



OUR PEOPLE,
COMMUNITY
AND LANDSCAPE



ANNUAL REVIEW
2012

COMPANY PROFILE

PanAust Limited ('PanAust', the 'Company', the 'Group') is a leading copper and gold producer in Southeast Asia and has a portfolio of organic growth projects in Laos and Chile.

PanAust's producing assets are the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation, both located in the Company's highly prospective 2,600 square-kilometre Phu Bia Contract Area in Laos (the 'Contract Area').

In Chile, PanAust owns the Carmen deposit and holds a majority interest in the nearby Inca de Oro Copper-Gold Project through an incorporated joint venture with Codelco. These assets provide the Company with geographic diversity and a base for establishing a copper business in South America; the world's most prolific copper producing region.

PanAust's key growth activities in Laos include the Phonsavan Copper-Gold Project, the Phu Kham Increased Recovery Project, and exploration and resource development within the Phu Kham district.

PanAust shares are listed on the Australian Securities Exchange (ASX: code PNA), and the Company is a constituent of the benchmark S&P/ASX 100 Index. The Company's corporate office is located in Brisbane, Australia.

COMPANY STRUCTURE

To ensure the optimal structure for a growth-oriented and geographically diverse business, PanAust is structured into three business units: Asia, South America, and Project Development.

PanAust's corporate office provides leadership and support across the Company in relation to growth, financial management, commercial and technical services, risk management, investor relations and corporate communication, human resources, and governance and public reporting.

ASIA BUSINESS UNIT

The Asia business unit has responsibility for operations in Laos and for supporting the implementation of business development strategies within Laos and the region.

LAOS

PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining Limited ('Phu Bia Mining'). In August 2012, the Company signed an agreement which effected the transfer of 10 per cent ownership of Phu Bia Mining to the Government of Laos.

Phu Bia Mining has a Mineral Exploration and Production Agreement with the Government of Laos, which regulates exploration, development and mining activities within the Contract Area, and sets out the tax and royalty obligations.

THAILAND

In Thailand, PanAust holds 49 per cent of the Thai-registered company, Puthep Company Limited ('Puthep'). The remaining 51 per cent interest is owned by Padaeng Industry Public Company Limited, a publicly listed Thai entity. Puthep has a concession agreement with the Government of Thailand that covers two deposits (PUT1 and PUT2) comprising the Puthep Copper Project.

SOUTH AMERICA BUSINESS UNIT

The South America business unit supports the studies, field programs and community affairs for the Carmen deposit and the Inca de Oro Copper-Gold Project in Chile.

CHILE

PanAust owns a 100 per cent interest in the Carmen deposit and a 60.45 per cent beneficial interest in the Inca de Oro deposit through a Chilean incorporated joint venture company, Inca de Oro S.A.; Codelco has a 34 per cent interest in Inca de Oro S.A. while an independent private company holds a 5.55 per cent beneficial interest.

PROJECT DEVELOPMENT BUSINESS UNIT

The Project Development business unit is responsible for the Company's development and operational improvement projects. It comprises teams responsible for technical studies and project implementation to deliver capital-efficient project development and strategic improvement initiatives to support and enable the Company's growth.

Front cover: *Gold pour at Ban Houayxai (detail)*

“This was clearly an important subject to try and get down: the moment when the gold ore is smelted and poured into ingots at the plant of Ban Houayxai. I knew the scene would provide a marvellous subject, with the space of the workshop illuminated by the furnaces and molten liquid gold, and the workers in their protective gear.”

Peter Churcher, 2012

OUR PEOPLE, COMMUNITY AND LANDSCAPE:

a collection of paintings of PanAust's operations in Laos by Peter Churcher

Peter Churcher is recognised as one of Australia's leading figurative artists. In October 2012, PanAust commissioned Peter to paint the Company's people and places of work, and the communities and natural environment close to their Operations in Laos.

During Peter's three-week artist-in-residency, he travelled between the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation, and spent several days visiting local villages.

Peter produced a total of 24 paintings comprising the collection: *Our People, Community and Landscape*. Nine of Peter's paintings are showcased here in PanAust's 2012 Annual Review.



CONTENTS

Company Profile	i
Vision and Values	3
Chairman and Managing Director's Review	4
Executive Management Team	6
Financial Performance	7
Operational Review	9
Growth	13
Sustainability	17
Board of Directors	22
Financial Summary	25
Mineral Resources and Ore Reserves	30

DIRECTORS

Garry Hounsell (Chairman)

Gary Stafford (Managing Director)

Nerolie Withnall

Geoff Handley

Geoff Billard

Zezhong Li

John Crofts

Ken Pickering

Annabelle Chaplain
(appointed 1 July 2012)

Andrew Daley
(retired 18 May 2012)

COMPANY SECRETARY

Paul Scarr

AUDITORS

PricewaterhouseCoopers
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

BANKERS

ANZ Banking Group Limited
324 Queen Street
Brisbane QLD 4000



Xay, the local artist (detail)

VISION AND VALUES

VISION

PanAust is a growth-oriented mining company determined to excel.

PanAust will outperform its competitors through:

- ▶ growth by discovery, acquisition, and development, and operations that consistently meet performance targets;
- ▶ optimising returns on capital; and
- ▶ adherence to core values.

“I first became aware of Xay when I saw his artworks painted on the partition wall in the communal bar and recreation area at the Phu Kham camp. They were caricature portraits of fellow workers (mostly expatriates) deftly painted in colour and juxtaposed in an interesting way on the wall... I was overwhelmed to meet a fellow, a Lao, speaking beautiful English, dressed in his mine working gear and speaking eloquently on the subject of art. At this moment, I was resolved to do a portrait of this impressive fellow with his own artworks as the background. Xay was only too happy to oblige. We both enjoyed the interaction of making this painting and getting to know one another better.”

Peter Churcher, 2012

VALUES

- ▶ **High-performance outcomes** in all that we do
 - Our employees are performance-focused with clear task definition, measurement and accountability.
 - We constantly seek to improve performance and are committed to supporting employee development. Individual results and merit form the basis for performance-based pay and promotion.
- ▶ **Respect for people**
 - Respect through our commitment to our employees' health and safety through our Zero Harm safety objective and treating employees with consistency and fairness.
 - Respect for the environment through best practice environmental performance that reflects the expectations of the communities in which we operate and promotes an internal culture of environmental and social awareness.
 - Respect in the way we manage our daily business activities for the people and cultures of our host countries.
- ▶ **Integrity** in all of our dealings with employees, communities, government, suppliers and shareholders.
- ▶ **Excellence in communications** with all stakeholders but especially with our employees. We seek fair, honest and transparent dealings with our employees and stakeholders through open, two-way communication.
- ▶ Recruitment of **high-calibre people**, recognising the key to our success will be leaders who earn the authority of their position by gaining the respect of their team. We offer an encouraging and stimulating work environment, providing the necessary individual training and development to enable all employees to operate effectively.
- ▶ **Alignment of employees** to Company objectives through good leadership and systems that drive the right behaviour.

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

2012 was a year of continued growth for PanAust. We successfully commissioned our second mine in Laos – the Ban Houayxai Gold-Silver Operation – the Phu Kham Copper-Gold Operation was expanded, and we enjoyed exploration success within the Phu Kham district at the Long Chiang Track (LCT) deposit and Nam Ve prospect, and at Ban Houayxai where the Ore Reserve increased by 22 per cent.

Consolidated Group production for 2012 was in line with guidance: 63,285 tonnes (t) of copper, 135,965 ounces (oz) of gold and 616,687oz of silver.

The profit after income tax for the 12 months to 31 December 2012 was US\$158.7 million. At year-end the Company had cash of US\$125 million and, with a significant reduction in capital commitments pending the completion of the Phu Kham Increased Recovery Project in early 2013, is expected to be strongly cash flow positive through the second half of 2013.

In August 2012, the PanAust Board declared the Company's maiden interim dividend of three cents per share and in February 2013, a final dividend of a further four cents per share. We are delighted that the Company is in a position to reward the support of our shareholders in this way.

PanAust's second operation, the Ban Houayxai Gold-Silver Operation, was opened by the Government of Laos Deputy Prime Minister, His Excellency Mr Somsavath Lengsavath, at the official opening ceremony in April 2012, and in June, the Operation commenced commercial production. The careful project planning and build quality required to be operationally ready was reflected in the rapid ramp-up to full operations followed by outstanding production results. This was all the more satisfying given the Company took the uncommon step within our industry of self-managing all construction activities, which provided considerable benefits from a schedule and cost perspective, and ensured a seamless handover to the operations team. In March 2013, the Company was pleased to receive the Project Development of the Year Award at the Mines and Money Hong Kong Asia Mining Awards, in recognition of the outstanding project management of the development and construction of the Ban Houayxai Gold-Silver Operation.

At Phu Kham, the commissioning of the Upgrade Project was completed and delivered under budget – also by our own construction team – in early September 2012. The benefit from the Upgrade, an expansion of the process plant design capacity from 12 million tonnes per annum (Mtpa) to 16Mtpa, was evident in the strong production performances during the December quarter when several quarterly and monthly operational performance records were achieved including ore processing rates well in excess of design.

Construction of the Phu Kham Increased Recovery Project commenced in late 2012 and commissioning is expected to occur during the June quarter 2013, several months ahead of the original schedule. Once completed, the Project is expected to deliver a six percentage point increase in metallurgical recovery for both copper and gold, and reduce the cash cost of copper production by more than five per cent.



Chairman, Garry Hounsell (left). Managing Director, Gary Stafford (right).

PanAust currently estimates that consolidated full year 2013 production will be in the ranges of 62,000t to 65,000t of copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 175,000oz of gold, and 1.1 million to 1.2 million oz of silver. The relatively flat year-on-year (2013 guidance versus 2012 actual) copper production reflects a change to the mining schedule to allow remedial work to be undertaken to address a geotechnical instability at Phu Kham which was recognised in late 2012. Mined grades for the year are scheduled to be around 10 per cent below the average Ore Reserve grade which will impact total copper production. The instability is limited to a section of an interim wall and does not present a risk to the ultimate open-pit design but defers access to relatively high-grade copper ore into subsequent years.

In January 2013, PanAust announced that it had entered into agreements for debt facilities totalling US\$275 million. The facilities comprise a four-year US\$250 million revolving debt facility with a syndicate of seven banks led by ANZ Bank, and a US\$25 million working capital facility with ANZ (Laos). The revolving debt facility replaced the previous US\$100 million facility which was scheduled to mature in the September quarter 2013.

The facilities are secured by the Company's assets in Laos and will be used for general corporate purposes including funding of working capital, operating expenses, and capital expenditure on growth projects in Laos. It will also provide PanAust with more flexibility to grow the business in Chile.

