

2015 BUSINESS REVIEW &
SUSTAINABILITY REPORT



Company profile

PanAust Limited ('PanAust', 'the Company', 'the Group') is a leading copper and gold producer in Laos with pre-development and exploration opportunities in Laos, Papua New Guinea, Myanmar and Chile.

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

In Papua New Guinea, PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project with the remaining 20 per cent held by Highlands Pacific, a company incorporated in Papua New Guinea. Frieda River is one of the largest known undeveloped copper and gold deposits in the world and offers PanAust excellent potential for the establishment of a world-class long-life operation.

PanAust is focused on a sustainable business model associated with the production and sale of copper and gold, delivery of production goals and economically astute growth. While copper forms the core product focus, gold and silver provide a measure of commodity diversity.

The strategic direction of the Company is to maximise returns from its producing assets while advancing projects that offer potential to sustain and grow the business in the long term. Any project that progresses to the development stage is required to demonstrate compelling investment returns.

PanAust is an Australian incorporated company that is owned by Guangdong Rising H.K. (Holding) Limited which is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd (GRAM). GRAM is a Chinese state-owned company regulated under the State-owned Assets Supervision and Administration Commission, the People's Government of the Guangdong Province in China.

COMPANY STRUCTURE

Reflecting its geographically diverse business, PanAust is structured into three business units: Asia, South America, and Project Development.

PanAust's corporate office in Brisbane Australia provides leadership and support across the Group in relation to strategy, financial management, commercial and technical services, risk management, sustainability, corporate communications, human resources, governance and 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'); the Government of Laos owns the remaining 10 per cent.

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.

MYANMAR

PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar based company, which holds the remaining 20 per cent of WRCL. WRCL owns 100 per cent of the rights to the areas covered by the Exploration Licences.

SOUTH AMERICA BUSINESS UNIT

The South America business unit supports the studies, field programs and community aspects for the Inca de Oro Copper-Gold Project and the Carmen deposit in Chile, and is responsible for identifying other copper opportunities within the region.

CHILE

PanAust owns a 66.8 per cent interest in the Inca de Oro Project through a Chilean incorporated joint venture company, Inca de Oro S.A. The Company also has a 100 per cent interest in the nearby Carmen deposit.

PROJECT DEVELOPMENT BUSINESS UNIT

The Project Development business unit is responsible for the Company's development projects (including the Frieda River Copper-Gold Project) and technical support for operational improvement. It is 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.

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DIRECTORS

Mr Zezhong Li, Chairman
 Dr Fred Hess, Managing Director
 Mr Qian Deng (appointed 7 July 2015)
 Dr Lixin Wang (appointed 7 July 2015)
 Mr Gang Yu (appointed 7 July 2015)
 Mr Minzhi Han (appointed 7 July 2015)
 Mr Garry Hounsell (resigned 17 July 2015)
 Mrs Nerolie Withnall (resigned 22 May 2015)
 Mr Geoff Handley (resigned 1 July 2015)
 Mr Geoff Billard (resigned 1 July 2015)
 Mr John Crofts (resigned 1 July 2015)
 Mr Ken Pickering (resigned 1 July 2015)
 Ms Annabelle Chaplain (resigned 1 July 2015)

COMPANY SECRETARIES

Ms Qingshan (Laurinda) Zhang (appointed 26 October 2015)
 Mr George Piggott (appointed 28 January 2015)
 Mr Paul Scarr (resigned 26 October 2015)

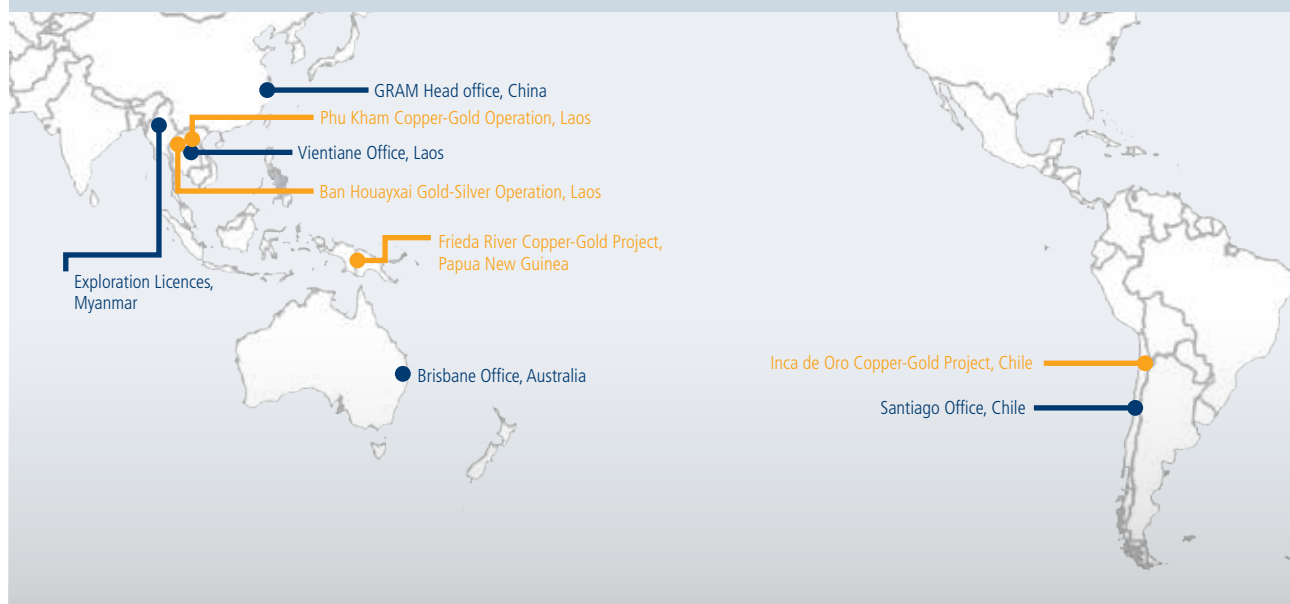
AUDITORS

PricewaterhouseCoopers
 Riverside Centre
 123 Eagle Street
 Brisbane QLD 4000

BANKERS

ANZ Banking Group Limited
 324 Queen Street
 Brisbane QLD 4000

PANAUST'S OPERATIONS, PROJECTS AND OFFICES



Materiality and scope of this Report

The 2015 Business Review & Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI), G4 Sustainability Reporting Guidelines including the Mining and Metals Supplement. The scope of the Report as per GRI materiality requirements, covers 'topics and indicators that reflect the organisation's significant economic, environmental and social issues that could substantively influence the underlying value of the company, and the assessments and decisions of stakeholders'. Materiality Counts Pty Ltd has provided independent assurance of both the materiality assessment process and this Report. A copy of the assurance report is contained on page 72.

ABOUT MATERIALITY (THE PROCESS FOR DEFINING CONTENT OF THIS REPORT)

PanAust applies a consistent approach to identifying, assessing and verifying material sustainability issues related to the Company through regular engagement with both internal and external stakeholders. The Executive Management Team evaluates progress against sustainability targets and provides strategic direction on issues that are of material importance to the business. These issues are included in periodic reports prepared for the Board. The material issues presented in this Report inform PanAust's business strategy, operations and stakeholder engagement activities.

MATERIALITY PROCESS

PanAust's 2015 Business Review & Sustainability Report focuses on those issues that matter most to the Company and its stakeholders. The process for defining materiality is outlined in the following five steps:

1. STAKEHOLDERS AND THEIR ISSUES ARE IDENTIFIED

PanAust's stakeholders are identified based on their potential to impact or be impacted by the Company's business activities. Regular community, government, investor and lender investor engagement together with the review of independent external and competitor reports enables issues of importance to be identified and understood. Examples of 2015 engagement mechanisms and activities for stakeholders in Laos and Papua New Guinea are contained on page 36. The stakeholder identification process is outlined on page 34.

2. PANAUST'S ISSUES ARE IDENTIFIED

PanAust identifies issues of significance by: reviewing and considering business strategies and policies, external commitments, risk registers, external audit reports, internal reviews and incident reports, issues highlighted through internal reporting processes, regular visits to operations, and by conducting workshops across the business.

3. ISSUES ARE ASSESSED AND RANKED

Each issue is ranked on its level of importance to stakeholders and PanAust. The criteria for ranking are largely based on how PanAust defines issues of significance (levels 4 and 5 incidents/potential incidents using the Company's Consequence Table which is available on PanAust's website, www.panaust.com.au/corporate-governance; see more information on risk management on page 26 of this Report) and benchmarking activities. In addition, issues are considered by level of interest and commonality via requests for information from stakeholder groups and media coverage. Sustainability personnel (subject matter experts) across the business are engaged in the identification and ranking process.

4. MATERIAL ISSUES ARE VERIFIED

Material issues are presented to the Executive Management Team for review and feedback. The General Manager Human Resources and Risk Management then endorses the material issues for inclusion in the annual Business Review and Sustainability Report.

Materiality Counts, an independent assurance provider, verifies that issues identified as material are included in the Report. A rolling assurance program aims to work through the material issues over a three to five-year period with up to six material issues assured each year. Energy and greenhouse gas emissions are assured every year to inform PanAust's reporting obligations to the Carbon Disclosure Project (CDP). The assurance scope is revisited annually to ensure relevance to those material issues of most significance in the reporting period.

The draft Report is tabled with PanAust's joint venture partners that are publicly listed to provide them the opportunity to review sections relevant to their partnership with PanAust.

5. MATERIAL ISSUES INFORM COMPANY ACTIVITIES

PanAust's approach to managing material risks provides a continuous improvement feedback loop, which informs Company strategy, budgets, and business and engagement activities. At the executive level, material issues define the sustainability and business improvement focus areas for the Company. These outcomes cascade to the broader sustainability governance structure and are incorporated into business and annual plans, and key performance indicators. In 2015, PanAust held its annual Risk and Sustainability Workshop with leaders from across the business to review and plan for the proactive management of sustainability issues faced by the business. The workshop provided an important avenue for the translation of sustainability strategy and planning into practice.

The following figure shows the outcomes of PanAust's materiality process for 2015. Within the broader topic areas of Economic Performance, Governance, Social Performance, Environmental Performance, Health and Safety, and Our People, each material issue including the boundary of impact is addressed in this Report.

PanAust's material issues 2015



Materiality and scope of this Report *continued*

REPORT SCOPE

The principal activities of the PanAust Group during the 2015 reporting year were:

- production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operation, Laos
- production and sale of gold-silver doré from the Ban Houayxai Gold-Silver Operation, Laos
- evaluation and exploration of projects in Laos, Papua New Guinea, Myanmar and Chile.

Most of PanAust's reporting relates to the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation. Where relevant, information is also included for the Frieda River Copper-Gold Project in Papua New Guinea, the Inca de Oro Copper-Gold Project in Chile and the KTL Copper-Gold Project in Laos.

Tables in this document advise where reporting includes data from exploration and growth projects other than the Phu Kham and Ban Houayxai Operations.

This Report is for the 2015 calendar year and is PanAust's tenth annual Sustainability Report; it follows that produced in 2015 for the 2014 calendar year.

SIGNIFICANT CHANGES DURING 2015

Significant changes in PanAust's state of affairs during the reporting period relate to the change of control of the Company as a result of the takeover of the Company by cornerstone investor, GRAM.

- GRAM made an off-market takeover offer for all the shares in PanAust in April 2015.
- The GRAM takeover offer closed on 27 May 2015 and on 28 May 2015, GRAM advised the Australian Securities Exchange (ASX) that GRAM had obtained 94.416 per cent of the shares in PanAust.
- On 1 June 2015, GRAM issued a notice of compulsory acquisition to the ASX to exercise its right to acquire the remaining shares in PanAust.
- From the close of trading on 12 June 2015, PanAust was removed from the Official List of the ASX.
- On 20 July 2015 the compulsory acquisition was completed and GRAM became the sole shareholder of PanAust.
- PanAust has since operated as an unlisted public company with one shareholder (transitioning from being an ASX-listed public company with more than 13,000 shareholders).

DATA COLLECTION PROTOCOLS AND REPORTING CURRENCY

Where possible, data collected for this Report is determined through measurements following GRI protocols. To avoid errors of transposition, data is entered into electronic intranet-based reporting systems by nominated responsible employees.

Image right: Early morning at the Phu Kham process plant

With the exception of new reporting items, this Report will present data for a three-year period. Previous years' data is available in PanAust's sustainability reports dating back to 2006 and can be found on the Company's website, www.panaust.com.au/reports.

Unless otherwise stated, all monetary amounts in this Report are expressed in United States Dollars (US\$).

TRANSPARENT REPORTING

PanAust strives for open and transparent business activities. Each year, the Company produces a full-year financial report, a Business Review and Sustainability Report (this document), quarterly activity reports, and Company announcements as required.

With the exception of the financial report, which is submitted to the Australian Securities and Investments Commission (ASIC) and is available for a nominal fee paid to ASIC, all documents are made available on PanAust's website, www.panaust.com.au.

The 2015 full-year financial report was independently audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards and submitted to ASIC in April 2016. In addition, independent limited assurance is also provided by Materiality Counts in relation to some of this Report's content on non-financial material issues (see page 72 for the Assurance Statement).

Through PanAust's Minerals Council of Australia (MCA) membership, the Company supports the Extractive Industries Transparency Initiative (EITI); a global initiative to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. PanAust reports payments to governments in its Annual Report and this document, the Business Review and Sustainability Report (see page 43).

At the time of writing this Report, neither Laos nor Chile were signatories to the EITI. Papua New Guinea became an EITI candidate in March 2014 and submitted its first report in 2016 (for 2013) for consideration of admittance as a signatory. Myanmar was accepted as an EITI candidate in July 2014. Since achieving this status, Myanmar submitted its first report in December 2015 also for consideration of admittance as a signatory.

A detailed index of the GRI indicators and where they are reported – fully, partially or not reported – for 2015 can be found on PanAust's website, www.panaust.com.au/reports.

To provide feedback on the 2015 Business Review & Sustainability Report, go to www.panaust.com.au/reports and click on the Sustainability Report FEEDBACK SURVEY button.

To request further information about PanAust or this Report, email info@panaust.com.au or telephone +61 7 3117 2000.

This Report has been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines



Managing Director's Review

2015 was a pivotal year for PanAust. The Company transitioned from being an Australian Securities Exchange (ASX)-listed company with more than 13,000 shareholders to 100 per cent ownership by cornerstone investor, Chinese state-owned enterprise, GRAM. PanAust was removed from the Official List of the ASX in June and following the completion of the compulsory acquisition process in July, we commenced operating as an unlisted public company with one shareholder.

Sustainability is in the DNA of PanAust. Over the course of this Company's development from junior explorer to a leading mid-tier international copper and gold producer, and now as a subsidiary of GRAM, our name has become and remains synonymous with operational excellence, best-practice community development, environmental management, health and safety, and employee engagement.

Throughout the acquisition process, GRAM emphasised its role as an 'asset owner' and that it intended for PanAust to retain its Executive Management Team and for the well-established operational and sustainability standards to continue to shape the business. Understanding and implementing governance requirements following de-listing and new ownership is an ongoing process for PanAust and one that we are basing on materiality. This GRI G4 independently assured *2015 Business Review & Sustainability Report* is a key tool in that process; it demonstrates our utmost commitment to identifying and managing material issues and public reporting transparency. The PanAust Board of Directors together with my Executive Management Team expect the Company's governance processes to continue albeit with modified structures to reflect our unlisted status and new ownership structure.

In the face of change and against a backdrop of weak commodity prices, from an operational and sustainability perspective, PanAust achieved exceptional 2015 full-year outcomes recording the strongest ever annual performance metrics for safety, production and costs (see table opposite). By year end, the business was in a strong position to withstand the subdued commodity prices that are likely to continue in the short to medium term.

Our cultural building blocks – our Values; our code of conduct, *The PanAust Way*; and our training and development priorities – position the health and safety of our employees and the people in our host communities as the single most important element of our business. I am pleased to report PanAust's full-year safety indicators exceeded 2015 targets by up to 50 per cent and from a broad perspective, continue to be significantly better than industry averages. For 2016, we have again set ourselves challenging targets to ensure a steadfast focus on the continual improvement of PanAust's safety outcomes while helping our contractor partners understand and embed the principles of Zero Harm within their businesses.



PanAust Managing Director, Dr Fred Hess

We announced in January a business efficiency review which progressively delivered improvements to productivity and significant cost savings. Through a more streamlined organisation and numerous standardisations and innovations, we realised US\$62.9 million of total savings. At the time of the announcement, we committed to a near 5 per cent reduction in workforce numbers; by year end, we had achieved a 10 per cent reduction. A correlating increase in localisation numbers was recorded in Laos with national employees stepping into more senior roles or shouldering more responsibilities in line with the development and capability of the local workforce. During 2015, our workforce in Laos for the first time reached 90 per cent localisation. It was with this level of localisation that our Operations delivered their best overall performance outcomes to date.

It was my honour to accept on behalf of PanAust two awards from our parent company, GRAM at their Annual General Meeting held in early 2016: the first for 'Excellence in Safety' and the other for 'Excellence in Operations'.

PanAust's focus on environmental management continues to foster positive business outcomes. In November, PanAust received the Most Profitable Carbon Reduction Activity at the internationally recognised 2015 CDP Australian Climate Leadership Awards. The Award recognised an array of energy-efficiency initiatives PanAust implemented at the Lao Operations that delivered significant cost savings.

The PanAust corporate strategy remains firmly focused on maximising returns from our producing assets while advancing projects that offer potential to sustain and grow the business in the long term. A primary focus of this strategy throughout 2015 was stakeholder engagement. Ensuring our host governments and communities understood that operational excellence together with sustainability remain the cornerstone of our business regardless of our ownership model or economic challenges.

In Papua New Guinea, regular communication and meetings with government and communities throughout the year helped progress the Frieda River Project feasibility study.

In Myanmar, PanAust was granted three Exploration Licences in January 2016 and the first phase of exploration over a 600 square-kilometre area commenced during the first quarter of the year.

On behalf of the PanAust Board of Directors and my Executive Management Team, I sincerely thank all employees for their unwavering commitment to our Values, which facilitated ongoing support from our key stakeholders throughout 2015. In the face of significant changes internally and economic challenges externally, through a concerted and determined effort, the people of PanAust together achieved our strongest ever full-year outcomes; a remarkable result.

With the outlook for commodity prices remaining subdued, we will continue to focus on the key elements of the business within our control: safety, production, cost and strategic growth opportunities.

The pursuit of strategic growth opportunities is enhanced as a wholly owned subsidiary of GRAM. With PanAust's financial capacity strengthened, we are actively seeking organic growth via our existing assets and looking further afield at potential high-quality acquisitions.



Managing Director, Dr Fred Hess

PANAUST KEY BUSINESS METRICS 2015: ACTUAL VS. TARGETED

KEY PERFORMANCE INDICATOR	ACTUAL	TARGETED	EXCEEDED TARGET BY
Copper	78,449t	74,000t to 76,000t	3%
Gold in concentrate and doré	221,616oz	195,000oz to 205,000oz	8%
Silver in concentrate and doré	1,664,242oz	1.4Moz to 1.5Moz	11%
Total recordable injury frequency rate (TRIFR)	0.62	1.35	54%
Lost time injury frequency rate (LTIFR)	0.16	0.23	30%
Phu Kham C1 costs	US\$1.30	US\$1.47	12%
Phu Kham all-in sustaining costs	US\$1.69	US\$1.99	15%
Ban Houayxai C1 costs	US\$516	US\$673	23%
Ban Houayxai all-in sustaining costs	US\$687	US\$869	21%

See pages 28-31 for qualitative targets and performance

2015 highlights

Highlights

Economic	Record annual copper, gold and silver production and sales were achieved in conjunction with an efficiency review which contributed to US\$62.9 million of cost savings to the business
	PanAust received an Excellence in Operations Award from GRAM
	PanAust progressed the feasibility study for the Frieda River Project in Papua New Guinea
	A subsidiary of PanAust was granted three Exploration Licences in Myanmar
Governance	Successful transition from an ASX-listed public company with more than 13,000 shareholders to an unlisted public company with one shareholder
	Strong commitment to continue to publicly report disclosure on material sustainability matters as an unlisted company
Social Performance	The Company continued to support local business and agricultural development and carried out capacity-building programs in Lao host communities
	Proactive grievance management in Laos with all but one long-term grievance closed out by the end of 2015
	PanAust implemented a robust stakeholder engagement approach in PNG to support the progression of the Frieda River Project and supported landowners to legally resolve a long standing land dispute over the exploration license thereby removing a major hurdle to negotiating compensation agreements and progressing the Project
Environmental Performance	A wetland system was designed and implemented downstream of the decommissioned Heap Leach Gold operation as the next progressive stage of closure of the facility
	The 2015 Cyanide Code Gap Analysis undertaken by Sustainability Future Growth noted that the Ban Houayxai Operation was well positioned for recertification to the International Cyanide Code in 2016, which was subsequently confirmed by ICMI in Q2 2016
	PanAust received the Most Profitable Carbon Reduction Activity at the 2015 CDP Australian Climate Leadership Award and was elevated into the Australian CDP Disclosure Leadership Index for the second year running
Health and Safety	Achieved a 30 per cent year-on-year improvement in TRIFR, and maintained its 2015 LTIFR at 0.16 which remains better than industry averages
	PanAust received an Excellence in Safety Award from GRAM for its 2015 performance
	PanAust continued to implement its deep dive program led by senior operating executives to test critical systems and controls on high risk safety issues; 22 deep dives have been conducted since the program's inception in 2014
	Extensive multimedia campaigns were developed to: support the understanding and implementation of Cardinal Rules in Laos, raise awareness around stored energy hazards, raise awareness of the risks associated mobile phone usage in the operational workplace
Our People	Achieved 90 per cent localisation in Laos including the promotion of 362 Lao-national employees into a range of roles from trade positions through to Management roles
	The Phu Bia Mining Trades Training Program in conjunction with the Lao-German Technical College has been successfully broadened to support other operations in-country and ensure its sustainable contribution as a Laos training institution

2015 future challenges

Challenges

Maintain a strong business performance during low commodity price cycle

Maximise returns from producing assets while advancing the Frieda River Project

Pursuing opportunities to extend the life of operating assets in Laos and progressing exploration opportunities in-country

Continue to integrate and align business and governance processes with GRAM under the new business ownership structure

Manage stakeholder expectations and implement robust governance processes in PNG and Myanmar

Engage with stakeholders to develop and progress a Social Performance Closure Strategy for Laos coinciding with continued implementation of the Community Development Fund and community capacity-building in productive agriculture and small business development

Managing expectations and engaging frequently with host-country stakeholders during periods of market volatility and depressed copper prices

Align Frieda River Project expectations with PNG stakeholders and support host communities to build capacity to participate in project approvals; facilitate opportunities for PNG Government to Chinese Government initiatives to enhance the Project and enable other regional development such as infrastructure within the two Sepik provinces

Continued focus on dust emissions particularly given the proximity of communities to the Phu Kham Operation

Continue to manage sediment and erosion control risks considering the mountainous and high-rainfall setting of PanAust's operations

Completing robust studies to support the progression of the Frieda River Environmental Impact Statement

PanAust will vigilantly work to grow and enhance the Company's safety culture and management systems to support Lao-national employees who are taking on supervisory and management roles, and to leverage highly developed systems and procedures in Laos to develop the Company's safety culture in PNG and Myanmar

Work with local contractors to improve their capacity to enable them to operate safely and bridge gaps identified in their safety performance

Addressing hotspots relating to: mobile phone usage, cranes and lifting, and managing employee exposure to Malaria in PNG

Maintaining high levels of employee engagement during the low point in copper and gold commodity cycles

The Company remains focused on the development of its Lao-national workforce to increasingly operate, maintain and manage the Company's operations in Laos to international standards

Economic

Governance

Social Performance

Environmental Performance

Health and Safety

Our People

Executive Management Team as at 01 January 2016

PanAust Corporate

Dr Fred Hess, Managing Director

Mr Andrew Price, Chief Financial Officer

Mr Joe Walsh, General Manager Corporate Development

Mr Paul Scarr, General Counsel

Mr Adrian Bell, General Manager Human Resources and Risk Management

Mr Peter Walker, General Manager Technical Services and Processing Improvement

Dr Peter Trout, General Manager Technical Services Mining and Geology

Mr Geoff Kernick, General Manager Commercial

Ms Qingshan (Laurinda) Zhang, Company Secretary

Asia Business Unit

Mr David Reid, General Manager Operations

Mr Richard Taylor, General Manager External Affairs and Site Support

South America Business Unit

Mr Francisco Tomic, President and Executive General Manager, PanAust South America

Project Development Business Unit

Mr Stacey Barlow, Executive General Manager Projects

Mr Herman Dittmar, General Manager Project Implementation

Mr Glen Connell, General Manager Government and Community Relations, PNG

Mr Scott Cowie, General Manager Frieda River Studies

See PanAust's website for the complete profiles of PanAust's Executive Management Team, www.panaust.com.au/management.



