; extended break in the logistics chain, a high rainfall event and uncontrolled discharge that results in regulators suspending operational activities, a material security event or a failure of critical IT systems.

The Company mitigates against this risk through: implementing critical plant and equipment maintenance and condition monitoring programs; maintaining critical spares procurement plans; maintaining relevant in-house capabilities; establishing flexibility in logistics routes (Vietnam and Thailand); conducting internal and external audit programs; implementing weather monitoring and wet season management plans; maintaining business insurance cover; maintaining sufficient cash reserves and lines of credit; and implementing a raft of other contingency and crisis management plans.

Risk of lack of organisational capability

Maintaining the Company's competitive position is dependent on having a skilled and experienced workforce to build and operate the Company's projects and operations. Failure to recruit, train and retain staff in the required timeframes can affect the Company's operating efficiency, increase operating costs, impact project schedules, and influence the support of host governments and local communities thereby impacting on the Company's financial prospects.

To mitigate this risk, the Company: embeds resourcing plans in M&A processes, feasibility studies and project execution plans; undertakes regular benchmarking to ensure competitive remuneration packages; implements succession, mentoring, training, recruitment and localisation programs under a sustainability governance framework including a diversity standard; undertakes periodic assessments of business risks; and implements organisational rightsizing as required.

Loss of senior executives and Board members

Given that much of the Company's business occurs in developing countries where there are increased health, travel and security risk exposures, the Company implements precautionary measures to ensure the health and wellbeing of the Company's Board, executives and staff during deployments and business travel. An accident or health issue involving multiple members of the senior executive team and the Board may impact strategic continuity and leadership and result in a significant loss of corporate knowledge. This could negatively impact on the financial prospects of the Company.

To mitigate this risk, the Company has implemented a standard governing travel (including controls on who can travel with whom in order to mitigate the risk of a catastrophic loss of multiple senior executives and Board members). The Company also maintains international travel insurance and medical support and an executive health program. Security protocols are in place for each site supported by internal security resources. The Company's planning processes develop talent in preparation for succession to more senior roles.

Operating and Financial Review (continued)

Risks to financial prospects (continued)

Disclosure risks (including continuous disclosure risks)

As an ASX listed company, PanAust must comply with its legal obligations relating to both continuous and periodic disclosure. A failure to provide accurate, timely and appropriate disclosure may result in class action litigation and reputational damage which could damage the Company's financial prospects.

In order to mitigate this risk, the Company has in place appropriate continuous disclosure/shareholder communications policies and procedures. The Company implements due diligence processes for capital raisings and other corporate initiatives.

Sustainability and Safety Review

Introduction

PanAust recognises that sustainable business development is essential for its ongoing success. To meet the global demand for copper and precious metals in a responsible way, PanAust is committed to respecting the culture, heritage values and environments in which the Company operates. The Company has made a substantial contribution to improving the living standards within its host communities, such that it will provide ongoing benefits to future generations.

PanAust measures its sustainability performance against the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability for operational activities. The Company also applies external standards and principles provided by the ASX, the Minerals Council of Australia, the International Council on Mining and Metals, the Voluntary Principles on Security and Human Rights, and the International Cyanide Management Institute. As a minimum, the Company is committed to complying with applicable legal requirements in host countries as well as voluntary commitments such as the Mineral Council of Australia's Enduring Value Framework.

PanAust is committed to transparent reporting. The Company has adopted the Global Reporting Initiative framework (GRI–G3) and in 2014 achieved an A+ limited assurance against the ISAE 3000 and AA1000 Assurance Standard for its Sustainability Report published in 2013.

Each year, the Company publicly reports its carbon emissions data via the Carbon Disclosure Project (CDP). The CDP is an international, not-for-profit organisation that provides a framework for companies to disclose their impacts on the environment and natural resources, along with the actions taken to reduce those impacts. In 2014, PanAust was elevated into the CDP 2014 ASX Climate Disclosure Leadership Index for its carbon disclosure (Top 20 Index).

Contributions to local communities

PanAust supports community development in villages affected by its mining operations, exploration activities and haulage activities through dedicated community development funds. The programs funded by the Company are designed to reduce poverty, improve living conditions and promote livelihood improvements that are sustainable beyond the life of mining operations. Community development activities target five main areas: education, health, agriculture, infrastructure, and microfinance. The programs are identified, prioritised and implemented with the active participation of local communities and in close coordination with local and national government authorities.

In 2014, approximately US$528,000 was contributed to community development projects in Laos. A total of 68 new projects were initiated in 46 rural communities impacted by, or associated with, the Company's operations at Phu Kham, Ban Houayxai, Phonsavan and remote exploration sites.

Sustainability and Safety Review (continued)

Contributions to local communities (continued)

The Company continues to promote income generating opportunities for local communities, mainly through supply of fresh produce and small goods to the mines and camps. Local small-holders earned a total cash income of approximately US$622,000 in 2014 through the sale of fruit and vegetables, eggs, fish, and geological sample bags to the Company. This is a significant income boost in a remote and poor area of Laos that, until PanAust's arrival, was essentially a cashless society dependent on subsistence farming and barter trade. Not only do these programs provide significant cash income for the roughly 200 participating families, they also promote gender empowerment (many of the participants are female) and improve the nutrition and dietary intake in local communities.

PanAust continued to implement its ground breaking partnership with the Asian Development Bank (ADB) and the Government of Laos to improve water supply and sanitation in 11 small towns with a combined population of around 160,000 people. PanAust is contributing a US$6 million grant ($1m per year for six years) toward the $45m project. The project contributes to the Lao Government's target of 90 per cent piped water supply and 100 per cent sanitation coverage in urban areas by 2030.

In Chile, the Company spent over US$169,000 on supporting community development projects, including a program to enable the provision of medical services to the remote township of Inca De Oro, infrastructure improvements to the township's school and church, and participatory roundtables to facilitate active community participation in projects as it develops.

In PNG, the Frieda River Project achieved an important milestone with local landowners of the future mining lease requesting a Local Land Court Mediation, to legally recognise and agree customary landownership over the land containing the project resource. The resulting agreement legally recognises six villages from two cultural groups as the 'collective owners' and provides for a division of future project benefits to be derived from the land. The agreement is a positive result for all the landowners and paves the way for the negotiation of a compensation agreement between landowners and the Company in the lead up to an application for a mining lease.

International recognition for Company's community programs has resulted in five sustainability awards since 2010.

There were no significant community incidents during the year ended 31 December 2014 (2013: nil).

Closure planning is a strategic agenda item for the Sustainability Committee and the PanAust Board. In 2014 PanAust Asia established processes to engage government stakeholders and local communities in the early development of closure objectives that can be aligned to the Company's long term social and rehabilitation programs. While mine closure is several years into the future, it is recognised as good practice to establish dialogue early and to align operational commitments with post closure outcomes.

Safety

Safety performance continues to be a strong focus for PanAust. The Company's Lost Time Injury (LTI) and Total Recordable Injury (TRI) frequency rates continue to be significantly better than industry averages and are comparable to the lowest rates reported by companies listed on the Australian Securities Exchange. On a 12-month rolling average basis at 31 December 2014, the LTI and TRI frequency rates (per million man-hours) were 0.15 and 0.88 respectively.

The Company has a Senior Management Taskforce (the "Taskforce") comprising the Managing Director and senior executives. The purpose of the Taskforce is to overview the recommendations emanating from serious incident investigations to ensure Company-wide awareness and to ensure focus each year on safety hot spots where lead indicators have identified common causes of incidents and near misses.

In 2014, the focus of the Taskforce was on improving hazard awareness, addressing mobile equipment and personnel transport hotspots, and contractor management. These initiatives are aimed at reducing the number of high potential incidents and the TRI frequency rate.

Sustainability and Safety Review (continued)

Safety (continued)

Despite these Company-wide initiatives, regrettably, two employees of a Lao contract civil works company suffered fatal injuries when a slope failed during remediation work to prevent access to adits excavated by illegal miners at a remote exploration site near the LCT deposit, in mountainous terrain, eight kilometres northwest of Phu Kham. A comprehensive incident investigation (overseen by the Taskforce) was undertaken to determine the cause of the incident and to develop an action plan to prevent a similar incident occurring. The Company has provided support to the victims' families and counselling support for employees impacted by the incident.

Two LTI's were recorded at operations in Laos. A process plant employee injured his finger requiring surgery at Ban Houayxai and, at Phu Kham, a worker injured a ligament in his knee while stepping off a mobile work platform.

The Company recognises that a risk-aware workforce is integral to achieving continual safety improvement. A proactive safety culture based on lead indicators (including: visible leadership, task and job observations in the field, inspections, hazard identification and safety training) continues to be a focus across the PanAust workforce. In 2014 the Company rolled out its Deep Dive Review program led by executives. The program focuses on auditing the implementation of critical safety standards, processes and procedures for high risk material issues.

Environment

The key environmental risks for PanAust's operations in Laos are water management, erosion and sediment control, acid rock drainage at Phu Kham and cyanide management at Ban Houayxai. PanAust's acid rock drainage management has been recognised internationally as industry leading practice. In 2013, the Ban Houayxai operation received operational certification to the International Cyanide Management Code, and an external audit in 2014 confirmed compliance with the code.

There were no significant environmental incidents (Level 4 or 5 incidents as defined in the 2013 Sustainability Report) during the year ended 31 December 2014 (2013: nil).

Water management measures at both the Phu Kham Copper-Gold and the Ban Houayxai Gold-Silver Operations resulted in good performance over the 2014 wet season. Both sites undertook controlled discharges, monitored by the Company and officials from the Government of Laos. The quality of water discharged is measured for compliance with IFC water-quality guidelines, and Lao ambient water-quality.

Under the Corporations Act 2001, the Company is required to report on its performance in relation to Australian environmental regulations. The Company owns a non-controlling interest in the Darlot South (A&B) Exploration Joint Ventures in Western Australia. The Darlot South (A&B) Exploration Joint Ventures are subject to the environmental laws of Western Australia and the Commonwealth of Australia. Darlot Mining Company Pty Ltd., a subsidiary of Gold Fields Limited, is the operator of the Darlot South (A & B) Exploration Joint Ventures. 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.

Frieda River activities

PanAust completed the transaction for the purchase of an 80% interest in the Frieda River Project in PNG during the third quarter of 2014. The PNG government approved the Environmental Inception Report (EIR) for the project in December 2014. The EIR is the legislative precursor for the progression of an Environmental Impact Statement during 2015. Since completion, PanAust has focused on: transitioning the workforce and operations to the Company's health, safety, environment and community systems; continuing to deliver existing community development programs in areas such as health and education; and undertaking comprehensive engagement broadly with stakeholder groups including landowners and local communities, PNG government officials and other external stakeholders.

Information on directors

Garry Hounsell B.Bus. (Accounting) FCA CPA FAICD- Chairman, Non-Executive Director
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 and Chief Executive Officer 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.

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

- Qantas Airways Limited*
- Orica Limited
- Dulux Group Limited*
- Nufarm Limited
- Mitchell Communications Group Limited
- Treasury Wine Estates Ltd*
- Spotless Group Holdings Limited*

** denotes current directorship*

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

Interests in shares and options
At the date of this report, Mr Hounsell has a direct interest in 193,000 ordinary shares in PanAust and an indirect interest through the Hounsell Superannuation Fund in 17,000 shares.

Dr Fred Hess, BSc (Hons), PhD, MAusIMM - Managing Director
Dr Hess, who was appointed Managing Director in November 2014, is a metallurgist with over 30 years' experience.

Since joining PanAust in October 2005, Dr Hess has held several Executive Management positions, most recently as Executive General Manager Project Development and Operational Improvement. Dr Hess was a major driving force behind the development, construction and management of the Phu Kham Copper-Gold Operation and Ban Houayxai Gold-Silver Operation in Laos. Dr Hess has overseen two major plant upgrades at Phu Kham and undertaken major studies on the Puthep Copper Project in Thailand and the Inca de Oro Copper Project in Chile.

Prior to joining PanAust, Dr Hess managed the Macreas Gold Mine in New Zealand and the Mt Gordon Copper Mine in Australia following a career with WMC Resources and Bougainville Copper. Dr Hess spent the first six years of his working career at Bougainville Copper in Papua New Guinea. Dr Hess is a graduate of the Julius Kruttschnitt Mineral Research Centre at the University of Queensland.

Interests in shares and options
At the date of this report, Dr Hess's interest in PanAust securities comprises: a direct interest in 323,680 ordinary shares and 2,955,055 shares issued under the PanAust Long Term Share Plan (held in trust until vesting) of which 813,086 have vested at 31 December 2014. Dr Hess also has an indirect interest in PanAust of 410,753 ordinary shares held by the Hess Family Super Pty Limited as trustee for The Hess Family Super Fund of which Dr Hess is a beneficiary.

Information on directors (continued)

Gary Stafford B.Sc. (Hons, Mining Engineering) MAusIMM (Managing Director up to 11 November 2014)
Mr Stafford is a mining engineer with 32 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. Gary Stafford has been Managing Director since 7 March 1996 and presided over the Company's growth from a junior exploration company to an S&P/ASX 200 mining company up to 11 November 2014.

Interests in shares and options
Mr Stafford's interest in PanAust securities as at 11 November 2014 comprised: a direct interest in 2,716,506 ordinary shares; and, 7,500,195 shares issued under the PanAust Long Term Share Plan (held in trust until vesting on forfeiture depending upon satisfaction of the performance conditions). As at 11 November 2014, Mr Stafford also had an indirect interest in PanAust of 925,723 ordinary shares held by The Spellbrook Superannuation Fund of which Mr Stafford is a beneficiary.

Nerolie Withnall BA, LLB. FAICD - Non-Executive Director
Mrs Withnall is a former commercial lawyer with specialist skills in the areas of corporate advice, capital raisings, takeovers and corporate trusts. Mrs Withnall is a former partner of the national law firm Minter Ellison. Mrs Withnall has previously served as a member of the Takeovers Panel and the Corporations and Markets Advisory Committee. Mrs Withnall is also a former member of the Senate of the University of Queensland and is currently a director of ARU Limited (Australian Rugby Union).

During the past three years, Mrs Withnall has also served as a Director of the following ASX listed companies:

- ALS Limited* (Chairman)
- Alchemia Limited
- Computershare Limited*

** denotes current directorship*

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

Interests in shares and options
At the date of this report, Mrs Withnall has a direct interest in 81,579 ordinary shares in PanAust.

Geoff Handley BSc (Hons, Geology and Chemistry) MAusIMM FAICD. Acc. Dir - Non-Executive Director

Mr Handley is a geologist with over 40 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 listed companies:

- Eldorado Gold Corp.* (listed on the TSX and NYSE)
- Endeavour Silver Corp.* (Chairman) (listed on the TSX and the NYSE)
- Mirabela Nickel Limited (listed on the ASX and the TSX)

** denotes current directorship*

Appointed Director on 29 September 2006, Mr Handley is also the Chairman of the Remuneration Committee and is a member of the Nominations Committee.

Information on directors (continued)

Interests in shares and options
At the date of this report, Mr Handley's spouse, a related party of the Company for the purposes of the Corporations Act 2001, has 54,202 ordinary shares in PanAust.

Geoff Billard B.Econ, B.Com. (Hons, Economics) FCPA FAICD - Non-Executive Director
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 (including nearly 5 years living in PNG), Argyle Diamonds and as Managing Director (Group Financial Services), before taking up senior executive positions with Pasminco and M.I.M. Holdings Limited in operational, marketing, finance, new project development and technology roles. 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.

Mr Billard has previously served as a Director of Bougainville Copper Limited and Metal Manufacturers Limited.
Appointed Director on 1 July 2008, Mr Billard is also a member of the Sustainability and Audit Committees.

Interests in shares and options
At the date of this report, Mr Billard has an indirect interest in 36,417 ordinary shares through an Asgard Capital Management Limited fund.

Zezhong Li M.Laws, M.Public Administration International Development - Non-Executive Director
Mr Zezhong Li is the President of Guangdong Rising Assets Management (GRAM), a position which he has held since May 2013 after previously being Vice President from 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 the following Shenzhen Stock Exchange listed companies:

- Guangdong Fenghua Advanced Technology Holding Co., Ltd.*
- Shenzhen Zhongjin Lingnan Nonferrous Metal Co.

* *denotes current directorship*

He is also Chairman of Caledon Coal Pty Ltd, a wholly owned subsidiary of GRAM.

Appointed Director on 18 September 2009, Mr Zezhong Li is also a member of the Sustainability Committee.

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.

Information on directors (continued)

John Crofts B.Bus (Transport, Economics & Accounting) - Non-Executive Director
Mr Crofts brings to the Board over 20 years' experience in the resources industry and valuable knowledge of the global copper sector.

Mr Crofts worked with BHP / BHP Billiton from 1987 to 2010 where he held senior roles in metals marketing and business development. In particular, between 2001 and 2007, Mr Crofts was the Marketing Director, Base Metals where he was responsible for global marketing for one of BHP Billiton's largest business units which had a leadership position in sales of copper, lead concentrates and substantive positions in the copper cathodes and zinc concentrates markets. He has diverse geographical experience including ten years based in Chile, four years in The Hague, five years in Singapore, and he has been a member of several BHP Billiton Executive Committees.

Mr Crofts served as an invited Director to the London Metal Exchange from 2007 to 2011. From 2000 to 2007, Mr Crofts was an Advisory Committee Member for the International Copper Association. From 2003 to 2006, he was the Chairman of the European Copper Institute. Mr Crofts was also a Director of The Copper Club from 2006 to 2010. Mr Crofts is currently the CEO and Managing Director of Tambora Resources Corporation (previously Indo Terra Resources), an unlisted Canadian Company.

Appointed Director on 17 September 2010, Mr Crofts is also the Chairman of the Sustainability Committee.

Interests in shares and options
At the date of this report, Mr Crofts has an indirect interest in 41,739 ordinary shares through a BT Funds Management Limited fund.

Ken Pickering B.A. Science (Mineral Engineering) - Non-Executive Director
Mr Pickering has 40 years' experience in the resources industry in Canada, Chile, Australia, Peru and the United States of America with particular skills in major project development and mine (operations) management.

Mr Pickering has held senior executive positions with BHP Billiton Base Metals. From 2004 to 2010, Mr Pickering was Vice-President Major Projects, Closed Mines and North American Assets, BHP Billiton Base Metals. In this position, he was responsible for the planning and execution of various major projects in Chile costing over US$3 billion. During this time, Mr Pickering also served as a Director of the Resolution Copper Joint Venture with Rio Tinto, was responsible for the Pinto Valley Copper Operations and oversaw the reclamation management of thirty closed mine sites in Canada, the USA and South Africa.

Mr Pickering was intimately involved in the development, operation and expansion of the Escondida Copper Mine from inception of the project. At various times between 1986 and 2002, Mr Pickering served as the Mine Development Manager, the Mine General Manager, the President of the Escondida Joint Venture, and the Executive Chairman of the Escondida Owners' Council. From 2002 to 2004, in his capacity as President Major Projects, Business Development and Corporate Affairs (Chile), Mr Pickering was responsible for the completion of the US$1 billion Escondida Phase Four Project which resulted in an increase in annual copper production of 400,000 tonnes.

Mr Pickering currently serves as a non-executive Director of the following listed companies:

- Enaex S.A * (listed on the SSE)
- THEMAC Resources Group Ltd.* (listed on the TSX)
- Endeavour Silver Corp* (listed on the TSX)
- Northern Dynasty Minerals Ltd* (listed on the TSX)

** denotes current directorship*

Appointed Director of PanAust on 28 October 2011, Mr Pickering is also a member of the Sustainability and Remuneration Committees.

Interests in shares and options
At the date of this report, Mr Pickering has a direct interest in 20,000 ordinary shares in PanAust.

Information on directors (continued)

Annabelle Chaplain BA, MBA FAICD - Non-Executive Director
Ms Chaplain is a former investment banker with extensive financial services experience having worked with leading international banks in project finance, corporate lending and treasury roles. She currently serves as a member of the board of EFIC, the Australian government's export credit agency and as a non-executive director of Downer EDI Ltd. In addition, Ms Chaplain has extensive experience as a non-executive director of companies involved in the provision of critical infrastructure including bulk commodity ports, pipelines and water. She is chairman of Queensland Airports Ltd.

During the past three years, Ms Chaplain has also served as a non-executive director of the following ASX listed companies:

- Downer EDI Limited *

* *denotes current directorship*

Appointed Director of PanAust on 1 July 2012, Ms Chaplain is the Chairman of the Audit Committee.

Interests in shares and options
At the date of this report, Ms Chaplain has an indirect interest in 52,939 shares in PanAust as held by WW SC Pty Ltd as trustee for the Willem A Willink Superannuation Fund of which Ms Chaplain is a beneficiary.

Qian Deng, Master of Management – Alternate Director
Mr Qian Deng is the Vice General Manager of the Overseas Development Department of Guangdong Rising Assets Management (GRAM), a position he has held since December 2013. Mr Qian Deng was appointed to act as an alternate director to Mr Zezhong Li, GRAM's nominee Director on the Board of PanAust. GRAM is a cornerstone investor in PanAust.

Prior to joining GRAM, Mr Qian Deng worked for worked for Shenzhen Zhongjin Lingnan Nonferrous Metal Co. where he was involved in the investment of Perilya Limited (an Australian based lead and zinc producer) and GlobeStar Mining Corporation (a Canadian based copper and gold producer).].

Mr Qian Deng currently serves as a Director of Guangdong Rising (Australia) Holding Pty Ltd which is the holding company of Caledon Resources (a formerly ASX-listed coal producer based in Brisbane).

Appointed as an Alternate Director on 28 January 2015.

Interests in shares and options
At the date of this report, Mr Qian Deng 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. Mr Scarr has over 20 years' experience as a lawyer and is admitted to practise in both Australia and Papua New Guinea. Prior to joining PanAust, Mr Scarr worked in private practice with both Allens Arthur Robinson and Mallesons Stephen Jacques. During that period, Mr Scarr advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. Mr Scarr 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.

Appointment of Joint Company Secretary
Mr George Piggott, Principal Legal Advisor with PanAust, was appointed Joint Company Secretary on 28 January 2015. Mr Piggott is a lawyer with 13 years of legal experience and holds a combined degree of Bachelor of Commerce (Honours) and Laws, a Graduate Diploma of Legal Practice and a Graduate Diploma of Applied Corporate Governance.

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 2014, 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
Garry Hounsell	8	8	3	3	5	5	*	*	5	5
Gary Stafford	6	6	3	3	*	*	*	*	*	*
Nerolie Withnall**	5	8	3	3	4	5	*	*	3	5
Geoff Handley	8	8	3	3	5	5	*	*	*	*
Geoff Billard	8	8	*	*	*	*	4	4	5	5
Zezhong Li***	4	8	*	*	*	*	1	4	*	*
John Crofts	8	8	*	*	*	*	4	4	*	*
Ken Pickering	8	8	*	*	5	5	4	4	*	*
Annabelle Chaplain	8	8	*	*	*	*	*	*	5	5
Fred Hess	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
** Nerolie Withnall was granted a leave of absence for the period from 9 September 2014 to 31 December 2014. Nerolie Withnall has subsequently recommenced duties. The meetings not attended occurred during the leave of absence.
*** Zezhong Li is a non-independent Non-Executive Director appointed by Guangdong Rising Assets Management (GRAM). The meetings not attended occurred during the period 1 May 2014 to 30 November 2014. The Company announced to the market on 13 May 2014 that it had received a non-binding indicative takeover proposal from GRAM. On 28 January 2015, Zezhong Li nominated Qian Deng as an alternate director. This has been approved by the Board in accordance with the Constitution.

Remuneration report

The remuneration report outlines the overall remuneration strategy, framework and practices adopted by PanAust. It has been prepared in accordance with section 300A of the Corporations Act 2001. Details of remuneration are disclosed for Directors and for other KMP. In addition to the Directors, the executive KMP had the authority and responsibility for planning, directing and controlling the activities of the PanAust Group, directly or indirectly, during the year ended 31 December 2014.

This section of the remuneration report is set out under the following main headings:

A Remuneration overview
B Role of the Remuneration Committee
C Remuneration by gender
D Non-executive Directors' remuneration
E Managing Director and other executive KMP remuneration
F Relationship of incentives to PanAust operating and financial performance
G Service agreements
H Former Managing Director's Succession Service Agreement
I Details of remuneration
J Share-based compensation grants held by Managing Director and other executives
K Additional information

Remuneration information for KMP has been reported in A$ and US$ (the Company's reporting currency). Given all but one of the KMP are paid in A$, this comparison is intended to assist shareholders and other stakeholders to analyse remuneration changes from year to year without the need to adjust for currency fluctuations.

A. Remuneration overview

PanAust's remuneration philosophy is articulated in PanAust's Employee Policy (available on the Company's website) which provides that PanAust will:

- *Cultivate a performance based culture whereby competitive remuneration, benefits and rewards are aligned with PanAust's objectives and where merit forms the basis of performance based pay and promotion; and*
- *Attract, engage and retain high-calibre employees to meet PanAust's current and future business needs.*

In implementing this philosophy, PanAust considers such matters as:

- the remuneration paid by the Company's peers (by reference to industry and market capitalisation);
- the Company's performance over the relevant period;
- how to link remuneration to successful implementation of the Company's strategy, including the annual targets which need to be achieved to implement that strategy;
- internal relativities and differentiation of pay based on performance;
- the size, scale, location and complexity of the operations of the Group;
- market developments in remuneration practices; and
- future outlook.

PanAust continues to receive strong shareholder support for its approach to remuneration. In the last five years, PanAust has achieved votes of greater than 93% in favour of adoption of its remuneration report. For the year ended 31 December 2013, 93.63% of lodged proxies were in favour of adoption of the remuneration report (2012: 98.23%; 2011: 99.19%; 2010: 98.52% and 2009: 95.15%).

