



OUR SUCCESS IS SHAPING OUR FUTURE

PANAUST

ANNUAL REVIEW 2013

COMPANY PROFILE

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

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

The following significant changes in the state of PanAust's affairs occurred in 2013.

- The first full-year of production, costs and depreciation from both the Ban Houayxai Operation and expanded operations at Phu Kham following the completion of the Phu Kham Upgrade in October 2012.
- The construction of the Phu Kham Increased Recovery Project was completed in the June quarter.
- In October 2013, PanAust announced a new life-of-mine plan for Phu Kham based on the Ore Reserve estimate under which annual copper production is scheduled to increase progressively over several years to reach peak copper production in 2018 and 2019 of approximately 90,000 tonnes per annum.
- In Chile, work continued on the extended Inca de Oro feasibility study including evaluating the potential for existing oxide mineralisation, and the incorporation of the nearby Carmen deposit to enhance project economics.
- In Laos, work commenced on the KTL (formerly Phonsavan) Copper-Gold Project pre-feasibility study to evaluate development options for the KTL copper-gold deposit.
- Continuation of exploration and evaluation activities in Laos and Chile. There is a focus on brownfield exploration projects within the Phu Kham district, particularly within the corridor that stretches northwest of Phu Kham for at least 13 kilometres and includes the LCT and Nam Ve deposits.
- On 1 November 2013, PanAust entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc (Glencore) for PanAust to acquire Glencore's interest in the Frieda River Copper-Gold Project in Papua New Guinea by acquiring all of the shares held by Glencore in Xstrata Frieda River Limited (XFRL), a Papua New Guinean registered company. The PanAust Glencore Agreement is subject to a condition precedent relating to all applicable regulatory approvals¹.

The Frieda River Project is a joint venture between XFRL and Highlands Pacific Limited and, on the same day as the Company entered into the PanAust Glencore Agreement, PanAust entered into an agreement to acquire a cornerstone interest (7.5 per cent of issued share capital) in ASX-listed Highlands Pacific Limited. In settlement of an existing dispute between XFRL and Highlands, PanAust and Highlands have agreed that upon completion under the PanAust Glencore Agreement the initial interests of each joint venture party will be 80 per cent and 20 per cent respectively.

¹ Includes Glencore satisfying the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc, and the approval of the Investment Promotion Authority of Papua New Guinea. The sunset date for satisfaction of the condition precedent is 30 September 2014. However, PanAust and Glencore may agree to extend this date.

COMPANY STRUCTURE

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

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

ASIA BUSINESS UNIT

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

LAOS

PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining Limited ('Phu Bia Mining'); 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.

THAILAND

PanAust commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner, Padaeng Industry Public Company Limited during the first half of 2012. With no plans to develop the asset and no satisfactory offer emerging from the sales process, the Company recognised an impairment provision of the total investment in Puthep as at 31 December 2013.

SOUTH AMERICA BUSINESS UNIT

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

CHILE

PanAust owns a 60.45 per cent beneficial interest in the Inca de Oro Project through a Chilean incorporated joint venture company, Inca de Oro S.A. Codelco has a 34 per cent interest in Inca de Oro S.A., while an independent private company holds a 5.55 per cent beneficial interest. 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 and operational improvement projects. It comprises teams responsible for technical studies and project implementation to deliver capital-efficient project development and operational improvement initiatives to support and enable the Company's growth.

STOCK EXCHANGE LISTING

PanAust shares are listed on the Australian Securities Exchange (ASX), ticker: PNA, and the Company is a constituent of the benchmark S&P/ASX 200 Index. The Company's corporate office is located in Brisbane, Australia.



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DIRECTORS

Garry Hounsell (Chairman)
 Gary Stafford (Managing Director)
 Nerolie Withnall
 Geoff Handley
 Geoff Billard
 Zezhong Li
 John Crofts
 Ken Pickering
 Annabelle Chaplain

COMPANY SECRETARY

Paul Scarr

AUDITORS

PricewaterhouseCoopers
 Riverside Centre
 123 Eagle Street
 Brisbane QLD 4000

BANKERS

ANZ Banking Group Limited
 324 Queen Street
 Brisbane QLD 4000

Image: A section of the Phu Kham open pit and tailings storage facility in the background

VISION & VALUES

VISION

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

PanAust will outperform its competitors through:

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

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**

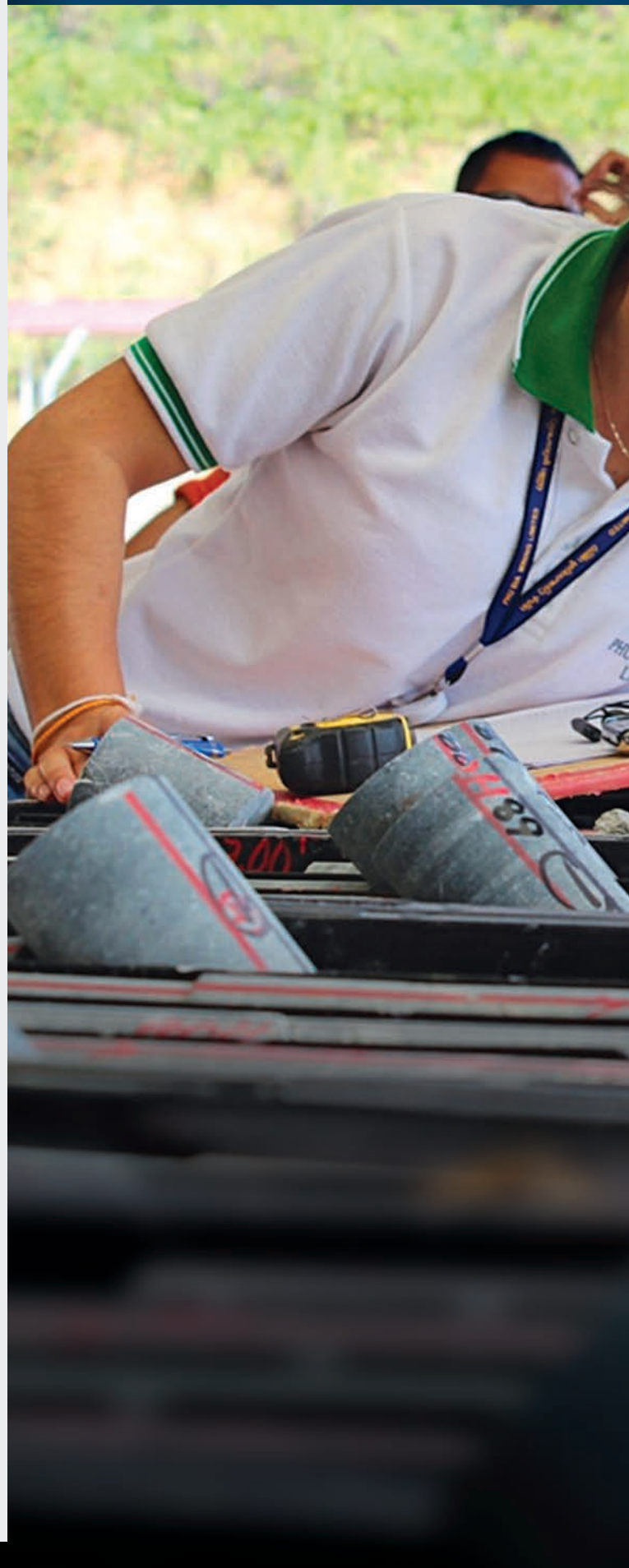
- Respect through our commitment to our employees' health and safety through our Zero Harm safety objective and treating employees with consistency and fairness.
- Respect for the environment through best practice environmental performance that reflects the expectations of the communities in which we 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.





We are not aware of any other company among our industry peers with a growth path similar to that of PanAust's: a copper company that forecasts a near 40 per cent increase in annual copper production with no further development capital expenditure required.

Image: Geotechnician, Ms Latsamee Inthavong, selecting samples from drill core to determine density at the Ban Houayxai core shed

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

2013 was another very busy year for PanAust and one of great progress. The expanded Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation had their first full year of operation, and the Phu Kham Increased Recovery Project (IRP) was successfully commissioned in the June quarter.

Both the Phu Kham and Ban Houayxai Operations finished the year on a high with each recording strong production and cost performance. The 2013 performance of Phu Kham and Ban Houayxai are a great credit to each of the on-site operational teams.

Phu Kham recovered well from the setback in early 2013 which required the mine plan to be adjusted to allow for remediation of an area of instability in the open pit that was identified in late-2012. Copper production for the year was at the upper end of guidance. Total ore processed during 2013 was more than 18 million tonnes; well ahead of the plant design capacity of 16 million tonnes per annum (Mtpa). Commissioning of the IRP resulted in a step-change improvement in copper and gold recovery rates for the December half-year in comparison to the June half-year. A further improvement in copper recovery at Phu Kham is scheduled for 2014 as ore quality improves.

At Ban Houayxai, gold in doré production for the full year exceeded the mid-year upward revision of guidance while cash costs were at the lower end of the guidance range despite lower than forecast silver grades in the first half of the year.

PanAust's consolidated 2013 copper production of 64,885 tonnes (t) was at the upper end of the guidance range (62,000t to 65,000t) and gold production in concentrate and doré of 183,769 ounces (oz) was above guidance (160,000oz to 175,000oz).

Despite the higher pay-metal production and competitive costs, materially lower metal prices had an adverse impact on PanAust's financial performance. Profit after income tax for the 12 months to 31 December 2013 was US\$43.7 million after impairment charges totalling US\$50.9 million for discontinued exploration and evaluation of projects in Laos and the Puthep Copper Project in Thailand. Following a review, the Company considered that it was appropriate to recognise impairment charges for these projects.

The business transitioned to being free-cash positive during the December half of 2013 following completion of a three-year capital development phase of our Lao operations which totalled circa US\$350 million. At year-end, the Company had cash of US\$130.3 million.

Operational Free Cash Flow² (before regional exploration and new project evaluation work) is expected to more than double to approximately US\$100 million (at US\$3.25 per pound copper) during 2014 following completion of the IRP, a 50 per cent reduction in sustaining capital, and improvements in stores and shared services management in 2013. Currently there is no project development capital approved for the 2014 year.

PanAust aims to create value from its assets and deliver enhanced returns to its shareholders versus its industry peers, in part through the payment of dividends. For the 2013 financial year, the PanAust Board of Directors declared dividends to shareholders totalling A\$0.06/share supported by a strong balance sheet and improving cash flow position.

PanAust currently estimates that consolidated full year 2014 production will be in the range of 65,000t to 70,000t of copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 165,000oz of gold, and approximately 1.2 million oz of silver.

In October 2013, we announced that a revised life-of-mine plan for the Phu Kham Operation confirmed progressive year-on-year increases in head grade, commencing in 2015, would lead to a corresponding increase in annual copper production to a peak of approximately 90,000t in 2018 and 2019. Production levels at Phu Kham have the potential to further increase through the processing of high-grade copper-gold ore trucked 100 kilometres from a satellite open-pit at the KTL Copper-Gold Project. In February 2014, we announced the inaugural Ore Reserve for KTL as a sub-set of the Phu Kham Operation.

We are not aware of any other company among our industry peers with a growth path similar to that of PanAust's: a copper company that forecasts a near 40 per cent increase in annual copper production (from a 2013 base) with no further development capital expenditure required. If KTL is progressed, then over 50 per cent growth could be achieved with modest capital expenditure.

In the Phu Kham district, exploration and resource development programs continued within close vicinity to the Phu Kham processing plant, including the LCT (where an initial Mineral Resource was announced in January 2013) and Nam Ve deposits.

Our work in Chile is continuing with the extended Inca de Oro feasibility study which is incorporating the nearby Carmen deposit. The securing of water and competitively priced power continue to be key considerations.