The Phu Kham Copper-Gold Operation open pit

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
- adherence to core values.



Environment Assistant, Miss Chanthavong and Environment Supervisor, Mr Luvong Xiayeng tending seedlings at the Phu Kham nursery

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.

Economic performance

OPERATIONAL REVIEW

PanAust continues to derive operational and cost benefits from a program of capital invested earlier this decade to expand the Phu Kham Copper-Gold Operation and develop the Ban Houayxai Gold-Silver Operation in Laos.

Throughout 2015, Phu Kham and Ban Houayxai consistently delivered outstanding safety, production and cost outcomes. New operational records were established with year-end results exceeding 2015 targets.

2015 production totalled 78,449t copper, 221,616oz gold in concentrate and doré and 1,664,242oz silver in concentrate and doré and was well above targets of 74,000t to 76,000t copper, 195,000oz to 205,000oz gold, and 1.4Moz to 1.5Moz silver.

Strong production, together with excellent cost outcomes enabled PanAust's Lao Operations to deliver solid free cash flow and by year end, the business was in a strong position to withstand the depressed commodity prices that are likely to continue throughout 2016.

In the context of ongoing economic volatility, PanAust will remain focused on operating excellence – safety, production and the rigorous management of costs to continue to maximise returns from Phu Kham and Ban Houayxai.

PHU KHAM COPPER-GOLD OPERATION, LAOS (PANAUST 90 PER CENT)

Phu Kham is PanAust's flagship operation and the significant cash flow it generates has successfully supported the Company's growth while maintaining a strong balance sheet (see the location of Phu Kham on the map on page 1).

The Operation comprises an 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 concentrate contains between 23 and 25 per cent copper, up to 9 grams per tonne (g/t) gold and up to 60g/t silver. Eighty per cent of concentrate is trucked in covered containers to the ports of Vung Ang or Hon La in Vietnam (approximately 650 kilometres from Phu Kham) and the remaining 20 per cent to Sriracha Harbour in the south of Thailand (approximately 1,000 kilometres from Phu Kham) for export to customer smelters mainly in Asia.

Mining and processing

Excellent production and cost performances were achieved at Phu Kham in 2015 with record annual copper in concentrate production of 78,449t (2014: 71,155t).

The 2015 C1 cost¹ after precious metal credits was US\$1.30/lb copper and all-in sustaining cost (AISC)² was US\$1.69/lb copper (2014: US\$1.39/lb copper and US\$2.21/lb copper respectively).

A record total of 55.8 million tonnes (Mt) of material was mined during the year (2014: 52.3 million) as the Operation continued with an anticipated period of peak material movement.

A total of 17.8Mt of copper-gold ore was mined giving an average waste to ore strip ratio for the year of 2.1 to 1 (2014: 1.9 to 1).

The Phu Kham plant set new records for availability, operating time and throughput rates in 2015 compared to all previous years. In 2015, the plant milled 19.2Mt relative to a design throughput rate of 16 million tonnes per annum (Mtpa).

Sales of concentrate for the year totalled 343,195 dry metric tonnes (dmt) with a pay-metal content of 76,971t of copper; 100,022oz of gold and 476,799oz of silver (2014: 312,587dmt; 68,122t; 64,088oz and 366,149oz respectively).

Annual copper in concentrate production is expected to continue to rise steadily over the next several years as the average copper head grade increases and improving ore quality lead to further gains in metallurgical recovery rates. The annual production of copper in concentrate is expected to peak in 2018 and 2019 between approximately 85,000t to 90,000t before subsequently declining with ore grade. Gold in concentrate is expected to generally range between 70,000oz and 80,000oz per annum from 2016 onwards. No further development capital is currently expected for this targeted growth.

The Phu Kham Ore Reserve supports a mine life of approximately five years from the end of 2015.

PHU KHAM COPPER-GOLD OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2015	12 MONTHS TO 31 DEC 2014
Ore milled	19,185,752t	18,639,887t
Copper grade	0.53%	0.50%
Gold grade	0.33g/t	0.22g/t
Silver grade	1.90g/t	1.49g/t
Concentrate produced	340,308dmt	311,173dmt
Copper in concentrate	78,449t	71,155t
Gold in concentrate	102,464oz	67,817oz
Silver in concentrate	483,174oz	372,851oz

¹ C1 cost is a Brook Hunt convention for the reporting of direct costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits.

² All-in sustaining cost (AISC) is C1 cost plus indirect costs (an allocation of Brisbane corporate support and shared services costs); royalties; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised.

Image right: Overlooking the process plant at Ban Houayxai

Throughout 2015, Phu Kham and Ban Houayxai consistently delivered outstanding safety, production and cost outcomes.



Economic performance *continued*

BAN HOUAYXAI GOLD-SILVER OPERATION, LAOS (PANAUST 90 PER CENT)

Ban Houayxai is located approximately 25 kilometres west of the Phu Kham Copper-Gold Operation (see map on page 1) and comprises an open-pit mine feeding ore to a conventional 4 Mtpa carbon in leach (CIL) and gravity recovery process plant.

Mining and processing

Excellent production and cost performances were achieved at Ban Houayxai in 2015 with new annual records set for gold and silver production and C1 cost and AISC.

In 2015, open-pit material movements at Ban Houayxai totalled 12.5Mt and more than 4.9Mt of ore was processed; exceeding nameplate capacity by 22.5 per cent (2014: 10.4Mt, 4.5Mt and 12.5 per cent respectively).

The Operation produced 119,152oz of gold and 1,181,068oz of silver in 2015 and the C1 cost after precious metal credits was US\$516/oz gold and AISC was US\$687/oz gold for the 2015 year (2014: 100,938oz, 906,774oz, US\$737/oz gold and US\$987/oz gold respectively).

The Ban Houayxai Ore Reserve supports a mine life of approximately six years from the end of 2015.

BAN HOUAYXAI GOLD-SILVER OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2015	12 MONTHS TO 31 DEC 2014
Ore milled	4,941,391	4,528,344t
Gold head grade	0.91g/t	0.85g/t
Silver head grade	13.06g/t	11.78g/t
Gold in doré	119,152oz	100,938oz
Silver in doré	1,181,068oz	906,774oz

CAT 5-STAR CONTAMINATION CONTROL



Following the 2015 external audits at Phu Kham and Ban Houayxai, both Operations retained their Caterpillar 5-star contamination control rating for mobile maintenance workshops and supply warehouses. PanAust's facilities are only two of eight owner-operated mines across the globe to receive the maximum 5-star rating and the first in a developing country. It is the third year running that the mobile warehouses at Phu Kham and Ban Houayxai have achieved the rating and the second for Phu Kham's mobile maintenance. The CAT 5-star rating is a world-class outcome for PanAust as well as for Laos.

The rating follows a robust and challenging audit process. An accredited Caterpillar representative carries out in-depth checks of the facilities during the course of several days including contamination control specifications and documentation, and technology-based controls and systems. Employees are selected at random to answer questions in relation to contamination control. To meet the stringent CAT criteria, the auditor must be a different person at least every two years.

The 5-star rating also recognises PanAust's efforts in driving a high-performance culture. Three self-check audits per site per month are carried out and in doing so embed contamination control and continual improvement into the day-to-day functioning of PanAust's maintenance and warehouse facilities.

Within a maintenance environment contamination control is a proxy for excellence in housekeeping standards and practices, and contributes a safer working environment and operational excellence through equipment reliability improvements, major component life extensions, and maintenance costs reductions.



Frieda River Project: drill team employees, Mr Yawas Fumiari and Mr Sisi Tabasiam

GROWTH OPPORTUNITIES: EVALUATION AND EXPLORATION

FRIEDA RIVER COPPER-GOLD PROJECT, PAPUA NEW GUINEA (PANAUST 80 PER CENT)

On 25 August 2014, PanAust concluded its acquisition of an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea from Glencore plc. Joint venture partner, Highlands Pacific Limited holds the remaining 20 per cent. The Government of Papua New Guinea has a right to acquire, at cost, up to a 30 per cent interest in the Frieda River Project which, if exercised in full, would reduce PanAust's holding to 55 per cent and Highlands Pacific to 15 per cent.

The Frieda River copper-gold deposit is one of the world's largest known undeveloped copper deposits and offers excellent potential for the establishment of a long-life operation.

As at 31 December 2015, work was progressing on the Frieda River Project feasibility study.

In late 2015, work commenced on an exploration access track which will improve access to the main camp site from the Frieda River airstrip and deliver efficiency and safety benefits.

MYANMAR EXPLORATION LICENCES, MYANMAR (PANAUST 80 PER CENT)

Following approval by the Government of Myanmar Cabinet and President's Office, PanAust was granted three Exploration Licences in Myanmar in January 2016.

The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl – which provide the Company with a 600 square-kilometre contracted area.

During the first quarter of 2016, PanAust commenced a program of geochemical sampling and mapping with the aim of identifying potential drill targets by year end.

Strengthening its presence and seeking to advance other potential exploration opportunities will continue to be a priority for PanAust in Myanmar during 2016.

Economic performance *continued*

INCA DE ORO COPPER-GOLD PROJECT, CHILE (PANAUST 66.8 PER CENT)

PanAust completed a feasibility study on the Inca de Oro Project in 2014. No material site activities are currently planned for the Project.

PHU KHAM DISTRICT EXPLORATION, LAOS (PANAUST 90 PER CENT)

Exploration activities in the Phu Kham district have transitioned into early stage generative and target identification work. It is planned that this work will continue throughout 2016 seeking new geological targets for evaluation.

KTL COPPER-GOLD PROJECT, LAOS (PANAUST 90 PER CENT)

The KTL Copper-Gold Project is located in the northern part of the Contract Area and is focused on the KTL copper-gold deposit which lies close to existing road and power infrastructure, and is near the town of Phonsavan.

Desktop work occurred during 2015 and will continue in 2016; however, no material expenditure is currently budgeted for the KTL Project. It is unlikely that the Project will be developed within the current depressed metal price environment.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

PanAust consolidated profit after income tax for the year to 31 December 2015 was US\$4.8 million (2014: loss of US\$227.8 million). An impairment review of operational assets undertaken in 2015 resulted in no impairments being recorded for the year.

Sales revenue from ordinary activities of US\$657.7 million (2014: US\$678.8 million) was driven by the combination of a 15 per cent increase in sales of copper in concentrate, 66 per cent increase in sales of gold in concentrate and 19 per cent increase in gold doré sold. However, the increase in sales was more than offset by lower commodity prices being realised across all pay metals.

The average prices realised after hedging for sales during 2015 were US\$2.38/lb for copper, US\$1,162/oz for gold and US\$15.4/oz for silver (2014: US\$3.05/lb, US\$1,282/oz and US\$18.5/oz respectively).

Cash flows and sales

Net cash inflow from operating activities was US\$137.8 million (2014: US\$161.8 million). Copper in concentrate sales increased by 15 per cent to 78,593t and gold sales in concentrate and doré also increased by 37 per cent to 226,607oz as a result of record production levels, slightly higher average ore head grades and higher recovery rates. Silver sales in concentrate and doré increased by 36 per cent to 1,719,902oz, largely driven by both higher silver grades and recovery at Ban Houayxai.

Both Phu Kham and Ban Houayxai have reduced both C1 cost and AISC significantly in the 2015 year (24 per cent and 30 per cent decrease on AISC respectively), with cost decreases achieved as a result of higher production denominators, lower processing costs, lower site-support and operating costs, and higher precious metal credits from increased production.



Hauling ore in the Ban Houayxai open pit

OPERATIONAL COSTS YEAR-ON-YEAR COMPARISON

	2014 US\$	2015 US\$	VARIANCE %
Phu Kham C1 cost (US\$/lb copper)	1.39	1.30	-6%
Phu Kham all-in sustaining cost (US\$/lb copper)	2.21	1.69	-24%
Ban Houayxai C1 cost (US\$/oz gold)	737	516	-30%
Ban Houayxai all-in sustaining cost (US\$/oz gold)	987	687	-30%

There was no capital expenditure on major development projects in Laos in 2015 (2014: nil) with sustaining capital expenditure 24 per cent below budget at US\$49.1million. This reflects the maturity and efficiency of the operations and PanAust's ability to proactively focus on reducing costs following a significant drop in commodity prices at the beginning of 2015.

Expenditures during the year on the Frieda River Feasibility Project totalled approximately US\$46.8 million, including feasibility study costs, drilling program, corporate support and site-based activities.

Balance sheet

At 31 December 2015, PanAust had cash of US\$115.8 million; debt of US\$102.8 million; undrawn debt facilities of US\$53.6 million; and mobile equipment lease facilities drawn to a total of US\$57.0 million.

Net debt (including the lease facilities) decreased by US\$68.0 million during 2015 and balance sheet net-gearing at 31 December 2015 was 4.9% (2014: 12.3%).

Reporting Compliance

During 2015, GRAM made an off-market takeover offer for all of the shares in PanAust and in July 2015 GRAM became the sole shareholder of PanAust. As a result, PanAust is no longer a publicly listed company on the Australian Securities Exchange and its mandatory reporting requirements have changed.

PanAust continues to lodge an audited Annual Report (including Financial Statements) with ASIC.

PanAust continues to fulfil reporting and compliance obligations in accordance with its debt facility agreements.

In the interest of leading-practice transparency, PanAust continues to publish activities reports on a quarterly basis on its website; see www.panaust.com.au/company-announcements.

Governance

SUSTAINABILITY STRUCTURE

PanAust is committed to robust corporate governance frameworks, systems and standards for a company of its size and nature. This commitment is founded on a culture driven by the Company's values and based on integrity, continual improvement and understanding and implementing international best practice.

During 2015, PanAust transitioned from an ASX-listed public company to an unlisted public company with one shareholder (see page 4).

Throughout the acquisition process, GRAM emphasised its role as an 'asset owner' and that it intended for PanAust to retain its Executive Management Team and that the well-established operational and sustainability standards should remain in place.

THE PANAUST BOARD OF DIRECTORS

The Board of Directors is the highest governance body within PanAust. The positions of Chairman and Managing Director are held by different persons. Apart from the Managing Director, all other members of the Board including the Chairman are non-executive directors.

The Board is responsible for decision-making on economic, environmental and social impacts.

Following the acquisition of PanAust by GRAM which was completed in July 2015, a reconstituted PanAust Board of Directors reflecting the change of ownership was announced. With Mr Zezhong Li's appointment to Chairman (Mr Li was a Non-Executive Director on the previous Board) and Dr Fred Hess remaining as Managing Director, the new Board retained strong links to the previous Board.

The PanAust Board has a range of skills and competencies including financial and mining qualifications, base metal experience, commercial and financial risk management experience, operational experience, development and construction expertise, capital and financial planning experience, and international development experience in developing countries. The profile of each PanAust Board member can be found on the PanAust website, www.panaust.com.au/directors.

PANAUST BOARD MEMBERSHIP AS AT 31 DECEMBER 2015

BOARD MEMBER	POSITION	DATE APPOINTED
Mr Zezhong Li	Chairman and Non-Executive Director	18 September 2009*
Dr Fred Hess	Managing Director	11 November 2014
Dr Lixin Wang	Non-Executive Director	7 July 2015
Mr Gang Yu	Non-Executive Director	7 July 2015
Mr Qian Deng	Non-Executive Director	7 July 2015
Mr Minzhi Han	Non-Executive Director	7 July 2015

* Mr Zezhong Li was appointed a Non-Executive Director of the previous PanAust Board on 18 September 2009 and was appointed Chairman of the reconstituted PanAust Board on 17 July 2015

The PanAust Board of Directors and the PanAust Executive Management Team are responsible for ensuring effective measures, systems and controls are in place in relation to managing:

- Environmental, community, occupational health and safety, human resources and other sustainability-related issues and incidents that may have material strategic, business and reputational implications for the PanAust Group and its stakeholders.
- Reporting by PanAust in accordance with the GRI sustainability reporting guidelines or other reporting standards approved by the Board of Directors

Periodically, the PanAust Board of Directors visits Company operations and sites to deepen their understanding of the PanAust business and to view business and sustainability activities first hand. In 2015, members of the Board and senior representatives of GRAM visited the Frieda River site with Papua New Guinea officials and the previous PanAust Board.

Image right: Helicopter movements at the Frieda River Project base camp

Throughout the acquisition process, GRAM emphasised its role as an 'asset owner' and that it intended for PanAust to retain its Executive Management Team and the well-established operational and sustainability standards.



Governance *continued*

To maintain leading practice governance standards, PanAust appointed an external Advisory Panel to provide the Board and the parent company, GRAM with high-level independent professional advice and expertise on PanAust-related matters. The Advisors were selected on the basis of their knowledge and familiarity with PanAust and the copper industry, and to provide expertise in the areas of project development, operational management and sustainability issues. Three of the four Advisors on the Panel were members of PanAust's previous Board of Directors, bringing a thorough understanding of PanAust's strengths and essential skill sets to advise on key business objectives and managing challenges.

REMUNERATION STRATEGY

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

Remuneration is linked to quantitative lag and lead targets to measure sustainability performance (15 per cent) at all levels of the organisation to reinforce sustainability within the Company's culture as well as a required outcome.

RECOGNITION

PanAust is proud of its risk and sustainability performance for a company of its size. It has been recognised for its performance at a number of international awards since commencement of production. A full list and description of awards can be found on PanAust's website, www.panaust.com.au/sustainability.

EXTERNAL STANDARDS, PRINCIPLES AND GUIDELINES

PanAust measures its sustainability performance against international standards. PanAust commissions independent audits to evaluate its performance.

The following external standards, systems and principles apply to the PanAust business.

- The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (applied to PanAust's operating assets): www.ifc.org. Through PanAust's annual IFC audit process, the Company aligns to the Equator Principles.
- The Minerals Council of Australia's (MCA) Enduring Value³ which aligns with the International Council on Mining and Metals' (ICMM) Sustainable Development Framework Principles: www.minerals.org.au, www.icmm.com.
- Alignment with the ICMM's Principles on climate change policy design: www.icmm.com.
- The International Cyanide Management Code (the Code) is a voluntary industry program administered by the International Cyanide Management Institute (ICMI) for the gold-mining industry that promotes the responsible use of cyanide; PanAust has been a signatory to the Code since 2011 for its Ban Houayxai Gold-Silver Operation in Laos: www.cyanidecode.org.
- The GRI sustainability reporting framework and guidelines; PanAust reports the GRI indicators that are material to its business as determined through its risk management approach, materiality determination process and feedback from stakeholders: www.globalreporting.org.
- The Voluntary Principles on Security and Human Rights (VPSHR); a set of principles designed to guide companies in maintaining the safety and security of their operations within a framework that encourages respect for human rights; PanAust has been a member company of the VPSHR since 2013 (see page 62): www.voluntaryprinciples.org/.

³ PanAust is an associate member of the MCA and a signatory to its 'Enduring Value – The Australian Minerals Industry Framework for Sustainable Development'. The framework commits companies to upholding fundamental human rights and respecting cultures, customs and values in their dealings with people affected by their activities. As an associate member of the MCA, PanAust is committed to applying operational standards globally that are consistent with Australian operational standards, while accommodating variations as a result of cultural, geographical or environmental circumstances in Laos, Papua New Guinea, Thailand and Chile. Note, full MCA membership requires Australian based assets.



A group portrait of PanAust's Employee Award recipients (teams and individuals) at the ceremony held in Vientiane in May 2015 to mark the occasion

BUILDING A SUSTAINABILITY CULTURE

PanAust's approach to sustainability has its foundations in the Company's Vision and Values, and in *The PanAust Way* (the Company's code of conduct).

PanAust's Sustainability Policy (available on the Company website at: www.panaust.com.au/sustainability) outlines the Company's high-level commitment to workplace health and safety, host communities, preserving and enhancing the environment, and applying ethical business practices and corporate governance standards. The policy includes a commitment to continually improve sustainability management and performance.

Sustainability is implemented through visible leadership and people management, induction and ongoing training and information sessions, strict observance of high-quality corporate governance standards, excellence in financial management, outstanding technical expertise, and supportive processes and systems.

Fourteen Sustainability Standards relating to PanAust's key outcome areas are applied across the business (see PanAust's website for more information, www.panaust.com.au).

Sustainability forms part of the Executive Management Team's Five-Year Strategic Plan and critical tasks for each year. The General Manager Human Resources and Risk Management is the executive-level position with responsibility for risk management and sustainability across the PanAust Group and reports directly to the Managing Director. Each PanAust business unit is provided organisational structural support to manage sustainability through either a professional embedded within the department or a corporate-based role providing the requisite level of support.

The General Manager Human Resources and Risk Management annually facilitates a Risk and Sustainability Workshop with key executives, operational managers and sustainability support staff. The

annual workshop drives continual improvement and Company-wide alignment to the management of material risks and sustainability. The workshops provide the opportunity for sustainability-related activities and progress to be reviewed and challenges to be tabled and discussed. A risk and sustainability plan is formulated at each workshop. Objectives and targets are set for the upcoming year and are subsequently incorporated into Company and individual performance targets and incentives. Performance against these targets is evaluated at the following year's workshop as part of PanAust's continual improvement process. PanAust's 2015 Risk and Sustainability Workshop was held over two days in September in Vientiane (Laos) and was attended by 44 employees. To transfer knowledge and foster a leading-practice sustainability culture across the business, a delegation from PanAust's Frieda River Project in Papua New Guinea also attended the workshop. Additionally, site representatives from three Lao contractor companies attended a 'Contractor Safety' session on the second day of the workshop to ensure supply chain engagement on material safety matters.

Human resources-related objectives and targets are reviewed and set at Human Resource Workshops, also facilitated annually by the General Manager Human Resources and Risk Management. The workshops also serve as a key process to strategically embed PanAust's Vision, Values, sustainability and continual improvement into the Company's operating culture.

The delivery of specific sustainability-related targets is the responsibility of operational line management who are accountable for outcomes as part of the PanAust Group Risk and Sustainability Annual Plan and Individual Achievement Plans.

Governance *continued*

BUSINESS CONDUCT

PanAust is a company with a clear Vision and a strong commitment to growth and high-performance outcomes. To ensure Company activities are carried out legally, ethically, and with integrity and respect the Company has a set of clearly stated and widely communicated values and a code of conduct, *The PanAust Way*; both of which apply to every employee including directors, and business partners including, but not limited to: contractors, consultants, suppliers and service providers working with or for the PanAust Group regardless of their position and location. *The PanAust Way* includes sections on human rights and anti-bribery and corruption. *The PanAust Way* is available on PanAust's website, www.panaust.com.au/corporate-governance. PanAust's Vision, Values and *The PanAust Way* are presented and distributed throughout the Company in English, Lao, Tok Pisin and Spanish. Using examples and story-telling, key concepts are also frequently communicated through the employee newsletter, Panorama to reinforce application of the principles.

Throughout 2015, *The PanAust Way* continued to be embedded into the Company's culture through new-employee induction training.

NUMBER OF EMPLOYEES BY REGIONS TRAINED IN THE PANAUST WAY 2013-2015

	2013	2014	2015
Laos	129	2,773	374
Australia	34	14	17
Chile	0	0	0
PNG	0	59	N/A*
Total	163	2,846	391

* New employees were trained in The PanAust Way during induction; however, centralised reporting systems were not set up to capture data during 2015 and it is therefore reported as 'not available'; it is envisaged that systems will be in place to enable reporting for 2017

PanAust has internal controls and procedures in place to monitor for misappropriation of funds, bribery and corruption, and other code-of-conduct-related issues. Criminal history checks are incorporated into recruitment processes for key positions and security personnel.

In 2015, the Internal Control Management team conducted a number of internal reviews on fraud-preventative controls, project governance standards, delegation of authority limits, and key controls identified for financial risk and capital management. Findings from these reviews are addressed with the Chief Financial Officer.

A small number of non-material incidents relating to breaches of *The PanAust Way* were investigated and confirmed during 2015, and as per Company policy, resulted in the termination of employment and discontinuance of relationships with suppliers where appropriate. Incidents included theft of Company property, and/or workplace behaviours or safety values that were not aligned with the Company's expectations.

ANTI-BRIBERY AND CORRUPTION

Recognising that acts of corruption undermine the effectiveness and legitimacy of government institutions to the detriment of the general public and that such acts are illegal, PanAust strictly prohibits employees, directors and its business partners from making or receiving bribes or corrupt payments.

