



Annual Review 2009

growth by discovery
acquisition and
development

Company Profile

PanAust Limited (ACN 011 065 160) is a leading copper and gold producer in Southeast Asia.

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

The Company places an emphasis on growing the business organically through exploration and resource development programs in Laos and Thailand. In addition, the Company looks to acquire assets that either currently, or could, support annual production of 50,000t of copper or copper equivalent (copper plus by-products).

Organic growth opportunities include development of the Ban Houayxai Gold-Silver Project, 25 kilometres west of Phu Kham and a proposed expansion at Phu Kham.

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

Consistent with the Company's acquisition strategy, PanAust has made a binding offer to Corporación Nacional del Cobre de Chile ('Codelco'), the world's largest copper company, to acquire a majority interest in the Inca de Oro Copper-Gold Project in Chile. Codelco's Board of Directors has passed a resolution recommending acceptance of the PanAust offer which now awaits approval by Presidential Decree under Chilean law. The transaction is expected to close mid-2010.

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

Corporate Structure in Laos

PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining Limited (Phu Bia Mining) with the balance held by the Government of Laos. The Government's interest will be funded through future dividends payable to the Government as declared by Phu Bia Mining.

Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates exploration and mining within the Phu Bia Contract Area in Laos.

Corporate Structure in Thailand

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

At 31 December 2009, PanAust had a shareholding interest of 49 per cent. The Company will earn a 51 per cent interest by completing a feasibility study and has options to further increase its interest to a total of 60 to 70 per cent. Under the Thailand-Australia Free Trade Agreement, the Company can acquire a 60 per cent interest in Puthep. In order to exercise a 70 per cent holding, the Company will need to obtain Thai Government approval. The Government of Thailand has a right to acquire a 10 per cent interest.

Corporate Structure in Chile

PanAust has made a binding offer to Codelco for PanAust to acquire a majority interest in the Inca de Oro Copper-Gold Project. Under Chilean law the offer is subject to approval by Presidential Decree. After completion of the transaction with Codelco, PanAust will hold a 59.4 per cent beneficial interest in Inca de Oro S.A. which will own the Inca de Oro Copper-Gold Project. PanAust's interest will be held through a 90 per cent ownership of PanAust Minera which will hold 66 per cent of Inca de Oro S.A. Codelco will retain the remaining 34 per cent.

Cover Photography from left to right: Boun and Khamphet Chanvisay carrying out water testing at the Nam Mo River. O&K RH40 excavator loading a CAT 777D truck (with Duratray body) in the Phu Kham open pit. Crushed ore being fed from the coarse ore stockpile to the grinding circuit. Oudla Vanhnathai, Khone Sayarath and Beeher Herchalen (trade trainees) undertaking practical training.

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<p><i>Directors:</i> Garry Hounsell (Chairman) Gary Stafford (Managing Director) Nerolie Withnall Andrew Daley Geoffrey Handley Geoffrey Billard Zezhong Li</p> <p><i>Company Secretary:</i> Paul Scarr</p>	<p><i>Auditors:</i> PricewaterhouseCoopers Riverside Centre 123 Eagle Street Brisbane Queensland 4000</p> <p><i>Bankers:</i> ANZ Banking Group Limited Queen and Creek Branch 324 Queen Street Brisbane Queensland 4000</p>



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

Vision and Values

Vision

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

PanAust will outperform its competitors through:

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

Values

- **High performance outcomes** in all that we do.
 - Our employees are performance focused with clear task definition, measurement and accountability. We constantly seek to improve performance and are committed to supporting employee development. Individual results and merit forms 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.

Opposite: SAG mill in the copper-gold process plant.

Top: Sith Duangmano, Processing Safety Officer.

Bottom: The Phu Kham copper-gold process plant at night.



Chairman and Managing Director's Review

During 2009, PanAust firmly established its position as a significant copper and gold producer in Southeast Asia.

2009 was a pivotal year for PanAust with the first full year of production at the Company's flagship Phu Kham Copper-Gold Operation in Laos. Phu Kham produced over 54,000t of copper for the year at a competitive average cash cost of US\$0.97/lb copper after precious metal credits.

At a corporate level, successful equity issues, including a 19.9 per cent cornerstone investment by major Chinese investment group Guangdong Rising Assets Management (GRAM), substantially reduced the leverage of the Company and, together with the strong cash-flow from Phu Kham, left the balance sheet in excellent shape to progress its pipeline of growth projects.

Group net profit after tax (NPAT) for 2009 was US\$23.2 million with the December half NPAT of US\$39 million (June half loss of US\$15.8 million) reflecting the increasing strength of the copper price and improving performance of Phu Kham through the course of the year.

During 2010, PanAust Group earnings before interest, tax, depreciation and amortisation (EBITDA) is expected to be between US\$165 million and US\$225 million, at copper prices of between US\$2.50/lb and US\$3.00/lb respectively. This is based on forecast 2010 production from the Phu Kham Operations of 60,000t to 63,000t of copper, over 43,000oz gold and 300,000oz silver, at an average C1 cash cost after precious metal credits of between US\$0.95/lb and US\$1.05/lb copper.

PanAust is poised for growth with a strong balance sheet, net zero debt position, strong cash-flow and advanced development opportunities.

The lower gold production forecast for 2010 reflects the closure in April 2010 of the Phu Kham Heap Leach Gold Operation. This operation commenced in 2005 and was based on the mining and processing of Phu Kham gold oxide ore overlaying the much bigger copper-gold deposit. The Heap Leach Operation was the Company's first exposure to operations and proved an excellent base for developing management systems and training our Lao employees. Since the start of the Phu Kham Copper-Gold Operation in 2008, the Heap Leach Operation has provided

a valuable gold by-product credit and nearly three tonnes of gold have been produced over its mine life.

We are pleased to advise that all of the employees at the Heap Leach Operation will be transferred to other positions within Phu Bia Mining.

The Phu Kham Operation's 1,600-strong workforce has achieved exemplary standards of safety performance.

Regrettably though, there were three contractor fatalities during the year associated with our operations in Laos. One occurred at Phu Kham and a further two occurred on the public road between the mine site and the capital, Vientiane. The Company extends its sincere sympathy to the families, colleagues and friends of these three people.

The Phu Kham management team has redoubled its efforts to ensure that the safety performance of contractors also meets the Company's Zero Harm objective.

The Company is focused on improving and maintaining strong relationships within the communities where it operates. To this end, the Company is committed to annual funding of community development projects, micro-financing initiatives with local businesses and buying local products. By any measure, PanAust is a major investor in Laos employing approximately 1,400 Lao nationals and contributing around 10 per cent of the nation's gross domestic product. Accordingly, the Company recognises its corporate responsibility to improve regional infrastructure and closely engage with local and central government in Laos.

PanAust is a growth-oriented mining company focused on increasing its copper (or copper equivalent) output through a combination of discovery, acquisition and development. Consistent with this strategy, the Company is advancing organic growth opportunities and is managing an active resource development and exploration program within the Phu Bia Contract Area in Laos.

Despite the global financial crisis, the funds raised by the share purchase plan, in February 2009, enabled PanAust to continue funding the feasibility study on the Ban Houayxai Gold-Silver Project, which is located approximately 25 kilometres west of Phu Kham. In March 2010, the Board of PanAust approved the development of Ban Houayxai which is designed to produce, on average, more than 100,000oz of gold per year and 700,000oz of silver per year over a mine

life of eight years at target cash costs of between US\$400/oz and US\$450/oz gold after silver credits². Resource development drilling has already identified the potential to extend the mineralisation and the aim is to increase the mine life to over 10 years.

