



SHAPING OUR FUTURE

PANAUST

2014 BUSINESS REVIEW & SUSTAINABILITY REPORT

Company profile

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

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

In Papua New Guinea, PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project with the remaining 20 per cent held by Highlands Pacific, a publicly listed incorporated company in which PanAust holds an approximate 14 per cent interest. Frieda River is one of the largest known undeveloped copper and gold deposits in the world, potentially offering valuable long-term exposure to the copper market. Since the acquisition of the Project in 2014, PanAust has completed considerable work on progressing the feasibility study. PanAust is currently focused on the development of a mid-sized started project at Frieda River, which leverages strongly from the Company's experience in Laos.

PanAust's business model is focused on the production and sale of copper and gold, delivery on production goals, and sustainable growth. While copper forms the core product focus, gold plays an important role in providing a measure of commodity diversity.

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

COMPANY STRUCTURE

Reflecting its 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 and 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.

SOUTH AMERICA BUSINESS UNIT

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

CHILE

PanAust owns a 61.3 per cent interest in the Inca de Oro Project through a Chilean incorporated joint venture company, Inca de Oro S.A. The Company also has a 100 per cent interest in the nearby Carmen deposit.

PROJECT DEVELOPMENT BUSINESS UNIT

The Project Development business unit is responsible for the Company's development and operational improvement projects. During 2014, activities in relation to the Frieda River Copper-Gold Project ramped up for the business unit. This emphasis is planned to be maintained in 2015 as the feasibility study is advanced. Project Development is responsible for technical studies and project implementation to deliver capital-efficient project development and strategic improvement initiatives to support and enable the Company's growth.

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
 Dr Fred Hess, Managing Director
 Nerolie Withnall
 Geoff Handley
 Geoff Billard
 Zezhong Li
 John Crofts
 Ken Pickering
 Annabelle Chaplain
 Qian Deng
 (GRAM¹-appointed alternate director appointed 28 January 2015)

JOINT COMPANY SECRETARIES

Paul Scarr
 George Piggott (appointed 28 January 2015)

AUDITORS

PricewaterhouseCoopers
 Riverside Centre
 123 Eagle Street
 Brisbane QLD 4000

BANKERS

ANZ Banking Group Limited
 324 Queen Street
 Brisbane QLD 4000



PanAust Environment Superintendent, Vongkhamekeo Chongkhueher during a visit to the Ban Phonekeo Primary School

¹ Guangdong Rising Assets Management

Chairman and Managing Director's Review

As a major company operating in developing countries, our view of sustainability is a commercially successful business maintained by a social licence to operate, which is founded on mutually respectful and constructive relationships with our host governments and communities. We believe that it is more than the ethical way to operate; in today's business context, sustainable practices generate long-term value for stakeholders. Our sustainability credentials provide strategic leverage as we look to develop projects and work with governments and communities in other countries. The way in which PanAust balances economic, social and environmental outcomes in Laos, has supported our entry into Papua New Guinea and Chile. Sustainability is a defining feature of how we are shaping our future.

The health and safety of our employees and people in our communities is the foundation for our economic and social success. Safety is fundamental to the way PanAust goes about its business; it is enshrined in our Vision and Values and ranks as the single most important factor at all of our sites and operations. For 2014, we are reporting year-on-year improvements in both our Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate. Despite continued improvement in our safety statistics and our on-going efforts to improve the safety performance of contractors, we have more work to do. In June 2014 two employees of a Lao contract civil works company – 22-year old Mr Khonesavan Sisouphanh and 24-year old Mr Sompheng Masothsai – were killed in a landslide incident when they were working at a remote PanAust exploration site in mountainous terrain eight kilometres northwest of Phu Kham. Our deepest sympathy is extended to the family and friends of the two young men. In the aftermath of the incident, the Company provided financial and counselling support in addition to that provided by the contractor (details are outlined in the discussion on contractor management on page 73).

This tragic incident again highlights the Company's responsibility to continue to strengthen efforts to improve and enhance the capacity of contractors along our supply chain so that our Zero Harm safety philosophy is embedded into the working culture of our business partners.

2014 REVIEW

In terms of production, 2014 was an excellent year for PanAust. With over 71,000 tonnes (t) of copper, 168,755 ounces of gold, and 1.3 million ounces of silver produced, guidance for each was exceeded and we achieved annual production and sales records for copper and silver. This outstanding result was the culmination of the delivery of numerous operational improvements, the maturing of our operations and the increased capability of our people.

We saw improvements to the concentrator and primary crusher deliver upswings in process plant operating times and reliability at Phu Kham, and a number of mining and processing optimisation programs implemented at Ban Houayxai. Reflecting international leading practice, both Operations achieved Caterpillar 5-star contamination control accreditation for their mobile maintenance workshops.

Our operational successes were well supported by advances in business support functions throughout 2014. The implementation of new information systems including SAP across the PanAust Group has improved the availability of critical business information; enabling more streamlined and informed decision-making, and enhancing governance systems while improving security and contributing to long-term efficiencies through systems integration.



Chairman, Garry Hounsell (left) and Managing Director, Dr Fred Hess (right)

2014 saw our first full year of using a concentrate haulage route to the port of Vung Ang in Vietnam as an alternative to that which we have used through Thailand to the port of Sriracha. We are now hauling 60 per cent of our concentrate to Vung Ang, cutting more than 500 kilometres from each haul and realising significant cost reductions while putting in place business continuity options and making a positive environmental contribution through reduced carbon emissions. We have now established a second port in Vietnam at Hon La; ship-loading commenced in early 2015.

Such advances are the basis for our ongoing success. We have set ourselves challenging production targets for 2015: 74,000t to 76,000t of copper, 195,000oz to 205,000oz of gold and 1.4Moz to 1.5Moz of silver. As reflected in PanAust's March quarter 2015 report, we are well on the way to achieving 2015 guidance through record production and very strong cost performances.

Looking beyond 2015, our production outlook for the coming years is shaping up very positively. We expect a near 25 percent increase in annual copper production from our 2014 base. Annual production of copper in concentrate is expected to peak in 2018 and 2019 at approximately 90,000t. Importantly, with our large-scale capital investment program completed, no further development capital is currently anticipated to be required to realise this growth.

The short to medium-term metal price outlook, combined with PanAust's focus on advancing the Frieda River Project in Papua New Guinea, led the Company to recognise impairment charges for 2014 against the carrying values for the Inca de Oro Project which now falls outside the Company's five-year strategic planning window; for KTL which is uneconomic at the 2014 year end prevailing copper price, and for exploration projects where no material work programs are planned for the foreseeable future. The Company reported a loss after income tax for the 2014 year of US\$221.4 million which includes impairments totalling US\$264.7 million.

In the context of current depressed commodity prices and continued global economic volatility, it is incumbent on us to continue to focus on streamlining our business processes and finding ways to reduce costs. Following a business efficiency review that commenced in late 2014, we announced organisational changes and efficiency improvements in January 2015 that we expect will realise in excess of US\$50 million in combined operating and capital cost savings in the 2015 year.

Organisational change can be initially challenging. It is very pleasing to report that many of our Lao-national employees responded confidently to the business review by stepping into more senior roles or embracing broadened responsibilities in their current roles. As a business and sustainability leader in a developing country, it is very rewarding to witness the growth of staff as a result of our commitment to local training and development. Part of the sustainable legacy we intend to leave in Laos – and in other parts of the world where we operate – is a skilled workforce that can participate in and help to grow national economies.

SHAPING OUR FUTURE

On 25 August 2014, PanAust completed the acquisition of an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea from Glencore Plc. Our joint venture partner, Highlands Pacific holds the remaining 20 per cent.

With a 40-year history and a Mineral Resource inventory consisting of approximately 10 million tonnes of copper and 14 million ounces of gold, the Frieda River Project is one of the largest known undeveloped copper deposits in the world. The transaction not only secured the physical asset, but also brought with it a high-quality data-set from extensive feasibility study work undertaken by the previous owner.

The Project area comprises four copper-gold deposits and several prospects along a 10-kilometre trend. The joint venture will evaluate a mid-sized starter project that utilises existing logistical routes and minimises infrastructure requirements resulting in competitive capital intensity and a manageable risk profile. Under the current development concept, annual production averages 125,000t of copper and 200,000oz of gold in concentrate over a 20-year mine life. The Frieda River Project provides scope for future capacity expansions and extensions to mine life.

Prior to and since the acquisition of Frieda River, we have carried out extensive stakeholder engagement across all levels of government and among local communities to fully understand the in-country context of developing a mine in this region. This has also enabled the integration of multiple stakeholder interests and concerns into the project design and development plans.

In January 2015, following a detailed and dedicated process of consultation and mediation, a long-standing land-ownership matter dating back to 1995 between local landowner groups was resolved. In a milestone event, a Local Land Court Mediation agreed customary landownership over the area containing the Frieda River Project resource. The resulting agreement legally recognises six villages from two cultural groups as the 'collective owners' and provides for a division of future project benefits to be derived from the land. The agreement is a positive result for all the landowners and paves the way for the negotiation of a compensation agreement between landowners and joint venture partners in the lead up to an application for a Special Mining Lease.

We will continue to work with the Government of Papua New Guinea and our host communities throughout the life of the Project and look forward to making meaningful, long-lasting contributions to the nation and, over time, emulating the success of our work in Laos. In Laos, this has included a cumulative contribution of US\$1.34 billion to the economy, and in 2014, the Company accounted for more than three per cent of the nation's gross domestic product and over 25 per cent of total Lao goods exports.

In acquiring a stake in the Frieda River Project in 2014, PanAust took the strategically bold step of acquiring a high-value asset in the low point of the resources cycle; that is, a counter-cyclical investment at a time when resource companies typically steer clear of new capital commitments and/or developing greenfield projects.

Development of the Frieda River Project is PanAust's primary growth objective and with the support of our joint venture partner, Highlands Pacific, we are making solid progress. Our approach to managing the key elements of sustainability in Laos – including stakeholder engagement, the environment, community development, operational excellence, and workforce development and localisation – forms a template for how we are progressing Frieda River.

PANAUST WELCOMES DR FRED HESS TO THE ROLE OF PANAUST MANAGING DIRECTOR

On 6 March 2014, a succession process commenced for the position of PanAust Managing Director to replace Mr Gary Stafford who had served in this role since 1996. On 11 November 2014, Gary Stafford resigned and Dr Fred Hess was appointed Managing Director of the Company. The PanAust Board of Directors acknowledge and thank Gary Stafford for his 18-year tenure and numerous achievements including taking a junior explorer into one of the global top-10 copper companies.

Prior to being appointed Managing Director, Fred had held several executive management positions within PanAust in the nine years that he had been with the Company; most recently as the Executive General Manager Project Development and Operational Improvement. The Board's unanimous view was that Fred had the requisite skills and experience gained from more than 30 years of working in the mining industry to lead PanAust to advance and develop its next generation of mining projects.

Fred was a major driving force behind the development and construction of both the Phu Kham and Ban Houayxai Operations in Laos. Now, under Fred's leadership, PanAust's Values and commitment to sustainability will remain unchanged and, together with all PanAust employees, the Company will continue to strive to achieve the highest of operational and sustainability standards across its existing operations and in future growth opportunities, in particular the Frieda River Project in Papua New Guinea.

Our strategic focus is to maximise returns from our producing assets while advancing Frieda River which has the potential to sustain the PanAust business for decades to come and provide a platform for further growth.

2014 BUSINESS REVIEW AND SUSTAINABILITY REPORT

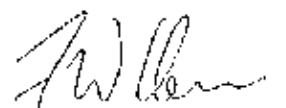
This Report provides detailed information about our overall sustainability performance for 2014, focusing on topics that matter most to our stakeholders, and clearly demonstrates our ability to understand and manage our key risks. It is structured around six core areas of our business: economic performance, governance, social performance, environmental performance, health and safety, and our people.

The table (on the following page) outlines what we consider our highlights of 2014 and presents the short, medium and longer term challenges we face in these key areas of our business.

On behalf of the PanAust Board of Directors and the Executive Management Team, we thank our employees, our shareholders, and the communities with whom we share value and resources for your commitment and support throughout 2014. It was truly a year of shaping our future.



Chairman, Garry Hounsell



Managing Director, Dr Fred Hess

2014 highlights and challenges

HIGHLIGHTS

Safety

A 48 per cent year-on-year improvement in the Total Recordable Injury Frequency Rate
A 46 per cent year-on-year improvement in the Lost Time Injury Frequency Rate

The deep dive review program undertaken by senior operating executives and part of a visible leadership program was successfully implemented to test critical systems and controls on high-risk safety issues

Environment

The passive water treatment system downstream of the Phu Kham tailings storage facility is the first case where granite has proven to be effective in the treatment of manganese; historically, the industry has considered limestone the preferred medium for treatment

The 2014 Cyanide Code Gap Analysis undertaken by Sustainability Future Growth noted that “of all mines audited to the Code, none have as high a standard as the Ban Houayxai Mine; similarly, the high quality of the laboratory cyanide analyses is without equal”

PanAust received a CDP score of 91 (out of 100) for its disclosure in 2014 which was a significant improvement on 2013 and elevated PanAust into the CDP 2014 ASX 200 Carbon Disclosure Leadership Index

Social

The Company continued to support local business and carried out capacity-building programs in local communities

The Company achieved a 96 per cent close-out rate for grievance cases carried over from previous years with 80 per cent of new cases reported in 2014 also closed out

PanAust undertook extensive early stakeholder engagement in Papua New Guinea to support the Frieda River Project

Our people

The Mentoring Program continued to be a key initiative supporting the development of high-potential employees recognised within the Company's succession planning process

69 trade trainees (including 12 females) currently participating in the Company's Trades Training Program

To address improvement areas identified in the 2013 *Your Say* employee engagement survey, the Company undertook detailed analysis including Group workshops to better understand the survey results and embarked on a program of initiatives to enhance and provide better support for employee engagement and organisational advocacy

Economic

Record annual copper, gold and silver production and sales were achieved

PanAust acquired an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea

Governance

The PanAust Way was rolled out and implemented in Laos and Papua New Guinea

CHALLENGES

Working with local contractors to improve their capacity so they can operate safely and bridge the gaps identified in their safety performance (tragically, two local contractors conducting earthworks at a remote PanAust exploration site were fatally injured in 2014; see page 73)

With the success of training and localisation programs, PanAust will work to grow and enhance the Company's safety culture and management systems to support Lao-national and Papua New Guinean employees who are taking on supervisory and management roles

Safety

A continued focus on dust emissions particularly given the proximity of communities to the Phu Kham mine

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

Timely completion of studies to support the progression of the Frieda River Environmental Impact Statement and Project permitting

Environment

Closure preparedness including strengthening 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

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

Implementing a robust engagement approach for Frieda River Project given: the remote location, reliance on aviation transport to access host communities and the extensive river logistics corridor; also required to underpin the Environmental Impact Statement and Project permitting

Social

Remaining focused on the localisation of its workforce to enable Lao-nationals to increasingly operate, maintain and manage the Company's operations in Laos

Providing further development for Lao-national maintenance employees who are not graduates of the apprenticeship program to undertake professional development to enable succession into higher level professional trade roles

Maintaining high levels of employee engagement during the business efficiency review processes which commenced in late 2014; coinciding with a significant drop in copper and gold prices

Our people

Due to impairments, loss after income tax attributable to PanAust Limited of US\$178.1 million
Maintain a strong business performance and continued focus during lower commodity price cycle

Maximising the returns from producing assets while advancing the Frieda River Project feasibility study and permitting requirements to secure project funding

Economic

Understanding and prioritising material risk issues across the Company's supply chain

Managing expectations and implementing robust governance processes in Papua New Guinea as the project progresses

Governance

Materiality and scope of this Report

This 2014 Business Review and Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI), G4 Sustainability Reporting Guidelines including the Mining and Metals Supplement. The scope of this Report, as per GRI materiality requirements, covers *'topics and indicators that reflect the organisation's significant economic, environmental and social issues that could substantively influence the underlying value of the company, and the assessments and decisions of stakeholders'*. Beca Consulting has provided independent assurance of both the materiality assessment process and this Report; a copy of the assurance statement is displayed on page 99.

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

PanAust applies a consistent approach to identifying, assessing and verifying material sustainability issues relating to the Company through regular engagement with both internal and external stakeholders. The Sustainability Committee evaluates progress against targets and provides strategic direction on sustainability issues of importance through its regular meetings which are reported through to the PanAust Board. This continuous loop ensures that PanAust has in place the governance systems and controls to manage material risks. The material issues presented in this Report inform PanAust's business strategy, operations and stakeholder engagement activities.

MATERIALITY PROCESS

PanAust's process for defining material issues is outlined in the following five steps.

1. STAKEHOLDERS AND THEIR ISSUES ARE IDENTIFIED

PanAust's key stakeholders are identified based on their potential to impact or be impacted by the Company's presence. Issues of importance to stakeholders are identified and understood through regular engagement with communities, governments and investors, and through the review of independent external, peer and competitor reports. Examples of 2014 engagement activities to identify areas of importance to stakeholders includes analyst and institutional investor briefings in Australia, periodic stakeholder roadshows (including in Laos), an in-country perception survey of Phu Bia Mining, and regular ongoing engagement forums in host communities. The stakeholder identification process is outlined on pages 47 to 49.

2. PANAUST'S ISSUES ARE IDENTIFIED

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

3. ISSUES ARE ASSESSED AND RANKED

Each issue is ranked on its level of 'importance to stakeholders' and its 'importance to PanAust'. The criteria for ranking is largely based on how PanAust defines issues of significance (levels 4 and 5 incidents/potential incidents using the Company's Consequence Table; available on PanAust's website, www.panaust.com.au/corporate-governance). In addition, issues are considered by level of interest and commonality amongst stakeholder groups, frequency, duration and level and boundary of impact, media interest, relevance to Company strategies, and impact on business decisions. Engagement with internal and external stakeholders as outlined on pages 48 and 49 further informs the ranking process.

4. MATERIAL ISSUES ARE VERIFIED

Discipline leads present material issues to a sustainability review panel comprising relevant managers and the General Manager Human Resources and Risk Management for feedback, endorsement and sign-off.

An independent assurance process subsequently verifies the appropriateness of the Company's materiality determination approach and whether the Sustainability Report accurately reflects and discloses material issues. The verification approach includes review of Sustainability Committee papers, corporate processes and site-based approaches to ensure PanAust's identification and management of material risks are aligned across the organisation. The assurance provider also reviews stakeholder feedback and undertakes interviews with internal and external stakeholders. Issues identified as material are included within the scope of the Sustainability Report. A rolling assurance process aims to verify all material issues over a 3-5 year period with up to six material issues each year. Some material risk issues such as energy and climate change are assured each year to inform the Company's reporting obligations to the Carbon Disclosure Project (CDP). The assurance scope is revisited each year to ensure relevance following the results of the materiality determination process.

Each year, the Sustainability Report is tabled with the Sustainability Committee to review the outcomes of the internal and external verification processes, and to incorporate the Committee's feedback prior to publication.

5. MATERIAL ISSUES INFORM COMPANY ACTIVITIES

The approach taken to the management of material risks provides a continual improvement feedback loop, which informs Company strategy, budgets, business activities and engagement. At the executive level, these material issues define the sustainability areas of focus and improvement activities for the Company. These outcomes cascade to the broader sustainability governance structure and are incorporated into business and annual plans, and key performance indicators.

The PanAust Material Issues diagram opposite shows the outcomes of PanAust's materiality process for 2014. Within the broader topic areas of Economic Performance, Governance, Social Performance, Environmental Performance, Health and Safety, and Our People, each material issue including the boundary of impact is addressed in this Report.



Materiality and scope of this Report

This *2014 Business Review and Sustainability Report* focuses on those issues that matter most to PanAust and its stakeholders.

An example of a sustainability issue that has transitioned from being material in the 2013 Report to an ongoing mitigation strategy embedded within the Company is the Cardinal Rules. In 2013, the requirement to ingrain the Cardinal Rules into PanAust's safety culture was identified as a priority to address a material safety issue. Accordingly, Cardinal Rules internal campaign material was developed and rolled out with awareness sessions and comprehensive training where appropriate. 2014 safety statistics showed a substantial reduction in the number of Cardinal Rules breaches. The Cardinal Rules are now firmly embedded in PanAust's safety management systems.

A detailed index of the GRI indicators and where they are reported fully, partially or not reported for 2014 can be found on PanAust's website, www.panaust.com.au/reports.

PanAust has communication mechanisms in place to allow stakeholders to raise specific questions or concerns and to ensure the Company's response contains relevant information to address each enquiry. To request further information about PanAust or this Report, email info@panaust.com.au or telephone +61 7 3117 2000.

To provide feedback on this *2014 Business Review and Sustainability Report*, go to www.panaust.com.au/reports and click on the **Sustainability Report FEEDBACK SURVEY** button.

REPORT SCOPE

The principal activities of the PanAust Group during the 2014 reporting year were the:

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

Most of PanAust's reporting relates to the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation. While exploration activities and growth projects (the Frieda River Copper-Gold Project in Papua New Guinea, the Inca de Oro Copper-Gold Project in Chile and the KTL Copper-Gold Project in Laos) are not operational, during 2014, work occurred for each project in relation to environmental and social impact assessments, and community development programs and, where relevant, PanAust reports on these programs.

PanAust establishes systems and structures to enable reporting and robust data collection processes once commissioning of an operation commences. Commentary in this document incorporates significant exploration and growth project activities related to stakeholder engagement, community development, environment, safety and employee statistics. Tables in this document advise where reporting includes data from exploration and growth projects other than the Phu Kham and Ban Houayxai Operations. A case study for the Frieda River project is provided within the Governance section on pages 34 and 35 to demonstrate how PanAust embeds sustainability into projects from their inception.

This Report is for the 2014 calendar year and is PanAust's ninth consecutive annual Sustainability Report and it follows that produced in 2014 for the 2013 calendar year.

