



DELIVERING GROWTH

ANNUAL REVIEW 2010



PANAUST

COMPANY PROFILE

Company Profile

PanAust Limited (ACN 011 065 160) is a leading copper and gold producer in Southeast Asia and has a portfolio of organic growth projects in both commodities. In March 2011, the Company acquired a majority interest in the Inca de Oro Copper-Gold Project in Chile from Corporación Nacional del Cobre de Chile (Codelco), the world's largest copper company; a move that provides geographic diversity and a base for establishing copper production in South America, the world's most prolific copper-producing region.

PanAust's key producing asset is the Phu Kham Copper-Gold Operation, which is located within the Company's highly prospective 2,636 square kilometre Contract Area in Laos.

PanAust's committed growth includes construction of the Ban Houayxai Gold-Silver Project, 25 kilometres west of Phu Kham. Commissioning of Ban Houayxai is scheduled to commence in late 2011. In addition, the Phu Kham Copper-Gold Upgrade will increase ore processing rates from mid-2012. The timing for implementing the upgrade will coincide with a scheduled decline in ore head grades as mining progresses into the deeper primary copper mineralisation.

Following a successful resource development drilling program in the northern part of the Lao Contract Area, PanAust has commenced scoping studies on the development concept for the Phonsavan Copper-Gold Project.

In Thailand, PanAust is earning a majority interest in the Puthep Copper Project by completing a feasibility study.

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

Company Structure

To ensure the optimal structure for a rapidly growing and geographically diverse business, in 2010, PanAust established two business units: PanAust Asia and PanAust South America. The PanAust Corporate Head Office in Brisbane provides Group oversight for growth, finance, commercial and technical services, and governance and public reporting.

PanAust Asia

Corporate Structure in Laos

PanAust owns a 90 per cent interest in the Lao-registered Company, Phu Bia Mining Limited (Phu Bia Mining) through the Company's wholly owned subsidiary, Pan Mekong Exploration Limited.

Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates the taxation and royalty regime as well as the Company's exploration, development and mining activities within the Phu Bia Contract Area in Laos.

In 2007, the Government of Laos notified Phu Bia Mining that it intended to exercise its option to acquire a 10 per cent interest in Phu Bia Mining. It is expected that a Shareholders' Agreement will be signed in 2011 to formalise the transfer of shares and the arrangements between the two parties.

Corporate Structure in Thailand

The Puthep Copper Project is held by the Thai-registered Puthep Company Limited. The Project is a joint venture between PanAust and Padaeng Industry Public Company Limited, a publicly listed Thai entity, and comprises the PUT 1 and PUT 2 deposits in northern Thailand.

PanAust has a shareholding interest of 49 per cent. The Company will earn a 51 per cent interest by completing a feasibility study and has options to further increase its interest to a total of 60 to 70 per cent. Under the Thailand-Australia Free Trade Agreement, the Company can acquire a 60 per cent interest in Puthep, with Thai Government approval needed to acquire 70 per cent. The Government of Thailand has the right to acquire a 10 per cent interest.

PanAust South America

Corporate Structure in Chile

PanAust holds a 59.4 per cent beneficial interest in Inca de Oro South America (S.A.), which owns the Inca de Oro Copper-Gold Project. PanAust's interest is held through its 90 per cent interest in PanAust Minera, which holds a 66 per cent stake in Inca de Oro S.A.; Codelco holds the remaining 34 per cent interest.

Cover photography: PanAust was one of two mining companies in Asia to achieve a three-star contamination control rating by Caterpillar (CAT) for procedures and practices in the mobile maintenance workshop at Phu Kham.

Cover image shows (left to right) Phu Bia Mining employee, Selly; Caterpillar contractor, Suparat; and Phu Bia Mining trade-trainee, Somsuck Syapserth installing hydraulic hoses onto a CAT D10T Dozer in the mobile maintenance workshop.

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Directors

Garry Hounsell (Chairman)
Gary Stafford (Managing Director)
Nerolie Withnall
Andrew Daley
Geoffrey Handley
Geoffrey Billard
Zezhong Li
John Crofts

Company Secretary

Paul Scarr

Auditors

PricewaterhouseCoopers
Riverside Centre
123 Eagle Street
Brisbane, Queensland 4000

Bankers

ANZ Banking Group Limited
324 Queen Street
Brisbane, Queensland 4000

Production and financial performance in 2010 significantly exceeded the original guidance provided by the Company in January 2010. A combination of strong production and cost performances, together with higher than anticipated commodity prices, led the Company to provide upgraded production and financial guidance during the year.

VISION AND VALUES

VISION

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

PanAust will outperform its competitors through:

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

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.





Second-year Mechanic, Mr Vangxeng Fapovang (left), and Mechanical Fitter Trainee, Mr Chan Phengsone in the Trades Training Workshop at Phu Kham.

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

The substantial progress achieved in growing the business made 2010 an outstanding year for PanAust. Strong cash flow from the Phu Kham Copper-Gold Operation, together with the establishment of a new flexible debt facility, provided an excellent platform to implement the Company's strategic plans for growth by discovery, acquisition and development.

Production and financial performance in 2010 significantly exceeded the original guidance provided by the Company in January 2010. A combination of strong production and cost performances, together with higher than anticipated commodity prices, led the Company to provide upgraded production and financial guidance during the year.

The consolidated Group net profit after tax (NPAT) for the 12 months to 31 December 2010 was US\$160.1 million, compared with US\$23.2 million for 2009 (the NPAT attributable to PanAust for 2010 was US\$143.4 million, compared with US\$19.0 million for 2009). This improvement is a result of higher production volumes and commodity prices as well as a focus on containing costs.

The Phu Kham Copper-Gold Operation is an established and reliable performer and during 2010 produced nearly 68,000 tonnes (t) of copper in concentrate at an average C1¹ cash cost of US\$0.87 per pound (lb) after precious metal credits. The average copper price realised for sales during 2010 was US\$3.44/lb, providing the Operation with a healthy cash margin.

In July 2010, on behalf of the Company's Lao-registered entity, Phu Bia Mining, PanAust entered into three-year term loan agreements for US\$102 million in debt facilities. Terms were also agreed for a US\$24.8 million equipment lease facility to complement an existing lease facility, which had an outstanding liability of US\$31.1 million at year-end.

The debt facilities syndicate comprises ANZ, Investec, Sumitomo Mitsui and Commonwealth Bank of Australia. In February 2011, the debt facilities were increased to a total of US\$120 million, comprising a US\$100 million Revolving Term Facility, US\$20 million Guarantee Facility and hedging lines with the addition of Credit Suisse to the syndicate.

The facilities, which are secured by the Company's assets in Laos, establish funding independence for the Company's Lao business and enabled the accelerated reduction of inter-company debt against the parent company from surplus Phu Kham operating cash flow. Funds from the Revolving Term Facility were used to repay the outstanding Phu Kham Project Finance Facilities and to close out the Company's gold hedge book, which had been required under the terms of restated debt facility.

PanAust is in a strong financial position to fund growth projects from cash flow. As at 31 December 2010, the Company had net cash of US\$140 million. The PanAust Group consolidated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year were US\$300.1 million.

During 2010, the Company committed to the development of its second mine in Laos – the Ban Houayxai Gold-Silver Project – as well as the Phu Kham Upgrade Project. Negotiations with Codelco to acquire a controlling interest in the Inca de Oro Copper-Gold Project in Chile also occurred, with the acquisition concluding in March 2011.

The US\$150 million Ban Houayxai Gold-Silver Project was approved in March 2010 and is on track to be commissioned in December 2011 with ramp-up during the March quarter 2012. Once operational, Ban Houayxai is scheduled to produce an average of 100,000 ounces (oz) gold and 700,000oz silver annually over a 10-year mine life.

The US\$110 million Phu Kham Upgrade Project was approved in October 2010 for implementation by mid-2012. The Project is expected to result in annual copper production increasing from the current design levels of between 60,000 and 65,000t to between 65,000 and 70,000t from mid-2012, when ore head grades are scheduled to decline.

At Ban Houayxai, adverse exchange rate movements, the underestimation of earthworks and changes of scope are likely to lead to an increase in capital costs of approximately US\$25 million. However, it is likely that this increase will be significantly offset by capital savings of approximately US\$10 million achieved through changes in scope at the Phu Kham Upgrade Project.

It is anticipated that Inca de Oro will be capable of supporting annual production of 50,000t of copper and 40,000oz of gold over a plus 10-year mine life. PanAust is moving rapidly to complete the feasibility study with the objective of entering into orders for long-lead items in early 2012. Assuming a positive outcome from the study and a two-year construction period, project commissioning could occur in 2014.