In line with our corporate growth strategy of ensuring we have sufficient mineral resources to secure the future of the business, in early November 2013, we were very pleased to announce that we had entered into a share sale and purchase agreement with Glencore to acquire its interest in the Frieda River Copper-Gold Project in Papua New Guinea. The Agreement is subject to a condition precedent relating to all applicable regulatory approvals including Glencore satisfying the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc, and the Investment Promotion Authority of Papua New Guinea.

Frieda River is one of the largest undeveloped copper-gold deposits in the world and has similar topography to that at Phu Kham. We are looking to develop a project with an average annual production of approximately 100,000 tonnes of copper plus gold.

Until the condition precedent is satisfied, the Agreement provides for the joint venture to continue with feasibility study work on PanAust's preferred development concept. The sunset date for satisfaction of the condition precedent is 30 September 2014. However, PanAust and Glencore may agree to extend this date.

² Net cash flow from operations after: tax; sustaining and development capital expenditure; net lease drawdown and repayments; and, corporate costs. The estimate assumes average gold and silver prices of US\$1,300/oz and US\$22/oz respectively.

Our workplace health and safety objective is to provide a safe and risk-aware work environment where everyone goes home safely every day in the pursuit of Zero Harm. The Company's 2013 Total Recordable Injury Frequency Rate (TRIFR) of 1.72 represented a 20 per cent year-on-year improvement from 2012's rate of 2.15. PanAust's 2013 Lost Time Injury Frequency Rate (LTIFR) was 0.31 (2012: 0.13); despite a slight year-on-year increase, it continues to be lower than industry averages.

We recognise that the safety culture of an organisation is shaped by the actions of leaders. During 2013, we continued our focus on visible leadership, safety lead indicators, and identifying and managing safety hotspots. We also view the development of local contractors as critical to Laos' development goals and its sustainable future as well as our own business success. This is not without challenges and contractor management continues to be a high-risk area for PanAust. As such, we remain focused on implementing programs to lift the safety standards of our business partners in Laos.

As a resource company operating in a developing country, we recognise we have a great capacity to make positive, long-lasting social and economic contributions to our host country. To date, the Company has invested approximately US\$1.29 billion into the Lao economy. In 2013, Phu Bia Mining activity accounted for more than five per cent of the nation's gross domestic product and over 26 per cent of total Lao goods exports. We paid Lao suppliers of goods and services US\$237 million and contributed approximately US\$83.9 million through taxes, royalties and dividends to the Government of Laos.

Reflecting our commitment to help develop a skilled workforce to support our own growth as well as that within mining and other heavy industries in Laos, the Company's revised apprenticeship program commenced this year. It is the first of its kind in Laos whereby a company has partnered with a Lao tertiary institution to deliver an in-house training program. Our 2013 intake comprised 40 students, and the 2014 intake numbered 37.

In October 2013, we announced a partnership with the Asian Development Bank (ADB) to contribute \$6 million (\$1 million per annum for six years) towards a project to deliver clean water and better sanitation facilities to residents of 11 towns in Laos, positively impacting around 160,000 people. PanAust will be the first private sector donor to partner with ADB for one of its sovereign projects. We believe that investing in potable water and improved sanitation in regional communities will bring a fundamental change to the health and wellbeing of people while contributing to the United Nations Millennium Development Goals in Laos.

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



In recognition of our project development capabilities, also in March 2013, PanAust received the Project Development of the Year Award at the Mines and Money Hong Kong Asia Mining Awards for the development and construction of Ban Houayxai. The Operation also received a five-star rating from Caterpillar Inc. for its Mobile Maintenance and Mobile Warehouse facilities. The Phu Kham Operation received the five-star rating for its Mobile Warehouse facility.

Ban Houayxai achieved operational certification to the International Cyanide Management Code in March 2013; well ahead of the requirement for Code-compliance certification to be achieved within three years of an operation commencing production.

We take this opportunity to thank our employees and everyone concerned with PanAust for their contribution over the course of 2013 and to our shareholders for their continued support.

A handwritten signature in black ink, appearing to read 'Garry Hounsell'.

CHAIRMAN, GARRY HOUNSELL

A handwritten signature in black ink, appearing to read 'Gary Stafford'.

MANAGING DIRECTOR, GARY STAFFORD

EXECUTIVE MANAGEMENT TEAM



GARY STAFFORD BSc (Hons,
Mining Engineering) MAusIMM

MANAGING DIRECTOR

Gary is a mining engineer with 32 years' experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Gary Stafford has been Managing Director since 7 March 1996 and has presided over the Company's growth from a junior exploration company to an S&P/ASX 200 mining company.



DR FRED HESS
BSc (Hons), PhD, MAusIMM

**EXECUTIVE GENERAL MANAGER
PROJECT DEVELOPMENT AND
OPERATIONAL IMPROVEMENT**

Fred is responsible for the Company's growth projects. Fred is a metallurgist with over 30 years' experience. Prior to joining PanAust he managed the Macreas Gold Mine in New Zealand and the Mt Gordon Copper Mine in Australia following a career with WMC Resources and Bougainville Copper. He commenced employment with PanAust in October 2005.



DAVID HAIRSINE
MFTA (Senior)

CHIEF FINANCIAL OFFICER

David joined PanAust in September 2004 and is responsible for the management of all Group financial reporting and funding requirements, commercial and information systems support and copper concentrates marketing. Prior to joining PanAust, David gained broad financial experience with M.I.M. Holdings Limited in a number of senior commercial, project development and treasury roles.



ROB USHER
BE Mining (Hons), MAusIMM

**EXECUTIVE GENERAL
MANAGER PANAUSTRALIA**

Rob is responsible for the management of existing and new operations in Asia. He commenced employment with PanAust in September 2006. Rob is a mining engineer with more than 25 years' experience in the international mining industry. Prior to joining PanAust, he worked in various mining engineering and management roles with Placer Dome in Papua New Guinea, the Philippines, United States of America, Canada and Tanzania. He started his career at the Mt Lyell copper mine in Australia.



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

**PRESIDENT AND EXECUTIVE
GENERAL MANAGER OF
PANAUSTRALIA SOUTH AMERICA**

Francisco is responsible for the Company's business in South America. He is an economist with over 20 years' experience. He joined PanAust in August 2010 as the Executive General Manager and President, PanAust South America. Prior to joining PanAust, Francisco was Chief Financial Officer and Human Development Vice President at Codelco. Before that he held senior roles with BHP Billiton and was the President of Cyprus Amax Chile. Francisco was founding president of the Mining Council of Chile.



JOE WALSH BEng (Hons, Mining
Engineering), MSc Geophysics

**GENERAL MANAGER
CORPORATE DEVELOPMENT**

Joe is responsible for the Company's mergers and acquisitions capability, equity financing, investor and business media relations, and development of corporate strategies for PanAust's future business development. He joined the Company in July 2004. Joe is a mining engineer and geophysicist with 25 years' experience in the minerals and financial services industries in Australia, Europe and Africa for companies including Hambros, the Royal Bank of Canada and Hartley Poynton, and as an independent consultant.



PAUL SCARR BCom, LLB (Hons),
Grad Dip. App. Corp. Gov. ACIS

**COMPANY SECRETARY
AND GENERAL COUNSEL**

Paul is responsible for the Company's secretarial function, corporate governance issues and the legal function of the Company. Paul is a Chartered Secretary and associate member of the Chartered Secretaries Institute of Australia. He has over 20 years' experience as a lawyer and is admitted to practice in both Australia and Papua New Guinea. Prior to joining PanAust, he worked in private practice with both Allens Arthur Robinson and Mallesons Stephen Jacques. During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. He has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia. Paul was appointed Company Secretary in February 2007.



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

**GENERAL
MANAGER GEOLOGY**

Dan is responsible for managing PanAust's geological program, including the exploration of new targets and the resource development of existing mineral assets, as well as resource evaluation and contributing to corporate evaluations. Dan is a geologist with over 25 years' experience in the minerals industry, specialising in base and precious metals, mainly in North America, South America and Australasia. Prior to joining PanAust in August 2007, he was involved in exploration, project development and mine operations with Cyprus Minerals and BHP Billiton.



ADRIAN BELL BBus, MBA

**GENERAL MANAGER HUMAN
RESOURCES AND RISK
MANAGEMENT**

Adrian is responsible for overseeing the Company's human resources, risk management, corporate affairs, and sustainability functions. Adrian has more than 25 years' experience in human resources and community relations in the mining industry and prior to joining PanAust worked with BHP Billiton, Xstrata and M.I.M. Holdings Limited in Australia and South America. Adrian commenced employment with PanAust in March 2006.

FINANCIAL PERFORMANCE

2013 FINANCIAL RESULTS

PanAust consolidated profit after income tax for the year to 31 December 2013 was US\$43.7 million (2012: US\$158.3 million).

While revenue increased and unit operating costs were stable, profitability was adversely impacted by lower commodity prices and the scheduled processing of lower grade ores; higher depreciation and amortisation; and impairment of previously capitalised exploration and evaluation assets.

Impairment charges totalling US\$50.9 million were recognised that comprised US\$27.1 million for discontinued exploration and evaluation projects (including KTL Project stand-alone processing studies and capitalised exploration costs at the nearby Tharkhek deposit) and US\$23.7 million in relation to the Company's joint venture investment in the Puthep Copper Project in Thailand. PanAust commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner during the first half of 2011. With no plans to develop the asset the Company recognised an impairment provision of the total investment in Puthep as at 31 December 2013.

Sales revenue (before derivative gains) increased two per cent to US\$725.0 million with higher pay-metal sales volumes more than offsetting lower average commodity prices. Pay-metal sales increased following higher production at both Phu Kham and Ban Houayxai, with copper in concentrate sales increasing by over five per cent to 62,611t, and gold and silver sales in concentrate and doré increasing by 39 per cent and 66 per cent respectively to 184,337oz and 922,967oz (2012: 59,357t copper, 132,037oz gold and 555,179oz silver).

The average prices received after realised hedging for sales during the year were US\$3.34/lb for copper, US\$1,378/oz for gold and US\$22.8/oz for silver (2012: US\$3.64/lb, US\$1,674/oz and US\$32.1/oz respectively).

Phu Kham and Ban Houayxai remain competitive on both a C1³ cash cost and all-in sustaining cost⁴ basis despite the impact of lower prices for precious metal credits.

The Phu Kham C1 cash cost was US\$1.36/lb copper after deducting precious metal credits (2012: US\$1.11/lb copper), and the all-in sustaining cost was US\$2.37/lb copper. The increase in C1 cash cost when compared with the prior year was largely the result of lower average gold and silver prices which reduced precious metal credits, and the lower average grade of material processed which increased the relative operating costs per pound of copper.

The Ban Houayxai C1 cash cost was US\$611/oz gold after deducting silver credits (for the seven months of commercial production during 2012: US\$537/oz gold), and the all-in sustaining cost was US\$964/oz. The increase in C1 cash cost versus the prior year was largely the result of increased costs associated with the mining and processing of scheduled harder ores, and a lower scheduled average gold head grade, partly offset by higher silver production which more than compensated for a lower average realised price for silver credits.

EBITDA was US\$272.5 million (2012: US\$331.1 million) and reflects lower realised pay-metal prices and higher absolute operating costs associated with increased milling rates at both operations.

Depreciation and amortisation charges increased by US\$34.9 million to US\$118.3 million reflecting the first full year of depreciation of both Ban Houayxai and the Phu Kham Upgrade, and the commencement of depreciation of the Phu Kham IRP.

Net cash inflow from operating activities was US\$171.5 million (2012: US\$214.9 million) which was adversely affected by a build-up of inventories (including stores and stockpiles) reflecting expanded operations at Phu Kham and the first full year of operations at Ban Houayxai. A focus on inventory reduction during the second half of 2013 saw total inventories fall by more than six per cent over this period.

Capital expenditure on development projects decreased year-on-year by US\$108.5 million to US\$25.6 million during 2013 as the major development phase of the Company's operations in Laos was concluded. No project development capital is currently approved for the 2014 year.