The improved terms for the facilities, including a reduced margin and the absence of the requirement for mandatory long-term hedging, reflect PanAust's strong financial position and cash flow, together with operational and product diversity provided by a second producing asset in Ban Houayxai. The retention of four banks from the previous finance syndicate and the addition of three new international banks to the syndicate further underscore PanAust's appeal to the debt markets.

A key to growing our business is identifying new development projects. The Phu Kham district remains a high-priority target for our exploration activities. At the LCT deposit we have identified significant copper-gold and gold-silver mineralisation and in January 2013 announced an initial Mineral Resource. Drilling is continuing at LCT and the nearby Nam Ve prospect with the aim of identifying additional resources.

Work on the Phonsavan Copper-Gold Project pre-feasibility study commenced in 2012. The scope of the study is for the development of a project with an average annual output of approximately 25,000t of copper and 20,000oz of gold over a mine life of approximately 10 years. Drilling carried out as part of the study has identified a relatively high-grade zone which may provide for increased metal production rates during the early part of the mine schedule. The pre-feasibility study phase should be completed in mid-2013.

In Chile, we are two years into a joint venture with Codelco. The results of the Inca de Oro Copper-Gold Project sulphide feasibility study identified the need to secure cost-effective power for the Project, and to expand the resource base of the Project to ensure its economic viability. The joint venture has extended the study to incorporate the oxide resource at Inca de Oro and has commenced drilling at the nearby Artemisa deposit.

During 2012, PanAust completed the acquisition of the balance of tenements (which the Company did not already own) over the Carmen deposit and commenced drilling. The Carmen deposit is located 14 kilometres southwest of Inca de Oro. We are confident that through further work we will be successful in developing Inca de Oro and/or Carmen and ultimately expanding our activities in this important copper region.

Our commitment to Zero Harm and continual improvement in safety performance is reflected in an excellent safety record for 2012. The Total Recordable Injury Frequency Rate (TRIFR) of 2.15 was a 23 per cent improvement from 2011's TRIFR of 2.80. We are particularly pleased with the safety performance at Ban Houayxai which achieved 1,139 days Lost Time Injury-free from commencement of pre-operational civil works in October 2009 up to mid-December 2012. These are significant achievements in the context of our construction activities at Ban Houayxai and for the Phu Kham Upgrade.

To further improve our safety performance, we have continued to focus on training in hazard awareness and introduced safety leadership training. The latter is designed to ensure people in leadership roles make safety their highest priority and continue to create a strong safety culture within their teams. By year-end 2012, more than 250 employees with leadership responsibility had completed the two-day training.

PanAust makes a significant contribution to the Lao economy and in August 2012, the Company signed an agreement which completed the transfer of 10 per cent ownership of PanAust's Lao-registered entity, Phu Bia Mining, to the Government of Laos. To date, PanAust has contributed up to US\$1.16 billion to the Lao economy, and in 2012 accounted for more than 7 per cent of the nation's gross domestic product and over 30 per cent of total Lao goods exports.

In March 2013, we were very pleased to once again be recognised among our industry peers by receiving the Sustainability Leadership Award at the Asia Mining Congress. The award acknowledged our program in Laos which creates and supports business opportunities within the villages closest to our operations and has been particularly beneficial to ethnic minority women within the region.

This is the third time that PanAust has received an award at the Asia Mining Congress. In 2010, our Livelihood Improvement Program received the Award for Best Community Development Initiative and in 2011 our Technical Trades Training Program received an award in the same category.

We continue to be very impressed by the progress we observe in our Lao workforce. It is very rewarding to observe their skills and abilities expand and improve over time through employment opportunities and the enthusiastic take up of our training and development programs. We are determined that our legacy will include communities that are enabled to sustain positive economic development and a skilled workforce that will support our growth, as well as other mining and heavy industries within Laos.

In October 2012, the renowned Australian figurative artist, Peter Churcher, was commissioned to paint scenes of PanAust's workplaces, local villages and the surrounding landscape. Some of these paintings are featured in this Annual Review and exhibitions of the collection are planned for Australia and Laos. The collection reflects our Values of respect for our employees, and the people, communities and environment of our host countries.

We take this opportunity to sincerely thank our employees and everyone concerned with PanAust for their contribution over the course of 2012 and to our shareholders for their continued support.



CHAIRMAN, GARRY HOUNSELL



MANAGING DIRECTOR, GARY STAFFORD

EXECUTIVE MANAGEMENT TEAM



GARY STAFFORD

BSc (Hons, Mining Engineering), MAusIMM

Managing Director

Gary is a mining engineer with 31 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 PanAust. Gary Stafford has been

Managing Director since 7 March 1996 and has presided over the Company's growth from a junior exploration company to an S&P/ASX 100 mining company.



DR FRED HESS

BSc (Hons), PhD, MAusIMM

Executive General Manager Project Development and Operational Improvement

Fred is responsible for the Company's growth projects.

Fred is a metallurgist with over 30 years' experience. Prior to joining PanAust he 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. He commenced employment with PanAust in October 2005.



DAVID HAIRSINE

MFTA (Senior)

Chief Financial Officer

David joined PanAust in September 2004 and is responsible for the management of all Group financial and administrative requirements and concentrates marketing.

Prior to joining PanAust, David gained broad financial experience with M.I.M. Holdings Limited in a number of senior commercial, project development and treasury roles.



ROB USHER

BE Mining (Hons), MAusIMM

Executive General Manager PanAust Asia

Rob is responsible for the management of existing and new operations in Asia. He commenced employment with PanAust in September 2006.

Rob is a mining engineer with more than 20 years' experience in the international mining industry. Prior to joining PanAust, he worked in various mining engineering and management roles with Placer Dome in Australia, Papua New Guinea, the Philippines, United States of America, Canada and Tanzania.



FRANCISCO TOMIC

Infrastructure and Planning, with Graduate Studies in Economics and Civil Engineering

President and Executive General Manager PanAust South America

Francisco is responsible for the Company's business in South America. He is an economist with over 20 years' experience. He joined PanAust in August 2010 as the Executive General

Manager and President, PanAust South America and has excellent experience in Chile. His most recent role was with Codelco as its Chief Financial Officer and Human Development Vice President, and before that he held senior roles with BHP Billiton and was the President of Cyprus Amax Chile. Francisco was founding president of the Mining Council of Chile.



JOE WALSH

BEng (Hons, Mining Engineering), MSc Geophysics

General Manager Corporate Development

Joe is responsible for the Company's mergers and acquisitions capability, equity financing, investor and media relations, and development of corporate strategies for PanAust's future growth. He joined the Company in July 2004.

Joe is a mining engineer and geophysicist with 24 years' experience in the minerals and financial services industries in Australia, Europe and Africa for companies including Royal Bank of Canada and Hartley Poynton, and as an independent consultant.



PAUL SCARR

B Com, LLB (Hons), Grad Dip. App. Corp. Gov. ACIS

Company Secretary and General Counsel

Paul is responsible for the Company's secretarial function and management of the corporate governance and legal processes.

Paul has more than 20 years' experience as a lawyer and is a Chartered Secretary and associate member of the Chartered

Secretaries Institute of Australia. Prior to joining PanAust, he worked in private practice with Allens Arthur Robinson and Mallesons Stephen Jaques. During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. Paul has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia. Paul commenced with PanAust in February 2007.



DAN BROST

BSc Economic Geology, MAusIMM (CP), SEG, SME Registered

General Manager Geology

Dan is responsible for managing PanAust's geological program, including the exploration of new targets and the resource development of existing mineral assets, as well as resource evaluation and contributing to corporate evaluations.

Dan is a geologist with over 25 years' experience in the minerals industry, specialising in base and precious metals, mainly in North America, South America and Australasia. Prior to joining PanAust in August 2007, he was involved in exploration, project development and mine operations with Cyprus Minerals and BHP Billiton.



ADRIAN BELL

BBus, MBA

General Manager Human Resources and Risk Management

Adrian is responsible for overseeing the Company's human resources, risk management, corporate communications, and sustainability functions.

Adrian has more than 25 years' experience in human resources and community relations in the mining industry and prior to joining PanAust worked with BHP Billiton, Xstrata and M.I.M. Holdings Limited in Australia and South America. Adrian commenced employment with PanAust in March 2006.

FINANCIAL PERFORMANCE

PanAust consolidated profit after income tax for the year ending 31 December 2012 was US\$158.7 million (2011: US\$146.6 million).

Sales revenue increased by 24 per cent to US\$712.7 million with the commencement of gold-silver doré sales from the Ban Houayxai Gold-Silver Operation being the largest contributing factor to this increase. Sales of gold and silver from Ban Houayxai contributed US\$125.9 million to revenue. Phu Kham revenue increased marginally compared with the previous year, with higher copper and gold sales volumes together with a higher average realised price for gold largely offset by a lower average copper price.

Cash costs for both operations were competitive versus the industry. Phu Kham achieved a C1¹ cash cost of US\$1.11/lb copper after precious metal credits (2011: US\$1.03/lb copper) and Ban Houayxai achieved a C1 cash cost for the seven months of commercial production of US\$537/oz after silver credits.

Pay-metal sales for the year were 59,357t of copper in concentrate, and 132,037oz of gold and 555,179oz of silver in concentrate and doré (2011: 57,858t copper, 53,582oz gold and 479,983oz silver). The average prices received, after realised hedging, for sales during the year were US\$3.64/lb for copper, US\$1,674/oz for gold and US\$32.1/oz for silver (2011: US\$3.98/lb, US\$1,596/oz and US\$35.1/oz respectively).

Net cash flow from operating activities was US\$198.4 million (2011: US\$239.1 million). The year-on-year decrease was largely a reflection of: the build-up of inventory (a year-on-year build-up of US\$55.6 million comprising stores, product in circuit, and finished goods awaiting sale); together with higher payment for taxation paid in arrears for the 2011 year (US\$18.5 million increase year-on-year); and lower receipts for derivative settlements (year-on-year down US\$14.6 million).

Capital expenditure on development projects during 2012 totalled US\$134.1 million (2011: US\$173.0 million). Sustaining capital expenditure was a further US\$69.6 million (2011: US\$59.2 million) of which US\$31.2 million (2011: US\$20.0 million) was for ongoing construction of the tailings storage facility at Phu Kham, where the rate of construction was accelerated to accommodate the increased ore processing rates associated with the Upgrade Project.

Exploration and evaluation expenditure increased to US\$67.9 million (2011: US\$41.6 million), with expenditures in Laos contributing US\$43.3 million to the total; largely on the Phonsavan Copper-Gold Project and resource development drilling at the Ban Houayxai, Nam San and LCT deposits. Exploration and evaluation expenditure in Chile increased to US\$24.6 million and included Inca de Oro feasibility study costs, and resource drilling at the Artemisa and Carmen deposits.