B. Role of the Remuneration Committee

The Remuneration Committee of the Board is responsible for reviewing and making recommendations to the Board in relation to a number of remuneration related matters, including the:

- remuneration arrangements and contract terms for the Managing Director and other executive KMP;
- terms and conditions of long term incentives and short term incentives for executive KMP, including performance targets and vesting conditions;
- terms and conditions of employee incentive schemes;
- review and reporting of remuneration by gender; and
- remuneration to be paid to non-executive Directors.

The Charter for the Remuneration Committee is available on PanAust's website. In accordance with best practice, the Remuneration Committee is comprised solely of independent non-executive Directors. It is chaired by a non-executive Director other than the Chairman. The membership is detailed on page 22 of the Directors' Report.

Remuneration Consultants

For each annual remuneration review cycle, the Remuneration Committee considers whether to appoint a remuneration consultant and, if so, their scope of work. The table below provides details with respect to the remuneration consultant who provided any remuneration recommendations and other remuneration related advice in relation to the remuneration outcomes detailed in this remuneration report.

Did a remuneration consultant provide a remuneration recommendation in relation to any of the KMP for the financial year?	No. Towers Watson, in their role as the Board appointed remuneration advisor, provided remuneration related advice to the Remuneration Committee in relation to: benchmarking of executive KMP remuneration against the Company's general market and industry peers, benchmarking of NED fees and the maximum aggregate fee pool for non-executive Directors, valuation of long term incentives, and advice on market trends relating to remuneration practices. Towers Watson has advised that there was no undue influence from any KMP on any of their work during the year.
What was the remuneration consultant paid by the Company for remuneration related services?	Towers Watson was paid a total of A$133,989.
Did the remuneration consultant(s) provide any other non-remuneration related advice to the Company?	No.
What arrangements does the Company have in place to ensure that the making of any remuneration recommendation(s) would be free from undue influence by the KMP?	• The Company has a protocol in place to govern the procedure for procuring advice relating to KMP remuneration. The protocol contains a summary of the process for the engagement of remuneration advisers, the provision of information to the remuneration adviser, and the communication of remuneration recommendations. • Towers Watson agreed to adhere to the protocol procedures and was required to advise the Remuneration Committee whether or not it had been subjected to undue influence.

C. Remuneration by gender

The Remuneration Committee is responsible for "reviewing and reporting to the Board in relation to remuneration by gender." In addition, the Company set as a measurable objective for 2014 to "determine strategies to manage and monitor remuneration by gender." The pay equity analysis completed in 2013 was used as a baseline for 2014 and was updated and further analysed to identify any material pay equity gaps (using a materiality threshold of 5%). The results of the analysis indicate that there are no material pay equity gaps. The Company's policies and strategies regarding recruitment, internal development, promotion and remuneration have contributed to this outcome. Refer to the Corporate Governance statement for more information relating to diversity.

Remuneration report (continued)

D. Non-executive Directors' remuneration

Objective
The objective is to set remuneration at a level which attracts and retains non-executive Directors of the requisite expertise and experience at a cost acceptable to shareholders.

Structure
The maximum aggregate remuneration of non-executive Directors is determined by the shareholders at a general meeting. The current cap adopted in 2012 remains at A$1.6 million.

The Chairman is paid an all-inclusive fee which includes remuneration for serving on Board committees. Other non-executive Directors are paid a base fee and an additional fee for serving on Board committees (whether as chairman or member). A greater fee is payable for chairing a committee because the workload is greater.

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 which details remuneration arrangements.

Fees
Annualised fees for the relevant period were as follows:

Position	
Chairman	A$360,000
Other non-executive Directors	A$140,000

Committee fees	
Committee chairman	A$25,000
Committee member	A$15,000

These fees have applied since 1 July 2012. There has been no increase for two and a half years. The total remuneration paid to each non-executive Director for the year ended 31 December 2014 is detailed in section I of this report.

The table below provides further information in relation to fees paid to non-executive Directors.

Are the non-executive Directors paid any incentive or equity based payments or termination/retirement benefits?	No. The non-executive Directors are not paid any short term incentives, long term incentives, equity based remuneration or termination/retirement benefits.
If non-executive Directors are paid additional fees, how are these additional fees calculated?	From time to time, non-executive Directors may be requested to provide additional non-executive related Director services. This could include serving on a due diligence committee or on the Board of a Group subsidiary. In any such case, the additional fee paid to the non-executive Director is determined by reference to the Board's committee fee structure. In particular, the Board considers whether the workload is comparable to that of a committee chairman or a committee member. During the year, only one such payment was made to a non-executive Director (Mr John Crofts) for serving as a non-executive resident director on the boards of the Group's Singaporean subsidiaries.
Are non-executive Directors' fees going to increase in 2015?	No. Benchmarking conducted by Towers Watson indicates that current fees are in line with the market. The Board has also determined that it is not appropriate to increase fees during a period of low commodity prices. This also reflects the pay freeze for 2015 adopted across all levels of the Group.
Will the aggregate fee pool increase in 2015?	No.

Remuneration report (continued)

E. Managing Director and other executive KMP remuneration

Objective
As indicated on page 23, PanAust's objective in structuring its remuneration for executive KMP is to cultivate a performance based culture where competitive remuneration, benefits and rewards are aligned with PanAust's objectives and where merit forms the basis of performance based pay and promotion. In addition, PanAust seeks to attract, engage and retain high-calibre employees to meet the Company's current and future business needs.

Structure and Review Process
The Company's remuneration structure is unchanged from last year. Total remuneration consists of the following key elements:

I. Fixed Remuneration (base + superannuation) (FR);
II. Short Term Incentive (STI);and
III. Long Term Incentive (LTI).

Further specifics on each of these components are set out below. The amount and relative proportion of FR (which includes superannuation contributions), STI and LTI is established for each executive following consideration by the Remuneration Committee of market levels of remuneration for comparable executive roles and the internal relativities between executive roles.

For the annual remuneration review which resulted in the outcomes detailed in this remuneration report the Remuneration Committee received expert advice from its external remuneration advisor, Towers Watson. The Company also participated in and subscribed to the McDonald Gold & General Mining Industry Remuneration Survey and Supplementary CEO Report.

Remuneration Structure for the Managing Director and senior executives
The following table shows the Board approved remuneration structure for executives. It provides annual FR, and STI opportunity and LTI opportunity as a percentage of FR for the Managing Director and other executive KMP for the year ended 31 December 2014 as compared to the year ended 31 December 2013. It also reports the weighting of fixed remuneration and other components as a percentage of Total Remuneration (TR). It is noted that two thirds of the Managing Director's remuneration is "at risk" and more than half of the remuneration of other executive KMP is at risk. Information in relation to the remuneration structure for the former Managing Director, Mr Gary Stafford, is provided in section H.

Total Remuneration and Pay-Mix							
Executive KMP	Fixed Remuneration			Short Term Incentive opportunity		Long Term Incentive opportunity	
	Currency	**Amount**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration
Fred Hess (Managing Director) *							
2014	AUD$	**850,000**	43%	**55%**	24%	**75%**	33%
Fred Hess (EGM Project Development and Operational Improvement)							
2014	AUD$	**578,800**	46%	**55%**	25%	**61%**	28%
2013	AUD$	**566,300**	46%	**55%**	25%	**61%**	28%
Rob Usher (EGM PanAust Asia) **							
2014	AUD$	**570,600**	46%	**56%**	26%	**60%**	28%
2013	AUD$	**558,300**	46%	**56%**	26%	**60%**	28%
David Hairsine (Chief Financial Officer)							
2014	AUD$	**510,300**	49%	**46%**	22%	**59%**	29%
2013	AUD$	**499,300**	49%	**46%**	22%	**59%**	29%
Francisco Tomic (EGM PanAust South America)							
2014	USD$	**427,700**	46%	**60%**	28%	**58%**	27%
2013	USD$	**418,500**	46%	**60%**	28%	**58%**	27%

* Fred Hess was appointed to the position of Managing Director on 11 November 2014.
** Mr Rob Usher's employment with the company ceased with effect 31 January 2015.

Remuneration report (continued)

I. Fixed Remuneration (FR)

At PanAust, the purpose of FR is to provide a base level of remuneration which is market competitive and appropriate. FR is inclusive of superannuation. Executive KMP are given the opportunity to receive their FR as either base salary (if based overseas) or base salary and superannuation.

The table below contains a summary of key features of FR.

How often is FR reviewed?	Annually.
What is considered when benchmarking FR?	Benchmarking is conducted against relevant peer groups from S&P/ASX companies and depending on the role is compared to General Industry and/or Mining Industry Peers. The benchmarking takes into consideration market capitalisation, revenue and complexity of the business (for example, number of operations, business focus, geographic spread and location of activities).
How are adjustments to FR determined?	Adjustments to fixed remuneration are made following consideration of benchmarking data (including with respect to the proportion of remuneration which should be attributed to each of the fixed and variable remuneration), internal relativities and executive performance.
By how much did FR increase in 2014?	In 2014, there were only minimal consumer price index related increases. This was in recognition of the then downward trend in copper and gold prices.
By how much will FR increase in 2015?	Due to the continued downward trend in copper and gold prices and continued global economic uncertainty as well as the Company's share price performance, the Board has decided (despite meeting and exceeding production, cost and EBITDA guidance) to take a precautionary and prudent approach to remuneration in 2015 and impose a salary freeze across the Group. This is despite the Company meeting and exceeding its production, cost and EBITDA guidance. The salary freeze applies to all levels of the organisation and to all components of remuneration, including STI and LTI opportunity.

II. Short Term Incentives (STI)

The table below contains a summary of key features of the STI plan.

What is the STI?	The STI is the annual cash component of the "at-risk" reward opportunity, based predominantly on a mix of Company, business unit, functional, operational and individual targets. The purpose is to link the achievement of the Company's annual targets with the remuneration received by the responsible executive KMP.
When is the STI paid?	The STI is payable in February 2015 to all eligible participants who satisfy specific performance measures and hurdles set for the 2014 calendar year.
How does the Company's STI structure support achievement of the Company's strategy?	At-risk remuneration strengthens the link between pay and performance. Annual targets are established by reference to the Company's strategy of: growth through discovery, acquisition and development, operations that meet performance targets, optimisation of return on capital and adherence to core sustainability values, including safety.
When was the design and structure of the STI plan last reviewed?	The Remuneration Committee, in consultation with Towers Watson, reviewed the design and structure of the STI plan in 2014 and remain satisfied that the plan is appropriate to manage alignment between performance and incentives paid.
How are the performance conditions determined?	At the beginning of each financial year, a number of critical tasks linked to the Company's strategy, including financial and non-financial measures of performance, are identified. The extent that those targets are achieved determines the amount of STI paid.
What is the business factor?	The business factor is a multiplier that the Board can apply to an executive's STI award of 80% to 120% based on the financial performance of the Company. In 'normal' conditions the expectation is that the multiplier is set at 100%.

Remuneration report (continued)

What was the business factor applied to 2014 STI awards?	90%. This is consistent with last year's application of the business factor. This outcome reflects the reduced EBITDA for 2014 due to a continued fall in commodity prices. The Board also took into consideration that adjusted EBITDA (normalised for metal prices) exceeded the upper end of guidance (greater than the stretch target) and recognised exceptional performance in other key performance indicators, including but not limited to outstanding production outcomes.
Is a portion of STI deferred?	No portion of the STI is deferred.
Has the Board reviewed its position on claw back / malus provisions?	Yes, as foreshadowed in the 2013 Remuneration Report during the course of 2014, the Board has reviewed its position on claw back provisions after consideration of research into the practices of other companies. This followed the receipt of feedback from a number of stakeholders. With effect on and from 1 January 2015, the Board approved the implementation of a claw back policy, including malus provisions, for senior executives. "Clawback" occurs where a company demands repayment of a benefit to take into account an adverse development that occurs (or comes to light) post payment. "Malus" occurs where a company adjusts all or part of an individual's variable remuneration for an adverse development prior to payment (in the case of an STI) and prior to vesting (in the case of an LTI). The Board may apply claw back and malus where the service agreement of a senior executive has been terminated for cause (including for dishonesty or fraud) and where there has been a material misstatement or omission in the financial statements of a Group company or the Group leading to an executive having received a benefit greater than the amount which would have been due based on the corrected financial statements. The clawback or malus may apply to paid STIs, unpaid STIs and unvested LTIs.
What were the performance conditions under the STI for executive KMP in 2014?	Each performance condition comprises a measure, hurdles and a performance period. The STI performance measures (and weighting %) for 2014 were: **Managing Director (for the period 11 November – 31 December 2014)** • Sustainability: Lag indicator performance including Total Recordable Injury Frequency Rate (TRIFR) and environmental incidents. Safety and environmental lead indicators focused on implementation of safety and environment culture initiatives addressing 2013 safety and environmental hotspots (20%); • Growth Initiatives: objectives relating to Inca de Oro, Frieda River, KTL and Phu Kham (25%); • PanAust Laos Operations: Phu Kham copper production and all in sustaining costs; Ban Houayxai gold production and all in sustaining costs (25%); • PanAust EBITDA Guidance: actual EBITDA is adjusted for metal price assumptions so that there is no windfall gain (should metal prices rise) or penalty (should metal prices fall) (20%); and • Achievement Plan: assessment of overall performance and achievement of critical tasks (10%). **Executive General Manager – Project Development and Operational Improvement (applies to the Managing Director for the period 1 January – 11 November 2014)** • Sustainability: Lag indicator performance including TRIFR and environmental incidents. Safety and environmental lead indicators focused on implementation of safety and environment culture initiatives addressing 2013 safety and environmental hotspots (20%); • PanAust Laos Operations: Phu Kham Copper Production and Ban Houayxai Gold Production (20%); • Growth Initiatives: objectives relating to Frieda River, Inca de Oro and KTL (30%); and • Achievement Plan: assessment of overall performance and achievement of critical tasks (30%). **Executive General Manager – PanAust Asia** • Sustainability: Lag indicator performance including TRIFR and environmental

Remuneration report (continued)

	incidents. Safety and environmental lead indicators focused on implementation of safety and environment culture initiatives addressing 2013 safety and environmental hotspots (20%); • PanAust Laos Operations: Ban Houayxai production, C1 costs, Sustaining Capex and Asia Shared Services; and Phu Kham production, C1 costs, Sustaining Capex and Asia Shared Services (60%); and • Achievement Plan: assessment of overall performance and achievement of critical tasks (20%). **Executive General Manager – PanAust South America and Chief Financial Officer** • Sustainability: Lag indicator performance including TRIFR and environmental incidents. Safety and environmental lead indicators focused on implementation of safety and environment culture initiatives addressing 2013 safety and environmental hotspots (20%); and • Achievement Plan: assessment of overall performance and achievement of critical tasks (80%). (With respect to the EGM PanAust South America, as there are currently no operational activities in PanAust South America, the production and cost targets that apply to other business unit heads are not applicable.)
How are results measured against the performance hurdles?	Most measures have three performance hurdles; namely: “threshold” (the minimum hurdle to be achieved for any amount to be payable), “budget” (a more demanding hurdle) and “stretch” (the most demanding hurdle). ‘ The percentage of incentive STI opportunity payable ranges from 60% for ‘threshold’, 80% for ‘budget’ and 100% for stretch’ performance and above. For TRIFR and Environment there is only one hurdle. This means that the executive must perform better than or equal to the TRIFR and environment hurdles to receive any award. Further information is provided in the tables in Section K.
How is STI treated upon resignation?	If a senior executive resigns with effect prior to 31 December, the executive is not eligible for an STI payment. If the executive’s resignation is effective after year-end and before the date of payment, the STI will still be paid.
How do the STI targets promote the sustainable operation of the Company?	The importance of sustainability performance is emphasised by the following: • Any controlled activity incurring a fatality during the year which was categorised under the Company’s Risk Consequence Table as a level 4 high consequence safety incident causes the STI attributable to safety to be forfeited; and • Any environmental incident during the year involving a controlled activity, which was categorised under the Company’s Risk Consequence Table as a Level 4# (or above) high consequence environmental incident, results in the forfeiture of the STI attributable to the environment KPI. Unfortunately on 2 June 2014, there was a serious event during excavation work by contractors at the LCT exploration site in Laos that resulted in two contractors being fatally injured. Whilst it was a remote site with work performed by a contractor, it was considered a “controlled” site. This resulted in the TRIFR component of sustainability being forfeited for those executives who have Group and exploration targets. For other executives, there was a reduction in the discretionary element associated with overall sustainability performance. This ensured that there was a decrease in STI paid to all senior executives in the Group resulting from the event. There were no level 4 environmental incidents during 2014.
How is sustainability performance measured?	• Sustainability performance relating to safety is measured by reference to total recordable injuries, lead indicator performance and year on year improvement in identified safety hotspots. • Environmental performance is measured by reference to the number and consequence of Level 3# reportable environmental incidents and year on year improvement in identified environmental hotspots.

The PanAust Risk Consequence Table is provided in full detail on page 64 of the Sustainability Report 2013 and is available on the Company’s website.

Remuneration report (continued)

III. Long Term Incentives (LTI)

The LTI is the equity component of the at-risk reward opportunity of total remuneration. The objective of the LTI is three-fold. First, the LTI provides an incentive to executive KMP which promotes both the long-term performance and growth of the Company. Second, the LTI aligns the reward of executive KMP with returns to shareholders. Third, the LTI promotes the retention of the Company's executives. PanAust continues to weight executive KMPs' remuneration towards variable pay. For 2014, the Company continued to provide the LTI to executive KMPs through the Long Term Share Plan (LTSP).

The tables in section J provide details of LTI grants to executive KMP. The tables also detail the value, vesting periods and lapses under the LTSP. The table below summarises the key features of the LTI issued to the executive KMP for the year ended 31 December 2014.

<table>
<tr><td>What is the LTSP?</td><td>Introduced in 2010, the LTSP is a loan share plan where the Company issues shares, or a trustee transfers shares, to the executive at market value. The purchase price of each share is funded by a loan from the Company.</td></tr>
<tr><td>How does the LTSP align the interests of shareholders and executives?</td><td>Just like a stock option, executives will only receive value from the LTSP equal to the share price growth over the value at grant. As such, the LTSP directly links rewards for executives to the Company's strategy which drives the creation of long term shareholder wealth – the greater the share price and dividends, the greater the return to the executives;
Vesting of shares only occurs if PanAust performs in the top 50 per cent of its peer group by reference to total shareholder return – the more that PanAust outperforms its peers, the more the potential reward for executives; and
If the shares vest, a holding lock on the shares remains in place until the limited recourse loan is repaid. This means the shares will only provide value to the executive if the share price is above the offer issue price.</td></tr>
<tr><td>What is the difference between the accounting value given to an LTI grant made under the LTSP and the benefit received by the executive?</td><td>Each issue of an LTI under the LTSP will have an accounting value calculated under the accounting standards. This "accounting value" is calculated as at the grant date (prior to vesting) under a Monte Carlo valuation methodology which takes into account a number of factors such as share price volatility and probability of achieving hurdles. The "accounting value" is expensed over the performance period until the test date for vesting. Assuming the shares issued vest, the value to the executive is dependent upon the PanAust share price, just as the value to shareholders of holding PanAust shares is dependent upon the share price.</td></tr>
<tr><td>How does the LTSP support the retention of executives?</td><td>An objective of offering shares under the LTSP is to promote retention. At any one time, an executive KMP will have three unvested issues. If an executive resigns (other than for retirement), they would forfeit the benefit of those unvested rewards. This provides a valuable incentive to stay with the Company so long as the shares are seen by the executive KMP as likely to vest at the end of the performance period and that the share price is above the issue price. Refer to table in Section J.</td></tr>
<tr><td>How is the market price of the share determined?</td><td>The market price is determined by reference to the volume weighted average price (VWAP) of shares traded on the ASX over a nominated period (typically five trading days).</td></tr>
<tr><td>What are the principal terms of the issue made under the LTSP in 2014?</td><td>Subject to the performance conditions, the vesting date for the shares is three years from the commencement of the performance period.
The measure of performance is Total Shareholder Return ("TSR"). TSR is the total return achieved by a shareholder in relation to shares, including any increase in share price and dividends paid. The TSR of the Company is compared to the Comparator Group. The table below provides the matrix of outcomes:
<table>
<tr><th>TSR Ranking</th><th>Percentage of Shares that Vest</th></tr>
<tr><td>Less than or at 50th percentile</td><td>Nil</td></tr>
<tr><td>Between the 51st percentile and the 75th percentile</td><td>50% increasing linearly to 100% at the 75th percentile</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>
If the hurdles are not achieved during the performance period 1 January 2014 to 31 December 2016, then the shares lapse. There is no retesting.
The loan is equal to the market price of each share multiplied by the number of shares. The term of the loan is five years from the commencement of the</td></tr>
</table>

Remuneration report (continued)

	performance period and the loan is interest free. The loan is limited recourse so in no circumstances will the executive KMP be liable for an amount in excess of the market value of vested shares. • The loan must be repaid within five years or prior to the sale of any shares or arrangements entered into with the Company such that the proceeds of any sale are applied in repayment of the loan. • Shares are held in trust by the trustee of the LTSP until vesting and repayment of the loan.
What are the performance hurdles?	There is an express performance hurdle and a second performance hurdle built into the structure of the LTI. The first hurdle is relative TSR performance against the relevant comparator group. The relative TSR hurdle must be satisfied prior to any vesting of LTI. The second hurdle is the share price. The LTI only has a value to the executive if the share price exceeds the outstanding loan amount for a vested share. The Board believes that these two performance hurdles are the most appropriate hurdles and work together to effectively achieve alignment between the LTI and the interests of shareholders.
Does the executive obtain the benefit of dividends paid on shares issued under the LTSP?	The after tax benefit of any dividend (based on the top Australian marginal tax rate, the Medicare levy and any other levies) is applied in repayment of the loan.
Which companies form the comparator group?	The following companies are the constituents of the comparator group for 2014. These companies were selected on the basis that the companies were all mining companies with operating assets: Newcrest Mining, Fortescue Metals Group, Aditya Birla Minerals Alumina, Iluka Resources, Oz Minerals Paladin Energy, Atlas Iron, Aquarius Platinum Mount Gibson Iron, Medusa Mining, Perseus Mining Kingsgate Consolidated, Western Areas, Sandfire Resources Independence Group, Regis Resources, Gindalbie Metals Beadell Resources, Grange Resources, St Barbara Oceanagold, Evolution Mining, Resolute Mining
What were the changes in the comparator group between 2013 and 2014?	Mirabela Nickel was replaced by Beadell Resources. Mirabela Nickel was removed due to the fall in market capitalisation and Beadell Resources was included as it is considered relevant to PanAust given its market capitalisation, production and growth profile.
How has PanAust performed against the TSR comparator groups?	The following table summarises TSR performance of share offers made under the Executive Long Term Share Plan:

Year of Issue	2010	2011	2012	2013	2014
TSR Performance	81st percentile	65th percentile (as at fourth and final test date of 30 September 2014)*	67th percentile (as at first and final test on 31 December 2014)	60th percentile (subject to test on 31 December 2015)**	64th percentile (subject to test on 31 December 2016)**
Percentage of shares vested	100%	79.2%	83.33%	Not applicable	Not applicable
Percentage of shares forfeited	0%	20.8%	16.67%		
Subject to holding lock	Yes	Yes	Yes	Yes	Yes

* For the 2011 issue there were four test dates: 31 December 2013, 31 March 2014, 30 June 2014 and 30 September 2014. Issues post-2011 have one test date only.

** Reflects TSR performance as at 31 December 2014.

Remuneration report (continued)

Why can shares vest when TSR performance is negative?	The TSR measure is based on performance relative to a group of peer companies rather than being an absolute measure. This means that PanAust may outperform its peers even though TSR performance can be negative (e.g. a market downturn). Nevertheless, shares that vest in this situation will have no value to executives until the share price increases above the issue price.
In what circumstances would the LTSP entitlements be forfeited?	Where the employment of the participant is terminated other than for retirement, retrenchment or death, any shares subject to conditions which have not been satisfied (including performance conditions) are forfeited. In the case of retirement, retrenchment, or death, shares which have not vested and are still subject to conditions are forfeited unless the Board exercises its discretion to the contrary. It is also noted that unvested shares issued under the LTSP are subject to forfeiture conditions including (among others) circumstances where an Executive is in serious breach of a provision of employment, engages in conduct which brings the Company into substantial disrepute or is convicted of a criminal offence which involves fraud or dishonesty.
What happens to LTI entitlements upon a change of control in the Group?	Upon the happening of a "Control Event" (for example, a takeover or demerger), all shares subject to conditions will vest. The loan must still be repaid. Hence, for the senior executive to obtain a benefit in a change in control scenario, the offer price must exceed the then outstanding loan amount for a share. The Board is aware of the view of some stakeholders that there should be pro rata vesting in the event of a change in control. Having carefully considered this view, the Board considers that, in a change of control scenario, it is important that the interests of executives and shareholders are fully aligned.
Do unvested shares granted under the LTSP dilute existing shareholders' equity?	The issue of shares can have a minimal dilutionary impact upon other shareholders. However, the number of unvested shares issued under the LTSP must not exceed 5% of the total shares on issue at the time an offer to a participant is made.
Are the shares issued under the LTSP bought on market?	No. The Company issues new shares for the LTSP, it does not buy shares on market. Shares which are forfeited are available for future issues under the LTSP.
What other rights does the holder of the shares have?	Subject to the conditions and restrictions attaching to the shares, the holder of the shares has the same rights as any other holder of shares. This includes voting rights, a right to dividends, bonus shares and capital distributions.
Does the Company have Executive Share Ownership Guidelines?	The Company does not have a formal policy requiring executives to own shares. However, a significant component of each executive's remuneration consists of grants under the LTSP. Hence, at any given time, after an executive has been with the Company for more than three years, the executive typically has three unvested equity grants which are subject to performance conditions. As at the date of this report, all executives who have been with the Company for longer than three years have shares in the Company which have fully vested.
Can executive KMP hedge to ensure that they obtain a benefit from unvested LTI's?	No. The policy of the Company is that executives who participate in the LTSP are prohibited from hedging unvested grants made under the LTSP.
Does claw back / malus apply to unvested LTIs?	With effect on issues made on and from 1 January 2015, the Board may apply malus provisions to unvested LTIs so an Executive does not receive an "inappropriate benefit" if the Executive has been terminated for cause or where PanAust becomes aware of a material misstatement or omission in the financial statements of a Group company or the Group.