Sustaining capital expenditure, excluding deferred stripping costs, was US\$74.5 million of which US\$27.1 million was for the latest stages of construction of the tailings storage facilities (TSFs) at Phu Kham and Ban Houayxai. In 2014, sustaining capital expenditure is expected to more than halve to approximately US\$35 million, in large part driven by reduced construction requirements at the Phu Kham TSF.

Exploration and evaluation expenditures were lower at US\$48.4 million (2012: US\$67.9 million) with exploration accounting for US\$21.3 million of the total. Exploration and evaluation expenditure is currently budgeted to reduce further in 2014 to US\$28 million coinciding with the conclusion of: study work at Inca de Oro during the year; resource drilling at the Carmen deposit in Chile; and the KTL Copper-Gold Project in Laos.

During 2013, PanAust's 90 per cent owned subsidiary, Phu Bia Mining, paid to the Government of Laos US\$45.1 million in royalty payments and a profits tax payment (paid in arrears for the 2012 year) of US\$24.7 million. In addition, US\$20.8 million in value added tax was paid during the year, which is able to be offset against 2013 profits tax payable in 2014.

³ Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits.

⁴ The all-in sustaining cost includes 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.

"THE BUSINESS TRANSITIONED TO BEING FREE-CASH POSITIVE DURING THE DECEMBER HALF OF 2013 FOLLOWING COMPLETION OF A THREE-YEAR CAPITAL DEVELOPMENT PHASE"



FINANCIAL PERFORMANCE *CONTINUED*



GEOFF KERNICK BEcon, MBA, CPA

**GENERAL MANAGER COMMERCIAL,
PANAUST ASIA**

Geoff joined PanAust as General Manager Commercial in January 2011. He is responsible for shared services in Asia including finance, supply, logistics, legal, information technology and transactional services. Prior to this, he was CFO for Ausreco and Vice President Finance in Thailand and Vietnam for BlueScope Steel.

He spent a significant amount of his career with BHP in its steel, iron ore, manganese, transport and petroleum divisions. Geoff is a member of the Certified Practising Accountants Australia.

DIVIDENDS

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

On 22 August 2013, the PanAust Board of Directors declared an interim unfranked dividend of A\$0.03 per share in respect of the half-year ended 30 June 2013. The interim dividend was paid on 25 September 2013, and the DRP was again applied. A total of 680,659 ordinary shares were issued at a price of A\$2.25 per share.

On 20 February 2014, the PanAust Board of Directors declared a final unfranked dividend of A\$0.03 per share in respect of the year ended 31 December 2013. This final dividend amount was not provided for in the financial report for the year ended 31 December 2013.

FINANCIAL POSITION

At 31 December 2013, PanAust had cash of US\$130.3 million, debt of US\$162.0 million, undrawn debt facilities of US\$113.0 million, and mobile equipment lease facilities drawn to a total of US\$67.7 million.

In January 2013, PanAust announced that it had entered into amended facilities agreements for debt facilities totalling US\$275 million. The facilities comprise a four-year US\$250 million revolving debt facility with a syndicate of seven banks led by ANZ bank, and a US\$25 million working capital facility with ANZ (Laos).

One of the mining equipment lease facilities (entered into on 26 June 2007 with a limit of US\$48.5 million) matured on 31 December 2013 with a residual payment due of US\$7.0 million rolled over into a new facility for US\$23.5 million, which also covers additional equipment for the Lao operations to be purchased in 2014 as a result of the increase in tonnes being mined.

A broad cash flow platform to support the Company's growth has been provided by the successful implementation of the Phu Kham Upgrade Project (expansion of capacity) and commencement of production at Ban Houayxai in 2012, together with the completion of the Phu Kham IRP in the June quarter 2013.

The business transitioned to being free-cash flow positive during the second half of 2013 following completion of a three-year capital development phase of the Company's Lao operations which totalled circa US\$350 million.

FINANCIAL OUTLOOK

PanAust EBITDA for the 2014 year is expected to be between US\$200 million and US\$225 million assuming an average copper price of between US\$3.20/lb and US\$3.40/lb⁵ with production of 65,000t to 70,000t copper in concentrate, and precious metal production in concentrate and doré of 160,000oz to 165,000oz gold and approximately 1.2 million oz of silver.

Operational Free Cash Flow⁶ (before regional exploration and new project evaluation work) is expected to more than double to approximately US\$100 million (at US\$3.25/lb copper) during 2014 following the successful completion of the IRP in 2013, a 50 per cent reduction in sustaining capital, and improvements in stores and shared service management.

The increase in Operational Free Cash Flow will fund brownfield and generative exploration in Laos and the acquisition and planned study costs for the Frieda River Project in Papua New Guinea (once all of the conditions for the acquisition of a majority interest in the Project have been satisfied).

⁵ Assumes average by-product prices of US\$1,300/oz for gold and US\$22/oz for silver.

⁶ Net cash flow from operations after tax, sustaining and development capital expenditure, net lease drawdowns and repayments, and corporate costs. The estimate assumes average gold and silver prices of US\$1,300/oz and US\$22/oz respectively.

THE PHU KHAM PROCESS PLANT WAS FURTHER UPGRADED
DURING 2013 WITH THE IMPLEMENTATION OF THE INCREASED RECOVERY PROJECT



OPERATIONAL REVIEW

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.

The Operation comprises a large open-pit mine feeding ore to a process plant with recovery of copper and precious metals into a saleable concentrate using conventional flotation technology. The final product is a copper-gold concentrate, grading between 22 and 25 per cent copper, 7 grams per tonne (g/t) gold and up to 60g/t silver. Concentrate is trucked in covered containers to either Sriracha Harbour port in the south of Thailand (approximately 1,000 kilometres from Phu Kham) or to Vung Ang port in Vietnam (approximately 600 kilometres from Phu Kham) for export to custom smelters mainly in Asia. The new transport route through Vietnam provides the business with a second export-logistics option thereby reducing risk.

The Phu Kham process plant, which was expanded in 2012 to a design capacity of 16 million tonnes per annum, was further upgraded during 2013 with the implementation of the IRP. This Project, which utilises existing plant technology, converted the process plant from selective flotation to bulk flotation and led to a step-change improvement in copper and gold recovery rates. The average copper recovery rate for the December half-year was 74.9 per cent (up from 71.1 per cent for the June half-year) and gold was 50.3 per cent (up from 40.9 per cent). During 2014, the average copper recovery percentage rate is scheduled to further increase with variability according to ore type. The IRP was completed for a capital cost of US\$35 million which was US\$10 million below the budget and is expected to have a rapid payback.



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

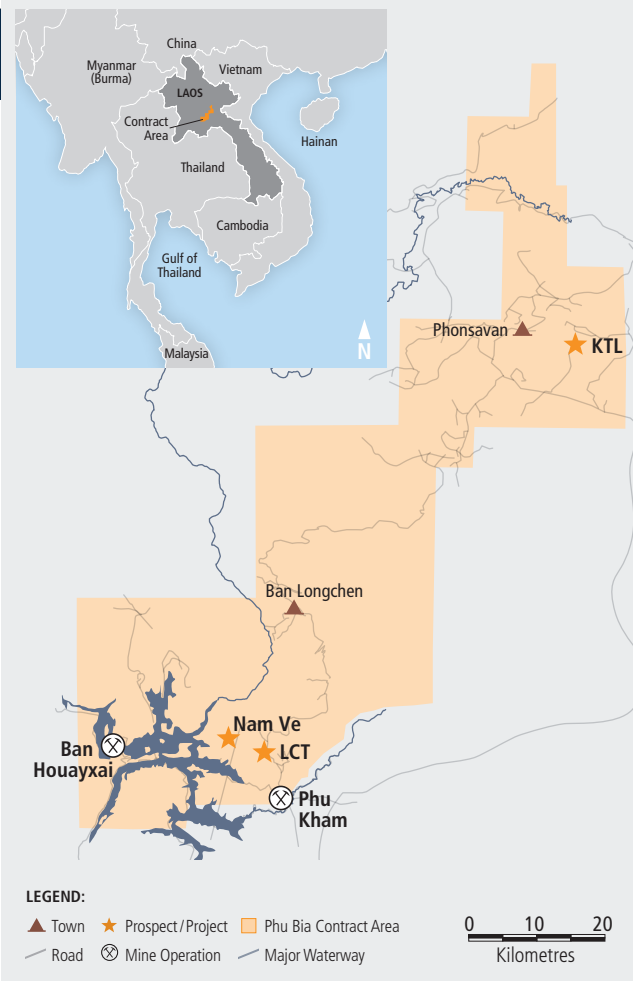
GENERAL MANAGER PHU KHAM COPPER-GOLD OPERATION

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

David is a mining engineer with 18 years' experience in the mining industry in both open-pit and underground operations, largely in the commodities of gold, copper and iron ore. Prior to joining PanAust, he held positions in management, mine planning and production engineering roles for Plutonic Resources, Homestake Mining, Barrick Gold and BHP Billiton.

David joined PanAust in November 2005 as Mining Manager, before participating in the development, commissioning and operation of the Ban Houayxai Gold-Silver Operation as General Manager. David then returned to the Phu Kham Copper-Gold Operation in November 2012 as General Manager.

PHU BIA CONTRACT AREA, LAOS



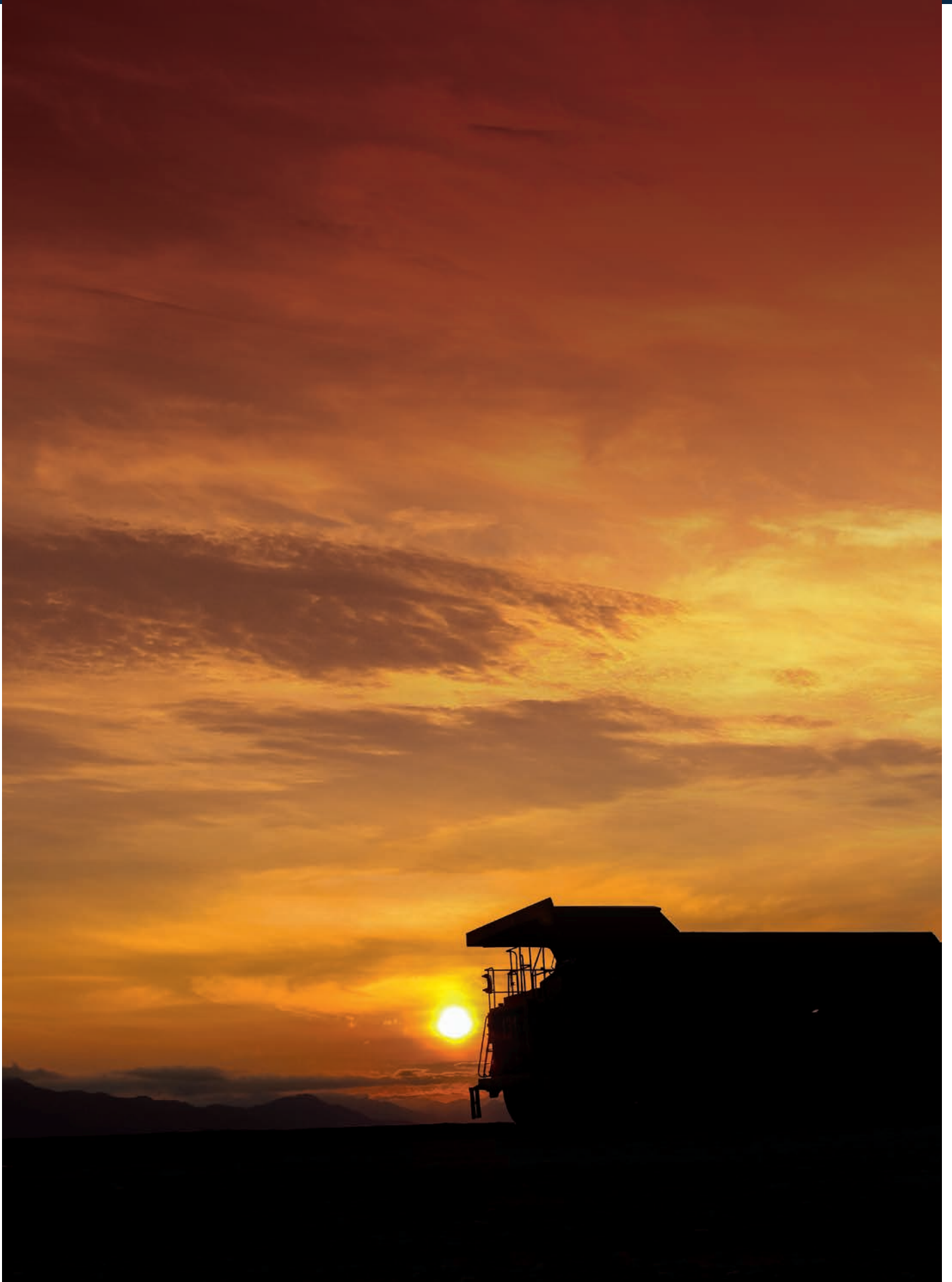
MINING AND PROCESSING

Phu Kham achieved a strong production performance for 2013 with total copper production increasing by three per cent and gold by nearly 20 per cent compared with the previous year. This was achieved despite lower than scheduled ore head grades as a result of the need in early 2013 to adjust the mine plan to address a geotechnical instability in an interim pit wall, which delayed access to relatively high-grade ores.