Depreciation, amortisation and impairment charges increased by US\$30 million to US\$88.4 million, with the commencement of depreciation on Ban Houayxai assets contributing US\$28.3 million to the increase. Impairment of exploration assets was US\$5 million in 2012 (2011: US\$7.4 million).

During 2012, Phu Bia Mining paid to the Government of Laos US\$35.6 million in royalty payments, and a profits tax payment, paid in arrears for the 2011 year, of US\$31.9 million. In addition, US\$22 million in value added tax was paid during 2012, which is able to be offset against 2012 profits tax payable in 2013.

DIVIDENDS

On 23 August 2012, the PanAust Board of Directors declared a maiden interim unfranked dividend of A\$0.03 per share. The dividend was paid on 25 October 2012.

A Dividend Reinvestment Plan (DRP) was approved by shareholders at the Annual General Meeting on 18 May 2012. The 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. Participation in the DRP was voluntary, and 9.3 per cent of shareholders elected to participate. A total of 518,637 ordinary shares were issued at a price of A\$3.17 per share.

On 21 February 2013, the PanAust Board of Directors declared a final unfranked dividend of A\$0.04 per share in respect of the year ended 31 December 2012. The final dividend was paid on 5 April 2013, and the DRP was again applied. A total of 1,404,136 ordinary shares were issued at a price of A\$2.48 per share.

The financial impact of the interim dividend is provided in PanAust's financial report for the year ended 31 December 2012; the final dividend is not.

FINANCIAL POSITION

At 31 December 2012, PanAust had cash of US\$125 million; debt of US\$85 million; undrawn debt facilities of US\$15 million; and mobile equipment lease facilities drawn to a total of US\$80.5 million.

In January 2013, PanAust announced that it had entered into loan agreements for debt facilities totalling US\$275 million. The facilities comprise a four-year US\$250 million revolving debt facility with a syndicate of seven banks led by ANZ Bank, and a US\$25 million working capital facility with ANZ (Laos). The revolving debt facility replaced the previous US\$100 million facility entered into in 2010, which was scheduled to mature in the September quarter 2013.

PanAust's cash balance, supported by significant cash flow from both Phu Kham and Ban Houayxai, places the Company in a strong position to meet anticipated cash commitments during the first half of 2013. These include: the balance of project expenditure for the US\$45 million Phu Kham Increased Recovery Project of approximately US\$34 million; an estimated net tax payment of approximately US\$23.6 million due to the Government of Laos for the 2012 tax year; and a final dividend payment of up to US\$24.2 million.

FINANCIAL OUTLOOK

PanAust EBITDA for the 2013 year is expected to be between US\$320 million and US\$350 million, assuming a copper price of US\$3.60/lb.

¹ Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits.



The plant at night, Phu Kham (detail)

“I was drawn to the spot where the ore drops from the conveyor and at night, lit-up, it had a particularly beautiful, almost ‘sci-fi’, quality. I painted this image from the top of the plant looking at the ore drop down to the main process plant below. Of course, in a situation such as this, a working mine plant, the artist is not free to just wander freely and set up easels wherever they see fit. So in fact, in this instance, I was carefully cordoned off, illuminated by a portable spot-light and accompanied by my entourage (film crew, assistants and safety personnel) who sat around on camp chairs while I painted. It all felt like a jolly little night gathering, but of course I was quite oblivious to all of them when I was painting. I did appreciate their company, however, working in this rather strange environment.”

Peter Churcher, 2012

OPERATIONAL REVIEW

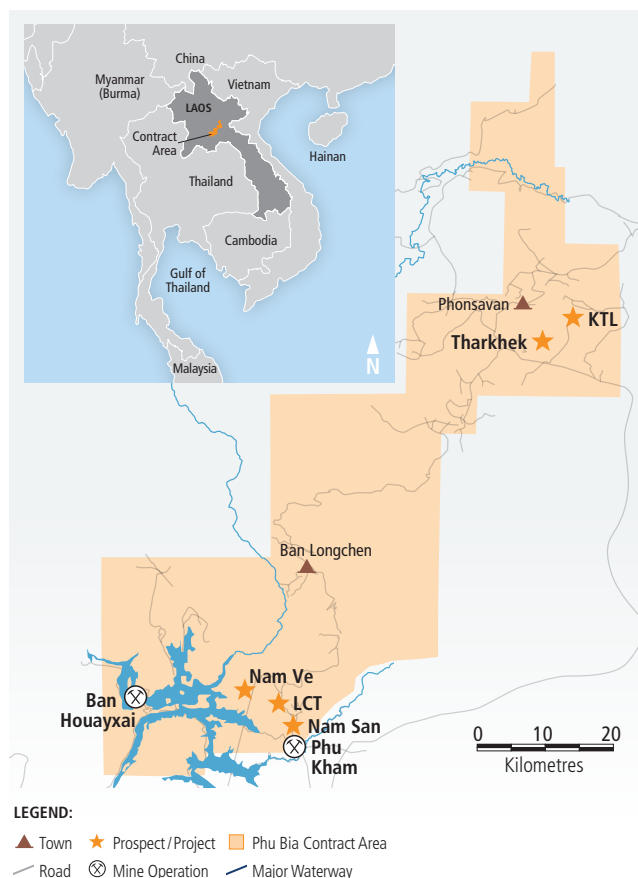
PHU KHAM COPPER-GOLD OPERATION, LAOS

The significant cash flow generated by the Phu Kham Copper-Gold Operation has supported PanAust's growth while contributing to a strong balance sheet.

The Operation comprises a large open-pit mine feeding ore to a process plant with recovery of copper and precious metals into a saleable concentrate using conventional flotation technology. The final product is a copper-gold concentrate, grading approximately 22 to 25 per cent copper, 7 grams per tonne (g/t) gold and 60g/t silver. Most concentrate is trucked approximately 1,000 kilometres in covered containers to Sriracha Harbour, south of Bangkok in Thailand, for shipment to smelters in Asia. A second, shorter, export route was established during 2012 via the South China Sea port of Vung Ang in Vietnam.

The Phu Kham process plant, which had an original design capacity of 12Mtpa, was upgraded in mid-2012 to a design capacity of 16Mtpa through the addition of a second 13 megawatt ball mill and additional flotation capacity.

PHU BIA CONTRACT AREA



DAVID REID

BEng Mining (First Class Hons), WA First Class Mine Manager's Certificate of Competency

General Manager Phu Kham Copper-Gold Operation

David is responsible for the management of the Phu Kham Copper-Gold Operation.

David is a mining engineer with 17 years' experience in the mining industry in both open-pit and underground operations, largely in the commodities of gold, copper and iron ore. Prior to joining PanAust, he held positions in management, mine planning and production engineering roles for Plutonic Resources, Homestake Mining, Barrick Gold and BHP Billiton. David joined PanAust in November 2005.

MINING AND PROCESSING

Phu Kham recorded a solid production performance for 2012.

Open-pit material movements totalled over 35 million tonnes (Mt) and over 15Mt of ore was processed. Implementation and ramp-up of the Phu Kham Upgrade Project in the September quarter 2012 resulted in a strong finish to the year with several monthly and quarterly production records achieved. The expanded, 16Mtpa, capacity was exceeded during the December quarter with a rate equivalent to nearly 18Mtpa of ore processed. For the month of December, an annualised processing rate equivalent to nearly 21Mtpa was achieved with record throughput rates combining with high plant availability and a blend of softer ores.

During 2012, Phu Kham produced a total of 267,383 dry metric tonnes (dmt) of concentrate containing 63,285t of copper, 59,516oz of gold and 469,945oz of silver. The average C1 cash cost for the year was US\$1.11 per pound (lb) of copper after precious metal credits.

Sales of concentrate for the year totalled 263,670dmt with a payable content of 59,357t of copper, 59,480oz of gold and 424,001oz of silver. The average copper price received for the year was US\$3.64/lb.

The Phu Kham 2013 Ore Reserve supports a mine life of more than 10 years, assuming an ore processing rate of 17Mtpa versus 16Mtpa nameplate capacity.

During the December quarter 2012, a zone of geotechnical instability developed along the northern extent of the interim west wall of the Phu Kham open pit. The mining schedule has been adjusted to prioritise the mining of material above that zone. The instability does not present a risk to the ultimate open-pit design but access to an area of relatively high-grade copper ore, originally scheduled to be mined throughout 2013, will be deferred into future years.



View of the pit and plant, Ban Houayxai from the ETL tower (detail)

“The gold mining operation at Ban Houayxai is set in the most extraordinary landscape, spanning the top of a section of mountain range which is surrounded by water below and set among dramatic mountainous country all around. It is not what one associates with a mining situation at all! This view from the top of a hill which overlooks the whole of the Ban Houayxai Operation provides a marvellous view of this setting and makes one realise how insignificant the mine’s impact on the landscape actually is when seen in its surrounding context.”

Peter Churcher, 2012

OPERATIONAL REVIEW (continued)

Consequently, the average copper head grade in 2013 and 2014 is scheduled to be approximately 10 per cent below the average Ore Reserve grade of approximately 0.5 per cent. In January 2013, PanAust announced Phu Kham guidance for 2013 with expected production of between 62,000t and 65,000t of copper in concentrate at an average C1 cash cost of between US\$1.15/lb and US\$1.25/lb. Production rates from mid-2013 are expected to benefit from higher metallurgical recovery rates following commissioning of the Increased Recovery Project with copper in concentrate production increasing to an annualised rate of between 65,000t and 70,000t for the subsequent 12 to 18 months. Thereafter, assuming an ore processing rate of 17Mtpa and using Increased Recovery Project average life-of-mine recovery rates (see more on this Project on page 13), the average Ore Reserve grades imply annual metal production in concentrate of over 70,000t copper and more than 65,000oz gold. The higher processing rate is supported by actual operating experience and data.

PHU KHAM COPPER-GOLD OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2012	12 MONTHS TO 31 DEC 2011
Ore milled	15,151,624t	13,119,382t
Copper grade	0.58%	0.65%
Gold grade	0.29g/t	0.32g/t
Silver grade	2.57g/t	4.10g/t
Concentrate produced	267,383dmt	250,154dmt
Copper in concentrate	63,285t	59,897t
Gold in concentrate	59,516oz	53,590oz
Silver in concentrate	469,945oz	538,123oz

BAN HOUAYXAI GOLD-SILVER OPERATION, LAOS

Ban Houayxai commenced production of gold-silver doré in April 2012. The project was completed for a cost of US\$208 million which was within five per cent of the 2011 budget estimate. A successful ramp-up saw commercial production being declared from 1 June 2012 and ramp-up to full capacity was achieved during the September quarter 2012.

Ban Houayxai is located approximately 25 kilometres west of the Phu Kham Copper-Gold Operation and comprises an open-pit mine feeding ore to a conventional 4Mtpa carbon in leach (CIL) process plant.