Remuneration report (continued)

IV. LTI Cash Bonus

During 2011 only, executives were invited to participate in the LTI Cash Bonus Plan. The payment of the LTI Cash Bonus was dependent upon the achievement of a number of performance conditions which differ from those applying to the vesting of shares under the LTSP. The performance conditions were satisfied on 31 December 2013. For details of the performance conditions and associated performance refer to the 2013 Annual Report. In 2014 there were two LTI Cash Bonus payments made to eligible executives as the requirements of the Plan were met. All LTI Cash Bonus Plan provisions ceased during 2014. The LTI Cash Bonus Plan has not been used for grants since 2012 and is not proposed to be used in 2015.

F. Relationship of incentives to PanAust's operating and financial performance

The fundamental aim of PanAust is to benefit shareholders by out-performing its peers through growth of production from relatively low capital and operating cost operations and through acquisition and development. The Company is equally committed to: achieving excellence in sustainability practices; ensuring the safety, health and wellbeing of its employees; and responsibly managing the impacts to the communities and the environment within which it operates. Accordingly, remuneration is linked to sustainability performance at all levels of the organisation to reinforce sustainability as a core value.

In terms of PanAust's performance over the course of 2014, the following is noted:

- The Company exceeded the upper end of 2014 production guidance producing 71,155t of copper (compared to guidance of between 65,000t and 70,000t of copper) and 168,755oz of gold (compared to guidance of 160,000oz to 165,000oz of gold);
- Completed acquisition of an 80 percent interest in the Frieda River Copper-Gold project in Papua New Guinea from Glencore Xstrata on 25 August 2014;
- Dividends of A$0.06 per share were paid during the course of 2014;
- The Company's focus on lead indicators, safety leadership training and 2014 hotspots resulted in a significant decrease in TRIFR performance from the prior year and against budget. In 2013, the Company was the second best performer in the ASX/S&P 100 with TRIFR performance of 1.72. The target TRIFR for 2014 was 1.67 and 0.88 was achieved. This performance was marred by two contractor fatalities following a rock fall at the remote LCT exploration site.

The trend of low commodity and precious metal prices in 2013 continued in 2014 and negatively impacted PanAust's share price and earnings. As they did in 2013, the Board considered this performance in exercising its discretion to apply a Business Factor of 90% to executive STI awards for 2014.

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

Year	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14
A$ per share	4.45	3.20	3.34	1.80	1.41
A$ market capitalisation	2,630,107,369	1,900,774,992	2,023,914,155	1,116,622,060	897,605,289
Dividends attributable to the financial year (A$)	-	-	0.07	0.06	0.03
Basic Earnings Per Share (EPS) (US$)*	0.245	0.225	0.240	0.061	(0.298)
US$ profit ('000)	160,097	146,562	158,328	43,696	(221,380)

* Basic EPS is calculated as net profit after tax and non-controlling interests (statutory profit) divided by the weighted average number of ordinary shares (excluding treasury shares).

The consolidation of shares on a 1 for 5 basis was approved by the shareholders at the Annual General Meeting held on 21 May 2011. The comparative value per share has been restated to ensure like for like comparison.

Refer to the question and answer sections in relation to STI's and LTI's for further discussion of alignment between incentives and PanAust's operating and financial performance.

G. Service agreements

Managing Director

The Company entered into a new Service Agreement with Dr Fred Hess for his appointment as Managing Director. The new Service Agreement superseded the previous Service Agreement entered into by the Company and Dr Hess for his previous senior executive role.

Executive KMP other than the Managing Director

During the course of 2014, a review was conducted of all senior executive service agreements (other than the Managing Director). The objective of the review was to:

- the extent practical under the governing law of the relevant Service Agreement, to transition all senior executives to service agreements with similar terms and conditions relating to notice periods for resignation and termination and termination payments; and
- promote senior executive retention in the context of the initiation of a Managing Director succession process (now concluded) and receipt of the indicative non-binding proposal from GRAM to acquire all of the shares in the Company.

As a result of the review, the following amendments were implemented for all senior executives other than the Managing Director:

- Inclusion of a retention bonus of A$80,000 to be paid on 31 December 2015 if the senior executive has not resigned from the Company prior to that date;
- An additional three months' notice (in addition to the minimum three months' notice) to be given should the executive's employment be terminated (without cause) on or prior to 31 December 2015. After 31 December 2015, the notice period will revert to the previous minimum three months' notice.

The table below provides a high level overview of conditions relating to the term of the agreement, the notice period to terminate and the termination benefit for the executive KMP. Terms of agreement and associated benefits were agreed at the time the executive KMP commenced with PanAust, upon promotion, amendment or variation of the service agreement.

Name and Title	Date of Service Agreement	Term of Agreement	Notice Period by the Executive	Notice Period by the Company (good leaver)	Maximum Termination Benefit (assuming at least six years' service)
Dr Fred Hess, Managing Director	11 November 2014	Open	6 months	6 months	12 months Fixed Remuneration
Rob Usher, EGM PanAust Asia *	30 July 2010	Open	3 months	6 months	12 months Fixed Remuneration **
David Hairsine, Chief Financial Officer	13 October 2014	Open	3 months	6 months	12 months Fixed Remuneration **
Francisco Tomic, EGM PanAust South America	13 July 2010	Open	3 months	6 months	10.5 months Fixed Remuneration **

* Mr Rob Usher's employment with the Company ceased with effect 31 January 2015.
** Assumes notice period is paid in lieu and if notice for termination (other than for cause) is given by the Company, recognition of past services is provided after one (1) year of service. The Executive will receive one (1) month of Total Fixed Remuneration at the time of termination for every year the Executive was employed by the Company to a maximum of six (6) months payment. Termination benefits for part years of employment will be calculated on a pro-rata basis. The termination benefit includes the increased notice period which will conclude on 31 December 2015 (does not apply to the Managing Director).

H. Former Managing Director's Succession Service Agreement

On 6 March 2014, the Company announced that a succession process had been commenced for the position of Managing Director. This followed entry into a new service agreement by the Company and the former Managing Director, Gary Stafford (the "Succession Service Agreement"). This replaced the previous service agreement between the Company and Gary Stafford entered into in 1996. A summary of the terms and conditions of the Succession Service Agreement was released to the market on 6 March 2014. The succession took effect on 11 November 2014 following the resignation of Gary Stafford (who gave three months' notice in accordance with the terms of the Succession Service Agreement) and the appointment of Fred Hess as the new Managing Director with immediate effect.

The following information provides further details relating to the remuneration structure, Succession Service agreement, short term incentive, special short term incentive and additional information for the former Managing Director, Gary Stafford.

Remuneration Structure for the former Managing Director

The remuneration structure under the Succession Service Agreement reflected the institution of the succession process for the position of Managing Director. The total compensation package had three components:

a. Total fixed remuneration;
b. Short term incentive subject to performance parameters consistent with previous years; and
c. A special short term incentive subject to performance parameters relating to succession and transition. This component of remuneration replaced the long term incentive component previously provided through the issue of shares under the PanAust Executives' Long Term Share Plan (LTSP). (There were no grants made to the former Managing Director under the LTSP in 2014). After receipt of a non-binding indicative proposal from the Company's cornerstone shareholder, Guangdong Rising Assets Management, the performance parameters for the special short term incentive were adjusted to include performance benchmarks relating to management of the Company's response to the non-binding indicative proposal.

The following table shows the Board approved remuneration structure for the former Manager Director, Gary Stafford.

Total Remuneration and Pay-Mix							
Executive KMP	Fixed Remuneration			Short Term Incentive opportunity		Special Short Term Incentive opportunity 2014 / Long Term Incentive opportunity 2013)	
	Currency	**Amount**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration
Gary Stafford							
2014	AUD$	**1,170,100**	34%	**67%**	23%	**125%**	43%
2013	AUD$	**1,136,000**	34%	**67%**	23%	**125%**	43%

Further details with respect to categories of remuneration

a. Fixed Remuneration (FR)

The former Managing Director's Fixed Remuneration was comprised of base salary and superannuation.

b. Short Term Incentive

The STI performance measures and weighting percentage for the period 1 January – 11 November 2014 were:

- Sustainability: Lag indicator performance including Total Recordable Injury Frequency Rate (TRIFR) and environmental incidents. Safety and environmental lead indicators focused on implementation of safety and environment culture initiatives addressing 2013 safety and environmental hotspots (20%);
- Growth Initiatives: Objectives relating to Inca de Oro, Frieda River, KTL and Phu Kham (25%);
- PanAust Laos Operations: Phu Kham copper production and all in sustaining costs; Ban Houayxai gold production and all in sustaining costs (25%);
- PanAust EBITDA Guidance: actual EBITDA is adjusted for metal price assumptions so that there is no windfall gain (should metal prices rise) or penalty (should metal prices fall) (20%); and
- Achievement Plan: assessment of overall performance and achievement of critical tasks (10%).

Remuneration report (continued)

The business factor applicable to the current Managing Director and other senior executives (refer to pages 27-28) was not applicable to the former Managing Director. The Board considered it inappropriate in the context of a service agreement applying during a succession process.

c. Special Short Term Incentive

As referred to above, under the Succession Service Agreement entered into by the former Managing Director on 6 March 2014, the Special Short Term Incentive replaced the Long Term Incentive component. The performance measures and weighting percentage for the Special Short Term Incentive were:

- Leading key stakeholder (including employee) engagement regarding the transition (70%). This included liaising with key stakeholders and key business partners at all stages of the process and assisting in the retention of the executive team to ensure leadership stability;
- Actively assisting with preparation and implementation of transition to a successor Managing Director (30%).

With effect from 1 July 2014, the Special STI performance parameters were adjusted to respond to the indicative non-binding proposal from GRAM to acquire all of the shares in the Company. The takeover response performance parameters related to assisting in the management of the response to the proposal, including interaction with key stakeholders and management of activities typical for a listed public company when it receives such a proposal.

Succession Service Agreement

The term of the Succession Service Agreement was up to eighteen months with neither party being able to terminate (without cause) prior to 31 August 2014. On and from 31 August 2014, the Company could terminate the Agreement upon the giving of one month's notice and the former Managing Director could terminate the Agreement by giving three months' notice. In the event, the Managing Director resigned on 11 November 2014 by giving three months' notice.

The Succession Service Agreement also provided for a payment to Gary Stafford of A$4,681,880 for cancellation of rights under the previous service agreement and imposition of obligations under the Succession Service Agreement, including in relation to succession and transition. Under the previous service agreement (entered into in 1996), the former Managing Director had a number of rights which were cancelled. These included the right to:

- Payment of 12 months' total compensation package (as opposed to fixed remuneration) upon termination by the Company without cause or upon retirement (six months plus one month for each completed year of service up to a maximum of 12 months);
- Payment of accrued annual leave and long service leave on the basis of total compensation package (as opposed to fixed remuneration); and
- Three months' notice of termination at the election of the Company without cause (on and from 31 August, this was decreased to one month under the Succession Service Agreement, with the Company having the right to make payment in lieu of notice).

The amounts paid to Gary Stafford during 2014 as represented in the tables in section I comprise the following:

- Payment on 6 March 2014 of A$4,681,880 (as outlined above);
- Total fixed remuneration of A$1,170,100 prorated for the period 1 January 2014 – 11 November 2014 (being the date of Gary Stafford's resignation) (the pro rata amount being A$982,126 and superannuation of A$27,083);
- Payment of Short Term Incentive Opportunity (90.6% of opportunity) prorated up to 30 September 2014 (A$531,746);
- Payment of Special Short Term Incentive (100% of opportunity) prorated up to 31 October 2014 (A$1,219,667);
- Annual Leave and Long Service Leave accruals up to 11 November 2014 (A$757,167); and
- Termination benefits which include three months Total Fixed Remuneration in lieu of notice (A$292,525) and payment of a A$650,000 settlement amount (following institution of legal proceedings by Gary Stafford) which settles all other claims associated with the Succession Service Agreement, including (among other things) all contractual rights to the payment of a Short Term Incentive for the period from 1 October 2014 to 11 February 2015 (being the end of the three month notice period applying to a resignation) and all contractual rights to the payment of a Special Short Term Incentive for the period 1 November 2014 to 11 February 2015. The total amount is A$942,525.

Remuneration report (continued)

Additional Information

The following table provides commentary on the STI outcomes for the former Managing Director for the period ending 30 September 2014.

Gary Stafford (former Managing Director) STI targets and highlights of results as at 30 September 2014 (pro rata STI opportunity paid was 90.6%):

Targets	Weighting	FY2014 assessment highlights
Sustainability	20%	TRIFR performance of 1.07 was better than the target of 1.67. However this component was not paid due to the two LCT fatalities. Positive improvement was made in relation to identified hotspots across the Group. This included: • Reduction in the number of potential Level 3+(#) vehicle incidents; • Significant progress towards the implementation of a visible safety leadership program across Group, including the deep dive review program undertaken by operational executives to test critical controls for high risk work activities (safety standards, processes and procedures); and • Continued improvement of sediment control. Zero environmental incidents categorised as Level 4 or above. Strong government relationships managed within Laos and PNG.
Financial Performance	20%	Achieved at budgeted guidance adjusted for metal prices.
PanAust Asia Performance	25%	Phu Kham copper production achieved between budget and stretch. Phu Kham All In Sustaining Cost achieved between budget and stretch. Gold production at Ban Houayxai performed between the budget and stretch target. Ban Houayxai All In Sustaining Cost achieved between budget and stretch.
Growth	25%	In line with PanAust's corporate growth strategy, the share sale and purchase agreement with Glencore Xstrata to acquire an 80 percent interest in the Frieda River Copper-Gold Project in Papua New Guinea was completed on 25 August 2014. This is a significant milestone as Frieda River is one of the world's largest undeveloped copper-gold resources and will play a significant role in the Company's strategy to not only replenish existing resources but to grow the Company further.
Board Discretion	10%	Assessment based on individual performance against achievement plan.

(#) Level 3 + : A safety incident with the potential to result in a fatality, lost time injury, or long term medical treatment for the person involved.

Remuneration report (continued)

Gary Stafford (former Managing Director) Special STI targets and highlights of results as at 31 October 2014 (pro rata STI opportunity paid was 100%):

Targets	Weighting	FY2014 assessment highlights
Lead key stakeholder (including (employee engagement) regarding Managing Director succession.	70% during the period from 1 January 2014 to 30 June 2014 when superceded with the Special STI performance parameters relating to responding to the indicative non-binding bid from GRAM to acquire all of the shares in the Company (see below).	All requested assistance provided with respect to liaison with all key stakeholders in relation to the initiation of the succession process, including employees, government, joint venture partners and cornerstone investor. All requested assistance provided with respect to identification of relevant candidates and other succession related matters. All members of the senior executive team were retained throughout the succession period (announced on 6 March 2014 with succession implemented on 11 November 2014).
Actively assisting with the preparation and implementation of transition to a successor Managing Director.	30% during the period from 1 January 2014 to 30 June 2014 when superceded with the Special STI performance parameters relating to responding to the indicative non-binding bid from GRAM to acquire all of the shares in the Company (see below). For the	All requested assistance was provided.
Managing the response to the indicative non-binding proposal from GRAM to acquire 100% of the shares in the Company	For the period from 1 July 2014 (100%)	All actions required and usual to be taken by a listed public company in response to an unsolicited indicative non-binding proposal were completed.

PanAust Limited
Directors' report
31 December 2014
(continued)
Remuneration report (continued)

I. Details of remuneration

Details of the nature and amount of each major element of the remuneration of each KMP stated in US$ is as follows:

		Short-term employee benefits				Sub-total			Non-cash benefits		
Name		Directors' Fees / Base Salary US$ (1)	Short Term Incentive US$ (1)	Retirement benefits/ Super-annuation US$ (1)	Other US$ (4)	Cash benefits received US$ (1)	Accrued leave payout US$	Termination benefits US$	Long service leave US$ (1)/(2)	Long Term Incentive US$ (1)/(3)	Total remuneration US$ (1)
Non-executive Directors											
Garry Hounsell	**2014**	**306,468**	-	**16,379**	-	**322,847**	-	-	-	-	**322,847**
	2013	327,619	-	16,332	-	343,951	-	-	-	-	343,951
Nerolie Withnall	**2014**	**153,763**	-	**14,407**	-	**168,170**	-	-	-	-	**168,170**
	2013	170,737	-	15,570	-	186,307	-	-	-	-	186,307
Geoff Handley	**2014**	**138,201**	-	**22,987**	-	**161,188**	-	-	-	-	**161,188**
	2013	157,603	-	14,372	-	171,975	-	-	-	-	171,975
Geoff Billard	**2014**	**139,392**	-	**13,063**	-	**152,455**	-	-	-	-	**152,455**
	2013	146,283	-	16,138	-	162,421	-	-	-	-	162,421
Zezhong Li	**2014**	**139,004**	-	-	-	**139,004**	-	-	-	-	**139,004**
	2013	148,090	-	-	-	148,090	-	-	-	-	148,090
John Crofts *	**2014**	**170,391**	-	-	-	**170,391**	-	-	-	-	**170,391**
	2013	177,356	-	-	-	177,356	-	-	-	-	177,356
Ken Pickering	**2014**	**152,455**	-	-	-	**152,455**	-	-	-	-	**152,455**
	2013	162,421	-	-	-	162,421	-	-	-	-	162,421
Annabelle Chaplain	**2014**	**133,222**	-	**12,487**	-	**145,709**	-	-	-	-	**145,709**
	2013	142,093	-	5,997	-	148,090	-	-	-	-	148,090
Sub-total	**2014**	**1,332,896**	-	**79,323**	-	**1,412,219**	-	-	-	-	**1,412,219**
	2013	1,432,202	-	68,409	-	1,500,611	-	-	-	-	1,500,611
Managing Director											
Gary Stafford	**2014**	**885,271**	**1,578,692**	**24,412**	**4,220,163**	**6,708,538**	**682,497**	**849,575**	-	**1,022,479**	**9,263,089**
(resigned 11 Nov 2014)	2013	1,075,154	631,117	24,316	-	1,730,587	-	-	82,965	1,211,010	3,024,562
Fred Hess	**2014**	**70,265**	**49,680**	**2,424**	-	**122,369**	-	-	**1,376**	-	**123,745**
(appointed 11 Nov 2014)	2013	-	-	-	-	-	-	-	-	-	-
Other executive KMP											-
Fred Hess	**2014**	**464,484**	**198,671**	**24,703**	-	**687,858**	-	-	**67,232**	**475,222**	**1,230,312**
	2013	524,057	257,864	24,316	-	806,237	-	-	8,812	378,883	1,193,932
Rob Usher **	**2014**	**529,743**	**244,998**	-	-	**774,741**	-	**513,788**	-	**460,302**	**1,748,831**
	2013	603,521	253,933	-	-	857,454	-	-	-	367,013	1,224,467
David Hairsine	**2014**	**441,219**	**176,279**	**25,168**	-	**642,666**	-	-	**11,502**	**393,220**	**1,047,388**
	2013	459,393	178,550	24,316	-	662,259	-	-	6,367	314,634	983,260
Francisco Tomic	**2014**	**409,612**	**178,337**	**18,088**	-	**606,037**	-	-	-	**330,934**	**936,971**
	2013	410,422	194,351	8,078	-	612,851	-	-	-	322,718	935,569
Total	**2014**	**4,133,490**	**2,426,657**	**174,118**	**4,220,163**	**10,954,428**	**682,497**	**1,363,363**	**80,110**	**2,682,157**	**15,762,555**
	2013	4,504,749	1,515,815	149,435	-	6,169,999	-	-	98,144	2,594,258	8,862,401

*Mr John Crofts' remuneration included a fee for providing non-executive director services for the Company's Singaporean subsidiaries.

**Mr Rob Usher's remuneration for 2014 included an excess annual leave payout of US$13,390 (2013: US$63,687). In addition, his remuneration for 2014 includes a termination payment of six months Total Fixed Remuneration in lieu of notice (US$256,894) and six months Total Fixed Remuneration in recognition of past service as a termination payment (US$256,894). These amounts were provided for as at 31 December 2014 and were paid to Mr Rob Usher on 31 January 2015.

PanAust Limited
Directors' report
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(continued)

Remuneration report (continued)

Details of the nature and amount of each major element of the remuneration of each KMP stated in AUD is as follows:

Name		Short-term employee benefits				Sub-total			Non-cash benefits		
		Directors' Fees / Base Salary AUD (1)	Short Term Incentive AUD (1)	Retirement benefits/ Super-annuation AUD (1)	Other AUD (4)	Cash benefits received AUD (1)	Accrued leave payout AUD	Termination benefits AUD	Long service leave AUD (1)/(2)	Long Term Incentive AUD (1)/(3)	Total remuneration AUD (1)
Non-executive Directors											
Garry Hounsell	**2014**	**341,721**	**-**	**18,279**	**-**	**360,000**	**-**	**-**	**-**	**-**	**360,000**
	2013	342,878	-	17,122	-	360,000	-	-	-	-	360,000
Nerolie Withnall	**2014**	**171,431**	**-**	**16,069**	**-**	**187,500**	**-**	**-**	**-**	**-**	**187,500**
	2013	178,695	-	16,305	-	195,000	-	-	-	-	195,000
Geoff Handley	**2014**	**154,582**	**-**	**25,418**	**-**	**180,000**	**-**	**-**	**-**	**-**	**180,000**
	2013	164,949	-	15,051	-	180,000	-	-	-	-	180,000
Geoff Billard	**2014**	**155,428**	**-**	**14,572**	**-**	**170,000**	**-**	**-**	**-**	**-**	**170,000**
	2013	153,094	-	16,906	-	170,000	-	-	-	-	170,000
Zezhong Li	**2014**	**155,000**	**-**	**-**	**-**	**155,000**	**-**	**-**	**-**	**-**	**155,000**
	2013	155,000	-	-	-	155,000	-	-	-	-	155,000
John Crofts *	**2014**	**190,000**	**-**	**-**	**-**	**190,000**	**-**	**-**	**-**	**-**	**190,000**
	2013	190,000	-	-	-	190,000	-	-	-	-	190,000
Ken Pickering	**2014**	**170,000**	**-**	**-**	**-**	**170,000**	**-**	**-**	**-**	**-**	**170,000**
	2013	170,000	-	-	-	170,000	-	-	-	-	170,000
Annabelle Chaplain	**2014**	**148,569**	**-**	**13,931**	**-**	**162,500**	**-**	**-**	**-**	**-**	**162,500**
	2013	148,438	-	6,562	-	155,000	-	-	-	-	155,000
Sub-total	**2014**	**1,486,731**	**-**	**88,269**	**-**	**1,575,000**	**-**	**-**	**-**	**-**	**1,575,000**
	2013	1,503,054	-	71,946	-	1,575,000	-	-	-	-	1,575,000
Managing Director											
Gary Stafford	**2014**	**982,126**	**1,751,413**	**27,083**	**4,681,880**	**7,442,502**	**757,167**	**942,525**	**-**	**1,134,124**	**10,276,318**
(resigned 11 Nov 2014)	2013	1,111,000	651,066	25,000	-	1,787,066	-	-	206,442	1,260,080	3,253,588
Fred Hess	**2014**	**84,561**	**55,115**	**2,917**	**-**	**142,593**	**-**	**-**	**1,197**	**-**	**143,790**
(appointed 11 Nov 2014)	2013	-	-	-	-	-	-	-	-	-	-
Other executive KMP											-
Fred Hess	**2014**	**503,484**	**415,972**	**27,083**	**-**	**946,539**	**-**	**-**	**58,479**	**527,651**	**1,532,669**
	2013	541,300	266,015	25,000	-	832,315	-	-	25,684	391,458	1,249,457
Rob Usher **	**2014**	**585,591**	**271,803**	**-**	**-**	**857,394**	**-**	**570,000**	**-**	**511,084**	**1,938,478**
	2013	620,415	261,959	-	-	882,374	-	-	-	379,180	1,261,554
David Hairsine	**2014**	**482,383**	**195,565**	**27,917**	**-**	**705,865**	**-**	**-**	**1,163**	**436,609**	**1,143,637**
	2013	474,300	184,194	25,000	-	683,494	-	-	23,239	325,027	1,031,760
Francisco Tomic	**2014**	**469,548**	**197,848**	**20,067**	**-**	**687,463**	**-**	**-**	**-**	**367,445**	**1,054,908**
	2013	437,065	200,494	8,333	-	645,892	-	-	-	332,334	978,226
Total	**2014**	**4,594,424**	**2,887,716**	**193,336**	**4,681,880**	**12,357,356**	**757,167**	**1,512,525**	**60,839**	**2,976,913**	**17,664,800**
	2013	4,687,134	1,563,728	155,279	-	6,406,141	-	-	255,365	2,688,079	9,349,585

*Mr John Crofts' remuneration included a fee for providing non-executive director services for the Company's Singaporean subsidiaries.

**Mr Rob Usher's remuneration for 2014 included an excess annual leave payout of AUD14,991 (2013: AUD62,115). In addition, his remuneration for 2014 includes a termination payment of six months Total Fixed Remuneration in lieu of notice (AUD285,300) and six months Total Fixed Remuneration in recognition of past service as a termination payment (AUD285,300). These amounts were provided for as at 31 December 2014 and were paid to Mr Rob Usher on 31 January 2015.