Open-pit material movements at Phu Kham totalled nearly 43 million tonnes (Mt) and over 18Mt of ore was processed. The significant increase in ore processed reflects the first full year of the Phu Kham Upgrade Project which was completed in the September quarter 2012. The process plant continues to process ore at a rate in excess of its expanded 16 million tonnes per annum (Mtpa) design capacity and in the December quarter achieved a rate equivalent to over 20Mtpa on a mix of softer ores.

Following operational improvements in early 2014 that eliminated a significant ore-handling bottleneck, it is expected that ore processing rates can be sustained between 19Mtpa and 20Mtpa.

BAN HOUAYXAI HAD AN OUTSTANDING FIRST FULL YEAR OF OPERATION
EXCEEDING THE MID-YEAR UPWARDLY REVISED GOLD PRODUCTION GUIDANCE



OPERATIONAL REVIEW CONTINUED

During 2013, the Operation produced a total of 283,818 dry metric tonnes (dmt) of concentrate containing 64,885t of copper, 71,223oz of gold and 317,754oz of silver. The average C1 cash cost for the year was US\$1.36/lb of copper after precious metal credits. The all-in sustaining cost was US\$2.37/lb which provided a healthy cash margin.

Sales of concentrate for the year totalled 289,116dmt with a payable content of 62,611t of copper, 71,919oz of gold and 304,185oz of silver. The average copper price received for the year was US\$3.34/lb.

In 2014, copper production is scheduled to rise to between 65,000t and 70,000t at an average C1 cash cost of between US\$1.50/lb and US\$1.60/lb copper reflecting increased year-on-year open pit waste strip requirements, higher benchmark treatment and refining charges and scheduled lower copper and gold grades. Peak life-of-mine material movements in the open-pit are scheduled for 2014 with 52Mt mined.

In October 2013, PanAust announced that a revised life-of-mine plan had been developed for the Phu Kham Operation. Over the period 2015 to 2019, scheduled increases to head grade will lift copper in concentrate production to peak levels of around 90,000tpa in 2018 and 2019.

Further upside to production levels and mine life at Phu Kham could be realised from resource development programs underway within the vicinity of the Phu Kham processing plant; evaluation of the recovery performance of lower grade mineralisation at Phu Kham; and the trucking of high-grade copper-gold ores from a satellite open pit at the KTL deposit in the north of the Contract Area. The inaugural KTL Ore Reserve was announced in February 2014, reported as a subset of the Phu Kham Ore Reserve.

PHU KHAM COPPER-GOLD OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2013	12 MONTHS TO 31 DEC 2012
Ore milled	18,286,148t	15,151,624t
Copper grade	0.49%	0.58%
Gold grade	0.26g/t	0.29g/t
Silver grade	1.53g/t	2.57g/t
Concentrate produced	283,818dmt	267,383dmt
Copper in concentrate	64,885t	63,285t
Gold in concentrate	71,223oz	59,516oz
Silver in concentrate	317,754oz	469,945oz



DR JON GAUNT BSc (Hons) Geology, MSc Mining Geology, PhD Geology, MAusIMM

GENERAL MANAGER BAN HOUAYXAI GOLD-SILVER OPERATION

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

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

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

Ban Houayxai had an outstanding first full year of operation; exceeding the mid-year upwardly revised gold production guidance.

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

Open-pit material movements totalled 8.0Mt and nearly 4.5Mt of ore was processed. A total of 112,546oz of gold and 637,603oz of silver was produced (poured). The substantial increase in silver production resulted from the scheduled increase in silver grade as the operation mined and processed lower quantities of the near-surface silver-depleted oxide ores. The average C1 cash cost of production was US\$611 per ounce (oz) after silver credits. The all-in sustaining cost was US\$964/oz.

Sales for the year totalled 112,418oz of gold and 618,782oz of silver. The average gold price received for the year was US\$1,398/oz.

For 2014, Ban Houayxai is expected to produce approximately 100,000oz of gold at an average C1 cash cost of between US\$650/oz and US\$700/oz after silver credits.

BAN HOUAYXAI GOLD-SILVER OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2013	12 MONTHS TO 31 DEC 2012
Ore milled	4,454,449t	2,663,737t
Gold head grade	0.89g/t	1.02g/t
Silver head grade	7.77g/t	3.22g/t
Gold in doré	112,546oz	76,449oz
Silver in doré	637,603oz	146,742oz

WORK CONTINUED WITH THE EXTENDED INCA DE ORO FEASIBILITY STUDY INCLUDING
EVALUATING THE DEVELOPMENT POTENTIAL FOR OXIDE MINERALISATION



OPERATIONAL AND DEVELOPMENT OUTLOOK



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

GENERAL MANAGER TECHNICAL SERVICES AND PROCESSING IMPROVEMENT

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

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

CORPORATE STRATEGY

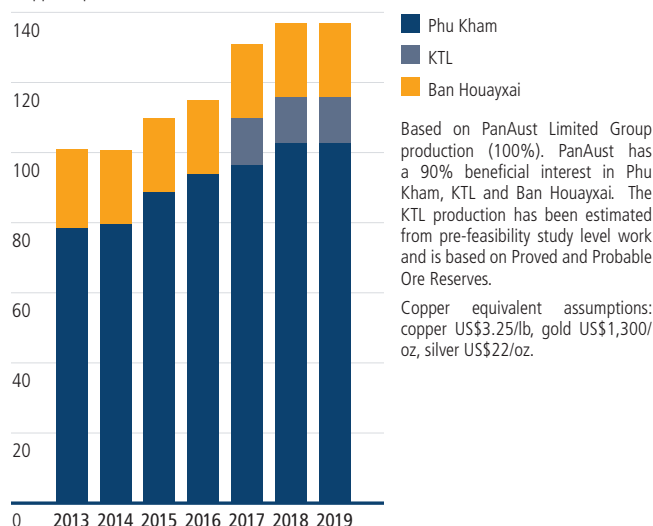
PanAust aims to sustain its business over the long term and has a corporate strategy focused on growth by discovery, acquisition and development.

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

The successful completion and commissioning of the Ban Houayxai Gold-Silver Operation and the Phu Kham Upgrade Project in 2012 together with the IRP in 2013, provide the platform for a pipeline of pre-development and exploration projects that should maintain a strong growth profile for the Company over the medium to long term. Based on a review of our industry peers (24 companies), PanAust is the only copper company that is in the position to forecast a near 40 per cent increase in annual copper production (on a 2013 base) with no further capital expenditure. If KTL is progressed, then over 50 per cent growth could be achieved with modest capital expenditure.

PHU KHAM PRODUCTION INCREASING (100% EQUITY BASIS)

Copper Eq. (t 000's)



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

Status: feasibility study in progress

The KTL study evaluated development options for the Project including the development of a stand-alone open-pit mining and flotation processing operation, and a low-capital alternative whereby discrete high-grade copper-gold zones at the KTL deposit are mined, crushed and trucked to Phu Kham for processing. KTL is approximately 100km north of Phu Kham.

An options analysis demonstrated that the economics favour the low-capital option described above. The Ore Reserve estimate for the KTL deposit has been reported as a subset of the aggregated Ore Reserves for the Phu Kham Operations.

Under the trucking option, high-grade KTL copper mineralisation will augment the feed to the Phu Kham SAG mill. Delivery of crushed ore to the SAG mill will provide increased flexibility and the potential for higher utilisation, thereby providing options for further increases to copper and gold production from 2017 for a four-to-seven-year period either through additional processing rates and/or deferral of lower grade feed.

No further work is planned on the development of a stand-alone open-pit mining and flotation processing operation at the KTL deposit.



HERMAN DITTMAR BTech

GENERAL MANAGER PROJECT IMPLEMENTATION

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

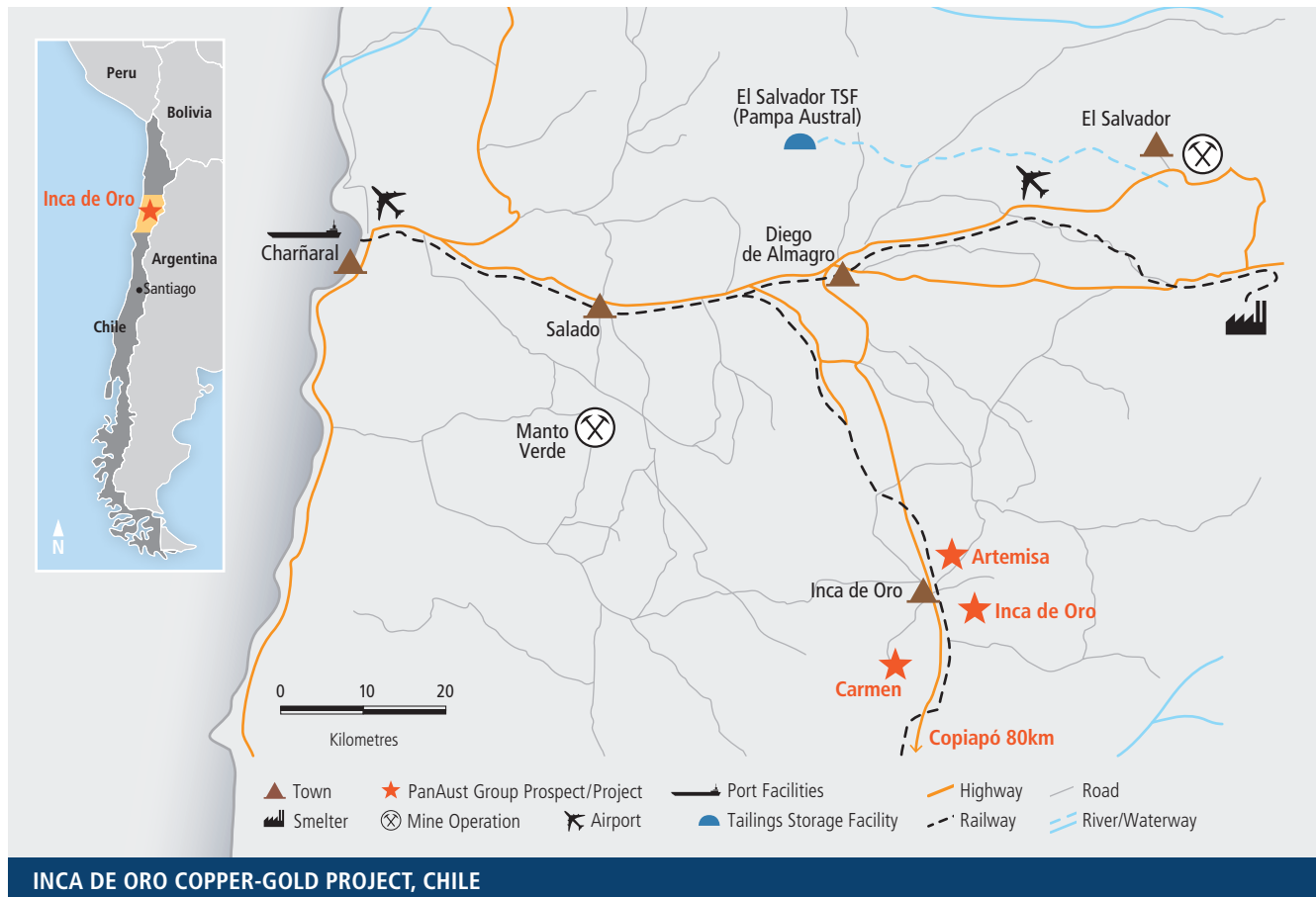
Herman is an Electronics Engineering Technologist with more than 25 years' experience in the international mining and construction industries. Prior to joining PanAust, he worked in various executive project management and corporate development roles for MWH, Compania Minera Antamina and BHP Billiton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

INCA DE ORO COPPER-GOLD PROJECT, CHILE (PANAUST 60.45 PER CENT)

Status: extended feasibility study in progress

In July 2012, PanAust announced the results of the Inca de Oro sulphide feasibility study. The study concluded that the cost profile after the first five years of production needed to be improved for the Project to be economically robust.