In March 2010, the Company announced that it had made a binding offer to Codelco, the world's largest copper company, for PanAust to acquire a majority interest in the Inca de Oro Copper-Gold Project in Chile. The Board of Directors of Codelco has passed a resolution recommending the acceptance of PanAust's offer. Under Chilean law, the offer is subject to approval by Presidential Decree.

The Inca de Oro pre-feasibility study has defined a large copper-gold resource with the potential to support an operation with annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at a competitive cash cost over a plus 10-year mine life. It is anticipated that the Presidential approval will be received by mid-2010 and the feasibility study on the Inca de Oro Project will be completed by the end of 2011.

The Inca de Oro transaction for PanAust will establish a beach-head for the Company in South America and a relationship with the world's biggest copper mining company, in the biggest copper-producing nation. The Company is confident that the successful completion of the transaction will underpin a second avenue for growth of the business and complement the success of the business in Southeast Asia.

It was unfortunate that the timing of the announcement of PanAust's offer to acquire a controlling interest in Inca de Oro should coincide with the damage and loss of life caused by the massive earthquake southwest of Santiago on 27 February 2010. PanAust extends its sympathies to the people of Chile and employees of Codelco that may have been affected by this tragedy.

The position of the Company at the start of 2010 can hardly be more different than its position one year ago. PanAust is poised for growth with a strong balance sheet, a near-zero net debt position, strong cash-flow and advanced development opportunities.

Probably, the most satisfying experience of the last 12 months has been to witness the growing confidence and expertise of the Company's workforce. From the highly experienced and capable executive management team, to the accomplishments of our expatriate and Lao employees, we thank them all.

The challenges of the global financial crisis needed cool heads at board level and we thank the non-executive directors who provided guidance and supported



management through those most difficult times. Following the completion of the placement to GRAM in September 2009, the Board was strengthened by the addition of Mr Zezhong Li as a Non-Executive Director and nominee of GRAM. We welcome Zezhong and look forward to his contribution in the years ahead.

Finally, we extend our gratitude to those loyal shareholders who supported the Company through 2009. Shareholders who participated in the equity offers are now reaping the rewards as PanAust recovered to take full advantage of the renewed strength in copper and gold prices and as the business successfully pursues its strategy to grow.

Pictured above:

*Garry Hounsell (left)
Chairman, Non-Executive
Director.*

*Gary Stafford (right)
Managing Director.*

Chairman, Garry Hounsell

Managing Director, Gary Stafford

1. C1 Brook Hunt convention for reporting direct cash costs comprising: mine site, concentrate transportation and freight, treatment and refining charges and marketing costs. Based on payable copper in concentrate produced. Assuming gold and silver prices of US\$1,000/oz and US\$16/oz respectively and US\$0.78/litre diesel fuel cost.

2. Adopting 2010 costs and at silver prices of between US\$17/oz and US\$13/oz respectively.



Mr Garry Hounsell

BBus (Accounting) CPA FCA FAICD

Chairman, Non-Executive Director

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

During the past three years, Mr Hounsell has also been a director of the following Australian Securities Exchange listed companies:

- Qantas Airways Limited (Chairman of Qantas Audit Committee)*
- Orica Limited*
- Nufarm Limited (Chairman of Nufarm Audit Committee)*
- Mitchell Communications Group Limited (Deputy Chairman)*

** denotes current directorship*

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



Mr Gary Stafford

BSc (Hons, Mining Engineering) MAusIMM

Managing Director

Mr Stafford is a mining engineer with 28 years' experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Mr Stafford is also a Director of Puthep Company Limited (Thailand).

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



Mrs Nerolie Withnall

BA, LLB FAICD

Non-Executive Director

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

Mrs Withnall is a former partner of the law firm, Minter Ellison and is a member of a number of government and community organisations, including the Takeovers Panel and the Corporations and Markets Advisory Committee.

Mrs Withnall is a former member of the Senate of the University of Queensland.

During the past three years, Mrs Withnall has also served as a director of the following Australian Securities Exchange listed companies:

- Campbell Brothers Limited – appointed 1994*
- Alchemia Limited – appointed October 2003*
- QM Technologies Limited – Chairman appointed September 2003
- Redcape Property Fund Limited (formerly Hedley Leisure and Gaming Property Partners Limited) – appointed 2007*
- Computershare Limited - appointed 1 July 2008*

** denotes current directorship*

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



Mr Andrew Daley

BSc (Hons, Mining Engineering) FAusIMM

Non-Executive Director

Mr Daley is a Chartered Engineer (UK) and a Member of IOM3. Mr Daley commenced his career on the Zambian Copperbelt with Anglo American and subsequently worked with Rio Tinto and Conoco Minerals in Africa, before relocating to Australia with Fluor Australia in early 1981. Since late 1983, Mr Daley has primarily worked in the resource finance sector, initially with National Australia Bank, then Chase Manhattan and as a director of Barclays Capital mining team in London and Sydney. Returning to Australia in early 2003, Mr Daley became a director of Investor Resources Finance Pty Ltd, a company based in Melbourne that, until mid 2008, provided financial and corporate advisory services to the global resource industry.

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

- Kentor Gold Limited (ASX) – appointed 12 November 2004*
- Dragon Mining Ltd (ASX) – appointed a Director on 23 March 2005 and Chairman from March 2006 to March 2010
- Minerva Resources plc (AIM) – appointed a Director and Chairman 7 July 2007, resigned 15 July 2009 when company was taken over
- Uranex NL (ASX) – appointed 30 November 2007 and Chairman on 27 November 2009*
- Gladstone Pacific Nickel Limited (AIM) – appointed 11 February 2005 and resigned on 7 December 2007

* denotes current directorship

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



Mr Geoffrey Handley

BSc (Hons, Geology and Chemistry) MAusIMM

Non-Executive Director

Mr Handley is a geologist with over 30 years' experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration 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 (NYSE, TSX, ASX) – appointed 29 August 2006*
- Endeavour Silver Corp (NYSE, TSX) – appointed 14 June 2006*
- Boart Longyear Limited (ASX) from 21 February 2007 to 15 November 2008

* denotes current directorship

Appointed Director on 29 September 2006, Mr Handley is also the Chairman of the Sustainability Committee and was a member of the Audit Committee until 27 August 2008.



Mr Geoffrey Billard

BEcon, BCom (Hons, Economics) FCPA FAICD

Non-Executive Director

Mr Billard is an economist who has achieved wide career experience in the mining industry. This included some 20 years with CRA (now Rio Tinto) at Bougainville Copper, Argyle Diamonds and as Managing Director (Group Financial Services) before taking up senior executive positions with Pasminco and M.I.M. Holdings Limited in operational, marketing, finance, new project development, and technology roles.

From 1998 until 2008, Mr Billard operated his own consulting business providing specialist advisory services on strategic projects for both corporate and government clients. In this capacity, he has previously assisted PanAust in forming and implementing corporate strategy and organisational change.

Mr Billard previously served as a director of the following listed companies:

- Bougainville Copper Limited
- Metal Manufacturers Limited

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



Mr Zezhong Li

MLaws, MPublic Administration in International Development

Non-Executive Director

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

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

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

- Shenzhen Zhongjin Lingnan Nonferrous Metal Co.

Shenzhen Zhongjin Lingnan Nonferrous Metal Co. is China's third-largest zinc producer, and major enterprise engaged in the mining and processing of lead, zinc and other non-ferrous metals.

Appointed Director on 18 September 2009, Mr Zezhong Li was also appointed a member of the Audit Committee on 4 December 2009.

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



Fred Hess

BSc (Hons) PhD, MAusIMM

Executive General Manager Southeast Asia

Fred is responsible for the Company's business in Laos and Thailand.

Fred is a metallurgist with over 30 years' experience. Prior to joining PanAust he managed the Macreos Gold Mine in New Zealand and the Mt Gordon Copper Mine in Australia following a career with WMC Resources and Bougainville Copper.