Notes to previous tables:

(1) Payments to the non-executive Directors, the Managing Director and other senior executives are paid in Australian dollars, other than Francisco Tomic who is paid in United States dollars. The Australian values are converted using the exchange rate closest to date of payment.

(2) Long service leave and termination benefits represent amounts provided for long service leave and termination entitlements during the year ended 31 December 2014.Termination benefits are those referred to under Section G. Termination benefits payable when an executive KMP leaves the employment of the Company (other than for gross misconduct) are included in the table. Refer to section H for details relating to the former Managing Director's termination benefits.

(3) The value for Long Term Incentives presented in the tables above is calculated in accordance with AASB2 Share Based Payments and represents securities issued under the LTI equity plans that have been expensed during the current year. Refer to the table on the previous page for full details of the fair A$ value at the grant date for long term incentive securities issued by the Company to the executive KMP in this, previous or future reporting periods and the number of

securities issued to those senior executives during the reporting period. The fair values of long term incentives have been calculated by an independent third party. No share issue under the Executive Long Term Share Plan was made to the former Managing Director, Mr Gary Stafford, in 2014. More information can be found in section J of this report.

(4) The "other" column represents the payment made to the former Managing Director as released to the market on 6 March 2014 for cancellation of rights under the previous service agreement and imposition of obligations under the Succession Services Agreement, including in relation to succession and transition. More information can be found in section H of this report.

Fixed remuneration and variable remuneration as a percentage of total actual remuneration

The table below shows the proportion of the total actual remuneration that is linked to performance and the proportion that is fixed and is derived from the remuneration tables above:

	Fixed Remuneration		At risk - STI, Special STI and Others		LTI, accrued and termination benefits	
Name	**2014**	2013	**2014**	2013	**2014**	2013
Managing Director						
Fred Hess (appointed 11 Nov 2014)	**59%**	-	**40%**	-	**1%**	-
Former Managing Director						
Gary Stafford (resigned 11 Nov 2014)	**10%**	36%	**63%**	21%	**28%**	43%
Other executive KMP						
Fred Hess	**40%**	46%	**16%**	22%	**44%**	32%
Rob Usher	**30%**	49%	**14%**	21%	**56%**	30%
David Hairsine	**45%**	49%	**17%**	18%	**39%**	33%
Francisco Tomic	**46%**	45%	**19%**	21%	**35%**	34%

Remuneration report (continued)

J. Share-based compensation grants held by Managing Director and other executives

The table below highlights the movement in rights for the former Managing Director, current Managing Director and other executives in 2014.

			Movement during the year			As at 31 December 2014		
	Grant Date	Type	Balance at 1 January 2014	Shares granted (ii)/(v)	Balance at 31 December 2014	Vested and Exercisable	Unvested	Loan Amount $A *
Gary Stafford **	17-May-13	LTSP	3,552,500	-	3,552,500	-	3,552,500	8,375,374
	21-May-12	LTSP	2,120,141	-	2,120,141	1,766,713	353,428	4,759,261
	23-May-11	LTSP	501,312	-	501,312	397,054	104,258	681,013
	21-May-10	LTSP	1,430,500	-	1,430,500	1,430,500	-	3,521,390
Total number			**7,604,453**	**-**	**7,604,453**	**3,594,267**	**4,010,186**	**17,337,038**
Total value				**-**				
Fred Hess	24-Feb-14	LTSP	-	1,186,000	1,186,000	-	1,186,000	2,334,819
	25-Feb-13	LTSP	870,250	-	870,250	-	870,250	2,411,637
	2-Mar-12	LTSP	514,211	-	514,211	428,492	85,719	1,506,214
	18-Feb-11	LTSP	109,306	-	109,306	86,574	22,732	169,175
	21-May-10	LTSP	298,020	-	298,020	298,020	-	733,621
Total number			**1,791,787**	**1,186,000**	**2,977,787**	**813,086**	**2,164,701**	**7,155,466**
Total value				**649,892**				
Rob Usher ***	24-Feb-14	LTSP	-	1,148,667	1,148,667	-	1,148,667	2,261,323
	25-Feb-13	LTSP	843,000	-	843,000	-	843,000	2,336,122
	2-Mar-12	LTSP	498,080	-	498,080	415,050	83,030	1,458,963
	18-Feb-11	LTSP	105,872	-	105,872	83,854	22,018	163,859
	21-May-10	LTSP	226,500	-	226,500	226,500	-	557,564
Total number			**1,673,452**	**1,148,667**	**2,822,119**	**725,404**	**2,096,715**	**6,777,831**
Total value				**629,435**				
David Hairsine	24-Feb-14	LTSP	-	995,000	995,000	-	995,000	1,958,807
	25-Feb-13	LTSP	730,250	-	730,250	-	730,250	2,023,669
	2-Mar-12	LTSP	411,738	-	411,738	343,101	68,637	1,206,052
	18-Feb-11	LTSP	94,558	-	94,558	74,893	19,665	146,349
	21-May-10	LTSP	262,260	-	262,260	262,260	-	645,592
Total number			**1,498,806**	**995,000**	**2,493,806**	**680,254**	**1,813,552**	**5,980,469**
Total Value				**545,230**				
Francisco Tomic	24-Feb-14	LTSP	-	827,000	827,000	-	827,000	1,628,074
	25-Feb-13	LTSP	607,000	-	607,000	-	607,000	1,682,118
	2-Mar-12	LTSP	356,890	-	356,890	297,396	59,494	1,045,393
	18-Feb-11	LTSP	139,932	-	139,932	110,830	29,102	216,576
Total number			**1,103,822**	**827,000**	**1,930,822**	**408,226**	**1,522,596**	**4,572,161**
Total value				**453,171**				
Herman Dittmar ****	24-Feb-14	LTSP	-	879,667	879,667	-	879,667	1,731,756
	25-Feb-13	LTSP	645,500.00	-	645,500	-	645,500	1,788,810
	2-Mar-12	LTSP	377,785	-	377,785	314,808	62,977	1,106,598
	17-Jan-12	LTSP	61,278	-	61,278	48,534	12,744	83,244
Total number			**1,084,563**	**879,667**	**1,964,230**	**363,342**	**1,600,888**	**4,710,408**

Remuneration report (continued)

* Loans are limited recourse. The loan is equal to the market price of each share multiplied by the number of shares less the after-tax amount (based on Australian tax and levy rates) in respect of a cash dividend or a distribution received by the Executive which must be paid off the outstanding loan balance. If at the end of the loan period the share price is below the outstanding loan amount the executive will not be liable for any amount in excess of the market value of vested shares.

** In accordance with the Succession Service Agreement with the former Managing Director, the Board elected to treat the former Managing Director as having retired for the purposes of the LTSP and that following his cessation of employment the unvested shares at such date were not forfeited.

*** In accordance with the LTSP Rules Mr Usher's employment was terminated by reason of retrenchment. Following cessation of his employment on 31 January 2015 the unvested shares were not forfeited subject to shareholder approval.

**** Section 300(1) of the Corporations Act 2001 (Cth) requires additional disclosure for the five most highly remunerated executives. Herman Dittmar is not a KMP but is part of the five most highly remunerated executives.

(i) The value at grant date reflects the fair value of the right multiplied by the number of rights granted during the period converted using the rate at the date of grant.
(ii) The value at exercise date of the securities that were granted as part of remuneration and were exercised during the year, being the value of the share at the date of exercise less the exercise price and less the fair value of the right at grant date multiplied by the number of rights exercised converted using the rate at the date of exercise.
(iii) The value at lapse date of the securities that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied.
(iv) The fair values of long term incentives have been calculated by an independent third party. This table summarises the details of the grants and assumptions that were used in determining the fair value of LTSP, options and rights on the grant date.

Remuneration report (continued)

Type	**LTSP**	**LTSP**	**LTSP**	**LTSP**	**LTSP**	**LTSP**	**LTSP**	**LTSP**
Grant date	24 Feb 2014	17 May 2013	25 Feb 2013	21 May 2012	2 Mar 2012	23 May 2011	18 Feb 2011	21 May 2010
Date vested and exercisable	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13	31-Dec-12
Expiry date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loan expiry date	31-Dec-18	31-Dec-17	31-Dec-17	31-Dec-16	31-Dec-16	31-Dec-15	31-Dec-15	21-May-15
Fair value per share at grant date A$	0.610	0.470	0.500	0.614	0.878	1.124	1.375	0.600
Share price at grant date A$	1.980	2.220	2.780	2.760	3.570	3.750	4.200	2.175
Exercise price A$/ Loan value per share A$	2.000	2.405	2.840	2.779	3.600	3.775	4.285	2.547
% Vested	nil	nil	nil	83.33%	83.33%	79.00%	79.00%	100%
Dividend yield	3.00%	2.50%	2.50%	1.25%	1.25%	nil	nil	nil
Risk-free interest rate	3.40%	2.60%	2.90%	2.40%	3.80%	5.10%	5.40%	5.03%
Estimated volatility	50%	40%	40%	40%	40%	40%	40%	40%
Staff turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

K. Additional information

This section of the remuneration report details matters required to be reported by the Corporations Act 2011 which have not been dealt with elsewhere in this report and provides further disclosure in the interests of transparency.

Remuneration report (continued)

Name	Year granted	STI Opportunity - % Paid	LTSP Securities: Financial years in which securities may vest	LTSP Securities: Minimum total value of grant yet to vest US$ (1)	LTSP Securities: Maximum total value of grant yet to vest as at 31 December 2014 US$ (2)
Managing Director					
Fred Hess	**2014**	**84%**	**2016**	Nil	**457,921**
(appointed 11 Nov 2014)	2013	86%	2015	Nil	137,784
	2012	90%	2014	Nil	Nil
	2011	79%	2013	Nil	Nil
Former Managing Director					
Gary Stafford	**2014**	-	**2016**	Nil	Nil
	2013	86%	2015	Nil	573,414
	2012	86%	2014	Nil	Nil
	2011	67%	2013	Nil	Nil
Other executive KMP					
Rob Usher	**2014**	**85%**	**2016**	Nil	**443,506**
	2013	84%	2015	Nil	133,470
	2012	84%	2014	Nil	Nil
	2011	75%	2013	Nil	Nil
David Hairsine	**2014**	84%	**2016**	Nil	**384,174**
	2013	81%	2015	Nil	115,619
	2012	100%	2014	Nil	Nil
	2011	87%	2013	Nil	Nil
Francisco Tomic	2014	**70%**	**2016**	Nil	**319,309**
	2013	77%	2015	Nil	96,105
	2012	72%	2014	Nil	Nil
	2011	66%	2013	Nil	Nil

(1) The LTSP securities vest after three years provided the vesting conditions are met. No LTSP securities will vest if the conditions are not satisfied, hence the minimum value of the LTSP securities yet to vest is nil. Upon vesting a holding lock remains in place pending repayment of the non-recourse loan.

(2) The maximum value of the LTSP securities yet to vest is calculated by taking the fair value of the securities as at the grant date and deducting that component of the fair value of the LTSP securities which has already been expensed.

Remuneration report (continued)

The following two tables provide additional commentary on the STI outcomes for executive KMP for the year ended 31 December 2014.

Fred Hess' (Managing Director) STI targets and highlights of results as at 31 December 2014 (pro rata STI opportunity paid was 84.37%):

Targets	Weighting	FY2014 assessment highlights
Sustainability	20%	TRIFR performance of 0.88 was 50% better than the target of 1.67. However this component was not paid due to the two LCT fatalities. Positive improvement was made in relation to identified hotspots across the Group. This included: • Significant reduction in the number of potential Level 3+(#) vehicle incidents; • Implementation of a visible safety leadership program across Group, including the deep dive review program undertaken by operational executives to test critical controls for high risk work activities (safety standards, processes and procedures); and • Continued improvement of sediment control. Zero environmental incidents categorised as Level 4 or above. Strong government relationships managed within Laos and strong external, government and local stakeholder engagement in PNG leveraging off our Laos credentials.
Financial Performance	20%	Exceeded upper end of guidance in relation to EBITDA adjusted for metal prices.
PanAust Asia Performance	25%	Phu Kham copper production achieved above the stretch target exceeding guidance. Phu Kham All In Sustaining Cost achieved better than stretch. Gold production at Ban Houayxai performed between the budget and stretch target. Ban Houayxai All In Sustaining Cost achieved between budget and stretch.
Growth	25%	In line with PanAust's corporate growth strategy, the share sale and purchase agreement with Glencore Xstrata to acquire an 80 percent interest in the Frieda River Copper-Gold Project in Papua New Guinea was completed on 25 August 2014. This is a significant milestone as Frieda River is one of the world's largest undeveloped copper-gold resources and will play a significant role in the Company's strategy to not only replenish existing resources but to grow the Company further. Organisational restructure and efficiency review undertaken resulting in immediate annualised savings of A$15.5m and target total cost savings of A$50m.
Board Discretion	10%	Assessment based on individual performance against achievement plan.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.

* Refer to pages 27-28 for an explanation of the Business Factor.

(#) Level 3 + : A safety incident with the potential to result in a fatality, lost time injury, or long term medical treatment for the person involved.

Remuneration report (continued)

STI targets and highlights of results for executive KMP:

Executive / Targets	Weighting	FY2014 assessment against KPIs (highlights only)
Fred Hess (EGM, Project Development & Operational Improvement): STI opportunity paid was 81% (1 January – 11 November 2014)		
Sustainability	20%	TRIFR performance was exceptional for Projects with zero TRIFR achieved. Positive improvement was made in relation to identified hotspots across Projects. This included: • Zero potential Level 3+(#) vehicle incidents; • Implementation of a visible safety leadership program across Projects, including participation in the deep dive review program undertaken by operational executives to test critical controls for high risk work activities (safety standards, processes and procedures); and • Continued improvement of sediment control. Zero environmental incidents categorised as Level 3 or above. Strong external, government and local stakeholder engagement in PNG.
PanAust Laos Operations	20%	Phu Kham copper production achieved above the stretch target with copper production exceeding guidance. Gold production at Ban Houayxai performed between the budget and stretch target.
Growth	30%	As per Managing Director's commentary above. Following acquisition of the Frieda River project, progress has been made on the Frieda River Feasibility Study, including commencement of site infrastructure drilling program.
Achievement Plan	30%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.

* Refer to pages 27-28 for an explanation of the Business Factor.

(#) Level 3 + : A safety incident with the potential to result in a fatality, lost time injury, or long term medical treatment for the person involved.

Remuneration report (continued)

Rob Usher (EGM, PanAust Asia): STI opportunity paid was 85.39%		
Sustainability	20%	TRIFR performance of 0.88 was 50% better than the target of 1.66. Positive improvement was made in relation to identified hotspots across PanAust Asia. This included: • Significant reduction in the number of potential Level 3+(#) vehicle incidents; • Implementation of a visible safety leadership program across PanAust Asia, including the deep dive review program undertaken by operational executives to test critical controls for high risk work activities (safety standards, processes and procedures); and • Continued improvement of sediment control. Zero environmental incidents categorised as Level 3 or above. Strong government relationships managed within Laos.
PanAust Laos Operations Performance	60%	Phu Kham copper production achieved above the stretch target with copper production exceeding guidance. Phu Kham's C1 Operating Costs plus sustaining capex and Shared Services achieved better than stretch. Gold production at Ban Houayxai performed between the budget and stretch target. Ban Houayxai's C1 Operating Costs plus sustaining capex and Shared Services achieved between budget and stretch.
Achievement Plan	20%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.
Francisco Tomic (EGM, PanAust South America): STI opportunity paid was 69.5%		
Sustainability	20%	As per Managing Director's commentary above.
Achievement Plan	80%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.
David Hairsine (Chief Financial Officer): STI opportunity paid was 84.15%		
Sustainability	20%	As per Managing Director's commentary above.
Achievement Plan	80%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.

* Refer to pages 27-28 for an explanation of the Business Factor.

(#)Level 3 + : A safety incident with the potential to result in a fatality, lost time injury, or long term medical treatment for the person involved.

Indemnity and insurance of officers

The Company's constitution provides, to the extent permitted by law, a general indemnity for officers of the Company against any liability incurred in their capacity as an officer of the Company to a third party (unrelated to the Company) unless the liability arises out of conduct by the officer which involves a lack of good faith or is contrary to the Company's express instructions. The Company's indemnity extends to any costs and expenses incurred by the officer in his or her capacity as an officer of the Company in defending proceedings in which judgement is given in favour of the officer or in which the officer is acquitted. "Officers" is defined in the Company's constitution to include Directors, the company secretary, executive officers and full time employees as determined by the Directors.

Deeds of access, insurance and indemnity have been executed by the Company, consistent with the Company's constitution, in favour of each Director and company secretary. The Company has agreed to indemnify each Director and company secretary against any liability incurred by the Director or company secretary as an officer of the Company other than a liability for a pecuniary penalty order or compensation order under the Corporations Act 2001, a liability owed to a Group company or a liability specifically excluded by the Company's constitution as noted in the above paragraph. Consistent with the Company's constitution the indemnity extends to legal costs subject to certain exclusions.

During the financial year, the Company paid an annual premium of US$330,647 (2013: US$337,860) to insure the Directors, company secretary, and other officers of the Company and its subsidiaries (each an "Insured Party"). The liabilities insured are the loss suffered by the Insured Party and any amount payable by the Company in accordance with the indemnity together with defence costs in respect of a claim. The insurance policy does not cover liability arising out of conduct by an Insured Party referred to in section 199B of the Corporations Act 2001 and other customary exclusions including personal injury, fines and penalties and property damage. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

Auditor independence and 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 (refer to Note 29 Remuneration of auditors in the financial statements) 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.

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached on page 51.

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 or employees may procure to limit the risk of a holding in the Company. Under section 206J of the Corporations Act 2001, PanAust's key management personnel are not permitted to enter into arrangements which would have the effect of limiting the exposure of the person to risk relating to unvested remuneration or vested remuneration subject to a holding lock. The Company has adopted a policy that executives participating in the PanAust Long Term Share Plan must not enter into hedging arrangements in relation to unvested shares.

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.

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 the Corporations Act 2001.

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

Garry Hounsell
Chairman

Dr Fred Hess
Managing Director

Brisbane
19 February 2015

Auditor's Independence Declaration

As lead auditor for the audit of PanAust Limited for the year ended 31 December 2014, 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.

D.G. Smith

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
19 February 2015

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Corporate governance statement

PanAust is committed to best practice corporate governance practices appropriate for a company of its size and type. This commitment is founded on a culture of integrity rather than a "tick a box" mentality.

The Company fully complied with the recommendations made by the ASX Corporate Governance Council (the "Recommendations") applicable for the full period of this report. Further details are provided in this corporate governance statement.

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.

During the course of 2014, the Board discharged once of its most important responsibilities; namely, the appointment of a new Managing Director. Institution of the succession process was announced to the market on 6 March 2014. The Company's long standing Managing Director, Mr Gary Stafford, resigned on 11 November 2014 and was replaced with an internal candidate, Dr Fred Hess who had previously served the Company in the capacity of EGM Project Development & Operational Improvement.

The Company has in place a Financial Delegated Authorities Manual which clearly sets out the authorities delegated to each level of management and staff. This Financial Delegated Authorities Manual 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. This is supplemented with a Projects Delegated Authorities Manual which deals with specific issues arising in the context of major projects. The manuals are reviewed by the Board on an annual basis.

Each Director of the Company has entered into a formal letter of appointment. The letter of appointment deals with all of the matters recommended by the Council. It clearly sets out what is expected of each Director.

The performance of senior executives is evaluated on an annual basis. Senior executives prepare annual achievement plans which reflect their role and the strategy of the Company. Senior executives are also expected to meet a number of "key behavioural indicators". Performance against these annual achievement plans and key behavioural indicators is assessed by the Managing Director with oversight provided by the Remuneration Committee.

The Chairman and the Remuneration Committee consider the performance of the Managing Director. Again, the assessment of performance is made against an annual plan prepared in the context of the Company's strategy.

The performance review process has been completed for the 2014 year. The outcomes have been considered in the annual remuneration review process. The Remuneration Committee makes recommendations for the consideration of the Board. Further information is contained in the Remuneration Report.

Principle 2: Structure the board to add value

The structure and membership of the Board fully complies with the Recommendations. A majority of the Board are independent non-executive Directors. The Chairman is an independent non-executive Director. The roles of the Chairman and the Managing Director are not exercised by the same person.

The Board has adopted specific principles with respect to assessing the independence of directors. In order to be considered "independent", the relevant 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 independent judgment. Materiality is considered from the perspective of both the Company and the Director. Both quantitative and qualitative elements are considered. 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 the competitive landscape and the nature of a relationship, including its strategic importance.

On the basis of these principles, the following Directors are considered to be independent: Garry Hounsell (Chairman), Nerolie Withnall, Geoff Handley, Geoff Billard, John Crofts, Ken Pickering and Annabelle Chaplain. The only two Directors

Principle 2: Structure the board to add value (continued)

who are not considered independent are Dr Hess, the Managing Director of the Company, and Zezhong Li (and his alternate, Qian Deng) who is the non-executive Director nominated by Guangdong Rising Assets Management (GRAM) (a cornerstone investor in the Company). The placement agreement entered into with GRAM provides that the Board of the Company must have a majority of independent non-executive Directors and an independent Chairman.

In accordance with the Recommendations, the Company has a Nominations Committee composed of independent non-executive Directors. As at 31 December 2014 the members were: Garry Hounsell as Chairman, Nerolie Withnall and Geoff Handley. (Mr Gary Stafford was a member of the Nominations Committee prior to his resignation on 11 November 2014). The charter for the Nominations Committee is available on the Company's website. Its responsibilities include the duties listed in the Recommendations. Details of the number of meetings of the Nominations Committee (and other Committees) and attendance by members are provided in the Directors' report.

The Board has adopted a skills matrix to identify the desirable mix of skills and competencies to be held by members of the Board as a whole. The relevant skills identified are as follows: financial qualifications (experience as a chief financial officer, in accounting, audit or economics); operational mining industry experience; finance or banking experience; engineering or geology expertise; in-depth recent international/global experience; former chief executive officer or equivalent experience; experience managing large capital projects; mergers and acquisitions experience; mid/large company non-executive director experience; and corporate governance expertise. The skills, expertise and date of appointment of all Directors are detailed in the Directors' report.

The Board also considers the issue of diversity when making as assessment of future appointments. In 2011, the Board adopted a measurable objective of increasing the number of women serving as non-executive Directors from one to two by 31 December 2014. The Company met that objective in 2012 and has continued to meet that objective from that point in time to the end of the current reporting period.

The Chairman annually reviews the performance of all Directors. The Board has a programme of performance evaluation which includes both externally facilitated evaluation and internal self-evaluation. During the course of 2014, the Company engaged an external facilitator, Board Matters, to assess the performance of the Board since the time of the last internal evaluation. The results of that externally facilitated performance review were considered during the course of 2014.

The Company has an induction kit to assist new Directors to familiarise themselves with the Company. This is updated on a regular basis. Feedback is obtained from each new Director as to whether or not the induction kit has met its purpose and whether or not it can be improved.

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

In response to receipt of an indicative non-binding proposal from GRAM to acquire all of the shares in the Company, the Board established a Board Response Committee to provide support and recommendations to the Board. Membership of the Board Response Committee comprised: Garry Hounsell (Chairman), Nerolie Withnall (prior to her being granted a leave of absence), Gary Stafford, Annabelle Chaplain and Geoff Handley (who replaced Nerolie Withnall during her leave of absence).

Principle 3: Promote ethical and responsible decision making

PanAust has a "Vision and Values" statement which provides that PanAust's business affairs are to be conducted legally and ethically with integrity. The statement is available on the Company's website. In addition, the Company is a signatory to:

- the Minerals Council of Australia's "Enduring Value" (which incorporates global industrial sustainability initiatives and provides guidance on the International Council on Mining and Metals' Sustainable Development Framework Principles); and

- the Voluntary Principles of Security and Human Rights, an internationally recognised industry initiative.

The Company's Code of Conduct is published in a user friendly handbook entitled "The PanAust Way". It meets all of the requirements for a code of conduct under the Recommendations. The PanAust Way further enunciates the position of the

Principle 3: Promote ethical and responsible decision making (continued)

Company with respect to the issue of bribery and corruption. It states that the Company's policy is not to make "facilitation payments". A user friendly "question and answer" format is included in each section to provide guidance to employees as to what to do in particular situations. The PanAust Way is available on the Company's website.

The Company has a Whistleblower Standard and an externally facilitated whistleblower service that was set up in 2012. To facilitate access, special arrangements are in place to ensure that issues could be raised in the Lao or Spanish language in addition to English. During the course of the year, four matters were raised through the Whistleblower service. All matters were resolved.

The Company has adopted a Sustainability Policy. A copy of the Policy is available on the Company's website. The Company has a Sustainability Committee. The charter of the Sustainability Committee is also 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.

PanAust externally assured its 2013 Annual Sustainability Report to the Global Reporting Initiative (GRI-G3) Sustainability Reporting Guidelines. PanAust achieved an A+ limited assurance rating against the ISAE 3000 and AA1000 Assurance Standard. The process assessed the accuracy, materiality, completeness and responsiveness of the information and data contained in the PanAust Sustainability Report 2013. The 2013 external assurance statement can be found on the Company's website at www.panaust.com.au/reports.

The Company has an Employee Policy which provides that PanAust will implement diversity strategies to maximise the talent pool available to the PanAust Group and the retention of a diverse workforce free from discrimination. Merit is the basis of performance based pay and remuneration.

The Company has a Diversity Standard that sets out the processes to ensure equal opportunity and non- discrimination according to gender, age, religion and ethnicity. The Diversity Standard complies in all respects with the Recommendations. Both the Employee Policy and the Diversity Standard are available on the Company's website.