The PanAust Way sets out the Company's position in relation to anti-bribery and corruption, as well guidelines relating to gift giving, anti-competitive behaviour and compliance with the law. While Australian law has an exception for facilitation payments, PanAust's code of conduct prohibits employees from making facilitation payments.

PanAust employees, directors and business partners must also comply with the laws of the countries in which the Company operates, including Australia, which makes it an offence for Australian companies, citizens and residents to bribe foreign public officials (*the Australian Criminal Code Act 1995 (Cth)*).

PanAust will not use third-party intermediaries to circumvent the application of the Company's strict prohibition of bribery and other corrupt payments.

For 2015, PanAust reports that there were no (zero) instances of Company-related bribery and/or corruption reported to the Board or Executive Management Team. There were no fines or legal actions for anti-competitive behaviour, anti-trust or monopoly practices, nor did the Company attract any significant fines or non-monetary sanctions for non-compliance with law and regulation.

WHISTLEBLOWER STANDARD AND SERVICE

PanAust has in place a Whistleblower Standard and an externally facilitated Whistleblower Service to allow for reporting of any conduct that is contrary to *The PanAust Way*. The Whistleblower Service is available in both English and Lao language; issues can be reported anonymously, and employees are encouraged to use the service. The PanAust Whistleblower Service is also available in Papua New Guinea; plans to improve in-country access to it were progressed in 2015.

PanAust prohibits any form of retaliatory action against anyone for raising a genuine concern or for helping to address such a concern.

In 2015, three matters were reported through the Whistleblower Service. The allegations made related to fraudulent and dishonest behaviour, and general misconduct. By the end of the first quarter 2016, all three matters had been investigated and resolved.

PanAust's Whistleblower Standard is available on the Company's website www.panaust.com.au/corporate-governance.

Issues can be raised via the Whistleblower Service by mail, email telephone and an online form www.panaust.com.au/whistleblower-service.

HUMAN RIGHTS

Human rights are basic rights and freedoms to which all people are entitled. Human rights apply to every person across the globe regardless of their birthplace, age, personal beliefs and/or any other individual attribute. PanAust supports and respects human rights consistent with the Universal Declaration of Human Rights.

Human rights encompass a broad range of issues in relation to PanAust's employees, contractors and suppliers, local communities, business partners and other stakeholders impacted by its operations. The Company understands that to manage human rights risks and realise opportunities, PanAust needs to build collaborative and transparent relationships with these key stakeholders across the mining life cycle. Where available, PanAust uses existing systems and processes for the assessment and management of human rights issues and as a minimum, PanAust meets applicable legal requirements in relation to human rights.

A summary of PanAust's approach to managing human rights is provided below (includes references to examples presented in this Report).

PANAUST HUMAN RIGHTS MANAGEMENT APPROACH

Commitment	<ul style="list-style-type: none">• <i>The PanAust Way</i>• Sustainability Policy• Sustainability Standards• Member Company – Voluntary Principles on Security and Human Rights (see page 62)• Alignment to the ICMM Indigenous Peoples and Mining Position Statement
Assessment	<ul style="list-style-type: none">• Human rights risk assessment• Human rights due diligence• Environmental Impact Assessment• Stakeholder analysis (including indigenous peoples, gender, vulnerable and disadvantaged)
Act	<ul style="list-style-type: none">• Workforce practices and feedback mechanisms• Stakeholder engagement (including disadvantaged groups) appropriate to the project and location context and the IFC Performance Standards (see page 32)• Supplier evaluations and contract clauses related to human rights (see page 24)• Project designs, development and closure consistent with cultural and social values of host communities• Grievance mechanisms, resettlement and compensation protocols (see page 40)• Community Development (including opportunities to enhance the human rights of host communities eg. access to water and improved healthcare, education and livelihood opportunities) (see page 44)• Social and Environmental Management Plans
Check and report	<ul style="list-style-type: none">• Periodic surveys (including socioeconomic, perception, employee surveys)• Periodic audits (including deep dive reviews (see page 28) and annual audits of Laos operations against the IFC Performance Standards, contractor audits)• Internal and external reporting• Whistleblower Standard and Service

In 2015, PanAust recorded no breaches of Indigenous people's or other human rights.

Governance *continued*

SPONSORSHIPS AND DONATIONS

PanAust provides sponsorships and donations to particular programs, organisations or causes that build goodwill in operational areas and/or enhance relationships with key stakeholders.

Sponsorship and donation requests are assessed against the following priority areas:

- Projects located within the countries where PanAust has operating assets or project development
- Activities of national importance and symbolism
- Projects benefiting the people of the Provinces and Districts in which the Company is operating or present
- Projects promoting culture, history, society and ethnic minorities representative of the areas in which the Company operates
- Projects that support relevant sector government agencies' capacity building

In Laos, Australia and Papua New Guinea, Sponsorship and Donation Committees have been established to transparently and consistently assess requests against the priority areas listed above. Decisions are reviewed by an executive in each location.

Details of the sponsorship and donations administered across the Company in 2015 are provided on page 44 of this Report. No financial or in-kind donations to political parties, politicians or related institutions were made by PanAust or any of its subsidiary companies in Australia, Laos, Papua New Guinea, Thailand, Myanmar or Chile during 2015.

For more information about PanAust's approach to managing requests for sponsorship and donations, visit the Company's website www.panaust.com.au/corporate-governance.

SUSTAINABILITY IN THE SUPPLY CHAIN

Building mutually beneficial relationships with suppliers and contractors creates a sense of shared value that benefits the broader community as well as the business.

The PanAust Way along with PanAust's Contractor Management Standard set the minimum expectations for suppliers and contractors in areas including safety, environment, community, human rights and operating with integrity. The safety systems and performance of local contractors in Laos is a material issue for the PanAust business (see page 61).

In 2015, PanAust completed risk profiling of the Company's top-tier (by expenditure) suppliers, which represents approximately 80 per cent of direct supplied goods. The suppliers were risk ranked across a number of categories including safety, environment, compliance, and anti-bribery and corruption. The profiling highlighted that within the top-tier of the supply chain, PanAust predominantly engages reputable organisations whose systems and in-country legislative requirements mean that the ability for PanAust to further influence performance is either not required or is limited.

PanAust procures goods and services locally where practical and based on commercial competitiveness, risk profile and contractor/supplier capacity. Support of local business results in direct and indirect benefits to host communities and regional economies in Laos (see more information on page 41). For this reason, PanAust acknowledges that its greatest supply chain responsibility is at a local level where it has the greatest ability to influence local suppliers and contractors.

PanAust's supply chain improvement activities continue to be focused on supporting local businesses to establish and implement appropriate policies and standards. In 2016, a more in-depth assessment of the material issues and risks associated with PanAust's host country top-tier suppliers will take place including a process to monitor human rights risks within local fruit and vegetable producers.

PRODUCT STEWARDSHIP

In Laos, PanAust produces: copper concentrate, which is sold directly to international smelters or through traders; and gold-silver doré, which is sold to a refinery. The Company maintains an agency agreement with Cliveden Trading to market copper concentrate. Given the volumes of product produced relative to the market, PanAust has limited influence on the end-purchaser or end-product (copper cathode or refined precious metals). When a direct contract is placed with a smelter, due diligence is conducted to provide assurance on the customer's reputation, financial capability, and legal and business structure. Contracts are subject to PanAust's standard terms and conditions.

PanAust's product stewardship approach focuses on the storage and transport of concentrate from mine gate to port through to the delivery of product in such a way that it meets customer specifications and in-country requirements. PanAust owns and operates its own road transport fleet for concentrate movement in Laos. PanAust's management systems and associated auditing processes are integral to the product stewardship approach and they include Global Positioning Satellite (GPS) monitoring and tracking of product, and – to enhance road safety – the use of escort vehicles on high-risk sections of the haulage route.

The market considers PanAust's copper-gold concentrate 'clean' and product metal specifications are put in place as part of contract terms and conditions with international customers.

The Company was in compliance with agreed contract specifications applied to product shipments during 2015. All trace elements, including arsenic, were in compliance with destination country limits. Additionally, PanAust meets customers regularly and did not receive any customer complaints.

For more information about PanAust's product stewardship, visit the Company's website www.panaust.com.au/corporate-governance.

Image right: Haul trucks moving ore from the open pit to the crusher at Ban Houayxai

In Laos, PanAust produces: copper concentrate, which is sold to international smelters or through traders; and gold-silver doré, which is sold to a refinery.



Governance *continued*

RISK MANAGEMENT POLICIES, SYSTEMS AND PROCESSES

PANAUST'S APPROACH TO RISK MANAGEMENT

PanAust recognises that identifying and managing risk is integral to business management, improves the Company's profitability and protects and creates long-term value. PanAust uses risk and incident management systems, and stakeholder feedback combined with auditing and benchmarking processes to proactively identify, evaluate, prioritise and manage risks. The aim is to track and continually improve sustainability performance.

PanAust fosters a risk-aware corporate culture. Materiality and risk tolerance are key considerations in all business decisions. Risk management is embedded throughout the business and mining lifecycle in PanAust's critical activities across all business functions and processes. The risk management framework is also applied when entering or commencing activities in new geographical regions. Risk assessments, and risk management plans are developed to ensure that potential reputation, legal, business, regulatory and political exposures are addressed and have appropriate mitigations embedded into business strategies and plans.

RISK MANAGEMENT POLICIES, FRAMEWORK AND PROCESSES

PanAust's Enterprise Risk Management (ERM) Policy outlines the requirement for an effective ERM system to identify and manage all material risks. The policy is publicly available through the Company website, www.panaust.com.au/corporate-governance.

During 2015, PanAust continued to focus efforts on integrating risk management into all business processes, projects in development, and due diligence activities.

PanAust's risk management procedures include clear criteria for materiality, and guidance on treatment and reporting measures. Procedures align with:

- the International Organization for Standardization's (ISO) ISO 31000 Standard on Risk Management
- the Company's Sustainability Standard 4, Risk and Change Management
- Principle 15 of the Rio Declaration (the Precautionary Principle).

The PanAust Board of Directors carefully considers the level of risk it is prepared to tolerate. The Board receives regular reports from management with respect to the effectiveness of the Company's management of material business risks.

PanAust's Board of Directors is responsible for reviewing, ratifying and monitoring PanAust's systems of risk management and internal controls.

PanAust's Executive Management Team guides corporate risk strategy and provides oversight of strategic issues. It is accountable for implementing the ERM framework and monitoring effective implementation. The Executive Management Team has responsibility for a high-level risk register that identifies key material business risks relevant to PanAust at the Group level. Risk owners present to the PanAust executive team on the management of each of the Company's material risks on an annual basis through a peer review process. In addition, each General Manager has responsibility for departmental or project risk registers and is required to have in place a plan to manage significant risks.

PanAust has a clear process for defining materiality. Group-level risks are defined as an event that results in a consequence Level 5 (or above), evaluated utilising the Company's Extended Consequence Table (available on PanAust's website, www.panaust.com.au/corporate-governance) on the following basis:

- Would the risk be a significant material risk requiring public disclosure?
- Could the risk substantively influence the assessment and decision of stakeholders?
- Could the risk materially change the underlying value of the business?
- Given strong reliance on Phu Kham to fund development opportunities, could a production stoppage at that Operation cause a US\$5 million to US\$10 million impact on cash flow and EBITDA (equivalent to 10-14 days production)?
- By considering impacts on short, medium and long-term production and financial results, and impacts to health and safety, the environment, social outcomes, the Company's regulatory environment and its reputation.



A newly cast gold-silver doré bar at Ban Houayxai

PanAust has identified six Group-level material risks, which include economic, environmental and social risk factors. Areas of non-financial risk factors that have been identified as material or potentially material to PanAust and its stakeholders are addressed in detail in this Report. Financial risks are outlined in PanAust's Annual Report which is submitted to ASIC as a component of the Company's regulatory obligations, and is available to the public on request.

Group-level risks were reviewed by executives in 2015. A process to verify the management of these risks was also completed in conjunction with the PanAust legal team during the off-market takeover offer by GRAM. Risk issues relating to the Frieda River Project are elevated to the Group register given the timing and importance of the Project in the Company's growth pipeline and in recognition that the project design phase provides an opportunity to implement long-term strategic sustainability objectives. Multidisciplinary risk reviews were conducted for incorporation into the Frieda River feasibility study. The Environmental Impact Statement including both environmental and social impact assessments was also well advanced during the year to inform the feasibility study.

PANAUST'S SUSTAINABILITY STANDARDS

PanAust carries out its activities in a manner consistent with international leading practices and in compliance with: the Company's Sustainability Policy and 14 Sustainability Standards; legal obligations (including environmental/social impact assessments for projects); and the IFC Performance Standards on Social and Environmental Sustainability. The requirements and obligations are applied through the Company's Environmental and Social Management Systems, and all PanAust employees and contractors are obliged to operate within these requirements.

PanAust's 14 Sustainability Standards apply across the Group and have been designed to provide a risk-based management system and auditable criteria against which each Operation's performance can be measured and continual improvement implemented.

PanAust's operational performance is regularly assessed against the Sustainability Standards and external commitments. In 2015, a review of the Company's contractor management standard was completed and project governance guidelines for risk and safety developed. The Company's Operations in Laos developed discipline-specific safety standards which will be elevated to Group standards in 2016 and can be applied to other regions where PanAust has development projects and/or potential future operations.

AUDITING AND BENCHMARKING

PanAust has established a corporate review and audit program to support its ERM programs. Some reviews are carried out internally while others require external or independent auditors.

Governance *continued*

2016 SUSTAINABILITY AUDIT PLAN AND 2015 PROGRESS

External/Internal audits	2015 performance	Next audit
ECONOMIC PERFORMANCE		
Group Financial Audit	Completed annually, and disclosed in PanAust's Annual Report to ASIC	2016
External insurance audit	Completed to plan; in 2015, the Company's operational risk exposure was again rated in the low-to-moderate range and continues to be considered better than the global average for the mining industry	2016
SOCIAL PERFORMANCE		
International Finance Corporation audit (Environmental and Social)	Completed to plan; Phu Kham achieved the internal targets of 80%; Ban Houayxai achieved 79% (a year-on-year improvement); four non-conformances were closed out, with only one non-conformance raised in 2015 and an action plan developed.	2016
Socio-economic surveys	Completed to plan in Laos for villages in closest proximity to Phu Kham and Ban Houayxai (see page 39); in Papua New Guinea, baseline socio-economic surveys were completed for Frieda River communities prior to PanAust acquiring the Project. An update to the existing baseline was conducted in 2015	2018
Community Development Fund reviews	Audit not due in reporting year	2017
ENVIRONMENTAL PERFORMANCE		
Phu Kham ARD-External audit	Completed to plan; in 2015, Environmental Geo-chemical International (EGi) undertook an external review of acid rock drainage (ARD) management at Phu Kham and Ban Houayxai with no material issues identified; recommendations from the review have been included in a continual improvement plan (see page 53)	2016
ICMC operational recertification audit	Recertification audit successfully completed Q1 2016; next recertification audit due in 2019 (see page 54)	2019
Tailings Independent Review Panel and annual designers' tailings storage facility safety inspection	Completed to plan; in 2015, the Panel's review confirmed that the site had sufficiently progressed the 2014 recommendations.; an annual dam safety inspection was also completed to plan by the design engineer during the reporting year, with no critical findings recorded (see page 50)	2015
HEALTH, SAFETY AND SECURITY		
Technical safety audits for high-risk activities and/or hotspots	Third-party aviation audits completed for Laos and PNG providers (see page 62); seven internal deep dive audits conducted by PanAust executives for safety hotspots and high-risk activities in the areas of vehicles and mobile equipment, contractor management, working at heights, Voluntary Principles on Security and Human Rights, health and hygiene, and tailing storage facilities	2016
Contractor safety management compliance reviews	13 local contractors prioritised for the audit and inspection program for Laos Operations; a combination of compliance reviews, risk register reviews and inspections were completed	2016
Sustainability Standards internal benchmarking: Phu Kham, Ban Houayxai, Frieda River	Completed in conjunction with IFC and HSE audits in Laos	2016
Projects and Exploration HSE Audits	Completed in December 2014	2017
Independent regional security review	Audit not due in reporting year; completed by Control Risks Group Q2 2016	2016
OUR PEOPLE		
Employee engagement survey	Not due; employee engagement survey completed in 2013 with implementation plans developed and executed in 2014; follow-up survey to be completed within three years	2017

2015-2018 PERFORMANCE AND STRATEGIC TARGETS

PanAust 2015-2018 Targets (includes overarching PanAust targets, and regional and operational targets)				
	Result	Year-on-year trend	Commentary 2015, revised target 2016	Target date
ECONOMIC PERFORMANCE				
Achieve annual production guidance for copper and gold and all-in sustaining cost guidance for Phu Kham and Ban Houayxai	Achieved	Improvement	Annual outcomes for safety, production and costs exceeded budget at both operating sites for 2015. Despite weaker metal prices, PanAust delivered full year above budget NPAT of US\$4.8m (compared to a budget of US\$-2.0m) 2016 Budget is for production of copper in concentrate of 85,200t; gold in concentrate and doré of 183,000oz; silver in concentrate of 852,500oz 2016 all-in sustaining cost budget by Operation is: Phu Kham US\$1.83/lb and Ban Houayxai US\$870/oz	2015-2018
Complete feasibility study, continue to add value to the Frieda River Project	Not due	Improvement	2015 focused on progressing feasibility study for Frieda River	2016
Obtain boundary change to exploration contract area in Laos	In progress	Improvement	A proposal for revised Contract Area submitted, workshops and engagement held with various Government of Laos stakeholders, approvals in progress; reconnaissance programs underway on a number of blocks of interest Approval received to screen a quarter of the country for new targets	2016
Develop a strategy for undertaking exploration in Myanmar	Achieved	Improvement	Following approval by the Government of Myanmar Cabinet and President's Office, PanAust was granted an Exploration Licence covering a 600 square kilometre area in Myanmar 2016 will focus on implementing carrying out geochemical sampling and mapping to identify potential drill targets by year end and establish a permanent office	2017
GOVERNANCE				
<i>The PanAust Way</i> embedded and implemented consistently across each worksite/geographical location	In progress	Improvement	391 PanAust personnel were trained in <i>The PanAust Way</i> in 2015; governance requirements are embedded in contractor engagement processes and the inductions of all new employees and contractors; (see page 22); training systems for PNG being progressed to enable future reporting from Company systems; establish systems and training for Myanmar	2017
2015 Sustainability Report to G4 requirements	Achieved	Improvement	2014 Report achieved G4 Core, 12 months ahead of schedule Target: meet G4 Core criteria for a private company	2017
Update Group Sustainability Standards and roll out	Not due	Improvement	Draft social and environmental standards progressed for internal review; 18 Operational Safety Standards developed Target: implement updated Standards	2017
Integrate Frieda River with PanAust's governance systems and processes as the Project progresses	New	N/A	Group Financial, HR and INX Management Systems progressed in 2016	2018

Governance *continued*

2015-2018 PERFORMANCE AND STRATEGIC TARGETS

PanAust 2015-2018 Targets (includes overarching PanAust targets, and regional and operational targets)				
	Result	Year-on-year trend	Commentary 2015, revised target 2016	Target date
SOCIAL PERFORMANCE				
Receive Government of Laos annual agreement for CDF expenditure plan with 80% of funds committed and spent by year-end	Achieved	Improvement	38 out of agreed 41 CDF projects completed; remainder carried over to 2016 (see page 45)	2016-2018
Implement the ADB water and sanitation project	In progress	Behind schedule	PanAust has capped its contribution to this project at US\$2 million based on strategic review of the Company's Lao projects.	Closed
Develop and implement government affairs strategies, which will include appropriate organisational structures and personnel to enhance and maintain positive relationships in countries where PanAust has a presence as well as community affairs strategies that will enhance and maintain positive relationships in host countries of operation and local communities	In progress	Improvement	Strong government relationships managed within Laos (including MEPA contract area adjustment), progressing Government of Laos Closure Committee), Vietnam (haulage and port), Thailand (haulage and port) and Myanmar.	2018
ENVIRONMENTAL PERFORMANCE				
No Level 3 environmental incidents	Achieved	Improvement	Achieved; no Level 3 environmental incidents; maintain target	2014-2017
Company Erosion and Sediment Standard implemented	In progress	Improvement	Standard rolled out in PNG in 2015 and incorporated into feasibility study design; site-specific plan developed for exploration access track to be implemented in 2016	2016
Environmental impact assessments completed to an international standard and approved for each development program	In progress	Improvement	Frieda River EIS in progress and ready for submission in 2016 in line with finalisation of the feasibility study	2016
Understanding energy and greenhouse gas emissions across the Group with a formalised improvement plan	In progress	Maintained	Fourth report to CDP completed; carbon assessments in place for Lao sites, exploration and regional offices; Operational efficiency plans developed for Laos Operations and business improvement resources in place to support programs; Company recognised in 2015 Australian CDP Awards (see page 56)	2016-2018
Progress closure planning for Laos Operations	New	2018		
HEALTH AND SAFETY				
Zero Levels 4 and 5 incidents	Achieved	Improvement	Target continued	2016-2018
TRIFR <1.35	Achieved	Improvement	Achieved: 0.62 TRIFR	2017

PanAust 2015-2018 Targets (includes overarching PanAust targets, and regional and operational targets)				
	Result	Year-on-year trend	Commentary 2015, revised target 2016	Target date
Target: <1.35 TRIFR	End 2016	Improvement	Draft social and environmental standards progressed for internal review; 18 Operational Safety Standards developed Target: implement updated Standards	2017
Address health and safety hotspots and close out actions assigned to the Senior Management Taskforce on Significant Incidents	Achieved	Improvement	All 92 actions developed by the taskforce to date have been addressed and closed; 48% reduction in moderate potential vehicle incidents and maintained a reduction in high-potential incidents compared to 2014; Taskforce now focused on addressing proactive hotspots and implementation of deep dive findings	2017
Advance Visible Safety Leadership Program	Achieved	Improvement	Leadership development handbook includes safety chapter outlining deep dive requirements; seven deep dives led by general managers and executives and involving a cross-section of relevant employees conducted in 2015 (22 since the program's inception in Q3, 2014); Visible Leadership embedded in PNG	2018
Crisis Management Plan and training in place for each work location with an annual Group co-ordinated simulation	Partially achieved	Improvement	Plans updated in 2015, however simulations were deferred in 2015 for implementation mid 2016; maintain target	2016-2017
Achieve 90% implementation of Group Contractor Management Standard	In progress	Improvement	Contractor Management Standard, framework and supporting documents revised to a Group-level standard and rolled out across Laos and PNG; safety and sustainability criteria embedded into engagement and selection processes; 2015 focused on contractor pre-qualification processes and auditing contractor safety standards; due to a reduction in exploration and minor projects required in Laos, the number of contractors supporting operations have decreased; Laos internal audit program re-invigorated, focused on quality toolbox and HSE meetings, compliance reviews, audits and inspections; maintain target	2017
OUR PEOPLE				
Conduct regular employee engagement surveys and implement findings	Not due	N/A	Last employee engagement survey completed in Q4 2013; actions addressing feedback were implemented in the past two years. A follow-up pulse survey is planned in Q4 2016	2016
Improve Lao-nationals' development to enable promotion into roles previously filled by expatriates	In progress	Improvement	Achieved 90% localisation in Laos including the promotion of 362 Lao-national employees into a range of roles from trade positions through to Management roles; The <i>I'm a PanAust Leader Program</i> to commence in 2016	2017
Improve technical training programs for future growth projects in the Asia region	In progress	Improvement	By the end of 2015, 85% of trade trainees had progressed to the 'trade person level'. As a result additional trainees have been brought in to fill these roles, and additional training will be required in 2016 focused on the new trainees	2016
Roll out governance, HR and training systems in PNG, and develop a HR and Training plan to support the Frieda River feasibility study.	In progress	Improvement	<i>The PanAust Way</i> , corporate policies and a selection of HR standards were translated to Tok Pisin and rolled out; 2015 focused on aligning business systems for PNG including manning, training and development systems (SAP and SuccessFactors), to enable reporting from 2016; HR and Training plan developed as a component of the feasibility study	2018

Social performance

PanAust operates across developing countries where the mining industry is in a position to make a significant contribution to improving the standard of living for current and future generations. The mining sector can provide long-term benefits when individual companies, governments, communities and other stakeholders work together to optimise the economic impact of mineral resources extraction in a responsible manner.