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

Completion of a resource drilling program at the Phonsavan Copper-Gold Project in the northern part of the Contract Area led to an inaugural mineral resource estimate at the KTL deposit, which was published in early 2011. In addition, a new discrete high-grade gold zone was discovered at the nearby Tharkhek Copper-Gold deposit. Further drilling will be conducted at both KTL and Tharkhek during 2011.

The Company's success depends on its people, especially their leadership and ability to drive projects and improve operations. The achievements of 2010 could not have been attained without the efforts of everyone within the organisation.

In Thailand, the Puthep Copper Project feasibility study is nearing completion. The target is to develop a copper leach project with an annual production rate of circa 25,000 to 30,000 tonnes per annum (tpa) of copper cathode over an eight-year mine life. Applications for mining leases, community consultation and an Environmental and Social Impact Assessment (ESIA) will be advanced through 2011.

Exploration remains a key plank for PanAust's growth over the next several years, with a focus on extending the mineral resources at existing projects and adding to the pipeline of new projects.

The Company also maintains a proactive merger and acquisition strategy to identify potential growth opportunities that will further complement the asset base.

In April 2011, reflecting the Company's growth and market position, PanAust graduated into the S&P/ASX 100 Index with a market value of AUD\$2.3 billion.

To establish the optimal structure for a rapidly growing and geographically diverse business, PanAust re-organised into two business units in 2010: PanAust Asia and PanAust South America. The PanAust Corporate Head Office in Brisbane provides PanAust Group oversight for growth, finance, commercial and technical services, and governance and public reporting.


PanAust's subsidiary in Laos, Phu Bia Mining, is a significant contributor to the Lao economy. The Company directly employs almost 1,900 Lao nationals, which comprises 84 per cent of Phu Bia Mining's workforce. Economically the value of the Company's copper, gold and silver production represents an estimated 10 per cent of Laos' Gross Domestic Product (GDP) and over 30 per cent of exports. Phu Bia Mining's total direct contribution to government revenues (royalties, taxation and tenement fees) in 2010 was approximately US\$57 million and, from this total, the Company was pleased to make its first provisional tax payment of US\$18 million on 14 February 2011 for the 2010 year.

The Company recognises its corporate social responsibilities particularly in relation to the communities in which it operates. During 2010, PanAust continued to improve its excellent record in this regard by working closely with local and central government agencies and community members to identify, prioritise and implement capacity-building programs and projects in focus areas of education, healthcare, agriculture, water and sanitation, infrastructure, and small business development.

For the second year running, PanAust has received the Best Community Development Initiative Award in the Southeast Asia category at the Asia Mining Congress in Singapore. In 2010, the Award was in recognition of the Company's Livelihood Improvement Program that assists the sustainable development of small businesses around the Phu Kham Copper-Gold Operation. These businesses now supply up to 10 tonnes of fresh produce to the Operation each month as well as geological calico bags to support the Company's exploration activities. The 2011 Award recognised the positive long-term contribution PanAust's Technical Trades Training Program is making to local communities and the greater Lao economy.

The Company's safety record remains excellent by international comparison and employees continue to achieve very high standards of performance.

The Company's success depends on its people, especially their leadership and ability to drive projects and improve operations. The achievements of 2010 could not have been attained without the efforts of everyone within the organisation. We would like to thank everyone connected with PanAust for their part in making it what it is today: a Company highly respected for delivering its vision through operational excellence and adherence to its core values.



Chairman, Garry Hounsell



Managing Director, Gary Stafford



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

BOARD OF DIRECTORS

Mr Garry Hounsell

BBus (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 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 listed companies:

- Qantas Airways Limited*
- Orica Limited*
- Dulux Limited*
- Nufarm Limited*
- Mitchell Communications Group Limited

* denotes current directorship

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

Mr Gary Stafford

BSc (Hons, Mining Engineering) MAusIMM

Managing Director

Mr Stafford is a mining engineer with 29 years experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Mr Stafford is also a Director of Puthep Company Limited (Thailand).

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

Mrs 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 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 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 listed companies:

- Campbell Brothers Limited*
- Alchemia Limited*
- Redcape Property Fund Limited (formerly Hedley Leisure and Gaming Property Partners Limited)
- Computershare Limited*

* denotes current directorship

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

Mr Andrew Daley

BSc (Hons, Mining Engineering) FAusIMM

Non-Executive Director

Mr Daley is a Chartered Engineer (UK) and a Member of IOM3. Mr Daley commenced his career on the Zambian Copperbelt with Anglo American and subsequently worked with Rio Tinto and Conoco Minerals in Africa, before relocating to Australia with Fluor Australia in early 1981.

Since late 1983, Mr Daley has primarily worked in the resource finance sector, initially with National Australia Bank, then Chase Manhattan and as a director of Barclays Capital mining team in London and Sydney.

Returning to Australia in early 2003, Mr Daley became a director of Investor Resources Finance Pty Ltd, a company based in Melbourne that, until mid-2008, provided financial and corporate advisory services to the global resource industry.

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

- Kentor Gold Limited*
- Dragon Mining Limited
- Minerva Resources plc
- Uranex NL

* denotes current directorship

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



Mr Geoffrey Handley

BSc (Hons, Geology and Chemistry) MAusIMM

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 Limited, as a chemist and geologist for Placer Exploration Limited and as an analyst for the AMP Society.

In 1981, he joined Placer Pacific Limited 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*
- Endeavour Silver Corp*
- Mirabela Nickel Limited*
- Boart Longyear Limited

* denotes current directorship

Appointed Director on 29 September 2006, Mr Handley is also the Chairman of the Sustainability Committee.

Mr Geoffrey Billard

BEcon, BCom (Hons, Economics) FCPA FAICD

Non-Executive Director

Mr Billard is an economist who has achieved wide career experience in the mining industry. This has 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 previously served as a director of the following listed companies:

- Bougainville Copper Limited
- Metal Manufacturers Limited

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

Mr Zezhong Li

MLaws, MPublic Administration
in International Development

Non-Executive Director

Mr Zezhong Li is the Vice President of Guangdong Rising Assets Management (GRAM), a position he has held since November 2008. He 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, he has also served as a director of Shenzhen Stock Exchange listed company:

- Shenzhen Zhongjin Lingnan Nonferrous Metal Co.*

* denotes current directorship

Shenzhen Zhongjin Lingnan Nonferrous Metal Co. is China's third-largest zinc producer.

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

Mr John Crofts

BBus (Transport Economics and 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 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 10 years based in Chile, four years in The Hague and five years in Singapore, and has been a member of several BHP Billiton Executive Committees.

Mr Crofts is currently an Invited Director to the London Metal Exchange, a position he has held since 2007. 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 a member of the Sustainability Committee.



EXECUTIVE MANAGEMENT TEAM



Dr Fred Hess

BSc (Hons), PhD Metallurgy, 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

BEng 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 over 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 President and Executive General Manager, PanAust South America and has excellent experience in Chile.

Francisco's 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 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 more than 20 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 mining consultant.



Paul Scarr

BCom, 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 19 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 both Allens Arthur Robinson and Mallesons Stephen Jacques.

During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. He has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia. Paul commenced with PanAust in February 2007.



Dan Brost

BSc Economic Geology, MAusIMM,
SEG, SME

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 20 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