OPERATIONAL AND DEVELOPMENT OUTLOOK *CONTINUED*



INCA DE ORO COPPER-GOLD PROJECT, CHILE

The extended integrated Inca de Oro/Carmen feasibility study considered a range of project scale options from 9Mtpa to 18Mtpa. Project optimisations demonstrate that a reduced mill throughput rate of approximately 9Mtpa and a higher copper cut-off grade should enhance the economic return through lower capital and operating cost structures.

A revised work plan for 2014 has been adopted by the joint venture. The first phase is to complete the engineering studies to sufficient detail to support the submission of an environmental impact assessment report in mid-2014. The second phase is to finalise the feasibility study in the December half of 2014 subject to acceptable agreements being reached on a number of commercial matters that will have a significant impact on the viability of the Project and any investment decision.

CARMEN COPPER-GOLD DEPOSIT, CHILE (PANAUST 100 PER CENT)

Status: exploration and resource definition drilling programs concluded

Carmen is a near-surface iron oxide copper-gold mineralised system located approximately 14 kilometres southwest of Inca de Oro, which – subject to a feasibility study – may support a low-strip ratio satellite open pit to augment Inca de Oro mill feed.

A program of resource extension and infill drilling was concluded in early 2014 aimed at lifting the largely Inferred Mineral Resource into Measured and Indicated categories. The Company strategy is to demonstrate that the incorporation into the mining schedule of mineralisation from Carmen will materially enhance the economics of the Inca de Oro Project.

PHU KHAM DISTRICT INCORPORATING LONG CHIENG TRACK (LCT) AND NAM VE, LAOS (PANAUST 90 PER CENT)

Status: exploration and resource definition drilling programs in progress

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets have been identified in a corridor which includes the LCT deposit and stretches northwest of Phu Kham for at least 13 kilometres to the Nam Ve prospect.

LCT

The LCT deposit outcrops and extends over a strike length of approximately 450 metres in a northeast-southwest direction, dipping steeply to the northwest and remains open down-dip and along strike. The deposit comprises two broad zones of poly-metallic mineralisation associated with a silicified breccia complex that hosts a series of porphyritic intrusions. An upper zone is gold and silver rich while the lower zone contains base metals together with gold and silver.

The results of a scoping study have been helpful in setting ongoing exploration priorities and have confirmed the requirement for the identification of additional resources at LCT or the nearby Nam Ve prospect before further studies are warranted.

NAM VE

High-grade gold mineralisation was discovered at the Nam Ve gold prospect during 2012 following a program of scout drilling. Nam Ve is located approximately seven kilometres northwest of LCT. Exploration drilling is targeting zones of high-grade gold mineralisation and copper-gold mineralisation. The mineralisation is hosted in quartz veins/lodes.



FRIEDA RIVER COPPER-GOLD PROJECT, PAPUA NEW GUINEA

OTHER EXPLORATION, LAOS

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

FRIEDA RIVER COPPER-GOLD PROJECT, PAPUA NEW GUINEA

Status: agreement entered into to acquire a majority interest in the Frieda River Project subject to a condition precedent

In line with the Company's corporate growth strategy of ensuring we have sufficient mineral resources to secure the future of the business, on 1 November 2013, PanAust entered into a share sale and purchase agreement with a subsidiary of Glencore for PanAust to acquire Glencore's interest in the Frieda River Copper-Gold Project in Papua New Guinea by acquiring all of the shares held by Glencore in Xstrata Frieda River Limited (XFRL), a Papua New Guinean registered company. The PanAust Glencore Agreement is subject to a condition precedent relating to all applicable regulatory approvals. The sunset date for satisfaction of the condition precedent is 30 September 2014; PanAust and Glencore may agree to extend this date.

The Frieda River Project is a joint venture between XFRL and Highlands Pacific Limited and, on the same day as the Company entered into the PanAust Glencore Agreement, PanAust entered into an agreement to acquire a cornerstone interest (7.5 per cent of issued share capital) in ASX-listed Highlands Pacific Limited.

In settlement of an existing dispute between XFRL and Highlands, PanAust and Highlands have agreed that upon completion under the PanAust Glencore Agreement the initial interests of each joint venture party will be 80 per cent and 20 per cent respectively.

Frieda River is one of the largest undeveloped copper-gold deposits in the world and has similar topography to that at Phu Kham. PanAust's development concept is for the development of a project with an average annual production of approximately 100,000 tonnes of copper plus gold.

Until the condition precedent is satisfied, the Agreement provides for the joint venture to continue working on a feasibility study for PanAust's preferred development concept.



PETER TROUT BEng (Hons), PhD (Mining Engineering), MAusIMM

GENERAL MANAGER TECHNICAL SERVICES AND MINING IMPROVEMENT

Peter provides oversight for all mining-related activities across the PanAust Group including strategic planning and technical support for operations, scoping and feasibility studies, corporate development and exploration.

Peter is a mining engineer with more than 20 years' technical, operational, project development and management experience. He has held senior positions at large-scale underground and open-pit metalliferous mining operations in Australia, Papua New Guinea and the Dominican Republic and has previously worked with Perilya Limited, Newcrest Mining and MIM Limited. Peter commenced employment with PanAust in August 2013.

PANAUST'S APPROACH TO SUSTAINABILITY IS DERIVED FROM A STRONG ETHICAL FOUNDATION OUTLINED IN ITS VISION AND VALUES, AND HIGH STANDARDS OF CORPORATE GOVERNANCE



SUSTAINABILITY

PANAUST'S SUSTAINABILITY CREDENTIALS

Underpinning PanAust's corporate strategy of growth by discovery, acquisition and development, is the recognition that sustainable business development is essential for success.

Laos is a developing country; accordingly, PanAust has an important role to play in improving the living standards of current and future generations of communities that are impacted by the Company's operations. The Company achieves this by meeting the global demand for resources in a socially responsible way; supporting traditional rights and values, and respecting cultural heritage. The Company recognises that its mining operations can create both positive and negative impacts on communities. On balance, PanAust aims to have an overall positive affect.

PanAust's approach to sustainability is derived from a strong ethical foundation outlined in its Vision and Values, and high standards of corporate governance. In 2013, PanAust completed a review of the Company's code of conduct and published a user-friendly handbook entitled *The PanAust Way* (which supersedes the previous version of the Company's Code of Conduct). *The PanAust Way* provides a practical guide to the minimum standards of behaviour expected by the Company for people when they are working with or for PanAust (including directors, employees and business partners).

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

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

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



RICHARD TAYLOR BEcon, LLB (First Class Hons),
Grad Dip Leg Prac, LLM, MBA

**GENERAL MANAGER EXTERNAL AFFAIRS
PANAUST ASIA**

Richard is responsible for external affairs, sustainability and human resources in Asia. He commenced employment with PanAust in April 2013.

Richard is a qualified lawyer and former Australian diplomat with more than 13 years' experience in government and stakeholder relations, primarily in the mining industry. His most recent appointment prior to PanAust was with the World Bank in Washington DC. He worked previously with Oxiana/MMG and consulted to governments and companies active throughout the Asian region, including in India, China, Indonesia, Thailand, Laos, Cambodia and Vietnam.

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

PanAust is committed to reporting transparently through adoption of the Global Reporting Initiative framework (GRI G3) and has achieved an A+ limited assurance against the ISAE 3000 and AA1000 Assurance Standard for its *2013 Sustainability Report*. The report assurance process assesses the accuracy, materiality, completeness and responsiveness of the information and data contained in the Company's report. In 2013, PanAust also sought feedback from external stakeholders on sustainability issues through a sustainability investor roadshow which was attended by investors and other interested parties including independent environmental, social and governance research analysts and representatives from non-government organisations.

Each year, PanAust submits its emissions data and reports its performance publicly to the Carbon Disclosure Project (CDP), an international, not-for-profit organisation that works with shareholders and corporations to disclose their impacts on the environment and natural resources, as well as actions taken to reduce those impacts.

PanAust is pleased to report that within the scope of the Company's controlled activities, there are no reportable significant incidents⁷ relating to overall sustainability performance for 2013.

Further detail on the Company's sustainability performance is provided in the Company's annual Sustainability Report (the *2013 Sustainability Report* is due to be released in the second quarter of 2014 and will be available on the PanAust website, www.panaust.com.au/reports).

Image: Senior Community Officer, Vilaysak Xayasith with villager, Mr Xieng Kham La and his niece, Ms Thip at the Nasaysavang village water stand-pipe; the gravity-fed system delivers water from mountain streams to the village and was installed as part of PanAust's infrastructure provision program at Ban Houayxai

⁷ PanAust defines 'significant' as material incidents; that is, Level 4 or 5 as described in the Consequence Table available in the Company's Sustainability Report.

SUSTAINABILITY *CONTINUED*

SOCIAL PERFORMANCE

PanAust actively engages and maintains open and transparent dialogue with host-country governments and communities close to its operations and projects.

In October 2013, the Company announced a partnership with the Asian Development Bank (ADB) to contribute \$6 million (\$1 million per annum for six years) towards a project to deliver clean water and better sanitation facilities to residents of 11 towns in Laos, positively impacting around 160,000 people. PanAust will be the first private sector donor to partner with ADB for one of its sovereign projects.

The Company's community development programs support villages affected by mining operations, exploration activities, and haulage routes. Community development priorities are aligned with Government programs, informed by data from periodic socio-economic surveys, and developed through consultation with local villagers.

Community Development Funds (CDFs) are in place at Phu Kham, Ban Houayxai and Phonsavan with Memoranda of Understanding between PanAust and the Government of Laos defining coordination and management arrangements. PanAust's CDFs prioritise projects in the areas of education, agriculture, health, infrastructure, and microfinance and small business development. In Laos, community development projects are managed in partnership with local communities and closely coordinated with local government authorities.

In Laos, total CDF expenditure during 2013 was US\$922,701 (including US\$663,010 on new projects in the 2013 annual plan and \$259,691 on projects carried over from previous years' planning cycles). CDF programs in 2013 comprised 75 small-scale projects in 46 rural communities directly and indirectly affected by PanAust's activities. 2013 CDF achievements include the following.

- In-service training was organised for 60 teaching staff and financial assistance enabled local education authorities to conduct monitoring visits to schools. Five new primary schools were built and 50 adults completed basic literacy and numeracy classes. Educational supplies including text books, storybooks, art supplies, stationery, sports equipment and classroom furniture were provided to various schools.
- A general-purpose community centre was constructed in a village near Phu Kham and a community health centre was built in a village near Ban Houayxai, which will provide a healthcare service to six nearby villages with a combined population of more than 3,000 people. New water supply infrastructure was constructed in five villages.
- Community health awareness sessions were held in 29 villages focusing on mother and child health and HIV-awareness activities were hosted for employees and local communities. Mobile clinics provided free general health checks, dental treatment and eye checks in 11 villages each quarter throughout the year.
- PanAust's microfinance program expanded to include 12 villages (up from six at year-end 2012), which doubled total membership from 743 to 1,514 individuals. In the order of US\$220,000 of micro-loans were issued during the year to support a variety of small-scale income-generating activities, as well as education, healthcare and other household expenditure needs. Women comprise the majority of participants in the program.
- Small community business initiatives collectively generated in excess of US\$1 million of revenue for local families producing consumables such as vegetables, drinking water, eggs, cloth bags, fruit and fish.