David Hairsine

MFTA (Senior)

Chief Financial Officer

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



Joe Walsh

BEng (Hons, Mining Engineering) MSc Geophysics

General Manager Corporate Development

Joe is responsible for the Company's mergers and acquisitions capability, investor relations, and development of corporate strategies for the future growth of the Company.

Joe is a mining engineer and geophysicist with more than 20 years' experience in the minerals and financial services industries in Australia, Europe and Africa for companies including Royal Bank of Canada and Hartley Poynton, and as an independent mining consultant.



Paul Scarr

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

Company Secretary

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

Paul has over 18 years' experience as a lawyer and is a Chartered Secretary and associate member of the Chartered Secretaries Institute of Australia. Prior to joining PanAust, he worked in private practice with both Allens Arthur Robinson and Mallesons Stephen Jacques. During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. He has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia.



Dan Brost

BSc Economic Geology, MAusIMM, SEG, SME

General Manager

Geology

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

Dan is a geologist with over 20 years' experience in the minerals industry, specialising in base and precious metals, mainly in North America, South America and Australasia. Prior to joining PanAust, 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 Sustainability

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

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



Rob Usher

BE Mining (Hons), MAusIMM

General Manager

Phu Kham Operation

Rob is responsible for the management of the Phu Kham Operation.

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



Alistair Maclean

BA (Hons) LLM (International)

General Manager

External Affairs

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

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



Peter Walker

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

General Manager

Technical Services

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

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



Chris McGoldrick

Assoc Dip Civil Engineering, BBus, MBA, Master of Project Management

General Manager

Project Implementation

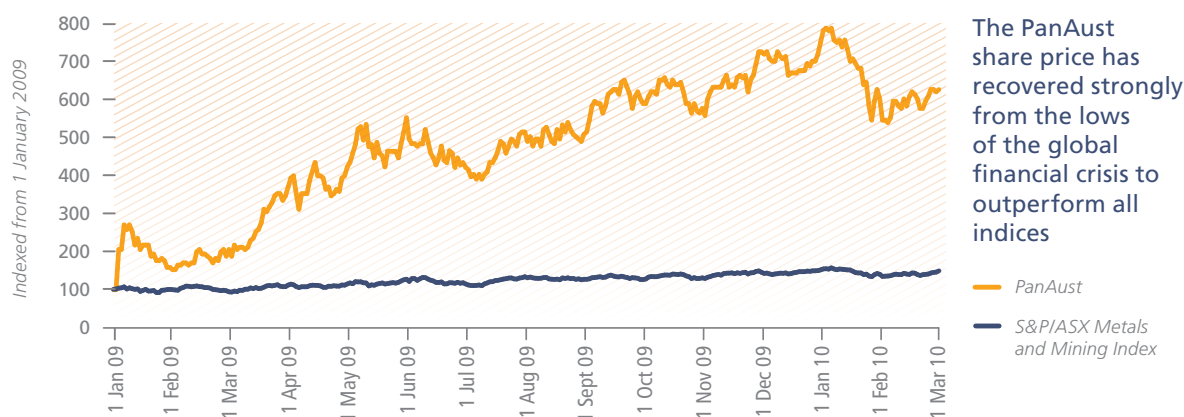
Chris is responsible for project implementation and project management for new plant construction including upgrades to existing facilities.

Chris is a mining construction professional with 34 years' experience, largely in the construction of infrastructure and processing plants for gold, nickel, molybdenum, silver, zinc, lead and copper. Prior to joining PanAust, he held senior management positions with Golden Minerals/Apex Silver, Inco, Anglo American and Placer Dome.



*PanAust posted a solid financial performance
for the first full year of production
at Phu Kham.*

Financial Performance



Operating Results for the Year

PanAust posted a solid financial performance for the first full year of production at Phu Kham.

The consolidated operating profit after tax for the 2009 financial year was US\$23.2 million which included non-recurring items relating to one-off costs associated with financing totalling US\$24.7 million after tax.

A strong December half operating and cost performance, and improving commodity prices resulted in a December half-year profit after tax of US\$39 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$87 million. Strong operating performances have continued into 2010.

During 2009, the London Metals Exchange (LME) three-month forward copper price rose from a low of US\$2,935/t (US\$1.33/lb) at the beginning of the year to US\$7,377/t (US\$3.35/lb) at 31 December 2009.

The average price received for copper for 2009 was US\$5,223 (US\$2.37/lb) after hedging.

The gold price also appreciated steadily throughout 2009, posting a record high of over US\$1,200/oz late in the year before retracing to a healthy US\$1,097/oz at year end.

Capital Raising

In response to tighter credit conditions following the global financial crisis and to ensure PanAust could continue to fund its organic growth initiatives, the Company undertook a series of capital raisings in the June half of 2009.

Through the combined effect of these initiatives, PanAust raised a total of A\$406 million in new equity.

In February 2009, a Share Purchase Plan (SPP) was completed and in May 2009, the Company announced an agreement

with Guangdong Rising Assets Management (GRAM), a major Chinese investment group, under which GRAM would invest A\$180 million to acquire a 19.9 per cent interest in PanAust. In addition, PanAust announced an equity offer comprising an institutional placement and 2 for 9 accelerated non-renounceable entitlements offer (to institutional and retail shareholders) to raise a further A\$142 million. Following the successful equity offer, GRAM made a further investment of approximately A\$35 million to maintain its 19.9 per cent holding in PanAust.

The successful combined cornerstone investment and equity offer enabled the Company to repay the US\$80 million subordinated debt facility with Goldman Sachs JBWere and pay down US\$100 million of the project debt for Phu Kham, and thereby provide PanAust with the flexibility to progress its pipeline of growth projects.

Financial Strength

At year end 2009, PanAust had a strong balance sheet with cash of US\$88.2 million, project debt of US\$63 million (debt reduced from US\$270 million at the end of 2008) and a mobile equipment lease facility of US\$39 million. Balance sheet gearing on a debt-to-debt plus equity basis stood at 16 per cent.

To assist the funding flexibility of the Group, the Company is negotiating the terms for US\$100 million of revolving debt and term facilities for Phu Bia Mining with a syndicate of banks. It is anticipated that the terms for these facilities and documentation will be finalised during the June quarter of 2010.

The Phu Kham Copper-Gold Operation is expected to provide substantial free cash flow which will provide further balance sheet strength and support PanAust's future growth initiatives.

Opposite: Gold fire assay at the Phu Kham assay laboratory.

Operational Review

Phu Kham Copper-Gold Operation

Production Statistics	
Phu Kham Operations	12 months to 31 Dec 2009
Ore milled	11,025,914t
Copper head grade	0.77%
Gold head grade	0.33g/t
Silver head grade	4.05g/t
Concentrate produced	227,063dmt
Copper in concentrate	54,019t
Gold in concentrate	43,099oz
Silver in concentrate	440,306oz
Gold in doré (Heap Leach)	13,660oz
Resources (refer to page 28) 183Mt @ 0.64% Cu, 0.24g/t Au, 2.0g/t Ag (1.2Mt Cu, 1.4Moz Au, 11.7Moz Ag)	
Reserves (refer to page 28) 143Mt @ 0.62% Cu, 0.25g/t Au, 2.0g/t Ag (0.9Mt Cu, 1.2Moz Au, 9.1Moz Ag)	

2009 was the first full year of production at the Company's flagship Phu Kham Copper-Gold Operation in Laos.