DATA COLLECTION PROTOCOLS AND REPORTING CURRENCY

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

With the exception of new reporting items, this Report will present data for a three-year period.

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

TRANSPARENT REPORTING

Each year, PanAust publishes an Annual Report, a Business Review and Sustainability Report (this document, which incorporates information previously contained in a separate document, PanAust's Annual Review, which from hereon will no longer be produced), and hosts an AGM. Full and half-year Financial Reports are published in February and August respectively, and activity reports are released each quarter. Following their release to the market via the ASX, all documents are made available on PanAust's website, www.panaust.com.au/investor-centre.

PanAust's Lao-registered company, Phu Bia Mining publishes an Annual Review and Sustainability Report in English and Lao.

In PanAust's *2014 Annual Report*, the Company provides a comprehensive corporate governance statement (pages 52-57) detailing its compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. PanAust complies with all of the recommendations. The *2014 Annual Report* was independently audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards.

Through PanAust's Minerals Council of Australia (MCA) membership, the Company supports the Extractive Industries Transparency Initiative (EITI); a global initiative to improve governance in resource-rich countries through the verification and full publication of Company payments and government revenues from oil, gas and mining. PanAust reports payments to governments in its Annual Report and in this Report (see pages 54 and 55).

At the time of writing this Report, Laos was not a signatory to the EITI.

Image right: a Caterpillar 777D hauling a load of ore from the open pit to the crusher at the Phu Kham Copper-Gold Operation in Laos

This 2014 Business Review and Sustainability Report has been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines





Vision and Values

Vision

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

PanAust will outperform its competitors through:

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

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.

Image: PanAust employees, Maintenance Technician, Electrical and Instrumentation, Thongkha Houatouxay and Cranes and Rigging Operator, Pao Chouakue; both based at the Ban Houayxai Gold-Silver Operation in Laos

Executive Management Team



DR FRED HESS
MANAGING DIRECTOR
BSc (Hons), PhD, MAusIMM

Fred, who was appointed Managing Director on 11 November 2014, is a metallurgist with over 30 years' experience.

Since joining PanAust in October 2005, Fred has held several Executive Management positions, most recently as Executive General Manager Project Development and Operational Improvement. Fred was a major driving force behind the development, construction and management of the Phu Kham Copper-Gold Operation and Ban Houayxai Gold-Silver Operation in Laos. He has overseen two major plant upgrades at Phu Kham and undertaken major studies on the Puthep Copper Project in Thailand and the Inca de Oro Copper Project in Chile.

Prior to joining PanAust, Fred 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 in Papua New Guinea where he spent the first six years of his working career.

Fred is a graduate of the Julius Kruttschnitt Mineral Research Centre at the University of Queensland.



DAVID HAIRSINE
CHIEF FINANCIAL OFFICER
MFTA (Senior)

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.



FRANCISCO TOMIC
PRESIDENT AND EXECUTIVE GENERAL MANAGER, PANAUST SOUTH AMERICA
Infrastructure and Planning, with Graduate Studies in Civil Engineering

Francisco is responsible for the Company's business in South America. He is an economist

with over 20 years' experience. He joined PanAust in August 2010 as the President and Executive General Manager, PanAust South America.

Prior to joining PanAust, Francisco was Codelco's Chief Financial Officer and Human Development Vice President, and before that he held senior roles with BHP Billiton and was the President of Cyprus Amax Chile. Francisco was founding president of the Mining Council of Chile.



JOE WALSH
GENERAL MANAGER CORPORATE DEVELOPMENT
BEng (Hons, Mining Engineering), MSc Geophysics

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
COMPANY SECRETARY AND GENERAL COUNSEL
B Com, LLB (Hons), Grad Dip. App.Corp.Gov. ACIS

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 practise 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.



ADRIAN BELL
GENERAL MANAGER HUMAN RESOURCES AND RISK MANAGEMENT
BBus, MBA

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

Adrian has more than 27 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.



GEOFF KERNICK
GENERAL MANAGER COMMERCIAL
 BEcon, MBA, CPA

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 Ausreo 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.



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

David is responsible for the management of the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation.

David is a mining engineer with 19 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.



PETER WALKER
GENERAL MANAGER TECHNICAL SERVICES AND PROCESSING IMPROVEMENT
 BSc (Hons, Mineral Technology), MAusIMM, MIMM, CEng

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

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.



DR PETER TROUT
GENERAL MANAGER, TECHNICAL SERVICES (MINING AND GEOLOGY)
 BEng (Hons), PhD (Mining Engineering), MAusIMM

Peter's role encompasses all exploration, resource geology and mining technical services

activities across the PanAust Group. His responsibilities include the exploration of new targets, resource development of existing mineral assets, mineral resource evaluation, mining operational improvement, strategic mine planning and technical support for operations, project studies and corporate development activities.

Peter is a mining engineer with more than 20 years of 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.



HERMAN DITTMAR
GENERAL MANAGER PROJECT IMPLEMENTATION
 BTech

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.



RICHARD TAYLOR
GENERAL MANAGER EXTERNAL AFFAIRS AND SITE SUPPORT
 BEcon, LLB (First Class Hons), Grad Dip Leg Prac, LLM, MBA

Richard is responsible for External Affairs, Human Resources and a number of site support

activities for PanAust's Phu Kham and Ban Houayxai Operations in Asia. Richard also has governance responsibilities as Managing Director of Phu Bia Mining, PanAust's 90 per cent owned subsidiary in Laos. He commenced employment with PanAust in April 2013.

Richard is a qualified lawyer and former Australian diplomat with more than 14 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.

Economic performance

Corporate strategy

The strategic focus of the Company is on maximising returns from its producing assets while advancing pre-development projects that offer potential to sustain and grow the business in the long term. Any project that progresses to the development stage is required to demonstrate compelling investment returns under conservatively realistic economic parameters.

In late 2014, PanAust implemented a business efficiency review aimed at ensuring the business remains competitive throughout the commodity price cycle. A cautious approach to fiscal management today, coupled with preparing Frieda River for a development decision when the market forces are likely to be more favourable, will lead to the prudent management of risk and enhanced returns for shareholders.

Operational review

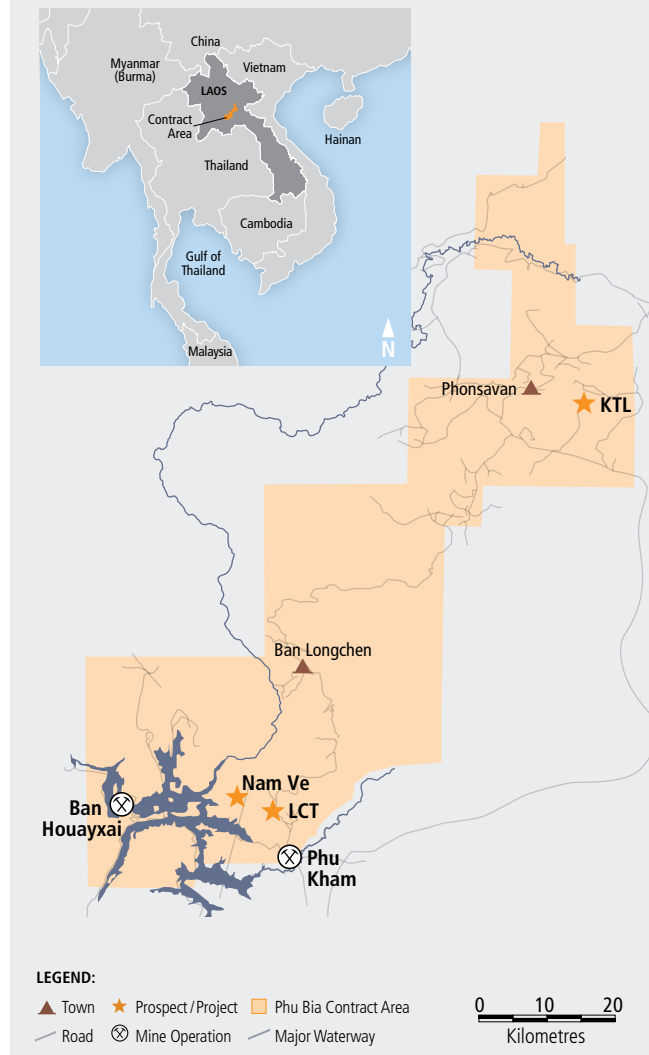
PanAust is reaping the operational benefits of a program of capital investment which totalled approximately US\$350 million spent largely between 2011 and 2013. At Phu Kham, increased production levels derived from increased availability, higher throughput rates and recoveries, and lower unit operating costs. These major developments included the development of the Ban Houayxai Gold-Silver Operation and two phases of expansion at the Phu Kham Copper-Gold Operation.

Group consolidated production during 2014 for all pay-metals exceeded annual guidance. Output for copper and silver were each an annual record, while lower gold ore grades meant that gold output declined when measured against the previous year. The flagship Phu Kham Operation achieved a strong cost performance with a C1 cost better than guidance and an all-in sustaining cost lower than for the previous year.

Following the implementation of a business efficiency review which commenced in November 2014, the business is now better positioned to be competitive throughout the full copper price cycle as demonstrated by strong cost performances achieved by the Company in the first quarter of 2015.

In PanAust's view, the medium to long-term outlook for the copper price is potentially attractive, primarily due to the expectation that mine supply growth will start to decline materially during the second half of this decade. This, coupled with declining head grades at existing mines and the likelihood for continued unplanned supply disruptions, is expected to see total world mine supply of copper flatten and maybe even decline year-on-year, unless higher copper prices are realised to support development decisions for new projects such as the Frieda River Project (outlined in the Exploration and Evaluation section on pages 16 and 17).

PHU BIA CONTRACT AREA, LAOS



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 concentrate typically contains between 22 and 25 per cent copper, 5 grams per tonne (g/t) to 7g/t gold and 30g/t to 60g/t silver. Concentrate is trucked in covered containers to either the port of Siracha Harbour in the south of Thailand (approximately 1,000 kilometres from Phu Kham) or to the ports of Vung Ang and Hon La in Vietnam (approximately 650 kilometres from Phu Kham) for export to custom smelters mainly in Asia.

Image right: Safety Superintendent, Barthley Sionnie at the Ban Houayxai Gold-Silver Operation

PanAust is reaping the operational benefits of a program of capital investment which totalled approximately US\$350 million and was spent largely between 2011 and 2013



Economic performance

PHU KHAM MINING AND PROCESSING

Strong production and cost performances were achieved at Phu Kham in 2014 with record annual copper in concentrate production of 71,155t; comparing favourably with guidance for copper production of between 65,000t and 70,000t. At Phu Kham, the 2014 C1 cost after precious metal credits was US\$1.39/lb copper and the all-in sustaining cost was US\$2.21/lb copper.

A record total of 52.3 million tonnes (Mt) of material was mined during the year (2013: 42.8 million) as the Operation entered a period of peak material movement which is scheduled to extend through 2015. A total of 18.1Mt of copper-gold ore was mined giving an average waste to ore strip ratio for the year of 1.9 to 1 (2013: 1:1). The elevated strip ratio reflects the requirement for additional waste stripping as the pit walls are cut-back to provide access to deeper ores. The strip ratio is scheduled to reduce from 2016 which, together with increasing copper production, will benefit cash flow.

Record copper and gold recovery rates were achieved for 2014 as the benefits of investment in the Increased Recovery Project (completed in 2013) were realised, coupled with progressively improving ore quality.

Sales of concentrate for the year totalled 312,587 dry metric tonnes (dmt) with a pay-metal content of 68,122t of copper, 64,088oz of gold and 366,149oz of silver. The average copper price received for the year was US\$3.05/lb (2013: US\$3.34/lb).

In 2015, copper production at Phu Kham is expected to be between 74,000t and 76,000t at an average C1 cost of between US\$1.40/lb and US\$1.45/lb copper after precious metal credits from 95,000oz to 100,000oz of gold and 450,000oz to 500,000oz of silver. The all-in sustaining cost is expected to fall to between US\$1.85/lb and US\$1.90/lb copper.

LONGER TERM PRODUCTION IS SET TO RISE AT PHU KHAM

Annual copper in concentrate production is expected to continue to rise steadily over the next several years as the average copper head grade increases and improving ore quality lead to further gains in metallurgical recovery rates. The annual production of copper in concentrate is expected to peak in 2018 and 2019 at approximately 90,000t before subsequently declining with ore grade. Gold in concentrate is expected to generally range between 70,000oz and 75,000oz per annum from 2016 onwards. No further development capital is currently expected for this targeted growth.

PHU KHAM COPPER-GOLD OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2014	12 MONTHS TO 31 DEC 2013
Ore milled	18,639,887t	18,286,148t
Copper grade	0.50%	0.49%
Gold grade	0.22g/t	0.26g/t
Silver grade	1.49g/t	1.53g/t
Concentrate produced	311,173dmt	283,818dmt
Copper in concentrate	71,155t	64,885t
Gold in concentrate	67,817oz	71,223oz
Silver in concentrate	372,851oz	317,754oz

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

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

In 2014, open-pit material movements at Ban Houayxai totalled 10.4Mt and over 4.5Mt of ore was processed which exceeded the process plant nameplate capacity. The Operation produced 100,938oz of gold and 906,774oz of silver (silver production increased substantially from the previous year as a result of scheduled higher silver grades of ore mined and processed). At Ban Houayxai, the 2014 C1 cost after precious metal credits was US\$737/oz gold and the all-in sustaining cost was US\$987/oz gold.

Sales for the year totalled 100,961oz of gold and 898,517oz of silver. The average gold price received for the year was US\$1,297/oz (2013: US\$1,398/oz).

In 2015, Ban Houayxai gold production is expected to be between 100,000oz and 105,000oz at an average C1 cost between US\$600/oz and US\$650/oz gold after credits from between 950,000oz and 1,000,000oz silver. The all-in sustaining cost is expected to fall to between US\$775/oz and US\$825/oz.

BAN HOUAYXAI GOLD-SILVER OPERATION PRODUCTION STATISTICS

	12 MONTHS TO 31 DEC 2014	12 MONTHS TO 31 DEC 2013
Ore milled	4,528,344t	4,454,449t
Gold head grade	0.85g/t	0.89g/t
Silver head grade	11.78g/t	7.77g/t
Gold in doré	100,938oz	112,546oz
Silver in doré	906,774oz	637,603oz

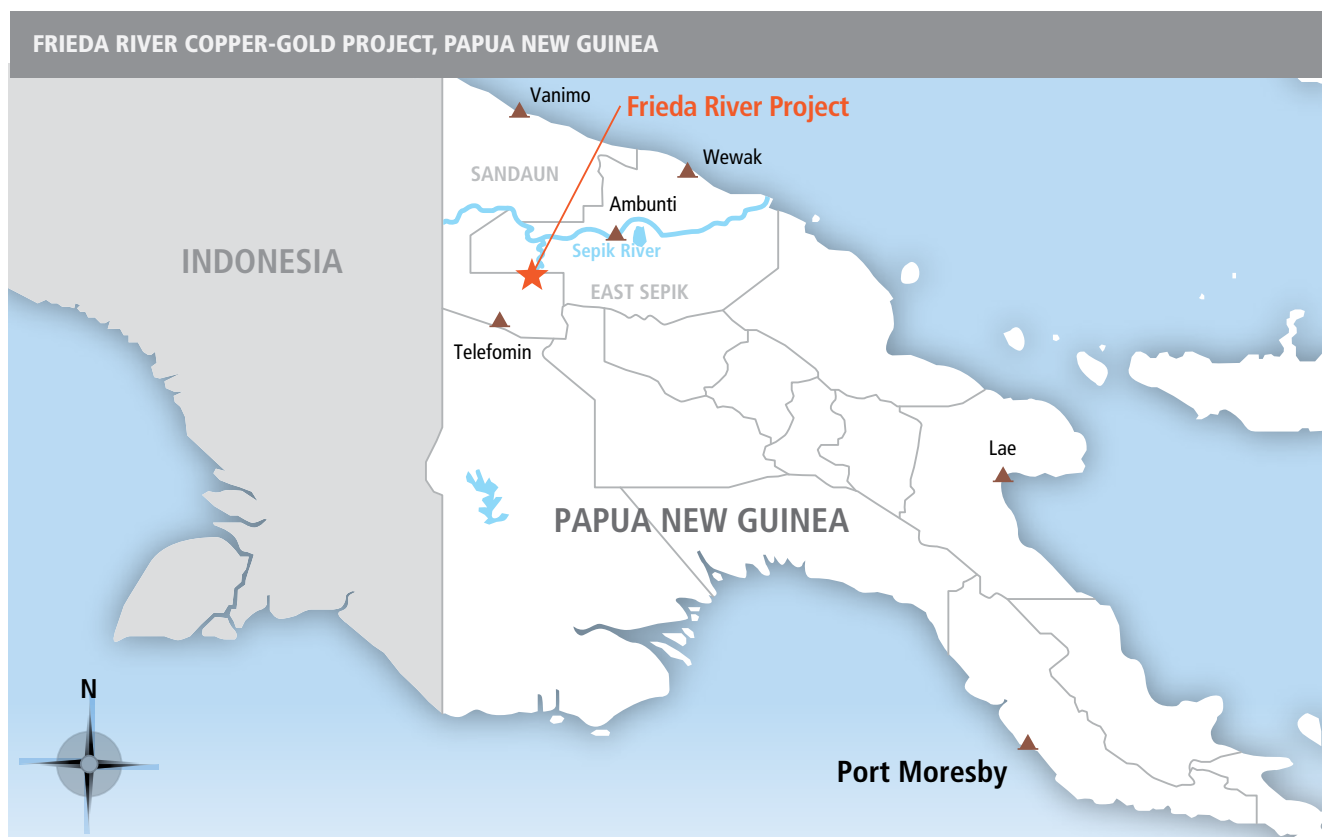
Exploration and evaluation

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

Status: feasibility study in progress

On 25 August 2014, PanAust acquired an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea from Glencore plc². Joint venture partner, Highlands Pacific Limited holds the remaining 20 per cent. Upon the grant of a Special Mining Lease, the Government of Papua New Guinea has a right to acquire, at cost, up to a 30 per cent interest in the Frieda River Project which, if exercised in full, would reduce PanAust's holding to 55 per cent and Highlands Pacific to 15 per cent.

² Total transaction consideration comprises: an initial payment of US\$25M; a further payment of US\$50M scheduled to be paid on 31 December 2015; and a 2 per cent net smelter return royalty (on PanAust's interest in the Project) capped at a total aggregate amount of US\$50M payable on successful commencement of a mining operation (subject to CPI escalation between the date of signing and on a quarterly basis each year prior to payment; there are a number of limited circumstances in the Agreement where the payment of the final net smelter return royalty is required to be made prior to commercial production, including in the case where Frieda River Limited, a PanAust subsidiary, receives proceeds from the sale of part of its interest in the Frieda River Project as a result of the Papua New Guinea Government exercising its option to acquire up to a 30 per cent interest in the Project).



The Frieda River copper-gold deposit is one of the world's largest known undeveloped copper deposits, potentially offering valuable long-term exposure to the copper market.

The Frieda River feasibility study is focused on the Horse-Ivaal-Trukai (HIT) deposit; several satellite deposits are also known and provide future upside potential. The aim of the Frieda River feasibility study is to evaluate the economic viability of a mid-sized starter project that is planned to mine and process the near-surface higher grade core of the deposit to produce a copper-gold concentrate for export to custom smelters.

The Frieda River Project feasibility study concept is currently based on an open-pit feeding ore to a conventional flotation processing plant at an average processing rate of 30Mtpa over a 20-year mine life to produce average annual copper and gold in concentrate of 125,000t and 200,000oz respectively. This implied 600Mt mill feed inventory represents less than 30 per cent of the currently identified Mineral Resources for the HIT and Nena deposits. The deposit is considered to remain open at depth, which would leave potential scope for future capacity expansions and extensions to mine life. PanAust's ground holding around Frieda River is also considered prospective for further discoveries.

Relatively soft and highly fragmented ores are expected to be processed in the first five years of operation allowing mill throughput rates of more than 20 per cent above the life-of-mine average and, as a consequence, above average metal production. Thereafter, the ore is expected to become progressively harder.

The preliminary capital cost estimate for the base case is approximately US\$1.7 billion (2013 dollars including 15 per cent contingency on direct development costs), excluding mining fleet and power station (leased costs included in all-in sustaining costs) and assumes power is supplied by intermediate fuel oil generators. The C1 cost is estimated at US\$1.30/lb to US\$1.40/lb after precious metal credits with an all-in sustaining cost of US\$1.60/lb to US\$1.70/lb.

On these assumptions, the base case development concept would be robust at a copper price of US\$2.80/lb (assuming a gold price of US\$1,300/oz and an oil price of US\$100 per barrel).

While considerable work has been undertaken, the Frieda River Project is still at a relatively early stage and the feasibility study is yet to be completed. PanAust is yet to obtain funding for the required capital expenditure. The above target parameters are consistent with the Frieda River Project feasibility study development concept disclosed by PanAust on 2 September 2014.

Work continues on PanAust's stage 1 feasibility study concept for the Project. A program of drilling progressed during the first quarter 2015 is providing additional geotechnical and hydrogeological data at the proposed locations for the integrated storage facility, process plant site and areas of the open-pit. The quantity and quality of the existing geological data set for the Frieda River Project deposit means that no further resource drilling is required under the current study program.

Economic performance

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

Status: feasibility study completed; no further work planned in 2015 as the Company focuses on the Frieda River feasibility study

During 2014, the Company completed a study into the development of the KTL copper-gold deposit as a satellite open-pit to Phu Kham. The study estimated an initial capital cost of US\$52 million including an allocation of US\$38 million for road construction costs. The Environment and Social Impact Assessment for the Project was submitted to the Government of Laos in July 2014.