In accordance with the Diversity Standard, the Board adopted a number of measurable objectives, including objectives for the year ended 31 December 2014. All of these objectives have been substantially achieved, including:

- The objective to interview at least one woman applicant who meets the requisite key minimum selection criteria for all recruitment assignments.
- Development of a strategy paper that considers research undertaken on policy and practice of flexible working arrangements in the mining industry (in 2015, the Company will use this benchmarking work to formulate a Flexible Working Standard).
- Initiatives were introduced to raise diversity awareness throughout the organisation, including through internal communications.
- The Company maintained at least two women non-executive Directors on the Board of PanAust.
- Systems continued to be enhanced to monitor, capture and externally report diversity information (including through the 2013 Sustainability Report).
- Advanced development of a monitoring and reporting dashboard which tracks specific diversity metrics.
- Implemented appropriate strategies to manage and monitor remuneration by gender (a report in this regard is included in the Remuneration Statement – the report indicates that there are no material pay equity gaps).

In the Lao context:

- Ensured at least three senior Lao women employees are involved in the PanAust Mentoring Program.
- Ensured at least 50% of employees who are Lao women at Level 1E Stratum (being employees at supervisor level or above) have completed the PanAust Asia leadership programs which are targeted for Lao employees. As at year end, 87% of Lao women at Level 1E Stratum have completed this programme.

Principle 3: Promote ethical and responsible decision making (continued)

- Provided an additional 30 opportunities for Lao nationals to participate in technical training, scholarship and graduate programmes. In 2014, thirty seven new apprentices and ten new graduates were employed.
- Increased the number of Lao employees at supervisor level or above who come from ethnic groups other than Lao Loum. Of the thirty one Lao employees promoted to supervisor level or above, eight were from ethnic groups other than Lao Loum. This represents an 80% increase.

The following measurable objectives have been set for the 2015 year:

- Maintain the objective to interview at least one woman applicant who meets the requisite key minimum selection criteria for all recruitment assignments. The Company will also review the composition of selection panels/oversight for assessment of applications for vacant positions.
- Develop a draft guideline on flexible working arrangements (taking into account the research undertaken in 2014).
- Review the promotion of diversity initiatives within the Company, including the use of internal communications. Become a member of the Diversity Council of Australia.
- Maintain at least two women non-executive Directors on the Board of PanAust.
- Continue to monitor, capture and externally report diversity information.
- Implement a monitoring and reporting dashboard which tracks specific diversity metrics.
- In the Lao context:
    - Ensure at least two senior women employees are involved in the new PanAust Mentoring Program
    - At least two senior Lao women at stratum 2 to commence the new Senior Leadership Program
    - Provide additional opportunities for Lao nationals to participate in the graduate programme
    - Increase expatriate/Lao localisation from 87% to 89%
- Implement a monitoring and reporting dashboard which tracks specific diversity metrics.
- Continue to enhance appropriate strategies to manage and monitor remuneration by gender.
- Expand the membership of the Company's internal Diversity Committee to include a Papua New Guinean employed by Frieda River Limited.

The current proportion (and number) of women at various levels in the organisation is as follows:

Level	Percentage	Number
Board	22.22%	2
Senior Executive Team	Nil	Nil
Manager / Principal l/ Superintendent / Senior Advisor	10%	23
Throughout the Company	17%	647

In relation to ethnicity, 87% of the workforce of the Company's Lao operating subsidiary, Phu Bia Mining, are Lao. This includes representation from each of the three Lao ethnic groups (Lao Loum, Hmong and Khmu). Further information will be provided in the Company's Sustainability Report for 2014.

The Company has a policy relating to the trading of securities by Directors, senior executives, employees, consultants and contractors which fully complies with ASX Listing Rule 12.12. A copy of the policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

The Company has an Audit Committee comprising four independent non-executive Directors: Annabelle Chaplain (Chairman), Geoff Billard, Nerolie Withnall and Garry Hounsell. The qualifications of the members of the Audit Committee are contained in the Directors' Report. 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 Audit Committee has a formal charter which is available on the Company's website. The number of meetings of the Audit Committee is detailed in the Directors' Report.

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. The Company has a Continuous Disclosure Policy which complies with the Recommendations. The policy provides details of the information required to be disclosed, the policy of the Company with respect to disclosure and the procedures in place to ensure compliance with the Company's continuous disclosure obligations. A copy of the policy is available on the Company's website.

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.

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.

The Company has a Shareholders' Communication Policy which complies with the Recommendations. The policy provides that the Company will be fair, honest and transparent in its dealings with shareholders. The policy details the arrangements to maximise the participation of shareholders at the annual general meeting. It also specifies the information to be made available on the Company's website, including presentations given by PanAust to meetings of shareholders, investors and at conferences over the previous three years. A copy of the policy is available on the Company's website.

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.

PanAust has an Enterprise Risk Management Policy which provides details of the Company's policy, procedures, responsibilities and authorities. A copy of the policy is available on the Company's website. This policy is supported by a detailed internal procedure.

PanAust deploys a risk management system based on ISO - AS/NZS 31000. The scope of the system addresses both financial and non-financial risk issues. The system integrates risk management principles into PanAust's policies, standards, procedures, organisational culture, governance, management and reporting processes. Risk assessments are used to inform decision making processes at both a corporate and operational level. PanAust utilises the ALARP ("as low as reasonably practical") method of appropriately treating risk. PanAust has risk registers in place across the business which have been developed utilising common tools. Identification of risk utilises a risk evaluation process which incorporates the application of a common consequence and likelihood table and evaluation matrix. Further information is provided in PanAust's Sustainability Report for 2013 which is available on the Company's website.

Under its Charter, the Board has responsibility to review, ratify and monitor systems of risk management and internal control. The Board, the Audit Committee and the Sustainability Committee receive reports from management with respect to the effectiveness of management of the Company's material business risks with presentations being regularly made by senior management. Once a year, the Board has a meeting with a particular focus on the issue of risk management.

Principle 7: Recognise and manage risk (continued)

The Company has an Internal Control Management Charter and related work program in relation to the internal control function. The Company's internal control function is designed to systematically review the internal controls and key financial risks of the Company and provide recommendations for enhancements of those controls.

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

PanAust has a Remuneration Committee which comprises four independent non-executive Directors; namely, Geoff Handley as Chairman, Nerolie Withnall, Garry Hounsell and Ken Pickering. The Chairman of the Remuneration Committee is different from the Chairman of the Board of Directors. The structure of the Remuneration Committee fully complies with the Recommendations and the ASX Listing Rules. The charter of the Remuneration Committee is available on the Company's website. The Remuneration Report provides details with respect to the Company's remuneration policies and practices.

The Employee Policy of the Company prohibits any difference in remuneration based on gender.

There is a clear distinction made between the structure of remuneration paid to non-executive Directors and the structure of remuneration paid to the Managing Director and other senior executives. The non-executive Directors do not receive short term or long term incentives, equity based remuneration or retirement benefits (other than superannuation).

At the last annual general meeting of the Company, the Company's Remuneration Report for 2013 was supported by the Company's shareholders both at the meeting and through lodged proxies (93.63% of all lodged proxies were in favour of adopting the report).

PanAust Limited ABN 17 011 065 160
Annual report - 31 December 2014

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of PanAust Limited and its subsidiaries collectively referred to as the "Group". The financial statements are presented in United States dollars, which is the parent entity's functional and presentation currency.

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 1
15 James Street
Fortitude Valley, Queensland, AUSTRALIA 4006

Telephone: +61 (0) 7 3117 2000

Postal Address is:
PO Box 2297
Fortitude Valley Business Centre, Queensland, AUSTRALIA 4006

Through the use of the internet, the Company has ensured that the Company's corporate reporting is timely and complete. All press releases, financial reports and other information are available at its Investor Centre on its website: www.panaust.com.au

PanAust Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2014

	Notes	**31 December 2014 $'000**	31 December 2013 $'000
Sales revenue	4	**678,769**	725,048
Derivative gains	4	**17,268**	7,302
Other income	4	**2,293**	1,615
Mining operations costs		**(242,467)**	(266,614)
Employee benefits expense		**(105,615)**	(89,803)
Treatment and refining charges		**(43,145)**	(29,206)
Royalties		**(36,209)**	(40,065)
Copper concentrate haulage		**(32,131)**	(27,048)
Marketing, realisation and freight costs		**(15,122)**	(14,297)
Changes in inventories of finished goods and work in progress		**(20,183)**	14,837
Other expenses	5	**(22,323)**	(20,070)
		181,135	261,699
Interest and finance charges	5	**(21,394)**	(21,905)
Depreciation and amortisation expense	5	**(129,110)**	(118,336)
Impairment expense	5	**(264,742)**	(50,850)
Change in the fair value of investment in Highlands Pacific Limited		**(1,859)**	(1,182)
Profit before income tax		**(235,970)**	69,426
Income tax benefit/(expense)	6	**14,590**	(25,730)
Profit/(loss) after income tax		**(221,380)**	43,696
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax		**-**	4,142
Total comprehensive income/(loss) for the year		**(221,380)**	47,838
Profit/(loss) after income tax is attributable to:			
Owners of PanAust Limited		**(178,109)**	36,383
Non-controlling interests		**(43,271)**	7,313
		(221,380)	43,696
Total comprehensive income/(loss) for the year is attributable to:			
Owners of PanAust Limited		**(178,109)**	40,111
Non-controlling interests		**(43,271)**	7,727
		(221,380)	47,838
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	15	**(29.80)**	6.12
Diluted earnings per share	15	**(29.70)**	6.11

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated balance sheet
As at 31 December 2014

	Notes	**31 December 2014 $'000**	31 December 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8(a)	**74,069**	130,270
Receivables and other assets	8(b)	**39,936**	28,469
Inventories	9(a)	**93,217**	117,062
Current tax receivables	6	**10,138**	-
Derivative financial instruments	10	**5,372**	1
Total current assets		**222,732**	275,802
Non-current assets			
Receivables and other assets	8(b)	**7,907**	13,205
Investment in Highlands Pacific Limited	8(c)	**5,992**	3,488
Inventories	9(a)	**11,720**	19,200
Property, plant and equipment	9(b)	**838,709**	904,586
Exploration, evaluation, and mine development	9(c)	**87,543**	205,276
Intangible assets	9(d)	**13,274**	13,965
Total non-current assets		**965,145**	1,159,720
Total assets		**1,187,877**	1,435,522
LIABILITIES			
Current liabilities			
Trade and other payables	8(d)	**77,293**	76,904
Borrowings	8(e)	**18,662**	29,313
Deferred considerations payable	8(f)	**50,000**	-
Current tax liabilities	6	**-**	6,005
Provisions	9(f)	**18,208**	16,211
Derivative financial instruments	10	**-**	2,215
Total current liabilities		**164,163**	130,648
Non-current liabilities			
Trade and other payables	8(d)	**1,030**	-
Borrowings	8(e)	**164,456**	194,702
Deferred tax liabilities	6	**1,923**	25,299
Provisions	9(f)	**80,875**	60,534
Total non-current liabilities		**248,284**	280,535
Total liabilities		**412,447**	411,183
Net assets		**775,430**	1,024,339
EQUITY			
Contributed equity	13(a)	**558,338**	554,642
Reserves	13(b)	**46,905**	40,237
Retained earnings	13(c)	**107,157**	318,388
Capital and reserves attributable to owners of PanAust Limited		**712,400**	913,267
Non-controlling interests	14	**63,030**	111,072
Total equity		**775,430**	1,024,339

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

PanAust Limited
Consolidated statement of changes in equity
For the period ended 31 December 2014

		Attributable to owners of PanAust Limited					
Consolidated entity	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013		**548,029**	**30,738**	**324,395**	**903,162**	**107,185**	**1,010,347**
(Loss)/Profit after income tax		-	-	36,383	36,383	7,313	43,696
Changes in fair value of cash flow hedges		-	3,728	-	3,728	414	4,142
Total comprehensive income for the period		**-**	**3,728**	**36,383**	**40,111**	**7,727**	**47,838**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		6,613	-	-	6,613	-	6,613
Total changes in non-controlling interests		-	-	-	-	310	310
Dividends provided for or paid		-	-	(42,390)	(42,390)	(4,150)	(46,540)
Employee share based payments		-	5,771	-	5,771	-	5,771
		6,613	**5,771**	**(42,390)**	**(30,006)**	**(3,840)**	**(33,846)**
Balance at 31 December 2013		**554,642**	**40,237**	**318,388**	**913,267**	**111,072**	**1,024,339**
Balance at 1 January 2014		**554,642**	**40,237**	**318,388**	**913,267**	**111,072**	**1,024,339**
(Loss)/Profit after income tax		-	-	(178,109)	(178,109)	(43,271)	(221,380)
Total comprehensive income/(losses) for the period		**-**	**-**	**(178,109)**	**(178,109)**	**(43,271)**	**(221,380)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	13(a)	3,696	-	-	3,696	-	3,696
Total changes in non-controlling interests		-	-	-	-	(461)	(461)
Dividends provided for or paid	13(c)	-	-	(33,122)	(33,122)	(4,310)	(37,432)
Employee share based payments	16	-	6,668	-	6,668	-	6,668
		3,696	**6,668**	**(33,122)**	**(22,758)**	**(4,771)**	**(27,529)**
Balance at 31 December 2014		**558,338**	**46,905**	**107,157**	**712,400**	**63,030**	**775,430**

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

PanAust Limited
Consolidated statement of cash flows
For the period ended 31 December 2014

	Notes	**31 December 2014 $'000**	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		**667,980**	720,966
Payments to suppliers and employees (inclusive of goods and services tax)		**(479,201)**	(494,823)
Receipts for derivatives		**7,738**	7,570
Payments for tax		**(19,211)**	(45,489)
		177,306	188,224
Interest and fees paid		**(15,009)**	(13,474)
Put option premium paid		**(1,193)**	(3,608)
Interest received		**669**	399
Net cash inflow from operating activities	7	**161,773**	171,541
Cash flows from investing activities			
Payments for property, plant and equipment		**(44,420)**	(88,693)
Deferred stripping cost		**(44,708)**	(21,078)
Payments for exploration and evaluation costs		**(23,814)**	(48,373)
Payments for brownfield development costs		**-**	(25,626)
Payments for investment in Frieda River Limited		**(29,398)**	-
Payments for investment in Highlands Pacific Limited		**(4,363)**	(4,670)
Payments for investment in associates		**-**	(315)
Net cash outflow from investing activities		**(146,703)**	(188,755)
Cash flows from financing activities			
Proceeds from issues of shares		**-**	1,331
Proceeds from issues of shares to non-controlling interest		**153**	1,547
Proceeds from borrowings		**15,000**	70,660
Repayment of borrowings		**(45,360)**	-
Finance lease payments		**(18,277)**	(23,553)
Dividends paid to Company's shareholders		**(29,426)**	(37,108)
Drawdown finance lease		**7,740**	10,768
Net cash inflow from financing activities		**(70,170)**	23,645
Net (decrease)/increase in cash and cash equivalents		**(55,100)**	6,431
Cash and cash equivalents at the beginning of the financial year		**130,270**	125,029
Effects of exchange rate changes on cash and cash equivalents		**(1,101)**	(1,190)
Cash and cash equivalents at end of year		**74,069**	130,270

The above consolidated statement of cash flows 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 pertains to the consolidated entity of PanAust Limited (Parent entity) and its subsidiaries (the “Company”, “Group” or “PanAust”).

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001.* PanAust Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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

(ii) Basis of measurement

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

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 2.

(b) Principles of consolidation

(i) Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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.

Subsidiaries are all entities (including special purpose entities) over which the Company 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 Company controls another entity.

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.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2014 and the results of all subsidiaries for the reporting period then ended.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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.

(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 using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to associates as an additional source of long term capital.

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

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.

(iii) Joint ventures

Jointly controlled operations
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(iv) Employee Share Trust

The Group has formed a trust to administer the Group's Executive Long Term Share Plan (LTSP). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held on trust are disclosed as treasury shares and deducted from contributed equity.

(c) 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 companies in the Group 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.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

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.

(d) 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 Company, the quantity and quality of the goods have been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable.

(i) Copper, gold and silver in concentrate revenue

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

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against 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 from the date of shipment to the end of the pricing period is known as the Quotational Period (QP). 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. This pricing methodology is normal for the industry.

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 closing LME copper price on the final day of the month. This revaluation is performed up until the final invoice is received. The actual settlement price may vary from this estimate.

(ii) Gold and silver in doré revenue

Revenue from gold and silver sales is recognised when the significant risks and rewards of ownership have transferred to the refinery and the quantity of gold and silver, as well as selling prices are known or can be reasonably estimated.

(iii) Interest income

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

(e) 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.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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 other comprehensive income are also recognised directly in other comprehensive income.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

(f) 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.

(g) Receivables

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(ii) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Cash flows relating to other receivables are discounted if the effect of discounting is material.

(h) 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 the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of a particular risk associated with 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 Company 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 Company 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.

1 Summary of significant accounting policies (continued)

(h) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 10. Movements in the hedging reserve in shareholders' equity are shown in note 13. 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) 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 other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

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'.

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 reclassified to profit or loss.

(ii) 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.

(i) 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. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

(j) 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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Available-for-sale financial assets

Available-for-sale financial assets comprising principally marketable equity securities are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months at the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold then for the medium to long term.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Loans and receivables

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 receivables (note 8(b)) in the consolidated balance sheet.

(k) Exploration and evaluation expenditure

Costs arising from exploration, and evaluation 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.

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.

(l) Mine development expenditure

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 “mine development”.

A development property is reclassified to “property, plant and equipment” at the end of the commissioning phase, when the production reaches a previously determined capacity.

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 expenditure until they are reclassified as "property, plant and equipment”, from which date they are amortised on the units-of-production method with separate calculations being made for each mineral resource. Amortisation is based on assessments of proven and probable reserves to be mined.

(m) Property, plant and equipment

All property, plant and equipment is shown at historical cost, less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or 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. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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 *
- Mine properties	units-of-production
- 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. 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(o)).

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

(i) Deferred stripping costs

The stripping costs are accounted for as variable production costs to be included in the costs of inventory produced during the period in which they are incurred. Stripping costs are capitalised in ‘Mine Properties’ as a stripping activity asset when the stripping activity has future economic benefit by providing improved access to an identified ore body and when the costs associated with the activity can be measured reliably.

(n) 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.

(o) 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).

(p) Trade and other payables

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

(q) 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. Provisions are not recognised for future operating losses.

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. 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.

1 Summary of significant accounting policies (continued)

(q) Provisions (continued)

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 adjusted for risks specific 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. 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 with the Government of Laos, Phu Bia Mining Ltd 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 Ltd under its environmental Social Management and Monitoring Plan (ESMMP) as approved by the Government of Laos. Phu Bia Mining Ltd 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.

(r) Borrowings and borrowing costs

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.

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.

(s) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 21). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or 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 asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 21). 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)

(t) 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 Managing Director is entitled to one month termination benefit for each year of service or a maximum of 12 months which is also included in the provision for employee benefits.

(iii) Share-based payments

Share based compensation benefits are provided to the Managing Director and other senior executives through the Company's Executive Long Term Share Plan (LTSP). Share based compensation benefits are provided to a wider cross section of employees through the Share Right Plan (SRP). Information relating to these plans is set out in note 16.

The fair value of grants issued are 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 relevant securities.

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.

(u) Contributed equity

Ordinary shares are classified as equity (note 13(a)).

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

(v) 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.

(w) 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.

1 Summary of significant accounting policies (continued)

(w) Earnings per share (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per 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.

(x) 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 of the 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.

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

(y) 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. 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.

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(n)). 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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

(z) Segment reporting

The Company has adopted AASB 8 Operating Segments. This requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. 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.

1 Summary of significant accounting policies (continued)

(aa) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(ab) 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.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles

It is to amend the existing accounting standards, particular in relation to clarify: share-based payment vesting and non-vesting conditions, operating segment asset disclosure; current/non-current classification of debt; Key Management Personnel when an entity has a management entity/responsible entity (such as trustee); the meaning of effective International Financial Reporting Standards (IFRS); exemptions for joint ventures from business combination requirement; the scope exception for measuring the fair value of financial assets and liabilities on a portfolio basis; and the interrelationship between business combinations and investment property when classifying property as investment property or owner-occupied. The Group intends to adopt the amendments from 1 January 2015 and there will be no significant impact on the Group’s financial statements.

(ii) AASB 2014-1 Amendments to Australian Accounting Standards – Part B: Employee Contribution

(amendments to AASB 119 Employee Benefits) (effective from 1 July 2014)

Employee or third party contributions that met certain criteria are able (but not required) to be recognised as a reduction of the service cost in the period in which the related service is rendered. The Group intends to adopt the amendments from 1 January 2015.

(iii) AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities (effective from 1 July 2014)

Amendments to provide investment entities with certain exemptions from consolidation requirement of AASB 10. The exemptions require investment entities to account for controlled investees at fair value through profit or loss, rather than consolidated these investees. The Group intends to adopt the amendments from 1 January 2015, the amendments will not have any impact on the Group’s financial statement.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting estimates and judgements

(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 period are discussed below.

(b) Critical judgements in applying accounting policies

(i) Determination of Ore Reserves, Mineral Resources, and units of Production Method of Depreciation and Amortisation

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.

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.

(ii) Mine restoration provisions estimates

The calculation of rehabilitation and closure provisions 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 9(f) .

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. The Company reviews and updates the provision for rehabilitation and closure on an annual basis. This review includes updates for new areas of disturbance by location as well as for the latest LOM schedules and revision of the present value of the expected future cash flows (NPV) that will be required to perform any restoration or decommissioning works. Factors that will affect this liability include future development, changes in technology and price increases.

(iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

2 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply, deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the taxable profit or loss of the periods in which the temporary differences are expected to reverse.

Income tax returns in Laos are reviewed in detail by the relevant authorities on a regular basis with reference to both the tax legislation and the Mineral Exploration and Production Agreement (MEPA), held with the Government of Laos, which supersedes the tax legislation of Laos on various matters. Such reviews could potentially result in additional tax payments or potential refunds being necessary. This would result in the payment or refund being recognised as income tax expense, in profit or loss, in the period in which the review related to.

(iv) 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(h). 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.

(v) 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.

Impairment of mining assets and goodwill
The recoverable amount of mining assets and goodwill is generally determined utilising discounted future cash flows. Other considerations also include the ore reserves and life of mine, market risk and asset specific risks in determining the fair value.

Impairment of exploration and evaluation assets
The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. Significant judgment is required as to whether an area of activity is to be carried forward on the balance sheet, or written off through the identification of areas of activity which have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, where there is no continuing significant activity plan in relation to the area.

(vi) 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 the variation due to the quotational period price adjustment is disclosed in the accounts. (Refer to note 4 for further detail).

3 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), being the Managing Director, in assessing performance and determining strategy. The corporate head office in Brisbane provides the business units with support in relation to finance, commercial and technical services, risk management, human resources, governance and public reporting. The Corporate, Frieda River and PanAust South America segments are currently disclosed as "Other".

(b) Segment information

(i) Segment revenue

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 from production sites in Laos, and as such, all of the revenue generated is attributable to the PanAust Asia segment.

The copper-gold concentrate revenue arises from sales to customers in various countries. Over half of the product was sent to China for processing (67%), a large portion was sent to Philippines (20%) and the remainder was sent to Japan and India.

The revenue from gold doré sales is attributable to one single gold refinery customer based in Hong Kong.

3 Segment information (continued)

(b) Segment information (continued)

(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.

	Other 2014 US$'000	PanAust Asia 2014 US$'000	Consolidated 2014 US$'000	Other 2013 US$'000	PanAust Asia 2013 US$'000	Consolidated 2013 US$'000
Sales revenue	-	678,769	678,769	-	725,048	725,048
Derivative gains	-	17,268	17,268	-	7,302	7,302
Interest income	583	86	669	312	87	399
Other income	-	1,624	1,624	-	1,216	1,216
Changes in inventories	-	(20,183)	(20,183)	-	14,837	14,837
Change in the fair value of investment in Highlands Pacific Limited	(1,859)	-	(1,859)	(1,182)	-	(1,182)
Mining operations costs	-	(242,467)	(242,467)	-	(266,614)	(266,614)
Employee benefits expense	(33,724)	(71,891)	(105,615)	(20,895)	(68,908)	(89,803)
Royalties	-	(36,209)	(36,209)	-	(40,065)	(40,065)
Realisation costs	-	(90,398)	(90,398)	-	(70,551)	(70,551)
Other expenses	(9,825)	(12,498)	(22,323)	(7,560)	(12,510)	(20,070)
Interest and finance charges	(211)	(21,183)	(21,394)	(59)	(21,846)	(21,905)
Impairment expense	(132,317)	(132,425)	(264,742)	(23,729)	(27,121)	(50,850)
Depreciation & amortisation expense	(1,826)	(127,284)	(129,110)	(1,157)	(117,179)	(118,336)
Inter-segment interest	14,278	(14,278)	-	16,212	(16,212)	-
Inter-segment management fees	9,398	(9,398)	-	7,496	(7,496)	-
Profit/(loss) before tax	(155,503)	(80,467)	(235,970)	(30,562)	99,988	69,426
Income tax benefit/(expense)	-	14,590	14,590	-	(25,730)	(25,730)
Profit/(loss) after tax	**(155,503)**	**(65,877)**	**(221,380)**	**(30,562)**	**74,258**	**43,696**
Segment result - Adjusted EBITDA (iii)	**(28,753)**	**222,997**	**194,244**	**(17,048)**	**289,502**	**272,454**
Segment assets (ii)	**429,891**	**757,986**	**1,187,877**	**525,033**	**910,489**	**1,435,522**
Segment liabilities (ii)	**55,492**	**356,955**	**412,447**	**10,158**	**401,025**	**411,183**
Other segment information						
Acquisitions of property, plant and equipment	8,239	91,666	99,905	2,277	135,105	137,382
Addition in exploration, evaluation and development costs before impairment and acquisition of Frieda River Limited	8,538	15,276	23,814	23,827	25,237	49,064

3 Segment information (continued)

(b) Segment information (continued)

(iii) Adjusted EBITDA

The CODM assesses the performance of the operating segments based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation ('Adjusted EBITDA'). This measurement basis excludes the effects of non-recurring expenditure from the operating segments. This measurement also excludes the effects of equity-settled share-based payments, retrenchments, exploration costs expensed, the provision for rehabilitation expensed, impairment and change in fair value of investment in Highlands Pacific Limited.