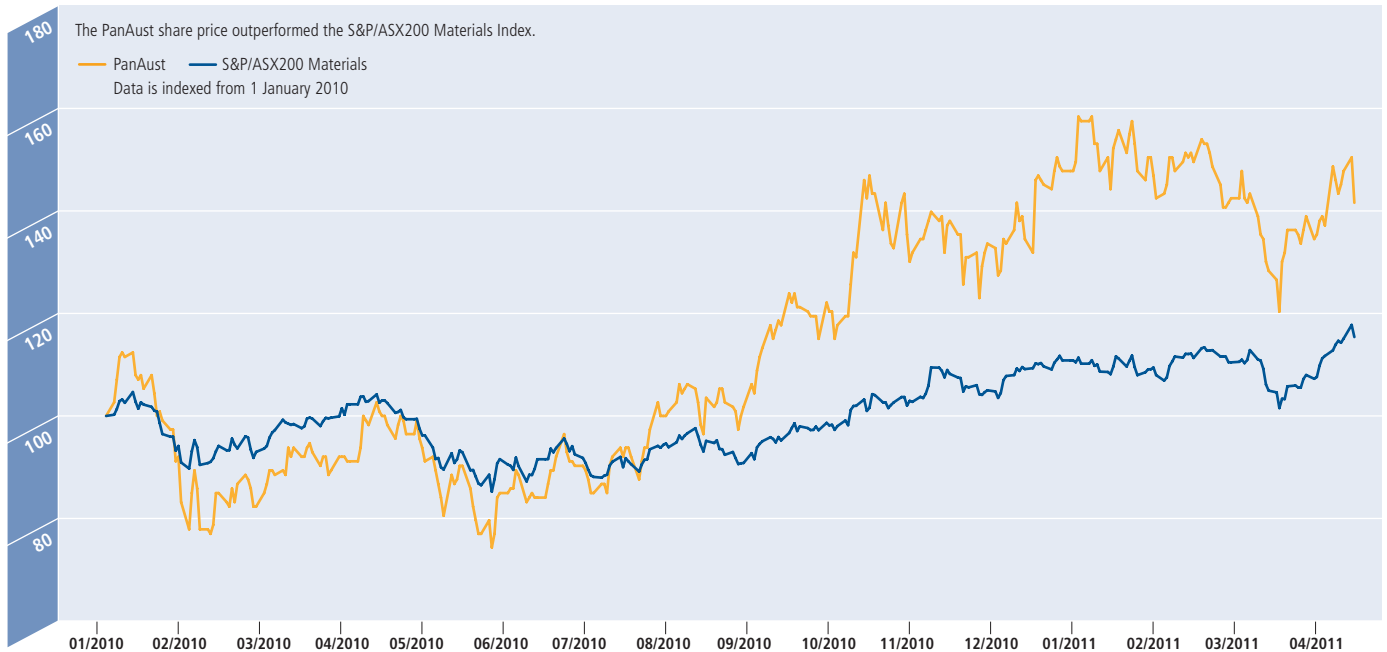
General Manager, Human Resources and Risk Management

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

Adrian has over 20 years experience in human resources and community relations in the mining industry and prior to joining PanAust worked with BHP Billiton and M.I.M. Holdings Limited in Australia and South America. Adrian commenced employment with PanAust in March 2006.

FINANCIAL PERFORMANCE

PanAust is a developer and operator of mines with a strong and experienced management team responsible for positioning the Company for long-term growth.



Consolidated Group Operating Results for the Year

The strong production and cash cost performance outcomes realised in late 2009 continued throughout 2010. Record production performance and sales, together with high copper and gold prices, allowed PanAust to post a consolidated Group operating profit after income tax of US\$160.1 million and EBITDA for the year of US\$300.1 million.

These figures are a result of higher production volumes and commodity prices as well as a focus on containing industry-wide upward forces on costs.

For the 2010 financial year, the Phu Kham Copper-Gold Operation C1 cash cost (after precious metal credits) averaged US\$0.87/lb (2009 average: US\$0.97/lb), with an average realised copper price for the year of US\$3.44/lb (2009 average: US\$2.37/lb) after realised hedging. This result places the Operation in the second quartile for costs of global copper producers.

Financial Strength

As at 31 December 2010, the Company had cash of US\$185 million, debt of US\$45 million, and a mobile equipment lease facility of US\$31.1 million.

Debt Facility

During the year, Phu Bia Mining entered into negotiations with the lenders to the 2007 Phu Kham Project Finance Facility. As a result of these negotiations, the 2007 facility was amended and restated with

eight banks retiring from the syndicate and two new banks joining. Since year-end, one other bank has been included in the syndicate of five banks. The restated debt facilities have a three-year term (maturing in mid-2013) and comprise a US\$100 million Revolving Term Facility, US\$20 million Guarantee Facility and hedging lines for commodity, currency and interest rates.

The new facilities offer flexible terms to efficiently manage the cash flows of the PanAust Group while providing the financiers with an appropriate level of security over the Group's Lao-based assets. This facility is consistent with the PanAust approach of maintaining a balance between continuity of debt funding with the flexibility to pursue its growth objective.

In January 2011, the first drawdown, in the amount of US\$18.1 million, occurred under a second mining equipment lease facility with a total facility value of US\$24.8 million for the Phu Kham mining fleet expansion. This facility financed the additional fleet requirements for maintaining mill throughput at 12 million tonnes per annum (Mtpa) processing rates as waste stripping requirements increased during 2010. The total liability outstanding under both lease facilities after this drawdown is US\$49.2 million.

The Company's strong operating performance and financial position means that it is well placed to support future growth initiatives through strong cash flows and a range of financing options.

OPERATIONAL REVIEW

Phu Kham Copper-Gold Operation, Laos

The Phu Kham Copper-Gold Operation's consistent high performance and strong cash flow is the foundation of PanAust's growth strategy.

The Operation employs a conventional open-pit mining method comprising drill, blast, load and haul. The process plant, which has a design capacity of 12Mtpa of ore, comprises a SAG mill and ball mill grinding circuit, each rated at 13 megawatts (MW), with copper and precious metal recovery by flotation.

The final product is a copper-gold concentrate, grading approximately 25 per cent copper, 7 grams per tonne (g/t) gold and 60g/t silver.

Concentrate is trucked approximately 1,000 kilometres in covered containers to Sriracha Harbour, south of Bangkok in Thailand, for shipment to smelters in Asia.

Mining and Processing

In 2010, open-pit material movements totalled nearly 30 million tonnes, and approximately 13 million tonnes of ore was processed (seven per cent above design capacity). This outstanding performance culminated in successive copper in concentrate production records in the September and December quarters.

During 2010, the Operation produced a total of 274,907 dry metric tonnes (dmt) of concentrate containing 67,806t of copper, 58,152oz of gold and 507,590oz of silver. A further 2,490oz of gold in doré was produced from the Phu Kham Heap Leach Gold Operation. Gold production at the Heap Leach Operation ceased in April 2010 and

site rehabilitation is well advanced. Between November 2005 and April 2010, the Heap Leach Operation produced nearly three tonnes of gold and played an important role in the initial development of PanAust's operating presence in Laos.

The average C1 cash cost for the year was US\$0.87/lb of copper after precious metal credits, placing Phu Kham in a competitive, second quartile position on the global copper mine cost curve. The average cost was lower than the original guidance range (announced to ASX in January 2010) of US\$0.95 to US\$1.05/lb largely due to the strong production performance and higher prices for by-product credits.

Sales of concentrate for the year totalled 273,252dmt with a payable content of 63,976t of copper, 56,127oz of gold and 441,156oz of silver.

A number of low-capital process plant enhancements were implemented during 2010 as part of an ongoing recovery improvement program that saw recovery rates for copper increase quarter-on-quarter through the year. Additional flotation capacity to be installed in the June half of 2011 is expected to lead to further improvement in recovery rates during the balance of the year.

In January 2011, PanAust announced guidance for 2011 with expected production of between 62,000 and 65,000t of copper at an average C1 cash cost of between US\$0.95 and US\$1.05/lb copper after precious metal credits, from 50,000 to 55,000oz of gold, and 450,000 to 500,000oz of silver.

Phu Kham Copper-Gold Operation Production Statistics

	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Ore milled	12,856,720t	11,025,914t
Copper grade	0.75%	0.77%
Gold grade	0.33g/t	0.33g/t
Silver grade	3.79g/t	4.05g/t
Concentrate produced	274,907dmt	227,063dmt
Copper in concentrate	67,806t	54,019t
Gold in concentrate	58,152oz	43,099oz
Silver in concentrate	507,590oz	440,306oz
Gold in doré (Heap Leach)	2,490oz*	13,660oz

* Production at the Phu Kham Heap Leach Gold Operation ceased in April 2010.

Resource Extension Drilling

Resource extension drilling at Phu Kham during 2010 was designed to test the northern and north-western limit of the copper-gold deposit outside of the planned pit boundary. It was successful in defining extensions to mineralisation. Data will be incorporated into revised Mineral Resources and Ore Reserves estimates which will be published in the June quarter 2011.



Dr Jon Gaunt
BSc (Hons) Geology, MSc Mining Geology,
PhD Geology

General Manager, Phu Kham Copper-Gold Operation

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

Jon is a geologist by profession and has been with the Company since April 2008. During his time with the Company, Jon has displayed exceptional capacity to take on additional responsibilities, including the Assay Laboratory and Metallurgical Laboratory, before becoming the General Manager of the Phu Kham Copper-Gold Operation in September 2010.

Jon has over 15 years experience in the international mining industry, largely gained across Africa, and has worked in various exploration, mineral resource evaluation, mining and management roles with Gold Fields of South Africa, AngloGold Ashanti and Anglo American.