A road design survey was completed in the March quarter 2015 that has resulted in the preferred road alignment to Phu Kham being reduced from 120 kilometres to 107 kilometres. Furthermore, the Government of Laos continues to progress the upgrade and construction of the road as part of a regional infrastructure initiative.

Progress with the public road coupled with lower prevailing fuel prices, to which the KTL Project is highly leveraged, materially improve the economics for a development of the deposit as a satellite ore source to Phu Kham. Desktop work will continue on the Project; however, no material expenditures are currently budgeted for the KTL Project in 2015.

KTL mineralisation is retained in the Mineral Resource statement but has been removed from the 2015 Ore Reserves estimate for Phu Kham.

PHU KHAM DISTRICT (PANAUST 90 PER CENT)

Status: ongoing exploration activities (see map on page 14)

The Phu Bia Contract Area in Laos is prospective for copper and gold and the Phu Kham district is a 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.

After a period of elevated expenditure on exploration activities driven by higher-cost drill outs at Phu Kham, Ban Houayxai, LCT and KTL, expenditure on exploration declined in 2014 as the Company's exploration strategy transitioned towards lower-cost target generation exploration activities.

During the first quarter of 2015, exploration activities in the Phu Kham district transitioned to early stage generative and target identification work. It is planned that this work will continue throughout 2015 seeking new geological targets for evaluation.

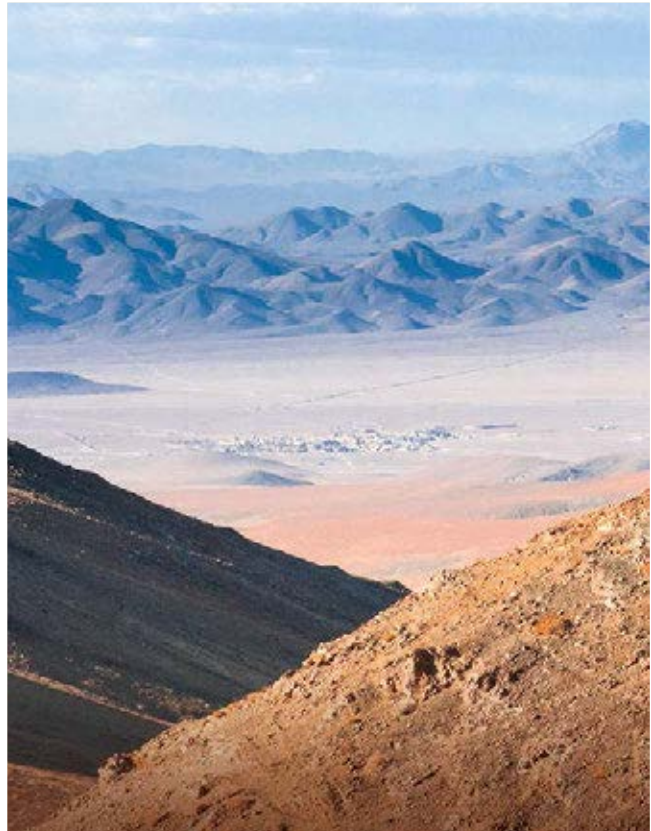
A limited drilling program was completed during the March quarter 2015 at the Nam Ve prospect, with no material result. A short drill program is also planned for 2015 to test a copper target in the LCT Valley.

INCA DE ORO COPPER-GOLD PROJECT, CHILE (PANAUST 61.3 PER CENT)

Status: feasibility study largely completed, no site activities are currently planned for 2015 at Inca de Oro or the nearby Carmen deposit (PanAust 100 per cent) as the Company focuses on the Frieda River feasibility study

PanAust advanced the Inca de Oro Project feasibility study during 2014. A number of commercial matters that will have a material impact on the viability of the Project are still to be resolved. No site activities are currently planned for 2015 at Inca de Oro or the nearby Carmen deposit.

With a priority focus on advancing the Frieda River Project in Papua New Guinea, it is unlikely that the Inca de Oro Project will be developed within the next five to seven years.



The Inca de Oro township viewed from the Carmen deposit in Chile

Image right: hauling ore from the open pit to the crusher at the Ban Houayxai Gold-Silver Operation

PanAust's strategic focus is on maximising returns from producing assets while advancing pre-development projects that offer potential to sustain and grow the business in the long term



Economic performance

Financial performance

PanAust consolidated loss after income tax for the year to 31 December 2014 was US\$221.4 million (2013: profit of US\$43.7 million), which included impairments (refer to balance sheet section following in this Report) totalling US\$264.7 million (2013: impairments of US\$50.9 million).

Sales revenue from ordinary activities of US\$678.8 million (2013: US\$725.0 million) benefited from a 9 per cent volume increase in sales of copper in concentrate and a 37 per cent increase in silver in concentrate and doré. However, this was more than offset by a 6 per cent reduction in gold output and lower commodity prices being realised across all pay-metals. The average prices realised after hedging for sales during 2014 were US\$3.05/lb for copper, US\$1,282/oz for gold and US\$18.5/oz for silver (2013: US\$3.34/lb, US\$1,378/oz and US\$22.8/oz respectively).

Adjusted EBITDA of US\$194.2 million (2013: US\$272.5 million) was within the guidance range of US\$200 million to US\$225 million after correcting for the lower actual average realised copper price of US\$3.05/lb (guidance range assumption US\$3.20/lb to US\$3.40/lb). The PanAust Board has decided that the Company will no longer provide one-year forward guidance for EBITDA due to the volatility and uncertainty in relation to the incorporated metal price assumptions.

Depreciation and amortisation charges increased by US\$10.8 million to US\$129.1 million, primarily due to the higher units of copper production that were achieved in 2014 versus the previous year.



A view across the Phu Kham Copper-Gold Operation open pit

CASH FLOWS AND SALES

Net cash inflow from operating activities was US\$161.8 million (2013: US\$171.5 million). Copper in concentrate sales increased by nearly 9 per cent to 68,122t and silver sales in concentrate and doré increased by 37 per cent to 1,264,666oz, largely driven by higher silver grades at Ban Houayxai. Gold sales in concentrate and doré decreased by just over 10 per cent to 165,049oz as a result of lower average ore head grades at both Phu Kham and Ban Houayxai, and, a lower average recovery rate at Ban Houayxai as greater quantities of transitional ore were mined and processed.

Phu Kham and Ban Houayxai remain competitive on both a C1³ cost and all-in sustaining cost⁴ basis despite the impact of lower prices for precious metal credits. The Phu Kham C1 cost was US\$1.39/lb copper after deducting precious metal credits (2013: US\$1.36/lb copper), and the all-in sustaining cost was US\$2.21/lb copper (2013: US\$2.37/lb). The near 7 per cent improvement in all-in sustaining costs was driven by lower unit mining, processing and concentrate haulage costs, a reduction in sustaining capital, and higher copper production levels, which more than offset higher treatment and refining charges and site support charges, an increase in waste stripping, and a reduced contribution from precious metal credits.

The Ban Houayxai C1 cost was US\$737/oz gold after deducting silver credits (2013: US\$611/oz gold), and all-in sustaining costs were 2 per cent higher than the previous year at US\$987/oz (2013: US\$964/oz). This result reflects the benefits realised from productivity improvements that led to lower unit mining and processing costs, reduced sustaining capital and a larger silver by-product credit, as well as the impacts from higher material movements in the open pit, lower gold production levels and a weaker average realised silver price.

In November 2014, PanAust implemented a business efficiency review aimed at ensuring the business remains competitive throughout the copper price cycle. On 14 January 2015, PanAust announced organisational changes as part of the review that resulted in a reduction in the workforce across the Group of 204 people (approximately 5 per cent of the workforce). The changes are expected to result in an annual operating cost reduction of approximately US\$16.9 million. One-off charges relating to redundancy payments totalling approximately US\$4.2 million were recognised in the 2014 accounts and will be paid to employees during the March quarter 2015.

³ C1 cost is a Brook Hunt convention for the reporting of direct costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits

⁴ All-in sustaining cost is C1 cost plus indirect costs (an allocation of Brisbane corporate support and shared services costs); royalties; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised

There was no capital expenditure on major development projects during the year (2013: US\$25.6 million). Sustaining capital expenditure, excluding deferred stripping costs, reduced to US\$44.4 million compared with US\$88.7 million in 2013. The result largely reflects the completion of the accelerated development of the Phu Kham tailings storage facility and the expansion of the Phu Kham mining fleet.

No major capital project expenditures are planned for 2015. Sustaining capital for Lao operations in 2015 is estimated to be US\$16.8 million, which is included in the all-in sustaining cost guidance figures. New equipment leases totalling US\$24.1 million are expected to be established in 2015, with the associated incremental amortisation and service costs also included in the all-in sustaining cost guidance figures. Unallocated corporate capital expenditures are expected to be approximately US\$2.6 million.

Payments for capitalised deferred stripping costs increased to US\$44.7 million (2013: US\$21.1 million). Approximately 62 per cent of waste material mined was capitalised as deferred waste in 2014 as the open-pit wall at Phu Kham was cut back to provide access to much deeper ore. Minimal quantities of deferred waste are expected to be capitalised in 2015.

Payments for the investment in Frieda River Limited amounted to US\$38.0 million (2013: nil), which includes a consideration of US\$25 million paid to Glencore plc, together with approximately US\$4.4 million to reimburse costs incurred by Glencore plc from the date of the share sale and purchase agreement (31 October 2013) to conclusion of acquisition (25 August 2014). Project development and post-acquisition support expenditures totalled US\$8.6 million.

Expenditures on the Frieda River Project in 2015 are expected to total approximately US\$50 million, including feasibility study costs, corporate support and site-based activities. A further US\$50 million⁵ is due to be paid to Glencore plc on 31 December 2015 in satisfaction of the second acquisition instalment.

PanAust increased its investment in Highlands Pacific Limited in August 2014 via a placement for US\$4.4 million (US\$4.7 million in 2013) as a result of exercising its option under a Share Placement Agreement.

Exploration and evaluation expenditures were lower at US\$23.8 million (2013: US\$48.4 million), which reflected the conclusion of resource drilling programs during 2013 in Laos and Chile, and a transition to lower cost regional exploration and target generation activities.

Payment of dividends to shareholders totalled approximately US\$29.4 million (2013: US\$37.1 million), which excludes dividends taken as PanAust shares under the Company's Dividend Reinvestment Plan.

The total dividends paid to shareholders of PanAust for the 2014 year were A\$0.03 per share. No final dividend was declared.

BALANCE SHEET

At 31 December 2014, PanAust had cash of US\$74.1 million; debt of US\$130.0 million; undrawn debt facilities of US\$145.0 million; and mobile equipment lease facilities drawn to a total of US\$57.2 million.

Net debt (including lease facilities) increased by US\$12.9 million during 2014 and balance sheet net-gearing⁶ at 31 December 2014 was 12.3 per cent.

Using long-term assumptions of US\$1,250/oz and US\$16/oz for gold and silver respectively, the impairment review of the operating assets has resulted in recognition of a post-tax impairment of US\$50.9 million (pre-tax US\$67.9 million) against the written down value of the Ban Houayxai Gold-Silver Operation. After recognition of the impairment, the carrying value of the Ban Houayxai Gold-Silver Operation is approximately US\$200 million. In addition, US\$12.4 million has been written off against the value of the Ban Houayxai low-grade mineralisation stockpiles. This decision reflects the price assumptions above and updated test work which shows lower recoveries than those assumed in prior analysis. These stockpiles will remain accessible and at higher gold prices they may prove to be viable, and therefore be able to be economically processed in the future.

Given lower long-term commodity price assumptions coupled with PanAust prioritising the advancement of the Frieda River Project, the Company recognised impairment charges totalling US\$186.9 million against pre-development projects (where a development commitment is deemed unlikely during the five-year strategic planning window) and for discontinued exploration prospects. Specifically, the impairment amounts were: US\$92.8 million for Inca de Oro, US\$8.6 million of goodwill; US\$30.9 million for Carmen; US\$27.6 million for KTL; and US\$27.1 million associated with the various Lao exploration prospects; and, US\$9.9 million for other capitalised costs.

⁵ Subject to consumer price index escalation between the date of the agreement (31 October 2013) and on a quarterly basis each year prior to payment

⁶ Net debt/(net debt + equity)

Governance

Sustainability structure

PanAust is committed to using leading practice corporate governance frameworks, systems and standards. This commitment is founded on a culture driven by the Company's Values and based on integrity, continual improvement and understanding and implementing international best practice including the corporate governance recommendations made by the ASX Corporate Governance Council.

THE PANAUST BOARD OF DIRECTORS

A majority of the directors are independent. The positions of Chairman and Managing Director are held by different persons, and the Chairman is independent. The Board has a charter which details its responsibilities. There are a number of Board Committees (Nominations, Audit, Remuneration, and Sustainability) with each having their own Charter defining responsibilities and functions. Non-executive directors do not receive any short- or long-term incentives, equity-based remuneration, or retirement/termination benefits.

Directors must declare any interests that may result in a conflict of interest. Should a conflict-of-interest situation arise at a Board meeting, the relevant director must not vote on the resolution, and is required to be absent during deliberation on the matter in question (unless the Board otherwise consents). As an example, in 2014 PanAust Non-Executive Director, Mr Zezhong Li was excluded from all deliberations when the PanAust Board was considering the Company's response to the indicative non-binding proposal from GRAM, a company he Chairs, to acquire all the shares in PanAust that GRAM did not already own.

The PanAust Board periodically reviews its composition to ensure its members hold an appropriate range of expertise required by the Company's operations. The Nominations Committee has within its Charter the requirement to consider and make recommendations to the Board regarding the necessary and desirable skills and experience of non-executive directors, selection criteria for non-executive directors, and Board succession planning with a view to maintaining an appropriate level of experience, skills and expertise within the Board. Under the constitution of the Company, a Director must retire from office at the conclusion of the third annual general meeting after the Director was last elected or after three years (whichever is longer).

The issue of diversity within the PanAust Board has been considered and in 2011, the Board adopted a measurable objective of increasing the number of women serving as non-executive directors from one to two by 31 December 2014. With the appointment of Annabelle Chaplain in 2012, that objective has been met.

The Board has adopted a skills matrix to identify the desirable mix of skills and competencies to be held by members of the Board as a whole. The relevant skills identified are as follows:

- financial qualifications (experience as a chief financial officer, in accounting, audit or economics)
- operational mining industry experience, finance or banking experience
- engineering or geology expertise
- in-depth recent international/global experience
- former chief executive officer or equivalent experience
- experience managing large capital projects
- mergers and acquisitions experience
- mid/large company non-executive director experience
- corporate governance expertise.

Sustainability and/or environment, social and governance (ESG) skills are not currently explicitly stated in the PanAust Board skills matrix, however practical consideration by the Board of operational board experience includes experience on other boards or projects operating in developing countries where responsibilities for health, safety, environmental and community outcomes are key components of the role (see pages 88 and 89 for the PanAust Board of Directors profiles).

The Chairman annually reviews the performance of all Directors. The Board has a program of performance evaluation which includes both externally facilitated evaluation and internal self-evaluation. During the course of 2014, the Company engaged an external facilitator, Board Matters, to assess the performance of the Board since the time of the last internal evaluation. The results of that externally facilitated performance review were considered during the course of the year.

PanAust has an induction kit to assist new directors to familiarise themselves with the Company and to understand governance requirements. The induction kit is updated on a regular basis and feedback is obtained from each new director as to whether or not the induction kit met its purpose and whether it can be improved.

The Board is responsible for decision-making on economic, environmental and social impacts with the Sustainability Committee operating as a committee of the Board providing additional governance of the health and safety, environmental and social aspects. There is a procedure in place for directors to seek independent, professional advice on Company-related matters in order to discharge their duties effectively at the Company's expense. Written approval by the Chairman is required, but will not be unreasonably withheld.

The PanAust Board of Directors met eight times during 2014.

Image: an aerial view of the Phu Kham Copper-Gold Operation; the coarse-ore stockpile is in the background, the process plant is in the mid-ground, and maintenance and administration buildings can be seen in the foreground

PanAust's commitment to leading practice corporate governance is founded on a culture driven by the Company's Values and based on integrity, continual improvement and understanding international best practice



Governance

PANAUST BOARD OF DIRECTORS* AS AT 31 DECEMBER 2014

BOARD MEMBER	POSITION	DATE APPOINTED	COMMITTEE FUNCTION/S	STATUS
Mr Garry Hounsell	Chairman and Non-Executive Director	1 July 2008	Chairman Nominations Committee; member Audit and Remuneration Committees	Independent
Dr Fred Hess	Managing Director	11 November 2014	Nil	Executive Director
Mrs Nerolie Withnall	Non-Executive Director	21 May 1996	Member Audit, Remuneration and Nominations Committees	Independent
Mr Geoff Handley	Non-Executive Director	29 September 2006	Chairman Remuneration Committee; member Nominations Committee	Independent
Mr Geoff Billard	Non-Executive Director	1 July 2008	Member Sustainability and Audit Committees	Independent
Mr Zezhong Li	Non-Executive Director	18 September 2009	Member Sustainability Committee	Nominee of GRAM [^]
Mr John Crofts	Non-Executive Director	17 September 2010	Chairman Sustainability Committee	Independent
Mr Ken Pickering	Non-Executive Director	28 October 2011	Member Sustainability and Remuneration Committees	Independent
Ms Annabelle Chaplain	Non-Executive Director	1 July 2012	Chairman Audit Committee	Independent

* Profiles of each director at the time of publishing this Report are presented on pages 88 and 89.

[^] Under the Placement Agreement between PanAust and GRAM dated 26 May 2009, GRAM has the right to nominate a director to the PanAust Board; however the parties agreed that a majority of the Directors and the Chairman will continue to be independent. On 28 January 2015, Zezhong Li nominated Qian Deng as an alternate director. This has been approved by the Board in accordance with the Constitution.

SUSTAINABILITY COMMITTEE

The Sustainability Committee was established in 2008. The Sustainability Committee is responsible for satisfying itself that effective measures, systems and controls are in place in relation to managing:

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

The Sustainability Committee reports to the Board of Directors following each Committee meeting in relation to the discharge of its responsibilities. The Committee is presented with reports and briefings at each meeting that enables members to monitor, evaluate and provide strategic direction on key environmental, social and governance impacts.

During 2014, the Committee met four times. In early 2015, the PanAust Board of Directors went to Papua New Guinea to officially recognise PanAust's entry into the country's mining industry and to inspect the Frieda River Project site. During the visit, the Board spoke with local landowners and village representatives, and met senior government ministers and officials. In the 45 years of various ownership and studies prior to PanAust's acquisition, it was the first time that a Board or a board member had visited the Frieda River Project site and/or met with local landowners; an action which was recognised and welcomed

by those landowners. The Sustainability Committee members are highly experienced and have worked internationally for major mining companies (see their profiles on pages 88 and 89). Furthermore, Committee members (as well as the Board) receive regular briefings on PanAust's enterprise risk management systems to ensure a consistent approach to sustainability oversight and review.

Relevant operational managers are also required to regularly present their risk issues and mitigation plans to the Committee.

Furthermore, each year the Sustainability Committee invites representatives from external stakeholder groups to make a presentation in relation to current ESG issues and/or trends at a Sustainability Committee meeting. In 2014, a presentation was made to the Committee by a senior officer from the Australian Council of Superannuation Investors (ACSI) on matters in relation to company reporting and disclosure of sustainability risks which inform investor decisions and can have a significant impact on the long-term performance of companies.

THE CHARTER OF THE SUSTAINABILITY COMMITTEE

The Charter of the Sustainability Committee (and for each of the other Board committees: Audit, Remuneration, and Nominations) can be found on the PanAust website www.panaust.com.au/corporate-governance.



The PanAust Board of Directors and members of PanAust's Executive Management Team with landowners from Frieda River host communities during a site visit to the Frieda River Project in February 2015 (Non-Executive Director, Mrs Nerolie Withnall does not appear in this photo)

MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS TO THE BOARD

The Board of Directors aims to ensure that shareholders are provided all information necessary to assess the performance of the Company and the Board. This reflects PanAust's Value to strive for excellence in communications with all stakeholders.

The Company has a Shareholders' Communication Policy which requires PanAust to be fair, honest and transparent in its dealings with shareholders. The policy details the arrangements to maximise the participation of shareholders at the annual general meeting (AGM). It also specifies the information to be made available on the Company's website, including presentations given by PanAust to meetings of shareholders, investors and at conferences during the previous three years. The policy is available on the PanAust website, www.panaust.com.au/corporate-governance.

At the AGM, shareholders vote on resolutions relating to matters such as the election of directors, approval of the remuneration report and, in certain cases, the issue of new equity in the Company. Other general meetings may be convened by the Company when appropriate.

As an Australian incorporated company, PanAust must comply with the Corporations Act 2001. This Act provides a process whereby shareholders constituting at least five per cent of the votes that may be cast on a resolution, may require the Company to consider a resolution at a general meeting or to circulate a statement to all shareholders.

The Board has encouraged a culture that welcomes shareholder and employee feedback. Stakeholder/shareholder engagement channels are outlined in the 'Stakeholder table' on pages 48 and 49.

REMUNERATION STRATEGY

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

In PanAust's *2014 Annual Report*, details are provided in the Remuneration Report on the overall remuneration strategy (pages 23-48 of that Report), the framework and practices adopted that determine the nature and amount of remuneration of key personnel, and that such remuneration is linked to quantitative targets to measure sustainability performance at all levels of the organisation to reinforce sustainability as a Value of the Company and a required outcome.