PanAust builds and maintains its licence to operate through robust social performance, underpinned by respectful and ongoing dialogue with stakeholders. The consistent application of PanAust's sustainability systems and processes across the business provides the guidelines, tools and mechanisms to address negative impacts, progress positive impacts and to protect and respect human rights, local cultures and traditions, as well as the environment. PanAust aims to ensure that its presence has an overall positive impact on host communities.

PanAust continues to use the IFC performance standards to annually audit its social performance and the implementation of its international standards of operation. The 2015 audit was the eighth annual audit for Phu Kham and the sixth annual audit for Ban Houayxai.

Host nations and communities obtain enduring benefits from PanAust's operations through: employment, taxes and royalties, goods and services sourced locally, contributions to social infrastructure, training and capacity building, and long-term economic and social development projects.

SOCIAL PERFORMANCE: MATERIAL ISSUES 2015

The PanAust materiality process identified the social performance focus areas for 2015 as:

- STAKEHOLDER ENGAGEMENT AND COMMUNITY RELATIONS
- ECONOMIC VALUE GENERATED
- COMMUNITY DEVELOPMENT
- CLOSURE PREPAREDNESS

Details pertaining to each of these topics follow.

STAKEHOLDER ENGAGEMENT AND COMMUNITY RELATIONS

PanAust seeks to build collaborative and transparent relationships with key stakeholders. Ongoing open dialogue through informed consultation and participation with governments and host communities close to operations and projects enables PanAust to understand issues and identify opportunities for those directly and indirectly affected by its business activities. In this way, the views and concerns of stakeholders can be understood and considered in Company decision-making.

PanAust's engagement processes provide for extensive community participation and respect for traditional methods of decision-making. PanAust respects the principle of free, prior and informed consent (FPIC) to the greatest degree possible in development planning, engagement and implementation while recognising that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation. The PanAust position is consistent with the ICMM's Indigenous Peoples and Mining position statement. During 2015, an Oxfam Report titled *Community consent index 2015 – Oil and Gas and Mining Company Public Positions on Free, Prior and Informed Consent*, benchmarked the commitment of 38 large and mid-tier companies to FPIC. PanAust was noted as one of the three smaller companies that align to FPIC.

PanAust's operations (Phu Kham and Ban Houayxai) and key pre-development project (Frieda River) have in place annual stakeholder engagement plans, which identify the interests and relationships of stakeholders and contain a range of culturally and socially inclusive engagement activities, which are designed in collaboration with stakeholders. Engagement mechanisms aim to enable PanAust to capture the broad views of stakeholders. During 2015, PanAust's stakeholder engagement activities included the following.

- Issue-specific engagement: comprehensive engagement with employees, the Government of Laos and communities in relation to the business efficiency review (announced in early 2015 resulting in a near 10 per cent reduction of the workforce across the PanAust Group) and implementation of the workforce localisation program; engaging communities and the Government of Laos in closure planning, seeking support and agreement for a common closure vision and closure strategy (refer page 48).
- Community development programs: community members, local and district-level authorities are engaged in all stages of the planning, approval and delivery of community development activities.
- Community awareness campaigns: awareness campaigns in villages near operations and projects and along the main haulage routes provide an effective avenue for engagement with government agencies and other stakeholders to reach a large audience on key issues. Campaigns in 2015 focused on HIV prevention, drug awareness and general public safety related to entering the operations.
- Reports: each year, PanAust's performance is comprehensively reported via this document (Business Review and Sustainability Report). An abridged version focused on Phu Bia Mining's activities is provided to key stakeholders in Laos (in English and Lao language).

Image right: Community Development Superintendent, Mr Somsack Duangpanya at a morning market in Nam Mo Village purchasing fresh produce for use at the Phu Kham camp

The mining sector can provide long-term benefits when individual companies, governments, communities and other stakeholders work together to optimise the economic impact of mineral resources extraction in a responsible manner.



Social performance *continued*

Engagement mechanisms provide opportunities for men, women, youth and vulnerable groups to participate in consultation, community development and decision-making processes. Community Affairs staff are employed from the main local ethnic groups enabling culturally effective communication between the Company and community members. Periodic and complementary socio-economic survey data, disaggregated by gender and ethnicity combined with engagement feedback informs community development programs and assists in identifying and prioritising participation by vulnerable groups in their implementation. Phu Bia Mining also annually reports to the Government of Laos on the status of community development projects, which includes data on participation by women, the youth and vulnerable groups in the Company's community development fund program.



A Government of Papua New Guinea delegation during a site visit to PanAust's operations in Laos.

GOVERNMENT ENGAGEMENT

The Government of Laos is one of PanAust's principal stakeholders. A framework of regular scheduled and ad-hoc meetings with officials at central, provincial and district government levels provides important opportunities for dialogue. The Government Relations Team submits monthly and annual reports on Company activities to the government. Officials from key government ministries are represented at both Phu Kham and Ban Houayxai to ensure transparency and mutual understanding, and close and productive relationships at the operational level. The approach builds confidence in the Company's performance.

In 2015, in preparation for permitting the Frieda River Project, the Company established a presence in Port Moresby and appointed a dedicated executive (General Manager Government and Community Relations, PNG), assisted by two Papua New Guinea advisors to support a structured government engagement program.

A Joint Provincial Consultative Committee (JPCC) supports provincial level engagement. The JPCC comprises officials from the Sandaun and the East Sepik Provinces as well as relevant district officials, and national government agencies including the Minerals Resources Authority. The group met three times during 2015 with the meetings providing a forum for project updates, and the discussion and management of emergent issues.

During the year, several high-ranking Papua New Guinean officials visited PanAust's Laos operations to gain an understanding of the Company's operational and sustainability credentials. Visitors included the Governor of East Sepik Province, Sir Michael Somare, and the Governor of the Sandaun Province, Mr Amkat Mai, and the Member for the Telefomin District, Mr Solan Mirisim.

PANAUST'S STAKEHOLDERS AND INTERESTED PARTIES

The Company takes a diverse range of external and internal stakeholder interests and concerns into consideration in business activities. Stakeholders are identified based on the potential impacts of the project on them and their potential impacts on the Company. Stakeholder priority and importance differ across the material issues for each primary and secondary stakeholder group.

Engagement mechanisms are designed to provide stakeholders and other interested parties with an overall awareness of the Company's economic, governance and sustainability performance in addition to focusing on their specific areas of interest. PanAust also maintains sustainability performance information on its website and through Company announcements. The table on pages 36-38 outlines key stakeholder groups, their interests and/or concerns and the issues on which PanAust engaged with them during 2015.

ENGAGING FRIEDA RIVER PROJECT STAKEHOLDERS



PanAust General Manager Government and Community Relations, PNG, Mr Glen Connell (left), with Mr Lebin Ulatemab (right) in Wameimin Village 1 (one of the Frieda River Project's host communities)

At PanAust's pre-development project in Papua New Guinea, a range of engagement activities, aligned with the 2015 Frieda River Stakeholder Engagement Plan, provided local communities and government stakeholders the opportunity to express their concerns and to identify opportunities related to the progression of the Project.

A schedule of visits to the seven host communities and daily radio contact provided important avenues for regular engagement. On a quarterly basis, PanAust hosted a Local Leaders Landowners Forum with representation from the seven host landowning mine-area affected communities. Previously the Local Landowners Leadership Forum included only male representation; however, through a process of engagement PanAust gained agreement from the landowners to have at least one female representative from each village. This has now allowed for issues specifically relevant to women being raised. This forum, as well as a regional forum with government and other stakeholders, provides a formal vehicle for host communities to meet collectively with the Company to discuss Project matters of importance to stakeholders and for the Company to provide regular updates on the status of approvals processes.

Other activities under the Frieda River Stakeholder Engagement Plan, specifically to inform the progression of the environmental and social impact assessment, included the facilitation of social values workshops with host villages. The workshops aimed to capture and understand the social and cultural values of host communities and to reflect these in Project planning.

A comprehensive socio-economic surveying program across the proposed mine area, road and river port infrastructure corridor captured information on the social, economic and cultural environment across 30 communities. Census data for host communities was also updated during the year.

A 2015 Frieda River Project stakeholder engagement highlight was the Sepik River Awareness Program. People from approximately 55 villages were invited to participate in the program, which spanned four weeks and covered a 700-kilometre river corridor. The program was led by key PanAust staff members (both Frieda River Project and corporate) and supported by provincial government representatives and the Minerals Resources Authority. Meetings were held in villages along the Sepik River and included a PanAust presentation and video followed by an interactive question/answer time. Meetings were held in a central location to ensure broad participation by community members including women and youth.

PanAust also developed its internal Social Licence to Operate Strategy, which builds on the social values workshops, surveys and data gathered from other engagement activities during 2015. The Strategy identifies areas where the Company could support the sustainable development of local communities and will be progressed with community and government stakeholders during 2016.



Community Affairs Manager, Mr Geoff Callister talking to local communities about PanAust and the Frieda River Project during the Sepik River Awareness campaign

Social performance *continued*

STAKEHOLDERS AND INTERESTED PARTIES

Stakeholder group	Engagement mechanisms in 2015	Engagement priorities
PRIMARY STAKEHOLDERS		
Employees	<ul style="list-style-type: none"> • team meetings (daily, weekly, monthly) workshops and one-on-one interaction • monthly information sessions (corporate) including financial and quarterly results • induction, training programs and awareness videos • workplace representatives committee • employee briefings, tool box talks, posters on site, engagement events and employee awards • Company-wide newsletter, Panorama and Intranet, videos • Fair Treatment Process of appeal • Whistleblowers Service 	<ul style="list-style-type: none"> • health and safety, Cardinal Rules (safety rules) • change in ownership and business structure • operations and project development • workforce localisation • business efficiency review • employment terms and conditions • mentoring, training and development • contributions to communities and environmental performance
Local landowners and host communities	<ul style="list-style-type: none"> • consultation and participation to inform engagement and business activities and community development initiatives • community consultation and information meetings • community partnerships • grievance and response processes • Community relations team presence in communities • internet • participation in community and cultural events • site visits 	<ul style="list-style-type: none"> • PNG and Chile development project status and planning • Laos closure planning • change in ownership and business structure • community development programs • local employment and business opportunities • safety, environment and security • land use • water use and quality • cultural protection and awareness • capacity building
Parent company, GRAM and Board of Directors	<ul style="list-style-type: none"> • board and scheduled meetings • reporting (monthly, quarterly, annual) • delegations and workshops • correspondence • site visits 	<ul style="list-style-type: none"> • long-term investor value and growth pipeline • consistent financial returns and strong operating discipline • funding strategy for growth • safety and environmental, social and governance (ESG) performance, good stakeholder relationships • approach to risk management • governance mechanisms, strategy and practice • executive remuneration
Project lenders (finance)	<ul style="list-style-type: none"> • scheduled meetings • site visits • provision of audit report results • tailored responses to queries 	<ul style="list-style-type: none"> • long-term investor value and growth pipeline • change in ownership and business structure • consistent financial returns, ability to service debt and strong operating discipline • funding strategy for growth • safety and ESG performance and good stakeholder relationships • approach to risk management

Stakeholder group	Engagement mechanisms in 2015	Engagement priorities
PRIMARY STAKEHOLDERS		
Joint venture (JV) and/or equity partnerships	<ul style="list-style-type: none"> • management committee meetings; ie. joint venture, Board and shareholder • technical meetings • tailored responses to queries • site visits 	<ul style="list-style-type: none"> • consistent financial returns, ability to service debt and strong operating discipline • governance mechanisms, strategy and practise • change in ownership and business structure • JV expenditure, project progression, tenement requirements and statutory obligations • technical project aspects and risk management • ESG performance, and good stakeholder relationships • disclosure requirements for JV partners
Governments	<ul style="list-style-type: none"> • programmed and ad-hoc meetings and agreements with local, regional, provincial and central/national government representatives and officials • joint initiatives with government for community development • site visits • tailored responses to queries 	<ul style="list-style-type: none"> • PanAust Values • change in ownership and business structure • permitting, and exploration renewals • progression of project approvals • environmental compliance/management • economic contributions and community development • local employment and workforce localisation • health and safety and ESG policies and performance • closure planning
Smelters and refineries	<ul style="list-style-type: none"> • regular communication with PanAust marketing • technical support regarding use • handling and safety benchmarking • site visits • product stewardship initiatives • tailored responses to queries 	<ul style="list-style-type: none"> • reliability of supply and product quality • logistics and product stewardship • cost and delivery • safety and ESG performance and good stakeholder relationships
Contractors and suppliers	<ul style="list-style-type: none"> • request for proposal processes • delivery of services • quoting • contract modifications • vendor letters • tailored responses to queries • participation in Company workshops 	<ul style="list-style-type: none"> • standards and expectations; ie. product stewardship,safety, and ESG expectations • business opportunities • expense and payment processes (local suppliers) • product and pricing information • risk management

Social performance *continued*

STAKEHOLDERS AND INTERESTED PARTIES *CONTINUED*

Stakeholder group	Engagement mechanisms in 2015	Engagement priorities
INTERESTED PARTIES		
Industry associations	<ul style="list-style-type: none"> • association meetings • committee participation • joint initiatives • presentations and correspondence • site visits • benchmarking visits to peer organisations 	<ul style="list-style-type: none"> • legislation • education • best practice • health and safety and ESG standards and performance
Media	<ul style="list-style-type: none"> • one-on-one interaction with journalists, press releases • Company announcements • hosted site visits • proactive responses when errors in factual reporting 	<ul style="list-style-type: none"> • change of ownership • business efficiency review • project development status • climate change • community development • economic, health and safety and ESG performance
NGOs	<ul style="list-style-type: none"> • provision of Company information to inform industry reports • meetings 	<ul style="list-style-type: none"> • partnership opportunities • ESG performance • community development and support • gender and human rights • risk management • health and safety performance
Capital market participants (including investment banks, debt, equity and independent analysts)	<ul style="list-style-type: none"> • meetings and industry forums • tailored responses to queries 	<ul style="list-style-type: none"> • general industry performance and ESG benchmarking • change in ownership • facilitating business opportunities • future potential listing



A flag-raising ceremony during the 2015 Lao National Day celebrations at Phu Kham; the Company hosted an event attended by staff and guests from host communities (including school students, pictured here), military representatives and government officials

COMMUNITY RELATIONS

Mechanisms are built into PanAust's business practices to monitor the impact of Company activities on affected communities and key stakeholders, and to evaluate engagement and development activities to enable continual improvement. The Company's Operations conduct periodic socio-economic surveys of household heads and community leaders to better understand issues and community living standards⁴. The various surveys provide an important mechanism to build an understanding of the needs and expectations of host communities to inform priorities and initiatives, and to assess the extent that stakeholders believe their concerns are effectively addressed.

The most recent survey, conducted in 2015, covered the three villages in closest proximity to the Company's operations; namely Nam Gnone and Nam Mo near to Phu Kham and Nasaysavang near to Ban Houayxai. The survey results reinforced the importance of realigning the Company's community development fund program to focus on these villages in the lead up to and post-closure (per recommendations made in a 2014 independent assessment).

PanAust's recruitment strategy to employ locally supports the management of community issues. For example, Lao-national employees in front-line community liaison roles understand cultural and linguistic nuances within the local area, which strengthens community engagement outcomes. Furthermore, cross-cultural awareness training is provided through induction training to employees and contractors to ensure a common understanding of and respect for host communities. A one-day cross-cultural training course is also held for expatriate and supervisory personnel; participants have the opportunity to share their own culture with others in the class.

PanAust's electronic reporting and corrective action event management system, InControl Software (INX) captures all engagement activities, feedback, complaints, grievances and commitments, allowing the identification of trends, monitoring and management reporting.

⁴ Baseline socio-economic surveys were originally conducted at communities near Phu Kham (2005), Ban Houayxai (2010) and Phonsavan (2012). Follow-up household surveys were conducted at Phu Kham (2007, 2008, 2010, 2012 and 2015) and at Ban Houayxai (2012 and 2015).

Social performance *continued*

REQUESTS, COMPLAINTS AND GRIEVANCES

During 2015, 65 requests and invitations were processed by PanAust in Laos; predominantly relating to participation in community awareness activities.

REQUESTS AND INVITATIONS 2015

	2013	2014	2015
Requests and invitations	113	129	65

PanAust has in place community grievance mechanisms at its Operations and for the Frieda River Project. Grievance mechanisms are designed to meet the intent of Principle 31 of the United Nations Guiding Principles on Business and Human Rights. Mechanisms are:

- legitimate, predictable, equitable and transparent
- culturally appropriate and based on dialogue and engagement
- accessible
- rights-focused
- accountable (with monitoring and evaluation, disclosure and annual reporting).

A practical example of how the mechanism aligns with Principle 31 is contained in PanAust's 2014 *Business Review & Sustainability Report* on page 50.

During 2015, PanAust had no disputes relating to Indigenous people and customary rights.

Substantial progress was made in 2015 to progress the close out of long-term grievances associated with sediment and land impacts in Laos requiring permanent compensation to be agreed. By year end, all but one grievance was resolved; this was subsequently closed out early in 2016.

PANAUST COMPLAINTS AND GRIEVANCES 2015

COMPLAINTS AND GRIEVANCE MEASURE	2015 GRIEVANCES	CARRIED OVER FROM PREVIOUS YEARS	TOTAL CASES ADDRESSED IN 2015
Number of grievances	12	3	15
Number of affected households	13	73	86
Close-out rate (by cases resolved in full)	12	2	14
Close-out rate (by affected households)	13	15	28
Process agreed (cases to be carried over)	0	1	1*

* this grievance was resolved in early 2016



School students at Ban Phonekeo Primary School in Laos where PanAust has contributed to classroom and facility improvements

COMPENSATION, RESETTLEMENT AND LIVELIHOOD RESTORATION

PanAust aims to design work sites in such a way to avoid involuntary resettlement. This approach is consistent with the IFC Performance Standards 5 and 7: *Land Acquisition and Involuntary Resettlement and Indigenous Peoples* regarding resettlement of Indigenous peoples on communal lands.

PanAust does not currently have operations or projects in Laos that involve resettlement.

The Company has in place protocols and procedures to avoid involuntary physical relocation and minimise the negative impacts of economic displacement related to business activities through planning, participative land access and acquisition practices, transparent compensation and livelihoods restoration approaches.

The Company is committed to implementing a compensation process ensuring that Project Affected People are compensated fairly for loss of assets and/or production by maintaining, at a minimum, pre-impact standards of living, housing and livelihoods. Physical and economic displacement is managed using the Company's Compensation Standard, Grievance Management Procedure, and Consultation and Community Engagement Procedure. The Standard aligns with Lao regulations and international standards, such as those from the IFC and ICMM. The requirements for compensation become more prescriptive as the degree of impact increases. When significant impacts occur at the household level (that is, more than 20 percent of household production), Lao regulations require livelihood restoration rather than cash compensation.

Compensation is paid in a transparent manner at an agreed and documented schedule of rates, via the grievance management process. Compensation rates are calculated based on market price surveys, provincial agreements and in consultation and/or with approval from local government and community leaders. During 2015, resolution was reached with stakeholders on all outstanding compensation agreements across operations and projects. Excepting one, all payments were made in 2015 with that outstanding paid in early 2016.

In 2015, a total of US\$182,401 was paid in compensation and remediation for economic livelihood impacts related to land.

COMPENSATION PAID 2015 US\$

	2013	2014	2015
Amount	418,886	419,636	182,401

ECONOMIC VALUE GENERATED

PanAust recognises its ability to make a positive social and economic contribution to the communities, regions and countries where it operates. The Company's philosophy is that wherever it operates, it collaborates with local authorities and communities to improve the socio-economic livelihood of the region.

PanAust has contributed to the Lao economy in many ways, including:

- revenues from copper, gold and silver sales and payments of royalties on such sales
- profit tax and other payments such as tenement rental fees to the Government of Laos
- salaries paid to employees and salary taxes to provinces
- training and skills development
- capital expenditure in exploration and project development and project operating costs, particularly through payments to Lao suppliers of goods and services
- investments in community development programs through community development funds
- payment of dividends to the Government of Laos as a 10 per cent shareholder in Phu Bia Mining
- investment in regional infrastructure including roads, water and sanitation
- sponsorship and donations
- local procurement of goods and services.

To serve PanAust's Laos-based activities, where appropriate, the Company engages local companies (Lao and international companies based in Laos). In doing so, PanAust takes into consideration commercial competitiveness, risk profile and contractor capacity to provide a service in a safe and responsible manner.

PanAust makes a significant contribution to the economy of Laos at community and national levels through its operational activities and the Government of Laos' 10 per cent shareholding in Phu Bia Mining.

To date, approximately US\$1.37 billion has been invested into Laos (this represents the expenditure on physical assets and exploration areas located in Laos). This figure includes PanAust's 2015 expenditure of US\$1.79 million towards public road infrastructure and maintenance along the Company's logistic route and regional roads in proximity to the Company's operations (since 2006, public road infrastructure expenditure by PanAust in Laos is more than US\$55.7 million). Improvements and maintenance of the PKM haulage route have benefited 11 villages with a combined population of 16,000 people, providing faster access to markets and public services including hospitals and schools for local people.



Frieda River Project Community Affairs Officer, Ms Alice Golo purchasing produce in Sokomin Village for use at the Frieda River Project base camp

Social performance *continued*

Total Phu Bia Mining activity, taking into account investments and in-country operating expenditure, accounted for over 3.4 per cent of Laos' real gross domestic product⁵ (GDP), of US\$12.7 billion in 2015.

This investment does not take into account the indirect impacts of the Company's presence, for which there is a widely accepted and typical multiplier effect of around 2.5 from mining projects in developing countries⁶ such as Laos.

During 2015, PanAust's other economic contributions to Laos included:

- payment of US\$161 million to Lao suppliers of goods and services
- contributed approximately US\$51 million to the Government of Laos (see table opposite)
- contributed to capacity-building programs and activities at district, provincial and central government levels
- employed 3,276 people in Laos; by year end, 90 per cent were Lao-nationals, with 18 percent of total employees in Laos coming from local villages (adjacent or in close proximity to PanAust's operations)

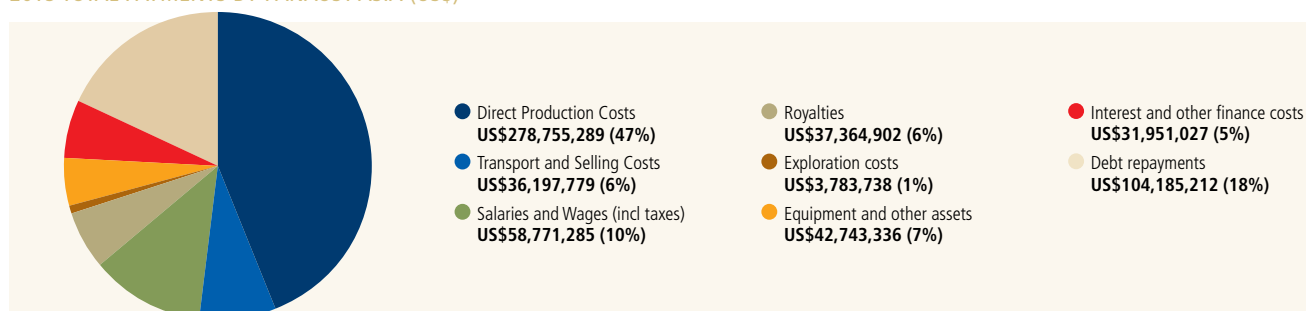
- administered a sponsorships and donations program in Laos (in addition to the community development program), donating US\$157,000 to a wide range of recipients through cash and in-kind donations
- Phu Bia Mining continued to work with the Asian Development Bank (ADB) on plans to implement water and sanitation projects with US\$2 million provided to the ADB in 2013/2014. Phu Bia Mining has informed the ADB and the Government of Laos that the Company has capped commitments at US\$2 million based on a strategic review of its community development programs in Laos.

Phu Bia Mining revenues of US\$658 million for the sale (and export) of copper, gold and silver in 2015 represent 21 per cent of total Lao goods exports (US\$2,928 million).