During 2012, open-pit material movements totalled 6.9Mt and nearly 4Mt of ore was processed. During the December quarter, the mill throughput rate exceeded nominal design capacity by 12 per cent on treatment of relatively soft oxide ore feed.

During the eight months of operation in 2012, a total of 76,449oz of gold and 146,742oz of silver were produced. The average C1 cash cost of production for the seven months of commercial production was US\$537 per ounce (/oz) after silver credits.

Sales for the year totalled 72,557oz of gold and 131,178oz of silver. The average gold price received for the year was US\$1,647/oz.



DR JON GAUNT

BSc (Hons) Geology, MSc Mining Geology, PhD Geology, MAusIMM

General Manager Ban Houayxai Gold-Silver Operation

Jon is responsible for the management of the Ban Houayxai Gold-Silver Operation.

Jon is a geologist with more than 16 years' experience in the international mining industry, largely gained across Africa, and has worked in various exploration, mineral resource evaluation, and mining and management roles with Gold Fields of South Africa, AngloGold Ashanti and Anglo American. Jon joined PanAust in April 2008.

In January 2013, PanAust announced Ban Houayxai guidance for 2013 with expected production of approximately 100,000oz of gold at an average C1 cash cost of between US\$550/oz and US\$600/oz after silver credits.

In February 2013, PanAust announced that the total Ban Houayxai Ore Reserve tonnes had increased by 22 per cent, and contained gold and silver ounces by increases of 25 and 26 per cent respectively when compared with the previous estimate after deducting mining depletion during the 2012 year. At the current design ore processing rate of 4Mtpa for harder transitional and primary mineralisation, the Ore Reserve supports a mine life of more than 10 years.

The 2013 Ore Reserve estimate also contains approximately 1.4 million tonnes of low-grade stockpiled ore. The Operation has implemented a stockpiling strategy whereby lower grade mineralisation is stockpiled for processing either during periods of excess process plant capacity or at the end of open-pit operation.

Detailed short-to-medium-term scheduling based on the 2013 Ore Reserve estimate aims to optimise cash flow and thereby gold production through 2013 and 2014 to offset the potential cash flow impact of sub-70,000t annual copper production from Phu Kham through the same period.

In March 2013, the International Cyanide Management Institute announced that the Ban Houayxai Gold-Silver Operation had been certified in full compliance with the International Cyanide Management Code.

Also in March 2013, the Ban Houayxai Operation received a rare five-star rating from Caterpillar Inc. for its Mobile Maintenance and Mobile Warehouse facilities. The rating is one of only six worldwide and the first in a developing country.

BAN HOUAYXAI GOLD-SILVER OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2012
Ore milled	2,663,737t
Gold head grade	1.02g/t
Silver head grade	3.22g/t
Gold in doré	76,449oz
Silver in doré	146,742oz



Drill site, LCT exploration (detail)

“This was painting number one on the first day of work. PanAust Managing Director, Gary Stafford was going up to this exploration site with a member of the PanAust Board who was also visiting at the time. I thought it might be a good idea to tag along as – for a mining company – this is where it all starts, so to speak. The site was right up the top of a very steep slope at the end of a very bumpy four-wheel drive, but the spectacular scenery made it all worthwhile. There was just a small group of workers there, drilling core for possible future ore deposits.”

Peter Churcher, 2012

GROWTH

CORPORATE STRATEGY

PanAust has a corporate strategy focused on growth by discovery, acquisition and development.

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

PLATFORM FOR GROWTH

During 2011 and 2012, PanAust invested approximately US\$300 million on two projects that provide a platform for a pipeline of pre-development and exploration projects that should maintain a strong growth profile for the Company over the medium to long term. The two projects, Ban Houayxai and the Phu Kham Upgrade, were successfully brought on line during 2012 and since commissioning have both exceeded design processing rates.

In March 2013, in recognition of outstanding project management, PanAust received the Project Development of the Year Award at the Mines and Money Hong Kong Asia Mining Awards for the Ban Houayxai Gold-Silver Operation.

PHU KHAM INCREASED RECOVERY PROJECT, LAOS

Status: construction underway and ahead of schedule, commissioning planned for the June quarter 2013

In February 2012, the PanAust Board approved the Phu Kham Increased Recovery Project and construction commenced during the September quarter 2012. At year-end, the Project was 62 per cent complete; tracking ahead of schedule and within the US\$45 million budget. The Project is expected to be commissioned during the June quarter 2013, two to three months ahead of the original schedule.

The basis for the Project, which has been confirmed in several plant-scale tests, is that recovery rates for both copper and gold would be improved by incorporating a strategy of less selective rougher flotation in combination with additional regrind and cleaner flotation capacity.

The Project is designed to lift metallurgical recovery rates by an average of six percentage points for copper and gold which is expected to increase average annual copper and gold production by approximately 5,000t and 7,500oz respectively, and reduce the C1 cash operating cost by more than five per cent.

Opportunities to further increase the Phu Kham process plant capacity are also being considered.



HERMAN DITTMAR

B.Tech.

General Manager, Project Implementation

Herman is responsible for all activities relating to the implementation phase of projects for PanAust. He commenced employment with PanAust in May 2011.

Herman is an Electronics Engineering Technologist with more than 25 years' experience in the international mining and construction industries. Prior to joining PanAust, he worked in various executive project management and corporate development roles for MWH, Compania Minera Antamina and BHP Billiton with a significant focus on projects and operations based in South America.



PETER WALKER

BSc (Hons, Mineral Technology), MAusIMM, MIMM, CEng

General Manager Technical Services

Peter is responsible for feasibility studies and providing technical support to the Company's operations in Asia and South America.

Peter is a metallurgist with more than 30 years' experience in the mining industry, largely in the commodities of nickel, copper and gold. Prior to joining PanAust in February 2008, he held positions in engineering and management roles for Aditya Birla, Resolute Limited, WMC Resources and Rio Tinto.

PHONSAVAN COPPER-GOLD PROJECT, LAOS

Status: pre-feasibility study in progress

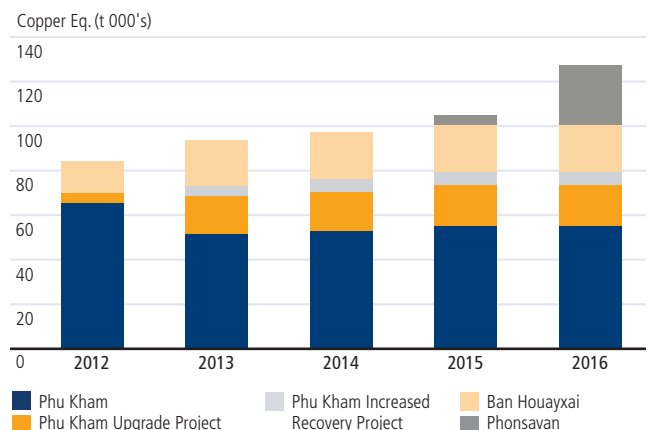
Phonsavan is potentially the next green-field development in Laos. The Project is focused on the KTL copper-gold deposit which lies close to existing road and power infrastructure.

A pre-feasibility study is underway and is expected to be reported on in the September quarter 2013. The scope of the study is for the development of an open-pit mining operation at the KTL copper-gold deposit feeding ore to a conventional milling and flotation process plant with annual processing capacity of seven million tonnes and output of approximately 25,000t per annum copper and 20,000oz per annum of gold in concentrate over a mine life of approximately 10 years.

Subject to ongoing success with drilling and evaluations, a full feasibility study is expected to be completed by the end of 2013. The study will consider the potential to add further mineralisation sourced from deposits in the area including the Tharkhek copper-gold and gold deposits.

Tharkhek is structurally complex and while significant copper-gold mineralisation has been intersected during several phases of drilling, identification of a continuous zone of mineralisation that is material to the Project has yet to occur. Further drilling is planned for 2013.

PIPELINE FOR GROWTH: PROJECTS (PANAUST SHARE)

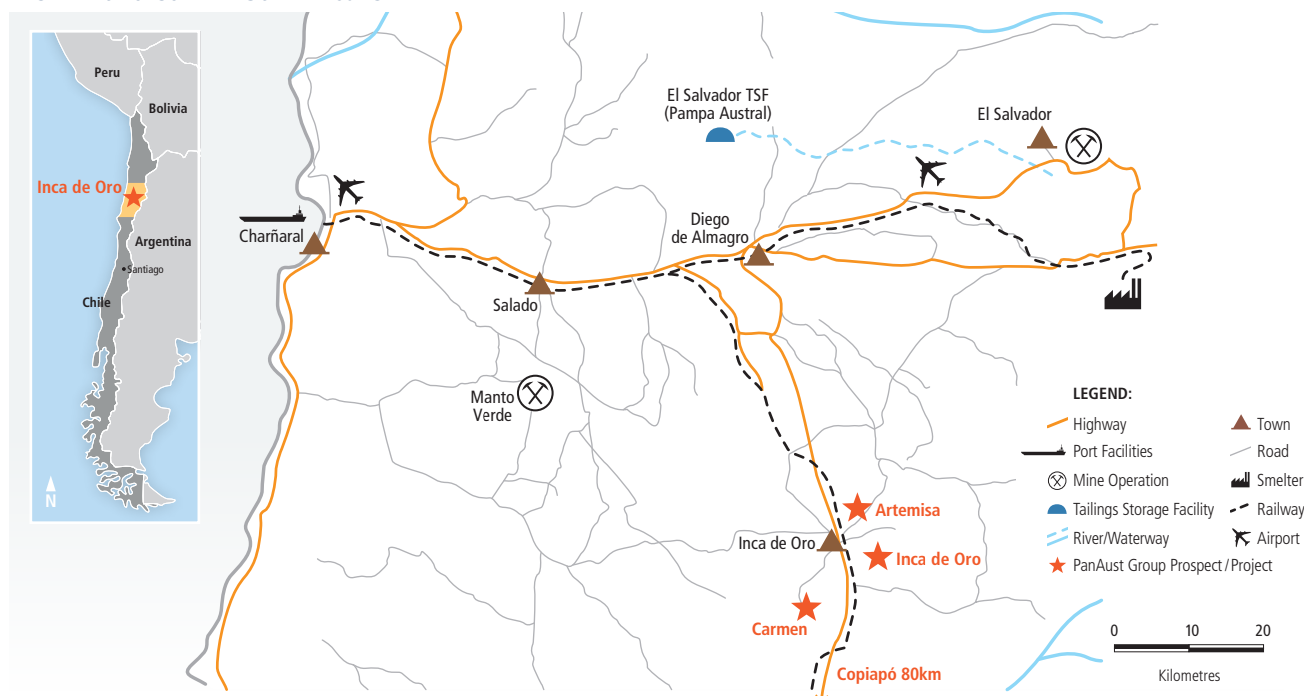


The 'pipeline for growth' chart uses life-of-mine schedules for Phu Kham and Ban Houayxai. These schedules are subject to change consistent with annual Ore Reserve estimates. The timing and quantum of the Phonsavan production is based on scoping study parameters and remains subject to feasibility study.