Governance

EXTERNAL STANDARDS, PRINCIPLES AND GUIDELINES

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

PanAust applies the following external standards, systems and principles:

- The International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability for operating projects: www.ifc.org. Through PanAust's annual IFC audit process, the Company aligns to the Equator Principles
- The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*: www.asx.com.au.
- The Minerals Council of Australia's (MCA) Enduring Value⁷ incorporating global industrial sustainability initiatives and providing guidance on the International Council on Mining and Metals' (ICMM) Sustainable Development Framework Principles: www.minerals.org.au, www.icmm.com.
- Alignment with the ICMM's policy on climate change: www.icmm.com/climatechange/policy.
- The International Cyanide Management Code (the Code) is a voluntary industry program administered by the International Cyanide Management Institute (ICMI) for the gold-mining industry that promotes the responsible use of cyanide; PanAust is a signatory to the Code for its Ban Houayxai Gold-Silver Operation in Laos: www.cyanidecode.org.
- The GRI sustainability reporting framework and guidelines; PanAust reports the GRI indicators that are material to its business as determined through its risk management approach, materiality determination process and feedback from stakeholders: www.globalreporting.org.
- The Voluntary Principles on Security and Human Rights; a set of principles designed to guide companies in maintaining the safety and security of their operations within a framework that encourages respect for human rights: www.voluntaryprinciples.org.

BUILDING A SUSTAINABILITY CULTURE

PanAust's approach to sustainability has its foundations in the Company's Vision and Values, and in *The PanAust Way* (the Company's code of conduct; see page 28 for more information), and is implemented through leadership and people management, induction and ongoing training and information sessions, strict observance of high-quality corporate governance standards, excellence in financial management, outstanding technical expertise, and supportive processes and systems. The Sustainability Committee regularly reviews the Company's sustainability approach and performance.

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

Fourteen Sustainability Standards relating to PanAust's key outcome areas are applied across the Group.

Sustainability forms part of the Executive Management Team's Five-Year Strategic Plan and critical tasks. The General Manager Human Resources and Risk Management facilitates a Risk and Sustainability Workshop each year with key management, and operational and sustainability support staff from across the Group to drive continual improvement and Company-wide alignment to PanAust's approach for the management of material risks and sustainability. The workshops provide the opportunity for sustainability-related activities and progress to be reviewed, challenges to be tabled and discussed, annual targets and objectives to be evaluated and formally set through the development of an annual risk and sustainability plan. PanAust's 2014 Risk and Sustainability Workshop was held over two days in September in Vientiane, Laos and was attended by 41 PanAust employees comprising operational management and risk/sustainability professionals. Additionally, a contractor-safety session was held on the second day of the workshop with representatives from 10 contractors attending.

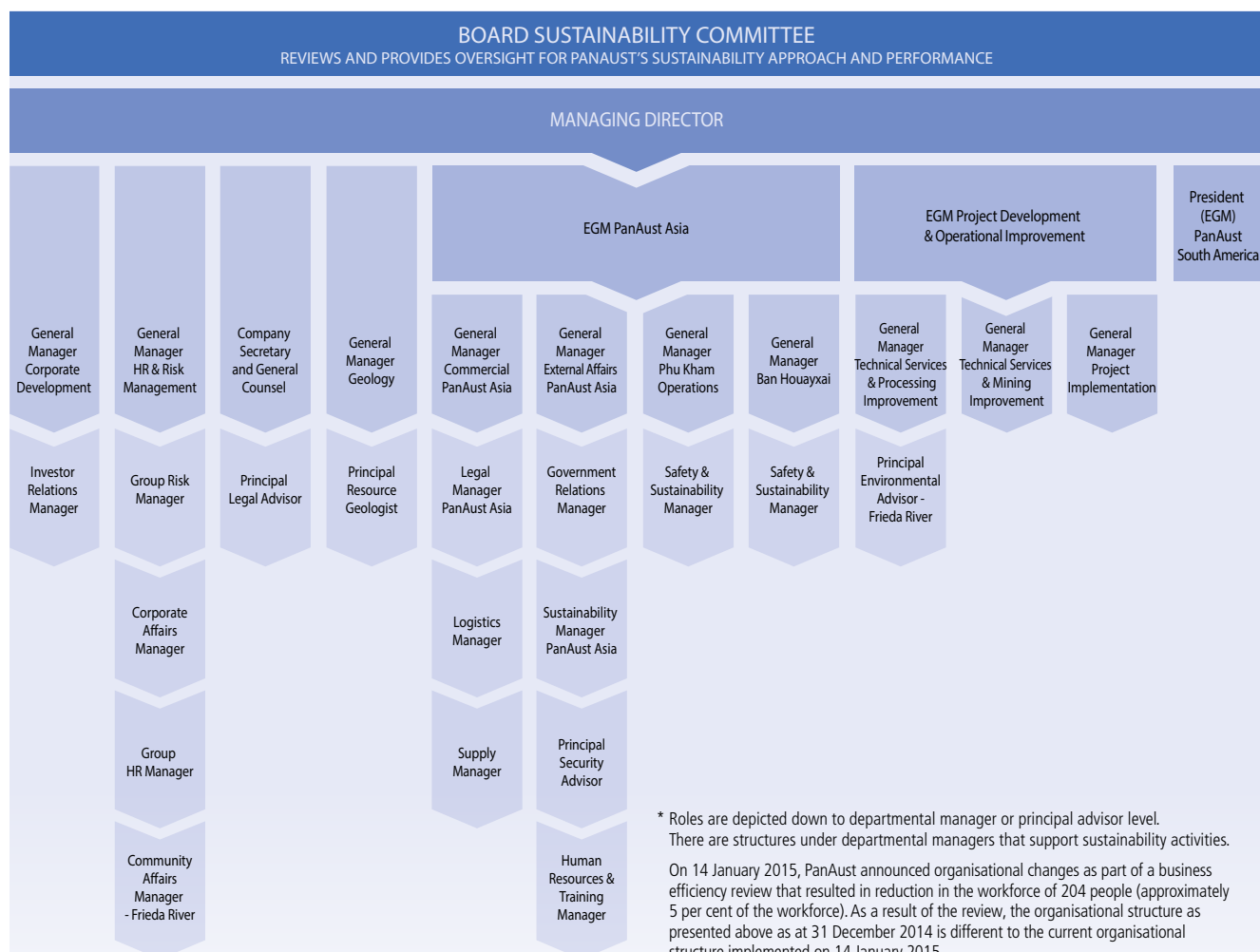
Human resources-related objectives and targets are reviewed and set at Human Resource Workshops, also facilitated annually by the General Manager Human Resources and Risk Management. The workshops also serve as a key process to strategically embed PanAust's Vision, Values and sustainability into the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

The General Manager Human Resources and Risk Management is the executive-level position with responsibility for risk management and sustainability across the PanAust Group and reports directly to the Sustainability Committee.

PanAust fosters a sustainability culture that strives for continual improvement by rewarding sustainability achievements and communicating those achievements across the Group. The 'Sustainability Organisational Chart' shows the key resources associated with supporting sustainability outcomes in 2014. Delivery of outcomes is the responsibility of operational line management who are held accountable for relevant sustainability outcomes as part of their strategic and individual achievement plans.

⁷ PanAust is an associate member of the MCA and a signatory to its 'Enduring Value – The Australian Minerals Industry Framework for Sustainable Development'. The framework commits companies to upholding fundamental human rights and respecting cultures, customs and values in their dealings with people affected by their activities. As an associate member of the MCA, PanAust is committed to applying operational standards globally that are consistent with Australian operational standards, while accommodating variations as a result of cultural, geographical or environmental circumstances in Laos, Papua New Guinea, Thailand and Chile. Note, full MCA membership requires Australian based assets.

PANAUST SUSTAINABILITY ORGANISATIONAL CHART AS AT 31 DECEMBER 2014*



Governance

Business conduct

PanAust is a company with a clear Vision and a strong commitment to growth and high-performance outcomes. To ensure Company activities are carried out legally, ethically, and with integrity and respect the Company has a set of clearly stated and widely communicated Values and a code of conduct, *The PanAust Way*; both of which apply to every employee (including directors), and business partners (including, but not limited to: contractors, consultants, suppliers and service providers) working with or for the Company regardless of their position and location. *The PanAust Way* includes sections on anti-bribery and corruption, and human rights (see following sections for more information on each).

Building on the 2013 review of the code of conduct and subsequent rollout of *The PanAust Way* across the PanAust Group, throughout 2014 *The PanAust Way* continued to be embedded into the Company's culture through new-employee induction training.

NUMBER OF EMPLOYEES BY CATEGORY AND REGIONS TRAINED IN THE PANAUST WAY 2013-2014

	LAOS	AUSTRALIA	CHILE	PNG
Management personnel 2014	61	9	0	0
Non-management personnel 2014	2,461	5	0	59
Security personnel 2014	251	0	0	0
2014 TOTAL	2,773	14	0	59
Total number of employees trained in 2013	129	34	0	n/a
TOTAL NUMBER OF EMPLOYEES TRAINED IN THE PANAUST WAY	2,902	48	0	59

PanAust Vision, Values and *The PanAust Way* are presented and distributed throughout the Company in English, Lao, Tok Pisin and Spanish.

The PanAust Way is available on PanAust's website, www.panaust.com.au/corporate-governance.

PanAust has internal controls and procedures in place to monitor for misappropriation of funds, bribery and corruption, and other code of conduct related issues. Criminal history checks are incorporated into recruitment processes for key positions and security personnel. PanAust Asia has security resources in place to create awareness within the workforce on reporting on code of conduct issues, and to actively monitor and investigate any potential breaches.

In 2014, the Internal Control Management team conducted a number of internal reviews which included reviewing the implementation and effectiveness of fraud-preventative controls, compliance of project governance standards, compliance of pre-established delegation of authority limits, and the operational effectiveness of key controls identified for financial risk and capital management documented in the Company's Risk Register. Findings from these reviews are addressed with the Chief Financial Officer and through the Audit Committee.

A small number of non-material incidents relating to breaches of *The PanAust Way* were investigated and confirmed during 2014, and as per Company policy, resulted in the termination of employment and discontinuance of relationships with suppliers where warranted as necessary. Incidents included theft of Company property, and/or workplace behaviours or safety values that were not aligned with the Company's expectations.

ANTI-BRIBERY AND CORRUPTION

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

The PanAust Way sets out the Company's position in relation to anti-bribery and corruption, as well as issues relating to gift giving, anti-competitive behaviour, compliance with the law, and endorses commitments outlined in PanAust's Vision, Values and Sustainability Policy.

While Australian law has an exception for facilitation payments, PanAust's code of conduct prohibits employees from making such payments. Practical guidance is provided in *The PanAust Way* for employees, directors and/or business partners to follow should they be faced with a situation where a facilitation payment is demanded.

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

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

For 2014, PanAust reports that there were no instances of Company-related bribery and/or corruption reported to the Board or management. There were no fines or legal actions for anti-competitive behaviour, anti-trust or monopoly practices, nor did the Company attract any significant fines or non-monetary sanctions for non-compliance with law and regulation.

Image right: the Frieda River Copper-Gold Project camp; the Project has topographical and other environmental challenges such as high rainfall that are similar to those PanAust has faced when developing projects in Laos

PanAust's approach to managing sustainability in Laos forms a template for how the Company is progressing the environmental, social and governance aspects of their business in Papua New Guinea



Governance

WHISTLEBLOWER STANDARD AND SERVICE

Through the Company's Whistleblower Standard, PanAust states its commitment to fostering an open and transparent environment in which internal and external stakeholders are encouraged to report any conduct that is contrary to *The PanAust Way* through an externally facilitated Whistleblower Service. Employees are encouraged to report issues via the normal chain of command in the first instance if appropriate. People can report an issue through the Whistleblower Service anonymously if they wish. To facilitate access, special arrangements are in place to ensure that issues can be raised in Lao or Spanish in addition to English. The PanAust Whistleblower Service is also available in Papua New Guinea (following PanAust's acquisition of the Frieda River Project in August 2014), and plans to improve in-country access to it are being progressed in 2015.

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

In 2014, four matters were reported through the Whistleblower Service. The allegations made related to offensive conduct, dishonest behaviour, a supply discrepancy and general conduct. All matters were investigated and resolved with appropriate action taken. As at 31 December 2014, there were no outstanding matters.

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

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

HUMAN RIGHTS

Human rights are basic standards of treatment to which all people are entitled. PanAust recognises that mining projects have the potential to create a range of both positive and negative impacts on the human rights of individuals, groups and communities. PanAust also acknowledges that the Company enters and operates in environments where affected communities often have human rights legacy impacts which require sensitivity and consideration in Company decision-making.

As a minimum, PanAust meets applicable legal requirements in relation to human rights in host countries. Furthermore, PanAust's own Sustainability Standards and various external commitments (summarised on page 26) outline the Company's expectations for managing human rights.

PanAust is committed to understanding legacy, potential and actual human rights impacts across its business activities and attains this knowledge through a number of mechanisms including the following:

- environmental impact statements for new projects and due diligence assessments for acquisitions and consideration in project design
- periodic baseline assessments across all project phases
- resettlement and compensation protocols and assessments
- closure planning
- stakeholder engagement activities and involvement of affected communities in the monitoring and impact mitigation process
- grievance mechanisms
- community development fund project prioritisation
- socio-economic household surveys incorporating differentiated assessment of survey material to consider gender and vulnerable groups
- human rights impact assessments and management plans (where required)
- cultural heritage assessment and management plans (where required).

In 2014, PanAust recorded no breaches of Indigenous people's rights.

EXAMPLES OF ELEMENTS OF HUMAN RIGHTS THAT REQUIRE MANAGEMENT	HOW PANAUST MANAGES
Policy and procedural	<ul style="list-style-type: none"> • The Sustainability Policy • <i>The PanAust Way</i> outlines human rights expectations of the organisation • Sustainability Standards: during 2014, PanAust commenced an update of its Sustainability Standards incorporating the strengthened articulation of human rights requirements across all business activities which require human rights assessments and management plans across business activities; the revised Standards are due for release in 2015 • Human rights embedded in risk assessment processes
Land and property	PanAust's approach to project development is to design work sites, where practical, in such a way that involuntary resettlement is avoided and apply the principles of free, prior and informed consent (FPIC) to the greatest degree possible in the development planning, engagement and implementation while recognising that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation
Investment and procurement practices	<ul style="list-style-type: none"> • Security provider contracts incorporate requirements and performance mechanisms as per the Voluntary Principles on Security and Human Rights • The acquisition process for new projects incorporates human rights due diligence • Standard supplier contracts incorporate human rights and performance management expectations • Baseline environmental impact assessments undertaken for new projects incorporate human rights considerations
Indigenous Peoples	<ul style="list-style-type: none"> • PanAust's revised Sustainability Standards (to be released in 2015) strengthen the connection to Indigenous Peoples, as per the ICMM Indigenous Peoples and Mining Position Statement. PanAust's engagement processes provide for extensive community participation and respect for traditional decision-making • PanAust respects the principle of FPIC to the greatest degree possible in development planning, engagement and implementation while recognising that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation
Security practices	Pages 74 to 76 of this Report outlines PanAust's security management policies, procedures and expectations related to human rights and use of force aligned with the Voluntary Principles on Security and Human Rights; scope includes contractor management
Workers <ul style="list-style-type: none"> • non-discrimination • forced and compulsory labour • child labour 	<ul style="list-style-type: none"> • Standard supplier contracts incorporate clauses pertaining to workers • PanAust has in place policies, procedures and grievance mechanisms across business activities for its own workforce underpinned by <i>The PanAust Way</i> as referenced on page 28
Livelihood	Standards, procedures and plans are in place across operations to consider livelihood; a practical example is on page 51
Community health and access to public services	<ul style="list-style-type: none"> • PanAust's community development programs focus on access to community health and public services • Through PanAust's operations, communities often gain access to health and medical services that were not in existence prior to Company operations
Water	<ul style="list-style-type: none"> • PanAust is committed to protecting and preserving the quality of water near its operations through its project design and operational practices with performance measured through environmental monitoring and management programs and discharge limits • Through PanAust's operations, communities often gain access to quality drinking water that would otherwise not be available, see the Asian Development Bank paragraph on page 57 for an example
Vulnerable groups/individuals including gender	<ul style="list-style-type: none"> • Engagement mechanisms and community development programs incorporate vulnerable groups and individuals as outlined on page 47 • Mechanisms including measurable objectives to increase workforce diversity, see page 83 • Engagement mechanisms and community development programs include a strong emphasis on gender • Periodic household surveys incorporate disaggregated assessment

Governance

SPONSORSHIPS AND DONATIONS

PanAust provides sponsorships and donations to particular programs, organisations or causes that build goodwill in operational areas and/or enhance relationships with key stakeholders. As outlined in the Company's sponsorships and donations procedures, the following principles are applied in determining and prioritising sponsorships and donations:

Transparency – details of donations must stand up to internal and external scrutiny.

Independence – a donation must not create any sense of obligation for the recipient.

Integrity – a donation must enhance the image and uphold the integrity of PanAust.

In Laos, sponsorship and donation priority areas are:

- Activities of national importance and symbolism.
- Projects benefiting the people of the Provinces and Districts in which the Company is operating or present.
- Projects promoting Lao culture, history, society and ethnic minorities representative of the areas in which the Company operates.
- Projects that support relevant sector government agencies' capacity building.

PanAust's Lao-registered subsidiary, Phu Bia Mining has a Donations Committee in place to ensure transparency. All requests for support are reviewed in a consistent manner and decisions are made by consensus based on agreed selection criteria.

During 2014, the Committee comprised: Chairman Phu Bia Mining, Manager Regional External Affairs PanAust Asia, Manager Sustainability PanAust Asia, Senior Government Affairs Advisor, and Senior Sustainability Advisor. Decisions are reviewed by the General Manager External Affairs and Site Support PanAust Asia.

Throughout 2014, the sponsorships and donations program in Laos administered US\$229,000 to a wide range of recipients through cash and in-kind donations.

For the second year running, in 2014 the PanAust corporate office in Brisbane supported the Queensland Art Gallery | Gallery of Modern Art through a US\$76,059 sponsorship of the Gallery's 2014 winter exhibition, *Harvest: Art, Film + Food*. The Gallery's values of respect towards and enriching the lives of communities in which it operates are closely aligned to those of PanAust's.

The PanAust corporate office also provided a US\$1,932 sponsorship to the Brisbane Thai Festival held on 5 October 2014 on the basis that PanAust maintains a supply, procurement and logistics presence in Thailand.

No financial or in-kind donations to political parties, politicians or related institutions were made by PanAust or any of its subsidiary companies in Australia, Laos, Papua New Guinea, Thailand or Chile during 2014.

SUSTAINABILITY IN THE SUPPLY CHAIN

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

PanAust's contractor engagement processes along with *The PanAust Way* set the minimum sustainability expectations for suppliers and contractors in areas including safety, environment, community, human rights and operating with integrity. Suppliers and contractors are expected to behave in accordance with *The PanAust Way* through honest, fair and ethical practices. A pre-qualification, selection and approval process is undertaken prior to awarding a contract. Selection is based on demonstrated performance history as well as current capabilities across the contract scope and in the areas of safety, environment and community. PanAust communicates openly with suppliers throughout the engagement process and once a contract is approved and work has commenced, the contractor is subject to performance audits. In 2013 and 2014, spot audits of contractors led to the discontinued use of some contractors due to safety performance and management issues. The safety systems and performance of local contractors in Laos is a material issue for the PanAust business.

PanAust is committed to the procurement of goods and services locally where practical and based on commercial competitiveness, risk profile and contractor/supplier capacity. This support of local business results in direct and indirect benefits to local communities and regional economies of Laos. In 2014, PanAust paid approximately US\$188 million to Lao suppliers in exchange for their goods and services (see more information on page 54).

In Laos, local contractor and supplier capacity to meet PanAust's safety and other requirements is improving as a result of direct capacity-improvement activities undertaken by PanAust, and more generally as the mining sector matures in that country. PanAust supports this process through coaching and requiring local companies to progressively work to meet the Company's expectations and standards. Specifically, in 2014, PanAust worked with a number of contractors and suppliers to improve their Occupational Health and Hygiene performance (see page 74). In the longer term, this approach will provide a more sustainable outcome for both PanAust and contractors while maximising expenditure and other flow-on benefits accruing to the local and regional economy.

In 2015, PanAust intends to broaden the work in the area of supply chain sustainability by mapping the material issues for the top tier of the supply chain which represents approximately 80 per cent of supplied goods. Based on the results of this mapping, further mapping will be considered for smaller suppliers where it is considered that material risks may exist. Once material issues in PanAust's top-tier suppliers are understood, processes will be developed to monitor and influence performance with regards to material issues, where necessary.



Jigsaw Dispatch Officer, Phern Phernphone in the Phu Kham Control Room coordinating fleet movement to help maximise production at Phu Kham

Product stewardship

PanAust produces copper-gold concentrate and gold doré in Laos which is sold to international smelters or refineries. As a medium-sized producer in the global market, PanAust maintains a formalised marketing partnership (for copper-gold concentrate) via an agency agreement with Cliveden Trading. PanAust does not have any influence on the end-purchaser or end-product (copper cathode or refined precious metals).

PanAust's product stewardship approach focuses on the storage and transport of concentrate from mine gate to port through to the delivery of product that meets customer specifications and in-country requirements. PanAust's management systems and associated auditing processes are integral to the product stewardship approach. For example, strict concentrate haulage procedures require that the haulage fleet travel in convoy with escort vehicles through sections of the transport route that pose safety risks. Since 2012, these sections of the route are under the full control of PanAust using designated Company vehicles and drivers.

The market considers PanAust's copper-gold concentrate 'clean' and product metal specifications are put in place as part of contract terms and conditions with international customers. Penalties are enforced for product that does not meet these agreed specifications and may result in re-negotiation or refusal to receipt a shipment of product. Arsenic is the only potential trace element of concern in the Company's copper-gold concentrate and is therefore carefully monitored. There were no penalties outside of agreed contract specifications applied to any of PanAust's product shipments during 2014. Additionally, PanAust did not receive any customer complaints in 2014. PanAust commits to fair dealings with customers, meets with customers regularly and always considers special requests (for example, a change to delivery period or samples of concentrate in advance of delivery).