A reconciliation of Adjusted EBITDA to operating profit before income tax is provided as follows:

31 December 2014	Notes	**Other US$'000**	**PanAust Asia US$'000**	**Consolidated US$'000**
Adjusted EBITDA		(28,753)	222,997	194,244
Interest income	4	583	86	669
Interest expense and finance charges	5	(211)	(21,183)	(21,394)
Depreciation and amortisation expense	5	(1,826)	(127,284)	(129,110)
Impairment expense	5	(132,317)	(132,425)	(264,742)
Share-based payments	16	(4,498)	(2,170)	(6,668)
Retrenchments	9(e)	(900)	(3,331)	(4,231)
Exploration costs expensed	5	-	(1,670)	(1,670)
Provision for rehabilitation expensed	9(e)	-	(1,209)	(1,209)
Change in the fair value of investment in Highlands Pacific Limited	5	(1,859)	-	(1,859)
Inter-segment interest		14,278	(14,278)	-
Profit/(loss) before income tax		**(155,503)**	**(80,467)**	**(235,970)**

31 December 2013	Notes	**Other US$'000**	**PanAust Asia US$'000**	**Consolidated US$'000**
Adjusted EBITDA		(17,048)	289,502	272,454
Interest income	4	312	87	399
Interest expense and finance charges	5	(59)	(21,846)	(21,905)
Depreciation and amortisation expense	5	(1,157)	(117,179)	(118,336)
Impairment expense	5	(23,729)	(27,121)	(50,850)
Share-based payments	16	(3,911)	(1,860)	(5,771)
Exploration costs expensed	5	-	(1,869)	(1,869)
Provision for rehabilitation expensed	9(e)	-	(3,514)	(3,514)
Change in the fair value of investment in Highlands Pacific Limited	5	(1,182)	-	(1,182)
Inter-segment interest		16,212	(16,212)	-
Profit/(loss) before income tax		**(30,562)**	**99,988**	**69,426**

4 Sales revenue, derivative gains/(losses) and other income

	31 December 2014 $'000	31 December 2013 $'000
From continuing operations		
Sales revenue		
Copper in concentrate (a)	**447,436**	454,080
Gold in concentrate	**80,715**	96,880
Realised losses on gold hedges	**-**	(4,142)
Silver in concentrate	**6,792**	6,992
Gold doré	**127,195**	157,113
Silver in doré	**16,631**	14,125
	678,769	725,048
Derivative gains		
Copper sales realised derivative gains (b)	**5,973**	7,570
Copper sales unrealised derivative gain/(losses) (b)	**5,287**	(102)
Gold sales realised derivative gains (c)	**3,708**	-
Gold unrealised net derivative gain/(losses)	**2,300**	(166)
	17,268	7,302
	696,037	732,350
Other income		
Interest income	**669**	399
Sundry income	**1,616**	919
Net gain on disposal of property, plant and equipment	**8**	297
	2,293	1,615

(a) Copper in concentrate

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

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against 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). The QP historically reflects the average time to elapse (usually 3 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

The Company hedges between 50% to 90% (but no less than 50%) of the copper price exposure based on the provisional invoice pricing to minimise any potential for a liability (refund of proceeds to the customer) resulting from a lower price being realised during the QP (compared to the prevailing price applied to determine the provisional payment). Accordingly, a lower copper price at the end of the QP compared to the provisional invoice will result in a hedging gain, which will be offset by any decrease in the revenue recognised on final invoice. A higher copper price at the end of the QP compared to the provisional invoice will result in a hedging loss, which will be offset by any increase in the revenue recognised on final invoice.

4 Sales revenue, derivative gains/(losses) and other income (continued)

(a) Copper in concentrate (continued)

At balance date, provisional invoices issued with an open QP have been revalued at rates which provide an estimate of the average settlement price and resulted as follows:

2014			2013		
Tonnes	**US$/t**	**US$/lb**	**Tonnes**	**US$/t**	**US$/lb**
23,399	6,300	2.86	9,832	7,360	3.34

The aforementioned have resulted in an unfavourable US$6.7 million (2013: US$2.2 million favourable) mark-to-market adjustment to profit or loss for outstanding provisional pricing of sales at balance date.

(b) Copper sales derivative gains/(losses)

The table below summarises the realised gains and losses from settlement of copper derivatives in 2014 and 2013, as well as the mark-to-market value of outstanding copper derivatives as at 31 December 2014.

	2014				2013			
		US$	Average hedge price			US$	Average hedge price	
	Tonnes	million	US$/t	US$/lb	Tonnes	million	US$/t	US$/lb
Realised gains/(losses)	35,400	6.0	7,013	3.18	28,405	7.6	7,472	3.39
Unrealised gains/(losses) on outstanding QP copper derivatives	9,760	3.1	6,638	3.01	4,650	(1.4)	7,077	3.21
Unrealised losses on strategic copper derivatives over future production	n/a	n/a	n/a	n/a	10,200	(0.8)	7,261	3.29

(c) Gold derivative gains/(losses)

The table below summarises the realised gains and losses from settlement of gold derivatives in 2014 and 2013, as well as the mark-to-market value of outstanding gold derivatives as at 31 December 2014.

	2014			2013		
		US$	Average contract price		US$	Average contract price
	Ounces	million	US$/oz	Ounces	million	US$/oz
Realised gains/(losses)	68,000	3.7	1,327	10,008	(4.1)	847
Unrealised losses on strategic gold derivatives over future production	14,000	2.30	1,348	n/a	n/a	n/a

5 Expenses

	31 December 2014 $'000	31 December 2013 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Superannuation expense	**1,011**	996
Other expenses		
Laos administration expenses	**7,326**	7,839
Professional and consulting fees	**4,260**	3,463
Legal Expenses	**4,610**	1,950
Travel expenses	**2,101**	2,111
Exploration costs expensed	**1,670**	1,869
Asia Development Bank co-funding expense	**1,000**	1,000
Other	**1,356**	1,838
	22,323	20,070
Interest and finance charges		
Debt interest	**5,761**	5,287
Unwinding of discount on restoration provision	**4,012**	2,889
Fees and charges	**3,034**	2,905
Political risk insurance	**2,516**	2,920
Lease interest	**2,478**	3,016
Amortisation of prepaid finance charge	**2,375**	3,404
Trade finance	**1,218**	1,484
	21,394	21,905
Impairment expense		
Impairment in associates	**-**	23,729
Exploration, mine properties, good will impairment	**264,742**	27,121
	264,742	50,850
Depreciation and amortisation expense		
Motor vehicles	**2,057**	3,048
Mining plant and equipment	**80,646**	81,518
Deferred stripping costs	**4,813**	2,208
Mine properties	**37,505**	29,052
Office equipment	**4,089**	2,510
Total depreciation and amortisation	**129,110**	118,336
Rental expense relating to operating leases		
Minimum lease payments	**620**	794

(a) Impairment expenses

Below is the summary of the impairment expenses as at 31 December 2014:

	Total US$'000
Exploration impairments (i)	178,351
Mine properties, mine plant and equipment impairments (ii)	77,806
Goodwill (refer to note 9(d))	8,585
Total	264,742

5 Expenses (continued)

(i) Exploration impairments

PanAust Asia

The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. The impairment expense recognised represents the accumulated costs incurred in exploration of areas where there is no continuing significant activity planned in relation to the area. A number of locations in Laos have been identified as either not possessing the potential to define a resource that could be economically exploited at balance date at current commodity prices or for which limited work is planned at these locations in the foreseeable future. An impairment expense of $27.1 million has been recognised for the costs associated with exploration studies at LCT, Ban Phonxai, Nam Ve Prospect, Phonsavan area, and Pha Gnai.

The Phonsavan exploration (KTL) asset requires review in light of the on-going Feasibility work to develop the deposit as a stand-alone satellite pit for the Phu Kham operation.

- The reduction in the copper price over the past three months impacts on both project economics; in that a copper price greater than $3.00/lb. is required to achieve a reasonable return on capital and the availability of cash flow from the Lao operations to be applied to a KTL development.
- PanAust has also made the decision to focus purely on Frieda River for at least the next five years, at the current time, not to commit capital to other projects.

These factors coupled with the tightening of the timeframe of when the project will be able to be developed as a satellite operation to Phu Kham based on the latest LOM for this operation, has led to an impairment of $27.6 million in capitalised exploration and evaluation relating to KTL.

IDO and Carmen - carrying value of assets

PanAust advanced the Inca de Oro Project study feasibility study during 2014. A number of commercial matters that will have a material impact on the viability of the Project are still to be resolved. No site activities are currently planned for 2015 at Inca de Oro or the nearby Carmen deposit.

With a priority focused on advancing the Frieda River Project in PNG, and the volatility in copper prices, it is unlikely that the Inca de Oro Project will be developed within the next five to seven years. The Project has been placed on care and maintenance. As such the combined carrying value of Inca de Oro and Carmen has been impaired as at 31 December to nil and an impairment charge of US$132.3 million has been recognised.

(ii) Mine Properties, mine plant and equipment impairments

The Company has recognised impairments of $77.8 million for mine properties and mine plant and equipment. This includes an impairment charge of $67.9 million for Ban Houayxai and $9.9 million for other capitalised expenditure in PanAust Asia.

In accordance with AASB 136 ‘Impairment of Assets’, the Company has assessed whether there is any indication that either of its operational mines in Laos are impaired as at 31 December 2014. Due to a combination of lower forecast long term gold prices and an increase in cash costs at Ban Houayxai, it was determined that an impairment trigger was present at 31 December 2014, for the Ban Houayxai operation.

The Company determines the Fair Value Less Costs of Disposal (FVLCD) of its operations by discounting cash flow projections based on long term mine plans, reflecting estimated reserves and production profiles.

A key assumption to which the calculation of FVLCD of Ban Houyxai is sensitive is a change to the long term gold price. In determining appropriate gold and silver prices, the Company has considered independent analyst forecasts. Long term assumptions of US$1,250 and US$16 per ounce for gold and silver, respectively, have been adopted.

The recoverable amount of the Ban Houayxai operation was calculated to be less than its carrying value as at 31 December 2014 and as such an impairment of US$67.9 million has been recognised.

6 Income tax

(a) Income tax expense

	31 December 2014 $'000	31 December 2013 $'000
Current tax	**3,286**	26,695
Deferred tax	**(23,376)**	(2,173)
Adjustments for current tax of prior periods	**5,500**	1,208
	(14,590)	25,730
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets	**-**	(16)
Increase (decrease) in deferred tax liabilities	**(23,376)**	(2,157)
	(23,376)	(2,173)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	**(235,970)**	69,426
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	**(70,791)**	20,828
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other permanent differences	**-**	(374)
Tax losses not recognised	**46,681**	9,168
	46,681	8,794
International tax rate differential	**4,020**	(5,100)
Adjustments for current tax of prior periods	**5,500**	1,208
Income tax (benefit)/expense	**(14,590)**	25,730

(c) Tax losses

Australia	**21,523**	21,398
Unused tax losses for which no deferred tax asset has been recognised	**21,523**	21,398
Tax benefit at local corporate @ 30.0%	**6,457**	6,419

6 Income tax (continued)

(d) Deferred tax assets and liabilities

	31 December 2014 $'000	31 December 2013 $'000
Non-current deferred tax assets		
The balance comprises temporary differences attributable to:		
Property, plant & equipment, and mine pre-production	**-**	3,909
Payables	**-**	298
Cash flow hedges	**-**	554
Provisions	**4,120**	2,964
	4,120	7,725
Other		
Set-off of deferred tax liabilities pursuant to set-off provisions	**(4,120)**	(7,725)
Net deferred tax assets	**-**	-
Non-current deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration and evaluation	**-**	17,173
Property, plant and equipment	**4,700**	15,851
Derivatives	**1,343**	-
	6,043	33,024
Other		
Set-off of deferred tax assets pursuant to set-off provisions	**(4,120)**	(7,725)
Net deferred tax liabilities	**1,923**	25,299
Movements:		
Opening balance at start of year	**25,299**	27,472
Charged to the income statement	**(23,376)**	(2,173)
Closing balance at end of year	**1,923**	25,299

(e) Current tax liabilities

Income tax payable	**-**	6,005
Income tax receivable	**(10,138)**	-
	(10,138)	6,005

7 Reconciliation of profit after income tax to net cash inflow

	31 December 2014 $'000	31 December 2013 $'000
(Loss)/Profit for the period	**(221,380)**	43,696
Depreciation and amortisation	**129,110**	118,336
Impairment	**264,742**	50,850
Executive and employee long term incentives	**6,668**	5,771
Deferred hedge losses	**-**	4,142
Fair value (gains) losses on derivatives through profit or loss	**(7,587)**	268
Unwinding of discount on restoration provision	**4,012**	2,889
Provision for rehabilitation expensed	**554**	3,514
Amortisation of prepaid borrowing costs	**596**	1,923
Proceeds from disposal of assets	**6**	35
Net exchange differences	**1,101**	1,190
Change in the fair value of available-for sale financial asset	**1,859**	1,182
Increase in receivables	**(10,810)**	(8,712)
(Increase) decrease in prepayments	**(879)**	2,766
Decrease (increase) in inventories	**31,325**	(24,345)
Increase (decrease) in trade and other payables	**389**	(12,520)
Decrease in current tax liabilities	**(16,143)**	(17,586)
Decrease in deferred tax liabilities	**(23,376)**	(2,173)
Increase in provisions	**1,586**	315
Net cash inflow from operating activities	**161,773**	171,541

8 Financial assets and financial liabilities

The Group holds the following financial instruments:

	Notes	**31 December 2014 $'000**	31 December 2013 $'000
Financial assets			
Cash and cash equivalents	8(a)	**74,069**	130,270
Receivables and other assets	8(b)	**47,843**	41,674
Investment in Highlands Pacific Limited	8(c)	**5,992**	3,488
Derivative financial instruments	10	**5,372**	1
		133,276	175,433
Financial liabilities			
Trade and other payables	8(d)	**78,323**	76,904
Borrowings	8(e)	**183,118**	224,015
Deferred considerations payable	8(f)	**50,000**	-
Derivative financial instruments	10	**-**	2,215
		311,441	303,134

8 Financial assets and financial liabilities (continued)

(a) Cash and cash equivalents

	31 December 2014 $'000	31 December 2013 $'000
Cash at bank and in hand	**69,069**	94,065
Deposits at call (i)	**5,000**	36,205
	74,069	130,270

(i) These are interest bearing with floating interest rates between nil% to 5.25% (2013: nil% to 4.51%).

(b) Receivables and other assets

	31 December 2014			31 December 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables (i)	**29,147**	**-**	**29,147**	18,358	-	18,358
Prepayments	**6,965**	**-**	**6,965**	6,085	596	6,681
Other receivables (i)	**1,626**	**-**	**1,626**	1,606	-	1,606
Government of Laos receivable (ii)	**2,198**	**7,907**	**10,105**	2,420	12,609	15,029
Total (iii)	**39,936**	**7,907**	**47,843**	28,469	13,205	41,674

(i) As at 31 December 2014, no trade receivables or other receivables were past due or impaired (31 December 2013: nil). It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

(ii) PanAust owns a 90% interest (2013: 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 in Laos.

The Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining Limited. A Shareholders Agreement was executed in May 2011, and the Share Transfer Agreement ('STA') was signed by the Government of Laos and Pan Mekong Exploration Pty Limited on 2 August 2012. Under the agreement, the Government of Laos acquired its 10% shareholding interest in Phu Bia Mining. A purchase price amounting to US$29 million for the transfer of shares to the Government of Laos was agreed. The amount receivable is discounted to factor the passage of time.

In February 2014, Phu Bia Mining declared a dividend, with 10% of that dividend, amounting to $4,310,000 (2013: $4,150,000), being payable to the Government of Laos. In accordance with the STA, the amount was applied against the receivable.

(iii) The value of non-current assets approximates their fair value.

8 Financial assets and financial liabilities (continued)

(c) Investment in Highlands Pacific Limited

	31 December 2014 $'000	31 December 2013 $'000
Investment in Highlands Pacific Limited	**5,992**	3,488
Total investment in Highlands Pacific Limited	**5,992**	3,488

Investment in Frieda River Copper-Gold Project

On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. This agreement is between PanAust SPV1 Pte. Ltd. and Glencore.

The 20% remaining interest in the Frieda River Copper-Gold Project is held by Highlands Pacific Limited. On 7 November 2013, PanAust SPV2 Pte. Ltd. paid a total of A$5 million (US$4.67 million) for a share placement of 64,432,990 shares at A$0.0776 per share in Highlands Pacific Limited.

On 1 September 2014, PanAust exercised its option under the Share Placement Agreement with Highlands Pacific Limited to subscribe for a further 64,432,990 shares at A$0.0776 per share. This transaction took PanAust's shareholding in Highlands from 7.5% to approximately 14% (128,865,980 shares) of the issued share capital.

The value of the share placements has been revalued to US$5.9 million based on the share price of A$0.057 per share and USD/AUD exchange rate of A$1.2258 as at 31 December 2014. As such, an impairment of US$1.86 million has been recognised in the profit and loss.

(d) Trade and other payables

	31 December 2014			31 December 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**54,623**	**1,030**	**55,653**	50,716	-	50,716
Accrued expenses	**22,670**	**-**	**22,670**	24,995	-	24,995
Put option premium payable	**-**	**-**	**-**	1,193	-	1,193
	77,293	**1,030**	**78,323**	76,904	-	76,904

8 Financial assets and financial liabilities (continued)

(e) Borrowings

	31 December 2014			31 December 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**-**	**125,968**	**125,968**	12,000	144,327	156,327
Lease liabilities	**18,662**	**38,488**	**57,150**	17,313	50,375	67,688
Total secured borrowings	**18,662**	**164,456**	**183,118**	29,313	194,702	224,015

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.

(i) Bank loans

On 22 January 2013, the Company entered into amended and restated facilities agreements for debt facilities totalling US$275 million. The facilities comprise a US$250 million revolving debt facility with a syndicate of seven banks, and a US$25 million working capital facility offered by ANZ Bank (Lao) Limited. The revolving debt facility replaces the previous facility entered into in 2010 and described above which was scheduled to mature in 2013.

The key terms for the debt facilities are as follows:

- Amortisation of loan over two remaining years from 2015 via maximum repayments totalling US$130 million;
- Repayment of remaining balance in full at expiry of the four year term;
- An interest rate of US LIBOR plus a fixed margin of 3.5% p.a. on the revolving facility (plus political risk insurance);
- Secured by shares held by PanAust Limited in Pan Mekong Exploration Pty Ltd and shares held by Pan Mekong Exploration Pty Ltd in Phu Bia Mining Limited;
- Secured by charges over Phu Bia Mining Limited production assets in Laos and key contractual rights, except for mobile plant which is subject to equipment leasing arrangements;
- There are no requirements for mandatory long term copper or gold hedging.

The facilities will be used for general corporate purposes including funding of working capital and operating expenses and to fund capital expenditure on growth projects in Laos.

As at 31 December 2014, US$130 million (2013: US$150 million) had been drawn from the Revolving Facility.

8 Financial assets and financial liabilities (continued)

(e) Borrowings (continued)

(ii) Lease liabilities

The Company has entered into three equipment lease facilities to finance the acquisition of a variety of mining and miscellaneous equipment for the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation as follows:

Equipment lease facility	Date	Facility limit	Amount drawn	Balance outstanding	Expiring date
1	21-Jan-2011	US$24.8 million	Fully drawn	US$9.4 million	25-Jan-2016
2	16-Dec-2011	US$65 million	Fully drawn	US$35.0 million	21-Dec-2016
3	31-Dec-2013	US$23.5 million	US$14.8 million	US$12.7 million	23-Dec-2018

The equipment lease facilities have variable interest rates and are repayable in quarterly installments. The all in average interest rate at reporting date on funds drawn from the facilities is 4% (2013: 3.87%).

(f) Deferred considerations payable

	31 December 2014 $'000	31 December 2013 $'000
Deferred considerations payable on Frieda River purchase	**50,000**	-
Total deferred considerations payable	**50,000**	-

Under the share sale and purchase agreement with Glencore (the “agreement”, dated 31 October 2013), a further payment of US$50 million (subject to consumer price index escalation between the date of the agreement (31 October 2013) and on a quarterly basis each year prior to payment) is scheduled to be paid to Glencore on 31 December 2015 (refer to note 23 for further details).

9 Non-financial assets and liabilities

(a) Inventories

	31 December 2014 $'000	31 December 2013 $'000
Current		
Raw materials and store inventory		
Raw materials and consumables - at cost	**81,576**	92,192
Provision for obsolete stores (i)	**(9,021)**	(949)
Total	**72,555**	91,243
Work in progress		
Work in progress - at cost	**5,918**	10,868
Gold in circuit - at cost	**2,826**	2,439
Total	**8,744**	13,307
Finished goods		
Copper-gold concentrate - at cost	**6,946**	8,101
Gold bullion - at cost	**4,972**	4,411
Total	**11,918**	12,512
Total current inventories	**93,217**	117,062
Non-current		
Work in progress - lower cost or Net Realisable Value (ii)	**11,720**	19,200
Total non-current inventories	**11,720**	19,200
Total inventories	**104,937**	136,262

(i) The Company accounting policy for provision for obsolescence implemented during the year requires that 50% of all stock (excluding critical spares) with an ageing greater than two years be provided for and any stock with an ageing greater than four years be fully provided for.

(ii) As at 31 December 2014, the Company had a stockpile of lower grade ore of 22.1 million tonnes for the Ban Houayxai Gold-Silver operation. Its net realisable value has been assessed as nil due to the reduction in metal selling price and projected metallurgical recovery rates. In addition, the Company had a stockpile of lower grade ore of 2.2 million tonnes for the Phu Kham Copper-Gold operation, valued at cost of US$11.7 million.

9 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment

Property, plant and equipment movements

	Note	Office equipment US$'000	Deferred stripping costs $'000	Mining properties US$'000	Mining plant and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2013							
Cost or fair value		12,536	22,008	342,561	760,426	17,669	1,155,200
Accumulated depreciation		(4,807)	-	(89,995)	(168,992)	(5,831)	(269,625)
Net book amount		**7,729**	**22,008**	**252,566**	**591,434**	**11,838**	**885,575**
Year ended 31 December 2013							
Opening net book amount		7,729	22,008	252,566	591,434	11,838	885,575
Additions		2,278	24,342	21,802	86,301	2,659	137,382
Reclassification, net		2,081	-	18,294	(17,823)	(2,552)	-
Depreciation charge		(2,510)	(2,208)	(29,052)	(81,518)	(3,048)	(118,336)
Asset write-off, net		-	-	-	(35)	-	(35)
Closing net book amount		**9,578**	**44,142**	**263,610**	**578,359**	**8,897**	**904,586**
At 31 December 2013							
Cost or fair value		16,836	46,476	382,657	828,311	17,707	1,291,987
Accumulated depreciation		(7,258)	(2,334)	(119,047)	(249,952)	(8,810)	(387,401)
Net book amount		**9,578**	**44,142**	**263,610**	**578,359**	**8,897**	**904,586**
Year ended 31 December 2014							
Opening net book amount		9,578	44,142	263,610	578,359	8,897	904,586
Additions		2,087	50,810	31,180	15,828	-	99,905
Reclassification, net		2,035	-	19,121	(19,796)	(1,360)	-
Transferred to intangible asset (net)	9(d)	(1,482)	-	-	-	-	(1,482)
Transfer in/(out)	9(c)	-	-	46,764	(4,142)	-	42,622
Depreciation charge		(4,089)	(4,813)	(37,505)	(80,646)	(2,057)	(129,110)
Impairment loss		-	-	(53,620)	(24,186)	-	(77,806)
Asset write-off, net		(6)	-	-	-	-	(6)
Closing net book amount		**8,123**	**90,139**	**269,550**	**465,417**	**5,480**	**838,709**
At 31 December 2014							
Cost or fair value		16,878	97,286	370,843	790,721	13,858	1,289,586
Accumulated depreciation		(8,755)	(7,147)	(101,293)	(325,304)	(8,378)	(450,877)
Net book amount		**8,123**	**90,139**	**269,550**	**465,417**	**5,480**	**838,709**

9 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment (continued)

Leased assets

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

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	**62,996**	69,276
Additions	**10,339**	12,026
Depreciation charge	**(19,814)**	(18,306)
Net book amount	**53,521**	62,996

Security

Phu Bia Mining Limited's property, plant and equipment has been pledged as security under the finance facilities held by Phu Bia Mining, refer to note 8(e) .

(c) Exploration, evaluation, and mine development

		Preproduction exploration & evaluation	
	Note	**31 December 2014 US$'000**	**31 December 2013 US$'000**
Carrying amount at start of year		205,276	183,333
Acquired through acquisition		79,426	-
Additions		23,814	49,064
Impairment charge (i)		(178,351)	(27,121)
Transfer (out)	9(b)	(42,622)	-
		87,543	205,276

(i) 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. The impairment expense recognised represents the accumulated costs incurred in exploration of areas where there is no continuing significant activity planned in relation to the area, refer to note 5 for further details.