In 2010, open-pit material movements totalled nearly 30 million tonnes, and approximately 13 million tonnes of ore was processed (seven per cent above design capacity). This outstanding performance culminated in successive copper in concentrate production records in the September and December quarters.



Transporting material for embankment construction at the Tailings Storage Facility, Phu Kham Copper-Gold Operation.

Ban Houayxai Gold-Silver Project, Laos

Status: Under construction.

The US\$150 million Ban Houayxai Gold-Silver Project is scheduled to commence initial commissioning in late 2011, with steady state production anticipated to be reached during the March quarter 2012.

Once operational, Ban Houayxai will comprise an open-pit mine feeding ore to a conventional 4Mtpa Carbon In Leach (CIL) process plant. It is scheduled to produce, on average, over 100,000oz of gold and 700,000oz of silver per annum over an eight-year mine life, at a cash cost of between US\$400 and US\$450/oz gold after silver by-product credits. The cash cost estimate was derived from the feasibility study and was based on a silver price assumption of US\$13/oz. It is worth noting the sensitivity of gold cash costs at Ban Houayxai to the silver by-product credit in the context of the significant rise of the price of silver over the last 12 months to current (April 2011) levels of US\$40/oz. Applying feasibility study assumptions to costs and silver production levels, a US\$15/oz increase in the silver price corresponds to a reduction in the cash cost of gold production (after silver credits) of approximately US\$100/oz. On this basis, Ban Houayxai would be a first quartile gold producer.

At the end of March 2011, Project expenditure and commitments totalled approximately US\$84 million out of a total original capital estimate of US\$150 million. Increased costs for earthworks and scope changes to boost environmental controls for the handling of cyanide destruction have led to an anticipated increase of approximately



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

General Manager, Ban Houayxai Gold-Silver Project

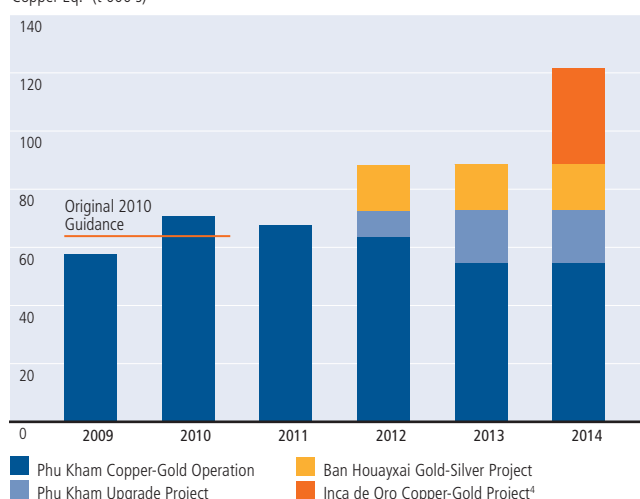
David is responsible for developing operational structures and systems at the Ban Houayxai Gold-Silver Project in preparation for its commissioning.

David is a mining engineer with 15 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 graduated with First Class Honours as a mining engineer and joined PanAust in November 2005 as the Mining Manager for the Phu Kham Operation and was promoted to General Manager during 2010.

Pipeline for Growth: Projects (PanAust share²)

Copper Eq.³ (t 000's)



2: PanAust Limited share of production: 90% share of Phu Kham and Ban Houayxai, 59.4% share of Inca de Oro.

3: Copper equivalent assumptions: copper US\$4.00/lb, gold US\$1,350/oz, silver US\$28/oz.

4: Subject to feasibility study and project approvals.

US\$25 million to the original capital cost estimate. It is likely that this increase will be significantly offset by capital savings achieved through changes in scope at the Phu Kham Upgrade Project.

The Ban Houayxai Project is located approximately 25 kilometres west of the Phu Kham Copper-Gold Operation and will benefit from cost savings through the sharing of support services and spares inventory.

The Ban Houayxai deposit remains open at depth. Further resource development drilling is planned with the target of extending the mine life to 10 years.

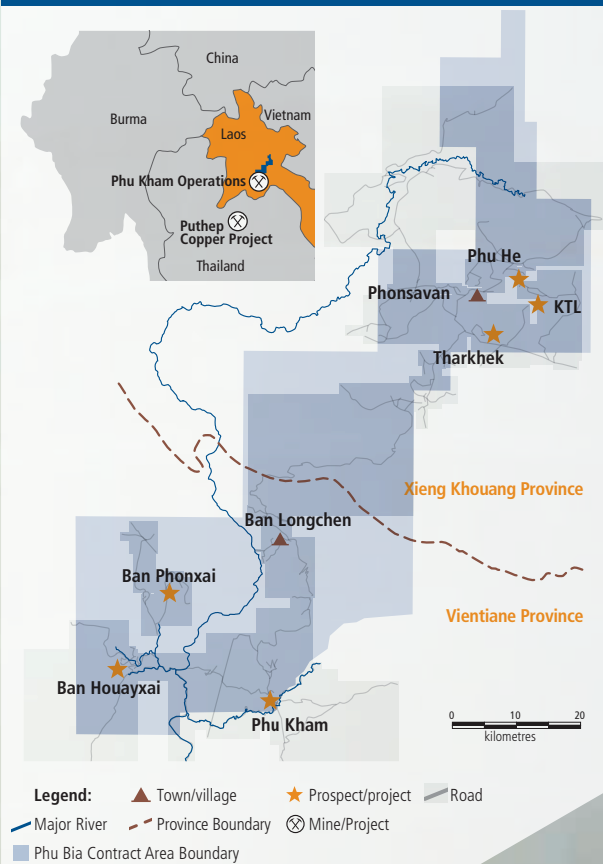
Key Project Parameters from the 2010 Feasibility Study

Average annual production	Over 100,000oz gold and 700,000oz silver.
Recovery rates	Gold: recovery range is 80 to 94 per cent with an average of 87 per cent over the life of the mine. Silver: average recovery 70 per cent with only minor variation across mineralisation types.
Mine life	Minimum eight years. Mineralisation is open at depth and to the west.
Cash operating cost ⁵	Between US\$400 and US\$450/oz gold.
Waste: ore strip ratio	Less than 1.5:1, no pre-strip required.
Development capital	The original feasibility study estimate of US\$150 million is expected to increase by between US\$15 million and US\$25 million.
Process plant	CIL, 4Mtpa processing capacity.

5: Before royalty, assumes silver by-product credit at US\$13/oz.



Phu Bia Contract Area



General Manager, Ban Houayxai Gold-Silver Project, David Reid (left) and General Manager, Project Implementation, Herman Dittmar (right) at the CIL tanks under construction at Ban Houayxai.



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 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.

Phu Kham Upgrade Project, Laos

Status: Board approved; long-lead items ordered.

In mid-October 2010, PanAust announced that the Company's Board of Directors had approved a US\$110 million development to increase ore processing rates and improve metal recoveries at the Phu Kham Copper-Gold Operation. Subsequent changes in scope during the detailed engineering phase are expected to reduce this capital cost to less than US\$100 million.

From mid-2012, the investment is expected to deliver an increase of copper in concentrate production from current design levels of between 60,000 and 65,000tpa, to between 65,000 and 70,000tpa. Implementation is timed to coincide with a scheduled decline in ore grades.

The Project is designed to lift processing plant capacity from 12 to 16Mtpa on primary ore and incorporates a 50 per cent increase in milling and flotation capacity. These changes will introduce more operating flexibility with less operating downtime and an absolute increase of two per cent in copper recovery.

The major long-lead item, the 13MW ball mill, was ordered in November 2010.

Inca de Oro Copper-Gold Project, Chile

Status: Feasibility study in progress.

In March 2011, PanAust acquired from Codelco, the world's largest copper company, a majority interest in the Chilean registered Company, Inca de Oro S.A., which owns the Inca de Oro Copper-Gold Project.

The Inca de Oro deposit is a typical porphyry copper-gold deposit. It is located near the town of Inca de Oro ('gold of the Incas'), with a population of approximately 500, in the province of Chañaral, Region III of Atacama.