Copper equivalent assumptions: copper US\$3.50/lb, gold US\$1,600/oz, silver US\$30/oz.

GROWTH (continued)

INCA DE ORO COPPER-GOLD PROJECT



INCA DE ORO COPPER-GOLD PROJECT, CHILE

Status: extended feasibility study in progress

In July 2012, PanAust announced the results of the initial Inca de Oro feasibility study. The study focused on the sulphide (supergene and primary) Mineral Resources and the development of a 12Mtpa open-pit and flotation process operation. The study assumed US\$3.00/lb for copper, US\$1,600/oz for gold and US\$30/oz for silver and at these commodity prices concluded that the Project required further work before a development decision was made.

The study identified that during the first ten years of production, 121Mt of mill feed would be processed at an average grade of 0.50 per cent copper and 0.14g/t gold. The average annual production during the first five years would be approximately 60,000t at a competitive cash cost of US\$1.43/lb after precious metal credits. For the second five years, production would decline with grade and the cash cost would increase to an average of US\$2.28/lb. It is the latter production and cost profile that needs to be improved for the Project to be robust.

The joint venture partners agreed that there was significant potential to improve the project through evaluation of the oxide resources at Inca de Oro and the definition and the potential identification and incorporation of higher value mineralisation from nearby deposits. The extended feasibility study incorporates these concepts.

The Project benefits from access to existing developed infrastructure including port and smelting facilities. Power transmission lines cross the deposit and securing competitively priced power is a key requirement for development of the project. Codelco have agreed in principle for the Project to access water from Codelco's nearby El Salvador mine tailings storage facility (TSF) during the anticipated initial production years.

CARMEN COPPER-GOLD DEPOSIT, CHILE

Status: exploration and resource definition drilling programs in progress

PanAust acquired the majority of tenements covering the Carmen copper-gold deposit in 2010 and then in August 2012, acquired the balance of the Carmen tenements which it did not already own. The tenements are wholly owned by PanAust.

The Carmen deposit has an estimated total combined Measured, Indicated and Inferred Mineral Resource of approximately 46Mt at 0.34 per cent copper, 0.34g/t gold and 1g/t silver.

Carmen is a near-surface copper-gold mineralised system located approximately 14 kilometres southwest of Inca de Oro.

A program of resource extension and infill drilling commenced during the December quarter of 2012 and was aimed at lifting the largely Inferred Mineral Resource into Measured and Indicated categories. The Company strategy is to demonstrate that the incorporation into the mining schedule of higher value mineralisation (through a higher contained metal and potentially lower strip ratio and process costs) from Carmen will materially improve the operating cost profile identified in the feasibility study for the Inca de Oro Project and thereby improve the robustness of the project.

PHU KHAM DISTRICT, LAOS

Status: exploration and resource definition drilling programs in progress

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets have been identified in a corridor that stretches at least six kilometres from Phu Kham northwest to the LCT deposit, and beyond to the Nam Ve prospect which is seven kilometres northwest of LCT.

LCT

In January 2013, PanAust announced the initial Mineral Resource estimates for LCT. The deposit has an estimated total combined Measured, Indicated and Inferred Mineral Resource of approximately 32Mt at 0.77g/t gold, 4.9g/t silver and 0.12 per cent copper.

LCT is located approximately six kilometres northwest of the Phu Kham Copper-Gold Operation. The deposit outcrops and extends over a strike length of approximately 450 metres in a northeast-southwest direction, dipping steeply to the northwest. The deposit remains open down-dip and along strike.

The deposit comprises several mineralised zones. One discrete zone exhibits elevated copper (+0.4 per cent), gold and silver grades that, subject to confirmatory test work, may be amenable to processing by flotation. The other mineralised zones identified are gold-silver rich, and contain comparatively low levels of copper that may, subject to confirmatory test work, be amenable to conventional carbon in leach (CIL) processing.

Drilling is continuing with the aim of extending the limits of known mineralisation and converting the largely Inferred Mineral Resource to Measured and Indicated categories.

Further drilling to the north and northeast of LCT has intersected gold-silver mineralisation associated with geochemical soil anomalies over an area of several square kilometres and further exploration drilling is planned.

NAM VE

High-grade gold mineralisation was discovered at the Nam Ve gold prospect during 2012 following a program of scout drilling. Nam Ve is located approximately seven kilometres northwest of LCT. Surface sampling previously identified a gold geochemical anomaly and the drilling is targeting a zone of high-grade gold veins that outcrop in the area.

NAM SAN

The initial phase of resource definition and exploration drilling at Nam San was concluded in early January 2013. The higher-grade Nam San copper-gold mineralisation occurs as a steeply dipping zone adjacent to Phu Kham and presents a potential underground mining opportunity.

A strategy for further evaluation will be formulated once the final results of the drill program have been evaluated and may include further drilling from surface and/or development of an access decline to continue drilling from underground.

OTHER EXPLORATION, LAOS

PanAust is undertaking regional exploration activities at several prospects within the Company's 2,600 square-kilometre Contract Area in Laos. The Contract Area remains under-explored and is prospective for copper and gold; it offers excellent potential for the discovery of significant new resources as the basis for organic growth of the business.

PUTHEP COPPER PROJECT, THAILAND

PanAust has commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner, Padaeng Industry Public Company Limited. PanAust holds a 49 per cent beneficial interest in the Project. In mid-2012, an Information Memorandum on the Puthep Copper Project was compiled for the benefit of potential interested parties.

The joint venture is also reviewing the results of previous studies (completed over two years ago) to evaluate the impact of changed commodity prices and costs on those study results.



Family washing, Ban Nam Gnone (detail)

“ Ban Nam Gnone is one of the two villages situated very near the Phu Kham mine site. In this scene, one sees the communal water supply which was installed in the village by PanAust. Prior to this, the villagers walked up a hill to fetch water from a spring. In this painting, one sees people showering, washing clothes and collecting water for their homes. This particular family impressed me. The girl assisting her mother getting through the family laundry must have been no more than nine years old, yet she looked like she had been doing this all her life. The little boys, her young brothers I guess, played in the flowing water and were enjoying the whole experience. It was a lovely depiction of generational family support; much lacking in our modern society.”

Peter Churcher, 2012

SUSTAINABILITY

PANAUST'S SUSTAINABILITY CREDENTIALS

Underpinning PanAust's corporate strategy of growth by discovery, acquisition and development, is the recognition that sustainable business development is essential for success. As a company with a significant presence in a developing country such as Laos, PanAust has an essential role to play in improving the living standards of current and future generations.

PanAust's approach to sustainability stems from a Group-wide set of Values, high standards of corporate governance, and a well-established sustainability framework that fosters an environment of continual improvement. The sustainability framework includes an overarching Sustainability Policy and support structures including an integrated Enterprise Risk Management system to identify material risks and ensure relevant control measures are in place to reduce risk exposure to as low as reasonably practical. PanAust's activities in Laos are carried out in accordance with the Company's Mineral Exploration and Production Agreement with the Government of Laos.

Fourteen Sustainability Standards – relating to leadership, legal requirements, planning, risk, health and hygiene, environment, community, training, communication, supplier management, incident management, crisis, auditing, and stakeholder engagement – have been developed to ensure consistent implementation of sustainability outcomes across the Group.

Measurable sustainability objectives form part of the Company's Five-Year Strategic Plan and executives' critical performance tasks. The Sustainability Committee, a sub-committee of the PanAust Board, reviews sustainability performance.

PanAust measures its sustainability performance against the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability for operating projects. External standards, systems and principles provided by the ASX, the Minerals Council of Australia (MCA), the International Council on Mining and Metals, and the International Cyanide Management Institute are also applied by the Company. As a minimum, the Company is committed to complying with applicable legal requirements in host countries as well as voluntary commitments such as the MCA's Enduring Value Framework. In 2013, PanAust will be working to become a full signatory to Voluntary Principles of Security and Human Rights, an internationally recognised industry initiative.

Each year, PanAust reports the Global Reporting Initiative (GRI) indicators that are material to its business in a Sustainability Report. In 2012, the Company achieved a GRI A+ limited assurance against the ISAE3000 and AA1000 Assurance Standard for its *2011 Sustainability Report* (compared to a B+ rating for 2010). The process includes an external audit by a qualified third party to assess the materiality, accuracy, completeness and responsiveness of the information and data contained in the Report.

Further detail on PanAust's sustainability performance is provided in the *2012 Sustainability Report* (scheduled for release in the second quarter 2013).

ENVIRONMENT

The environmental challenges for PanAust's mining operations and exploration activity – particularly in the mountainous, high-rainfall setting of Laos – are significant. The Company is committed to minimising impacts to the natural landscape, waterways, and flora and fauna according to international best practice and continual improvement.

PanAust identified the main environmental challenges for the Company's operations during 2012 as: tailings and waste rock management, water management (including sediment), cyanide management at Ban Houayxai, energy and carbon management, land rehabilitation and closure, and noise and dust along the Phu Kham concentrate haulage route.

During 2012 a high-level review panel was established with representation from independent international experts to provide guidance and ensure the tailings facilities are managed in accordance with current international best practice. Additionally, a steering committee was formed to oversee and periodically review the management and performance of acid rock drainage (ARD) at each of PanAust's Operations and active project sites in Laos (previously Phu Kham only). Managing ARD involves strict engineering and process controls, which are externally reviewed twice each year to monitor performance and prioritise continual improvement opportunities. The 2012 reviews confirmed that at Phu Kham, the program for managing ARD risk is highly developed and the systems adopted for the prevention and control of ARD are 'best practice' and consistent with methods described in the Global Acid Rock Drainage Guide.

Both Phu Kham and Ban Houayxai undertook controlled discharge from their tailings storage facilities in 2012. The activity was monitored by Company officers as well as Lao Government officials.

In early 2012, prior to commencing production, Ban Houayxai achieved pre-operational certification to the International Cyanide Management Code, and, post-commissioning, Ban Houayxai was certified in full operational compliance with the Code in March 2013.

During 2012, both the Phu Kham and Ban Houayxai Operations underwent independent auditing against the IFC's Performance Standards on Social and Environmental Sustainability. An independent audit of the exploration activities associated with the Phonsavan Copper-Gold Project was conducted against the e3 Plus: A Framework for Responsible Exploration. Both audits reported improvements; details can be found in PanAust's *2012 Sustainability Report*.

PanAust is pleased to report that the Company experienced no significant incidents² relating to the environment during 2012.

² PanAust defines 'significant incidents' as material incidents; that is, Level 4 or 5 as described in the Consequence Table available in the Company's Sustainability Reports.