9 Non-financial assets and liabilities (continued)

(d) Intangible assets

	Goodwill $'000	Software $'000	Total $'000
At 1 January 2013			
Cost	13,965	-	13,965
Accumulation amortisation and impairment	-	-	-
Net book amount	13,965	-	13,965
Period ended 31 December 2013			
Opening net book amount	13,965	-	13,965
Closing net book amount	13,965	-	13,965
At 31 December 2013			
Cost	13,965	-	13,965
Accumulation amortisation and impairment	-	-	-
Net book amount	13,965	-	13,965
Period ended 31 December 2014			
Opening net book amount	13,965	-	13,965
Additions - software	-	6,412	6,412
Additions - software transfer (9(b))	-	1,482	1,482
Impairment expense	(8,585)	-	(8,585)
Closing net book amount	5,380	7,894	13,274
At 31 December 2014			
Cost	5,380	7,894	13,274
Accumulated amortisation	-	-	-
Net book amount	5,380	7,894	13,274

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a segment is determined based on fair value less cost of disposal (FVLCD) calculations which require the use of assumptions.

PanAust Asia

Goodwill of $5,380,000 has been allocated to the PanAust Asia segment. The calculations to determine recoverable amount use cash flow projections based on long term mine plans for the Phu Kham Copper- Gold and the Ban Houayxai Gold-Silver Operation, reflecting estimated reserves and production profiles. This is a level 3 valuation under the FV hierarchy of AASB 13.

A key assumption to which the calculation of recoverable amount of PanAust Asia is sensitive is a change to operating margins as a result of movements in the long term copper and gold price. Long term copper and gold prices have been adopted in the calculation with reference to independent analyst forecasts.

The recoverable amount of PanAust Asia exceeds the carrying value, applying a post-tax discount rate of 6.75% for Ban Houayxai and 8% for Phu Kham to cash flows expressed in real terms.

9 Non-financial assets and liabilities (continued)

(d) Intangible assets (continued)

In applying sensitivities to the calculation, long term average copper and gold prices would need to fall below a level that the Company believes is realistic, given the current average industry and analyst price forecasts, before the recoverable amount is equal to the carrying value.

PanAust South America

Goodwill of US$8,585,000 has been allocated to the PanAust South America segment, currently disclosed as “Other”. This represents the excess of the cost of the acquisition of the 66% interest in Inca de Oro S.A. held by PanAust Minera IDO Limitada over the fair value of the net assets acquired that was approved by Presidential Decree on 22 February 2011.

Given the carrying value of the PanAust South American business unit has been fully impaired as at 31 December 2014 (refer to note 5), it has also been necessary to impair the goodwill balance of US$8,585,000 in full as at 31 December 2014.

(e) Impairment

An impairment charge of $77.8 million has been recognised in mine properties and mine plant and equipment. This includes an impairment charge of $67.9 million for Ban Houayxai and $9.9 million for other capitalised expenditure in PanAust Asia. This has been discussed in note 5 (ii) in determining fair value less cost of disposal, the recoverable amount has been determined under level 3 of the fair value hierarchy in AASB13.

Key assumptions which have been used in the discounted cash flows include: gold and silver prices operating costs and discount rates. Gold and silver prices have been determined with reference to independent analyst forecasts; operating costs have been determined in accordance with board approved budgets and LOM plans; discount rates have been calculated using a weighted average cost of capital (WACC), the discount rare applied is 6.75%.

9 Non-financial assets and liabilities (continued)

(f) Provisions

	31 December 2014			31 December 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**11,649**	**758**	**12,407**	13,239	2,122	15,361
Retrenchments (i)	**4,231**	**-**	**4,231**	-	-	-
Other provisions	**148**	**39**	**187**	88	24	112
Restoration	**1,055**	**80,078**	**81,133**	1,993	58,388	60,381
Environmental protection fund	**1,125**	**-**	**1,125**	891	-	891
	18,208	**80,875**	**99,083**	16,211	60,534	76,745

(i) Retrenchments

In December 2014 the Company committed to organisational changes that resulted in a near 5% (182 people) reduction in the work force across the whole business and the "PanAust Business Efficiency Review" was announced on 14 January 2015. As such a provision of US$4,231,000 has been recognised as at 31 December 2014, comprising US$1,988,000 (inclusive of superannuation) for lieu in notice obligation and US$2,243,000 (inclusive of superannuation) for severance payments. The redundancy provision was paid in full in January 2015

(ii) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits and other provisions are set out below:

	Environmental protection fund US$'000	**Restoration US$'000**
2014		
Carrying amount at start of year	**891**	**60,381**
additional provision charged to profit or loss	**234**	**1,209**
unwinding of discount	**-**	**4,012**
amount used during the year	**-**	**(1,594)**
impact of the changes in assumptions	**-**	**17,125**
Carrying amount at end of year	**1,125**	**81,133**
Current	**1,125**	**1,055**
Non-current	**-**	**80,078**
Total	**1,125**	**81,133**

10 Derivative financial instruments

	31 December 2014 $'000	31 December 2013 $'000
Current assets		
Copper forward contracts	**3,072**	-
Gold and silver forward contracts	**2,300**	-
Copper put options	**-**	1
Total current derivative financial instrument assets	**5,372**	1
Current liabilities		
Copper forward contracts	**-**	2,215
Total current derivative financial instrument liabilities	**-**	2,215
Non-current liabilities		
Net derivative financial instrument liabilities	**5,372**	(2,214)

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the copper price and gold price in accordance with the Company Hedging Policy and the hedging protocol as required under the Phu Bia Mining loan agreement. Refer to note 4.

(i) Copper price risk hedging

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

As at 31 December 2014, the Company had 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. A total of 9,760t of copper is covered by these copper swap contracts as at 31 December 2014 at an average copper price of US$6,638/t (US$3.01lb). Refer to note 4(b) for further details.

(ii) Gold price risk hedging

As at 31 December 2014, the Company as part of its short term strategic hedging program for gold production, had entered into gold forward contracts from January 2015 to March 2015 for over 14,000oz of gold at an average price of US$1,348/oz.

11 Fair value measurement of financial instruments

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Investment in Highlands Pacific Limited

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Level 1: the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
- Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2014. This excludes deferred consideration which has been discussed in note 8(f).

Consolidated entity **At 31 December 2014**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	-	5,372	-	5,372
Investment in Highlands Pacific Limited	5,992	-	-	5,992
Total assets	5,992	5,372	-	11,364

Consolidated entity **At 31 December 2013**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	-	1	-	1
Investment in Highlands Pacific Limited	3,488	-	-	3,488
Total assets	3,488	1	-	3,489
Liabilities				
Derivatives used for hedging	-	2,215	-	2,215
Total liabilities	-	2,215	-	2,215

(b) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair values for the above financial instruments are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

12 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.

Company Hedging Policy

The primary objective of the Company Hedging Policy (approved by the PanAust Board of Directors) is to provide a framework to investigate, recommend and (upon approval) execute appropriate strategies, namely:

- Hedging positions will only be entered into if the Company is confident 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.

Mandatory Hedging Program

Consistent with the Company Hedging Policy, the banks which provided the project finance for the Phu Kham Copper-Gold Operation in 2007 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.

The hedging protocol under the current bank facility requires the Company to hedge at least 50% of the copper in every shipment as the provisional copper price invoiced on the date of the shipment.

(a) Market risk

(i) Foreign exchange risk

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

	2014 Profit before tax		2013 Profit before tax	
	15 % weaker US$'000	15 % stronger US$'000	15 % weaker US$'000	15 % stronger US$'000
Cash and cash equivalents	3,189	(2,357)	4,140	(3,060)
Trade and other payables	(127)	94	(2,022)	1,495
	3,062	(2,263)	2,118	(1,565)

PanAust has a functional currency of United States dollars. 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, Lao Kip, and Chilean Peso. The above analysis has used a common sensitivity of -/+15% (2013: -/+15%).

(ii) Cash flow and fair value interest rate risk

Sensitivity of pre-tax profit and equity to changes in interest rates by -0.25%/+0.5% (2013: -0.25%/+0.5%) from the 31 December 2014 rates of 0.62% for cash and a floating rate of 0.19% for borrowings with all other variables held constant, are shown in the table below. The exposure is mainly as a result of borrowings and cash at bank at floating rates.

12 Financial risk management (continued)

(a) Market risk (continued)

	Profit before tax		Equity	
2014	**0.25 % decrease US$'000**	**0.5 % increase US$'000**	**0.25 % decrease US$'000**	**0.5 % increase US$'000**
Cash and cash equivalents	(187)	375	-	-
Receivable from the Government of Laos	-	-	(25)	51
Borrowings	458	(916)	-	-
	271	(541)	(25)	51

	Profit before tax		Equity	
2013	**0.25% decrease US$'000**	**0.5% increase US$'000**	**0.25% decrease US$'000**	**0.5% increase US$'000**
Cash and cash equivalents	(326)	651	-	-
Receivable from the Government of Laos	-	-	(41)	81
Put option premium payable	3	(6)	-	-
Borrowings	560	(1,120)	-	-
	237	(475)	(41)	81

(iii) 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.

To manage this risk the company undertakes various derivatives transactions (refer to note 4 and 10).

Price sensitivity

At 31 December 2014, had the copper price changed by -/+10% from the 31 December 2014 LME three month price of US$6,300/t (US$2.86/lb) (2013: -/+10% from the 31 December 2013 price of US$7,360/t (US$3.34/lb)), pre-tax profit and equity for the year would have been impacted due to the 23,399t of provisionally priced copper sales; 9,760t of copper swap derivatives; and 14,000oz of gold forwards derivatives, as per the table below:

	2014 Profit before tax		2013 Profit before tax	
	10% decrease US$'000	**10% increase US$'000**	**20 % decrease US$'000**	**20 % increase US$'000**
Financial assets				
Accounts receivable	(14,741)	14,741	(7,236)	7,236
Derivatives - put options	-	-	9	-
Derivatives - copper swaps	6,173	(6,170)	10,930	(10,930)
Derivatives - gold forwards	1,658	(1,657)	-	-
	(6,910)	6,914	3,703	(3,694)

(b) Credit risk

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, and is spread across a number of financial institutions.

12 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 Group'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.

As at 31 December 2014	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
Bank loans	-	-	130,000
Deferred consideration payable	50,000	-	-
Trade and other payables	77,293	1,030	-
Finance lease liabilities	18,662	33,424	5,064
	151,407	34,454	135,064

As at 31 December 2013	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
Bank loans (i)	12,000	-	150,000
Trade and other payables	75,711	-	-
Put option premium payable	1,193	-	-
Finance lease liabilities (ii)	17,313	17,313	33,062
	106,217	17,313	183,062

(i) On 22 January 2013, Phu Bia Mining Limited entered into amended and restated facilities agreements for debt facilities totalling US$275 million. Refer to note 8(e) for further details. As at 31 December 2014, US$130 million has been drawn from the debt facility (2013: US$150 million). The interest rate, including margin, on this facility was 3.67% as at 31 December 2014 (2013: 3.67%).

(ii) The equipment lease facilities have variable interest rates and are repayable in quarterly installments. The average interest rate, as at 31 December 2014, on funds drawn from the facilities was 4% (2013: 3.87%).

13 Equity

(a) Contributed equity

(i) Share capital

	31 December 2014 Shares	31 December 2013 Shares	**31 December 2014 $'000**	31 December 2013 $'000
Ordinary shares - fully paid (iii)	**636,599,496**	620,345,589	**558,338**	554,642
Treasury shares	**(37,470,121)**	(23,802,060)	**-**	-
	599,129,375	596,543,529	**558,338**	554,642

(ii) Movements in ordinary share capital

Date	**Details**	Note	**Number of shares**	**Issued price**	**US$'000**
1 January 2014	Opening balance		620,345,589		554,642
	Dividend reinvestment plan	(v)	1,187,942	A$1.61	1,768
	Dividend reinvestment plan	(v)	1,018,842	A$2.18	1,928
	Executive Long Term Share Plan	(vi)	13,668,061	-	-
	Employees share rights exercised	(vii)	379,062	-	-
31 December 2014	Balance		636,599,496		558,338
	Treasury shares		(37,470,121)		-
31 December 2014	Balance excluding treasury shares		599,129,375		558,338

(iii) 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.

(iv) Cornerstone Investment Agreement

Under the Placement Agreement and consistent with the status of Gaungdong Rising Assets Management Co. Ltd (GRAM) as a strategic cornerstone investor, GRAM has a right to participate in future issues of shares in order to enable it to maintain its percentage interest in the Company (the “Top Up Right”). The Top Up Right does not apply to: the issue of shares under any employee incentive schemes; if GRAM and its related bodies corporate hold less than 10% of the shares in PanAust; the issue of shares or options by the Company in the context of a takeover or scheme of arrangement; or an issue of new shares to GRAM that requires the approval of shareholders under applicable law or the ASX Listing Rules and where such approval is not obtained.

(v) Dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with the option of reinvesting all or part of their dividends in additional PanAust shares without paying any brokerage or other entry costs. Participating in the DRP is voluntary.

On 20 February 2014, the PanAust Board of Directors declared a final unfranked dividend of A$0.03 per share. PanAust Limited advised that the market price to be used for the purpose of issuing shares under the DRP was A$1.61 per share. In accordance with the rules of the DRP, the market price is the arithmetic average of the daily volume weighted average price of PanAust Limited shares sold on the Australian Securities Exchange during each of the five trading days commencing on 10 March 2014, excluding trades not in the ordinary course of business.

13 Equity (continued)

(a) Contributed equity (continued)

On 21 August 2014, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share. PanAust advised that the market price to be used for the purpose of issuing shares under the DRP was A$2.18 per share. In accordance with the rules of the Dividend Reinvestment Plan, the market price is the arithmetic average of the daily volume weighted average price of PanAust Limited shares sold on the Australian Securities Exchange during each of the five trading days commencing on 8 September 2014, excluding trades not in the ordinary course of business.

(vi) Long Term Share Plan (LTSP)

Information relating to the PanAust employee Long Term Share Plan (LTSP), including details of shares issued under the plan is set out in note 16. The LTSP is a loan backed share plan where the Group issues shares, or a trustee transfers shares, to the executive at market value. The purchase price of each share is funded by a loan from the Group.

The Group has formed a trust to administer the Group's LTSP. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held on trust are disclosed as treasury shares and deducted from contributed equity.

The Company issues new shares for the LTSP. It does not buy shares on market. Shares which are forfeited by the senior executive are available for future issues under the LTSP.

The after tax benefit of any dividends (based on the top Australian marginal tax rate and the Medicare levy) must be applied in repayment of the loan granted to the employees.

(vii) Share Rights Plan

Information relating to the PanAust Share Rights Plan, including details of shares issued under the plan is set out in note 16.

(viii) Capital risk management

Consistent 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 loan facilities agreements throughout the periods reported.

The gearing ratios were as follows:

	31 December 2014 US$'000	31 December 2013 US$'000
Total borrowings	**183,118**	224,015
Total equity	**775,430**	1,024,339
Total capital	**958,548**	1,248,354
Gearing ratio	**19%**	18%

13 Equity (continued)

(b) Reserves

	31 December 2014 $'000	31 December 2013 $'000
Share-based payments reserve	**46,905**	40,237

Movements in reserves were as follow:

Hedging reserve - cash flow hedges		
Opening balance	**-**	(3,728)
Transfer to net profit	**-**	3,728
Balance 31 December	**-**	-
Share-based payments reserve		
Opening balance	**40,237**	34,466
Employee share based payments	**6,668**	5,771
Balance 31 December	**46,905**	40,237

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

(i) Nature and purpose of other reserves

- 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.

- 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(h) and 10. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

(c) Retained earnings

Movements in retained earnings were as follows:

	31 December 2014 $'000	31 December 2013 $'000
Balance 1 January	**318,388**	324,395
Net profit for the period	**(178,109)**	36,383
Dividends	**(33,122)**	(42,390)
Balance 31 December	**107,157**	318,388

On 20 February 2014, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share for a total amount of A$18,430,000 (US$17,051,000). The dividend was paid on 4 April 2014.

On 21 August 2014, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share for a total amount of A$18,494,000 (US$16,071,000). The dividend was paid on 03 October 2014.

14 Non-controlling interests

	31 December 2014 $'000	31 December 2013 $'000
Interest in:		
Share capital	**61,222**	61,683
Retained earnings	**1,808**	49,389
	63,030	111,072

15 Earnings per share

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

	31 December 2014 $'000	31 December 2013 $'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	**(178,109)**	36,383

(b) Weighted average number of shares used as denominator

	31 December 2014 Number of shares	31 December 2013 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**597,967,528**	594,860,516
Adjustments for calculation of diluted earnings per share:		
Unlisted securities	**1,747,415**	902,105
Adjusted weighted average number of ordinary shares used in calculating diluted profit per share	**599,714,943**	595,762,621

16 Share-based payments

Share-based compensation benefits are provided to the Managing Director and other senior executives through the Executive Long Term Share Plan (LTSP). Share based compensation benefits are provided to a wider cross section of employees through the Share Right Plan (SRP).

As at 31 December 2014

Grant date	Loan expiry date / Expiry date	Fair value at grant A$	Purchase price / Exercise price A$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
(a) Executive Long Term Share Plan									
24-Feb-14	31-Dec-18	0.610	2.000	-	13,668,061	-	-	13,668,061	-
17-May-13	31-Dec-17	0.470	2.405	3,552,500	-	-	-	3,552,500	-
25-Feb-13	31-Dec-17	0.500	2.840	8,252,000	-	-	-	8,252,000	-
21-May-12	31-Dec-16	0.614	2.779	2,120,141	-	-	(353,428)	1,766,713	1,766,713
02-Mar-12	31-Dec-16	0.878	3.600	4,795,973	-	-	(799,489)	3,996,484	3,996,484
17-Jan-12	31-Dec-15	1.375	3.775	61,278	-	-	(12,744)	48,534	48,534
23-May-11	31-Dec-15	1.124	3.775	501,312	-	-	(104,258)	397,054	397,054
18-Feb-11	31-Dec-15	1.375	4.285	1,073,694	-	-	(223,295)	850,399	850,399
21-May-10	21-May-15	0.600	2.547	3,445,160	-	-	-	3,445,160	3,445,160
				23,802,058	13,668,061	-	(1,493,214)	35,976,905	10,504,344
Weighted average purchase price A$				2.968	-			2.577	3.165
Weighted average remaining contractual life in years				3.2				2.9	
(b) Share Rights Plan									
24-Jul-14	31-Mar-16	1.470	nil	-	6,519	-	(6,519)	-	-
21-May-14	31-Mar-16	1.470	nil	-	6,519	-	(6,519)	-	-
01-Apr-14	31-Mar-16	1.470	nil	-	1,250,832	-	(180,285)	1,070,547	-
12-Mar-13	31-Mar-15	2.480	nil	599,067	-	-	(127,237)	471,830	471,830
07-June-12	31-Mar-14	3.188	nil	9,004	-	-	(9,004)	-	-
15-May-12	31-Mar-14	3.188	nil	370,058	-	(280,937)	(89,121)	-	-
				978,129	1,263,870	(280,937)	(418,685)	1,542,377	471,830

16 Share-based payments (continued)

As at December 2013

Grant date	Loan expiry date / Expiry date	Fair value at grant A$	Purchase price / Exercise price A$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
(a) Executive Long Term Share Plan									
17-May-13	31-Dec-17	0.470	2.405	-	3,552,500	-	-	3,552,500	-
25-Feb-13	31-Dec-17	0.500	2.840	-	8,252,000	-	-	8,252,000	-
21-May-12	31-Dec-16	0.614	2.779	2,120,141	-	-	-	2,120,141	-
02-Mar-12	31-Dec-16	0.878	3.600	5,100,784	-	-	(304,811)	4,795,973	-
17-Jan-12	31-Dec-15	1.375	3.775	61,278	-	-	-	61,278	40,854
23-May-11	31-Dec-15	1.124	3.775	501,312	-	-	-	501,312	334,225
18-Feb-11	31-Dec-15	1.375	4.285	1,147,660	-	-	(73,966)	1,073,694	715,832
21-May-10	21-May-15	0.600	2.547	3,647,820	-	(202,660)	-	3,445,160	3,445,160
				12,578,995	11,804,500	(202,660)	(378,777)	23,802,058	4,536,071
Weighted average purchase price A$				3.217	2.709			2.968	2.922
Weighted average remaining contractual life in years				3.4				3.2	
(b) Share Rights Plan									
12-Mar-13	31-Mar-15	2.480	nil	-	667,480	-	(68,413)	599,067	-
07-June-12	31-Mar-14	3.188	nil	12,177	-	-	(3,173)	9,004	9,004
15-May-12	31-Mar-14	3.188	nil	442,578	-	-	(72,520)	370,058	370,058
03-Mar-11	31-Jan-13	4.200	nil	192,747	-	(192,747)	-	-	-
				647,502	667,480	(192,747)	(144,106)	978,129	379,062
(c) Executives' Option Plan									
22-May-09	31-Dec-13	0.470	2.106	2,640,000	-	(100,000)	(2,540,000)	-	-
27-Apr-09	31-Dec-13	0.425	1.525	580,000	-	(580,000)	-	-	-
				3,220,000	-	(680,000)	(2,540,000)	-	-
Weighted average exercise price A$				2.001	-	1.610	-	-	-
Weighted average remaining contractual life in years				-				-	

16 Share-based payments (continued)

(a) Executive Long Term Share Plan

The LTSP is a loan backed share plan. Under the LTSP the company issues shares or a trustee transfers shares to the executive at market value. The purchase price of the share is funded by a loan from the Company. The issue of shares and the advance of a loan to the Managing Director was approved by shareholders at the Annual General Meeting held on 30 May 2014. The fair value attributed to LTSP at grant date was calculated using a Monte Carlo simulation model that takes into account the following:

Variable input	2014	2013
Dividend yield	3.0%-3.8%	2.50%
Expected volatility	50%	40%
Risk-free interest rate	2.8%-3.4%	2.6%-2.9%
Staff turnover	0.00%	0.00%

Subject to the performance conditions, the vesting date for the shares is three years from the commencement of the performance period.

LTI Cash Bonus

During 2011 only, executives were invited to participate in the LTI Cash Bonus Plan. The payment of the LTI Cash Bonus was dependent upon the achievement of a number of performance conditions which differ from those applying to the vesting of shares under the LTSP. The performance conditions were satisfied on 31 December 2013, the LTI Cash Bonus was paid in 2014. All LTI Cash Bonus Plan provisions ceased during 2014. The LTI Cash Bonus Plan has not been used for grants since 2012 and is not proposed to be used in 2015.

(b) Share Rights Plan

Under the SRP established in 2007, eligible employees (other than the Managing Director, senior executives and senior managers) may be offered rights to acquire fully-paid ordinary shares in the Company annually for no cash consideration and no performance hurdles. The share rights 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 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 five trading days immediately before the date of the offer.

Set out below are the variable model inputs.

Grant date	Vesting date	Share price at grant date A$
24-Jul-14	31-Dec-15	1.55
21-May-14	31-Dec-15	1.55
01-Apr-14	31-Dec-15	1.55
12-Mar-13	31-Dec-14	2.56
07-Jun-12	31-Dec-13	2.83
15-May-12	31-Dec-13	2.68

(c) Executives' Option Plan

The establishment of the Company's Executives' Option Plan (EOP) was approved by shareholders at the 1996 annual general meeting. There have been no options granted since 2009.

All options were exercised at the year ended 31 December 2013.

16 Share-based payments (continued)

(d) 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:

	31 December 2014 $'000	31 December 2013 $'000
Share rights issued under the SRP	**1,190**	1,351
Shares issued under the LTSP	**5,478**	4,420
	6,668	5,771

17 Key management personnel disclosures

(a) Directors

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

Non-executive Directors:	Garry Hounsell
	Nerolie Withnall
	Geoff Handley
	Geoff Billard
	Zezhong Li
	John Crofts
	Ken Pickering
	Annabelle Chaplain
Executive Director:	Fred Hess (appointed 11 Nov 2014)
	Gary Stafford (resigned 11 Nov 2014)

(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:

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 48.

Name	***Position***
Fred Hess	Executive General Manager Project Development & Operation Improvement (for the period 1 January 2014-10 November 2014)/Managing Director (for the period 11 November to 31 December 2014)
Rob Usher	Executive General Manager PanAust Asia
David Hairsine	Chief Financial Officer
Francisco Tomic	Executive General Manager PanAust South America

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.

(c) Other transactions with key management personnel

(i) Assaying fees of US$1,833,072 (2013: US$3,003,123) were paid to Australian Laboratory Services Pty Ltd (ALS) and subsidiaries on normal commercial terms. ALS is a wholly owned subsidiary of ALS Limited of which Nerolie Withnall is Chairman.

17 Key management personnel disclosures (continued)

(c) Other transactions with key management personnel (continued)

(ii) PanAust's long-term share service provider is Computershare Limited, of which Nerolie Withnall is a Director. Service fees of US$313,510 (2013: US$443,268), have been paid to Computershare during the year on normal commercial terms.

18 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 17.

(c) Subsidiaries

Interests in subsidiaries are set out in note 19.

(d) Transactions with other related parties

As at 31 December 2014, the Company had advanced loans to the Managing Director and other senior executives for the purchase price of shares issued to the Managing Director and other senior executives under the Long Term Share Plan (LTSP). The shares are held on trust and will be released to the Managing Director and other senior executives if the vesting conditions are met and the shares have vested, the loans to the Company have been paid or appropriate arrangements entered into for repayment of the loans upon the sale of the related shares. Further details with regards to the LTSP are included in the Remuneration Report and note 16.