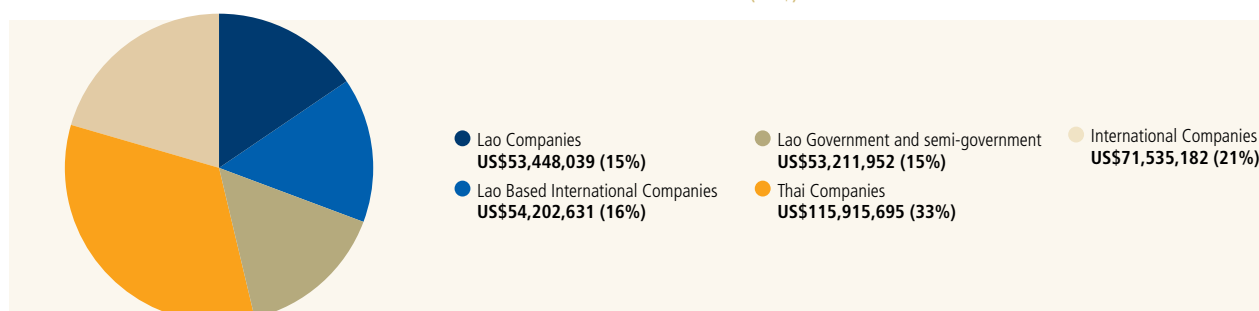
5 Based on the 'expenditure approach' of calculating GDP where GDP can be derived as the sum of all final expenditures, changes in inventories of finished goods, work-in-progress and raw materials, and the value of exports of goods and services less the value of imports of goods and services. In this context, final expenditures comprise final consumption expenditure and gross fixed capital formation. These expenditures are equivalent to final demand and the measure is commonly referred to as GDP-expenditure approach.

6 Sources: ICMM publication, *The role of mining in national economies*, 2012; World Bank and IFC Publication, *Large mines and communities: forging partnerships, building sustainability*, 2002

2015 TOTAL PAYMENTS BY PANAUST ASIA (US\$)



2015 TOTAL EXPENDITURE ON GOODS AND SERVICES BY ASIA BUSINESS UNIT (US\$)



DIRECT ECONOMIC BENEFIT TO GOVERNMENT OF LAOS US\$

DESCRIPTION	2013	2014	2015
Payroll tax	5,639,250	5,471,544	4,693,289
Customs excise (import service fee)	2,610,753	1,846,134	2,783,729
Profit tax (income tax)*	26,328,549	8,234,855	1,181,761
Royalties	45,092,563	35,373,609	37,364,902
Concession fees	58,961	58,961	58,961
Value added tax paid upfront	20,767,931	15,419,985	14,217,138
Value added tax deducted from profit tax*	-20,767,931	-15,419,985	- 14,217,138
Fuel import duty and excise tax	2,447,888	5,113,335	7,587,348
Fuel import duty and excise tax deducted from profit tax*	-2,447,888	-5,113,335	- 7,587,348
Cross border tax paid upfront		78,023	899,079
Cross border tax deducted from profit tax*		-78,023	-899,079
Dividend	4,150,000	4,310,000	4,800,000
Total contribution#	83,880,075	55,295,103	50,882,643

* In accordance with the MEPA, PBM is exempt from value added tax and all import duties and excises and these are offset against profit tax in the year in which they are incurred; for the years 2014 and 2015, these payments exceeded profit tax payable and accordingly are treated as a prepayment against future profit tax

The year-on-year decrease in direct economic benefits to Government of Laos is largely driven by a decrease in Profits tax related to the decline in commodity prices during the past three years

DISTRIBUTION OF PANAUST GROUP REVENUE 12 MONTHS TO DECEMBER 2015 US\$

REGION^	OPERATING COSTS BY REGION	EMPLOYEE WAGES AND BENEFITS BY REGION	PAYMENTS TO PROVIDERS OF CAPITAL BY REGION	PAYMENTS TO GOVERNMENT BY REGION
Laos	429,224,316	58,771,286	16,229,054	50,882,643
Thailand	1,077,415	139,208	0	0
Vietnam~	0	0	0	0
Chile	1,616,132	2,244,657	7,640	315,019
Myanmar	255,235	3,882	33,605	0
Papua New Guinea^	0	0	0	311,604
Australia	6,553,134	21,392,586	50,465	837,515
Total	438,726,231	82,551,619	16,320,764	52,346,781
Group revenue*				677,545,032
Group economic value retained#				138,764,656

^ Operating costs only; does not include capital projects; note for PNG, with the exception of taxation payments to government, costs are capitalised against the Frieda River Project

~ PanAust does not incur employee wages and benefits for Vietnam as personnel in this region are engaged as contractors

* Sales revenue, derivative gains/losses and other income

Group economic value retained calculated by Group Revenue less Group operating costs, employee wages, payments to providers of capital; and income tax (only paid in Laos – refer to 'Direct economic benefit to Government of Laos' table above) as other payments to government are included in Group operating costs and employee wages

Social performance *continued*

COMMUNITY DEVELOPMENT

PanAust's community development program aims to make meaningful contributions to building long-term community capacity thereby empowering people to determine and progress their own development priorities beyond the life of the Company's mines. All operational, project and major exploration sites support community development projects.

PANAUST TOTAL COMMUNITY DEVELOPMENT CONTRIBUTIONS US\$ MILLIONS

CONTRIBUTION*	2013	2014	2015
Community development Laos	0.923	0.528	# 0.348
ADB contribution (see page 42)	1.000	1.000	-
Community development PNG	-	0.028	0.063
Community development Chile	0.222	0.169	0.105
Sponsorship and donations Laos	0.235	0.229	0.157
Sponsorship and donations PNG	-	-	0.001
Sponsorships and donations Myanmar	-	-	0.020
Sponsorship and donations Australia	0.06	0.078	0.001
Total contribution	^2.44	2.032	0.700
PanAust adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)	272	194	169.8
Total contribution as a percentage of EBITDA	^0.90%	1.047%	0.412%

* Year-on-year contributions are not explicitly determined by the Company consolidated profit position and includes a range of factors such as Company presence, impact, local capacity and dependency levels as communities mature; this table does not include in-kind and administration contributions towards community priorities or the purchase of locally produced consumables such as food

2013 and 2014 contributions incorporated both significant carry-over and additional discretionary spending to accelerate priority social infrastructure projects, see page 56 of PanAust's 2014 Business Review & Sustainability Report

^ The total contribution and percentage figures for 2013 have been adjusted from those published in PanAust's 2014 Report to reflect a calculation correction

In Papua New Guinea, the Company contributed US\$63,000 to community development programs with an emphasis on improved health and education services and outcomes. Health assistance was delivered in the form of ongoing collaboration between Telefomin District Health, the Papua New Guinea Baptist Church Health Services and the Project focusing on the seven mine area landowning communities increased accessibility to health services. Examples of activities included the provision of National Supplementary Immunisation Activities, the delivery of Community Outpatient Clinics, medical evacuations and referrals of patients to regional health facilities, and the completion of a baseline tuberculosis survey in these villages. Education assistance was delivered in cooperation with Telefomin District Education and the boards of various local schools. Activities included provision of materials for maintaining and upgrading infrastructure, logistics support to teachers and their families, and school fee assistance for students.

Given the remoteness of the Project and host communities, delivery of these programs involved significant additional in-kind costs associated with use of site-based helicopters to deliver the services to the communities; including assisting students with travel from remote villages to attend school, and emergency response for those in need of critical medical attention (refer page 62).

During the year, sponsorship of US\$1,050 was also provided to the Zonta Breakfast Club of Brisbane towards the cost of packing birthing kits for distribution to women in developing countries, to assist the provision of a clean and safe birth. One of the main recipients of the birthing kits is Papua New Guinean remote communities. Representatives and their families from the Brisbane Office participated in the day where almost 15,000 kits were packed. The birthing kit holds supplies to meet the seven basic requirements (namely, a sheet, soap, gloves, cord, scalpel and gauze) for a clean birth and potentially saves the life of a mother and baby in a rural or remote community.

In Chile, PanAust reduced its on-the-ground exploration presence at Inca de Oro as no material site activities are currently planned. Nonetheless, the Company continued to fund medical support valued at US\$105,000 to the townspeople of Inca de Oro. The local community greatly values this support. In 2015, because of unusually heavy rains in the Atacama, in-kind support was also provided to assist the Inca de Oro community with the provision of building materials and food. Regular engagement occurs between PanAust personnel, community leaders and regional authorities.

In Myanmar, in response to widespread flooding throughout the country during the 2015 wet season, PanAust made a US\$20,000 donation to the Myanmar Red Cross Services as part of the Company's initial corporate social responsibility obligations in the country. The funds contributed to infrastructure reconstruction activities within the Sagaing Division, the location of PanAust's Exploration Licences, following the declaration of the region as a disaster zone by the Government of Myanmar. As part of its broader sustainability commitments, PanAust is assessing other socially responsible projects that fit within its host-community development priorities of capacity building and promoting economic independence.

COMMUNITY DEVELOPMENT IN LAOS

In Laos, community development projects are managed in partnership with local communities and closely coordinated with local government authorities. In 2015, community development funds (CDFs) were in place at Phu Kham, Ban Houayxai and KTL with Memoranda of Understanding between PanAust and the Government of Laos defining coordination and management arrangements. CDF planning follows a process that begins with community-led needs assessments and a review of the socio-economic situation in each community. Consultations are held with local government authorities to ensure alignment with national development strategies and goals, and to avoid duplication with existing or planned government initiatives. The Company and local government jointly approve the finalised annual community development plans. This approach distributes benefits appropriately and aligns with government and/or aid agencies working in the region.

In 2015, a total of US\$433,000 was budgeted for CDF activities in Laos: Phu Kham, US\$311,000; Ban Houayxai, US\$84,000; KTL, US\$38,000. The KTL budget was significantly less this year in line with the scaling down of activity associated with the Project.

In the three years prior to 2015, PanAust's community development in Laos was focused on establishing key programs and building support infrastructure; activities that required significant financial investment. Given the maturity of the programs by 2015, the Company's community development activity progressed to strengthening capacity within community members. This shift in focus aims to ensure communities are ready to independently identify, scope and progress community development programs as PanAust's presence in the region reduces.

CDF programs in Laos in 2015 comprised 41 small-scale projects across rural communities directly and indirectly affected by PanAust's activities. Focus areas were education, health, agricultural development, microfinance and infrastructure. A total of US\$348,090 was expended on CDF projects in Laos during the year. The construction of a new secondary school near Phu Kham was delayed due to poor weather resulting in approximately US\$100,000 carried over into 2016.

COMMUNITY DEVELOPMENT FUND TOTAL EXPENDITURE IN LAOS US\$

	2013	2014	2015
Expenditure	*922,701	527,757	*348,090

* Included a large number of carry-over projects from 2012 as well as proposed projects in future years accelerated to deliver priority infrastructure such as water facilities in communities near operations

US\$100,000 carried over to 2016

LAOS COMMUNITY BENEFITS SNAPSHOT SINCE 2008



The healthcare centre in Nam Gnone Village

Since 2008, PanAust has invested more than US\$3.8 million in host communities through the CDF programs.

- New or improved water supply systems in 15 villages
- Construction or expansion of 19 schools, improving access to education for almost 1,700 students
- Assisted with the supply and installation of more than 1,229 latrines
- Community centres and/or villages offices established in 9 villages
- Microfinance savings and credit funds set up in 12 villages; with 2,225 people being members by year end 2015
- Healthcare centres constructed in three local villages
- US\$4.3 million in income generated for local communities through the purchase of vegetables, drinking water, eggs, cloth bags, fruit and fish for use/consumption at the Operations and site camps

These contributions support the districts and provinces in Laos as they strive towards the Sustainable Development Goals to reduce poverty and achieve improved numeracy, literacy, health, sanitation and development outcomes.

Social performance *continued*

The following section provides an overview of the Company's contribution to projects across the areas of education, health, infrastructure, enterprise development and access to financial services in Laos.

CONTRIBUTIONS TO EDUCATION

Educational opportunities are limited in many of the rural communities near PanAust's operations in Laos. Although most villages have a primary school, facilities are basic, classrooms can be overcrowded and teachers over-extended. During 2015, the Company contributed US\$130,286 towards initiatives designed to increase access to education and the quality of learning within communities near to its Operations. Programs for the year included professional development training focusing on the latest teaching methodologies for primary teachers (in the Anouvong and Longxan districts), adult literacy and numeracy, and the provision of furniture at Meuang Long village. Infrastructure funding support continued to be provided to enhance and maintain school facilities across communities (further detail is provided in 'Infrastructure provision' on page 47)

COMMUNITY HEALTH

Poor health is a significant problem in many rural communities in Laos. Contributing factors include a lack of quality healthcare services, poor hygiene and sanitation practices, limited health awareness, low rates of childhood immunisation and poor nutrition. In 2015, in addition to previous Company-established health clinics, PanAust contributed US\$91,195 to community development health initiatives in Laos including the following:

- Monthly health clinics across the villages of Nam Mo and Nam Gnone attended by 1,068 residents during the year.
- Forty school visits to conduct hygiene and sanitation awareness activities and free dental check-ups for primary and secondary students near Phu Kham and Ban Houayxai; 3,894 participants benefited from these programs.
- Four mother and child maternal health education programs were conducted involving 528 participants from across twelve local villages near Phu Kham.
- Twelve community health personnel attended capacity building to enhance their knowledge on the treatment of various conditions including pneumonia, general first aid and diarrhoea.
- Materials and equipment to support the improvement of patient transportation and inter-hospital transfers in the Thaphabath District, which lies near to the town of Thabok on PanAust's logistics route in Laos.

INTERPLAST



The Interplast team at work in Phonsavan

Since 2012, PanAust has contributed approximately US\$200,000 in sponsorship and the provision of in-kind travel and accommodation to deliver the not-for-profit, Interplast Australia and New Zealand program in Laos. The program provides life-changing surgical treatment to people who would otherwise not have access to such services. Each year, a two-week program has been run from the Lao-Mongolian Friendship Hospital in Phonsavan, a town in Xieng Khuang Province where PanAust's KTL Project is located. The Women's International Group has each year supported the program.

The 2015 program provided consultations to 91 people of whom 62 were selected for surgery. With some patients undergoing more than one surgery, a total of 74 procedures were carried out to rectify conditions such as cleft palate or cleft lip and/or burn contracture.

To ensure the reconstructive surgery skills and services in Laos endure, building capacity within key local personnel is also an essential part of the program. As such, each year the visiting Interplast team works alongside and trains in-country Lao medical professionals to build their knowledge, skills and experience enabling them to work with confidence and, in the long term, independently.



A Village Savings and Credit Fund meeting in Nam Mo Village

INFRASTRUCTURE PROVISION

PanAust has made significant contributions to various forms of infrastructure in Laos, including medical facilities, education and building infrastructure, road development and maintenance, and water and sanitation systems. Expenditure for infrastructure projects is disclosed within the education, health, and enterprise development sections of this Report. The Company delivers infrastructure projects as much as possible in partnership with governments and local communities. Under this 'community-constructed infrastructure' model, PanAust procures the materials for the project, and local community members build the infrastructure themselves (where appropriate) with supervision from the local authority and Phu Bia Mining personnel.

Infrastructure projects delivered in 2015 included several near Phu Kham: a gravity-fed water supply improvement program at Ban Xieng Mee; maintenance funding for the repair of village infrastructure at Nam Mo and Nam Gnone; and construction of a secondary school at Nam Mo, which is due for completion in early 2016.

Infrastructure projects completed in villages near to Ban Houayxai in 2015 were: construction of a community centre at Phonsavang; extension to the village office in Nasaysavang; school building improvements at Phonekeo, Ban Lak 24, Namon-neua and Ban Ngiew; construction of a community market at Nasaysavang to support economic development by enabling the local trade of goods, services and produce; and provision of a maintenance fund for village infrastructure in Nasaysavang that delivered improved water and sanitation facilities and a new latrine for the health clinic and primary school office equipment.

ENTERPRISE DEVELOPMENT (SUPPORTING LOCAL BUSINESSES)

PanAust aims to build long-term capacity in communities through economic development and to contribute to strengthening community resilience, rather than developing economic dependency. Through community development initiatives and local purchasing and investment, PanAust has developed community capacity to maintain infrastructure and grow local business enterprises.

Agriculture is an industry where local communities and farmers can build on their existing capabilities to supply PanAust's operations while providing for the expansion of enterprise opportunities. The Company strives to source products and/or services locally and/or regionally.

In 2015, through the CDF programs, PanAust contributed US\$91,553 towards agriculture capacity-building programs. The funding helped deliver training to improve crop quality and diversity of yields as well as animal husbandry capacity building. The case study on page 49 demonstrates how agricultural capacity building is contributing to improved livelihoods.

Throughout 2015, small community businesses collectively generated over US\$1,013,390 of revenue for local families producing consumables such as vegetables, drinking water, eggs, cloth bags, fruit and fish.

INCOME GENERATED FROM SMALL BUSINESS INITIATIVES US\$

	2013	2014	2015
Total	1,020,587	972,552	1,013,390

Social performance *continued*

ACCESS TO FINANCIAL SERVICES

Since 2010, the Company has assisted 12 local communities to establish microfinance schemes through the Village Savings and Credit Funds (VS&CF) thereby empowering local communities – in particular, women – through enterprise development.

The VS&CFs provide access to savings and loan facilities that are not otherwise available in rural areas for its 2,225 members. Members take loans to support a variety of small-scale income generating activities as well as to cover household expenditure such as education and healthcare. Village-level management committees provide oversight of the schemes, supervised by a District Supervisory Committee headed by the Lao Women's Union.

In 2015, US\$227,557 in savings was deposited into the Fund by participating members and a similar amount was released in loans. The average payback rate for loans throughout the year was 96 per cent.

PanAust expended US\$35,056 to support the committees with capacity building, supervision and monitoring during 2015. The District Supervisory Committee undertook regular monthly monitoring of the VS&CFs and an internal audit during the year. These governance mechanisms ensure that the VS&CFs remain in strict compliance with the regulatory and administrative requirements of the scheme.

In 2015, in partnership with Banque Franco Lao, PanAust installed Automatic Teller Machines (ATMs) in the three villages nearest to the Company's two mines in Laos and commenced electronic transfer of salaries. Company and bank personnel were based at the facilities to assist the community with adjusting to electronic funds management and learn consistent and conservative cash withdrawal habits. While providing convenience and security for employees, the initiative is expected to increase financial activity in the area with flow-on benefits for local small-business operators and create a long-lasting legacy of banking services in the region.

CLOSURE PREPAREDNESS

Closure planning is a strategic issue for PanAust. While mine closure is several years into the future for existing operations in Laos, it is recognised as good practice to establish dialogue with stakeholders early and to align operational commitments with post closure outcomes during operations. The Company is cognisant of the need to ensure that host communities in closest proximity to the activities are supported to build capacity and skills to plan for and manage post-closure issues as well as to capitalise on opportunities presented by this phase.

During 2015, mine closure plans were prioritised for the KTL Project and other exploration activities around the town of Phonsavan. These projects are unlikely to be developed in the current economic climate. Extensive stabilisation and rehabilitation works were the focus of activities, in addition to maintenance works on the Houay Nahking sediment structure. A passive wetland system was also successfully implemented in the LCT Valley to support the final stages of closure of the Heap Leach Gold Operation, which was decommissioned in 2010.

Over the next three years, closure plans for the Laos Operations will progressively become more detailed and specific through an iterative process of consultation and review, focused on achieving a feasibility study level of detail in each plan.

The Company continued to engage in dialogue regarding the impacts of closure, post-closure land use and other closure-related issues primarily with the Government of Laos and host communities.

PanAust has in place an internal closure committee, which meets regularly to progress closure planning with management representation from across the business.

Material social performance closure matters progressed in 2015 and which will continue into 2016 include the following:

- Strengthening the engagement, planning, capacity-building and awareness of closure planning with the Government of Laos and communities; including the likely timing and potential impacts and opportunities.
- Continuing to implement the closure committee with the Government of Laos, including developing and refining a strategy around infrastructure and end land use.
- The closure committee met twice in 2015 (once at Phu Kham with the second meeting being a field visit to MMG's Sepon Project in southern Laos).
- Refocus community development activities and the CDF to align with closure and villages in closest proximity to operations; for Phu Kham, the CDF will prioritise Nam Gnone and Nam Mo, and Ban Houayxai will focus on Nasaysavang.
- Finalising permanent and temporary land compensation issues across Operations and exploration sites and rehabilitating and returning the LCT Valley to agricultural production.

The agricultural and business development case study on the following page provides a practical example of the partnership between the Government of Laos, communities and Phu Bia Mining to support local farmers transition to a more sustainable post-operations agriculture and small business development model.

ARTISANAL MINING

The risks of artisanal small-scale mining (ASM) to PanAust's operations in Laos were independently assessed in 2014 as well controlled with a low to medium risk profile. With a reduced exploration presence in 2015 and rehabilitation of several exploration areas in progress, the Company's ASM risk exposure would now be considered low.

In 2015, Phu Bia Mining continued to implement a proactive monitoring program for ASM activity on the Nam Mo River upstream of the Phu Kham Operation. During the year, eight inspections were completed with the Government of Laos. ASM monitoring will continue to be conducted at Phu Kham in the lead up to closure.

In Papua New Guinea, a baseline assessment for the Frieda River Project found that ASM is the main alternative source of income for some mine area communities. The baseline has been used to inform the Project's layout and to minimise impacts to this important alternate livelihood. The study also identified several opportunities to support capacity-building within the local community to better manage ASM that will be considered for further support with the Project's development.

CASE STUDY:

Agricultural livelihood



Mrs Onta and her husband, Mr. Khampheang Thannavong at their thriving vegetable garden in Nam Mo Village

Agriculture and farming are the main occupations in PanAust's key host communities of Nam Gnone, Nam Mo and Nasaysavang in Laos. The Community Development Fund (CDF), therefore, places significant emphasis on agricultural development.

Mrs Onta and her family are residents of Nam Mo Village who were originally classified by the Government of Laos as a very poor family. In 2008, the Village Committee selected them and other families in a similar situation to participate in a range of agriculture development training courses supported through the Phu Bia Mining CDF.

Mrs Onta said that the training sessions helped her to understand how to grow and rapidly increase vegetable crop yields using the latest production techniques.

"At the same time, the training motivated me to love hard work at the vegetable garden, and to know how to make money from vegetable cultivation," Mrs Onta said.

"Before the CDF agricultural programs from Phu Bia, we could just grow enough food for the family's consumption only.

"The CDF programs changed the habits of local people from subsistence living by providing capacity-building to support agriculture as a permanent occupation. After the training courses, we could sell produce that was surplus to our requirements in the market."

The livelihood provided through agriculture has enabled Mrs Onta's family to reduce the poverty status of her family one step at a time.

She said, "My family is no longer in poverty, and we now have sufficient food for consumption."

The income from vegetable trading has allowed the family to construct a permanent house in the village, provide for the education of Mrs Onta's children and, importantly, to also save and invest for the future.

Mrs Onta knows that for her family to be self-sufficient beyond the life of Phu Bia's mines, her family will need to continue to extend the vegetable garden to supply more produce at the markets to meet the demand from other customers. The family has recently purchased more land to enable vegetable production expansion. They also plan to construct a restaurant to provide additional income for the family.

PanAust is working with the Government of Laos and communities to develop the next phase of the CDF. For agriculture, it is proposed that the CDF focus on supporting the development of access to sustainable trade markets and capacity-building in farming practices for garden and livestock production to increasingly reduce reliance on the Company in the lead up to and post-closure.

Environmental performance

PanAust respects the natural environments in which it operates by: preventing and minimising pollution and promoting the efficient use of natural resources; including reusing and recycling waste; minimising release of contaminated emissions to air, land and water; and progressively rehabilitating land.

Baseline studies, Environmental and Social Impact Assessments (ESIAs) and annual IFC audits are used in conjunction with internal risk management processes to identify and prioritise PanAust's environmental risk profile. During 2015, PanAust continued to progress the development of the Environmental Impact Statement (EIS) for the Frieda River Project in Papua New Guinea.

PanAust assesses and manages environmental risks associated with all business activities from exploration to development, throughout operations and into closure. Environmental risks are managed through the Environmental Management System (consistent with ISO14001) which includes Sustainability Standards, procedures, and management and monitoring plans for each site. Progress against management and monitoring plans is assessed at regular intervals. For key material issues, external audits and/or detailed reviews of performance are undertaken (for example, for tailings and waste rock management).

The Company recognises that an environmentally aware workforce is integral to achieving high standards based on continual improvement. Each year, PanAust delivers environmental awareness training programs to employees and contractors working at operations in Laos including through inductions.

PanAust encourages the reporting of all incidents as it reinforces a risk-aware culture and ensures minor issues are investigated and appropriately addressed. Incidents are recorded and processed (followed up and closed out) through INX. This process enables corrective actions to be managed and trends identified to assist in avoiding repeat occurrences where possible.

In 2015, PanAust had no significant environmental incidents, complaints, spills, penalties, fines or non-monetary sanctions for any legal non-compliance.