The Phu Kham Copper-Gold Operation produced a total of 227,063t of concentrate containing 54,019t of copper, 43,099oz of gold and 440,306oz of silver. A further

13,660oz of gold in doré was produced from the Phu Kham oxide gold heap leach. The average cash cost for the year was US\$0.97/lb copper after precious metal credits, placing Phu Kham in a competitive position on the global copper mine cost curve. Sales of concentrate for the year were approximately 231,850 dry metric tonnes (dmt) containing 55,000t of copper, 45,400oz of gold and 449,250oz of silver.

Mining and Processing

Phu Kham employs a conventional open-pit mining method comprising drill, blast, load and haul. The process plant, which has a design capacity of 12 million tonnes per annum (Mtpa) of ore, comprises a SAG mill and ball mill grinding circuit, each rated at 13MW, with copper and precious metal recovery by flotation. The final product is a copper-gold concentrate, grading approximately 25 per cent copper, 7 grams per tonne (g/t) gold and 60g/t silver. Concentrate is trucked 1,000 kilometres in covered containers to Sriracha Harbour, south of Bangkok in Thailand, for shipment to smelters largely throughout Southeast Asia.

In 2009, open-pit material movements exceeded 25 million tonnes, and more than 11 million tonnes of ore was mined and processed. The owner-operated and maintained mining fleet comprised 23 Caterpillar 777D 100-tonne rigid-bodied dump trucks, two O&K RH90 (190t) mining shovels and two RH40 (110t) backhoe excavators. In late 2009, the truck fleet was augmented with six additional dump trucks as the open pit expanded and deepened and the haul distance to the Tailings Storage Facility (TSF) increased. In 2010, the fleet is expected to expand further with the addition of another large mining shovel.

The Phu Kham copper-gold deposit comprises both transitional (partially oxidised) and primary ores. During



the early years of operation, transitional material is the dominant ore type, which tends to have higher copper and gold grades but is metallurgically more complex resulting in variable but generally lower recovery rates. During 2009, a number of initiatives were implemented to enhance recovery and allow higher plant throughput to be achieved on higher grade ore while maintaining acceptable metal recoveries. The benefit of these initiatives started to be realised in the final quarter of the year with both plant throughput and metallurgical recovery close to feasibility expectations on high-grade mill feed.

Further process plant enhancements are planned for 2010 and include further capacity increases to the flotation circuit, refinements to the crusher materials handling system to allow improved wet-season performance, and optimisation of the dewatering circuit.

In 2010, PanAust is targeting production of 60,000t to 63,000t of copper at a C1 cash cost of between US\$0.95/lb and US\$1.05/lb copper after precious metal credits from 43,000oz of gold (includes heap leach gold doré) and 300,000oz of silver.

Resource Extension Drilling

The mineral resource at Phu Kham is the foundation stone for the Company's current cash-flow and capacity to fund the growth of the business. The current target for resource development at Phu Kham (and in areas within close proximity to Phu Kham) is to annually replace reserves mined in the prior year and increase the size of the Ore Reserve to support a mine life of 20 years at current ore mining rates of 12Mtpa.

During 2009, infill drilling in the south pit area at Phu Kham confirmed the presence of broad zones of copper-gold mineralisation extending up to 150 metres beneath the previous open-pit design. Results from the successful,

2009 resource extension drilling program will be incorporated in revised Mineral Resources and the Ore Reserves at Phu Kham which were being prepared at the time of publication.

Near-mine geological mapping and soil sampling has also identified numerous exploration targets in the area surrounding Phu Kham and resource development will continue.

Phu Kham Heap Leach Gold Operation


The oxide gold ore-body was depleted in late December 2009 and ore stacking operations ceased. Irrigation of the leach pads ended in March 2010 and gold recovery from solution ceased on 1 April 2010.

The Heap Leach Operation commenced in 2005 and was based on the mining and processing of Phu Kham gold oxide ore which overlaid the much larger copper-gold deposit. It was the Company's first exposure to operations and proved an excellent base for developing management systems and training Lao employees. Since the start of the Phu Kham Copper-Gold Operation in 2008, the Heap Leach Operation has provided a valuable gold by-product credit and nearly three tonnes of gold were produced over its mine life.

The Heap Leach Operation workforce will be redeployed within the Phu Kham Copper-Gold Operation or the Ban Houayxai Gold-Silver Project.

Below: Blasting in the Phu Kham open pit.





*The Company has a focus on growth
by discovery, acquisition
and development.*

Growth Strategy

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

Key components of this strategy include: a commitment to progressing capital efficient organic growth opportunities; the acquisition of producing or pre-developing copper assets that could support annual production of 50,000t of copper or copper equivalent; and pursuit of an active exploration and resource development program in Laos.

Ban Houayxai Gold-Silver Project

In March 2010, PanAust announced that the Board of Directors had approved the development of the Ban Houayxai Gold-Silver Project for a capital cost of circa US\$150 million. The decision followed the successful conclusion of the project feasibility study which was based on an open pit mining operation feeding ore to a conventional 4Mtpa Carbon In Leach (CIL) process plant to produce over 100,000oz of gold per year and 700,000oz of silver per year over a mine life of eight years at a target cash cost of between US\$400/oz and US\$450/oz gold after silver credits (adopting 2010 costs and at silver prices of between US\$17/oz and US\$13/oz respectively).

Key Project Parameters from the Feasibility Study

Average Annual Production	Over 100,000oz gold and 700,000oz silver.
Recovery Rates	Gold: recovery range is 80 per cent to 94 per cent with an average of 87 per cent over the life of the mine. Silver: average recovery 70 per cent with only minor variation across mineralisation types.
Mine Life	Minimum 8 years. Mineralisation is open at depth and to the west.
Waste: Ore Strip Ratio	Less than 1.5:1, no pre-strip required.
Process Plant	Carbon in leach, 4Mtpa throughput capacity.
Pre-development Capital	US\$16M, approved November 2009.
Development Capital	US\$134M, includes 10 per cent contingency.
Cash Operating Cost	Between US\$400/oz and US\$450/oz gold.

The Ban Houayxai gold-silver deposit is located approximately 25 kilometres west of the Phu Kham Copper-Gold Operation. Its close proximity to Phu Kham will provide significant cost savings through sharing of resources. The mining equipment will be similar to the existing fleet at Phu Kham ensuring standardisation of maintenance components and procedures between the two sites.

Pre-development works commenced in late 2009. Commencement of project construction is subject to Government of Laos acceptance of the Environmental and Social Impact Assessment (ESIA).

The Ban Houayxai deposit remains open at depth and to the west. Resource development drilling will continue aimed at delineating additional near-surface oxide mineralisation, and upgrading the resource categorisation of deeper primary mineralisation with the target of extending the mine life beyond 10 years.



David Reid has been appointed General Manager - Ban Houayxai Operation and will be responsible for the management of the Ban Houayxai Gold-Silver Project including pre-start-up activities, recruitment and development of systems to ensure a smooth transition from construction to operations. David graduated with first class honours as a mining engineer and has been with the Company for the past four years as the Mining Manager at the Phu Kham Operation. David successfully oversaw the planning and implementation of the owner-mining fleet that currently moves 25Mtpa of ore to the processing plant and waste to the TSF embankment. His appointment reflects the depth of management experience within the Company and desire to see the success achieved at Phu Kham duplicated at Ban Houayxai.

*Opposite:
Pre-development
earthworks
at Ban Houayxai*

*Above: David Reid
General Manager -
Ban Houayxai Operation.*

Growth Strategy *(continued)*

Phu Kham Copper-Gold Expansion

During 2010, the scope for the proposed expansion of the Phu Kham Operation from 12Mtpa to 16Mtpa will be reviewed to determine the optimum approach for the expansion. This timing should allow construction and commissioning to take place by mid-2012 to coincide with a scheduled decline in copper head grade as mining operations move from extracting predominantly near-surface transition zone ore to mining a higher proportion of primary ore. The increase in processing capacity is designed to offset the lower copper head grade.