PanAust encourages local businesses to find other markets to reduce reliance on the Company and enable longer term viability. To assist in community preparedness for closure, PanAust will continue to strengthen the capacity of local businesses and agricultural producers near to the operations by identifying market opportunities, providing training and advice, and promoting access to financial services.

In addition to CDF activities, as part of a three-year sponsorship arrangement (valued at A\$50,000 per year), PanAust again partnered with not-for-profit organisation Interplast to provide free surgical treatment to people in Laos who would otherwise not have access to such services. The Company's support in 2013 enabled Interplast to assess 137 patients over 10 days and carry out surgery on 66 people.

In Chile, the Company spent over US\$222,000 on supporting community development projects, including a program to enable the provision of medical services to the remote township of Inca de Oro, infrastructure improvements to the township's school and church, and participatory roundtables to facilitate active community participation in projects as it develops.

ENVIRONMENTAL PERFORMANCE

The environmental challenges for PanAust's mining operations and exploration activity are significant, this is particularly so given the steep topography and distinct wet and dry seasons within the Company's Contract Area in Laos. The Company is committed to minimising impacts to the natural landscape, waterways, and flora and fauna according to international best practice and continual improvement.

PanAust's materiality process identified the main environmental challenges for the Company's operations during 2013 as: tailings and waste rock management, water management, sediment and erosion control, land rehabilitation and closure, air quality emissions around the Phu Kham operation, energy and carbon management, and cyanide management at Ban Houayxai.

Managing Acid Rock Drainage (ARD) requires strict engineering and process controls, which are externally reviewed each year to monitor performance and prioritise continual improvement opportunities. Reviews of ARD and tailings management at Phu Kham and Ban Houayxai conducted by three independent consultants confirmed that the program for managing ARD risks at both operations is highly developed and the systems adopted for the prevention and control of ARD are consistent with methods described in the Global Acid Rock Drainage Guide.

Water management plans at both Phu Kham and Ban Houayxai performed well during the 2013 wet season (May to October). Both sites undertook controlled discharge from their tailings storage facilities which were monitored by Company officers as well as Government of Laos officials. Water discharge is monitored to IFC and Lao water-quality guidelines. Site-specific standards are also used where baseline and background water-quality conditions exceed these standards.



Image: A dawn ceremony held at Ban Houayxai to mark the end of Buddhist Lent in October 2013

During 2013, a passive filter system was constructed downstream of the Phu Kham TSF embankment and fish ponds were constructed prior to discharge to the Nam Mo River. In addition to applying normal international water-testing procedures, the fish demonstrate to the local community that discharge water quality is suitable for supporting local fauna.

In March 2013, the Ban Houayxai operation received operational certification to the International Cyanide Management Code.

Both the Phu Kham and Ban Houayxai Operations underwent independent auditing against the IFC's Performance Standards on Social and Environmental Sustainability during 2013. The audits found that both sites continue to improve their environmental and social performance.

An independent audit of the exploration activities associated with the KTL Copper-Gold Project was conducted against relevant principles of the e3 Plus: A Framework for Responsible Exploration that includes relevant aspects of the IFC Performance Standards. The audit found improvements in environmental and social performance of PanAust's exploration activities.

HEALTH AND SAFETY

PanAust is committed to the Zero Harm philosophy where workplace incidents and injuries are considered unacceptable regardless of their severity or frequency.

PanAust's safety performance throughout 2013 was solid. The Company's 2013 Total Recordable Injury Frequency Rate (TRIFR) of 1.72 was a 20 per cent year-on-year improvement from 2012's TRIFR of 2.15. PanAust's 2013 Lost Time Injury Frequency Rate (LTIFR) was 0.31 (2012: 0.13). PanAust's TRIFR and LTIFR both continue to be significantly lower than industry averages.

PanAust's 2013 safety results compare favourably with other companies whose results are published in a Citigroup report, *Safety in the Spotlight*, which reports performance on 'ASX 100 Companies and More' (published February 2014). Based on the rankings presented in the report, PanAust is positioned third best out of 43 companies reporting TRIFR, and sixth best out of 78 companies reporting on LTIFR.

SUSTAINABILITY *CONTINUED*

2013 PANAUST GROUP REPORTABLE INCIDENTS⁸

HOURS	FATALITIES	TOTAL RECORDABLE INJURY FREQUENCY RATE	LOST TIME INJURY FREQUENCY RATE	DAYS AWAY RESTRICTED OR TRANSFERRED TIME
16,301,952	0	1.72	0.31	0.37

In 2013, PanAust established a Senior Management Taskforce for Significant Incidents. The Taskforce comprises PanAust executive managers and is responsible for ensuring that the Group-wide implications of significant incidents (actual or potential/controlled or influenced) and any emerging safety concerns are fully addressed. This is to ensure that findings and recommendations are not limited to the incident itself, but shared across the business where similar activities occur or where different activities with similar risks occur.

PanAust's Cardinal Rules are a set of eight simple rules tailored to the Company's operations that respond to safety breaches which historically, within a mining environment, have resulted in serious injury or a fatality. The Company holds a zero tolerance position on breaches of the Cardinal Rules. In 2013, PanAust developed a suite of icons and posters (in English, Lao and Spanish) for each Cardinal Rule. The icons and posters, together with awareness presentations form part of an ongoing campaign to continually raise awareness of the Cardinal Rules and their key role in the safety and wellbeing of the workforce.

Building on the supervisor visible leadership training delivered in 2013, in December PanAust executives participated in a SAFEMap Deep Leadership workshop with behavioural safety specialist, SAFEMap President, Corrie Pitzer. The workshop provided an opportunity to share 360-degree safety leadership profiles, safety leadership strategies and lessons learnt from each executive's perspective. In 2014, executives will be involved in developing a Visible Safety Leadership program for implementation across the Group.

Throughout 2013, improvements were made in the investigation into, and reporting of, safety incidents for the purpose of identifying trends and hotspots. Lead indicators – such as training, risk reviews, random drug and alcohol testing, and job safety observations – have been, and continue to be, developed to focus attention, appropriate action, and improvement in identified hotspot areas with a focus on contractor management, working at heights, drug and alcohol use, and passenger transport and vehicle safety.

⁸ To review reportable safety incident data from 2011-2013, refer to PanAust's 2013 Sustainability Report.

OUR PEOPLE

As at 31 December 2013, the PanAust Group had 3,643 permanent employees. This figure is nine per cent more than that at year-end 2012 (3,317) and reflects the insourcing of concentrate haulage and site asset protection functions previously provided by third-party contractors in Laos. In addition, the PanAust Asia business unit created a number of new entry roles which included 40 new trade apprentices. In Chile, workforce numbers increased from 19 at year-end 2012 to 50 at year-end 2013 due to insourcing exploration support activities at Inca de Oro and Carmen. Employee numbers in Brisbane and Thailand remained relatively constant.

Of the total PanAust workforce at year-end 2013 (3,643), 600 were women (16 per cent) with 34 of those in management roles (15 per cent of all management roles across the Group).

The PanAust Diversity Committee continued to operate in 2013. The committee reports to the Managing Director and monitors the performance of the PanAust Group with respect to diversity.

From 2012 to 2013, Phu Bia Mining experienced a decrease in the number of expatriate employees; from 13 per cent to 12 per cent, with a corresponding increase in the number of Lao employees. In 2013, Lao-national employees comprised 88 per cent of PanAust's workforce in Laos; up from 87 per cent in 2012 and 84 per cent in 2011. Phu Bia Mining continues to work towards the localisation of the workforce in Laos to the maximum extent possible while maintaining efficient operations and sustainability objectives. The proportion of females in the Phu Bia Mining workforce in 2013 increased to 16 per cent, similar to that of the PanAust Group.

PanAust believes that employees have an emotional attachment to their work, their job and to their organisation. PanAust also believes that this emotional attachment can significantly influence the discretionary effort of employees (positively or negatively) which in turn influences business performance, productivity and employee turnover. This emotional attachment can also be described as employee engagement.

In 2013, PanAust embarked on a project to understand the level of engagement of its employees and determine the drivers of enhanced engagement within the Company. Central to this project was an Employee Engagement Survey. The voluntary survey – *Your Say* – was made available in local languages and via paper and online formats. Seventy per cent of the total PanAust workforce participated in the survey. Survey results were collected, aggregated and presented by an independent third-party consultant, ensuring the anonymity of individual respondents. Throughout 2014, data from the survey will be used to assist senior executives in identifying and making recommendations to improve employee engagement and/or enhancing current programs to better support employee engagement and organisational advocacy. PanAust intends to undertake the same survey at least every three years to measure overall improvement.

THE ART OF MINING

PanAust's people development strategy focuses on continual learning that 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, enable organisation readiness for growth and to build a sustainable workforce. PanAust has established programs to ensure the development of a sustainable pipeline of future talent which includes skills training, personal development programs and learning support initiatives.

In 2013, a group of 40 employees completed the Leadership Development Program (includes Safety Leadership Training) designed for front line supervisors. All participants were Lao-national employees and this builds on the 20 graduates from 2012. A further 44 employees are at various stages of the course and due for graduation in 2014. In addition, an externally facilitated development workshop for managers and high-potential superintendents was conducted in Australia during 2013 and was attended by 17 employees (14 manager-level employees and three superintendent-level employees).

PanAust's Graduate Program is targeted at Lao-national graduates across a range of disciplines. In 2013, a group of 14 graduates completed the program (this follows 2012's 16 graduates) which included two female graduates. All 14 of the 2013 graduates were offered permanent roles within the Company. Also in 2013, 10 graduates, including three women, commenced the program and are due to complete it in 2015.

In 2013, the Company commenced a new Trades Training Program in Laos which replaced the previous two-year trades program with an enhanced five-year apprenticeship program. This change reflects PanAust's commitment to develop a skilled local workforce for the Company as well as to support the growth of skills for mining and other heavy industries in Laos. In 2013, 40 apprentices commenced the program and another intake of 37 started in early 2014. Each intake included seven females.

The program is delivered in partnership with the Lao-German Technical College in Vientiane and is designed to take Lao-nationals with no previous experience in a maintenance trade, and train and develop them to be fully competent tradespeople who can safely and effectively maintain mining plant and equipment.

The program is the first of its kind in Laos where a private company has partnered with a Lao tertiary institution to provide world-class training. It provides multiple flow-on benefits to the College, PanAust, and to students through the development of in-demand skills culminating in a trade qualification, jobs, and the shared economic and social benefits of a salary, job security and long-term career prospects.

PanAust has an Employee Awards Program to reward and promote outstanding contributions to safety, environment, community, leadership, teamwork, training, and production. Award winners are recognised in a ceremony, participate in a study tour to best-practice mines in Southeast Asia and Australia, attend the PanAust Annual General Meeting in Australia (in May each year), and receive a cash prize. The program fosters a culture of continual business, professional and individual improvement, and promotes activities reflective of PanAust's Values and which are critical to the Company's success.

In 2012, Gary Stafford and PanAust jointly commissioned one of Australia's leading figurative artists, Peter Churcher, to express the Company's Vision and Values through paintings of PanAust's people, places of work, the communities close to the operations, and the abundant natural beauty of Laos. During his three-week artist-in-residency in Laos, Churcher travelled between Phu Kham and Ban Houayxai and spent several days visiting local villages. A total of 24 paintings were produced.