No conventional product labelling applies to the shipment of copper-gold concentrate or gold doré. The International Maritime Bulk Solid Cargoes (IMBSC) Code requires that a Materials Safety Data Sheet (MSDS) is maintained for copper-gold concentrate. The MSDS is available on the PanAust website, and directly to customers and shipping authorities as requested. It includes requirements in relation to safe handling, storage, correct disposal, and emergency response. An IMBSC declaration is completed with each shipment of concentrate.

PanAust's copper-gold concentrate and gold doré product is not traded directly with the general public. These products are processed and, by the time they are ready for public consumption, are in the form of inert material. Additional general information on copper, including health, safety and environmental affects, is available through a website that is maintained by the Copper Development Centre: www.copper.com.au.

Copper has a long history of recycling and it is estimated that approximately 80 per cent of all copper ever produced is still in use today⁸. Copper contributes to future sustainable growth and development particularly due to its excellent conductivity properties which enables energy efficiency.

Due to its inherent value, gold continues to be recycled at high rates. An estimated 85 per cent of all the gold ever mined can be accounted for with the missing 15 per cent either lost or used in industrial processes where it cannot be readily retrieved.

⁸ Source: International Copper Association Australia

PanAust's governance approach to the Frieda River Project



Children and women from Wabia village welcoming PanAust personnel during pre-aquisition community engagement activities

PanAust's acquisition of an 80 per cent interest in the Frieda River Copper-Gold Project in northern Papua New Guinea in August 2014 is central to the Company's growth strategy. Copper mineralisation was discovered at Frieda River in the 1960s and since that time, the project has had a long history of exploration activities undertaken by numerous companies including a detailed scoping study, prefeasibility study and feasibility study. With its joint venture partner, the Papua New Guinean Company, Highlands Pacific, PanAust is working to develop this long-awaited project through to successful production. PanAust is leveraging its success in copper and gold project development and production by applying the expertise gained and lessons learned in Laos at the design phase of the project in Papua New Guinea.

This case study highlights a selection of governance activities to demonstrate how PanAust incorporates sustainability into the project design and activities from the earliest stages of project development.

GOVERNANCE IN DESIGN

PanAust's experiences in Laos – exploration, project development, operating mines, logistics, and all manner of stakeholder engagement and community relations – has given the Company significant insight and knowledge of the complexities of optimising projects in a developing economy context. In particular, the Company recognises the importance of engaging with governments and host communities from the onset to better consider the local context in the project design.

PanAust aligns its environmental and social practices with the IFC Performance Standards. During the project design phase for both the Phu Kham and Ban Houayxai Operations, significant consultation and planning was undertaken to minimise any need for displacement. Identification of social and community impacts were initially identified through the Social and Environment Impact Assessment process. A similar strategy is being used for the Frieda River Project with PanAust's proposed development concept negating the need for involuntary resettlement. Comprehensive options assessments are also being undertaken to minimise impacts to important community land uses.

PanAust is currently evaluating design options for Frieda River taking into consideration a range of sustainability principles incorporating feedback from stakeholders on areas of importance to them. Design options include minimisation of the Project footprint (consistent with PanAust's approach to development which is to avoid involuntary resettlement); incorporation of local community and business development options into the broader development concept of the Project; environmental performance related to waste management including planning for seismic conditions (with all waste and tailings proposed to be placed within an engineered integrated storage facility [ISF] and that the project is being designed to negate environmental impacts on the Sepik River); local, regional and national government economic development objectives; and workforce localisation. These aspects will be considered in detail in consultation and collaboration with key government and community stakeholders through the licensing and permitting processes underpinning the project; principally the Special Mining Lease and the Environment Permit.

The feasibility study will also evaluate a hydro-power option with renewable power generated by utilising the positive water balance within the ISF catchment thereby partially augmenting intermediate fuel oil (IFO) generated power. The lower cost of hydro-power compared to IFO-generated power will be weighed against the capital expenditure required to install turbines and the accelerated construction of the ISF (to store water for hydro-power generation).

The first quarterly meeting of the Joint Provincial Consultative Committee (JPCC) since PanAust took control of the Project was held in Papua New Guinea in late 2014. The JPCC is made up of provincial officials from both the East Sepik and Sandaun Provinces as well as government officials from the Mineral Resources Authority, the Department of Environment and Conservation (DEC), the Attorney General's Office, and Petromin (an independent company created by the State of Papua New Guinea). The meeting provided an important avenue for PanAust to gain feedback from representatives on the project proposal prior to formal submission of the Environment Inception Report (EIR). The EIR is a legislative requirement which outlines the proposed focus areas for the Environmental Impact Statement (EIS). The objectives of the EIR process are to:

- identify the potential environmental and social issues associated with developing the project
- describe the scope of the EIS to address those issues
- initiate the formal process of stakeholder consultation
- enable DEC to review the proposed EIS scope and redress any shortcomings.

The EIR was subsequently submitted and approved by the DEC in December 2014 with the Environmental and Social Impact Assessment also commencing development. Initial early consultation has focused on landowning communities with the project land-based footprint. This engagement will be broadened and extended to the logistics corridor in 2015 as plans in this area are finalised and downstream assessments are completed.

GOVERNANCE IN SYSTEMS AND PRACTICE

In 2014, PanAust focused on the transition of the Frieda River Project to the Company's sustainability governance framework, which has as its foundation in the Vision and Values, *The PanAust Way*, and PanAust's Sustainability Policy and Standards including the Risk Management policies, systems and processes outlined on pages 36-38.

To ensure the smooth transition and integration of Frieda River into the PanAust business, a Frieda River Project Transition and Integration Committee was established and chaired by the General Manager Human Resources and Risk Management. The Committee comprised relevant senior executives and managers from across the business and developed a comprehensive action plan for the first 90 days following the acquisition of the Project.

As part of the integration of the Project into the PanAust business, the Company has focused on implementing priority elements of PanAust's code of conduct, *The PanAust Way*, into systems and processes. In 2014, all Frieda River employees received an induction which included *The PanAust Way* (which includes, among other topics, workplace diversity and anti-bribery and corruption). Supplier contracts supporting the Frieda River feasibility study include clauses dealing with (among other things) compliance with PanAust safety standards and procedures, anti-bribery and corruption and human rights. The Company also has systems in place to avoid conflicts of interests in its dealings with suppliers.

A number of local Papua New Guinean employees travelled to Laos and Brisbane to participate in sustainability education and training, including a comprehensive three-day stakeholder engagement workshop.



Frieda River Community Affairs Coordinator, Patrick Imaroto discussing the Project in Amaromin village

Internal gap assessments relating to health, safety and social performance at Frieda River commenced in 2014 to identify the level of compliance to PanAust's standards. Actions implemented from the audit findings for safety focused on the integration of PanAust procedures and processes and embedding key safety systems including risk assessments, inductions, Cardinal Rules, toolbox meetings, pre-shift meetings, crisis management and incident investigations for site operations. Site personnel participated in safety and familiarisation training on these systems as part of the integration process.

A Frieda River Significant Incident Management Plan was completed with site-based and corporate personnel receiving training on its application. A crisis management simulation also provided the opportunity for participants to practice their roles in the event of an incident.

Comprehensive engagement with government and community stakeholders aims to ensure mutual understanding and aligned expectations, and to fully consider the wide range of stakeholder interests and concerns in PanAust decision-making. The development of a Frieda River Integrated Stakeholder Engagement Plan is ongoing and aligns project engagement approaches relating to environmental permitting, special mining lease acquisition, project development, day-to-day engagement and for exploration tenements.

The Company also regularly examines stakeholder engagement mechanisms to assess their ongoing suitability. This will ensure stakeholders are engaged in a consistent, open and accessible manner, thereby building and maintaining relationships based on transparency, integrity and trust.

Transitioning Frieda River into the PanAust governance systems brings the Project under the ultimate oversight of the PanAust Board of Directors, including through the Sustainability Committee. Reflecting the importance the Company places on governance, the PanAust Board visited Papua New Guinea in early February 2015 to see first-hand the Company's activities at Frieda River and to engage key stakeholders ranging from landowners and local villagers through to senior national government representatives.

Governance

Risk management policies, systems and processes

PANAUST'S APPROACH TO RISK MANAGEMENT

PanAust recognises that identifying and managing risk is integral to business management, improves the Company's profitability and protects and creates long-term shareholder value. By understanding and managing its key risks, PanAust provides a sense of certainty for its stakeholders and obtains a strategic business advantage.

PanAust fosters a risk-aware corporate culture; materiality and risk tolerance are key considerations in all business decisions. PanAust recognises the importance of leaders from across the Group retaining ownership of risk management within their departments.

PanAust uses risk and incident management systems, and stakeholder feedback, combined with auditing and benchmarking processes to proactively identify, evaluate, prioritise and manage risks to track and continually improve sustainability performance.

Risk management is embedded in PanAust's critical business activities, across all business functions and processes. The risk management framework is also applied when entering or commencing activities in new geographical regions. Risk assessments, and risk management plans are developed to ensure that potential reputational, legal, business, regulatory and political exposures are addressed and have appropriate mitigations embedded into business strategies and plans.

RISK MANAGEMENT POLICIES, FRAMEWORK AND PROCESSES

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

During 2014, PanAust continued to focus efforts on integrating risk management into all business processes, projects in development, and due diligence activities.

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

- the International Organization for Standardization's (ISO) ISO 31000 Standard on Risk Management
- the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*' Principle 7: Recognise and manage risk
- the Company's Sustainability Standard 4, Risk and Change Management
- Principle 15 of the Rio Declaration (the Precautionary Principle).

The PanAust Board of Directors carefully considers the level of risk it is prepared to tolerate. The Board is responsible for reviewing, ratifying and monitoring PanAust's systems of risk management and internal control. While overall responsibility in this regard rests with the Board, the Audit Committee and the Sustainability Committee have each been delegated particular responsibilities under their respective Charters. The Board and the Audit and Sustainability Committees receive regular reports from management with respect to the effectiveness of the Company's management of material business risks including presentations by members of PanAust's senior management (risk owners) on each of the Company's material risks. Once a year, the Board has a meeting with a particular focus on the issue of risk management.

PanAust's Executive Management Team guides corporate risk strategy and provides oversight of strategic issues. It has responsibility for a high-level risk register that identifies key material business risks relevant to PanAust at the Group level. The Executive Management Team undertakes an annual workshop to identify key material risks (based on the criteria set out below), to review current controls from a change management perspective and to oversee effective implementation. The most recent peer review by the Executive Team was undertaken in December 2014.

The PanAust Group Register defines materiality as an event that results in a consequence Level 5 (or above), evaluated utilising the Company's Extended Consequence Table (available on PanAust's website, www.panaust.com.au/corporate-governance) on the following basis:

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

Each of the Company's business units (Asia, South America, and Project Development) has responsibility for a high-level risk register that is relevant to it. In addition, each general manager has responsibility for departmental or project risk registers and is required to have in place a plan to manage significant risks.

An internal reporting process has been established to track compliance against PanAust's risk management procedures.

The approach strives for:

- simplicity; avoidance of unnecessarily complicated processes
- uniformity; a Group-wide process based on a single uniform set of tools
- clear ownership; risk registers for each operating department and for each special project that take account of all supporting risk processes falling within their operational area (for example, audits, studies, technical reviews, plans and inspections)
- short interval reviews; strictly applied monthly reviews for high-level risks and quarterly reviews of registers
- clearly identifying materiality at corporate and operational levels; the level of significance is reflected in Levels 4 and 5 of PanAust's Consequence Table (available on PanAust's website, www.panaust.com.au/corporate-governance).

This process also identifies risks of a very high consequence that, while less likely to occur, would have a damaging material impact on the Company were they to eventuate. An inbuilt mechanism elevates these risks to the 'high' category to ensure they are constantly reviewed and a precautionary approach applied.

Image right: a gold-silver doré pour at the Ban Houayxai Gold-Silver Operation

PanAust recognises that identifying and managing risk is integral to business management, improves the Company's profitability and protects and creates long-term shareholder value



Governance

PanAust has identified eight Group-level material risks including economic, environmental and social risk factors. Each risk and mitigation plan is summarised in PanAust's *2014 Annual Report* (published 19 February 2015). Areas of non-financial risk that have been identified as material or potentially material to PanAust and its stakeholders are addressed in detail in this Report.

In 2014, the Group risk register was reviewed in a workshop with executives. The review led to the re-ranking of some risk issues in light of prevailing market conditions and the completion of a transaction to acquire an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea. Risk issues relating to the Frieda River Project were elevated to the Group register given the timing and importance of the project in the Company's growth pipeline, and in recognition that the project design phase provides an opportunity to implement long-term strategic sustainability objectives.

Risk management continued to be implemented Company-wide during 2014 with a specific objective to embed it into project development. During the year, multi-disciplinary risk reviews were embedded into the Frieda River transition activities and the Project's feasibility study, as well as the KTL feasibility study.

PRECAUTIONARY PRINCIPLE

PanAust applies evidence-based decision-making where practical. The Company uses its ERM process to evaluate the environmental, social and economic impacts of mining projects approved by the Board. The relative merits of development are assessed and, when necessary, management plans are implemented in accordance with the precautionary principle. The precautionary principle is only used if evidence-based decisions cannot be made and it makes good sense to err on the side of caution.

Environment and social impact assessments (ESIAs) are completed prior to the development of operations and are guided by statutory frameworks with work undertaken by international consultants. To date, impact assessments have been completed, and approved for the Phu Kham and Ban Houayxai Operations. An Environmental Impact Assessment (EIA) for the Inca de Oro Copper-Gold Project has been largely completed but not submitted, and an impact assessment for the KTL Copper-Gold Project has been submitted and is undergoing regulatory review processes.

The Frieda River Environmental Inception Report (EIR) was approved by the Papua New Guinea Department of Conservation in December 2014. The EIR is the precursor to the EIS (including the social impact assessment) which is being progressed and on schedule to be submitted in late 2015. Issues identified through the impact assessments and their associated stakeholder consultation activities are incorporated into the Company's risk registers.

PANAUST'S SUSTAINABILITY STANDARDS

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

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

1. Leadership and Accountability
2. Legal Requirements and Commitments
3. Planning, Objectives and Targets
4. Risk and Change Management
5. Health and Hygiene
6. Environmental Management
7. Community, Social and Human Rights
8. Stakeholder Engagement
9. Training and Competency
10. Communication, Consultation and Participation
11. Suppliers and Contractors
12. Incident Reporting and Management
13. Crisis and Emergency
14. Monitoring, Audit and Review

PanAust's operational performance is regularly assessed against the Sustainability Standards and external commitments. Annual internal benchmarking assessments against the Sustainability Standards are completed for each work site. The results inform the agenda of the Company's annual Risk and Sustainability Workshop and help identify gaps to be addressed through the development of the Group Risk and Sustainability Annual Plan. In 2014, improvements continued in the areas of Leadership and Accountability, Risk Management, Stakeholder Engagement, Suppliers and Contractors, Monitoring, Audit and Review. Areas prioritised for further focus in 2015 fall within with the following standards: Suppliers and Contractors, Risk and Change Management for Development Projects, Communication, consultation and Participation.

In addition, the Sustainability Standards are being reviewed against best practice and a set of Group-level discipline-specific standards are being developed/drafted for Health and Safety, Environment and Community in line with the Company's growth and geographical diversification during 2014. This project will continue in 2015.

AUDITING AND BENCHMARKING

PanAust has established a corporate review and audit program to support its ERM programs. Some reviews are carried out internally while others require external or independent auditors. The main external audits and benchmarking studies that took place in 2014 are outlined in this section.

AUDIT AGAINST IFC PERFORMANCE STANDARDS

In June 2014, KASA Consulting completed its annual external audit against the Equator Principles and the IFC Performance Standards on Social and Environmental Sustainability for the Ban Houayxai Gold-Silver Operation and the Phu Kham Copper-Gold Operation (including concentrate logistics and port facilities, and the decommissioned Heap Leach Gold Operation). The audit was the seventh annual audit for Phu Kham and the fifth annual audit for Ban Houayxai.

The audit is conducted in accordance with the ISO19011:2002 Guidelines for Quality and/or Environmental Systems Auditing and the IFC Performance Standards (where each performance standard is given equal weighting and the findings are not weighted according to risk in terms of materiality from a likelihood and consequence perspective). PanAust's approach is to address 'critical findings', 'areas of concern' and 'opportunities for improvement' in order to comply with IFC requirements. However the issues raised are also prioritised from a materiality perspective in accordance with the Company's risk matrix.

The 2014 audit showed year-on-year progress against the standards for both Phu Kham and Ban Houayxai, including on the closing out of non-conformances in the areas of training records management and hazardous materials management. Camp hygiene at Phu Kham was noted as an area of improvement.

The audit identified four improvement priorities covering the themes of high-risk work procedures change management, formalising operational competency requirements for all positions, and domestic wastewater management. Actions are being undertaken to address these findings and the 2015 audit program will assess progress in these areas.

e3 PLUS PRINCIPLES FOR RESPONSIBLE EXPLORATION

Given the significant reduction in PanAust's Laos-based exploration programs during 2014, the Company decided not to continue with the annual program to audit against the e3 Plus Principles for Responsible Exploration and relevant IFC Performance Standards.

Instead, Health Safety and Environment Management Systems audits were commissioned for exploration and the minor capital projects work unit in Laos to determine the extent to which systems and standards were established and implemented. The audits were completed by KASA Consulting in December 2014, and will be used to drive continual improvement in these parts of PanAust's business.

INSURANCE AUDIT

The principal annual audit for operational risk was undertaken by the International Mining Industry Underwriters (IMIUI); both Phu Kham and Ban Houayxai typically receive excellent results. In 2014, the Company's risk exposure was again rated in the low-to-moderate range and continues to be considered better than the global average for the mining industry.

TAILINGS STORAGE FACILITIES AND ACID ROCK DRAINAGE

PanAust has in place a Tailings Independent Review Panel (TIRP) to provide oversight and advise PanAust in relation to best practice tailings management. The panel consists of two highly regarded international tailings experts who report to the Company's Tailings Management Committee (chaired by PanAust Managing Director, Dr Fred Hess) on the design, construction and operation of the Company's tailings facilities, and reports on their performance and associated risk profile over the life of the facilities.

An annual Dam Safety Audit was completed by Knight Piésold in March 2014 for Phu Kham and Ban Houayxai. The audits provide a comprehensive record of each dam's condition at the time of inspection and assess progress on closing out actions from previous audits. There were no critical findings identified in 2014.

In 2014, Environmental Geo-chemical International (EGi) undertook an external review of acid rock drainage (ARD) management at the Phu Kham Copper-Gold Operation with no material issues identified. Recommendations from the review have been included in a continual improvement plan. EGi also completed a review of the operational plan for managing ARD at Ban Houayxai.

As ARD has been identified as a potential post closure issue for the Phu Kham pit, EGi has been engaged to also support further development of the Phu Kham pit geochemical model to inform the life-of-mine plan and final pit shell design to minimise requirements for active water treatment.

PanAust's management of ARD-generating waste has been independently evaluated as industry best practice following a number of independent reviews by EGi.

SOCIO-ECONOMIC AND HEALTH SURVEY

The Company conducts regular socio-economic and health surveys for its operations in Laos to continually improve its understanding of local issues and guide its community development programs. Surveys are scheduled at three-year intervals for operations. The most recent surveys were undertaken by ESL in 2012 and covered 50 villages in proximity to: Phu Kham (17 villages), Ban Houayxai (7 villages), and Phonsavan (26 villages). The surveys provide valuable data to inform PanAust's community engagement processes and to identify and prioritise community development programs. The next survey will commence in 2015.

Baseline socio-economic surveys were completed for Frieda River communities prior to PanAust acquiring the Project. An update to the existing baseline will be completed to inform the social impact assessment in 2015 that will form part of the EIS submission.

SECURITY AUDITS

The bi-annual regional security survey for PanAust's Lao operations was conducted by The Banks Group in April 2014. The audit confirmed that there had been no significant change to PanAust's regional security operating environment for the past two years. The review concluded that the Company's mitigation strategies continue to be appropriate for the scale of risk; although they have been enhanced by the implementation of camera/monitoring equipment.

The 2014 internal audit program for security focused on PanAust's satellite areas, with audits completed for Company facilities based in: Vientiane, Phonsavan, Ban Thouay, Longxan, Tharkhek, and Sriracha. Audits for Vung Ang and Hon La ports in Vietnam will be completed in 2015.

PanAust's Principal Security Advisor conducted a security review of the Frieda River site, and Frieda River logistics and transit locations during 2014. A self-assessment of compliance to the Voluntary Principles of Security and Human Rights was also conducted to inform the Company's reporting requirement as a signatory to the Principles.

INTERNATIONAL CYANIDE MANAGEMENT CODE

PanAust is a signatory to the ICMI's International Cyanide Management Code, achieving pre-operational and operational certification in January 2012 and March 2013 respectively. A program of annual audits is in place to supplement the three-yearly recertification audits. The audit program includes oversight of the Company's cyanide transporter. PanAust's second internal audit was completed by consultants Sustainability Pty Ltd in December 2014; confirming that Ban Houayxai continues to maintain the high standards of operations required to maintain certification. Ban Houayxai's next recertification audit is scheduled for January 2016.

Additional information on PanAust's approach to cyanide management is provided in the environmental section of this Report, see page 65.