Inca de Oro Copper-Gold Project



Inca de Oro Copper-Gold Project

PanAust has made a binding offer to Corporación Nacional del Cobre de Chile ("Codelco") for PanAust to acquire a controlling interest in the Chilean registered company Inca de Oro S.A. (IDO S.A.), which, following a re-structure of Codelco subsidiaries will own the Inca de Oro

Copper-Gold Project. The project includes an estimated total combined Indicated and Inferred sulphide Mineral Resource of 259 million tonnes grading 0.46 per cent copper and 0.13g/t gold. The acquisition fits well with PanAust's corporate strategy for growth and represents an excellent opportunity to establish a business in one of the world's most attractive copper mining provinces.

The Board of Directors of Codelco has passed a resolution recommending the acceptance of PanAust's offer. Under Chilean law, the offer is subject to approval by Presidential Decree and it is anticipated that the President of the Republic of Chile will consider the proposal by mid-2010.

The Inca de Oro pre-feasibility study, scheduled for completion in mid-2010, has confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at a competitive cash cost over a plus 10-year mine life. In addition, the pre-feasibility study is evaluating the potential of oxide mineralisation that overlays the sulphide resource to support a heap leach SX-EW operation, and will also evaluate the potential to produce a molybdenum concentrate.

Once the pre-feasibility study results have been reviewed, the focus for IDO S.A. will be the completion of a feasibility study on the project over the following 12 to 18 months.

The IDO deposit is a typical oxide transitional primary zoned Andean style porphyry copper gold deposit and is located near the town of Inca de Oro ("gold of the Incas", population of approximately 500), in the province of Chañaral, Region III of Atacama, Chile.

PanAust's interest in IDO S.A. will be held through a 90 per cent interest in PanAust Minera, with the remaining 10 per cent being held by independent Australian private company, The Minera Group. PanAust Minera will hold a 66 per cent interest in IDO S.A. (giving PanAust a 59.4 per cent beneficial interest) and Codelco will retain a 34 per cent interest.

PanAust Minera will initially invest US\$45 million of equity into IDO S.A. to acquire 66 per cent of the company of which: US\$23 million will be paid to acquire study data and the majority interest; US\$10 million will be allocated to fund a feasibility study on the IDO Project; and US\$12 million will be retained as cash to support growth initiatives and initial development costs for the project. IDO S.A. will evaluate other copper mining assets in Chile for acquisition, including copper assets currently owned by Codelco.

Phu Bia Contract Area



Puthep Copper Project

At the Puthep Copper Project in northern Thailand, the feasibility study scope was extended to include copper vat leaching following preliminary leach test work that confirmed leaching as the preferred processing option for the near-surface chalcocite copper mineralisation. PanAust is targeting a project with an annual production rate of 25,000t to 30,000t of cathode copper over an eight-year mine life.

Exploration

The Phu Bia Contract Area in Laos is highly prospective and under-explored.

The Contract Area covers 2,636km² and provides the Company with an excellent platform for organic growth through the discovery and development of new metalliferous ore bodies.

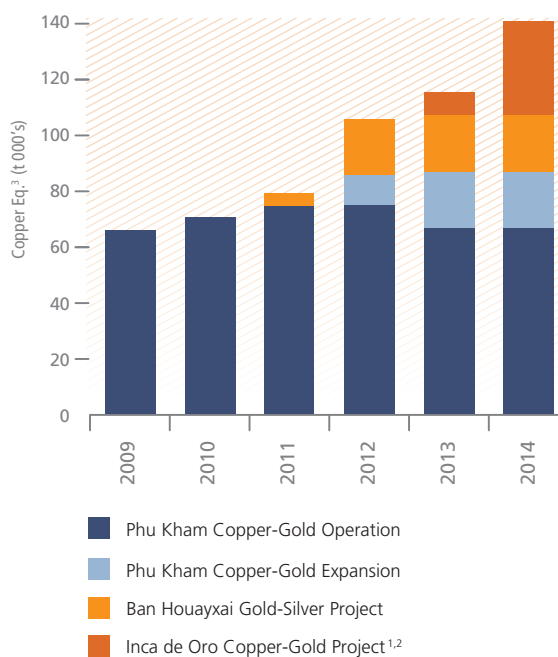
Exploration has identified numerous geo-chemical anomalies that are being investigated systematically.

At the Phonsavan Copper Project in the north of the Contract Area, resource development programs commenced at the Khamtonglai (KTL) and Tharkhek copper-gold deposits with the aim of establishing inaugural resources in 2010. The project is evaluating the potential for several deposits to support the development of a central processing facility at Phonsavan.

Close to Phonsavan, a ground geophysical exploration program was completed across the Phu He Gold Prospect to assist in planning a drill program for 2010.

In late 2009, drilling commenced at the Ban Phonxai Prospect, the largest copper anomaly discovered to date within the Contract Area, and only 25 kilometres north west of Phu Kham. The Ban Phonxai Prospect is defined by two large surface gold and copper geo-chemical anomalies that cover a six-kilometre strike. Indications of mineralisation are positive; the nearby river is a source of alluvial gold and drill access roads have intersected sulphide mineralisation.

Pipeline for Growth



¹: Subject to feasibility study and project approvals

²: PanAust Limited share

³: Copper equivalent assumptions: copper US\$2.50/lb, gold US\$1000/oz, silver US\$16/oz



*PanAust is committed to excellence in safety,
social and environmental management.*

Sustainability*

PanAust measures its sustainability performance against international standards and commissions independent audits of the Company's environmental and social sustainability performance based on the Equator Principles, and the International Finance Corporation Policy on Social and Environmental Sustainability.

In March 2010, PanAust received the 2010 Community Development Initiative Award at the Asia Mining Congress in Singapore. The award recognises PanAust's Livelihood Improvement Program designed to assist the sustainable development of the communities around the Phu Kham Operation in Laos.

During 2009, PanAust made substantial progress in the development of its risk management policies and procedures. This included the development of a risk management system based on ISO – AS/NZS 31000. The risk management strategy is underpinned by comprehensive registers developed at all operating departments and projects to identify risk. Mitigation plans are then put in place to reduce or limit exposure.

Health and Safety

The Phu Kham Operation has an excellent safety record by international comparison, with the achievement of 12 months Lost Time Injury (LTI) free from the commencement of commercial production in June 2008 to the end of June 2009 and was the culmination of a concerted safety focus by all employees and contractors at the Phu Kham Operation.

This was an outstanding performance for a new operation in a developing country where the mining and safety culture is at a formative stage, and is a great credit to the Company's employees and the leadership of the Phu Kham management team. The benchmark is now set and the Company's aim is to improve the current record of 392 days LTI free.

Regrettably, there were three fatalities during the year involving contractor activities associated with the Company's operations in Laos. Two occurred on the public road between the mine site and the capital, Vientiane. The other occurred at a lay-down area set aside for the contractor at the Phu Kham Operation.

- On 12 February, Mr Chanthala Simabong, an employee of subcontractor Deuan Sawanh Group, was fatally injured when his semi-trailer carrying copper concentrate veered off the public road between the mine site and Vientiane.

- On 1 August, Mr Suet Sanyalath, an employee of subcontractor Meuang Vang Development Construction (MVDC), was fatally injured when his backhoe overturned while undertaking road maintenance between the mine site and Vientiane.
- On 5 August, Mr Yer Thao, an employee of subcontractor MVDC, was fatally injured while changing a truck tyre.

The Company extends its sincere sympathy to the families, colleagues and friends of these three people. These events have placed further emphasis on the Company's commitment to the continual monitoring and improvement of safety systems, particularly in the area of contractor management with the aim of achieving the Company's Zero Harm objective.