Throughout 2013, the Peter Churcher collection, *Our People, Community and Landscape*, was shared with employees and stakeholders through exhibitions in Australia and Laos: in Melbourne, Sydney, Brisbane, Vientiane and a village which lies adjacent to the Phu Kham Copper-Gold Operation, Nam Gnone. Some of the paintings were also showcased in PanAust's 2013 publications. The full collection can be viewed on the Company website, www.panaust.com.au.

The collection is now displayed in the Brisbane corporate office and the Vientiane office in Laos.



Images (top to bottom): Peter Churcher during his artist-in-residency with PanAust in October 2012. The collection was exhibited at a dinner function for 150 guests in Vientiane. Guests at a viewing of the collection at the Gallery of Modern Art in Brisbane included representatives from the Australian Embassy of Lao PDR. A young student admiring his portrait (which Peter Churcher had painted the year before) at an exhibition held in Nam Gnone village in Laos.

BOARD OF DIRECTORS



GARRY HOUNSELL

BBus (Accounting) FCA CPA FAICD

Chairman, Non-Executive Director

Mr Hounsell is an accountant with significant experience as a director of large listed public companies. He is a Fellow of The Institute of Chartered Accountants in Australia and a Fellow of The Australian Institute of Company Directors. Prior to accepting positions as a public company director, Mr Hounsell was a senior partner of Ernst & Young and Country Managing Partner and Chief Executive Officer of Arthur Andersen. He was the 'signing partner' for the audit of BHP Billiton Limited from 2000 to 2002. From 2005 to 2007, he was an executive of Investec Bank (Australia) Limited.

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

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

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

GARY STAFFORD

BSc (Hons, Mining Engineering) MAusIMM

Managing Director

Mr Stafford is a mining engineer with 32 years' experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Gary Stafford has been Managing Director since 7 March 1996 and has presided over the Company's growth from a junior exploration company to an S&P/ASX 200 mining company.

Mr Stafford is also a member of the Nominations Committee.

NEROLIE WITHNALL

BA, LLB. FAICD

Non-Executive Director

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

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

- ALS Limited* (Chairman)
- Alchemia Limited
- Computershare Limited*
- Redcape Property Fund Limited (formerly Hedley Leisure & Gaming Property Partners Limited)

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

GEOFF HANDLEY

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

Non-Executive Director

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

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

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

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

GEOFF BILLARD

BEcon, B.Com. (Hons, Economics) FCPA FAICD

Non-Executive Director

Mr Billard is an economist who has achieved wide career experience in the mining industry. This included some 20 years with CRA (now Rio Tinto) at Bougainville Copper, Argyle Diamonds and as Managing Director (Group Financial Services), before taking up senior executive positions with Pasminco and M.I.M. Holdings Limited in operational, marketing, finance, new project development and technology roles. From 1998 until 2008, Mr Billard operated his own consulting business providing specialist advisory services on strategic projects for both corporate and government clients. In this capacity, he has previously assisted PanAust in forming and implementing corporate strategy and organisational change.

Mr Billard has previously served as a Director of Bougainville Copper Limited and Metal Manufacturers Limited.

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

* Denotes current directorship



ZEZHONG LI

*M.Laws, M.Public Administration
International Development*

Non-Executive Director

Mr Zezhong Li is the President of Guangdong Rising Assets Management (GRAM), a position which he has held since May 2013 after previously being Vice President from November 2008. Mr Zezhong Li is GRAM's nominee Director on the Board of PanAust. GRAM is a cornerstone investor in PanAust. Mr Zezhong Li joined the Board following the completion of the share placement to GRAM in September 2009.

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

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

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

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

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

JOHN CROFTS

BBus (Transport, Economics & Accounting)

Non-Executive Director

Mr Crofts brings to the Board over 20 years' experience in the resources industry and valuable knowledge of the global copper sector.

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

Mr Crofts served as an invited Director to the London Metal Exchange from 2007 to 2011. From 2000 to 2007, Mr Crofts was an Advisory Committee Member for the International Copper Association. From 2003 to 2006, he was the Chairman of the European Copper Institute. Mr Crofts was also a Director of The Copper Club from 2006 to 2010. Mr Crofts is currently the Managing Director of Indo Terra Resources Corp, an unlisted Canadian Company, having been appointed on 6 January 2014.

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

KEN PICKERING

B.A. Science (Mineral Engineering)

Non-Executive Director

Mr Pickering has 40 years' experience in the resources industry in Canada, Chile, Australia, Peru and the United States of America with particular skills in major project development and mine (operations) management.

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

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

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

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

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

ANNABELLE CHAPLAIN

BA, MBA FAICD

Non-Executive Director

Ms Chaplain is a former investment banker with extensive financial services experience having worked with leading international banks in project finance, corporate lending and treasury roles. She currently serves as a member of the board of EFIC, the Australian government's export credit agency. In addition, Ms Chaplain has experience as a non-executive director of companies involved in the provision of critical infrastructure and was recently appointed as chairman of Queensland Airports Ltd effective 1 January 2014.

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

- Downer EDI Limited *
- Coal & Allied Industries Limited

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

FINANCIAL SUMMARY

SUMMARY OF FINANCIAL RESULTS FOR THE 12 MONTHS TO 31 DECEMBER 2013⁹

(US\$ MILLION)	12 MONTHS TO 31 DEC 2013 US\$'000	12 MONTHS TO 31 DEC 2012 US\$'000
Sales revenue	725.0	712.7
Sales revenue, derivative gains/losses and other income	734.0	706.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	272.5	331.1
Profit after income tax	43.7	158.3
Profit after income tax, attributable to PanAust Limited	36.4	142.0
Basic earnings per share (US cents)	6.1	24.0
Dividend per share (Aust. cents)	6	7

Note that the statements and tabulations on the following pages are extracted from PanAust's 2013 Annual Report: refer to the Directors' Report (including the Remuneration Report), Financial Report, Auditors' Report, Corporate Governance Statement, and the full set of statutory accounts for 2013.

⁹ PanAust's assets in Laos are held by Phu Bia Mining Limited. The Government of Laos owns a 10 per cent interest in Phu Bia Mining. Results referred to in this Annual Review reflect 100 per cent ownership of Phu Bia Mining other than the 'Net profit after tax attributable to PanAust Limited' which recognises the Government of Laos' minority interest.



Image: Mr Bounthoum Sayasin, Maintenance Technician at Phu Kham, undertaking a welding assessment

PANAUST LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2013

	31 DECEMBER 2013 \$'000	31 DECEMBER 2012 \$'000
Sales revenue	725,048	712,696
Derivative gains/(losses)	7,302	(9,271)
Other income	1,615	2,895
Changes in inventories of finished goods and work in progress	14,837	21,205
Mining operations costs	(266,614)	(216,438)
Employee benefits expense	(89,803)	(75,487)
Royalties	(40,065)	(40,206)
Treatment and refining charges	(29,206)	(19,992)
Copper concentrate haulage	(27,048)	(26,063)
Marketing, realisation and freight costs	(14,297)	(14,327)
Other expenses	(20,070)	(15,091)
	261,699	319,921
Interest and finance charges	(21,905)	(17,654)
Depreciation and amortisation expense	(118,336)	(83,409)
Impairment expense	(50,850)	(5,047)
Change in the fair value of available-for-sale financial asset	(1,182)	-
Put option premium expense	-	(1,864)
Profit before income tax	69,426	211,947
Income tax expense	(25,730)	(53,619)
Profit after income tax	43,696	158,328
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges, net of tax	4,142	4,341
Total comprehensive income for the year	47,838	162,669
Profit after income tax is attributable to:		
Owners of PanAust Limited	36,383	141,979
Non-controlling interests	7,313	16,349
	43,696	158,328
Total comprehensive income for the year is attributable to:		
Owners of PanAust Limited	40,111	146,404
Non-controlling interests	7,727	16,265
	47,838	162,669
	CENTS	CENTS
Earnings per share attributable to the ordinary equity holders of the Company:		
Basic earnings per share	6.12	23.98
Diluted earnings per share	6.11	23.87

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes in the PanAust 2013 Annual Report.

PANAUST LIMITED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	31 DECEMBER 2013 \$'000	31 DECEMBER 2012 \$'000	1 JANUARY 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	130,270	125,029	155,525
Receivables and other assets	28,469	24,963	15,672
Inventories	117,062	111,917	56,279
Derivative financial instruments	1	486	4,248
Total current assets	275,802	262,395	231,724
Non-current assets			
Receivables and other assets	13,205	16,677	53,449
Inventories	19,200	-	-
Investments accounted for using the equity method	-	23,414	23,151
Available-for-sale financial assets	3,488	-	-
Property, plant and equipment	904,586	885,575	507,392
Exploration, evaluation, and mine development	205,276	183,333	342,871
Intangible assets	13,965	13,965	13,965
Derivative financial instruments	-	158	2,431
Total non-current assets	1,159,720	1,123,122	943,259
Total assets	1,435,522	1,385,517	1,174,983
LIABILITIES			
Current liabilities			
Trade and other payables	76,904	87,958	84,495
Borrowings	29,313	113,130	14,961
Current tax liabilities	6,005	23,591	30,418
Provisions	16,211	14,651	13,564
Derivative financial instruments	2,215	-	-
Total current liabilities	130,648	239,330	143,438
Non-current liabilities			
Trade and other payables	-	1,466	3,334
Borrowings	194,702	51,612	92,019
Deferred tax liabilities	25,299	27,472	21,181
Provisions	60,534	52,700	34,426
Derivative financial instruments	-	2,590	-
Total non-current liabilities	280,535	135,840	150,960
Total liabilities	411,183	375,170	294,398
Net assets	1,024,339	1,010,347	880,585
EQUITY			
Contributed equity	554,642	548,029	542,617
Reserves	40,237	30,738	21,941
Retained earnings	318,388	324,395	201,055
Capital and reserves attributable to owners of PanAust Limited	913,267	903,162	765,613
Non-controlling interests	111,072	107,185	114,972
Total equity	1,024,339	1,010,347	880,585

The above consolidated balance sheet should be read in conjunction with the accompanying notes in the PanAust 2013 Annual Report.

PANAUST LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2013

ATTRIBUTABLE TO OWNERS OF PANAUST LIMITED

CONSOLIDATED ENTITY	CONTRIBUTED EQUITY \$'000	OTHER RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000	NON- CONTROLLING INTERESTS \$'000	TOTAL EQUITY \$'000
Balance at 1 January 2012	542,617	21,941	213,119	777,677	116,312	893,989
Adjustment relating to change in accounting policy (net of tax)	-	-	(12,064)	(12,064)	(1,340)	(13,404)
Restated total equity at the beginning of the financial period	542,617	21,941	201,055	765,613	114,972	880,585
Profit after income tax	-	-	141,979	141,979	16,349	158,328
Changes in fair value of cash flow hedges, net of tax	-	4,425	-	4,425	(84)	4,341
Total comprehensive income for the period	-	4,425	141,979	146,404	16,265	162,669
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	5,412	-	-	5,412	-	5,412
Total changes in non-controlling interests	-	-	-	-	(19,904)	(19,904)
Dividends provided for or paid	-	-	(18,639)	(18,639)	(4,148)	(22,787)
Employee share based payments	-	4,372	-	4,372	-	4,372
	5,412	4,372	(18,639)	(8,855)	(24,052)	(32,907)
Balance at 31 December 2012	548,029	30,738	324,395	903,162	107,185	1,010,347
Balance at 1 January 2013	548,029	30,738	324,395	903,162	107,185	1,010,347
Profit after income tax	-	-	36,383	36,383	7,313	43,696
Changes in fair value of cash flow hedges, net of tax	-	3,728	-	3,728	414	4,142
Total comprehensive income for the period	-	3,728	36,383	40,111	7,727	47,838
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	6,613	-	-	6,613	-	6,613
Total changes in non-controlling interests	-	-	-	-	310	310
Dividends provided for or paid	-	-	(42,390)	(42,390)	(4,150)	(46,540)
Employee share based payments	-	5,771	-	5,771	-	5,771
	6,613	5,771	(42,390)	(30,006)	(3,840)	(33,846)
Balance at 31 December 2013	554,642	40,237	318,388	913,267	111,072	1,024,339

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes in the PanAust 2013 Annual Report.