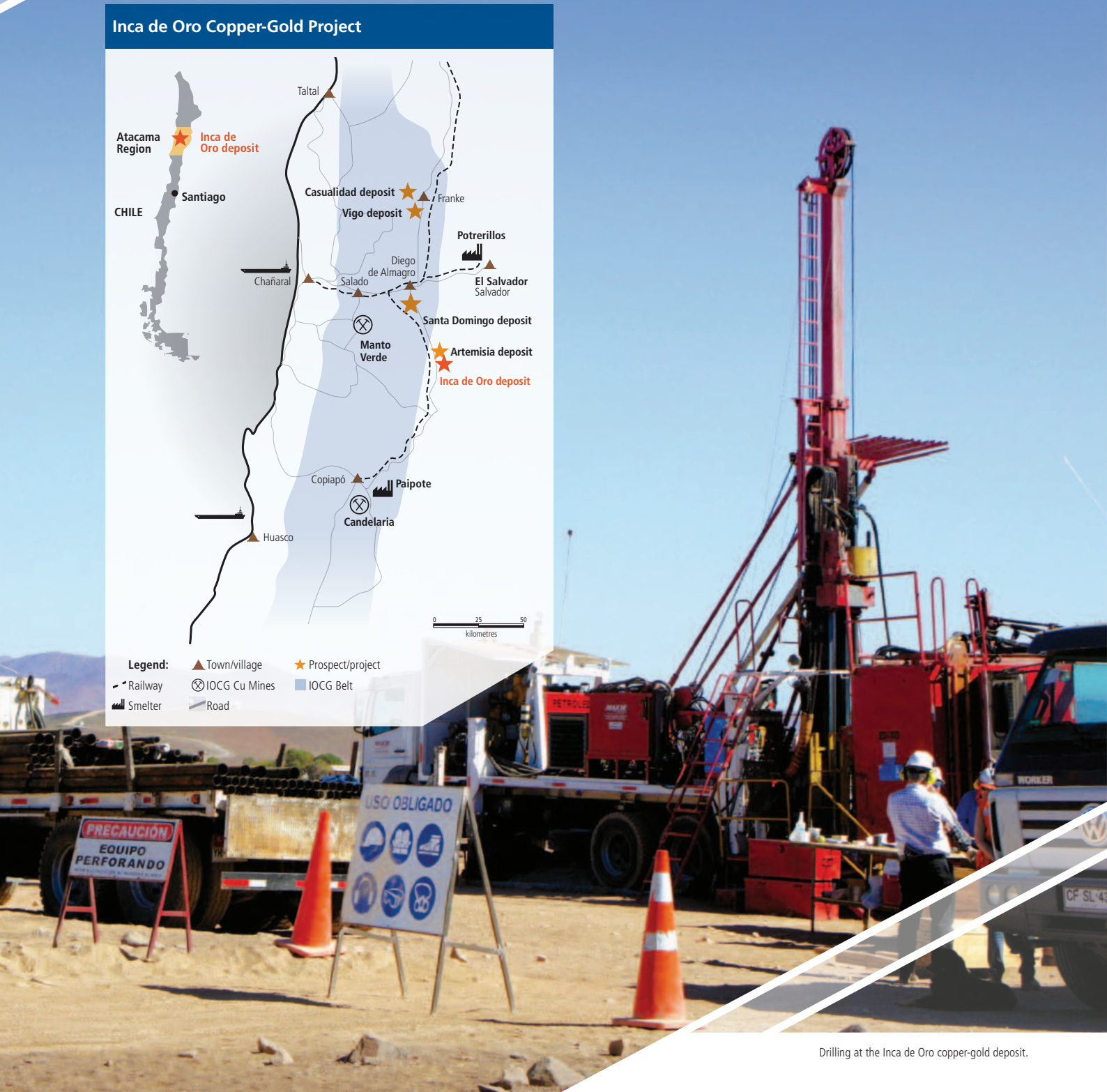
The deposit hosts an estimated Indicated and Inferred sulphide copper-gold Mineral Resource of 259 million tonnes grading 0.46 per cent copper and 0.13g/t gold. A pre-feasibility study completed by Codelco has confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at competitive cash costs, over a plus 10-year mine life.

PanAust will complete a feasibility study during the June quarter 2012. Subject to a successful feasibility study, a possible two-year construction program would see initial production at Inca de Oro commence in 2014.

The acquisition fits well with PanAust's corporate strategy for growth and represents an excellent opportunity to establish a business in one of the world's most attractive copper mining regions. With the appointment of Francisco Tomic to the role of President and Executive General Manager of PanAust South America in August 2010, the Company established the PanAust South America business unit to support the development of the Inca de Oro Copper-Gold Project and to provide the Company with a base from which it can grow the PanAust business in the region.

PanAust is also evaluating other copper mining assets in the region for acquisition.

Inca de Oro Copper-Gold Project



Drilling at the Inca de Oro copper-gold deposit.

Phonsavan Copper-Gold Project, Laos

Status: Inaugural mineral resource estimate completed; resource drilling ongoing.

The most advanced of PanAust's exploration projects, the Phonsavan Copper-Gold Project lies in the northern part of the Contract Area and comprises two deposits that are five kilometres apart: KTL and Tharkhek. The Project is close to existing road and power infrastructure and the town of Phonsavan, which with a population of around 57,000, will provide a source of labour. The Vietnamese coast is approximately 250 kilometres to the east by sealed road and provides a potential export route for concentrate product.

Resource drilling at KTL during 2010 confirmed the continuity of the copper-gold deposit over a strike length of two kilometres, dipping to the south at approximately 45 degrees. An inaugural Mineral Resource of 80.4 million tonnes (Mt) at 0.43 per cent copper and 0.19g/t gold containing approximately 350,000t of copper and 500,000oz of gold has been estimated (refer to the Mineral Resources and Ore Reserves table on page 28).

The mineralisation at KTL remains open down dip and resource infill and extension drilling is continuing with the aim of extending the limits of known mineralisation and increasing the confidence in the initial resource estimate with a focus on infill drilling high-grade skarn mineralisation to refine the interpretation of these zones. PanAust is targeting the establishment of a plus-100Mt resource at KTL.

A resource drilling program commenced in early 2011 at the Tharkhek copper-gold deposit with the objective of identifying an initial mineral resource estimate by the end of 2011. During 2010, drilling at the Tharkhek copper-gold deposit confirmed a zone of high-grade gold mineralisation which occurs within a magnetite and pyrrhotite skarn in close proximity to the copper skarn mineralisation.

The gold mineralisation has been intersected over an area of approximately 100 x 100 metres and has an estimated true thickness of 15 to 20 metres with gold grades from 3 to 13g/t. The gold mineralisation remains open to the east and west and ground geophysics surveys suggest the presence of a number of skarns with a broad east-west orientation that extend over 1.5 kilometres. Follow-up drilling is planned during 2011.

A scoping study is currently underway into the development of a copper-gold operation that would comprise open pits at KTL and Tharkhek feeding ore to a central processing plant with a capacity to produce approximately 30,000tpa of copper in concentrate plus gold credits. Studies will be phased with an overall objective of completing a feasibility study by the end of 2012, subject to ongoing resource drilling success.



Geoff Kernick
BEC, MBA, CPA

General Manager, Commercial, PanAust Asia

Geoff joined the Company in January 2011 and is responsible for PanAust's newly established shared services, including commercial, supply and logistics, human resources and training functions in Asia, which are essential for managing a multi-operational environment.

Geoff has significant experience in senior commercial roles, most recently with Ausreo in Sydney. He also spent many years with BHP in its manganese, transport and iron ore businesses, eventually moving to Bluescope Steel in Thailand where he managed its transition to shared services.

Puthep Copper Project, Thailand

Status: Feasibility study extended with follow-up leach test work in progress; environmental studies and mining lease applications progressing.

At the Puthep Copper Project in northern Thailand, the Puthep Company is targeting a project with an annual production rate of 25,000 to 30,000t of cathode copper over an eight-year mine life using whole of ore leaching to process the near-surface chalcocite mineralisation.

During 2011, Puthep plans to complete further leach test work and will submit a mine plan to apply for mining leases and complete community consultation and an ESIA.

Exploration, Laos

PanAust is undertaking regional exploration activities at several defined prospects within the Company's Contract Area. The area is under-explored and is highly prospective for copper and gold, offering excellent potential for the discovery of significant new metalliferous resources as the basis for organic growth.

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Senior Mine Geologist, Mr Arturo Digidigan, inspecting drill core sample at Phu Kham.

PanAust's Sustainability Credentials

PanAust's approach to sustainability is derived from a strong ethical foundation outlined in its Vision and Values, and high standards of corporate governance with the Sustainability Committee (a sub-committee of the Board) providing oversight.

Sustainability goals form part of the Executive Management Team's five-year plan and critical tasks. In addition, the General Manager, Human Resources and Risk Management facilitates workshops with key operational personnel from across the Group to set targets and ensure company-wide alignment with PanAust's approach to sustainability.