SUSTAINABILITY (continued)

BAN HOUAYXAI GOLD-SILVER OPERATION OPENING CEREMONY



The Ban Houayxai Gold-Silver Operation was officially opened by the Government of Laos Deputy Prime Minister, His Excellency Mr Somsavath Lengsavath (pictured centre right), with PanAust Managing Director, Mr Gary Stafford (pictured centre left). PanAust Chairman, Mr Garry Hounsell; the Minister for Energy and Mines, His Excellency Mr Soulivong Daravong; the Minister for Planning and Investment, His Excellency Mr Somdy Douangdy; Australian Ambassador to Laos, Ms Lynda Worthaisong; and other stakeholders also attended the opening ceremony held at Ban Houayxai in April 2012.

Mr Soulivong Daravong spoke at the ceremony highlighting the significant benefits the mine would bring to Laos. He said Laos aims to graduate from Least Developed Country status by 2020 and to achieve this, the economy needs to grow by eight per cent annually over the next decade. He said the government has laid out the path for growth in the seventh National Socio-economic Development Plan for 2011 to 2015. "The mining sector will remain an important source of growth for Laos in this period and Phu Bia Mining is a leader in the sector", Mr Daravong said.

COMMUNITY

The Company's community development programs support villages affected by mining operations, exploration activities, and haulage routes. The Company is committed to building relationships with local communities that are characterised by genuine partnership, integrity, transparency, cooperation and mutual benefit. Community development priorities are aligned with Government of Laos poverty reduction programs, informed by data from periodic socio-economic surveys, and developed through consultation with local villagers. Each year, PanAust budgets a Community Development Fund (CDF), and through the planning process identifies programs focusing on education, healthcare, agriculture, infrastructure, microfinance and small-business development.

During 2012, CDF expenditure totalled US\$515,000 (including on projects carried over from previous years) and comprised 67 small-scale projects in 30 rural communities directly and indirectly affected by PanAust's activities at Phu Kham, Ban Houayxai and Phonsavan.

- Various health initiatives were delivered including community health awareness sessions on topics such as mother and child health, immunisation, and HIV and communicable disease prevention. Assistance was provided to upgrade services at village health centres and two local people continued to receive nursing scholarships.
- To help enhance local farming capacity, agricultural training was organised for local villagers, and technical and material assistance was provided to several government-run agricultural outreach centres. Free livestock vaccinations were provided in 11 villages.

- The Company-developed Village Savings and Credit Fund (VS&CF) continued to empower local people to develop their own small businesses. Fund membership grew from 615 at the start of 2012 to 743 at year-end. Local women comprise 96 per cent of VS&CF membership. PanAust continues to support small businesses through the purchase of fresh produce to mining camps. Throughout 2012, PanAust spent approximately US\$707,000 purchasing locally produced fruit and vegetables, fish, drinking water and geological sample bags. Beyond providing significant cash income for the 200 plus participating families, the small business development program has helped empower local women and improved nutrition and dietary intake for local communities.
- PanAust's education-focused programs in 2012 included assistance with constructing school facilities, provision of text books and educational supplies, in-service teacher training, and adult literacy classes.

In 2012, PanAust commenced a three-year A\$50,000 per annum funding agreement with Interplast Australia and New Zealand (Interplast³) to deliver reconstructive surgery to people in Xieng Khouang Province in Laos. During a two-week program in August, an Interplast team carried out 123 consultations and/or surgical procedures while based at the Lao-Mongolian Friendship Hospital in Phonsavan. Most procedures were for burn contractures; four were for cleft palates. Given the need for reconstructive surgery in the province, which is heavily afflicted by unexploded ordnance, PanAust has committed to fund the program through to 2014.

³ Interplast is a not-for-profit organisation which facilitates surgical and other medical and allied health volunteers to developing countries. They provide free-of-charge reconstructive surgery for patients who would otherwise not be able to afford access to such services and empower local medical personnel by building their capacity to act independently. For more information, visit www.interplast.org.au.

In March 2013, PanAust received the Sustainability Leadership Award at the Asia Mining Congress in Singapore. The award recognised the Company's program to create and support business opportunities within the villages closest to their mining operations and activities in Laos. The program has been particularly beneficial to ethnic minorities and women in the region and has enabled an increased cash economy that has, in turn, been discretionally invested into socially progressive elements such as education and health services.

PanAust is pleased to report that the Company experienced no significant community-related incidents² during 2012.

HEALTH AND SAFETY

PanAust is committed to the Zero Harm philosophy where workplace incidents and injuries are considered unacceptable regardless of their severity or frequency. PanAust's safety performance throughout 2012 was strong.

The Company's 2012 Total Recordable Injury Frequency Rate (TRIFR) of 2.15 was a 23 per cent year-on-year improvement from 2011's TRIFR of 2.80. The Company's 2012 Lost Time Injury Rate (LTIFR) was 0.15 (2011 LTIFR: 0.06).

PanAust's year-end safety outcomes remain consistent with the Citigroup report published in January 2012 which ranked PanAust third best out of 81 ASX100 companies that report on LTIFR, and fifth best out of 31 ASX100 companies that report on TRIFR.

2012 PANAUST GROUP REPORTABLE INCIDENTS⁴

HOURS	FATALITIES	LOST TIME INJURY FREQUENCY RATE	DAYS AWAY RESTRICTED OR TRANSFERRED TIME (SEVERITY RATE)	TOTAL RECORDABLE INJURY FREQUENCY RATE
19,983,937	0	0.15	0.55 (14.66)	2.15

The Ban Houayxai Gold-Silver Operation achieved 1,139 LTI-free days between October 2009 and December 2012. This timespan includes pre-operational civil works, construction and commissioning activities associated with the development of the project, and ramp-up to steady-state production. This excellent run ended in mid-December 2012 when, regrettably, an employee fractured their arm.

As at 31 December 2012, PanAust's Group-wide exploration activities had achieved 910 LTI-free days.

PanAust's Cardinal Rules are a set of eight simple rules tailored to the Company's operations that respond to safety breaches which historically, within a mining environment, have resulted in serious injury or a fatality. The Company holds a zero tolerance position on breaches of the Cardinal Rules; the Rules continued to be communicated to employees throughout 2012.



GEOFF KERNICK

BEC, MBA, CPA

General Manager Commercial, PanAust Asia

Geoff is responsible for PanAust's shared services in Asia, including commercial, supply and logistics, human resources and training functions.

Geoff has significant experience in senior commercial roles, most recently with Ausreco in Sydney. He also spent many years with BHP in its manganese, transport and iron ore businesses; and with Bluescope Steel in Thailand. Geoff joined PanAust in January 2011.

The delivery of a Safety Leadership Training Program commenced in 2012. The training is aimed at all levels of management from executives to front-line supervisors. The course is designed to encourage leaders to reflect on how their approach to safety leadership contributes to achieving Zero Harm and provides tools and techniques to influence positive safety behaviour in employees. By year-end 2012, more than 250 leadership personnel from across the PanAust Group had completed the two-day training program.

Throughout the year, improvements were made in the investigation into and reporting of safety incidents for the purpose of identifying trends and 'hot spots'. Lead indicators have been, and continue to be, developed to focus attention, appropriate action, and improvement in identified areas.

EMPLOYEES

As at 31 December 2012, the PanAust Group had 3,317 permanent employees. This figure is 1.7 per cent less than at year-end 2011 (3,373) and reflects the stabilisation of the workforce in Laos following Phu Kham and Ban Houayxai reaching steady-state operations, and the close-out of fixed-term roles associated with the development and commissioning of Ban Houayxai.

In Laos, the total full-time staff number was 3,239. Of these, 2,756 were Lao nationals, 336 were expatriates from Southeast Asian countries such as Thailand, The Philippines, Malaysia, Papua New Guinea and Indonesia; and 147 were expatriates from 'western' nations such as Australia, New Zealand, USA and those in Europe.

During 2012, employee numbers in Chile and Brisbane grew within technical areas to support current and future projects and improvement activities across the Group. At year-end, 19 people were employed in Chile compared with 13 in 2011, and 56 in the Brisbane office (including three part-time roles and one job-shared by two people) compared with 39 in 2011. At year-end 2012, three employees were based in Thailand.

⁴ To review reportable safety incident data from 2010-2012, refer to PanAust's 2012 Sustainability Report.



A peaceful morning near Ban Houayxai (detail)

“This was one of those idyllic moments in the whole three weeks. It was early in the morning; I had re-found this spot – an extraordinary island rising out of the water – which I had briefly seen the afternoon before from the car. The mist was rising off the mountains behind and it was very quiet, except for the occasional small fishing boat passing by, cutting a beautiful slip-stream behind it in the very still water.”

Peter Churcher, 2012

SUSTAINABILITY (continued)

EMPLOYEES (continued)

PanAust focuses particular attention on gender and ethnic diversity and has established a Diversity Committee. In 2012, several measurable diversity objectives were achieved including – with the appointment of Ms Annabelle Chaplain to the PanAust Board – increasing the number of women serving as non-executive directors from one to two.

Of the total PanAust Group workforce, at year-end 2012, 529 were women (16 per cent), 29 of whom were in management roles (12 per cent of all management roles). Within the workforce based in Laos, 497 were women (15 per cent) with 14 in management roles, 99 in supervisory/professional roles, and 62 in operator-type roles which are typically occupied by males. Eighty-five per cent of the Company's workforce in Laos are Lao-nationals, of which people from several minority ethnic groups are employed.

PanAust's talent retention programs include external training co-operatives, a Lao-graduate development program, use of internal promotions and transfers, salary benchmarking, succession planning, and rewarding performance against agreed goals and behaviours. In 2012, the Company also introduced employee mentoring to support the professional development of high-potential Lao-national employees by their learning through others in addition to formal and on-the-job training. Nineteen employees participated in the pilot mentoring program.

Training and development is a key factor in the Company achieving its Vision and working within its Values. The Company's key training objective is to ensure the workforce is adequately skilled to undertake all facets of their work in a safe, knowledgeable and competent manner. In Laos, the Company's objective is also to increase skills to progressively localise the workforce.

Since 2007, PanAust has been delivering Technical Trades Training in Laos through a partnership with a technical college in Thailand. The award-winning in-house program is part of PanAust's strategy to address a general shortage of qualified tradespeople within Laos as well as to generate a pool of appropriately qualified candidates for the Company. By year-end 2012, 76 trainees had graduated from the program and were offered permanent employment as technicians with the Company. Graduates have been provided further on-the-job training and refresher courses in trade skills, safety and environment.

Following a trades training review in 2012, from 2013 the Company will deliver a four-year Apprenticeship Program in four trade disciplines (mobile electrical, mobile mechanical, fixed-plant electrical, and fixed-plant mechanical) in partnership with the Lao-German Technical College in Vientiane, Laos. PanAust's own training specialists will deliver the trades modules with the long-term aim of also training College staff to deliver the programs independently. This approach will greatly enhance capacity-building within the Lao vocational training institution to meet the future needs of the mining industry within the region.