PANAUST LIMITED CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2013

	31 DECEMBER 2013 \$'000	31 DECEMBER 2012 \$'000
Cash flows from operating activities		
Receipts from customers	720,966	707,047
Payments to suppliers and employees (inclusive of goods and services tax)	(494,823)	(419,593)
Receipts (payments) for derivatives	7,570	(646)
Payments for income tax	(45,489)	(53,906)
	188,224	232,902
Interest and fees paid	(13,474)	(12,825)
Put option premium paid	(3,608)	(6,240)
Interest received	399	1,060
Net cash inflow from operating activities	171,541	214,897
Cash flows from investing activities		
Payments for property, plant and equipment	(99,003)	(86,157)
Payments for brownfield development costs	(25,626)	(71,343)
Payments for greenfield development costs	-	(62,779)
Payments for exploration and evaluation costs	(48,373)	(67,872)
Payments for acquisition of tenements	-	(8,000)
Payments for investments in associates	(315)	(263)
Payment for financial assets	(4,670)	-
Net cash outflow from investing activities	(177,987)	(296,414)
Cash flows from financing activities		
Proceeds from issues of shares	1,331	3,710
Proceeds from issues of shares to non-controlling interest	1,547	7,175
Proceeds from borrowings	70,660	75,716
Repayment of borrowings	(23,553)	(19,188)
Dividends paid to Company's shareholders	(37,108)	(16,937)
Net cash inflow from financing activities	12,877	50,476
Net increase/(decrease) in cash and cash equivalents	6,431	(31,041)
Cash and cash equivalents at the beginning of the financial year	125,029	155,525
Effects of exchange rate changes on cash and cash equivalents	(1,190)	545
Cash and cash equivalents at end of year	130,270	125,029

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes in the PanAust 2013 Annual Report.

MINERAL RESOURCES AND ORE RESERVES

LAOS

MINERAL RESOURCES

COPPER-GOLD								
Phu Kham (0.2% copper cut-off)					31 December 2012			
Class	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
Measured	118	0.53	0.23	1.9	138	0.51	0.23	1.9
Measured (stockpiles)	3	0.31	0.17	1.2	0.3	0.50	0.24	2.2
Indicated	72	0.46	0.21	2.3	75	0.45	0.21	2.3
Sub-total (M+I)	192	0.50	0.22	2.0	214	0.49	0.22	2.0
Inferred	12	0.37	0.21	1.9	14	0.36	0.21	1.8
TOTAL	204	0.49	0.22	2.0	227	0.48	0.22	2.0
KTL (0.50% copper cut-off)					KTL (0.25% copper cut-off)			
Measured	9	1.13	0.57	3.4	22	0.65	0.36	2.3
Indicated	10	0.78	0.27	3.9	62	0.40	0.15	2.3
Sub-total (M+I)	19	0.94	0.41	3.7	83	0.47	0.21	2.3
Inferred	0	0.52	0.02	0.3	9	0.33	0.05	1.5
Total	19	0.94	0.41	3.7	92	0.45	0.19	2.3
GOLD-SILVER								
Ban Houayxai					31 December 2012			
Class	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
OXIDE (0.25G/T GOLD CUT-OFF)								
Measured	0	-	0.57	3.1	2	-	0.83	3.3
Indicated	7	-	0.70	3.7	8	-	0.70	3.7
Sub-total (M+I)	7	-	0.70	3.7	9	-	0.73	3.6
Inferred	1	-	0.38	1.7	1	-	0.38	1.7
Sub-total (Oxide)	8	-	0.66	3.5	10	-	0.70	3.4
TRANSITIONAL 0.30g/t gold cut-off					0.35g/t gold cut-off			
Measured	3	-	0.83	10.6	4	-	1.00	10.4
Indicated	14	-	0.83	9.0	12	-	0.92	9.3
Sub-total (M+I)	16	-	0.83	9.3	16	-	0.94	9.6
Inferred	0	-	0.45	3.4	0	-	0.51	3.7
Sub-total (Transitional)	17	-	0.82	9.1	16	-	0.93	9.5
PRIMARY (0.40G/T GOLD CUT-OFF)								
Measured	1	-	1.10	10.3	1	-	1.10	10.3
Indicated	30	-	1.04	7.6	30	-	1.04	7.6
Sub-total (M+I)	31	-	1.04	7.7	31	-	1.04	7.7
Inferred	7	-	0.87	5.9	7	-	0.87	5.9
Sub-total (Primary)	37	-	1.01	7.4	37	-	1.01	7.4
COMBINED OXIDE, TRANSITIONAL, PRIMARY								
Measured	4	-	0.85	9.8	7	-	0.97	8.7
Measured (stockpiles)	2	-	0.38	2.4	1	-	0.41	1.5
Indicated	50	-	0.94	7.4	49	-	0.96	7.4
Sub-total (M+I)	56	-	0.91	7.4	57	-	0.95	7.4
Inferred	8	-	0.80	5.4	8	-	0.81	5.4
TOTAL	64	-	0.90	7.1	65	-	0.93	7.2
LONG CHIENG TRACK (LCT) (0.30G/T GOLD CUT-OFF)								
Measured	7	0.02	0.72	4.0	3	0.02	0.72	2.3
Indicated	12	0.05	0.81	5.2	5	0.05	0.65	4.7
Sub-total (M+I)	19	0.04	0.78	4.7	8	0.04	0.67	3.8
Inferred	11	0.15	0.72	2.4	25	0.15	0.80	5.3
TOTAL	31	0.08	0.76	3.9	32	0.08	0.72	4.3

MINERAL RESOURCES AND ORE RESERVES *CONTINUED*

LAOS

ORE RESERVES

COPPER-GOLD								
Phu Kham					31 December 2012			
Class	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
Proved	102	0.52	0.23	1.9	124	0.51	0.23	1.8
Proved (stockpiles)	3	0.31	0.17	1.2	-	-	-	-
Probable	52	0.46	0.22	2.1	52	0.46	0.23	2.1
Sub-total	157	0.50	0.22	1.9	176	0.50	0.23	1.9
KTL								
Proved	7	1.09	0.70	3.2	-	-	-	-
Probable	1	0.94	0.46	5.2	-	-	-	-
Sub-total	8	1.06	0.66	3.5	-	-	-	-
TOTAL PHU KHAM OPERATIONS								
Proved	112	0.55	0.26	2.0	124	0.51	0.23	1.8
Probable	53	0.47	0.22	2.2	52	0.46	0.23	2.1
TOTAL	165	0.52	0.25	2.0	176	0.50	0.23	1.9

GOLD-SILVER								
Ban Houayxai					31 December 2012			
Class	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
Proved	4	-	0.79	9.5	8	-	0.82	8.4
Proved (stockpiles)	2	-	0.36	2.3	1	-	0.41	1.5
Probable	30	-	0.85	8.3	33	-	0.82	8.1
TOTAL	36	-	0.81	8.0	41	-	0.81	7.9

CHILE

MINERAL RESOURCES (HEAP LEACH)

31 December 2013			31 December 2012	
INCA DE ORO OXIDE AND MIXED (0.25% COPPER CUT-OFF)				
Class	Tonnes (Mt)	Cu Soluble (%)	Tonnes (Mt)	Cu Soluble (%)
Measured	11	0.22	11	0.22
Indicated	54	0.23	54	0.23
Sub-total (M+I)	64	0.22	64	0.22
Inferred	7	0.14	7	0.14
TOTAL	71	0.20	71	0.20

MINERAL RESOURCES (FLOTATION)

31 December 2013					31 December 2012			
INCA DE ORO SUPERGENE AND PRIMARY (0.25G/T COPPER CUT-OFF)								
Class	Tonnes (Mt)	Cu Total (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu Total (%)	Au (g/t)	Ag (g/t)
Measured	186	0.44	0.1	2.0	186	0.44	0.13	2.0
Indicated	126	0.35	0.0	1.7	126	0.35	0.08	1.7
Sub-total (M+I)	312	0.41	0.1	1.8	312	0.41	0.11	1.8
Inferred	77	0.30	0.0	1.4	77	0.30	0.06	1.4
TOTAL	389	0.39	0.1	1.7	389	0.39	0.10	1.7
CARMEN TRANSITIONAL AND PRIMARY (0.25% COPPER CUT-OFF)								
Class	Tonnes (Mt)	Cu Total (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu Total (%)	Au (g/t)	Ag (g/t)
Measured	5	0.33	0.4	1.1	5	0.33	0.42	1.1
Indicated	7	0.35	0.4	1.3	7	0.35	0.43	1.3
Sub-total (M+I)	12	0.34	0.4	1.2	12	0.34	0.43	1.2
Inferred	34	0.34	0.3	1.0	34	0.34	0.31	1.0
TOTAL	46	0.34	0.3	1.0	46	0.34	0.34	1.0

NOTES

- This summary of the Ore Reserves and Mineral Resources as at 31 December 2013 should be read in conjunction with the comprehensive report '2014 Mineral Resource and Ore Reserve Statements' which was lodged by PanAust Limited with the Australian Securities Exchange on 19 February 2014.
- PanAust confirms that at the date of this report it is not aware of any new information or data that materially affects the information included in the 19 February 2014 report and that all material assumptions and technical parameters underpinning the estimates in the 19 February 2014 report continue to apply and have not materially changed.
- Cu: copper, Au: gold, Ag: silver.
- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- The Mineral Resources and Ore Reserves estimates are reported on a 100 per cent ownership basis. PanAust has a 90 per cent beneficial interest in Phu Kham, Ban Houayxai, KTL and LCT; a 60.45 per cent interest in Inca de Oro; and a 100 per cent interest in Carmen.
- The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
- The Phu Kham Ore Reserve is estimated at commodity prices of US\$3.20/lb copper and US\$1,300/oz gold and reflects the non-mining break-even value of US\$8.73/t processed subject to a minimum cut-off grade of 0.20 per cent Cu.
- The KTL Ore Reserve is estimated at commodity prices of US\$3.20/lb copper and US\$1,300/oz gold and reflects the non-mining break-even value of US\$29.30/t processed.
- The Ban Houayxai Ore Reserve is estimated at a gold price of US\$1,300/oz and is reported at cut-off above grades of 0.32 g/t Au for oxide material, 0.40 g/t Au for transitional material and 0.44 g/t Au for primary material.
- The Inca de Oro oxide and mixed Mineral Resource estimate was based on a total copper cut-off. The likely process route for this mineralisation is heap leach and as such only the soluble copper component of the estimate has been included in the Inca de Oro oxide and mixed Mineral Resource data.

MATERIAL DIFFERENCES BETWEEN THE 2014 (AS AT 31 DECEMBER 2013) AND 2013 (AS AT 31 DECEMBER 2012) ESTIMATES

- Phu Kham Copper-Gold Ore Reserves and Mineral Resources: depletion relative to the 2013 data due to mining during 2013.
- KTL Copper-Gold Ore Reserves: inaugural Ore Reserve for 2014 derived from pre-feasibility study work.
- KTL Copper-Gold Mineral Resources: The 2014 estimate utilised a 0.5 per cent copper cut-off (2013 estimate 0.25 per cent copper cut-off) to reflect the economics of the pre-feasibility study mining strategy which resulted in a reduction in overall Mineral Resource tonnes and an increase in average grades.
- Ban Houayxai Ore Reserve and Mineral Resources: depletion relative to the 2013 data due to mining during 2013, lower revenue assumptions and reduced unit operating cost.
- LCT Gold-Silver Mineral Resources: substantial increase in Measured and Indicated resources reflects the increased confidence in the estimate following inclusion in the geological database of results from resource definition drilling during 2013.

COMPETENT PERSON STATEMENTS

• Mineral Resources

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

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

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

• Ore Reserves

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

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

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



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Stock Exchange Listing

PanAust Limited shares are listed on
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