ENVIRONMENTAL PERFORMANCE: MATERIAL ISSUES 2015

PanAust's materiality process identified the main environmental challenges for PanAust in 2015 as:

- TAILINGS AND WASTE ROCK MANAGEMENT
- WATER MANAGEMENT
- SEDIMENT AND EROSION CONTROL
- CYANIDE MANAGEMENT
- LAND REHABILITATION AND CLOSURE
- ENERGY AND CARBON MANAGEMENT
- AIR QUALITY EMISSIONS

Details pertaining to each of these topics follow.

TAILINGS AND WASTE ROCK MANAGEMENT

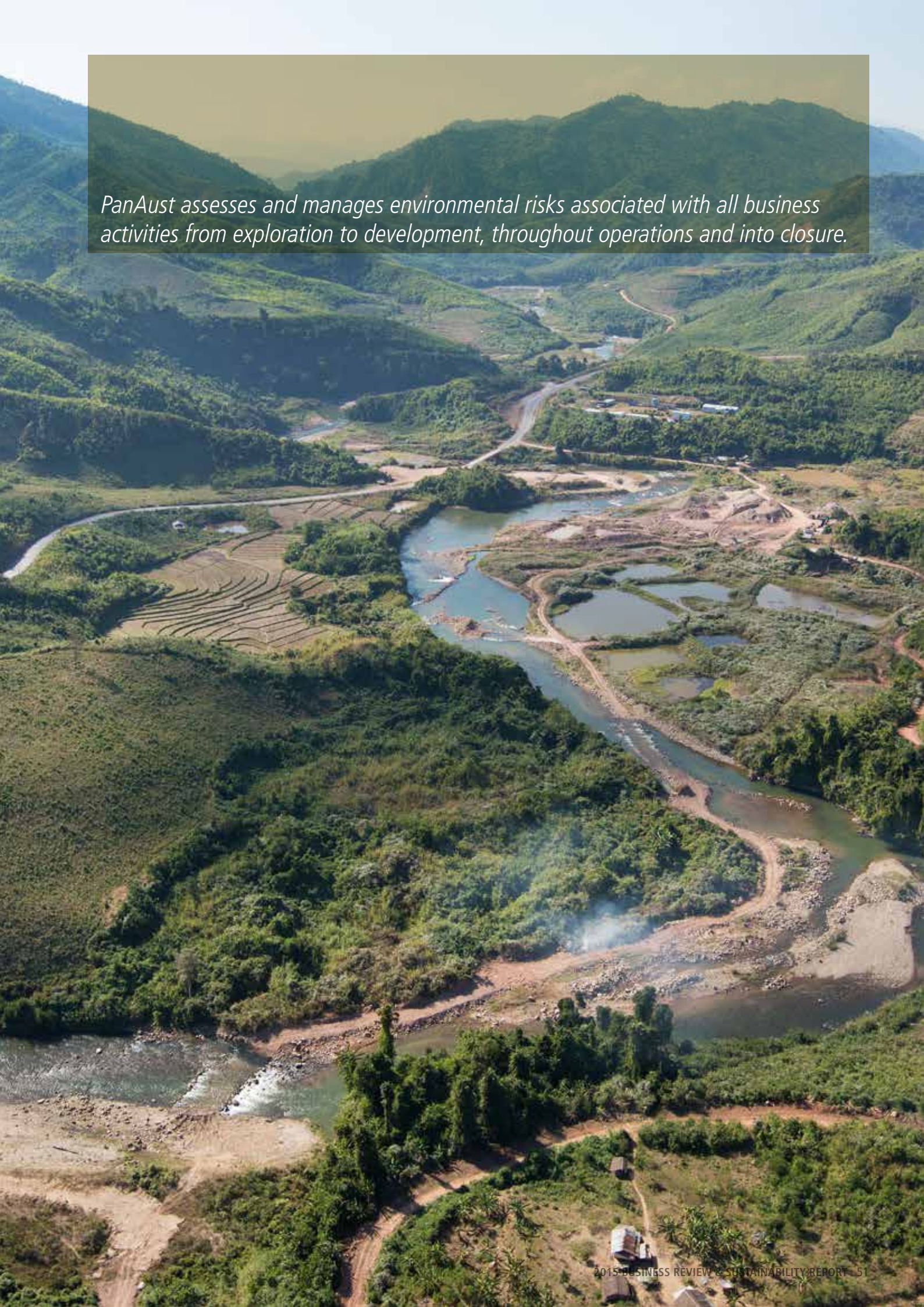
Tailings and waste rock management continues to be the most significant short- and long-term environmental risk for PanAust. The management of acid rock drainage (ARD) at Phu Kham is a key focus due to its exposure to this risk. The management of tailings is significant due to the quantity, metalliferous nature, and fine sediment to be managed.

PanAust operates two purpose built tailings storage facilities (TSF), one for each of its mines in Laos. Each is designed and constructed using a risk-based approach that accounts for the best life of mine and closure management strategy. The Phu Kham TSF is used to dispose of waste rock and tailings. The Ban Houayxai TSF is used to dispose of tailings.

PanAust recognises that TSFs can represent a material risk and therefore require wide-ranging management and governance processes to be implemented throughout the life of each facility. The key safety governance measures that are in place with regards to the management of PanAust's TSFs include the following.

- Daily, weekly and monthly inspections and monitoring by trained PanAust employees reporting to a site-based civil engineer.
- Quarterly inspections by PanAust's corporate Tailings Engineer.
- Detailed Dam Design for each construction period by the Design Engineer (Knight Piésold).
- Annual Dam Safety Inspections by the Design Engineer (Knight Piésold).
- Periodic reviews by the Tailings Independent Review Panel (TIRP), which consists of two industry-leading tailings and geotechnical specialists. The period of review is determined based on performance of the facility and planned construction activities. Each year, the TIRP review includes physical inspections of the Phu Kham and Ban Houayxai TSFs. The Panel reports its finding to a PanAust Tailings Review Committee reporting to the Managing Director. Overall, the review findings were positive with no significant deficiencies identified.

Image right: the Nam Mo River catchment upstream of the Phu Kham tailings storage facility

An aerial photograph of a river valley. The river flows from the top center towards the bottom right. On the left bank, there are terraced agricultural fields. On the right bank, there is a large area of cleared land with several small ponds or reservoirs, and some industrial or processing structures. The surrounding hills are covered in dense green forest. A semi-transparent text box is overlaid in the upper left quadrant.

PanAust assesses and manages environmental risks associated with all business activities from exploration to development, throughout operations and into closure.

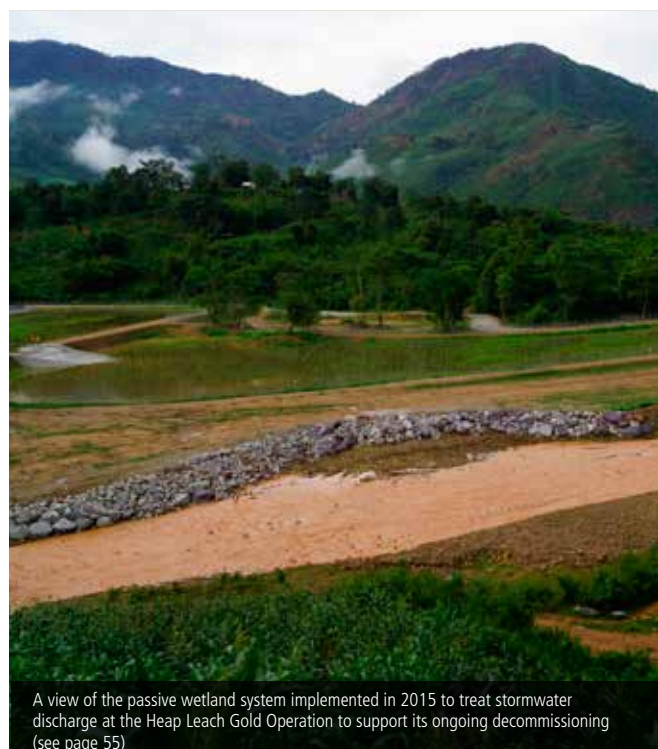
Environmental performance *continued*

In addition, during 2015, members of the PanAust Tailings Review Committee completed a deep dive into key elements of the Company's Tailings Stewardship practices in Laos. The audit confirmed a high level of compliance. Following the audit, it was decided that third-party, five-yearly comprehensive Dam Performance Audits will also be included into the audit schedules for PanAust's dams.

TAILINGS/WASTE ROCK QUANTITIES (TONNES) FOR PHU KHAM AND BAN HOUAYXAI

	2013	2014	2015
Waste rock (total)	24,579,700	38,361,951	45,155,118
Red waste rock*	4,865,160	4,028,062	7,361,862
Tailings	22,336,130	23,010,966	23,786,834

* Red waste rock is defined as high-risk, potential acid-forming waste



WATER MANAGEMENT

PanAust recognises that water resources need to be managed responsibly to meet operational requirements (including for processing ore) while limiting impacts on receiving environments and communities. In Laos, there are mine-water run-off challenges associated with the operations being located in steep mountainous terrain within a tropical climate that has distinct wet and dry seasons.

On a regular basis PanAust assesses and manages water risks through internal risk management processes. Further details of water risks and opportunities can be found in PanAust's submission to the CDP's Water Program available at www.cdp.net. PanAust has participated in this program since 2012.

PanAust's operations have detailed water balance models and implement associated water management and monitoring programs. Overall, there is a net positive water balance. However, water management requires close attention to ensure that it is used efficiently, and that appropriate holdings of water are maintained and discharged as necessary in a controlled manner throughout the wet and dry seasons.

Both Phu Kham and Ban Houayxai discharge excess water from their TSFs as part of ongoing operations. During the 2015 wet season (May to October), water management measures at Phu Kham and Ban Houayxai performed well. The controlled discharge from both TSFs was monitored by Company environment personnel as well as Government of Laos officials with results assessed against World Bank/IFC and Lao ambient water-quality guidelines, as well as background water-quality conditions.

In 2015, occasional exceedances of total suspended solids (TSS) occurred during the wet season following peak storm events. Triggers are in place to investigate these non-conformances. A number of actions have been implemented and others are being evaluated. Further work continues to be undertaken to establish site-specific guidelines for TSS particularly considering wet-season peak storm events and associated ambient environment TSS levels.

In 2015, at the Ban Houayxai TSF, there were occasional exceedances of nutrients, which continue to be investigated.

CASE STUDY:

Waste rock management



The tailings storage facility at Phu Kham

Acid Rock Drainage (ARD) has the potential to introduce acidity and dissolved metals into water, which can be harmful to receiving communities and environments. The effective management of ARD is essential from the early stages of mine planning through operations and closure.

At PanAust's Phu Kham Operation, the management of ARD commenced well before mine operation, with sulphur modelling undertaken as an integral component of ore-body modelling and mine planning processes. The sulphur modelling allowed for detailed characterisation of rock types based on their acid-forming potential which informed the development of an integrated ARD life of mine plan. The ARD management plan provides strategies for the identification, control and monitoring of mine waste and is kept up-to-date with any relevant changes in sulphur modelling. Within the plan, waste rock is classified and managed in accordance with the following categories:

- Blue waste rock*: limestone OR non-limestone lithologies with non-acid forming potential and acid-neutralising capacity; can be used anywhere on site
- Green waste rock: non-acid forming potential; can be used anywhere on site
- Amber waste rock: low acid forming potential; suitable for placement in purpose built cells in the tailings embankment wall
- Red waste rock: high acid forming potential; deposited within the catchment of the TSF and is progressively submerged below a water cover to prevent any environmental risk

On a day-to-day operational basis, mining operations at Phu Kham use a real time, Global Positioning Satellite (GPS) equipment management system (Jigsaw) to ensure that specific waste rock types are directed to the correct destination on a truck-by-truck basis.

High-level governance of ARD management is provided through PanAust's ARD and Sediment Management Committee. The Committee comprises internal management and external ARD specialists, who check that management strategies are effective in minimising ARD generation during construction and that placement of waste and will continue to be effective long after mine closure.

ARD has been identified as a potential post-closure issue for the Phu Kham pit. EGi has developed a pit geochemical model to inform the life-of-mine plan and final pit shell design to minimise requirements for active water treatment. Based on the current life-of-mine plan, the model indicates that water quality from the pit post mine closure should be manageable with a low level treatment.

Consultant reviews of the ARD management at both sites confirm that the programs for managing ARD risks at Phu Kham and Ban Houayxai are highly developed and are consistent with methods described in the Global Acid Rock Drainage Guide.

* Blue waste was added as a new category in 2015 based on data from performance reviews

Environmental performance *continued*

WATER USAGE AND DISCHARGE (MEGALITRES/YEAR*): PHU KHAM, THE HEAP LEACH GOLD OPERATION*, BAN HOUAYXAI

	2013	2014	2015
Fresh water domestic use	124	216	276
Fresh water to process	8,378	8,660	8,821
Total water use in process	55,899	53,663	61,275
Recycled water to process	47,521	45,004	52,453
Operational wastewater discharged[^]	75,704	96,063	26,700
Percentage of recycled water	85	84	86

* Production at the Heap Leach Gold Operation ceased in April 2010, however water continues to be detoxified from the heap leach as part of the mine closure plan

Measured by water meters or other estimation techniques

[^] Detoxified water from the decommissioned Heap Leach Gold Operation, and Phu Kham and Ban Houayxai TSF (Ban Houayxai discharge commenced in mid-2013)

While water use at PanAust's operations is significant, the vast majority is recycled. Approximately 95 per cent of water used at Phu Kham is drawn from a recycled source; the balance is drawn from the Nam Mo River and used for domestic purposes and specialised cooling systems in the process plant.

Total recycled water to the Phu Kham processing plant increased in 2015 due to the increased volume of ore milled and the different quality of ore (high clay content) that was encountered during the year.

Total operational wastewater discharge volume reduced significantly in 2015 due to the requirement to retain specified water cover levels within the TSFs.

Water recycling is limited at the Ban Houayxai Operation due to geographical constraints requiring the TSF to be located in a different catchment remote to the site's process plant. Some internal water recovery and reuse occurs within the process plant area; however, this is not measured at this point in time.

SEDIMENT AND EROSION CONTROL

Erosion control and sediment management are significant challenges for PanAust's mining operations and exploration activity given the mountainous, high-rainfall setting of Laos. Landslides within the vicinity of the mines are a common occurrence particularly in areas where agriculture or development activities have taken or are taking place.

PanAust recognises that erosion control and sediment management needs to be considered through the entire project lifecycle from land clearing through to closure. The Company's ARD and Sediment Management Committee provides guidance on erosion and sedimentation issues at its Lao Operations and exploration sites. The Committee is guided by PanAust's Sediment and Erosion Control Standard. The standard requires a risk assessment to be conducted prior to disturbance and the development of site-specific erosion and sediment control plans.

PanAust's land clearance process is the tool that is used to identify and manage erosion and sedimentation risks from land disturbance

activities. The land clearance process includes land clearance permits, the requirement for risk assessment, checklists and proposed mitigation measures to be outlined as part of land clearance proposals. Once cleared, areas are managed and monitored through site-based environmental procedures.

During 2015, work continued in planning and implementing sediment and erosion control improvements across the Group. In Laos, the focus has primarily been on the prevention of erosion through improved ground surface stabilisation and revegetation. At the Frieda River Project in Papua New Guinea, where an exploration access track is being developed, the focus has been on risk assessing land clearing activities, and developing environmental mitigation and monitoring plans.

CYANIDE MANAGEMENT

The Ban Houayxai Gold-Silver Operation uses cyanide in the processing circuit for gold and silver production. PanAust recognises that the use of cyanide for precious metal extraction is a sensitive issue and that stringent operating and environmental controls are necessary to ensure the safe transportation, use and disposal of cyanide and cyanide-related products.

The International Cyanide Management Code (the Code), administered by the International Cyanide Management Institute (ICMI), is a voluntary program for the responsible manufacture, transport, and use and disposal of cyanide in the production of gold. The Ban Houayxai Operation was designed according to the standards of the Code and received pre-operational certification to the Code in 2012, and operational certification in March 2013. PanAust conducts annual internal audits to ensure that it continues to maintain high standards of operation. PanAust underwent a successful third party recertification audit in January 2016, and was in full compliance with the Code.

PanAust's audit reports and signatory status can be viewed on the ICMI website, www.cyanidecode.org/signatory-company/panaust-limited.

PanAust recognises that the ongoing management of cyanide risks is dependent upon a trained, competent, cyanide-aware workforce. The site-based Emergency Response Team has been trained to respond to cyanide incidents. Cyanide transportation activities are undertaken by an appointed Code-certified transporter and the site continues to host cyanide-awareness sessions with communities along the Ban Houayxai transport corridor.



Rehabilitation and Sediment Control Supervisor, Khounphayvanh Konesavathdy overlooking a rehabilitated area at Phu Kham .

Of the many elements of Ban Houayxai that were designed and constructed to exceed and improve upon Code requirements, perhaps the most notable is the plant's detoxification circuit. The circuit produces tailings slurry that contains less than the internationally agreed 13 safe level of cyanide for solutions discharged to the environment. As such, prior to leaving the plant and before entering the TSF, cyanide levels are already better than international water quality standards to enable discharge of excess water to the environment.

More information about PanAust's approach to cyanide management can be found on the Company's website, www.panaust.com.au/environment.

LAND REHABILITATION AND CLOSURE

The progressive rehabilitation of land and appropriate closure planning is essential for ensuring that end land-use meets stakeholder expectations and environmental requirements.

Both the Phu Kham and Ban Houayxai Operations have plans in place to reclaim and progressively rehabilitate land to a standard which aims to minimise ongoing environmental impact and maximise use during and after mining and ore processing. Both Operations have nurseries to propagate native seedlings for use in rehabilitation. Annual programs to rehabilitate land are incorporated into each site's operating plans. PanAust recognises that in most cases, achieving full rehabilitation will take several years.

PanAust considers closure planning at all stages of each project's lifecycle. Where significant risks are posed by ARD, PanAust's operations are designed to minimise long-term closure risks. The Company has in place a Closure Standard, Closure Cost Estimation and Provision Standard and the Closure Stakeholder Engagement Plan which set out the closure requirements for sites.

Phu Bia Mining's Closure Committee provides oversight of the closure planning process and stakeholder engagement strategy. The committee is supplemented by technical consultants as required.

Closure plans are in place for Phu Kham, Ban Houayxai and the Heap Leach Gold Operation; these are supported by financial provisions. To support closure planning and stakeholder engagement, conceptual closure flyovers (3D visualisations) have been developed.

LAND DISTURBANCE AND REHABILITATION (HECTARES)*

	2013	2014	2015
Land disturbed and not yet rehabilitated (opening balance)	1,378	1,378	1,362
Land disturbed in reporting year	25	35	31
Land rehabilitated in reporting year	25	51	14
Total land disturbed and not yet rehabilitated (closing balance)	1,378	1,362	1,379

* Includes Phu Kham and Ban Houayxai

PanAust has established a joint Rehabilitation and Closure Consultative Committee with the Government of Laos. The committee is a structured engagement forum that aligns the Company's longer term social and rehabilitation programs with community requirements following mine closure.

Decommissioning of the Heap Leach Gold Operation continued in 2015 with the design, construction and commissioning of a wetland system to treat stormwater discharge from the site. A targeted program to flush the pad of low-level residual copper continues and is showing good results. The process is expected to continue for several years until passive discharge criteria through the wetland are achieved. During 2015, extensive monitoring of the downstream river system confirmed that excess water discharged in the wet season was within ambient limits. Human health and environment risk assessments are planned in 2016 to inform final closure options for this site.

Closure plans and provisions are reviewed and updated annually across the business.

Environmental performance *continued*

ENERGY AND CARBON MANAGEMENT

PanAust supports the ICMM principles for climate change policy design, and recognises that minimising human-caused climate change is an important international goal. The topic is of increasing interest to many of the Company's stakeholders given the potential business impacts particularly in relation to water availability and extreme weather events.

PanAust is committed to improving energy efficiency at its operating sites and addresses the potential physical impacts of climate change through established operating and contingency plans. Systems are in place to manage water risks associated with extreme weather events at each site and PanAust has flexibility in its logistics chain with regards to haulage routes and port access. PanAust has contingency plans in place for key materials in the general supply chain and maintains appropriate contingent stock levels.

PanAust's operating sites have annual energy and carbon emissions inventories. Both operational sites use a combination of direct and indirect energy sources to carry out their activities, predominantly diesel and grid electricity sourced from hydropower.

As a substantial consumer of energy, PanAust focuses on annual efficiency programs that reduce energy requirements. Some of the key projects implemented in 2015 included:

- increased truck payloads for concentrate haulage
- new concentrate haulage fleet
- mine fleet haulage path optimisation and commissioning of 'Tahi's Tunnels' (see page 57) to reduce distance travelled by mining fleet.

PanAust's Operations in Laos continued to maintain their Caterpillar 5-star contamination control rating (see page 14). The work that is in place to achieve this rating is significant for greenhouse gas emissions savings, particularly in terms of reduced materials consumption. Specifically, the efforts involved in achieving five stars has led to reduced oil consumption and extended replacement/rebuild life on the mine fleet.

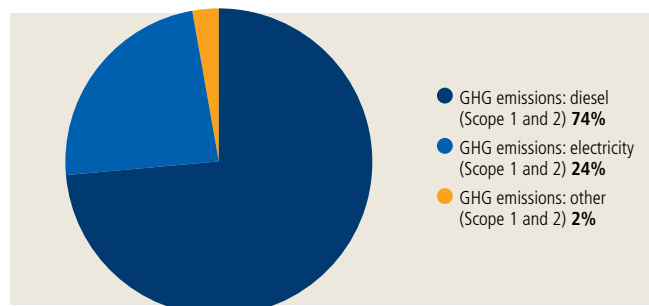
ENERGY CONSUMPTION (GIGAJOULES)

MATERIAL	2013	2014	2015
Diesel	2,480,192	2,370,023	2,532,529
Electricity	2,013,407	2,060,562	2,135,805
Petrol	1,319	720	346
LPG	6,498	6,413	6,638

Each year, PanAust reports in relation to its carbon programs and climate change risks via the Carbon Disclosure Project (CDP). In 2015, PanAust received the Most Profitable Carbon Reduction Activity at the 2015 CDP Australian Climate Leadership Awards. The Award recognises an array of energy efficiency initiatives that PanAust has put in place at its operations in Laos that have delivered significant cost savings. It was also the second year running that PanAust was included in the CDP ASX Climate Disclosure Leadership Index (Top 20 Index) for its carbon disclosure.

For the most up-to-date details regarding PanAust's climate change risks and opportunities and energy efficiency projects, go to the CDP

2015- SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS BY ENERGY SOURCE



website and search for 'PanAust' www.cdp.net.

More information about PanAust's approach to carbon management can be found on the Company's website, www.panasut.com.au/environment-managing-environmental-challenges.

GREENHOUSE GAS EMISSIONS (tCO₂-e) *

GREENHOUSE GAS EMISSION SCOPE*	2013	2014	2015
Scope 1 (direct greenhouse gas emissions)	186,878	181,450	185,829
Scope 2 (indirect greenhouse gas emissions from the generation of purchased electricity)	54,522	55,788	57,820
Scope 3 (greenhouse gas emissions from the broader project lifecycle including materials used, travel and transport)	229,425	242,925	254,407

* Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol

Emissions include Phu Kham, Ban Houayxai, exploration and offices

PanAust is committed to identifying and managing energy and climate change risks at the Project stage. Prefeasibility studies are required to consider conventional and renewable power options and operations and logistics are required to consider resilience strategies for the physical impacts of climate change.

Increases in Scope 1, 2 and 3 emissions from 2014 to 2015 (outlined in the above table) are attributed to increased production at Phu Kham and Ban Houayxai, and associated material movements.

Lessons learnt from Laos are being incorporated into the design of the operational and logistical aspects of the Frieda River Project in Papua New Guinea. Studies for the Project have considered renewable energy sources, including hydropower as part of the proposed integrated storage facility. Given the Project's remote location and the riverine logistics corridor, building resilience into the transport route is a material consideration for the Project. Baseline studies have been conducted to select construction and operating strategies for the logistics corridor, and river and ocean port locations that provide flexibility during variable weather conditions.

AIR QUALITY

Mining, processing, and the haulage of product and the transportation of goods to and from PanAust's sites are activities that generate air emissions. PanAust recognises the importance of assessing and managing risks associated with air quality emissions.

Dust continues to be the most common air quality issue of concern to the communities adjacent to the Phu Kham Operation as well as the communities along the Company's transport routes in Laos. The main issue of concern relate to the visual impacts of dust particulates on vegetation and community infrastructure.

Dust at the Phu Kham Operation is generated from activity on haul roads, the ore stockpile, blasting, drilling and excavating, and ore dumping at the primary crusher.