PanAust's activities are underpinned by its Sustainability Policy, which outlines the Company's commitment to preserving and enhancing the environmental, social, technical and financial aspects of the business.

Fourteen Sustainability Management Standards relating to leadership, risk management, health and safety, training, environment, stakeholder engagement and community have been developed to ensure consistent implementation of sustainability outcomes across the business.

PanAust measures its sustainability performance against international standards and commissions independent audits based on the Equator Principles and the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability.

PanAust is an associate member of the Minerals Council of Australia (MCA) and a signatory to its 'Enduring Value – The Australian Minerals Industry Framework for Sustainable Development'. The Enduring Value framework commits companies to upholding fundamental human rights and respecting cultures, customs and values in their dealings with people affected by their activities.

PanAust is seeking to align with the International Council on Mining and Metals policy on climate change at the Phu Kham Copper-Gold Operation and for the Ban Houayxai Gold-Silver Project. During 2010, an internal energy audit was completed for the Operation at Phu Kham, which will be further supplemented with an external Carbon Footprint Analysis in 2011. PanAust also reports against the Global Reporting Initiative (GRI) and produced its fourth Sustainability Report for 2009. Pre-assurance processes commenced in late 2010 to position PanAust to achieve a GRI 'B+ externally verified report' for its 2010 Sustainability Report.

PanAust is also a signatory to the International Cyanide Management Code that promotes the responsible use of cyanide in gold mining. Decommissioning of the Phu Kham Heap Leach Gold Operation commenced during 2010 without incident and,

with the development of the Ban Houayxai Gold-Silver Project, dedicated resources were embedded within the organisation to ensure Company compliance with the design aspects of the Code. Key achievements in 2010 included completion of an International Cyanide Management Institute-compliant signoff for design documentation and records, and a third party Hazard and Operability Study. In addition, the selection of Code-compliant supply chain partners was completed.

Environment

There were no reportable environmental incidents in 2010.

PanAust acknowledges that the environmental challenges for a mining operation are significant and excellence in environmental performance is an essential component of success. The Company is therefore committed to minimising impact on the natural landscape, waterways and flora and fauna in a manner consistent with international best practice.

The Company's Environmental and Social Management systems focus on finding ways to improve environmental performance through rigorous policies, procedures and processes that identify risks so they can be proactively managed.

Given the mountainous setting adjacent to important waterways feeding into the developing Nam Ngum 2 Reservoir in Laos, surface water and waste management are key project issues for both Phu Kham and Ban Houayxai.

To manage surface water and optimise site water balance at the Phu Kham Copper-Gold Operation, wet- and dry-season water management plans are formally developed and implemented. The plans are reviewed annually to ensure changes to the mine plan are considered.

The management of mine waste, particularly acid-forming waste, is another challenge for the Operation at Phu Kham. PanAust's management of waste rock disposal is recognised as industry best practice. Waste rock from the mining and processing of materials is carefully managed to limit the potential formation of acid. Waste rock that contains sulphide mineralisation is managed to mitigate the long-term environmental risk of Acid Rock Drainage (ARD) through a number of engineering controls using a simple 'traffic-light' management plan of red, amber and green.

All high-sulphide, 'red' waste materials at Phu Kham are disposed of sub-aqueously within the Tailings Storage Facility (TSF) to reduce the risk of ARD by preventing oxidation of the sulphides. External audits of waste rock and ARD management occur twice yearly, to proactively consider changes to the mine plan and results of monitoring reviews.

* For further details of PanAust's sustainability performance, please refer to the Company's '2010 Sustainability Report', which will be published in mid-2011.

The Company's Environmental and Social Management systems focus on finding ways to improve environmental performance through rigorous policies, procedures and processes that identify risks so they can be proactively managed.



Phu Bia Mining Environment Officer, Ms Chanmaly Souvanhnakham, monitoring rehabilitation at Phu Kham.

Annual audits against the IFC's Performance Standards on Social and Environmental Sustainability and Pan Aust's Sustainability Standards were completed for the Phu Kham Copper-Gold Operation and continued to demonstrate year-on-year improvement. During 2010, a gap analysis to both standards was also undertaken for the Ban Houayxai Gold-Silver Project and the Phu Bia Mining exploration group to ensure standards are implemented across all existing and new operations.

The ESIA for the Ban Houayxai Gold-Silver Project was completed and submitted for approval in 2010 together with the construction phase Environmental and Social Management Plan. The permitting process has been completed with the project Environmental Compliance Certificate issued by the Lao Water Resources and Environmental Authority in March 2011. Site resources were recruited during 2010 to support the Plan's implementation and appropriate monitoring programs established for the construction phase.

Community

PanAust has made major contributions to the Lao economy through its subsidiary company, Phu Bia Mining, investing around US\$700 million and accounting for approximately 10 per cent of the nation's estimated GDP. Not including contractor employees, the Company provides direct employment to 1,872 Lao nationals (comprising 84 per cent of the total Phu Bia Mining workforce). In 2010, the Lao Government received around US\$57 million in royalties, taxes and tenement fees.

Beyond PanAust's business objective to develop and operate world-class mining projects, the Company aims to bring meaningful, long-lasting benefits to the people of host countries through its community development programs that focus on education, healthcare, agriculture, water and sanitation, infrastructure and small business development.

For several years, PanAust has funded community projects through an annual US\$300,000 Community Development Fund (CDF) for villages and communities adjacent to the Phu Kham Copper-Gold Operation. The Village Development Committee meets with the Company each month to discuss and decide priorities. Programs and priorities are also guided by regular Company-commissioned socio-economic and health surveys.

In 2010, PanAust's Livelihood Improvement Program received the Best Community Development Initiative at the Asia Mining Congress in Singapore. The Program focused on small business development and included field trials of new vegetables, and training in micro-finance, project management, agriculture and aquaculture, with the aim of providing villagers with additional income sources. Local village businesses are supplying up to nine tonnes of fruit and vegetables, and one tonne of fish to the Phu Kham camp every month. The micro-finance program has a strong record of loan



Alistair Maclean
BA (Hons) LLM (International)

General Manager, External Affairs, PanAust Asia

Alistair is responsible for relations with external stakeholders, in particular government and communities, for PanAust activities in Laos and Thailand.

Before joining PanAust, Alistair had a 20 year career with the Australian Foreign Service, including positions in Bangkok and Washington and as Ambassador to Laos from 2004 to 2007. In 2007, he was a Senior Advisor to Australian Prime Minister John Howard, advising on energy, resources and environment issues. Alistair commenced employment with PanAust in February 2008.

repayment obligations being met by participants. During 2010, the Program helped establish two sewing-group businesses that, by the end of March 2011, had supplied close to 90,000 calico bags to the Company for use in geological sampling.

In 2011, within the Southeast Asia category, PanAust again received the Award at the Asia Mining Congress in recognition of the Company's in-house Technical Trades Training Program that has been building much-needed skills and long-term capability within local communities. The Program delivers high-quality, formal, Lao-recognised trade qualifications in the fields of welding and fabrication, automotive mechanical, automotive electrical, electrical fitting, and heavy mechanical engineering and mechanical fitting.

The training and subsequent employment of trade trainee graduates has provided a significant number of local people with career paths and an income that is considerably higher than the Lao national average. Long-term social and economic benefits flow into communities through lifestyle improvements and educational opportunities that are passed on to the next generation.

Each year, the Asia Mining Congress Community Development Award submissions have been judged by an expert panel comprising representatives from the International Council on Mining and Metals, the IFC and The University of Queensland's Centre for Social Responsibility in Mining.

In response to the January 2011 floods that affected the city of Brisbane, Australia, where PanAust's Corporate Head Office is located, the Company made an AUD\$100,000 donation to the Queensland Premier's Disaster Relief Appeal. An additional AUD\$21,820 was contributed by matching dollar-for-dollar personal donations made by employees across the Group. Brisbane-based staff were also offered fully remunerated time off to help family and friends or to be part of the volunteer clean-up efforts that took place across the city.

Health and Safety

PanAust is committed to the Zero Harm safety objective consistent with the Company's Values statement. Zero Harm is a philosophy where incidents and injuries are not considered acceptable, regardless of their severity or frequency. By international comparison, PanAust's safety record is excellent.

2008-10 PanAust Group Reportable Incidents

	Hours	Fatal Injury Frequency Rate	Lost Time Injury Frequency Rate	Total Recordable Injury Frequency Rate
2008	10,969,949*	0.18	1.37	6.38
2009	8,259,650*	0.36	0.24	4.24**
2010	12,896,451	0.00	0.47	3.57

Data adjustments from that recorded on page 19 of PanAust's 2009 Annual Review:

* Man-hours data changed to include all PanAust Group hours and incidents (previously, Phu Bia Mining only).