The Phu Kham management team continues its efforts to improve the capacity of contractors to manage safety to the same level the Company manages the safety of its own employees, including regular and comprehensive audits of contractors under the Company's control or influence.

At 31 December 2009, PanAust amended its health and safety statistical reporting methodology, bringing it in line with the Minerals Council of Australia's (MCA) guidelines.

2008-09 Reportable Incident

	Hours	Fatal Injury Frequency Rate FIFR	Lost Time Injury Frequency Rate LTIFR	Total Recordable Injury Frequency Rate TRIFR
2008	10,909,889	0.18	1.37	6.38
2009	8,045,214	0.37	0.25	3.85

The Lost Time Injury Frequency Rate (LTIFR) of 0.25 was a significant improvement on the previous year. Both LTIFR and TRIFR were well below MCA averages (2007-08) for the Australian Opencut Metalliferous mining industry of 1.8 (LTIFR) and seven (TRIFR).

To support the Company's focus on safety, core-safety training was delivered to the Lao workforce to ensure that they are actively participating and identifying hazards and inspections in and around the workplace. During the year, proactive safety (lead indicator) targets were established that included the introduction of Job Safety Observations and the 'Take 5' Safety Program. These programs aid in the identification and control of immediate hazards as employees go about their day-to-day work. In addition, a more formalised workplace inspection program was introduced for all areas.

**For further details of PanAust's sustainability performance please refer to the Company's "2009 Sustainability Report" which will be published in mid-2010.*

Opposite: Kongsy Heuangphoxay, Safety Administration Officer.

Sustainability *(continued)*

Environment

No reportable environmental incidents occurred in 2009.

PanAust is committed to environmental protection through the implementation of the Company's Environmental and Social Management and Monitoring Plan.

One of the most important components of the plan is the Phu Kham TSF, which is designed to store the tailings from the process plant.

During 2009, over 14 million tonnes of waste rock was mined at the Phu Kham Operation. A proportion of the waste rock contains sulphide mineralisation and disposal of this material is managed to mitigate the long-term environmental risk of Acid Rock Drainage (ARD) through a number of engineering controls using a 'traffic light principle' (red, amber and green). All high-risk, red waste, materials are disposed of sub-aqueously within the TSF to reduce the risk of ARD by preventing oxidation of the sulphides. PanAust's management of waste rock disposal is recognised as industry best practice.

PanAust is committed to environmental protection through the implementation of the Company's Environmental and Social Management and Monitoring Plan.

Community Development

In Laos, in addition to donations and significant in-kind support, the Company contributes US\$300,000 annually to a Community Development Fund (CDF), which is used to advance community-based initiatives in education, healthcare, agriculture, infrastructure, water and business development in the communities in close proximity to the Phu Kham Operation.

The Company conducts regular socio-economic and health surveys to identify and prioritise community development programs.

The Village Development Committee, established in 2008, meets monthly with the Company to decide on funding priorities. The Committee comprises local villagers, and representatives from district and provincial authorities.

Community programs included field trials of new vegetables and training in micro-finance, project management, agriculture and aquaculture, with the aim of providing the villagers with additional income sources. Highlighting the success of this strategy, up to 40 per cent of the Phu Kham camp's fresh vegetables are now sourced from local farmers.

In 2009, the Company helped to design and construct a new primary school in Ban Nam Gnone and celebrated the first anniversary of the opening of the Company-built secondary school in Ban Nam Mo. The Company assisted in adult education and summer school programs that were added to the government curriculum taught at these schools.



Other infrastructure programs during the year included completing construction of a Community Development Centre at Ban Nam Gnone village, and the commencement of another at Ban Nam Mo.

Diverse and Productive Workforce

The Company has 21 different nationalities at its operations in Laos including people from Asia, Pacific Islands, Africa, Europe, and North and South America. At year end, PanAust had a total of 1,677 full-time staff, including 1,644 in Laos, 10 in Thailand and 23 in the Brisbane-based head office. Nineteen per cent of the workforce is female with many in typically male operator-type roles. Of the total full-time staff, 1,382 are Lao nationals, 167 are expatriates from countries within the Southeast Asia region, and 95 are expatriates mainly from Australia and other western economies.

The Company has key employment policies to support a diverse and productive workforce including Anti-Discrimination and Anti-Harassment, Equal Employment Opportunity and Individual Performance Review Process and Incentive Schemes. PanAust uses a culturally fair and language-free assessment tool known as Q-Test to assess Lao candidates who may have a limited educational background.

The Company's open communication approach, formalised leadership development program and people systems encourage alignment with Company goals and ensure direct dealings with all employees. This is reflected in an excellent

labour relations record, with no lost time due to labour disputes. The Company's relatively low voluntary staff turnover rate of 10 per cent per annum, compared favourably with the Australian metalliferous mining average turnover for similar commute operations of 18 per cent for fly-in-fly-out and 14 per cent for drive-in-drive-out operations (as reported in Mackie Employer Solutions Survey 2008/09 entitled, Resource Industry Turnover Analysis). Low turnover has ensured skills were retained which has been very important for the achievement of significant operational improvements and provides a solid foundation to support future growth projects.

Training and Development

PanAust aims to focus its training and development programs on its Lao employees to enable progressive localisation of the workforce and to reduce reliance on expatriate employees. In 2009, 70 hours of training per Lao employee per year at the Phu Kham Operation were devoted to training.

The Company is committed to up-skilling its Lao-national workforce through its in-house technical training centre. Up to 40 Lao employees at any one time are undertaking a trades course in areas such as mechanical fitting, welding, and electrical and diesel fitting of heavy earth-moving equipment. In March 2009, the first 15 students graduated from the course, followed by a further 17 in January 2010.