The Company's Leadership Development Program provides a platform to build the capability of PanAust's leaders and future leaders. The program is delivered to supervisors and high-potential employees by internal training specialists, and for managers and high-potential superintendents, the training is delivered by external providers. The course content for each is tailored to be relevant for the employees attending. The overall aim of the program is to equip employees with leadership skills and ensure leaders across the Group are aligned with PanAust's management approach and Vision and Values. The training also focuses employees on the work of a leader, for example positively influencing the workforce, thinking strategically about issues and the long-term impact of decisions.

In 2012, a group of 20 supervisors and high-potential employees completed the internally delivered program (building on the previous year's 24), with an additional 40 being at various stages of the course and due for graduation during 2013. A total of 54 managers and/or high-potential superintendents attended the externally facilitated workshops. The program has contributed to PanAust's ability to appoint Lao employees to more senior roles and reduce reliance on expatriate employees, as well as develop expatriates to support the Company's growth.

PanAust has an Employee Awards Program to reward and promote outstanding contributions to safety, environment, community, leadership, training, and production. In 2012, the program was expanded to invite nominations for all employees from across the PanAust Group; previously the awards were for employees based in Asia only. Award winners are recognised in a ceremony, participate in a study tour to best-practice mines in Southeast Asia and Australia, attend the PanAust Annual General Meeting in Australia (in May each year), and receive a cash prize. The program fosters a culture of continual business, professional and individual improvement, and promotes activities reflective of PanAust's Values and are critical to the Company's success.

BOARD OF 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
- TreasuryWine Estates Ltd*

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.



GARY STAFFORD

B.Sc. (Hons, Mining
Engineering) MAusIMM

Managing Director

Mr Stafford is a mining engineer with 31 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 PanAust. Gary Stafford has been Managing Director since 7 March 1996 and has presided over the Company's growth from a junior exploration company to an S&P/ASX 100 mining company.

Mr Stafford is also a member of the Nominations Committee.



NEROLIE WITHNALL

BA, LLB. FAICD

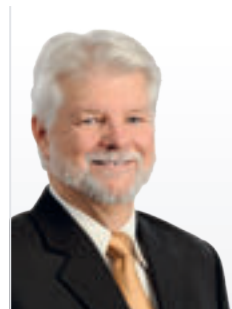
Non-Executive Director

Mrs Withnall is a former commercial lawyer with specialist skills in the areas of corporate advice, capital raisings, securities 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.

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*
- Redcape Property Fund Limited (formerly Hedley Leisure & Gaming Property Partners Limited)

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



GEOFF HANDLEY

BSc (Hons, Geology and Chemistry)
MAusIMM FAICD. Acc. Dir

Non-Executive Director

Mr Handley is a geologist with over 30 years' experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Ltd., as a chemist and geologist for Placer Exploration Ltd. and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Ltd. as a senior geologist and was responsible for the exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Most recently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development and strategic planning.

During the past three years, Mr Handley has also served as a Director of the following 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* (Chairman) (listed on the ASX and the TSX)

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



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, 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.

* Denotes current directorship



ZEZHONG LI

M.Laws, M.Public Administration
International Development

Non-Executive Director

Mr Zezhong Li is the Vice President of Guangdong Rising Assets Management (GRAM), a position which he has held since November 2008. Mr Zezhong Li is GRAM's nominee Director on the Board of PanAust. GRAM is a cornerstone investor in PanAust. Mr Zezhong Li joined the Board following the completion of the share placement to GRAM in September 2009.

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

During the past three years, Mr Zezhong Li has also served as a Director of the following Shenzhen Stock Exchange listed company:

- Shenzhen Zhongjin Lingnan Nonferrous Metal Co.*

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



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.

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



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 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 Owner's 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)

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



ANNABELLE CHAPLAIN

BA, MBA FAICD

Non-Executive Director

Ms Chaplain is a former investment banker who has over 22 years' financial services experience having worked with Citibank, Standard Chartered and ABN AMRO in various roles. Ms Chaplain brings to PanAust a wealth of finance and banking experience which will be invaluable given PanAust's exciting pipeline of growth projects. In addition, Ms Chaplain has experience as a Non-Executive Director on the boards of large publicly listed companies, public sector corporations and private companies.

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

- Downer EDI Limited *
- Coal & Allied Industries Limited

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

ANDREW DALEY

BSc (Hons, Mining Engineering)
FAusIMM

Retired (18 May 2012) Non-Executive Director

Mr Daley was appointed Non-Executive Director on 3 August 2004 and retired from the position on 18 May 2012. Mr Daley was also a member of the Audit Committee until the date of his retirement.



Geo-technician logging core, Phu Kham (detail)

FINANCIAL SUMMARY

SUMMARY OF FINANCIAL RESULTS FOR THE 12 MONTHS TO 31 DECEMBER 2012

	12 MONTHS TO 31 DEC 2012 US\$'000	12 MONTHS TO 31 DEC 2011 US\$'000
Sales revenue	712,696	575,678
Sales revenue, derivative gains/losses and other income	706,320	597,998
Earnings before interest, tax, depreciation and amortisation (EBITDA)	331,472	288,212
Profit after income tax	158,655	146,562
Profit after income tax, attributable to PanAust Limited	142,273	132,121
Basic earnings per share (US cents)	24.03	22.47
Dividend per share (Aust. cents)	7.00	-

Note that the statements and tabulations on the following pages are extracted from PanAust's *2012 Annual Report*: refer to the Directors' Report (including the Remuneration Report), Financial Report, Auditors' Report, Corporate Governance Statement, and the full set of statutory accounts for 2012.

“In this painting I wanted to show the core shed, a particular part of the mining process and where it all starts, so to speak. This young lady is a geo-technician and she is logging information on the core samples that have been drilled at the exploration sites. It was interesting to see how many women were working alongside the men across all aspects of the mine's operations. In this case, this young lady clearly had geology training and in other cases one would see a tiny little lady at the wheel of one of the huge 777D ore-hauling trucks. Then, later that evening, one would be served dinner at the mess by a young man behind the serving counter. So no gender stereo-typing here.”

Peter Churcher, 2012

PANAUST LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000
Sales revenue	5	712,696	575,678
Derivative gains/(losses)	5	(9,271)	20,144
Other income	5	2,895	2,176
Changes in inventories of finished goods and work in progress		21,178	(2,587)
Mining operations costs		(210,466)	(155,628)
Employee benefits expense		(80,557)	(57,310)
Royalties		(40,206)	(33,904)
Copper concentrate haulage		(26,063)	(26,994)
Treatment and refining charges		(19,992)	(15,391)
Marketing, realisation and freight costs		(14,327)	(12,987)
Other expenses	6	(15,573)	(8,635)
		320,314	284,562
Interest and finance charges	6	(17,654)	(13,808)
Depreciation, amortisation expense, and impairment	6	(88,413)	(58,453)
Put option premium expense		(1,864)	(2,955)
Share based payment expense from acquisition	6	-	(5,530)
PROFIT BEFORE INCOME TAX		212,383	203,816
Income tax expense	7	(53,728)	(57,254)
PROFIT AFTER INCOME TAX		158,655	146,562
OTHER COMPREHENSIVE INCOME			
Cash flow hedges, net of tax		4,341	14,248
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		162,996	160,810
Profit after income tax is attributable to:			
Owners of PanAust Limited		142,273	132,121
Non-controlling interests		16,382	14,441
		158,655	146,562
Total comprehensive income for the year is attributable to:			
Owners of PanAust Limited		146,698	144,944
Non-controlling interests		16,298	15,866
		162,996	160,810
		CENTS	CENTS
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	23	24.03	22.47
Diluted earnings per share	23	23.91	22.28

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes in PanAust Limited's 2012 Annual Report.

PANAUST LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	NOTES	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	125,029	155,525
Receivables and other assets	10	20,103	15,672
Inventories	11	111,890	56,279
Derivative financial instruments	12	486	4,248
TOTAL CURRENT ASSETS		257,508	231,724
NON-CURRENT ASSETS			
Receivables and other assets	10	21,537	53,449
Investments accounted for using the equity method	13	23,414	23,151
Property, plant and equipment	14	903,910	525,264
Exploration, evaluation, and mine development	15	183,333	342,871
Intangible assets	16	13,965	13,965
Derivative financial instruments	12	158	2,431
TOTAL NON-CURRENT ASSETS		1,146,317	961,131
TOTAL ASSETS		1,403,825	1,192,855
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	87,958	84,495
Borrowings	18	113,130	14,961
Current tax liabilities	7	23,591	30,418
Provisions	19	14,651	13,564
TOTAL CURRENT LIABILITIES		239,330	143,438
NON-CURRENT LIABILITIES			
Trade and other payables	17	1,466	3,334
Borrowings	18	51,612	92,019
Deferred tax liabilities	7	32,049	25,649
Provisions	19	52,700	34,426
Derivative financial instruments	12	2,590	-
TOTAL NON-CURRENT LIABILITIES		140,417	155,428
TOTAL LIABILITIES		379,747	298,866
NET ASSETS		1,024,078	893,989
EQUITY			
Contributed equity	20	548,029	542,617
Reserves	21(a)	30,738	21,941
Retained earnings	21(c)	336,753	213,119
Capital and reserves attributable to owners of PanAust Limited		915,520	777,677
Non-controlling interests	22	108,558	116,312
TOTAL EQUITY		1,024,078	893,989

The above consolidated balance sheet should be read in conjunction with the accompanying notes in PanAust Limited's 2012 Annual Report.

PANAUST LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED ENTITY	NOTES	ATTRIBUTABLE TO OWNERS OF PANAUST LIMITED				NON-CONTROLLING INTERESTS	TOTAL EQUITY
		CONTRIBUTED EQUITY \$'000	OTHER RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000		
BALANCE AT 1 JANUARY 2011		541,232	5,134	80,998	627,364	50,457	677,821
Profit for the year		-	-	132,121	132,121	14,441	146,562
Changes in fair value of cash flow hedges, net of tax		-	12,823	-	12,823	1,425	14,248
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	12,823	132,121	144,944	15,866	160,810
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		1,385	-	-	1,385	-	1,385
Total changes in non-controlling interests		-	-	-	-	20,375	20,375
Non-controlling interest from acquisition		-	-	-	-	24,084	24,084
Share based payment expense from acquisition		-	-	-	-	5,530	5,530
Employee share based payments		-	3,984	-	3,984	-	3,984
		1,385	3,984	-	5,369	49,989	55,358
BALANCE AT 31 DECEMBER 2011		542,617	21,941	213,119	777,677	116,312	893,989
BALANCE AT 1 JANUARY 2012		542,617	21,941	213,119	777,677	116,312	893,989
Profit for the year		-	-	142,273	142,273	16,382	158,655
Changes in fair value of cash flow hedges, net of tax		-	4,425	-	4,425	(84)	4,341
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	4,425	142,273	146,698	16,298	162,996
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	20	5,412	-	-	5,412	-	5,412
Total changes in non-controlling interests		-	-	-	-	(19,904)	(19,904)
Dividends provided for or paid		-	-	(18,639)	(18,639)	(4,148)	(22,787)
Employee share based payments	24	-	4,372	-	4,372	-	4,372
		5,412	4,372	(18,639)	(8,855)	(24,052)	(32,907)
BALANCE AT 31 DECEMBER 2012		548,029	30,738	336,753	915,520	108,558	1,024,078

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes in PanAust Limited's 2012 Annual Report.