** Correction of a calculation error (previously, 3.85 recorded).

PanAust's 2010 Lost Time Injury Frequency Rate (LTIFR) was 0.47; well below the MCA Australian opencut metalliferous minerals industry average of 3. At 3.57, the Company's Total Recordable Injuries Frequency Rate (TRIFR) was also well below the MCA's average⁶ of 9.

Overall, the severity rate of 2010 incidents showed a marked improvement compared to previous years. However, the LTIFR of 0.47 represented a year-on-year increase for the Company and was a result of six Lost Time Injury (LTI) events involving five contractors and one exploration employee.

On Sunday 6 June, a contractor electrician sustained an electrical 'flash over' injury while working offsite on contractor equipment at the Nam Mo River near Phu Kham. On Thursday 17 June, a contractor was injured while working on an access road to the Ban Houayxai Gold-Silver Project during installation of a road culvert retaining wall.

6: Averages provided in the Minerals Council of Australia Draft Safety Performance Report of the Australian Minerals Industry 2008-2009.



Nam Mo market-garden member, Ms Ang, tending the fresh produce garden.

On Wednesday 30 June, in a remote and mountainous location in Laos, an exploration employee and a contractor driver, suffered non-life-threatening gunshot wounds while delivering supplies to an exploration camp. The event was carried out by unknown assailants. On the following day, Thursday 1 July, in a separate but most likely related incident, a contractor working at a quarry on the outer perimeter of Phu Kham received a superficial gunshot wound. At the time of these incidents, there was no related disruption or threat to the nearby Operation. All persons affected by these incidents made a complete recovery. The prevalence of guns in the community and the criminal activities of a few means that the Company has to maintain enhanced security precautions in remote areas and whenever the perceived threat level increases in the vicinity of the Company's operational centres or key access roads.

The remaining LTI occurred on Monday 5 July when a drilling contractor sustained a fractured ankle while assisting with the set up of a rig at the Ban Houayxai Gold-Silver Project.

PanAust can report that its own permanent employees within the Phu Kham Copper-Gold Operation have achieved more than two years without an LTI; a consequence of the proactive application of health and safety procedures and the ongoing education of staff. The Operation continued to perform well against industry benchmarks, with an LTIFR of 0.25 and TRIFR of 2.48, both improvements on the 2009 results.

During 2010, the PanAust Asia management team focused attention on bringing the safety capacity of key contractors to the same level as its own workforce. Concentrate haulage was considered one such contractor activity requiring critical improvement. Management's efforts throughout the year within this area resulted in a 57 per cent reduction in safety incidents compared with 2009. This was achieved despite there being a 50 per cent increase in contractor trips completed and was underpinned by the Contractor Management Plan, which was instigated in 2009. The Plan entailed the implementation of a range of initiatives and included regular, comprehensive safety audits of contractors under the Company's control or influence. Given the nature of operating in a developing country, improvement of contractor safety remains an area of focus.

People

PanAust's workforce in Laos grew by 35 per cent in 2010, to 2,219 employees at year-end compared with the previous year's 1,644. This represents the creation of an additional 575 jobs across all levels of the organisation, mostly as a result of the construction and development of the Ban Houayxai Gold-Silver Project and the creation of a shared service function for the Asia region.

The Company continues to attract a diverse and multi-cultural workforce, with employees from Australia, Asia, the Pacific Islands, Africa, Europe, and North and South America. Of the total full-time staff in Laos, 1,872 are Lao nationals; 248 are expatriates from countries within the Southeast Asia region; and 99 are expatriates from Australia and other Western economies.

In addition, the Company has 14 employees located in Thailand and 32 in the Brisbane-based head office.

Wherever possible, new jobs at Ban Houayxai have been filled by skilled employees from the existing operation at Phu Kham, providing unprecedented career development opportunities and substantial additional local employment.

At year-end 2010 in Laos, 17 per cent of the total workforce was female with 57 in senior professional and supervisory roles, and 48 in traditionally male operator-type roles.

The Company enjoys favourable workplace relations, with no lost time due to labour disputes during the year.

Voluntary turnover, which was already low by industry commute roster standards in 2009, held steady in 2010 at approximately nine per cent for Lao employees, and from 17 to less than 15 per cent for expatriates. Retention of employees at all levels of the organisation has been facilitated by an integrated set of human resource strategies and the opportunities for development that are a result of Company growth.

The Company's in-house Technical Training Centre was established at Phu Kham in 2006 in partnership with the Pathumthani Technical College in Bangkok.

At any time, 40 trainees are completing two-year, trade-training programs in one of the following fields: welding and fabrication, automotive mechanical, automotive electrical, electrical fitting (industrial and domestic), heavy mechanical engineering or mechanical fitting.

The program involves completion of theoretical and practical aspects of up to 18 technical subjects under the supervision of trainers, and field-work with experienced trade-qualified employees.

In January 2010, 16 students were awarded a Certificate of Trade Studies from Pathumthani, and a Certificate of Completion and Statement of Attainment from PanAust (a further 20 trainees are scheduled to undergo final exams in May 2011). Graduates are offered permanent employment as junior-level technicians with further on-the-job training. After 10 months of such service, the trainees undergo a Certificate of Trade Studies examination through the Lao-German Technical College based in Vientiane. In March 2010, 16 graduates received the Certificate of Trade Studies recognised by the Lao Ministry of Education.

(The Centre's Technical Trades Training Program received the Best Community Development Initiative within the Southeast Asia category at the 2011 Asia Mining Congress. See 'Community' on page 20.)

In addition to formalised training, on-the-job training is competency-based and also aims to facilitate Lao skill development and progressive localisation of the workforce.

A key achievement during the year was the graduation of the first 26 participants in the Leadership Development Program for Supervisors in which, over a two-year period, each participant completed more than 200 hours of structured training and post-course assignments. This program has greatly contributed to the Company's ability to place Lao employees into senior roles and reduce reliance on expatriate employees.

FINANCIAL SUMMARY

The strong operating performance and financial position of the Company means that it is well placed to support future growth initiatives through strong cash flows and a range of financing options.

Consolidated Group Financial Summary

- A strong financial result, driven by record production and sales volumes coupled with higher commodity prices and lower C1 cash costs.
- Group NPAT increased 590 per cent to US\$160.1 million (2009: US\$23.2 million).
- NPAT attributable to PanAust increased by 655 per cent to US\$143.40 (2009: US\$19.0 million).
- EBITDA increased 141 per cent to US\$300.1 million (2009: US\$124.7 million).
- Net cash flow from operating activities increased 633 per cent to US\$265.2 million (2009: US\$36.2 million).
- Strong balance sheet and cash flow to support PanAust's growth strategy.
- Group gearing ratio of 10 per cent (calculated as debt [total borrowings] divided by total capital).
- Net cash balance (total cash balance less outstanding debt) at 31 December 2010 of US\$139.8 million (2009: US\$25.2 million).
- Debt facilities outstanding US\$45 million, undrawn US\$55 million (2009: outstanding US\$63 million, fully drawn).



Phu Kham Copper-Gold Operation open pit.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

Note: The following statements and tabulations are extracted from the Company's 2010 Annual Report lodged with the Australian Securities Exchange on Thursday 24th February 2011. Refer to the 2010 Annual Report for the Directors' Report (including the Remuneration Report), Financial Report, Auditors' Report, Corporate Governance Statement and full set of statutory accounts for 2010.