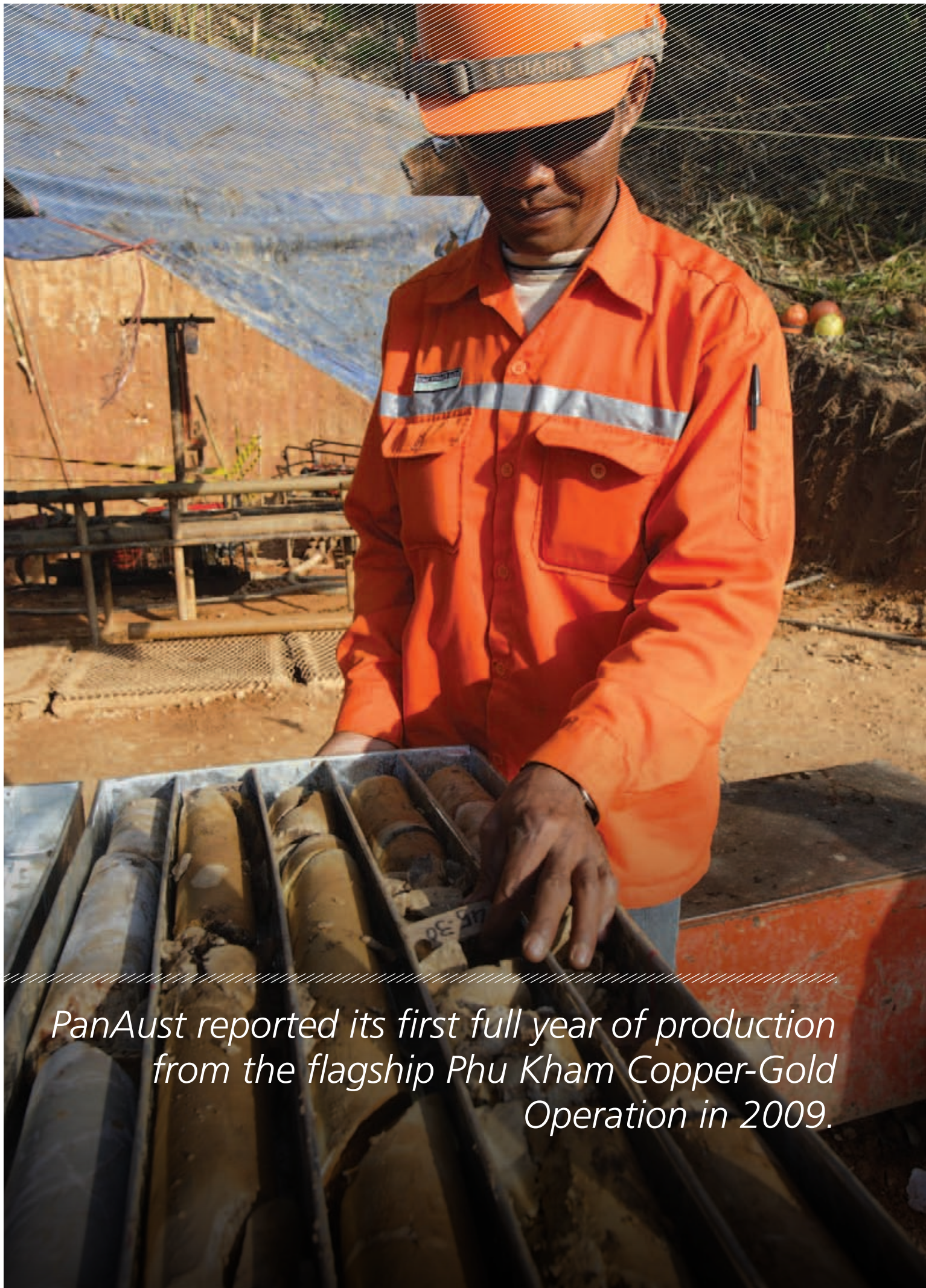


Opposite: Bouaphone Phimmathong working at the Environmental Rehabilitation Nursery.

Bouavayang assisting in the micro-finance project for local villagers.

Left: School students at the Ban Nam Mo Village primary school.

Somesavath Onsayvieng CAT 777D truck driver undergoing refresher training on the simulator.



*PanAust reported its first full year of production
from the flagship Phu Kham Copper-Gold
Operation in 2009.*

Financial Summary

PanAust reported its first full year of production from the flagship Phu Kham Copper-Gold Operation in 2009.

Financial Summary

- At 31 December 2009, the Company had cash of US\$88 million, project debt of US\$63 million and a mobile-equipment lease facility of US\$39 million.
- Earnings before interest, tax, depreciation and amortisation were US\$125 million with the December quarter contributing a record US\$68 million.
- Group net profit US\$23 million (loss of US\$40 million in 2008).
- Revenue increased from US\$107 million in 2008 to US\$348 million.

Opposite: Exploration activity at Ban Houayxai.

Below: Pre-development works at Ban Houayxai.



Statements of Comprehensive Income

For the year ended 31 December 2009

Note: the following statements and tabulations are extracted from the Company's 2009 Annual Report lodged with the Australian Securities Exchange on Thursday 25 February 2010. Refer to the 2009 Annual Report for the Directors' Report (including the Remuneration Report), Financial Report, Auditor's Report, Corporate Governance Statement and full set of statutory accounts for 2009.

	Consolidated		Parent entity	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from operations	348,112	106,958	6,247	4,422
Other income	-	450	-	88
Changes in inventories of finished goods and work in progress	(3,377)	6,107	-	-
Mining costs	(100,399)	(74,205)	-	-
Depreciation and amortisation expense	(42,773)	(29,132)	-	-
Employee benefits expense	(30,454)	(26,559)	-	-
Concentrate haulage	(23,517)	(11,343)	-	-
Treatment and refining charges	(19,201)	(6,298)	-	-
Royalties	(18,040)	(3,949)	-	-
Marketing and other realisation costs	(9,357)	(6,169)	-	-
Provision for unrecoverable intercompany loans	-	-	(1,221)	(18,886)
Other expenses	(9,661)	(5,934)	(1,728)	(2,414)
Profit/(loss) before financing and income tax	91,333	(50,074)	3,298	(16,790)
Unrealised hedge gains/(losses)	(8,449)	4,394	-	-
Interest and finance charges	(18,168)	(15,416)	(3,882)	(4,465)
Share option expense	(14,086)	(2,423)	(14,086)	(2,423)
Option deed settlement	(6,500)	-	-	-
Redemption fee	(5,000)	-	(5,000)	-
Profit/(loss) before income tax	39,130	(63,519)	(19,670)	(23,678)
Income tax (expense)/benefit	(15,959)	23,560	-	-
Profit/(loss) for the year	23,171	(39,959)	(19,670)	(23,678)
Other comprehensive (loss)/income				
Cash flow hedges, net of tax	(9,300)	5,607	-	-
Total comprehensive income/(loss) for the year	13,871	(34,352)	(19,670)	(23,678)
Profit/(loss) is attributable to:				
Owners of PanAust Limited	18,991	(39,959)	(19,670)	(23,678)
Non-controlling interest	4,180	-	-	-
	23,171	(39,959)	(19,670)	(23,678)
Total comprehensive income/(loss) for the year is attributable to:				
Owners of PanAust Limited	10,621	(34,352)	(19,670)	(23,678)
Non-controlling interest	3,250	-	-	-
	13,871	(34,352)	(19,670)	(23,678)
	Cents	Cents		
Earnings per share for profit/(loss) from operations attributable to the ordinary equity holders of the parent entity:				
Basic earnings/(loss) per share	0.86	(2.65)		
Diluted earnings/(loss) per share	0.85	(2.65)		

The comparative earnings per share have been restated to take into account the bonus element of shares issued during the year ended 31 December 2009.

Balance Sheets

As at 31 December 2009

	Consolidated		Parent entity	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	88,203	6,245	59,830	23
Receivables and other assets	33,713	18,510	10,385	267
Inventories	37,145	31,861	-	-
Derivative financial instruments	131	768	-	-
Total current assets	159,192	57,384	70,215	290
Non-current assets				
Receivables	45,582	34,982	-	-
Investments accounted for using the equity method	6,021	2,021	-	-
Other financial assets	12,771	12,611	420,695	248,039
Property, plant and equipment	293,217	293,750	-	-
Exploration and evaluation, development and mine properties	177,998	156,158	-	-
Deferred tax assets	12,466	25,269	-	-
Intangible assets	5,380	5,380	-	-
Derivative financial instruments	1,143	8,504	-	-
Total non-current assets	554,578	538,675	420,695	248,039
Total assets	713,770	596,059	490,910	248,329
LIABILITIES				
Current liabilities				
Trade and other payables	44,030	90,368	-	1,351
Borrowings	25,596	114,944	-	77,148
Provisions	2,755	1,960	-	-
Derivative financial instruments	8,268	2,120	-	-
Total current liabilities	80,649	209,392	-	78,499
Non-current liabilities				
Payables	3,558	4,982	205	205
Borrowings	76,252	201,848	-	-
Provisions	19,946	17,198	-	-
Derivative financial instruments	11,195	4,715	-	-
Total non-current liabilities	110,951	228,743	205	205
Total liabilities	191,600	438,135	205	78,704
Net assets	522,170	157,924	490,705	169,625
EQUITY				
Contributed equity	540,948	216,936	540,948	216,936
Reserves	8,761	393	22,312	5,574
Accumulated losses	(62,355)	(81,346)	(72,555)	(52,885)
Capital and reserves attributable to the owners of PanAust Limited	487,354	135,983	490,705	169,625
Non-controlling interest	34,816	21,941	-	-
Total equity	522,170	157,924	490,705	169,625