19 Subsidiaries and transactions with non-controlling interests

Name of entity	Place of incorporation	Class of shares	Equity holding * 2014 %	2013 %
PanAust Canada Ltd	Canada	Ordinary	**100**	100
PanAust IDO SpA	Chile	Ordinary	**91.8**	91.6
PanAust Minera IDO Limitada	Chile	Ordinary	**91.8**	91.6
Inca de Oro S.A. (a)	Chile	Ordinary	**61.3**	60.5
PanAust Atacama SpA	Chile	Ordinary	**100**	100
PanAust South America Services SpA	Chile	Ordinary	**100**	100
Phu Bia Mining Limited	Laos	Ordinary	**90**	90
Frieda River Limited	PNG	Ordinary and Redeemable Preference Shares	**100**	-
Pan Mekong Exploration Pty Ltd	QLD	Ordinary	**100**	100
PanAust Exploration Pty Ltd	QLD	Ordinary	**100**	100
PanAust Services Pty Ltd	QLD	Ordinary	**100**	100
PNA (Puthep) Pty Ltd	QLD	Ordinary	**100**	100
Terra Firma Resources NL	QLD	Ordinary	**100**	100
PanAust Executive Long Term Share Plan Trust	QLD	n/a	**n/a**	n/a
PanAust Holdings Pte Ltd	Singapore	Ordinary	**100**	100
PanAust Chile Holdings Pte Ltd	Singapore	Ordinary	**100**	100
PanAust IDO Holdings Pte Ltd	Singapore	Ordinary	**91.8**	91.6
PanAust SPV1 Pte Ltd	Singapore	Ordinary	**100**	100
PanAust SPV2 Pte Ltd	Singapore	Ordinary	**100**	100
PanAust Myanmar Pte Ltd	Singapore	Ordinary	**100**	-
PanAust Services (Thailand) Company Limited	Thailand	Ordinary	**100**	100
Masons Hill Gold NL	W/A	Ordinary	**90**	90

** Beneficial interest*

(a) During the year ended 31 December 2014, Inca de Oro S.A. made calls upon shareholders. As a result of the responses to the calls and following the issue of shares, PanAust holds a 61.3% (2013: 60.5%) beneficial interest in Inca de Oro S.A.

20 Remuneration of auditors

During the period the following fees were paid or payable for services provided by PricewaterhouseCoopers ('PwC'), auditor of the Parent entity and its related practices:

	31 December 2014 US$	31 December 2013 US$
1. Audit services		
PwC Australia		
Audit and review of financial reports and other audit work	**347,000**	342,000
Related practices of PwC Australia		
Audit and review of financial reports and other audit work		
PwC Laos	**206,530**	184,950
PwC Chile	**21,286**	21,316
PwC Singapore	**33,500**	20,160
Total remuneration for audit services	**608,316**	568,426
2. Other services - PwC Australia		
Human resources matters	**-**	30,306
Other services	**33,734**	104,159
Total remuneration for other services	**33,734**	134,465
3. Taxation services - PwC Chile		
Tax advice	**8,316**	14,335

21 Commitments

(a) Capital commitments

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

	31 December 2014 US$	31 December 2013 US$
(i) Mine Property, plant and equipment		
Within one year	**1,718**	7,838
	1,718	7,838

The capital expenditure commitment for mine property, plant and equipment represents the equipment purchased for the Phu Kham Copper-Gold Operations.

(b) Contribution in the local Community commitments

In October 2013, PanAust entered into a partnership with the Asia Development Bank (ADB) to deliver clean water and better sanitation facilities to residents of 11 towns in Lao PDR. The project is valued at US$46.5 million, of which PanAust is contributing US$6 million as part of the Company's ongoing sustainability activities in Laos. The six year project represents the first private sector donor to partner with the ADB for one of its sovereign projects.

21 Commitments (continued)

(c) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	31 December 2014 $'000	31 December 2013 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**833**	680
Later than one year but not later than five years	**1,202**	1,305
	2,035	1,985
Representing:		
Non-cancellable operating leases	**2,035**	1,985
	2,035	1,985

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.

(ii) Finance leases

The Group leases various plant and equipment with a written down value of US$53.5 million (2013: US$63 million) under finance leases expiring between 25 January 2016 and 23 December 2018.

	31 December 2014 $'000	31 December 2013 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**20,663**	19,714
Later than one year but not later than five years	**39,978**	53,167
Minimum lease payments	**60,641**	72,881
Future finance charges	**(3,491)**	(5,193)
Total lease liabilities	**(3,491)**	(5,193)
Representing lease liabilities:		
Current	**18,662**	17,313
Non-current	**38,488**	50,375
	57,150	67,688

The weighted average interest rate implicit in the leases is 4% (2013: 3.87%).

22 Contingencies

(a) Contingent assets

Frieda River Joint Venture arrangements

The PNG Government reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase up to 30% equitable interest in any mineral discovery arising from the licence, at a price pro-rata to the accumulated exploration expenditure and then to contribute to further exploration and development in relation to the lease on a pro-rata basis unless otherwise agreed.

In the event that the Government of PNG exercises its right, then PanAust will sell down the first 20% of any shares acquired by the Government and, thereafter, the joint venture parties will each sell an equal number of shares to the Government up to the maximum level of 30%.

Refer to note 23 for further details.

(b) Contingent liabilities

(i) Inca de Oro Copper-Gold Project

Included in the net assets of Inca de Oro S.A. is a contingent liability related to future royalties payable to Codelco as part of the sales agreement. At balance date, the Inca de Oro Copper-Gold Project has been impaired.

23 Business combination

(a) Summary of acquisition

On 25 August 2014, the Company announced that a subsidiary of PanAust Limited had acquired all the shares in Frieda River Limited (formerly called Xstrata Frieda River Limited). Frieda River Limited is the manager of the Frieda River Project and has an 80% interest in the Project with the remaining 20% interest held by Highlands Frieda Limited, a subsidiary of Highlands Pacific Limited. In accordance with IFRS 3, the acquisition has been treated as a business combination.

The sole shareholder of Frieda River Limited is PanAust SPV1 Pte Ltd, a subsidiary of PanAust Limited.

The conduct of the Frieda River joint venture is governed by the Exploration, Development and Mine Operating Agreement between Frieda River Limited and Highlands Frieda Limited (among others), the significant commercial terms of which include:

- The overall management responsibilities of the operations of the Frieda River Joint Venture are discharged by a manager appointed by the Management Committee. The manager is Frieda River Limited who charges the Frieda River Joint Venture a management fee.
- The PNG Government has the right to acquire up to a 30% participating interest under the terms of the exploration licences. In the event that the PNG Government exercises its right to acquire a 30% interest in the Project, then PanAust will sell down the first 20% of any interest acquired by the Government and, thereafter, the joint venture parties will each sell an equal number of shares to the Government up to the maximum level of 30%, (i.e. if the PNG Government acquires up to the maximum level of 30% of the Project, then PanAust will sell down to a 55% controlling interest and Highlands will sell down to a 15% interest).
- Frieda River Limited is responsible for all costs of the Frieda River Joint Venture (including Highlands share of costs) to complete the feasibility study, the costs of an independent expert to provide peer review and the costs to maintain the project site, assets and community relations program up to the date of lodgement of an application for a mining lease.

(b) Purchase consideration

Details of the purchase consideration, the net assets acquired and discount on acquisition are as follows:

	US$
Purchase consideration	
Cash paid (i)	**29,425,856**
Deferred considerations payable (ii)	**50,000,000**
Total purchase consideration	**79,425,856**

(i) An initial acquisition payment of US$25 million was paid to Glencore together with an amount of US$4,425,856 to reimburse Glencore for costs incurred by Glencore from the date of the share sale agreement until completion on 25 August 2014. Costs comprise camp maintenance, feasibility study work based on PanAust concept and community assistance costs.

(ii) A further payment of US$50 million (which is subject to consumer price index escalation) is scheduled to be paid to Glencore on 31 December 2015.

23 Business combination (continued)

(c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	US$
Cash at bank	**27,590**
PPE	**541,908**
Exploration and Evaluation	**79,177,424**
Accounts Payable	**(14,160)**
Accruals	**(191,335)**
Provisions	**(115,571)**
Net Identifiable Assets Acquired	**79,425,856**

(d) Significant estimate: contingent consideration

Included in the net assets acquired is contingent consideration related to future royalties payable to Glencore as part of the sale arrangements for the purchase of the Frieda River Limited. On successful completion of a development at Frieda River, subject to consumer price index ("CPI") escalation between the date of signing and on a quarterly basis each year prior to payment Glencore will receive a 2% net smelter return royalty (on PanAust's interest in the Project) to a total aggregate amount of US$50 million. There are a number of limited circumstances in the Share Sale Agreement with Glencore where this final NSR payment is required to be made prior to commercial production. In the case where Frieda River Limited receives proceeds from the sale of part of its interest in the Frieda River Project as a result of the PNG Government exercising its option to acquire up to a 30% interest in the Project, the proceed are required to be directed to Glencore in satisfaction of the NSR royalty, resulting in nil cash outflow to PanAust.

The purchase price of PanAust's acquisition of the Frieda River project comprises:

- US$25 million paid on the date of transaction completion which took place on 25 August 2014;
- US$50 million to be paid on 31 December 2015; and
- A NSR royalty payable on and from commencement of commercial production.

The first two components of the purchase price are committed payments. The NSR royalty represents contingent consideration. On the basis that it will be either be satisfied out of proceeds from the Government exercising its option or from commercial production (both of which are uncertain), the NSR royalty has been assigned a fair value of nil.

(e) Significant estimate: contingent asset

In the event that the Government of PNG exercises its right, then PanAust will sell down the first 20% of any shares acquired by the Government and, thereafter, the joint venture parties will each sell an equal number of shares to the Government up to the maximum level of 30%. The exercise price is calculated with reference to historical costs, this is higher than fair value at acquisition date.

(f) Tax position

Frieda River Limited has significant carried forward net exploration deductions for which no deferred tax asset has been recognised. These deductions are available for a finite period of time to offset future taxable profits, subject to continuing to meet relevant statutory tests.

23 Business combination (continued)

(g) Revenue and profit or loss since acquisition date

The acquired business has incurred a net expense of $77,000 for the period from 25 August 2014 to 31 December 2014, and $155,000 for the period from 1 January 2014 to 31 December 2014.

(h) Purchase consideration- cash outflow

	31 December 2014 US$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**29,425,856**
Less: Balances acquired	
Cash	**(27,590)**
Outflow of cash- investing activities	**29,398,266**

Acquisition related costs of $760,000, relating to stamp duty, are included in other expenses in the profit or loss and in operating cash flows in the statement of cash flows.

24 Events occurring after the reporting period

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

25 Parent entity financial information

(a) Summary financial information

The below summary has been determined based on accounting policies outlined in note 1.

	31 December 2014 $'000	31 December 2013 $'000
Balance sheet		
Current assets	**44,847**	87,939
Non-current assets	**547,424**	422,949
Total assets	**592,271**	510,888
Current liabilities	**20**	20
Non-current liabilities	**205**	205
Total liabilities	**225**	225
Net assets	**592,046**	510,663
Shareholders' equity		
Issued capital	**654,580**	554,642
Reserves		
Share-based payments reserve	**44,420**	40,000
Retained earnings	**(106,954)**	(83,979)
	592,046	510,663
Profit or loss for the period	**12,214**	14,549
Total comprehensive income	**12,214**	14,549

PanAust Limited
Directors' declaration
31 December 2014

In the Directors' opinion:

(a) the financial statements and notes set out on pages 63 to 118 are in accordance with the *Corporations Act 2001*, including:
   - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements as detailed above; and
   - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial period 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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

Garry Hounsell
Director

Dr Fred Hess
Director

Brisbane
19 February 2015

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 comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for PanAust Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 consolidated 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.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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 consolidated entity's financial position as at 31 December 2014 and of its 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*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 48 of the directors' report for the year ended 31 December 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Brisbane
19 February 2015

PanAust Limited
Shareholder information
31 December 2014

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows, and is current as at 10 February 2015.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares		Redeemable preference shares	% Issued Capital
Holding	Total Holders	Units		
1 - 1,000	4,041	1,736,629	-	0.27%
1,001 - 5,000	5,118	13,667,542	-	2.15%
5,001 - 10,000	1,947	14,675,998	-	2.30%
10,001 - 100,000	2,334	60,386,234	-	9.48%
100,001 - and over	152	546,604,923	-	85.80%
	13,592	637,071,326	-	100.00%

There were 2,164 holders of less than a marketable parcel of 414 ordinary shares totalling 367,725 shares.

B. Shareholders

Twenty largest quoted shareholders

	Ordinary shares	
Name	Number held	Percentage of issued shares
Guangdong Rising H.K. (Holding) Limited	145,154,849	22.78%
JP Morgan Nominees Australia Limited	109,353,644	17.17%
HSBC Custody Nominees (Australia) Limited	71,898,356	11.29%
National Nominees Limited	49,186,201	7.72%
Citicorp Nominees Pty Limited	36,876,170	5.79%
BNP Paribas Noms Pty Ltd <DRP>	16,974,701	2.66%
RBC Investor Services Australia Nominees Pty Limited <Pipooled A/C>	15,460,165	2.43%
UBS Nominees Pty Ltd	8,841,852	1.39%
AMP Life Limited	7,638,693	1.20%
Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	2,800,000	0.44%
Invia Custodian Pty Limited <Gary Stafford A/C>	2,716,506	0.43%
UBS Wealth Management Australia Nominees Pty Ltd	2,422,348	0.38%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,253,277	0.35%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,978,633	0.31%
RBC Investor Services Australia Nominees Pty Limited <PISELECT>	1,647,217	0.26%
QIC Limited	1,626,786	0.26%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,241,483	0.19%
Julian Pearce Walsh	930,171	0.15%
Invia Custodian Pty Limited <The Spellbrook Super FD A/C>	925,723	0.15%
Mr Thanh Phuoc Lu + Mrs Thi Anh Tuyet Lu	922,328	0.14%
	480,849,103	75.49%

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, Guangdong Rising Assets Management Co Ltd, being the ultimate holding company of Guangdong Rising H.K. (Holding) Limited, is a substantial holder 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
Share rights under the Share Rights Plan, not subject to performance conditions	101	1,070,547

None of these equity securities have voting rights

E. On-market buy back

There is no current on-market buy back.

MINERAL RESOURCES AND ORE RESERVES

LAOS

MINERAL RESOURCES								
COPPER-GOLD								
Phu Kham (0.2% copper cut-off)	**31 December 2014**				**31 December 2013**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	100	0.54	0.23	1.9	118	0.53	0.23	1.9
Measured (stockpiles)	3	0.28	0.18	1.4	3	0.31	0.17	1.2
Indicated	70	0.45	0.21	2.3	72	0.46	0.21	2.3
Sub-total (M+I)	**173**	**0.50**	**0.22**	**2.1**	**192**	**0.50**	**0.22**	**2.0**
Inferred	12	0.37	0.21	1.9	12	0.37	0.21	1.9
TOTAL	**184**	**0.49**	**0.22**	**2.1**	**204**	**0.49**	**0.22**	**2.0**
KTL (0.50% copper cut-off)								
Measured	9	1.13	0.57	3.4	9	1.13	0.57	3.4
Indicated	10	0.78	0.27	3.9	10	0.78	0.27	3.9
Sub-total (M+I)	**19**	**0.94**	**0.41**	**3.7**	**19**	**0.94**	**0.41**	**3.7**
Inferred	0	0.52	0.02	0.3	0	0.52	0.02	0.3
Total	**19**	**0.94**	**0.41**	**3.7**	**19**	**0.94**	**0.41**	**3.7**

GOLD-SILVER								
Ban Houayxai	**31 December 2014**				**31 December 2013**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Oxide (0.25g/t gold cut-off)								
Measured	1	-	0.53	3.7	0	-	0.57	3.1
Indicated	6	-	0.63	3.8	7	-	0.70	3.7
Sub-total (M+I)	**6**	**-**	**0.62**	**3.8**	**7**	**-**	**0.70**	**3.7**
Inferred	0	-	0.43	1.6	1	-	0.38	1.7
Sub-total (Oxide)	**7**	**-**	**0.61**	**3.7**	**8**	**-**	**0.66**	**3.5**
Transitional (0.30g/t gold cut-off)								
Measured	4	-	0.71	9.2	3	-	0.83	10.6
Indicated	8	-	0.78	9.1	14	-	0.83	9.0
Sub-total (M+I)	**12**	**-**	**0.76**	**9.2**	**16**	**-**	**0.83**	**9.3**
Inferred	0	-	0.49	5.0	0	-	0.45	3.4
Sub-total (Transitional)	**12**	**-**	**0.76**	**9.1**	**17**	**-**	**0.82**	**9.1**
Primary (0.40g/t gold cut-off)								
Measured	7	-	1.06	11.5	1	-	1.10	10.3
Indicated	14	-	1.05	9.1	30	-	1.04	7.6
Sub-total (M+I)	**21**	**-**	**1.05**	**9.9**	**31**	**-**	**1.04**	**7.7**
Inferred	0	-	0.84	3.1	7	-	0.87	5.9
Sub-total (Primary)	**21**	**-**	**1.05**	**9.9**	**37**	**-**	**1.01**	**7.4**
Combined Oxide, Transitional, Primary								
Measured	12	-	0.91	10.2	4	-	0.85	9.8
Measured (stockpiles)	3	-	0.37	3.9	2	-	0.38	2.4
Indicated	27	-	0.88	8.0	50	-	0.94	7.4
Sub-total (M+I)	**42**	**-**	**0.85**	**8.3**	**56**	**-**	**0.91**	**7.4**
Inferred	0	-	0.47	2.2	8	-	0.80	5.4
TOTAL	**42**	**-**	**0.85**	**8.2**	**64**	**-**	**0.90**	**7.1**
Long Chieng Track (LCT) (0.30g/t gold cut-off)								
Measured	7	0.02	0.72	4.0	7	0.02	0.72	4.0
Indicated	12	0.05	0.81	5.2	12	0.05	0.81	5.2
Sub-total (M+I)	**19**	**0.04**	**0.78**	**4.7**	**19**	**0.04**	**0.78**	**4.7**
Inferred	11	0.15	0.72	2.4	11	0.15	0.72	2.4
TOTAL	**31**	**0.08**	**0.76**	**3.9**	**31**	**0.08**	**0.76**	**3.9**

MINERAL RESOURCES AND ORE RESERVES (continued)

LAOS

ORE RESERVES								
COPPER-GOLD								
Phu Kham	**31 December 2014**				**31 December 2013**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Proved	85	0.55	0.24	1.9	102	0.52	0.23	1.9
Proved (stockpiles)	3	0.28	0.18	1.4	3	0.31	0.17	1.2
Probable	42	0.48	0.23	2.3	52	0.46	0.22	2.1
Sub-total	**130**	**0.52**	**0.23**	**2.1**	**157**	**0.50**	**0.22**	**1.9**
KTL								
Proved	-	-	-	-	7	1.09	0.70	3.2
Probable	-	-	-	-	1	0.94	0.46	5.2
Sub-total	**-**	**-**	**-**	**-**	**8**	**1.06**	**0.66**	**3.5**
Proved	88	0.54	0.24	1.9	112	0.55	0.26	2.0
Probable	42	0.48	0.23	2.3	53	0.47	0.22	2.2
TOTAL	**130**	**0.52**	**0.23**	**2.1**	**165**	**0.52**	**0.25**	**2.0**

GOLD-SILVER								
Ban Houayxai	**31 December 2014**				**31 December 2013**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Proved	11	-	0.92	10.9	4	-	0.79	9.5
Proved (stockpiles)	1	-	0.46	6.7	2	-	0.36	2.3
Probable	14	-	0.87	8.0	30	-	0.85	8.3
TOTAL	**26**	**-**	**0.87**	**9.2**	**36**	**-**	**0.81**	**8.0**

PAPUA NEW GUINEA

MINERAL RESOURCES								
COPPER-GOLD								
Horse-Ivaal-Trukai (0.2% copper cut-off)	**31 December 2014**				**31 December 2013 ***			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	780	0.51	0.2	-	780	0.51	0.28	-
Indicated	410	0.44	0.2	-	410	0.44	0.2	-
Sub-total (M+I)	**1,190**	**0.49**	**0.2**	**-**	**1,190**	**0.49**	**0.25**	**-**
Inferred	920	0.39	0.1	-	920	0.39	0.17	-
TOTAL	**2,110**	**0.44**	**0.2**	**-**	**2,110**	**0.44**	**0.22**	**-**
Nena (0.3% copper cut-off)	**31 December 2014**				**31 December 2013**			
Class	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	-	-	-	-	-	-	-	-
Indicated	33	2.81	0.6	-	33	2.81	0.65	-
Sub-total (M+I)	**33**	**2.81**	**0.6**	**-**	**33**	**2.81**	**0.65**	**-**
Inferred	12	1.84	0.4	-	12	1.84	0.45	-
TOTAL	**45**	**2.55**	**0.6**	**-**	**45**	**2.55**	**0.60**	**-**

*The Group did not own the asset as at 31 December 2013.

MINERAL RESOURCES AND ORE RESERVES (continued)

CHILE

MINERAL RESOURCES (heap leach)				
	31 December 2014		31 December 2013	
Inca de Oro Oxide and Mixed (0.25% copper cut- off)				
Class	**Tonnes (Mt)**	**Cu Soluble (%)**	**Tonnes (Mt)**	**Cu Soluble (%)**
Measured	11	0.22	11	0.22
Indicated	54	0.23	54	0.23
Sub-total (M+I)	**64**	**0.22**	**64**	**0.22**
Inferred	7	0.14	7	0.14
TOTAL	**71**	**0.20**	**71**	**0.20**

MINERAL RESOURCES (flotation)								
	31 December 2014				31 December 2013			
Inca de Oro Supergene and Primary (0.25g/t copper cut-off)								
Class	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	186	0.44	0.1	2.0	186	0.44	0.13	2.0
Indicated	126	0.35	0.0	1.7	126	0.35	0.08	1.7
Sub-total (M+I)	**312**	**0.41**	**0.1**	**1.8**	**312**	**0.41**	**0.11**	**1.8**
Inferred	77	0.30	0.0	1.4	77	0.30	0.06	1.4
TOTAL	**389**	**0.39**	**0.1**	**1.7**	**389**	**0.39**	**0.10**	**1.7**
Carmen Transitional and Primary (0.25% copper cut-off)								
Class	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	5	0.33	0.4	1.1	5	0.33	0.42	1.1
Indicated	7	0.35	0.4	1.3	7	0.35	0.43	1.3
Sub-total (M+I)	**12**	**0.34**	**0.4**	**1.2**	**12**	**0.34**	**0.43**	**1.2**
Inferred	34	0.34	0.3	1.0	34	0.34	0.31	1.0
TOTAL	**46**	**0.34**	**0.3**	**1.0**	**46**	**0.34**	**0.34**	**1.0**

Notes

- This summary of the Ore Reserves and Mineral Resources as at 31 December 2014 should be read in conjunction with the comprehensive report '2015 Mineral Resource and Ore Reserve Statements' which was lodged by PanAust Limited with the Australian Securities Exchange on 19 February 2015.
- PanAust confirms that at the date of this report it is not aware of any new information or data that materially affects the information included in the 19 February 2015 report and that all material assumptions and technical parameters underpinning the estimates in the 19 February 2015 report continue to apply and have not materially changed.
- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- The Mineral Resources and Ore Reserves estimates are reported on a 100% ownership basis. PanAust has a 90% beneficial interest in Phu Kham, Ban Houayxai, KTL and LCT; an 80% interest in Frieda River (HIT and Nena); a 61.3% interest in Inca de Oro; and a 100% interest in Carmen.
- The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
- The Phu Kham Ore Reserve is estimated at commodity prices of US$3.00/lb copper (prior year US$3.20/lb) and US$1,200/oz gold (prior year US$1,300/oz) and reflects the non-mining break-even value of US$8.54/t processed (prior year US$8.73/t) subject to a minimum cut-off grade of 0.20% copper (unchanged).
- The Ban Houayxai Ore Reserve is estimated at a gold price of US$1,200/oz (prior year US$1,300/oz) and reflects the average non-mining break-even value of US$12.75/t processed subject to a minimum cut-off grade of 0.30g/t gold.

Material differences between the 2015 (as at 31 December 2014) and 2014 (as at 31 December 2013) estimates

- Phu Kham Copper-Gold Ore Reserve and Mineral Resources: depletion relative to the 2014 data due to mining during 2014. Phu Kham Copper-Gold Ore Reserve estimate incorporates a revised open-pit design based on lower commodity price assumptions and updated dilution and metallurgical recovery models. The latest estimate excludes mineralisation from the satellite KTL deposit because at the time of reporting, production from the deposit is not reasonably justified under the pre-feasibility assumptions.

- Ban Houayxai Ore Reserve and Mineral Resources: depletion relative to the 2014 data due to mining during 2014 with the Ore Reserve estimate also reflecting lower revenue (metal price) assumptions. The Mineral Resource was re-estimated in 2014 using additional drilling data and geological modelling. The Mineral Resource for Ban Houayxai is now reported within a nominal $1,600/oz gold price pit shell.

Competent Person Statements

- **Mineral Resources**

The data in this report that relate to Mineral Resources for Phu Kham and Ban Houayxai are based on information reviewed by Mr Shaun Versace who is a Member of the Australasian Institute of Mining and Metallurgy.

Mr Versace is a full time employee of PanAust Limited. Mr Versace has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Versace consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

The data in this report that relate to Mineral Resources for KTL, LCT, HIT, Nena, Inca de Oro and Carmen are based on information reviewed by Mr Daniel Brost who is a Member and Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy (MAusIMM CP) and a Registered Member of the Society for Mining, Metallurgy & Exploration (SME).

Mr Brost was a full time employee of PanAust Limited at the date of the estimate. Mr Brost has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Brost consents to the inclusion in the report of the KTL, LCT, HIT, Nena, Inca de Oro and Carmen Mineral Resources.

- **Ore Reserves**

The data in this report that relate to Ore Reserves are based on information reviewed by Dr Peter Trout who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

Dr Trout is a full time employee of PanAust Limited. Dr Trout has sufficient experience relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Dr Trout consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.