The Company works to limit dust by minimising land disturbance, carrying out road watering, using filters and dust suppression equipment on drills and conveyor systems and transporting product in covered vehicles. The progressive bitumen sealing of the concentrate haulage route has been a significant control.

An internal dust management forum and dust management plan are established at Phu Kham. A Trigger Action Response Plan is used to manage acute dust emissions issues. In 2015, improvements to the dust sprinkler system were implemented on the conveyor system immediately prior to the coarse-ore stockpile.

Ambient air quality monitoring is regularly conducted in communities adjacent to the Phu Kham Operations and haulage route. Personal exposure monitoring is also conducted in the workplace.

Dust monitoring results in the communities around the Phu Kham site have indicated occasional short-duration non-compliances with IFC/ World Health Organisation standards during the dry season.

In 2015, PanAust commissioned external consultants to provide an initial assessment of potential impacts of dust derived from activities at the Phu Kham Operation on the health of the local community. The findings will be used to refine the monitoring program in a targeted manner to improve and minimise nuisance dust impacts derived from the mine.

MINE HAUL ROUTE OPTIMISATION



The first trucks moving through Tahi's Tunnels at Phu Kham in December 2015

Mine haul truck movements – including movements from the mine pit to the processing plant, waste dump and tailings storage facility (TSF) – at Phu Kham account for approximately 82 per cent of PanAust's Scope 1 greenhouse gas emissions. Mine haul truck movements will continue to dominate the carbon inventory as the pit deepens and increases haulage distances for ore and waste movements.

In 2015, as part of an ongoing effort to reduce energy consumption across the business, two projects were implemented at Phu Kham to optimise the waste haulage route: Tahi's Tunnels and the Super Highway. Combined, the two innovations have delivered a shorter, more direct route from the pit to the TSF. Up to 550 metres laterally and 20 metres vertically have been cut from the route; reducing waste haulage time by six minutes, which equates to an overall 10 per cent reduction in the waste haulage distance.

The projects were commissioned in late 2015 and are expected to save approximately 11,500 tonnes of carbon dioxide equivalent (tCO₂-e) or 121,700 gigajoules of fuel per annum. In 2015 these savings were equivalent to approximately six per cent of Scope 1 emissions at Phu Kham.

The haulage route optimisations will have a number of positive flow-on effects to the PanAust business: reduced fuel consumption, increased production levels, extension of machine component life, a reduction in planned Caterpillar 777D haul fleet numbers by four (7 per cent) over the life of the mine. The payback period for the two initiatives is approximately seven months.

Health and Safety

PanAust's commitment to health and safety is built on the Zero Harm philosophy whereby all workplace incidents and injuries are considered preventable.

Achieving business objectives while keeping the neighbouring communities and the workforce safe is essential to PanAust's short and long-term success and aligned with the Company's Values. The Company's Vision and Values outline PanAust's commitment to health and safety. Health and safety is also addressed as the first requirement within *The PanAust Way*. Through visible leadership including day-to-day behaviours (words and actions), PanAust's leaders are required to promote a culture of Zero Harm.

PanAust assesses and manages health and safety risks across the Company through its Safety Management System, which is consistent with OHSAS18001 and includes standards, procedures, training and monitoring plans for each site.

PanAust has seven Cardinal Rules which are a clear and simple set of safety instructions to which the entire workforce is required to comply at all times. The Cardinal Rules focus on high-risk activities within the mining industry that have historically caused harm to people. PanAust's Cardinal Rules can be viewed on the Company website, www.panaust.com.au/health-and-safety.

In 2015, work continued with the development of operational safety standards for the PanAust Asia business unit. While the majority of standards have been developed, it is recognised that further work is required for implementation.

Early in 2015, following the outcomes of the business efficiency review and greater localisation, it was identified that a focus on ensuring current systems were operating effectively to support Lao-national personnel (particularly those promoted into supervisory and more senior level roles) was required rather than the introduction of new safety programs. This included expatriate personnel providing less interventionist supervision and more coaching and on-the-job training of Lao supervisors. Important safety messages were shared via television-monitor displays in common-use areas, and through the production and distribution of videos (story-telling) to understand the consequences of issues such as mobile phone usage, and stored energy.

The Company recognises that a risk-aware workforce is integral to achieving safety standards and driving continual safety improvement. Behavioural safety programs are a fundamental element of creating a risk-aware culture and underpin the effectiveness of management systems. As such, they play an important role in the Company's remuneration and incentive programs. Lead indicator programs implemented in 2015 continued to focus on visible safety leadership, job safety observations in the field, deep dive reviews, workplace inspections, hazard identification and safety training.

PanAust requires employees, contractors and visitors to be inducted prior to entering PanAust controlled work sites. Standardised general safety and workplace-specific inductions form part of the induction programs. In addition to inductions, the Company runs a number of mandatory core safety training programs as well as specialist training for high-risk activities. In 2015, PanAust provided its Laos safety officers with professional development training to complete the Australian Certificate IV in Work Health and Safety. PanAust's leaders, from executives to front-line supervisors, participate in Safety Leadership Training and during 2015, 73 Lao-national supervisors attended this training. Approximately 20,000 hours of induction and health, safety and environment training was completed at PanAust's Lao operations during 2015. Throughout the year PanAust continued to improve geotechnical hazard awareness across the business with the development of a Geotechnical Standard and rolling out three levels (relating to roles) of geotechnical training. A component of the training relating to landslide awareness is provided to the community. By the end of the first quarter 2016, more than 2,200 employees and contractors have received the updated geotechnical training.

PanAust has a strong health and safety incident reporting culture. The Company's Group-level Incident Reporting and Classification Procedure is aligned to the Mineral Council of Australia's guidelines for tracking and reporting health and safety statistics. The investigation and management of significant incidents (that is, actual or potential controlled incidents and/or actual or potential influenced incidents) continues to be overseen by the Senior Management Taskforce for Significant Incidents, comprising Operational Executives. The taskforce is responsible for ensuring that the Group-wide implications of significant incidents and any emerging safety concerns are given full consideration. This approach ensures that findings and recommendations are not limited to the incident and personnel who may have been affected, but also shared across the business where similar activities occur or where different activities with similar risks occur.

PanAust conducts regular benchmarking activities to help shape the development of safety programs across the business. These exercises have been pivotal in the development of safety programs – including Visible Safety Leadership, and vehicle-movement and vehicle/pedestrian interactions – and housekeeping improvements across sites.

Image right: Maintenance Technician, Mr Kouyang Kayeng (left) with Specialist Component Rebuild Technician, Mr Boy Manullang (right) in the Phu Kham Mobile Maintenance Workshop

PanAust's Cardinal Rules are seven clear and simple safety instructions to which all employees must comply at all times. The Cardinal Rules focus on activities within the mining industry that have historically caused harm to people.



Health and Safety *continued*

SAFETY PERFORMANCE

PanAust's Total Recordable Injury Frequency Rate (TRIFR) of 0.62 for 2015 is a 30 per cent year-on-year improvement from 2014's result of 0.88. The Company's Lost Time Injury Frequency Rate (LTIFR) was 0.16 which was similar to 2014's 0.15. PanAust's TRIFR and LTIFR continue to be significantly better than industry averages.

At PanAust's parent company's (GRAM) Annual General Meeting in early 2016, PanAust received two awards: the first for Excellence in Safety and the other for Excellence in Operations.

2013-2015 PANAUST GROUP REPORTABLE INCIDENTS (CONTROLLED WORK SITES)*#

	2013	2014	2015
Working hours (employees and contractors)	16,301,952	13,680,409	12,827,727
Fatal injuries	0	2	0
TRIFR	1.72	0.88	0.62
DART Frequency	0.37	0.22	0.16
LTIFR	0.31	0.15	0.16

* Controlled work sites include data for both employee and contractor injuries and man-hours

Injury rates are the number of injuries for every million hours worked for the year

PanAust's reportable statistics include controlled sites which are work-related activities where PanAust can set safety, health, environmental and community standards and directly supervise and enforce their application. The statistics include contractors who are working on PanAust controlled worksites.

Categories that are tracked, but do not form part of externally reported lag statistics include influenced, monitored, and uncontrolled sites.

These categories are off the mining lease and subject to normal duty of care and consideration. Influenced activities receive additional attention through contractor management and lead indicator programs. For comprehensive descriptions of PanAust's 'categories of control', visit the Company's website www.panaust.com.au/health-and-safety.

HEALTH AND SAFETY: MATERIAL ISSUES 2015

The PanAust materiality process identified the main health and safety challenges for the Company's operations in 2015 as:

- SAFETY CULTURE
- CONTRACTOR MANAGEMENT
- VEHICLES AND MOBILE EQUIPMENT
- EMERGENCY MANAGEMENT
- SECURITY MANAGEMENT

Details pertaining to each of these topics follow.

SAFETY CULTURE

PanAust recognises that the safety culture of a company is shaped by the actions of its leaders and relies on the consistent expression of agreed values, standards and behaviours to the workforce. In 2015, PanAust continued to focus on Visible Safety Leadership through lead indicator programs addressing safety hotspot and implementing a deep dive review program⁷.

Since 2009, PanAust has held annual Risk and Sustainability Workshops with operational general management and sustainability professionals across the group to progress safety leadership programs and to develop a Group action plan for the coming year in the areas of risk (including safety) and sustainability. In 2015, PanAust rolled out the Group Visible Safety Leadership Guideline, which is a set of expectations on the types and duration of leadership activities to be undertaken by management every day. It also includes requirements around deep dive reviews to be led by general managers both corporate and operational. In 2015, deep dives were conducted in the areas of vehicles and mobile equipment, contractor management, working at heights, Voluntary Principles on Security and Human Rights, health and hygiene, and tailing storage facilities.

Since their inception in April 2014, 22 deep dives have been carried out and various improvement programs have been implemented. For example, to help manage night-shift operator fatigue, PanAust has: undertaken studies on sleep patterns and improvements in managing off-shift activity; improved training to better identify fatigue by employees and supervisors; made crib room improvements; implemented Phu Kham FM radio (see case study opposite) and rest stops on haulage routes; installed in-vehicle cameras; and made improvements to the quality of food. These initiatives have seen a dramatic reduction in fatigue-related incidents. Deep dives have also been useful for coaching staff in audit procedures. PanAust will continue to use deep dives to identify potential gaps in safety systems and drive continual improvement.

⁷ A deep dive review is a vertical layered review led by a general manager that looks beyond the subordinate level to ensure that systems and processes are in place, understood and operating effectively. It is a proactive review focused on high-risk tasks and areas of concern for senior management.

CASE STUDY:

Fatigue management at Phu Kham



An ore-haul truck approaching the crusher at Phu Kham

CONTRACTOR MANAGEMENT

PanAust views the development of local contractors as critical to Laos' development goals and the nation's sustainable future. The Company continues to work closely with local contractors to improve their capacity and bridge gaps identified in their safety performance. This approach is not without challenges and contractor safety performance continues to be a high-risk area for the business. PanAust is pleased to report that through improvements to contractor management standards, and training and support from the Company, the number of contractor incidents has reduced dramatically in recent years.

PanAust has a Group-wide Contractor Management Standard and engagement process for all contractors. The Standard details requirements including expectations for the contractor and the PanAust contract owner. In 2015, the Company revised and implemented updates to the Standard including clarifying and adding contractor and contract owner accountabilities. In accordance with the standard and contract requirements, contractors are subject to audits of their facilities and activities. Contractors who pass these audits and continue to meet PanAust's safety expectations remain a PanAust preferred contractor.

In 2015, PanAust's efforts to improve the performance of local contractors in Laos continued. The contractors are prioritised in the Company's contractor matrix and risk-based audit program. Quarterly contractor meetings were reinstituted and contractors are included in operational safety awareness programs. Representatives from key contractors once again attended the Company's Risk and Sustainability Workshop to reinforce PanAust's expectations and support with regards to alignment with PanAust safety management standards. Deep dives were also completed on key contractors completing high-risk activities.

PanAust is applying lessons learnt from its Lao-based operations to the Frieda River Project in Papua New Guinea. A similar centralised engagement process has been implemented with health, safety, community and environment evaluations conducted for the selection of long-term strategic contractors in addition to drilling, air transport and earthworks contractors who supported site activities in 2015.

In a bid to help manage fatigue and provide stimulation to mobile equipment operators, PanAust's Phu Kham operation launched its own radio station; Phu Kham FM. The radio station fulfils an important function in helping to provide mental stimulation to mobile equipment operators, especially those on nightshift.

After investigations into near-miss and high-potential incidents revealed operators were using their phones at the time of the incidents occurring, the decision was made to ban mobile phones from mobile equipment. In implementing a total ban on mobile phones, it was recognised that some operators had lost the ability to use the music on their phones as a source of stimulation to help stay alert. Phu Kham FM was designed to provide an alternative source of stimulation and entertainment.

Phu Kham FM is broadcast directly into mobile equipment cabins. The broadcast volume is set at a level that does not interfere with or overpower the UHF dispatch. The station broadcasts a mix of Lao, Thai and western music from a standalone computer in the mine Control Room. Plans are in place to expand the playlist to include safety and motivational messages, as well as late-night quizzes to promote operator alertness.

During the first quarter of 2016, Phu Kham FM radio reception extended to Ban Houayxai.

Feedback from operators at Phu Kham has been positive, with many reporting Phu Kham FM is making their work more enjoyable and helping them stay more alert.

777D Operator, Miss Mee made the following comments about Phu Kham FM.

"I like listening to the radio and the selection of Lao, Thai and Western music. It makes me feel joyful while at work. The music makes the working environment livelier and helps keep me awake. Because the volume is not too loud, I can still hear if the control room need to contact me."

Health and Safety *continued*

VEHICLES AND MOBILE EQUIPMENT

In response to the analysis of vehicle near-miss and actual incidents that occurred across the business in 2013, PanAust continued to implement during 2015 a number of safety initiatives to curb driver-related vehicle incidents (including the introduction of Phu Kham FM radio station; see case study on page 61).

2015 statistics demonstrated a year-on-year improvement from 2014 with 26 high-potential incidents occurring in 2015 compared to 44 in 2014. Vehicle safety along PanAust's transport and haulage routes as well as at its operations in Laos remains a focus area for the business and ongoing vigilance is applied with the aim of continual improvement.

In 2015, a number of initiatives were introduced to improve vehicle safety including: introduction of in cab cameras to the logistics fleet; implementation of the new Sadco passenger transport modules (specifically designed and engineered for roll over protection); commissioning of a new safer concentrate haulage fleet; and improvements to the staging yard, workshop and truck wash at the Ban Thouay Logistics Transit Facility.

The Frieda River Project is located in a remote region of northwestern Papua New Guinea and is currently only accessible by air transport. People movements in and out of the site are carried out using contracted aircraft services over mountainous terrain. Since taking ownership of the Project in August 2014, PanAust has undertaken significant work to update the Group Aviation Standard and supporting guideline to detail the minimum controls required for aviation safety in Papua New Guinea.

During 2015, aviation safety audits were carried out on three fixed-wing and rotary aircraft operators in Papua New Guinea by PanAust's specialist aviation auditors. An aerodrome safety audit was also completed on the Frieda River Airstrip. During 2016, PanAust will also be working closely with the incumbent aircraft operator at Frieda River to develop a site aviation safety management plan for future operations. In addition, as at the first quarter of 2016, the Project is progressing an overland exploration access track to reduce reliance on rotary aircraft for people and supplies.

EMERGENCY MANAGEMENT

The management of emergencies is vital for ensuring the health and safety of employees and communities, as well as business continuity.

Each operational site has Emergency Response Plans and trained and dedicated professional Emergency Response Teams (ERT) and equipment.

Sites are equipped with trauma management clinics, doctors and paramedics. ERT resources include a dedicated team of emergency response professionals and equipment for: fire fighting, road accident rescue, hazmat, water rescue, and trauma management. Teams complete training modules equivalent to an Australian Certificate III in Mines Emergency Response and Rescue, which is a module in a Diploma/Degree course in mine management.

EMERGENCY RESPONSE IN THE LOCAL COMMUNITIES

PanAust's operations are located in remote areas of Laos where there is limited government infrastructure or systems to deal with medical emergencies. From time-to-time, PanAust's operations will provide emergency response and/or medical support for community-based incidents.

Once such incident occurred in April 2015 when the Phu Bia Mining Emergency Control was notified of a serious private-vehicle incident that had occurred on a public road that 'involved an overturned pickup truck and a high number of injured people'.

A Phu Bia Mining emergency convoy including medical personnel was immediately dispatched and upon arrival at the scene was confronted with 17 people in various states of injury and tragically two people who had been fatally injured.

Under the direction of the doctor, triage and treatment commenced. Injured people were safely transported to the Phu Kham medical clinic for further triage including trauma care, stabilisation and transportation to hospitals. One critical casualty was transported under Phu Bia Mining escort to Vientiane Hospital for further treatment. Once the remaining casualties were stabilised, Phu Bia Mining transported them to the local hospital for further tests and treatment.

All of the casualties that Phu Bia Mining emergency professionals treated on that day have made a full recovery.

SECURITY MANAGEMENT

PanAust is a member of the United Nations Voluntary Principles on Security and Human Rights (VPSHR) and has in place clear guidance and procedures to manage the human rights aspects of security at its operations and projects. As the Company's activities in Papua New Guinea ramp up, PanAust's existing security processes, procedures and training will be implemented.

In 2015, the only country in which PanAust had security personnel assigned to its operations was Laos. PanAust employs loss prevention personnel to perform an unarmed access control, static security and emergency response function across the Phu Kham and Ban Houayxai sites. The Lao People's Army (LPA) also provide a security function and are required by the Government of Laos to have a presence at PanAust's Operations and remote exploration sites. The Company works closely with the LPA through a Memorandum of Understanding which outlines the Company's expected standard of behaviour and 'use of force' expectations.



Fire Team Leader, Mr Thongtao (left) carrying out a 'vertical rescue' emergency response training session

Prior to commencement and each time they are subsequently engaged, the LPA undertake a Company-provided induction program. The induction covers the areas of safety, use of force as it relates to the laws of Laos, and key components of the VPSHR, underpinned by *The PanAust Way* and the Company's values and other behavioural guidelines.

Internal human rights risks assessments take place periodically and incorporate security-related human rights risks. In 2015, PanAust's risk processes found that the Company had a low potential for human rights violations related to security.

In 2015, a corporate deep dive was conducted at PanAust's Laos operations to assess compliance with the VPHRS obligations. While there were no significant findings, a number of opportunities for improvements were identified.

No significant security incidents affecting PanAust personnel or operations were recorded for 2015.

More information about PanAust's approach to security management can be found on the Company website, www.panaust.com.au/community/managing-human-rights.

FIREARM SAFETY - LAO PEOPLE'S ARMY

The LPA are required by the Government of Laos to have a presence at PanAust's operations and remote exploration sites. In what is considered to be a safety risk to PanAust's workforce in Laos, all LPA personnel carry a firearm. Since PanAust commenced operations in Laos, the Company has worked with the LPA to outline its expectations for firearm safety.

In 2014, following a number of accidental uncontrolled discharges PanAust supplied LPA with firearm safety flags. With a safety flag fitted to a firearm, it is impossible for a round to be in the chamber which means that the weapon cannot be fired; either intentionally or accidentally.

The supply of firearm safety flags was undertaken after significant consultation with the LPA Na Mone Command. PanAust discussed the risks posed to its workforce and a demonstration illustrated how quickly and safely a flag can be removed in the case of an actual threat and a response is warranted. It was agreed that during duty on PanAust sites, the LPA would have a safety flag fitted to their firearms.

The use of a chamber safety flag by LPA who are supporting PanAust's operations in Laos has been incorporated into the LPA induction program. Verification of use and refreshers are conducted during daily inspections with the LPA and as needed. With approximately 200 LPA supporting the operations on continued rotation, the program is ongoing.

Our people

PanAust recognises that its employees make the most significant contribution to the Company's success. As a result, it understands the inherent value of attracting, developing and retaining its employees and providing a meaningful and rewarding environment in which to work. PanAust provides a professional environment where people can work productively and effectively while progressing personal growth and individual development through its strategic human resources (HR) framework. Comprising six core components, this framework aligns employees to the Company's vision, values, goals and objectives. These components are: employee health and wellbeing, remuneration and benefits, recruitment, training and development, organisational development, and HR systems.

A full suite of published and communicated Policies, Standards and Guidelines provide employees with the necessary information on the practical application of the Company's vision and values. This includes an Employee Policy which guides PanAust's management of its people and the way work is undertaken and is used as a reference for an integrated set of HR standards and processes. The Company's code of conduct, *The PanAust Way* aligns employees' actions with PanAust's values and behavioural expectations. These two documents along with other HR-related standards, help employees understand their responsibilities when working for PanAust.

WORKFORCE NUMBERS: FULL-TIME EMPLOYEES BY WORK LOCATION

	2013	2014	2015
Laos	3,533	3,623	3,276
Chile	50	31	10
Thailand	3	4	4
Australia	57	63	60
Papua New Guinea	N/A	140	124
Total	3,643	3,861	3,474

During 2015, PanAust achieved a 10 per cent workforce reduction in Laos. This was part of a planned business efficiency review which included an organisational restructure implemented in response to global economic volatility and weakening commodity prices. This was a platform to leverage training and development carried out in previous years to increase local citizen numbers within the workforce, resulting in 90 per cent localisation in Laos.

In Chile, PanAust reduced its on-the-ground exploration presence at Inca de Oro, as some commercial arrangements for the Project are yet to be resolved.

VOLUNTARY TURNOVER IN 2015

Overall, PanAust's Group voluntary turnover statistics showed a decrease in 2015 from 2014 with a reduction in voluntary turnover in Laos. In South America and Australia, turnover increased following lower voluntary turnover rates in 2014 and subsequent changes to project and exploration priorities across the Group in the current commodity cycle. The Company closely monitors turnover and carries out exit interviews with departing employees. This enables PanAust to understand factors that influence employees' decisions to leave and has guided changes to policies and practices to counter these decisions.

PANAUST VOLUNTARY TURNOVER AVERAGE RATE (PER CENT OF TOTAL WORKFORCE)

	2013	2014	2015
PanAust Group	11.0	11.4	9.89
Australia	12.3	8.5	14.06
Southeast Asia	11.1	11.6	9.82
South America	2.3	0.0	9.90

TRAINING AND DEVELOPMENT

In Laos, PanAust maintains an in-house team of specialists to deliver general compliance training and discipline-specific skills development. A total of 391,762 hours of training was delivered in 2015, representing an average of 120 hours of training per employee. Details of the type and volume of training delivered in Laos is outlined below.

BREAKDOWN OF TRAINING TYPE IN LAOS 2015

TRAINING SUBJECT/FOCUS AREA	TOTAL HOURS	PERCENTAGE OF ALL TRAINING PROVIDED
Mine operations	62,572	16
Apprenticeship Program (delivered in partnership with the Lao-German Technical College)	169,903	44
Safety and induction	19,626	5
Professional and leadership development	16,949	4
Clerical, education and awareness programs	63,655	16
Trades and engineering	59,058	15
Total training hours	391,763	100

Image right: Mining Operator, Ms Nui at the start of her shift to operate a 777D haul truck in the Phu Kham open pit

PanAust's HR framework comprises six core components: employee health and wellbeing, remuneration and benefits, recruitment, training and development, organisational development, and HR systems.



Our people *continued*

OUR PEOPLE: MATERIAL ISSUES 2015

The PanAust materiality process identified the main workforce challenges and opportunities for HR operations and activities in 2015 as being:

- LOCALISATION
- TALENT MANAGEMENT
- ALIGNING EMPLOYEES WITH COMPANY POLICIES AND BUSINESS SYSTEMS

Details pertaining to each of these topics follow.

LOCALISATION

One of PanAust's long-term legacy objectives in Laos is to develop a skilled workforce that can participate in and help grow the national economy once the Company's operations close in that country. In the short term, PanAust remains focused on the localisation of its workforce to enable Lao-nationals to increasingly operate, maintain and manage the Company's operations in Laos.

PanAust's people development strategy focuses on continual learning and supports ongoing skills development through on-the-job experiences and targeted training. These activities are essential in preparing employees to meet the professional requirements of their role and for future promotion. PanAust has established programs to ensure the development of a pipeline of talent that enables organisational readiness for Company growth and help build a sustainable workforce.

The Company's localisation plan articulates the steps required to identify, target and ensure national employees have the requisite skills and abilities to replace expatriates and succeed in their new roles. Paramount to this is the development of an annual training plan where compliance and competency training is undertaken by employees to ensure they have the skills to safely and competently perform their role. Technical training is also provided to employees, fast tracking their development and giving them access to contemporary technical ideas and concepts to build upon their existing technical knowledge. PanAust training is delivered via face-to-face learning and/or through online e-learning tools.