Governance

2014 SUSTAINABILITY AUDIT PLAN PROGRESS

EXTERNAL AUDITS		2014 PERFORMANCE	NEXT AUDIT
ECONOMIC PERFORMANCE			
Group Financial Audit	✓	Completed annually, and disclosed in PanAust's Annual Report	2015
IMIU external insurance audit	✓	Completed to plan; Phu Kham and Ban Houayxai risk exposure and reduction score remains better than world average insurance risks with a risk profile considered to be low risk from an insurance perspective	2015
Gold Security Standard	✓	External audit completed to plan in 2012, internal compliance reviews completed in 2013/14	2016
SOCIAL PERFORMANCE			
IFC audit (Environmental and Social)	✓	Completed to plan with each site achieving the internal target of >80% average audit result	2015
Socio-economic surveys		Survey not due in reporting year; completed Ban Houayxai 2012, Phonsavan 2012, Phu Kham 2012/13	2015
Stakeholder engagement surveys	✓	Phu Bia Mining external stakeholder perception survey completed in 2014	2017
CDF reviews		Audit not due in reporting year	2017
ENVIRONMENTAL PERFORMANCE			
Phu Kham ARD-external audit by EGI	✓	Completed to plan; at Phu Kham the reviews confirmed that the program for managing ARD risk is highly developed and the systems adopted for the prevention and control of ARD are 'best practice' and consistent with methods described in the Global Acid Rock Drainage Guide; no critical recommendations were noted for Ban Houayxai or Phu Kham	2016
ICMC Operational Certification Audit		Audit not due in reporting year; in March 2013, ICMI announced Ban Houayxai had been certified in full compliance with the ICMC; internal compliance audits are scheduled annually with the next certification audit due in 2016	2016
Tailings Independent Review Panel, and annual designers' tailings storage facility safety audit	✓	Completed to plan; no critical findings made by external panel members	2015
HEALTH AND SAFETY			
Technical safety audits for high-risk activities and or hotspots	✓	Drill and blast audits were completed against Blast Management International standards, fatigue management, review in progress; 12 internal deep dive audits conducted for safety hotspots and high-risk activities	2015
Contractor safety management compliance reviews	✓	Review of controlled and influenced contractors including an update of risk assessments and contractor safety management plans for local contractors; contractor safety reviews embedded into contract renewals and changes of scope for local contracts.	2015
Sustainability Standards internal benchmarking: Phu Kham, Ban Houayxai, LCT and minor projects	✓	Completed to plan in conjunction with IFC and HSE audits in Laos; gap analysis completed in PNG for Frieda River transition; gap analysis against the standards completed	2015
Aviation audits	✓	In 2014, PanAust's Aviation Consultants (SGS-HART) completed audits on PanAust's behalf for all Lao operators providing ad-hoc private charter and commercial services; audits were also completed for PNG private charter operators servicing Frieda River; a due diligence review was completed for commercial services supporting PanAust personnel in Myanmar	2015
Projects and Exploration HSE Audits	✓	Completed in December 2014 by KASA consulting and will be used to drive continual improvement in these parts of PanAust's business	2016
Independent Regional Security Review	✓	The Banks Group completed the external review confirming the risk profile of the regional security environment has not changed, and that appropriate security measures including improvements to remote security procedures are in place	2016
OUR PEOPLE			
Employee engagement survey	✓	Employee engagement survey completed in 2013 with implementation plans developed and executed in 2014; follow-up survey to be completed within three years	2017

2014-2018 PERFORMANCE AND STRATEGIC TARGETS

PANAUST 2014-2018 TARGETS (includes overarching PanAust targets, and regional and operational targets)				
	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2014, REVISED TARGET 2015	TARGET DATE
ECONOMIC PERFORMANCE				
Achieve annual production guidance for copper and gold and all-in sustaining cost guidance for Phu Kham and Ban Houayxai	Partially achieved	n/a	Exceeded full year copper, gold and silver production guidance in 2014 Earnings before EBITDA for the 2014 year was lower than guidance due to average realised copper price of US\$3.05/lb being below that assumed for guidance (2014 guidance target set based on an average copper price US\$3.20/lb and US\$3.40/lb) 2015 guidance is for production of copper in concentrate of between 74,000t and 76,000t; gold in concentrate and doré of between 195,000oz and 205,000oz; silver in concentrate and doré is expected to be between 1.4Moz and 1.5Moz 2015 all-in sustaining cost guidance by Operation is: Phu Kham between US\$1.85/lb and US\$1.90/lb copper; Ban Houayxai between US\$775/oz and US\$825/oz gold	2015-2018
Complete bankable feasibility study, approval processes and secure funding for Frieda River			New	2017

GOVERNANCE

<i>The PanAust Way</i> embedded and implemented consistently across each work site	In progress	Improvement	2,969 PanAust personnel were trained in <i>The PanAust Way</i> in 2014; governance requirements are embedded in contractor engagement processes and the inductions of all new employees and contractors; <i>The PanAust Way</i> translated to Tok Pisin and rolled out to PNG workforce and other stakeholder groups; a small number of non-material incidents occurred in 2014 and were addressed in line with Company policy; target to continue to embed in PNG and to ensure requirements are understood and carried out by employees, contractors and suppliers	2018
2015 Sustainability Report to G4 requirements	Not due	Improvement	Gap analysis completed; focus to be given to understanding and reporting on supply chain	2015
Update Group Sustainability Standards# and roll out			New	2016
Integrate Frieda River with PanAust's governance systems and processes as the Project progresses			New	2017

SOCIAL PERFORMANCE

Receive Government of Laos annual agreement for CDF expenditure plan, with 80% of funds committed and spent by year end	Achieved	Improvement	44 out of agreed 46 CDF projects; 20 of 22 regional CDF projects completed	2015
Implement the ADB water and sanitation project	In progress	Behind schedule	The 2014 focus was establishing governance processes and ADB engaging resources to complete the project feasibility study	2021
Develop and implement government affairs strategies, which will include appropriate organisational structures and personnel to enhance and maintain positive relationships in countries where PanAust has a presence as well as community affairs strategies that will enhance and maintain positive relationships in host countries of operation and local communities	In progress	Improvement	Strong government relationships managed within Laos (including MEPA contract area adjustment, KTL EIS submission, provincial boundary changes and establishing Government of Laos Closure Committee), Vietnam (haulage and port), Thailand (haulage and port) and Myanmar; strong external and local stakeholder engagement in place in PNG (for Frieda River) leveraging off PanAust's Lao credentials External Government Relations Advisors appointed to support PanAust's in-house team with Government Relations and Stakeholder engagement efforts in PNG	2018
Complete road sealing in all villages on the Phu Kham to Ban Houay access road by end of 2013	Achieved	Completed	The road between Phu Kham and Longxan is sealed in full; villages on the road between Longxan and Thabok have been sealed	Closed

Governance

2014-2018 PERFORMANCE AND STRATEGIC TARGETS CONTINUED

PANAUST 2014-2018 TARGETS (includes overarching PanAust targets, and regional and operational targets)				
	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2014, REVISED TARGET 2015	TARGET DATE
OUR PEOPLE				
Conduct regular employee engagement surveys and implement findings	Completed	Improvement	Employee engagement survey was completed in late 2013; in 2014 action plans to address the survey result were developed and commenced implementation; follow up 'pulse' survey is planned in 2016	2016
Improve Lao-nationals' development to enable promotion into roles previously filled by expatriates	In progress	Improvement	In 2014: 62 Lao employees completed the Company's Leadership Development Program; 18 Lao-nationals participated in the Company's Mentoring Program; 9 employees completed the Company's Graduate Program and were offered and accepted full-time roles with PanAust; a new external Senior Lao Leadership Development Program to be introduced in 2015 to further assist the development of the senior Lao employees	2017
Improve technical training programs for future growth projects in the Asia region	In progress	Improvement	Based on an internal review in 2014 the company is focusing to ensure the current trades training apprentices (total of 69) receive the necessary training and development as they progress into the more technical phase of their programs; on-site trades training will focus on the development of Lao-national maintenance employees to progress to 'trades person' level within the Company; a substantial amount of testing took place in 2014 to ascertain the skill level of trainees to develop/implement a more structured and targeted trades training program; it is envisaged that by the end of 2015, 85% of trainees will have progressed to the 'trades person' level	2015
Roll out governance, HR and training systems in PNG, and develop a HR and Training plan to support the Frieda River Feasibility Study	In progress	Improvement	<i>The PanAust Way</i> , Corporate Policies and a selection of HR standards were translated to Tok Pisin and rolled out to the PNG workforce together with safety and risk inductions on taking ownership in PNG; site is now in the process of aligning standards and procedures with PanAust Asia which is expected to occur progressively over 2015; baseline studies are being advanced to inform the development of a HR and Training plan as a component of the Feasibility Study	2018

ENVIRONMENTAL PERFORMANCE

No level 3 environmental incidents	Achieved	Improvement	Achieved; no Level 3 environmental incidents; maintain target	2014-2017
Develop and implement a Company Erosion and Sediment Standard	In progress	Improvement	Standard developed and rolled out in Laos, improvement in on the ground performance; site specific sediment control plans being developed for each work site Standard to be rolled out in PNG in 2015 and incorporated into feasibility study design	2015
Environmental impact assessments completed to an international standard and approved for each development program	Achieved	Improvement	EIA for Inca de Oro developed, decision has been made not to progress with submission at this point in time; ESIA for KTL Project developed and submitted; Frieda River EIS in progress and ready for submission in 2015	2017
Understanding energy and greenhouse gas emissions across the Group, with a formalised energy improvement plan	In progress	Maintained	A number of potential programs related to improvements in product haulage (fuel management) identified; third report to CDP completed; carbon assessments in place for Lao sites, exploration and regional offices; operational improvement and efficiency resources in place for processing and mining	2017

PANAUST 2014-2018 TARGETS (includes overarching PanAust targets, and regional and operational targets)				
	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2014, REVISED TARGET 2015	TARGET DATE
HEALTH AND SAFETY				
Zero Levels 4 and 5 incidents	Not achieved	Decline	Target continued	2014-2018
1.67 total recordable injury frequency rate	Achieved	Improvement	Achieved: 0.88 TRIFR Target: <1.35 TRIFR	End 2015
Implement Cardinal Rules across PanAust sites and controlled and influenced contractors with an overall reduction in Cardinal Rules breaches	Achieved	Improvement	Cardinal Rules posters and training package rolled out across controlled and influenced sites, with greater workforce awareness of rules and a reduction in breaches; Cardinal Rules introduced in PNG in 2014 and will continue to be embedded in 2015	2016
Address health and safety hotspots and close out actions assigned to the Senior Management Taskforce on Significant Incidents	Achieved	Improvement	85 of 92 actions developed by the taskforce were closed in 2014; 60% reduction in moderate potential vehicle incidents and a 75% reduction in high potential incidents	2016
Advance Visible Safety Leadership Program	In progress	Improvement	Management workshop held to align expectations on Visible Leadership and identify initiatives to support implementation and measuring performance; management-led deep dive review program for high-risk critical tasks was developed and rolled out with general managers; 12 deep dives led by general managers and executives involving personnel from all structural levels conducted	2016
Crisis Management Plan and training in place for each work location with an annual Group co-ordinated simulation	Achieved	Improvement	Training conducted at all Lao Operations and support sites in 2014; roll out of crisis management in PNG and a Group co-ordinated scenario; maintain target	2017
ICAMs* conducted in accordance with the Group standard for incident investigation	Achieved	Improvement	Program is well embedded within the organisation, and will continue to be implemented	Closed
Achieve 90% implementation of Group Contractor Management Standard	In progress	Improvement	Progress has been made on implementing contractor management standards in Laos and incorporating safety criteria for contractor selection into contractor engagement processes; 2014 focused on contractor pre-qualification processes and auditing contractor safety standards; due to a reduction in capital and minor projects required in Laos, the number of contractors supporting operations have decreased; Contractor Management Standard, framework and supporting documents will be a Group document (previously Phu Bia Mining-centric) in preparation for Implementation at Frieda River and will commence implementation in 2015	2016

* Incident Causal Analysis Method

Social performance

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

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

Host communities and nations obtain enduring benefits from PanAust's operations through employment, taxes and royalties, the sourcing of local goods and services, contributions towards social infrastructure, education, training and capacity building, and long-term economic and social development projects.

Social performance: material issues 2014

The PanAust materiality process identified the social performance focus areas in 2014 as:

- **STAKEHOLDER ENGAGEMENT**
- **COMMUNITY RELATIONS**
- **ECONOMIC CONTRIBUTION TO SOCIETY**
- **COMMUNITY DEVELOPMENT**
- **LONG-TERM CAPACITY-BUILDING IN COMMUNITIES**
- **POST-CLOSURE PREPAREDNESS**

Details pertaining to each of these areas follow.

Stakeholder engagement

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

PanAust's engagement processes provide for extensive community participation and respect for traditional decision-making. PanAust respects the principle of free, prior and informed consent (FPIC) to the greatest degree possible in development planning, engagement and implementation while recognising that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation. The PanAust position is consistent with the ICMM's Indigenous Peoples and Mining position statement.

PanAust has in place engagement processes to enable the identification and embedding of vulnerable groups, including women, the elderly and youth in stakeholder engagement and community development programs.

Prior to and following the acquisition of the Frieda River Project in Papua New Guinea by PanAust, the Company's General Manager Human Resources and Risk Management met with local landowner villagers on five occasions as part of the consultation process and would not commence any processes unless it was inclusive of all villagers including women.

All operations have in place annual stakeholder engagement plans, which identify the interests and relationships of stakeholders and contain a range of culturally and socially inclusive engagement activities, designed in collaboration with stakeholders. Examples in Laos are:

- Issue specific engagement: comprehensive engagement is undertaken with stakeholders on specific community issues.
- Community development programs: community members, local and district-level authorities are engaged in all stages of community development activities as demonstrated by the 'Community-constructed infrastructure case study' on page 61.
- Community awareness campaigns: awareness campaigns in villages in close proximity to operations and projects and along the main haulage routes provide an effective avenue for engagement with government agencies and other stakeholders to reach a large audience on key risk issues. During 2014, campaigns covered environmental and road safety awareness, HIV/AIDs awareness, drug prevention and the dangers of unexploded ordnance. Campaigns are designed in the most effective way for the target audience as the Lao National Puppet Troupe example on page 76 demonstrates.
- Familiarisations: PanAust recently hosted a familiarisation event in response to stakeholder feedback. See the Phu Bia Mining roadshow story following on page 46.
- Reports: each year, PanAust's performance is comprehensively reported via this document (Business Review and Sustainability Report). An abridged version focused on Phu Bia Mining's activities is provided to key stakeholders in Laos (in English and Lao).

Image right: Phu Kham local resident, Mrs Mailee with her daughter Chi ialor undergoing a general health check at the Nam Gnong village community healthcare centre

Host communities obtain enduring benefits from PanAust's operations including through employment, the sourcing of local goods and services, and social infrastructure such as schools and healthcare clinics



Social performance

GOVERNMENT ENGAGEMENT

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

The EIS for the KTL project was progressed during 2014. The KTL project is situated close to an urban centre in Laos. PanAust hosted a study tour to Australian mines for the Vice Governor of Xieng Khouang Province and various heads of departments in 2014. The visit provided an opportunity for Lao officials to engage with Australian mining stakeholders and to witness how mining and urban areas can coexist and lessons learnt to ensure the social and environmental impacts are managed responsibly. Officials visited the MMG-owned Rosebery poly-metallic underground mine in Rosebery Tasmania, the Orica-owned ammonium nitrate plant in the Port of Newcastle, and the Bengalla open-pit coal mine at Muswellbrook.

Also during 2014, in preparation for the acquisition of an 80 per cent interest in the Frieda River Project in Papua New Guinea, PanAust hosted a site visit to Laos for a group of key stakeholders: the Papua New Guinean Minister of Mines, the Managing Director of the Papua New Guinean Minerals Resource Authority and the Chief Executive Officer of PanAust's joint venture partner, Highlands Pacific. By visiting PanAust's operations and going into one of the villages close to Phu Kham, the delegation was exposed to the Company's production capability and operational standards, approach to supporting affected communities, environmental management and commitment to workforce localisation. Delegates also met with the Lao Minister of Energy and Mines, providing them with an opportunity to share experiences relating to the regulatory and policy framework in relation to mining in their respective countries.

PHU BIA MINING 'ROADSHOW'



Metallurgical Officer, Bounsalong Hongsombath demonstrating copper processing with an audience of university students at the Phu Bia Mining 'roadshow'

Community stakeholders provided feedback to Phu Bia Mining that they were seeking more information on Company operations to help them better understand how resources are mined in proximity to their communities. In response to this request, the Company hosted an all-day exhibition in Vientiane in November 2014 featuring more than 50 of the Company's employees alongside everything from geology samples, copper processing and huge items of mining machinery, to fresh produce from local market gardens that supply the mines' catering departments. Community members from villages close to the Company's operations also joined the event to showcase how Phu Bia Mining supports business development programs and microfinance, leading to local jobs, opportunities and the building of long-term social capacity.

The event was attended by approximately 500 people representing stakeholder groups such as the government, the media, students, business partners, as well as members of the general public.

INCLUSIVE ENGAGEMENT (ETHNICITY, GENDER AND VULNERABLE GROUPS)

PanAust's engagement programs include mechanisms to ensure that women and vulnerable groups are included in prioritising, planning and delivering community development activities and embedded in stakeholder engagement more broadly.

- Community affairs staff are employed from the main ethnic groups that are present in the local area enabling effective communication between the Company and community members, and to understand the cultural and ethnic nuances within the local area.
- Community meetings are scheduled and coordinated through the village administration system in a manner that best affords all relevant community members the opportunity to participate. Representation by ethnic leaders and the Lao Women's Union (a national organisation for the development of gender equality) are included.
- Engagement forums and community development planning involves both male and female heads-of-households and includes the use of breakout groups to provide vulnerable groups such as women, the youth and the elderly the opportunity to express their views openly and to participate in the identification and development of community projects.
- Complementary socio-economic survey data, disaggregated by gender and ethnicity combines with engagement feedback to inform the community development programs and assists in identifying and prioritising participation by vulnerable groups.



A meeting of the Nam Mo village microfinance committee (The Village Savings and Credit Fund); Nam Mo village is adjacent to the Phu Kham Operation

PANAUST-HOSTED SUSTAINABILITY INVESTOR BRIEFINGS

For the past two years, representatives from PanAust's management team have hosted a series of sustainability briefings for analysts who have a particular interest in the ESG performance of the Company. The briefings have been attended by a range of stakeholders including fund managers and analysts, superannuation providers, sustainability academics and representatives from NGOs. The briefings are an opportunity for PanAust's management to provide an open and transparent overview of the Company's sustainability performance and to respond to attendees' specific questions in relation to their areas of interest. Feedback from attendees helps PanAust determine material issues and the depth of disclosure required for this Report. Additionally, the Company's third-party sustainability report assurance provider attended the 2014 briefings in an observer capacity to inform their understanding of PanAust's materiality assessment/determination process.

The briefings are indicative of PanAust's Value of 'excellence in communication with all stakeholders' and a key input in the Company's sustainability reporting continual improvement process.

PANAUST'S STAKEHOLDERS AND INTERESTED PARTIES

A diverse range of external and internal stakeholder interests and concerns are taken into consideration in PanAust business activities. Stakeholders are identified based on the potential impacts of the project on them and their potential impacts on the Company. Their level of power/influence and interest is then analysed, taking special care to identify those vulnerable groups, such as women, children and the elderly who may have a high interest but limited power. Stakeholder priority and importance will differ across the material issues for each stakeholder group.

Engagement mechanisms are designed to provide stakeholders and other interested parties with an overall awareness of the Company's economic, governance and sustainability performance in addition to focusing on their specific areas of interest. PanAust maintains sustainability performance information on its website and through Company publications. The following table outlines key stakeholder groups, their interests and/or concerns and how PanAust engages with them.