	CONSOLIDATED	
	31 December 2010	31 December 2009
	US\$'000	US\$'000
Revenue from operations	573,868	348,112
Changes in inventories of finished goods and work in progress	722	(3,377)
Mine operating costs	(130,372)	(100,399)
Depreciation and amortisation expense	(54,285)	(42,773)
Employee benefits expense	(41,272)	(30,454)
Concentrate haulage	(30,752)	(23,517)
Treatment and refining charges	(13,922)	(19,201)
Royalties	(30,112)	(18,040)
Marketing and realisation costs	(12,371)	(9,357)
Other expenses	(16,089)	(9,661)
Profit before financing and income tax	245,415	91,333
Unrealised hedge gains/(losses)	1,487	(8,449)
Interest and finance charges	(13,968)	(17,544)
Put option premium expense	(16,947)	(624)
Share option expense	-	(14,086)
Option deed settlement	-	(6,500)
Redemption fee	-	(5,000)
Profit before income tax	215,987	39,130
Income tax expense	(55,890)	(15,959)
Profit for the year	160,097	23,171
Other comprehensive income		
Cash flow hedges, net of tax	(8,250)	(9,300)
Total comprehensive income for the year	151,847	13,871
Profit is attributable to:		
Owners of PanAust Limited	143,353	18,991
Non-controlling interest	16,744	4,180
	160,097	23,171
Total comprehensive income for the year is attributable to:		
Owners of PanAust Limited	137,201	10,621
Non-controlling interest	14,646	3,250
	151,847	13,871
	Cents	Cents
Earnings per share for profit from operations attributable to the ordinary equity holders of the parent entity		
Basic earnings per share	4.87	0.86
Diluted earnings per share	4.83	0.85

BALANCE SHEET

As at 31 December 2010

CONSOLIDATED

	31 December 2010 US\$'000	31 December 2009 US\$'000
ASSETS		
Current assets		
Cash and cash equivalents	184,759	88,203
Receivables and other assets	32,822	33,713
Inventories	45,903	37,145
Derivative financial instruments	1,442	131
Total current assets	264,926	159,192
Non-current assets		
Receivables	34,927	45,582
Investments accounted for using the equity method	6,021	6,021
Other financial assets	13,572	12,771
Property, plant and equipment	332,564	309,715
Exploration and evaluation, development and mine properties	221,693	161,500
Intangible assets	5,380	5,380
Derivative financial instruments	1,234	1,143
Deferred tax assets	-	12,466
Total non-current assets	615,391	554,578
Total assets	880,317	713,770
LIABILITIES		
Current liabilities		
Trade and other payables	53,187	44,030
Borrowings and lease liability	7,721	25,596
Provisions	5,004	2,755
Derivative financial instruments	10,019	8,268
Current tax liabilities	18,268	-
Total current liabilities	94,199	80,649
Non-current liabilities		
Payables	5,953	3,558
Borrowings	65,682	76,252
Provisions	21,029	19,946
Deferred tax liabilities	15,633	-
Derivative financial instruments	-	11,195
Total non-current liabilities	108,297	110,951
Total liabilities	202,496	191,600
Net assets	677,821	522,170
EQUITY		
Contributed equity	541,232	540,948
Reserves	5,134	8,761
Accumulated gains/(losses)	80,998	(62,355)
Capital and reserves attributable to owners of PanAust Limited	627,364	487,354
Non-controlling interests	50,457	34,816
Total equity	677,821	522,170

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

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

	ATTRIBUTABLE TO MEMBERS OF PANAUST LIMITED					
	Contributed equity US\$'000	Reserves US\$'000	Accumulated profit/(losses) US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
2010 Consolidated						
Balance at 1 January 2010	540,948	8,761	(62,355)	487,354	34,816	522,170
Profit for the year	-	-	143,353	143,353	16,744	160,097
Changes in fair value of cash flow hedges, net of tax	-	(7,425)	-	(7,425)	(825)	(8,250)
Total comprehensive income for the year	-	(7,425)	143,353	135,928	15,919	151,847
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	284	-	-	284	-	284
Total changes in non-controlling interest	-	-	-	-	(278)	(278)
Employee share based payments	-	3,798	-	3,798	-	3,798
Equity movement for the year	284	3,798	-	4,082	(278)	3,804
Balance at 31 December 2010	541,232	5,134	80,998	627,364	50,457	677,821

CASH FLOW STATEMENT

For the year ended 31 December 2010

CONSOLIDATED

	31 December 2010 US\$'000	31 December 2009 US\$'000
Cash flows from operating activities		
Receipts from customers	605,961	293,644
Payments to suppliers (inclusive of goods and services tax) and employees	(303,109)	(231,556)
	302,852	62,088
Interest received	457	146
Interest and fees paid (inclusive of hedge premium payments)	(14,446)	(26,004)
Gold forward contract close out	(23,615)	-
Net cash inflow from operating activities	265,248	36,230
Cash flows from investing activities		
Payments for property, plant and equipment	(34,550)	(17,681)
Payments for investment in associate	(800)	(3,695)
Payments of exploration and evaluation costs	(26,255)	(18,235)
Payment of development costs	(76,650)	(19,335)
Funds held in escrow for acquisition	(5,000)	-
Net cash outflow from investing activities	(143,255)	(58,946)
Cash flows from financing activities		
Proceeds from issues of shares	284	323,563
Proceeds from borrowings	45,000	-
Repayment of borrowings	(63,000)	(211,168)
Finance lease payments	(7,721)	(7,721)
Net cash (outflow) inflow from financing activities	(25,437)	104,674
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,556	81,958
Cash and cash equivalents at the beginning of the financial year	88,203	6,245
Cash and cash equivalents at end of year	184,759	88,203

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

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 (0.25% Cu cut-off)	160	0.59	0.26	2.2	65	0.49	0.21	2.4	16	0.43	0.20	2.1	240	0.55	0.24	2.2
KTL (Laos) ⁵ (0.25% Cu cut-off)	-	-	-	-	18	0.38	0.14	-	63	0.45	0.21	-	80	0.43	0.19	-
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	-	-

	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)
Inca de Oro (Chile) ⁶ (0.3% Cu cut-off)	-	-	-	-	181	0.45	0.15	0.01	79	0.48	0.10	0.01	259	0.46	0.13	0.01

	MEASURED			INDICATED			INFERRED			TOTAL		
	Tonnes (Mt)	Au (g/t)	Ag (g/t)	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 Oxide (0.2g/t Au cut-off)	5	0.77	2.4	12	0.57	3.1	1	0.45	1.9	18	0.61	2.8
Ban Houayxai Transitional (0.3g/t Au cut-off)	4	0.82	8.7	14	0.75	8.3	0.4	0.74	3.0	18	0.76	8.2
Ban Houayxai Primary (0.4g/t Au cut-off)	0.1	1.04	5.3	20	0.99	9.2	21	0.89	7.6	40	0.94	8.4
Total Ban Houayxai (Laos) ⁷	9	0.79	5.2	45	0.81	7.3	22	0.87	7.2	76	0.82	7.0

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 ⁸	160	0.56	0.25	2.1	50	0.45	0.21	2.3	210	0.53	0.24	2.1

	PROVED			PROBABLE			TOTAL		
	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 ⁹	9	0.77	5.6	27	0.77	8.0	36	0.77	7.4

NOTES

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- All Mineral Resource and Ore Reserve estimates in the tabulation are reported on a 100% ownership basis. Resources and Reserves ownership is outlined in the 'Company Profile' on page i.
- The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
- The Mineral Resource estimates for the Phu Kham Copper-Gold Operation are based on a geologically constrained ordinary kriged model using a 0.25% copper cut-off grade.
- The Mineral Resource estimates for the KTL Copper-Gold deposit are based on an ordinary kriged model constrained by weathering and geological boundaries using a 0.25% copper cut-off.
- The Mineral Resource estimates for PUT 1, PUT 2 and the Inca de Oro Gold-Silver Project remain unchanged from those presented in the 2009 Annual Review.

- The Mineral Resource estimates for the Ban Houayxai Gold-Silver Project are based on a multiple indicator kriging model constrained by weathering and geological boundaries at the stated cut-offs.
- The Ore Reserve estimates for the Phu Kham Copper-Gold Operation are based on commodity price assumptions of US\$2.50/lb copper, US\$1,100/oz gold and US\$18/oz silver.
- The Ore Reserve estimates for the Ban Houayxai Gold-Silver Project are based on commodity price assumptions of US\$1,100/oz gold and US\$18/oz silver.

COMPETENT PERSON STATEMENTS

The data in this report that relates to Exploration Results and Mineral Resources is based on information reviewed by Mr Daniel Brost who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Brost is a full-time employee of PanAust Limited. Mr Brost has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Brost consents to the inclusion in the report of the Exploration Results and Mineral Resources in the form and context in which they appear.

The information in this report that relates to the Phu Kham Ore Reserves is based on information reviewed by Dr Jon Gaunt who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Gaunt is a full-time employee of Pan Aust Limited. Dr Gaunt 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 (JORC Code). Dr Gaunt consents to the inclusion in the report of the Phu Kham Ore Reserves in the form and context in which it appears.

The information in this report that relates to the Ban Houayxai Ore Reserves is based on information reviewed by Mr David Reid who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Reid is a full-time employee of PanAust Limited. Mr Reid 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 (JORC Code). Mr Reid consents to the inclusion in the report of the Ban Houayxai Ore Reserves in the form and context in which it appears.



SAG mill ore conveyer at the Phu Kham Copper-Gold Operation.



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Stock Exchange Listing

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