Complementing the Company's technical and compliance training is PanAust's leadership development and mentoring programs. These programs define and communicate the core leadership competencies that have been identified as keys to success in PanAust leadership roles, regardless of their functional area of expertise or level (see page 68).

The final pillar in the Company's localisation plan is its Trades Training Program. PanAust runs two distinct trades training programs. One targeted at current Lao maintenance employees and another longer term Apprenticeship Program.

Under the targeted trades training program, Lao maintenance employees' specific trades skills are assessed and tested, then – based on the results – individual training plans are put in place for each employee. This program commenced in September 2014 and as at the first quarter 2016, has resulted in 132 Lao employees progressing from a Trades Assistant level to Tradesperson level.

PanAust's Apprenticeship Program in Laos was established in 2013 and offers a five-year apprenticeship in a technical trade. Apprentices attend twelve months of pre-apprentice vocational training before entering the four-year apprenticeship program in a specific trade. In partnership with the Lao-German Technical College in Vientiane, the program seeks to address a general shortage of qualified tradespeople within Laos and to generate a pool of appropriately qualified local candidates for the Company. In 2015, a total of 69 Phu Bia Mining apprentices (including 13 women) were in either their second or third year of training. The program also continues to support 16 apprentices from the MMG-owned LXML Sepon Copper Mine in southern Laos (the only other large-scale mechanical mine in the country). The first intake of apprentices will graduate from the program as qualified tradespeople in 2018. Additional program detail was outlined on page 86 of the 2014 *Business Review & Sustainability Report*.

The recent reduction in the number of expatriates in management and supervisory roles and the corresponding increase in Lao-national employees in these leadership roles, demonstrates the success of these programs. By way of example, 2015 saw the progression of 33 Lao-national employees (from both local priority villages and regional/national areas) into supervisor/professional level roles within the Company. A significant reduction of expatriate roles to support operator/trade roles and supervisor/professional roles also occurred as a result of localisation programs.

CASE STUDY:

Localisation Strategy in Laos



Trade trainees at the Lao-German Technical College in Vientiane



Leadership Development Program participants at a ceremony to mark their completion of the program

For PanAust, the term 'localisation' refers to the transition of a position that is held by an expatriate to a Lao-national employee. This relies on the training and development of Lao staff to meet the requisite skills and competencies required to perform the role to the desired level.

The Localisation Strategy takes a multi-pronged approach to reduce expatriate numbers by localising roles across the operations, and setting annual targets through workforce planning.

In 2015, these efforts, combined with the business efficiency review saw a breakthrough achievement of 90 per cent localisation of roles within Phu Bia Mining with a total of 136 Lao-national employees being promoted to senior technical or leadership roles. Specifically, two were promoted to manager level, 13 to superintendent level, and 121 to supervisor/team leader level.

Some of the promotions were a direct result of replacing an expatriate employee while others were new roles created in a revised organisational structure and were designed to provide transitional support for employee development until they became conversant with the role. A number of ongoing formal initiatives and programs support the development of Lao-national employees, including the following.

- Graduate Development Program (see page 68)
- Trades Training Apprenticeship Program (see page 66)
- Leadership Development Program (see page 68)
- Workforce Planning – through the annual budgeting process this identifies expatriate positions targeted for localisation, with a localisation plan developed to establish the key selection criteria for the role
- Succession Planning – development plans are prepared for Lao employees who have been identified as potential successors for expatriate positions, addressing any competency gaps against the selection criteria for roles identified
- Employee Awards to recognise team and individual excellence
- Long Service Awards to recognise employee commitment

In addition to the above formal programs, a significant amount of informal on-the-job training and coaching between Lao employees and more experienced expatriate staff is also making a very positive contribution to PanAust's Localisation Strategy.

Having the optimal organisational structure has been critical to ensuring that Lao leaders are given responsibility for leading teams with the necessary support mechanisms in place to ensure their success and effectiveness is sustainable. In early 2015, structural changes were made in several departments to facilitate this. For example, restructuring occurred at superintendent level within the Phu Kham Operation Process Department whereby the expatriate Process Superintendent was moved into a training role and the superintendent role was replaced with two new Lao-national superintendents. While the Lao superintendents were given full accountability for running the shifts they also had the guidance and coaching of the expatriate for twelve months while they settled into their roles.

In Mobile Maintenance, as a result of the successful refinement of the trades training program, the first Lao supervisors were appointed in 2015. Using a similar approach to that in the Process Department, expatriate supervisors were moved into training roles to support the newly appointed Lao supervisors for their first twelve months. Additionally, the roles of expatriate tradespeople were changed to 'technical trainers' in a move to transition expatriates from hands-on work to providing technical guidance to Lao tradespeople who, in turn, became responsible for the day-to-day repair and maintenance of equipment.

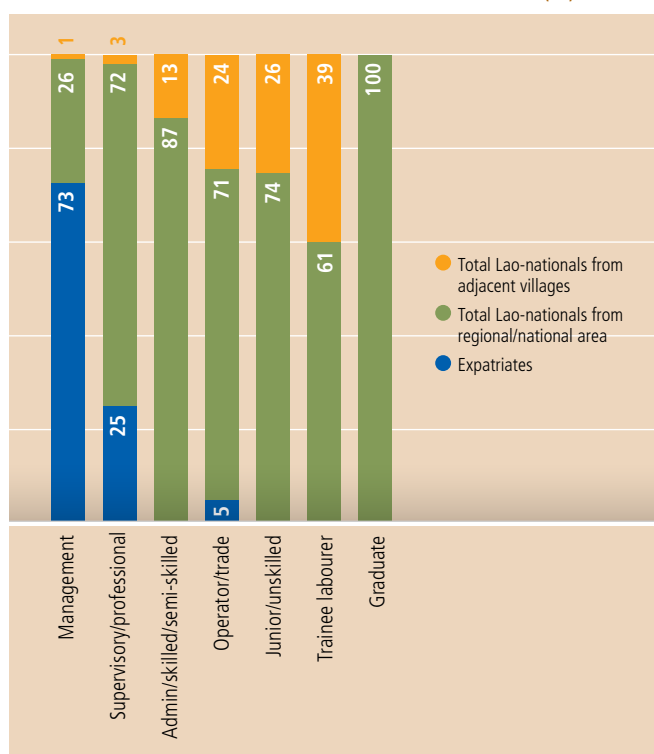
In Logistics, the Lao-national Haulage Superintendent was sponsored by the Company to study in Australia to further develop his skills and understanding of best practice logistics. He has since returned to Laos and in 2016, has taken on an expanded role with the support of an expatriate trainer.

Incorporating a level of flexibility within the defined organisational structure has proven to be important to the Company's localisation strategy. Augmenting the planned opportunities to localise roles, Lao-nationals have responded enthusiastically to unplanned opportunities; adding to the success of the program.

Underpinning the success of the Localisation Strategy is a broadly held and genuine belief that Lao-national employees can rise to higher levels within the business. The Company's outstanding 2015 operational performance is testament to this belief and provides confidence that continued localisation will drive further beneficial outcomes.

Our people *continued*

PHU BIA MINING EMPLOYEES BY ROLE CATEGORY 2015 (%)



In addition, PanAust continues to focus on local priority villages for employment opportunities and is committed to providing development opportunities. 2015 saw increased participation by priority villages both in employment opportunities and taking on more skilled positions within the Company as outlined in the table below.

NUMBER OF LAO-NATIONALS EMPLOYED BY PHU BIA MINING FROM LOCAL PRIORITY VILLAGES

ROLE TYPES	2014	2015
Administration/skilled roles	84	115
Trainee/labourer roles	44	65
Operator/trade roles	204	220
Supervisory/professional roles	12	19

TALENT MANAGEMENT

PanAust invests in the next generation of Company leaders. This is critical to sustaining Company growth, especially in relation to the Lao-national workforce. The Company's leadership and career development programs build the capability of existing and potential leaders, equipping each employee with the professional and interpersonal skills they need to lead Company strategy and drive improved performance.

LEADERSHIP DEVELOPMENT

PanAust's Leadership Development Programs are attended by supervisors and high-potential employees. Employees participate in either internally run programs or tailored external courses. In Laos, Phu Bia Mining partnered with another copper-gold mining company in Laos, MMG to arrange delivery of four leadership courses, attended by 30 Lao-national employees in supervisory and superintendent level positions. Course content focused on developing skills in relation to planning and strategy, managing performance, problem-solving, and communication and negotiation. Each leadership module provides participants with the leadership tools and techniques to positively support and influence work teams. The training is delivered in English and Lao languages and aims to reinforce PanAust's high-performance culture and align leaders to PanAust's vision and values.

In 2015, 76 employees (73 of whom were Lao-national and included 9 Lao women) participated in the internally developed and run Leadership Development Program designed for frontline supervisors. Each participant completes more than 200 hours of structured training and post-course assignments, including Safety Leadership Training. The aim is to provide new and potential frontline supervisors with basic principles in effectively leading teams and improving their strategic thinking and decision-making ability. This group of participants graduated from the program in February 2016 continuing the year-on-year trend of an increase in Lao-national graduates (2014: 40; 2015: 63; 2016: 73). Encouraging Lao-national females to participate in the Leadership Development Program continues to be a focus area for the business.

PanAust's Leadership Development Programs have contributed to the Company's succession planning and localisation strategies by providing a pool of capable Lao-national employees to appoint into leadership roles thereby reducing reliance on expatriate personnel.

GRADUATE PROGRAM

PanAust continued to implement its graduate program which is targeted across a range of professional disciplines including engineering, environmental science, geology, and metallurgy. The program provides a two year in-house technical and professional development pathway, supported by experienced professionals who act as coaches and mentors. The program seeks to address the shortfall of suitably skilled Lao-nationals in traditional technical mining disciplines by providing graduates, within these disciplines, the necessary practical experience to complement their theoretical knowledge.



Store Persons, Mr Vilakoun Dalasouk and Ms Morlor Lorsotuky carrying out an inventory count in the Ban Houayxai Warehouse

In 2015 eight participants (including three women) graduated from the program and accepted roles with the Company and since the program's inception in 2012, 39 people have successfully completed the program. While the program has been a success it has been decided to cease the program once the latest intake completes their two years of training in 2016.

MENTORING

PanAust's mentoring program is an informal tailored initiative to guide and encourage high-potential employees who have been identified as future leaders to achieve their full potential. Under the program, senior PanAust managers and executives mentor high-potential employees, called mentees from across the business. The mentor/mentee relationship provides mentees with access to experienced and knowledgeable senior employees who can help them achieve their individual and business-focused development goals and support their progression within the Company.

An initial pilot program, which commenced in 2012, involved 15 high-potential Lao mentees and was successfully completed in late 2014. A formal program review was then conducted with the conclusion that the program was highly valued by the Lao employee mentees as well as expatriate mentors with both parties stating tremendous two-way benefits including enhanced job satisfaction and greater engagement. As a result of this feedback, in 2015 program participation was extended and expanded to include high-potential employees across the business. Thirty-two (32) mentees were chosen to participate in the mentee/mentor training including 21 Lao-nationals.

Used in conjunction with PanAust's other talent management tools, the Mentoring Program is recognised as a key to facilitating further localisation, particularly those positions with management responsibility. It also provides an avenue for valuable professional experience to be transferred between employees and supports the development of effective management skills within PanAust. The program contributes to the Company's growth and diversity objectives and is seen as a mechanism to support employee attraction, engagement, career development and retention strategies.

ALIGNING EMPLOYEES WITH COMPANY POLICIES AND BUSINESS SYSTEMS

Systems supporting the health and wellbeing of employees operate throughout the Company in both an international and country-specific capacity. At all PanAust operations, in-house medical and recreational facilities are available to employees and a comprehensive range of insurance plans ensures protection for unexpected events. An Employee Assistance Program (EAP) provides a confidential counselling service for employees and their eligible family members on personal and work-related issues. During 2015, these systems were implemented for Frieda River Project employees in Papua New Guinea (acquired by PanAust in August 2014).

PanAust fosters an open and transparent environment in which employees are encouraged to report conduct contrary to *The PanAust Way*. Employees are first introduced to the code of conduct outlined in *The PanAust Way* during their employee induction, with refresher training run on a regular basis to ensure all employees understand their code of conduct obligations. Supporting *The PanAust Way* is an externally provided Whistleblower Service, which provides a confidential and anonymous means of reporting or raising concerns about serious misconduct (see page 23).

PanAust seeks high-performance outcomes in all aspects of its business conduct including individual employee performance. Performance expectations are communicated to employees initially via inductions and then through an annual process of goal and behaviour setting and monitoring performance. These processes have been successfully implemented for eligible staff at Frieda River as a priority integration activity since taking ownership of the project in November 2014.

Information regarding PanAust's expectations for employees' performance and behaviour is readily accessible by employees via the Company's Intranet. Concerns by employees who believe they have been treated unfairly are handled formally via the Company's Fair Treatment process. Further information about the Company's HR systems is communicated across the Group in English and local languages and is reinforced periodically through employee briefings and the employee newsletter, *Panorama*.

Our people *continued*

WORKPLACE DIVERSITY

PanAust recognises that a diverse workforce brings a wide range of perspectives and experiences which enables business innovation and drives Company success. PanAust creates an inclusive environment where employees are treated fairly and demonstrate their potential through talent and are rewarded based on merit. PanAust acknowledges that all aspects of workforce diversity are important.

WORKFORCE STATISTICS THREE YEARS TO DECEMBER 2015

	2013	2014	2015
PanAust Group			
Full-time employees (permanent, fixed-term)	3,643	3,721	3,474
Women	600	647	587
Women as a percentage of PanAust workforce	16%	17%	17%
Phu Bia Mining (PBM)			
Full-time employees (permanent, fixed-term)	3,533	3,623	3,276
Lao-nationals	3,045	3,156	2,947
Expatriates*	488	467	329
Women	567	614	541
Lao-nationals as a percentage of PBM workforce	88%	88%	90%
Expatriates as a percentage of PBM workforce	12%	12%	10%
Women as a percentage of PBM workforce	16%	17%	17%
Frieda River Project (FRP)			
Full-time employees (permanent, fixed-term)	N/A		124
PNG-nationals	N/A		118
Expatriates	N/A		6
Women	N/A		14
PNG-nationals as a percentage of FRP workforce	N/A		95%
Expatriates as a percentage of FRP workforce	N/A		5%
Women as a percentage of FRP workforce	N/A		11%

* During the reporting years, expatriates were predominantly sourced from PNG, Thailand, The Philippines, Malaysia, Indonesia, Australia, New Zealand, USA and European countries

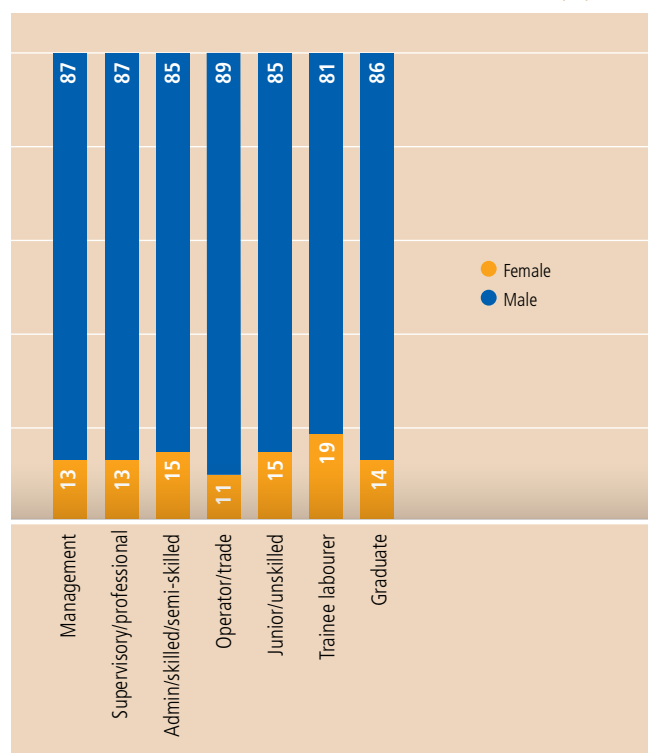
* Lao-nationals as a percentage of PBM workforce included casuals (averaged over 12 months) for reporting periods 2013 and 2014; 485 and 182 respectively; due to a change in reporting protocols commencing in 2015, casuals are excluded from this calculation

^ Number of Lao-national casual employees (averaged over 12 months) for 2015: 108; number of PNG-national casual employees (averaged over 12 months) for 2015: 25

The Company pays particular attention to ethnic and gender diversity in order to meet strategic objectives as well as commitments to relevant legislation and host countries. This same philosophy has been applied in Papua New Guinea.

Workplace diversity is promoted and supported at PanAust with policies and standards including the Employee Policy and the Diversity Standard. Both are readily available on the Company website and intranet. All new employees receive an introduction to the Policy and Standard during induction. The Company's code of conduct, *The PanAust Way* also emphasises behavioural expectations that underpin diversity in the workplace.

2015 BREAKDOWN OF PANAUST EMPLOYEES BY GENDER (%)



The Diversity Standard sets out the processes to ensure equal opportunity and non-discriminatory practices are adhered to in relation to gender, age, religion and ethnicity.

In 2015, existing employee programs and commitments to external agencies were upheld and continued to support, promote and engage Lao-national and female employees at all levels of the Company.

As of 31 December 2015 the PanAust Group had a total workforce numbering 3,474, of which 587 were women (17 per cent of the total workforce); including 33 in management roles (17 per cent of all management roles across the Company).



Process Team Leader, Mr Paphanh Vanhleuangxay monitoring process plant operations from the central control room at Phu Kham

PanAust's Lao-based workforce (Phu Bia Mining) numbered 3,276 by year-end 2015 with 541 roles filled by women (17 per cent of Phu Bia Mining; consistent with 2014). A further breakdown indicates that women held roles that included 18 with management responsibility, 88 with a supervisory or professional capacity, and 99 women in operator roles.

PanAust's Lao workforce also reflects the ethnic diversity of communities in Laos including those from Lao Loum, Hmong, and Khmu backgrounds.

In Papua New Guinea out of a total workforce of 124, 14 were women equating to 11 per cent of the total Papua New Guinea-based workforce.

Similar to the approach adopted in Laos, Frieda River has a preferential recruitment strategy, which, in the first instance, targets the recruitment of local citizens with requisite skills and experience.

In 2015, 59 per cent of PNG-nationals employed by the Frieda River Project originated from either landowning communities or communities along the land-based logistics corridor (40 per cent), or from communities along the Sepik River logistics corridor (19 per cent).

BREAKDOWN OF PANAUST EMPLOYEES BY AGE GROUP*

AGE BRACKET	TOTAL PEOPLE	PERCENTAGE OF WORKFORCE
18-20	16	0.5%
20-30	1,509	45%
30-50	1,672	50%
50-60	141	4%
Over 60	12	0.5%

* Excludes Papua New Guinea

Assurance statement

Materiality Counts

Materiality Counts Independent Assurance Report to PanAust

Scope of Work

Materiality Counts was engaged by PanAust to provide independent limited assurance of its 2015 Business Review and Sustainability Report (the Report) to the scope of work outlined below. The Report covers PanAust's operations for the 12 months to 31 December 2015, unless stated otherwise in the text. The work was performed using Materiality Counts' assurance methodology to ISAE 3000, the International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information. Material issues and related datasets are assured on a five-year rolling program, which was used as a basis to determine this year's scope. Materiality Counts interviewed a number of personnel and reviewed relevant data and documentation at PanAust's offices in Brisbane and Vientiane and the majority of PanAust's operations, namely the Phu Kham and Ban Houayxai operations in Laos. Data collation processes were reviewed, original records sighted, spreadsheets interrogated and calculations re-performed.

The subject matter consisted of the three elements below for the following six material issues and related datasets: community relations (grievances); long-term capacity building in communities (local farming business development and small business revenue generation); energy and climate change (energy use for Scope 1 and 2 greenhouse gas (GHG) emissions - reasonable assurance); land rehabilitation and closure (land disturbed and rehabilitated); security (initiatives to ensure compliance with the Voluntary Principles of Security and Human Rights (VPSHR)); workplace diversity (localisation – Laos workforce statistics):

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance data and statements in the Report.
- Validity of the self-declared Global Reporting Initiative (GRI) G4 Core reporting.

Materiality Counts' Independence

PanAust was responsible for preparing the Report. Materiality Counts was responsible for expressing assurance conclusions regarding the material issues detailed above in line with the scope of work agreed with PanAust. During the reporting period, Materiality Counts did not work with PanAust on other consulting work. Materiality Counts is an independent consultancy specialising in Report development and assurance, materiality determination, stakeholder partnerships and strategy development.

Our Conclusion

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, PanAust's 2015 Sustainability Report provides a balanced representation of the material issues concerning PanAust, reports accurate performance information and satisfies the requirements of GRI G4 Core reporting for the 12 months to 31 December 2015. In addition, Materiality Counts has provided a management report to PanAust.

Key Observations

Based on the scope of work, and without affecting our assurance conclusion, Materiality Counts identified the following good practice:

- **Data management:** Comprehensive energy use data management is in place at the Laos sites, with previous assurance audit recommendations addressed to achieve data completeness and accuracy.
- **VPSHR:** Training in VPSHR is comprehensive with records readily available and complete.
- **Localisation:** The outcomes of localisation were apparent during the assurance audit with a number of Laos personnel successfully taking on additional responsibility for data management and reporting since last year.

Materiality Counts identified one dataset with material errors, namely community grievances, which was fully addressed during the assurance process. In addition, in the workplace diversity data, some Laos personnel job category data could not be verified due to the use of different job categories for reporting compared to those entered into SAP. During the assurance process, a plan was established to address this for future reporting.

Materiality Counts congratulates PanAust on its continued commitment to sustainability reporting.



Materiality Counts, 18 May 2016, Melbourne, Australia

Materiality Counts has prepared this statement for PanAust in accordance with the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Materiality Counts as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Materiality Counts will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Materiality Counts' express written permission.

Company ownership profile

NAME OF ENTITY	PLACE OF INCORPORATION	CLASS OF SHARES	% EQUITY HOLDING*		PRINCIPAL ACTIVITIES
			2015	2014	
PanAust Canada Ltd	Canada	Ordinary	100	100	Dormant for the period
PanAust IDO SpA (a)	Chile	Ordinary	100	91.8	Investment holding
PanAust Minera IDO Limitada (a)	Chile	Ordinary	100	91.8	Investment holding
Inca de Oro S.A. (a)	Chile	Ordinary	66.8	61.3	Exploration
PanAust Atacama SpA	Chile	Ordinary	100	100	Investment holding
PanAust South America Services SpA	Chile	Ordinary	100	100	Services
Phu Bia Mining Limited	Laos	Ordinary	90	90	Exploration and mining
Wuntho Resources Limited	Myanmar	Ordinary	80	-	Exploration
Frieda River Limited (b)	PNG	Ordinary and Redeemable Preference Shares	100	-	Exploration
Pan Mekong Exploration Pty Ltd	Queensland	Ordinary	100	100	Investment holding
PanAust Exploration Pty Ltd	Queensland	Ordinary	100	100	Dormant for the period
PanAust Services Pty Ltd	Queensland	Ordinary	100	100	Services
PNA (Puthep) Pty Ltd	Queensland	Ordinary	100	100	Investment holding
Terra Firma Resources NL	Queensland	Ordinary	100	100	Dormant for the period
PanAust Holdings Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust Chile Holdings Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust IDO Holdings Pte Ltd (a)	Singapore	Ordinary	100	91.8	Investment holding
PanAust SPV1 Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust SPV2 Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust Myanmar Pte Ltd	Singapore	Ordinary	100	-	Investment holding
PanAust Services (Thailand) Company Limited	Thailand	Ordinary	100	100	Services
Masons Hill Gold NL	Western Australia	Ordinary	90	90	Dormant for the period

* Beneficial interest.

- (a) As a result of the change of control of PanAust in 2015, a put option was triggered under the shareholders' agreement of PanAust IDO Holdings Pte. Ltd. ('the PAIH Shareholders' Agreement'). Victory Mining Ventures Limited ('VMV') exercised its option to sell its 8.07 per cent interest in PAIH to PanAust Holdings Pte. Ltd ('PAH'). As a result, PAIH is wholly owned (2014: 91.8 per cent) and PanAust holds a 66.8 per cent (2014: 61.3 per cent) beneficial interest in Inca de Oro S.A.
- (b) This subsidiary holds an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea. The remaining 20 per cent interest is held by Highlands Pacific Limited.



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