Social performance

PANAUST'S STAKEHOLDER GROUPS

STAKEHOLDER	INTERESTS OR CONCERNS	ENGAGEMENT MECHANISMS
Shareholders and the investment community		
Diverse group of shareholders invested in the Company in addition to associated debt and equity analysts, financiers, ESG analysts, corporate governance analysts and other independent analysts	Long-term shareholder value; consistent financial returns; funding strategy for future growth; project development pipeline; approach to risk management, good operating governance; continual improvement and operating discipline; executive remuneration; high-quality overall ESG performance; good relationships with host governments and communities and other external stakeholders	Annual General Meeting; investor presentations; conferences and forums; market announcements; sustainability investor briefings; participation surveys; investor feedback and surveys; presentations and participation in ESG conferences Investor feedback is then used to inform business strategy and planning and enables the effectiveness of engagement mechanisms to be evaluated; responses to incoming queries are tailored to the specific query and are provided as soon as practicable
Joint venturers		
Organisations that have an equity interest in a PanAust project including the Government of Laos Arrangements can be incorporated or unincorporated	Governance mechanisms are embedded in Company policy, strategy and practice; joint venture partner engagement; strong financial returns; risk mitigation; protection and respect for the environment, local communities and their culture; benefits for host communities; high-quality overall ESG performance	Depending on the structure, management committee meetings of the joint venture; Board and shareholder meetings; technical meetings Concerns raised are addressed through tailored responses (including where necessary action plans or site visits)
Governments and regulators		
Governments in areas of operations across various levels (central, provincial and district) and among country officials (legislators, embassy/government officials and agencies)	National, regional or local legislative and regulatory policy frameworks and compliance; permitting and impact assessments; fiscal regimes relevant to mining; market access; product stewardship; environmental performance; social policy; community issues; community benefits; future investment; local employment practices, locally sourced goods and services; Company contribution towards poverty alleviation	Regular meetings and reporting; workshops and site visits; regulatory information and compliance assessments; consultation and collaboration in project planning Concerns raised through government engagement are addressed through tailored responses (including where necessary action plans or site visits)
Local communities		
Local communities near PanAust's operations and projects	Environment and social impacts associated with operations; access to benefits including local employment, business development, training and education; donations; opportunities for partnerships; environmental performance and land access	Routine meetings; frequent informal interaction; participation in surveys; workshops for community development planning and empowerment through project implementation; site tours; participation in key community cultural events and festivals; issues-based engagement PanAust uses databases and action-tracking mechanisms to manage, address and close out community concerns
PanAust executives		
Board of Directors and Executive Management	Growth; governance; risk and sustainability management; balanced business performance; financial returns	Monthly reports; quarterly (at least) Board meetings and papers; presentations by senior management; interaction with employees and other stakeholders; presentations by industry experts; site visits; feedback from Board and Board Committee (including the Sustainability Committee) Annual presentations by executives to Board and Board Committees on Group material risks (including mitigation strategies) Feedback from Board and Board Committee (including the Sustainability Committee) meetings is communicated to the relevant PanAust manager(s) to address within their area of the business; progress is tracked in subsequent Board papers and meetings

STAKEHOLDER	INTERESTS OR CONCERNS	ENGAGEMENT MECHANISMS
Employees and contractors		
PanAust workforce across Laos, Papua New Guinea, Thailand, Chile and Australia	Health and safety of employees; environmental management programs; employment terms and conditions (including remuneration) and continuity in employment; degree of engagement; development and training	<p>Group/team meetings (daily, weekly and/or monthly); workplace representatives committee; employee briefings and tool-box talks and posters onsite; Group-wide employee newsletter; employee engagement survey; PanAust website and intranet; HR programs targeting competency development; leadership development training; Lao localisation; trades training (apprenticeships)</p> <p>Employee Awards Program to promote best practice (operational and sustainability performance) and continual improvement</p> <p>A Fair Treatment process is available for employees to raise employment-related concerns not addressed in other forums</p> <p>Results of the employee engagement survey provided to employees and action plans have been developed to address key issues identified in the survey</p> <p>External benchmarking of remuneration is undertaken to ensure fair and competitive pay and conditions</p>
Customers		
Mostly other larger organisations	Reliability of supply; product stewardships, product quality, cost and delivery; materials and resource efficiency; management of waste and lifecycle management	<p>Regular communications with PanAust marketing; technical support in terms of use, handling and safety; benchmarking and site visits; technology; and product stewardship initiatives</p> <p>Areas raised are addressed through tailored responses (including where necessary action plans or site visits)</p>
Business relationships (primary interests/concerns: economic, health and safety, environmental, social, governance)		
Groups that share a business relationship with the Company including, contractors, sub-contractors and suppliers	Supply and contract agreements and conditions; safety and sustainability-related expectations; reliable payments; business opportunities; product and pricing information; product stewardship.	<p>Regular meetings and briefings; contracts, including performance feedback processes; Annual General Meeting; site visits</p> <p>Concerns raised are addressed through tailored responses (including where necessary action plans or site visits)</p>
INTERESTED PARTIES		
Media		
Representatives from print, online, broadcast and social media	Broad range of issues reflecting all stakeholder interests including financial, social and environmental performance	Interviews and briefings; market announcements; media releases; hosted site visits; media monitoring service; tailored responses to specific queries; proactive response when errors in factual reporting are identified from media monitoring
Non-government organisations		
may be elevated to a stakeholder when a business relationship is in place, or should a special interest of mutual concern related to a specific Project arises		
Environmental, social and human rights organisations at local, national and international levels	Socio-economic contributions; environmental performance; governance and risk management	<p>Local engagement; regular engagement at the Group level; sustainability investor briefings; attendance and/or presentation at non-government organisation conferences</p> <p>Tailored responses to specific queries; participation at related events, conferences and other forums; feedback surveys</p>
Industry peers and associations		
Commodity-specific and sector-specific associations at national and international levels	Leading practice; industry alignment; benchmarking (technology, employee and safety/sustainability practices)	<p>Industry and broker-hosted conferences and market surveys; hosted site visits; membership of the Australia-New Zealand Business Association in Laos; tailored responses to specific queries; and benchmarking visits to peer operations; membership in the PNG Chamber of Mines and Petroleum (PNG-based) and the Australia PNG Business Council (Australia-based)</p> <p>Tailored responses to specific queries</p>

Social performance

Community relations

Mechanisms are built into PanAust's business practices to monitor the impact of Company activities on affected communities and key stakeholders, and to evaluate engagement and development activities to enable continual improvement. The Company's operations conduct periodic socio-economic surveys of household heads, community leaders and key community members to better understand issues and community living standards⁹. Commencing in 2014, periodic independent perception surveys are also undertaken for operations. The various surveys provide an important mechanism to build understanding of the needs and expectations of host communities and to assess whether stakeholders believe their concerns are being effectively addressed.

The 2014 independent perception survey commissioned by Phu Bia Mining displayed strong results regarding PanAust's commitment to safety and the national economy with the majority of respondents having positive perceptions. The survey results highlighted that stakeholders in close proximity to operations who are regularly engaged are generally highly satisfied whereas those further afield, while generally satisfied, were seeking greater awareness of Company activities. The survey data is informing community engagement approaches to better meet the needs of stakeholders, in addition to community development priorities, and monitoring and evaluation indicators.

PanAust's recruitment strategy to employ locally supports the management of community issues. For example, Lao-national employees in front-line community liaison roles understand cultural and linguistic nuances within the local area, which strengthens community engagement outcomes. Furthermore, cross-cultural awareness training is provided through induction training to employees and contractors to ensure a common understanding of, and respect for, the context of the Company's local host communities.

REQUESTS, COMPLAINTS AND GRIEVANCES

During 2014, 129 requests and proposals were processed by PanAust in Laos; predominantly relating to participation in community awareness activities.

	2012	2013	2014
REQUESTS AND INVITATIONS	121	113	129

Across PanAust, mechanisms to receive and respond to stakeholder grievances and concerns are in place. Operations and exploration projects have local-level community grievance procedures and processes to acknowledge, investigate and document community concerns aligned with the good-practice principles outlined in the table below.

During 2014, PanAust had no disputes relating to Indigenous people and customary rights.

PANAUST'S GRIEVANCE PRINCIPLES

PRINCIPLE (THE PROCESS SHOULD BE)	EXAMPLE OF HOW
Legitimate, predictable, equitable and transparent	Laos operations and exploration projects have a Grievance Management Procedure providing an investigation process for identifying parties to the grievance, a mechanism for escalation, independent review, and arbitration if required. Where activities unavoidably affect livelihoods, compensation and mitigation requirements are implemented as per agreed compensation rates and measures.
Culturally appropriate and based on dialogue and engagement	Village representatives and the various levels of the Government of Laos were consulted in the development of the Procedure to ensure its cultural appropriateness. Procedures allow for individual and collective lodgements of concerns and grievances. Complainants are kept informed of the status of their complaints through regular ongoing communication. Disputes are mediated through the Village Chief with escalation points to the local authorities and then to the district and province. Community officers engage with villages in the various ethnic languages thereby ensuring that people are not excluded due to language barriers. Periodic awareness-raising presentations are held in villages and grievances are an item tabled for discussion at monthly village meetings.
Accessible	The procedures and grievance lodgment forms are available in the villages via PanAust's community officers who are in the community every day. Grievances are lodged by submitting a grievance form to the Company.
Rights-focused	The procedure and process has been established to be fair, providing an inclusive, participatory approach with attention to vulnerable people. The process is available to all village members and the wider community and does not discriminate by ethnicity or gender. An example is PanAust's proactive approach in identifying potential future impacts (such as potential impacts on economic livelihood) and compensation entitlements through engagement with landowners, field surveys and monitoring in advance of the impact. This approach enables effective dispute prevention, management and resolution.
Allow for reporting, monitoring and evaluation, and continual improvement	PanAust monitors grievances and reports on a monthly basis to village meetings and within the Company. Procedures and related processes are periodically revised to ensure that they meet the needs of the business and villages.

⁹ Baseline socio-economic surveys were conducted at Phu Kham (2005), Ban Houayxai (2010) and Phonsavan (2012).

Follow-up household surveys were conducted at Phu Kham (2007, 2008, 2010, and 2012) and at Ban Houayxai (2012).

In 2014, the Company achieved a 96 per cent close-out rate for cases carried-over from previous years with 80 per cent of new cases reported in 2014 also closed out. This achievement was a result of an ambitious rehabilitation program during the dry season which enabled many grievances to be closed out and the land returned to productive use.

COMPLAINTS AND GRIEVANCE MEASURE	2014 GRIEVANCES	CARRIED OVER CASES (FROM PREVIOUS YEARS)	TOTAL CASES ADDRESSED
Number of grievances	64	149	213
Number of affected households	253	283	536
Close-out rate (by cases resolved in full)	51	144	195
Close-out rate (by affected households)	224	177	401
Process agreed (cases to be carried over)	5	5	10
Under investigation	8	0	8

The reporting of grievances has been a focus of this Report's assurance for the past two years. PanAust currently captures all complaints (generally able to be resolved quickly and satisfactorily) and grievances (the escalation of complaints to a situation where it requires third-party intervention or adjudication to resolve) in its reporting under the term 'grievance'. The majority of the data disclosed by the Company relates to complaints. During 2015, and in preparation for the inclusion of Frieda River data, PanAust will review the ways that it defines, assesses and reports grievances in order to provide a stronger link to materiality and 'true' grievances. While the total number of complaints and grievances will continue to be reported, grievances will be presented separately to provide a balanced comparison between complaints that were readily resolved and grievances.

COMPENSATION AND RESETTLEMENT

PanAust's approach to project development is to design work sites in such a way that involuntary resettlement is avoided. This approach is consistent with the IFC Performance Standard 5 Land Acquisition and Involuntary Resettlement and the IFC Performance Standard 7 Indigenous Peoples resettlement of Indigenous peoples on communal lands. PanAust respects the principle of free, prior and informed consent contained within IFC Performance Standard 7, to the greatest degree possible in development planning and implementation while recognising that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation.

The Company is committed to implementing a compensation process ensuring that Project Affected People are compensated for loss of assets and/or production by maintaining, at a minimum, pre-impact standards of living, housing and livelihoods. Physical and economic displacement is managed using the Company's Compensation Standard, Grievance Management Procedure and Consultation and Community Engagement Procedure.

The grievance management process ensures that compensation is paid in a transparent manner at an agreed and documented schedule of rates. Compensation rates are calculated based on market price surveys, provincial agreements and in consultation and/or with approval from local government and community leaders.

In 2014, none of PanAust's activity in Laos required resettlement.

In 2014, a total of US\$419,636 was paid in compensation and remediation for economic livelihood impacts related to rice production. Of this, 34 per cent was paid to communities surrounding the Phu Kham operation, and 64 per cent related to the KTL exploration areas. Concerns raised by communities in close proximity to KTL throughout 2014 included impacts to rice paddies and fishponds from sediment.

COMPENSATION PAID US\$	2012	2013	2014
Amount	816,608	418,886	419,636

Lao regulations and international standards, such as those from the IFC and ICMM, require PanAust to minimise impacts to community land. The requirements for compensation become more prescriptive as the degree of impact increases. When significant impacts occur at the household level (that is, more than 20 per cent of household production), national Lao regulations require livelihood restoration rather than cash compensation. See the Frieda River governance case study on pages 34 and 35 that discusses how the PanAust development concept has reduced the land-based project footprint to address resettlement.

LIVELIHOOD RESTORATION

At the LCT exploration site, which is close to the Phu Kham operation, economic livelihood restoration planning was progressed for 16 households from Nam Gnone village where land was permanently impacted by the installation of sediment control structures. In 2013, comprehensive consultation and capacity-building was undertaken with affected households to support the progression of informed decisions regarding options for livelihood restoration. The focus in 2014 was on reaching agreement with affected villagers and local government on land compensation rates and forms for permanent settlement in order to develop livelihood restoration plans. At the end of 2014, the proposed compensation rate, submitted by the Company during the year, was under consideration by the Government of Laos. In December 2014, a specialist committee was established by the Governor of Xaisomboun to oversee compensation for permanently impacted land from KTL exploration activities. The committee will convene in early 2015; enabling the completion of the livelihood restoration plans.

CAPTURING ENGAGEMENT, FEEDBACK, COMPLAINTS, GRIEVANCES AND COMMITMENTS

All engagement activities, feedback, complaints, grievances and commitments are captured in PanAust's electronic reporting and corrective action management systems. This allows trends to be identified, addressed, monitored and reported.

Social performance

ARTISANAL MINING (PRE-EMPTIVE COMMUNITY RELATIONS MANAGEMENT)

Artisanal small-scale mining (ASM) management is an issue on the risk register for Phu Bia Mining that had been assessed internally as requiring further analysis to ensure that Company risks remain well contained and understood. The Frieda River due diligence assessment undertaken prior to the acquisition of the Project in Papua New Guinea also identified ASM activities as a likely future issue for the Company given its presence in the local area and the current main form of cash income in two project communities. During 2014, PanAust commissioned two independent consultants to examine the risks of ASM for its Lao mines and the Frieda River Project in Papua New Guinea.

In a much broader context than PanAust's operations, ASM is a widespread activity in Laos undertaken by local kin groups as a subsistence activity to supplement agricultural livelihoods in periods of reduced activity. In-migration, land pressures and food shortages, local inflation and a lack of employment and cash-earning opportunities, compound the pursuit of ASM.

The assessment found that in global terms, the Company's ASM challenges in Laos are currently fairly well contained. Phu Bia Mining was assessed as having a reasonable strategy, resources and management structures to efficiently mitigate ASM challenges compared to operations of similar size and scale. Phu Bia Mining was therefore found to have a low-to-medium ASM risk profile at this point in time. In order to maintain this profile, a number of strategic actions were recommended to enhance Company policy and practice pertaining to the social licence to operate, inclusion of ASM risks in mine closure and exploration planning, and further economic analysis.

With regards to the Frieda River Project, a baseline assessment and projection of ASM activities, and the identification of future social and environmental risk issues that are likely to present in the communities with the development of the Project commenced in late 2014 and will be finalised in 2015.

The results of both baseline assessments will inform the development of a Company-wide ASM policy and strategy in 2015. This pre-emptive ASM management approach demonstrates PanAust's commitment to continual improvement, responsiveness and management of risks that may not be material at this point but have the potential to be so in the future.

Economic contribution to society

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

PanAust contributes to the Lao economy in a number of ways, including the following.

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

To serve PanAust's Laos-based activities, the Company engages local companies (Lao and international companies based in Laos) where appropriate; taking into consideration commercial competitiveness, risk profile and contractor capacity to provide a service in a safe and responsible manner. In Laos, local contractor and supplier capacity to meet PanAust's safety and other requirements is improving as a result of direct capacity-improvement activities undertaken by PanAust, and more generally as the mining sector develops in that country. PanAust supports this process through partnering, training and coaching, and by requiring local companies to progressively meet the Company's expectations on minimum standards. In the longer term, this approach will provide a more sustainable outcome for both PanAust and contractors while maximising expenditure flowing back into the local and regional economy.

Image right: Senior Microfinance Officer, Tickham Phachanthone with market-gardener, Mr Phoummee in a market-garden nursery in Nam Mo village, which is located near to Phu Kham

PanAust's philosophy is that wherever the Company operates, it partners with local communities and authorities to improve the socioeconomic wellbeing of the region



Social performance

PanAust makes a significant contribution to the economy of Laos at community and national levels through its operational activities and the Government of Laos' 10 per cent shareholding in Phu Bia Mining. To date, the Company has invested approximately US\$1.34 billion into Laos (this represents the expenditure on physical assets and exploration areas located in Laos). This figure includes PanAust's 2014 expenditure of US\$3 million towards public road infrastructure and maintenance along the Company's logistics route and regional roads in proximity to the Company's operations (since 2006, public road infrastructure expenditure by PanAust in Laos totals more than US\$54 million). Improvements and maintenance to the PKM haulage route have benefited 11 villages with a combined population of 16,000 people, providing faster access to markets and public services including hospitals and schools for local people.

Total Phu Bia Mining activity, taking into account investments and in-country operating expenditure, accounted for 3.4 per cent of Laos' real gross domestic product¹⁰ (GDP) of US\$12.1 billion in 2014.

This investment does not take into account the indirect impacts of the Company's presence, for which there is a widely accepted and typical multiplier effect of around 2.5 from mining projects in developing countries¹¹ such as Laos.

During 2014, PanAust's other economic contributions to Laos included:

- payment of US\$188 million to Lao suppliers of goods and services
- approximately US\$55 million to the Government of Laos (see table opposite)
- capacity-building programs and activities at district, provincial and central government levels
- employed 3,623 people in Laos, 87 per cent of whom are Lao-nationals, with 31 percent of total employees in Laos coming from local villages in close proximity to Lao operations
- administered a sponsorships and donations program in Laos (in addition to the community development program), where US\$229,000 was donated to a wide range of recipients through cash and in-kind donations
- a US\$1 million payment towards the partnership with the Asian Development Bank to implement a project to improve water and sanitation in 11 towns in Laos (see page 57).

Phu Bia Mining 2014 revenues of US\$679 million for the sale (and export) of copper, gold and silver represent 25.3 per cent of total Lao goods exports (US\$2,513 million) for the year.

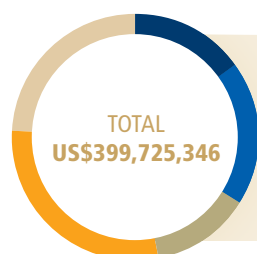
¹⁰ Based on the 'expenditure approach' of calculating GDP where GDP can be derived as the sum of all final expenditures, changes in inventories of finished goods, work-in-progress and raw materials, and the value of exports of goods and services less the value of imports of goods and services. In this context, final expenditures comprise final consumption expenditure and gross fixed capital formation. These expenditures are equivalent to final demand and the measure is commonly referred to as GDP-expenditure approach.

¹¹ Sources: ICMM publication, *The role of mining in national economies*, 2012; World Bank and IFC publication, *Large mines and communities: forging partnerships, building sustainability*, 2002

2014 TOTAL EXPENDITURE ASIA BUSINESS UNIT (US\$)



2014 TOTAL EXPENDITURE ON GOODS AND SERVICES BY ASIA BUSINESS UNIT (US\$)



DIRECT ECONOMIC BENEFIT TO GOVERNMENT OF LAOS \$US

DESCRIPTION	2012	2013	2014
Payroll tax	6,091,773	5,639,250	5,471,544
Customs excise (import service fee)	2,562,880	2,610,753	1,135,471
Profit tax	46,774,746	26,328,549	8,234,855
Royalties	40,205,989	45,092,563	35,373,609
Concession fees	58,916	38,911	99,061
Value added tax and business turnover tax paid upfront	21,973,779	20,767,931	15,419,985
Value added tax and/or business turnover tax deducted from income tax	(21,973,779)	(20,767,931)	(15,419,985)
Fuel import duty and excise tax	-	2,447,888	5,113,335
Fuel import duty and excise tax deducted from profit tax	-	(2,447,888)	(5,113,335)
Dividend	4,148,152	4,150,000	4,310,000
TOTAL CONTRIBUTION	99,842,456	83,860,025	54,624,540

DISTRIBUTION OF PANAUST GROUP REVENUE 12 MONTHS TO DECEMBER 2014 US\$

REGION	OPERATING COSTS BY REGION	EMPLOYEE WAGES AND BENEFITS BY REGION ^	PAYMENTS TO PROVIDERS OF CAPITAL BY REGION	PAYMENTS TO GOVERNMENT BY REGION
Laos	400,500,139	71,759,532	17,173,026	54,624,540
Thailand	1,057,264	131,419	0	0
Vietnam ~	0	0	0	0
Chile	777,398	2,323,930	0	795,543
Australia	9,246,677	31,400,119	210,983	1,481,762
TOTAL	411,581,478	105,615,000	17,384,009	56,901,845
GROUP REVENUE*				698,330,613
GROUP ECONOMIC VALUE RETAINED#				155,515,271

^ Operating costs only; does not include capital projects

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

* Sales revenue, derivative gains/losses and other income

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

Social performance

Community development

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

In Laos, community development projects are managed in partnership with local communities and closely coordinated with local government authorities. In 2014, Community Development Funds (CDFs) were in place at Phu Kham, Ban Houayxai and KTL with Memoranda of Understanding between PanAust and the Government of Laos defining coordination and management arrangements. Planning follows a process that begins with community-led needs assessments and a review of the socio-economic situation in each community. Consultations are held with local government to ensure alignment with national development strategies and goals and to avoid duplication with existing or planned government initiatives. Once finalised, annual community development plans are jointly approved by the Company and local government. This approach ensures benefits are distributed appropriately and development programs are aligned with government and/or any aid agencies working in the region.

In 2014, a total of US\$665,500 was budgeted for CDF activities in Laos: Phu Kham, US\$388,000; Ban Houayxai, US\$188,000; KTL, US\$89,500. CDF programs in Laos in 2014 comprised 46 small-scale projects (two of which, at year-end, were still under construction) across rural communities directly and indirectly affected by PanAust's activities. Focus areas were education, health, agricultural development, microfinance and infrastructure. A total of US\$527,757 was expended on CDF projects in Laos during the year with the proposed budget in 2015 including projects that will be carried over from 2014. The 2014 community development expenditure was almost US\$400,000 less than the 2013 spend. The difference was a result of the 2013 budget including US\$231,000 in carryover projects from 2012 in addition to higher CDF discretionary spending of US\$260,000 to escalate priority social infrastructure projects, like the construction of water facilities in communities near operations.

COMMUNITY DEVELOPMENT FUND TOTAL EXPENDITURE US\$

	2012	2013	2014
EXPENDITURE	515,018	922,701	527,757

In addition to CDFs, a 'one project per village' community development budget provision was established in 2012 to include 11 villages that are in proximity to remote exploration sites and transport corridors but not included in other community development programs. The objective of this program is to seek opportunities for positive social and economic benefits during early phases of exploration activities. During 2014, 22 projects were implemented under this program. Phu Bia Mining will likely merge this activity with the donations program in 2015 given the reduction in exploration activity planned over the next two years in Laos.

In Chile during 2014, the Company contributed US\$169,142 to community development projects, which included continuing to support a program to enable the provision of medical services to the remote township of Inca De Oro. Contributions were also made for infrastructure improvements to the township's Seniors' club and a park. The Company continued to engage with the local community on a regular basis.