PANAUST LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000
Cash flows from operating activities			
Receipts from customers		707,047	583,521
Payments to suppliers and employees (inclusive of goods and services tax)		(436,102)	(304,753)
Receipts (payments) for derivatives		(646)	13,967
Payments for income tax		(53,906)	(36,486)
		216,393	256,249
Interest and fees paid		(12,825)	(13,829)
Put option premium paid		(6,240)	(4,609)
Interest received		1,060	1,331
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	198,388	239,142
Cash flows from investing activities			
Payments for property, plant and equipment	14	(69,648)	(59,084)
Payments for brownfield development costs	14(b)	(71,343)	(33,090)
Payments for greenfield development costs	15	(62,779)	(140,010)
Payments for exploration and evaluation costs	15	(67,872)	(41,633)
Payments for acquisition of tenements	15(a)	(8,000)	-
Payments for investment in subsidiary, net	31	-	(27,461)
Payments for investment in associate		(263)	(688)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(279,905)	(301,966)
Cash flows from financing activities			
Proceeds from issues of shares		3,710	1,385
Proceeds from issues of shares to non-controlling interest		7,175	-
Proceeds from borrowings		75,716	43,338
Repayment of borrowings		(19,188)	(10,521)
Dividends paid to Company's shareholders		(16,937)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		50,476	34,202
NET DECREASE IN CASH AND CASH EQUIVALENTS		(31,041)	(28,622)
Cash and cash equivalents at the beginning of the financial year		155,525	184,759
Effects of exchange rate changes on cash and cash equivalents		545	(612)
CASH AND CASH EQUIVALENTS AT END OF YEAR		125,029	155,525

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes in PanAust Limited's 2012 Annual Report.

MINERAL RESOURCES AND ORE RESERVES^{1,2,3}

SOUTHEAST ASIA

MINERAL RESOURCES	MEASURED				INDICATED				INFERRED				TOTAL			
	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)
COPPER-GOLD																
Phu Kham (Laos) ⁴ (0.2% Cu cut-off)	139	0.51	0.23	1.9	75	0.45	0.21	2.3	14	0.36	0.21	1.8	227	0.48	0.22	2.0
KTL (Laos) ⁵ (0.25% Cu cut-off)	22	0.65	0.35	2.3	62	0.40	0.15	2.3	9	0.33	0.05	1.5	92	0.45	0.19	2.3
PUT 1 (Thailand) ⁶ (0.3% Cu cut-off)	41	0.58	0.08	-	64	0.51	0.10	-	59	0.50	0.10	-	164	0.53	0.09	-
PUT 2 (Thailand) ⁶ (0.1% Cu cut-off)	-	-	-	-	-	-	-	-	36	0.42	-	-	36	0.42	-	-

MINERAL RESOURCES	MEASURED				INDICATED				INFERRED				TOTAL			
	Tonnes Mt	Au (g/t)	Ag (g/t)	Cu (%)	Tonnes Mt	Au (g/t)	Ag (g/t)	Cu (%)	Tonnes Mt	Au (g/t)	Ag (g/t)	Cu (%)	Tonnes Mt	Au (g/t)	Ag (g/t)	Cu (%)
GOLD																
Ban Houayxai ⁷ Oxide (0.25g/t Au cut-off)	3	0.64	2.5	-	8	0.70	3.7	-	1	0.38	1.8	-	12	0.66	3.2	-
Ban Houayxai ⁷ Transitional (0.35g/t Au cut-off)	4	1.00	10.4	-	12	0.92	9.3	-	0.3	0.51	3.7	-	16	0.93	9.5	-
Ban Houayxai ⁷ Primary (0.4g/t Au cut-off)	1	1.10	10.3	-	30	1.04	7.6	-	7	0.87	6.0	-	37	1.01	7.4	-
Total Ban Houayxai ⁷ (Laos)	8	0.87	7.5	-	50	0.96	7.4	-	8	0.81	5.4	-	65	0.93	7.2	-
Long Chiang Track (LCT) ⁸ (0.3g/t Au cut-off)	3	0.72	2.3	0.02	5	0.65	4.7	0.05	25	0.80	5.3	0.15	32	0.77	4.9	0.12

ORE RESERVES	PROVED				PROBABLE				TOTAL			
	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Au (g/t)	Ag (g/t)
COPPER-GOLD												
Phu Kham ⁹	124	0.51	0.23	1.8	52	0.46	0.23	2.1	176	0.50	0.23	1.9

ORE RESERVES	PROVED			PROBABLE			TOTAL (INCLUDES STOCKPILE)		
	Tonnes Mt	Au (g/t)	Ag (g/t)	Tonnes Mt	Au (g/t)	Ag (g/t)	Tonnes Mt	Au (g/t)	Ag (g/t)
GOLD									
Ban Houayxai ¹⁰	8	0.82	8.4	33	0.82	8.1	41	0.81	7.9
Ban Houayxai ¹⁰ low-grade stockpile	1	0.41	1.5	-	-	-	-	-	-

SOUTH AMERICA

MINERAL RESOURCES	MEASURED					INDICATED					INFERRED					TOTAL				
	Tonnes Mt	Cu (%)	Cu Sol (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Cu Sol (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Cu Sol (%)	Au (g/t)	Ag (g/t)	Tonnes Mt	Cu (%)	Cu Sol (%)	Au (g/t)	Ag (g/t)
COPPER-GOLD																				
Inca de Oro ¹¹ Combined Oxide-Mixed (0.25% Cu cut-off)	11	0.56	0.22	0.18	1.0	54	0.54	0.23	0.12	1.0	7	0.46	0.14	0.08	1.0	71	0.53	0.20	0.12	1.0
Inca de Oro ¹¹ Combined Supergene-Primary (0.25% Cu cut-off)	186	0.44	0.02	0.13	2.0	126	0.35	0.02	0.08	1.7	77	0.30	0.01	0.06	1.4	389	0.39	0.02	0.10	1.7
Carmen (Chile) ¹² Combined Transitional and Primary (0.25% Cu cut-off)	5	0.33	-	0.42	1.1	7	0.35	-	0.43	1.3	34	0.34	-	0.31	1.0	46	0.34	-	0.34	1.0

NOTES

- 1 The reported Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- 2 All Mineral Resource and Ore Reserve estimates in the tabulation are reported on a 100 per cent ownership basis. Resources and Reserves ownership is outlined in the 'Company Profile' on page i.
- 3 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.
- 4 The Phu Kham Mineral Resource estimate is based on an ordinary kriged model constrained by weathering and mineralisation domains and reported at a 0.2 per cent copper cut-off grade and includes 0.25Mt of stockpiled material.
- 5 The Mineral Resource estimates for the KTL copper-gold deposit are based on an ordinary kriged model constrained by weathering and mineralisation boundaries and reported at a 0.25 per cent copper cut-off.
- 6 The Mineral Resources at Puthep for PUT1 and PUT2 remain unchanged from those presented in the 2011 Annual Review. The Mineral Resource estimate for PUT 1 was estimated using ordinary kriging and reported at a 0.3 per cent copper cut-off. The PUT 2 Mineral Resource was estimated using a manual cross-section polygon method and reported at a 0.1 per cent copper cut-off.
- 7 The Ban Houayxai Mineral Resource estimate is based on a multiple indicator kriging model constrained by weathering and geological boundaries at the stated cut-off grades. Includes 1Mt of stockpiled oxide material.
- 8 The LCT Mineral Resource estimate is based on a mineralogical constrained ordinary kriging model and reported at a 0.3 grams per tonne gold cut-off grade.
- 9 The Phu Kham Ore Reserve estimate is reported at a 0.2 per cent copper cut-off grade. Ore at the cut-off grade is breakeven at commodity price assumptions of approximately US\$2.75/lb copper and US\$1,400/oz gold.
- 10 The Ban Houayxai Ore Reserve estimate is reported at the same cut-off grades as those that apply to the Mineral Resource. Ore at the cut-off grades is breakeven at commodity price assumptions of approximately US\$1,400/oz gold and US\$24/oz silver.
- 11 The Mineral Resource estimates for the Inca de Oro copper-gold deposit are based on an ordinary kriged model constrained by weathering and geological boundaries at the stated cut-off.
- 12 The Carmen Mineral Resource estimate is based on an ordinary kriged model constrained by weathering and mineralisation domains and reported at a 0.25 per cent copper cut-off grade.

COMPETENT PERSON STATEMENTS

The data in this report that relates to Mineral Resources is based on information reviewed by Mr Dan Brost who is a Member and Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy (MAusIMM CP). Mr Brost is a full-time employee of PanAust Limited.

Mr Brost has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

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

The data in this report that relates to Ore Reserves is based on information reviewed by Mr Ian Sheppard who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Sheppard was a full-time employee of PanAust Limited at the time of finalising the Ore Reserves in this table.

Mr Sheppard has sufficient experience relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

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

FORWARD-LOOKING STATEMENT

This document includes certain 'Forward-Looking Statements'. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast production performances, potential mineralisation, resources and reserves, and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.



Young student from the school at Ban Nam Gnone (detail)

“That morning I visited the school at Nam Gnone and started the painting of the classroom, which I gave up on after an hour or so due to the over excitement of the students. I decided to single out one of the students and do a quick little portrait outside the classroom. This boy struck me when I very first entered the classroom. He had a wonderful wide-eyed enthusiasm about him and showed a certain earnestness in the class, which impressed me. When I asked via one of my interpreters if this boy could be excused from the class for an hour or so to sit for a portrait, I think he was initially quite terrified by what I was proposing. In spite of this, he very dutifully came out and sat for me with a seriousness and diligence that was quite incredible for a little boy of that age. He hardly batted an eyelid the entire time he sat for me and would only occasionally break his pose to admonish his friends who were sticking their heads out of the window right behind me to jeer and tease. Oh, if only all my sitters were as serious and patient as this one was!”

Peter Churcher, 2012



PANAUST

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Stock Exchange Listing

PanAust Limited shares are listed on the
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ASX Code: PNA

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