Statements of Changes in Equity

For the year ended 31 December 2009

Attributable to members of PanAust Limited

2008 - Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total US\$'000
Balance at 1 January 2008	215,985	(9,438)	(41,387)	165,160	15,035	180,195
Loss for the year	-	-	(39,959)	(39,959)	-	(39,959)
Changes in fair value of cash flow hedges, net of tax	-	5,607	-	5,607	-	5,607
Total comprehensive loss for the year	-	5,607	(39,959)	(34,352)	-	(34,352)
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	951	-	-	951	-	951
Total changes in non-controlling interest	-	-	-	-	6,906	6,906
Employee share based payments	-	1,801	-	1,801	-	1,801
Unlisted share rights - GSJBWere	-	2,423	-	2,423	-	2,423
Equity movement for the year	951	4,224	-	5,175	6,906	12,081
Balance at 31 December 2008	216,936	393	(81,346)	135,983	21,941	157,924

Attributable to members of PanAust Limited

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

Cash Flow Statements

For the year ended 31 December 2009

	Consolidated		Parent entity	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Receipts from customers	293,644	138,249	-	-
Payments to suppliers (inclusive of goods and services tax) and employees	(231,556)	(126,864)	(214)	(713)
	62,088	11,385	(214)	(713)
Interest received	146	282	141	178
Interest and fees paid	(26,004)	(5,639)	(5,000)	-
Net cash inflow (outflow) from operating activities	36,230	6,028	(5,073)	(535)
Cash flows from investing activities				
Payments for property, plant and equipment	(17,681)	(24,789)	-	-
Payments for investment in associate	(3,695)	(9,944)	-	-
Payments of exploration and evaluation costs	(18,235)	(22,802)	-	-
Payment of development costs	(19,335)	(98,007)	-	-
Loans to subsidiaries	-	-	(177,589)	(85,188)
Net cash outflow from investing activities	(58,946)	(155,542)	(177,589)	(85,188)
Cash flows from financing activities				
Proceeds from issues of shares	323,563	951	323,563	951
(Repayment)/proceeds from borrowings	(218,889)	136,917	(81,094)	74,000
Borrowing and loan establishment costs	-	(6,422)	-	-
Net cash inflow (outflow) from financing activities	104,674	131,446	242,469	74,951
Net increase (decrease) in cash and cash equivalents	81,958	(18,068)	59,807	(10,772)
Cash and cash equivalents at the beginning of the financial year	6,245	24,414	23	10,708
Effects of exchange rate changes on cash and cash equivalents	-	(101)	-	87
Cash and cash equivalents at end of year	88,203	6,245	59,830	23

Mineral Resources and Ore Reserves ^{1, 2, 3}

Mineral Resources

	Measured				Indicated				Inferred				Total			
Copper	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
Phu Kham (Laos) ⁴ (0.3% Cu cut-off) PanAust 90%	102	0.67	0.26	1.9	66	0.62	0.23	2.1	15	0.57	0.18	1.8	183	0.64	0.24	2.0
PUT 1 Oxide-Upper Transitional	27.4	0.64	0.05	-	24.4	0.59	0.05	-	21.7	0.47	0.05	-	73.5	0.57	0.05	-
PUT 1 Lower Transitional-Primary	13.7	0.48	0.13	-	39.8	0.46	0.13	-	37.5	0.51	0.12	-	90.9	0.49	0.13	-
Total PUT 1 (Thailand) ⁵ PanAust 49% (0.3% Cu cut-off)	41.1	0.58	0.08	-	64.2	0.51	0.10	-	59.2	0.50	0.10	-	164.4	0.53	0.09	-
PUT2(Thailand) ⁶ (0.3% Cu cut-off) PanAust 49%	-	-	-	-	-	-	-	-	36	0.4	-	-	36	0.4	-	-
	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)	Tonnes (Mt)	Cu (%)	Au (g/t)	Mo (%)
Inca de Oro (Chile) ⁷ (0.3% Cu cut-off) PanAust 59.4%	-	-	-	-	180.5	0.45	0.15	0.012	78.5	0.48	0.10	0.009	259.0	0.46	0.13	0.011
	Measured				Indicated				Inferred				Total			
Gold	Tonnes (Mt)	Au (g/t)	Ag (g/t)		Tonnes (Mt)	Au (g/t)	Ag (g/t)		Tonnes (Mt)	Au (g/t)	Ag (g/t)		Tonnes (Mt)	Au (g/t)	Ag (g/t)	
Ban Houayxai Oxide-Transitional (0.4g/t Au cut-off)	5.7	1.05	5.54		15.5	0.91	7.05		1.7	0.82	4.80		22.9	0.94	6.51	
Ban Houayxai Primary (0.7g/t Au cut-off)	-	-	-		4.1	1.47	10.18		15.7	1.35	9.66		19.8	1.37	9.77	
Total Ban Houayxai ⁸ PanAust 90%	5.7	1.05	5.54		19.6	1.03	7.70		17.4	1.30	9.19		42.7	1.14	8.02	

Ore Reserves

	Proved				Probable				Total			
Copper - Gold	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
Phu Kham ⁹ PanAust 90%	101	0.63	0.26	2.0	42	0.61	0.24	2.0	143	0.62	0.25	2.0
	Proved				Probable				Total			
Gold	Tonnes (Mt)	Au (g/t)	Ag (g/t)		Tonnes (Mt)	Au (g/t)	Ag (g/t)		Tonnes (Mt)	Au (g/t)	Ag (g/t)	
Ban Houayxai ¹⁰ PanAust 90%	8	0.85	5.2		20	0.80	7.4		28	0.81	6.8	

NOTES

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- All Mineral Resource and Ore Reserve estimates in the tabulation are reported on a 100% ownership basis.
- The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
- The Mineral Resource estimate for the Phu Kham Copper-Gold Operation is based on a geologically constrained multiple indicator kriging model using a 0.3% copper cut-off grade. The decrease in resources compared with those presented in the 2008 Annual Review reflects depletion due to mining.
- The Mineral Resources for PUT 1 are based on an ordinary kriged model using a 0.3% copper cut-off grade and constrained by weathering and geological boundaries.
- The Mineral Resources for PUT 2 remain unchanged from those presented in the 2008 Annual Review.
- The Mineral Resource estimate for the Inca de Oro Gold-Silver Project is based on a geologically constrained ordinary kriging model using a 0.3% copper cut-off grade. PanAust's acquisition of a majority interest in the Inca de Oro Copper-Gold Project is subject to approval by Presidential Decree under Chilean law. The transaction is expected to close mid-2010.
- The Mineral Resource estimates for the Ban Houayxai deposit are based on a geologically constrained model using multiple indicator kriging at the stated cut-off grade.
- The Ore Reserve estimate for the Phu Kham Copper-Gold Operation is based on commodity price assumptions of US\$2.25/lb copper, US\$900/oz gold and US\$13/oz silver. The decrease compared with those presented in the 2008 Annual Review reflects the net impact of revised commodity price and cost assumptions together with depletion due to mining.
- The Ore Reserve estimate for the Ban Houayxai Gold-Silver Project is based on commodity price assumptions of US\$900/oz gold and US\$13/oz silver.

COMPETENT PERSON STATEMENTS

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

The information in this report that relates to the Phu Kham Copper-Gold Ore Reserves and Ban Houayxai Ore Reserves is based on information compiled by Mr Chris Desoe who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Desoe is a full-time employee of Australian Mine Design and Development Pty Ltd. Mr Desoe has sufficient experience relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Desoe consents to the inclusion in the report of the Phu Kham Copper-Gold Ore Reserves and Ban Houayxai Ore Reserves in the form and context in which it appears.



CAT 740 articulated dump trucks used for TSF construction.

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