The following section provides an overview of the Company's contribution to projects across the areas of education, health and infrastructure in Laos. The 'capacity-building' section of this Report on page 58 contains information regarding agriculture and microfinance.

CONTRIBUTIONS TO EDUCATION

Educational opportunities are limited in many of the rural communities near PanAust's operations in Laos. Although most villages have a primary school, facilities are basic, classrooms can be overcrowded and teachers over-extended. A significant number of children do not finish primary school nor complete secondary education. During 2014, the Company contributed US\$162,852 towards initiatives designed to increase access to education and the quality of learning. Since 2008, PanAust has supported the construction (or parts thereof) of 13 new schools in host communities providing access to improved education facilities for approximately 1,700 children. Contributions are also made towards school furniture, provision of teaching materials and continued teacher professional development.

COMMUNITY HEALTH

Poor health is a significant problem facing many rural communities in Laos. Contributing factors include a lack of quality healthcare services, poor hygiene and sanitation practices, limited health awareness, low rates of childhood immunisation and poor nutrition. In 2014, PanAust contributed US\$193,430 to community development health initiatives in Laos including the following.

- Donation of an ambulance to the Longxan District Hospital.
- Health education with the assistance of the Vang Vieng District Health Officials in the villages of Nasaysavang, Nalao, Ngiew, Phonkeo, Phonsavang, Namon-Neua, and Lak24. Advice provided included prenatal health, stages of child development, breastfeeding and baby/child nutrition, immunisation, and family planning; health checks were also carried out.
- Mobile health clinics across communities. The clinics provided free general health checks, dental treatment and eye checks.
- Provision of material to contribute towards the construction of latrines as budgeted and mentioned in the infrastructure section below.

THREE YEARS OF WORKING WITH INTERPLAST

As part of a three-year sponsorship arrangement that commenced in 2012, PanAust again partnered with not-for-profit, Interplast Australia and New Zealand (Interplast) in 2014 to provide life-changing surgical treatment free-of-charge to people who otherwise would not have access to such services. In 2014, the Phonsavan-based program (located near the KTL Project) provided consultations to 205 people and carried out surgical procedures on 91 people for conditions such as cleft lip or cleft palate, burn scar contractures or mild deformities.



Members of the PanAust-sponsored Interplast team with a local Lao family during the two-week medical program held in Phonsavan in September 2014

PanAust has contributed US\$150,000 towards this program, which brings highly experienced volunteer medical personnel to Laos to deliver the services while working alongside, and thereby training, Lao staff. Since its 2012 inception, 211 people have undergone surgery.

PanAust's partnership with Interplast is an example of a successful longer term program that was forged following identification of the need through stakeholder engagement activities, and has committed to funding this program for an additional two years. As well as working with Interplast, the full program involves and depends on the assistance of much-needed partnerships with local health services and personnel, and the Women's International Group to provide patient logistical and financial support.

To view stories about the difference that the PanAust/Interplast partnership has made in people's lives in Laos, visit www.panaust.com.au/gallery/images-and-videos.

INFRASTRUCTURE PROVISION

PanAust has made significant contributions to various forms of infrastructure in Laos, including medical facilities, education and building infrastructure, road development and maintenance and water and sanitation systems. The budget for infrastructure is allocated to community categories (for example expenditure on sanitation infrastructure is contained within the health budget and schools within the education budget). The community-constructed infrastructure case study on page 61 demonstrates PanAust's capacity-building approach to the provision of infrastructure during 2014.

Residents of two villages in the Vang Vieng District are benefiting from new water supplies constructed with assistance from Ban Houayxai's CDF. The new gravity-fed systems provide water to approximately 1,800 people in the villages of Ngiew and Phonekeo. To promote sustainability a maintenance fund and management committee has been established in each village.

Community participation is a vital ingredient to the success and sustainability of community development projects. Accordingly villagers in Ngiew and Phonekeo were closely involved in every stage of the projects including the construction itself. Since 2011, 14 villages have benefited from new and improved village water supply systems across the Xaisomboun, Xieng Khouang and Vientiane provinces; positively impacting more than 12,000 people.

The water supply systems are gravity fed systems that deliver water from mountain streams to public standpipes in the village.

Throughout 2014, PanAust also progressed the delivery of enhanced sanitation infrastructure (which, by its nature, contributes to the United Nations Millennium Development Goals) through 'community-constructed projects'. Seven-hundred and four households across 13 villages, and 10 schools (from 10 villages) have benefited from materials to construct latrines to address community health issues. The construction of latrine facilities is an example of a 'community-constructed project' highlighted below.

PanAust continued to implement its ground-breaking partnership with the Asian Development Bank and the Government of Laos to improve water supply and sanitation in 11 small towns with a combined population of approximately 160,000 people. To date, PanAust had expensed US\$2 million in grants toward the Project and is contributing US\$6 million over the project life which is expected to be six years. The US\$45 million project contributes to the Government of Laos' target of 90 per cent piped water supply and 100 per cent sanitation coverage in urban areas by 2030.

Social performance

Long-term capacity-building in communities

The Company aims to build long-term capacity in communities through economic development and contributing to strengthening community resilience, rather than economic dependency. Through careful planning of community development initiatives and local purchasing and investment, PanAust has developed community capacity to manage key infrastructure and develop skills to maintain and grow local business enterprises.

ENTERPRISE DEVELOPMENT (SUPPORTING LOCAL BUSINESSES)

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

PanAust's short-term goal is to collaborate with stakeholders to boost local food production to meet the demand from operations. In the longer term, in the interest of post-mine sustainability, the focus will shift to facilitating participants' access to alternative markets to reduce reliance on sales to PanAust. To support this process, in 2014 the Company spent approximately US\$74,000 on initiatives to enhance local farming capacity including agricultural training for local villagers to improve yields, quality and diversity, as well as technical and material assistance to several government-run agricultural outreach centres. Activities through the CDF included the sponsorship of 23 local farmers from the Nasaysavang, Ngiew, Phonkeo, Phonsavang and Namon-Neua villages near Ban Houayxai to attend wet-season vegetable growing and greenhouse construction training courses at the Houayxon-Houayxua Agricultural Technical Development Centre. These farmers took their skills back to their villages where during the last year they have either completed or have under construction/have advanced planning in place for 24 new greenhouses. Implementation of these initiatives for Ban Houayxai communities builds on the program established in previous years around Phu Kham.

INCOME GENERATED FROM SMALL BUSINESS INITIATIVES US\$

Throughout 2014, small community businesses collectively generated over US\$972,000 of revenue for local families producing consumables such as vegetables, drinking water, eggs, cloth bags, fruit and fish.

	2012	2013	2014
TOTAL	771,262	1,020,587	972,552

MICROFINANCE SCHEMES

Since 2010, the Company has assisted 12 local communities establish microfinance schemes through Village Savings and Credit Funds (VS&CF) thereby empowering local communities – in particular women – through enterprise development. The VS&CFs provide access to savings and loan facilities that are not otherwise available in rural areas for its 1,500 members. Members take loans to support a variety of small-scale income generating activities, as well as to cover household expenditure such as education and healthcare. Village-level management committees provide oversight of the schemes, which are supervised by a district supervisory committee headed by the Lao Women's Union. In 2014, just over \$200,000 in savings was deposited by participating villagers and a similar amount was released in loans.

Through PanAust's CDF, the scheme has been able to access training, technical advice and coaching for the management committees and district supervisory committees. Given the rapid growth of the scheme and the context of post-closure preparedness, 2014 was a year of consolidation for PanAust's microfinance programs. The Company contributed US\$52,359 to activities focused on governance and other capacity-building initiatives. For example, an independent financial audit and review to support and strengthen the governance systems and practices of the management and supervisory committees was carried out; and training was conducted for district supervisory committees on topics including governance, accounting and internal controls.

External appraisals confirm the financial health of the schemes, indicating they are well utilised, highly valued by participating families and provide an important service. The number of non-performing loans is being closely tracked by the schemes as per their ongoing governance processes. In 2015, further capacity building will be provided to local authorities with a view to pursuing a more sustainable longer term structure.

PLANNING FOR RESILIENCE

PanAust undertakes ongoing monitoring of the socio-economic context of its host communities in order to inform life-of-mine planning, community engagement and CDF expenditure. This approach helps PanAust identify ways that its activities can support community resilience, which in turn strengthens business resilience.

POPULATION AND ECONOMIC GROWTH IN LOCAL COMMUNITIES

PanAust understands that its operations and activities in Laos create a strong demand for products and services, particularly in areas close to its operations. These economic opportunities often lead to population increases (through inward migration) in nearby villages. Population growth can also enhance economic growth and broaden market and development opportunities¹². However, inward migration may also increase pressures on local food security and increase the incidence of disease.

¹² Source: IFC report, Understanding Project-induced In-migration.

GROWING FRESH-PRODUCE BUSINESSES LOCALLY

PanAust's Phu Kham operations obtains fresh produce from the three villages Ban Nam Gnong, Ban Nam Mo and Ban Nasaysavang, which are in close proximity to operations. In 2009, Phu Bia Mining, in conjunction with local community leaders, established a market-garden enterprise to help boost cash incomes for local people and supply the mine with fresh vegetables. Now in its sixth year of operation, the initiative supports more than 300 local households.

In the early stages of Phu Kham's operation, engagement with community stakeholders identified agriculture as a small business opportunity for local farmers. Building on the traditional agricultural base of the communities, community officers worked with community leaders to register participants and establish a farmers' cooperative. Subsequently, training and advice was provided to enable improvements to the quality, quantity and variety of produce. A central point was established in each village for weekly sales and collection between villagers and the Company. During 2014, the Phu Kham Operation purchased an average of 12,000 kilograms of locally grown produce purchased each month.

The initiative has proven to be especially beneficial for local women, who comprise the overwhelming majority of participants. Land-poor households have also benefitted through the allocation of newly developed market-garden land.

Several varieties of vegetables which were not previously cultivated in the area, including potatoes, carrots and tomatoes, are now grown and sold at the markets. This increase in the quantity and variety of vegetables grown has added nutritional diversity and provided food security for local communities; socio-economic survey data shows that the proportion of households reporting food shortages reduced significantly between 2010 and 2012.

The Company has also adjusted to local capabilities. The Phu Kham camp now uses more seasonal local vegetables in place of imported produce and, after local farmers were trained in mushroom cultivation, locally grown mushrooms feature regularly and are a popular menu choice for employees.

Lessons learnt from Phu Kham's market-garden programs have been incorporated in other PanAust livelihood improvement programs. The approach was replicated at Ban Houayxai and can readily be applied at other sites in Laos and Papua New Guinea as well as other areas in which the Company may work in the future.

At the Ban Houayxai Operation, fish-farming in Nasaysavang village was fostered through breeding and farming programs conducted with assistance from the Vang Vieng District Agriculture and Forestry Office as part of the 2013 and 2014 CDF. In 2014, Ban Houayxai commenced the purchase of local fish from Nasaysavang with a total of 113 kilograms purchased in the first month.

Through regular socio-economic surveys, PanAust monitors population growth in communities near its operations and advanced-stage exploration sites. PanAust continues to monitor migration trends against information sourced in respect to historical migration. This information assists in implementing policies to ensure the delivery of benefits to people most affected by the Company's operations, and to minimise Company-induced impacts on them. Additionally, the data enables PanAust to proactively manage any in-migration impacts on the Company's business.

PanAust's recruitment practices identify long-term residents of local communities (true locals) and prioritise recruitment of them to suitable positions. True local checks are also included as part of community development planning processes to ensure long-term residents are appropriately represented and benefit from community development initiatives such as microfinance, agricultural training and vegetable trading. True local checks are not conducted for projects that provide a 'collective good' to the whole community, for instance public services such as schooling or healthcare. In 2014, the Company undertook an audit of its true local processes and policies to ensure personnel are continuing to apply them appropriately.

PANAUST TOTAL COMMUNITY DEVELOPMENT CONTRIBUTIONS

PanAust's total community contribution is provided through country-specific community development programs (including the CDF in Laos), the ADB water infrastructure project and sponsorship and donations.

As stated already in this Report (see page 56), 2014 CDF expenditure in Laos was almost US\$400,000 less than the 2013 spend. The difference was a result of the 2013 budget including US\$231,000 in carryover projects from 2012 in addition to higher CDF discretionary spending of US\$260,000 to escalate priority social infrastructure projects such as the construction of water facilities in communities near operations. The expenditure in 2014 was comparative with 2011 and 2012 amounts.

CONTRIBUTION*	2013 \$US MILLION	2014 US\$ MILLION
CDF Laos	0.923	0.528
Community development PNG#	-	0.028
Community development Chile	0.222	0.169
ADB – water infrastructure project	1	1
Sponsorship and donations Laos	0.235	0.229
Sponsorship and donations Australia	0.06	0.078
TOTAL CONTRIBUTION	2.38	2.032
PanAust adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)	272	194
Total contribution as a percentage of EBITDA	0.88%	1.04%

* PanAust's year-on-year contributions remain consistent irrespective of the Company consolidated profit position; this table does not include in-kind and administration contributions towards community priorities or the purchase of locally produced consumables such as locally grown food

PanAust acquired an 80 per cent interest of the Frieda River Project in Papua New Guinea in August 2014

Social performance

FRIEDA RIVER COMMUNITY PROGRAMS

Since PanAust took ownership of the Frieda River project, the Company has provided support for a modest range of community programs, commensurate with the project lifecycle stage and focused on access to health and education services.

Collaboration between Telefomin District Health, the Papua New Guinea Baptist Church Health Services and the Frieda River Project increased accessibility to health services for local communities. The programs predominately focus on the seven land-owning communities of the proposed mine area. Examples of activities include the provision of National Supplementary Immunisation Activities and numerous community outpatient clinics.

National Supplementary Immunisation Activities is a program aimed at protecting children less than five years from contracting polio. During the immunisation activities, 622 children were immunised against polio with many obtaining other vaccines and medication to protect them from diseases like tuberculosis and measles.

There were 46 community outpatient clinics conducted, which were attended by 2,860 people including children and people from neighbouring villages (outside the mine area boundary).

The Frieda River project also supported the provision of transport to and from hospitals in Mount Hagen, Wewak and Telefomin for 18 medical emergencies in local communities.

Travel Assistance and Fee Assistance Schemes support improving landowning communities' access to education. During the reporting period, 50 students were supported with travel assistance to the nearest town centres. Twenty-seven students were provided Fee Assistance (comprising 50 per cent of education costs inclusive of school projects and tuition fees for those students attending upper primary and above education). Support was also provided to public servants through transport assistance and the adhoc supply of food rations to assist the delivery of their services in communities.

Closure preparedness

PanAust's approach to closure planning for its Lao operations demonstrates the care with which the Company undertakes its activities in addition to how engagement and development approaches are continually refined to meet the needs and concerns of communities and to progress enduring opportunities beyond the life of mine.

Closure planning is a strategic agenda item for the Sustainability Committee and the PanAust Board. In 2014 PanAust Asia established processes to engage government stakeholders and local communities in the early development of closure objectives that can be aligned to the Company's long term social and rehabilitation programs.

While mine closure is several years into the future, it is recognised as good practice to establish dialogue early and to align operational commitments with post closure outcomes.

In the 2013 *Sustainability Report*, PanAust provided an overview of its planned approach to post-closure preparedness for its Lao operations, which is underpinned by the recognition that in a developing country like Laos, economic opportunities and social support mechanisms to assist people and communities after mine closure are not as readily available as in developed economies.

PanAust's approach in Laos from the onset has been to minimise the local population's dependency on its mining operations by developing sustainable community programs through agricultural training, microfinance and small business activities, and by ensuring all new health and education infrastructure is owned and managed by local authorities. PanAust takes a balanced approach to achieving this objective, recognising that initially programs may need to be more dependent on the Company in order to become more sustainable over the longer term. 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.

During 2014, PanAust delivered on its commitment to undertake sufficient planning to provide appropriate lead times for closure planning to enable the development of detailed social closure plans. Internal and external stakeholder engagement commenced in line with the Phu Kham Stakeholder Engagement Plan for Closure. The Government of Laos endorsed a Memorandum of Understanding for a joint Rehabilitation and Closure Committee (a multi-stakeholder committee chaired by Xaisomboun Province and involving representatives from Phu Bia Mining and the Government of Laos). The committee formed and met towards the end of 2014; it will provide a structured engagement process for planning for mine closure, and to gain alignment on the Company's longer term social and environmental rehabilitation programs beyond the mine life including a joint vision for closure and agreed criteria for completion.

Conceptual 3D 'flyover' visualisations were developed showing closure plans for Phu Kham, the Heap Leach Gold Operation, and Ban Houayxai providing a key tool in establishing and communicating a closure vision. Closure awareness workshops were organised in Xaisomboun Province for members of the Rehabilitation and Closure Committee, as well as in local villages affected by operations and with the central Government of Laos in Vientiane. Over the next few years, mine closure plans for Phu Kham and Ban Houayxai will progressively become more detailed and specific through an iterative process of review and revision.

A third-party review of the Company's community development programs was undertaken during 2014. The effectiveness of programs was assessed and recommendations made regarding future focus areas in preparation for closure. The review concluded that the current process in place for administering the program is effective, appreciated by communities and aligned with their needs, and guided by national socio-economic development targets and by memoranda of understanding with the proper authorities. The review recommended that going forward closure plans be reviewed and goals agreed with local stakeholders and linked to future community development priorities.

The review noted that the areas of replaced livelihoods, employment, inward migration, food security and ongoing monitoring and evaluation pose different degrees of direct and indirect risk for each local community that currently benefit from community programs. PanAust has commenced the assessment of social risks associated with closure and during 2015 will continue to proactively engage with stakeholders to progress closure planning activities.

SOCIAL PERFORMANCE CASE STUDY:

Community-constructed infrastructure



Ban Phonekeo Primary School students greeting their teacher with the traditional Lao greeting, "Sabaidee"

As part of PanAust's activities to build long-term capacity within the communities it operates, the Company's annual CDFs include a number of social infrastructure priorities, identified by communities in collaboration with government. Traditionally PanAust provided funding towards priority projects, engaging a contractor to build the infrastructure. As the Company's understanding of community development has matured, a more socially inclusive, capacity-building model has emerged and was implemented in 2014. Once the priority projects are identified by communities, the proposed project is approved by a multi-stakeholder committee. PanAust procures the materials for the project and local community members build the infrastructure themselves (where appropriate) with supervision by engineers from the local authority and Phu Bia Mining personnel.

There are many advantages to this approach including higher levels of participation in the planning and construction process and, consequentially, improved community ownership. It is also a cost-effective process which has enabled PanAust's CDF budget to support the construction of more facilities.

In 2014, PanAust contributed US\$244,276 towards community infrastructure projects. The budget for this expenditure was reported and allocated under the main theme area; for example, school improvements were included in the education budget and new water supplies in the health budget. Of this total spend, US\$112,535 supported the following community-constructed infrastructure projects in various villages:

- new water supply, Ban Thongkhak
- two gabion weirs for irrigation, Ban Lath Houang
- household latrine promotion, Ban Thongkhoun and Ban Xiengme
- primary school improvement, Ban Phonsavang
- school sanitation improvements, Ban Lak24 and Ban Ngiew
- upgrade of gravity-fed water supply, Ban Lak24
- village water and sanitation project, Ban Khou.

While a large number of projects were constructed by local communities such as those above, larger scale, more complex projects were delivered by licensed construction firms. In 2014, expenditure of US\$131,741 delivered a number of larger projects including a community market in Nasaysavang, village offices in Nonghen and Vieng, primary school buildings in Phonekeo, and the first phase of a secondary school in Nam Mo.

PanAust has commenced the development of internal procedures to manage potential risks associated with this new approach to ensure that there are performance measures in place with a strong commitment to governance, safety, quality and timeliness, and that community members are not overburdened. The Company is consulting with Ministry of Education and the Lao-Government's Poverty Reduction Fund – both of which implement construction projects using a similar community involvement approach – to draw on lessons learnt and share experiences.

Environmental performance

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

Baseline studies and Environmental and Social Impact Assessments (ESIAs) are used in conjunction with internal risk management processes to identify and prioritise PanAust's environmental risk profile. For the Frieda River Project in Papua New Guinea, the Environmental Inception Report and the Environmental Permit Application were submitted in 2014 and the Environmental Impact Statement will be ready for submission in 2015.

PanAust assesses and manages environmental risks associated with all business activities from exploration to development, and operations and into closure. Environmental risks are managed through the Environmental Management System (consistent with ISO14001) which includes Sustainability Standards, procedures, and management and monitoring plans for each site. Progress against management and monitoring plans is assessed at regular intervals. For key material issues, external audits and/or detailed reviews of performance are undertaken (for example, for tailings and waste rock management). In 2012, the Company undertook gap analyses of the Phu Kham and Ban Houayxai Operations against the relevant aspects of the ISO14001 Standard and during the subsequent three years, action plans have been implemented to align with the Standard.

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

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

In 2014, environmental expenditure at PanAust's Laos based operations was approximately \$7.3 million which was predominantly on works associated with ARD mitigations to manage waste rock and tailings.

In 2014, PanAust had no significant environmental incidents, complaints, spills, penalties, fines or non-monetary sanctions for any legal non-compliance.

Environmental performance: material issues 2014

PanAust's materiality process identified the main environmental challenges for PanAust in 2014 as:

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

Details pertaining to each of these topics follow.

Tailings and waste rock management

Tailings and waste rock management continues to be the most significant short- and long-term environmental risk for PanAust. The management of acid rock drainage (ARD) at Phu Kham is a key focus. The management of tailings is significant due to the volumes requiring management, its ARD potential, metalliferous nature, and sedimentation impact that may occur. PanAust recognises that tailings storage facilities (TSFs) can represent a material risk and therefore require wide-ranging management and governance processes to reduce the risk to as low as reasonably practicable.

Purpose-built TSFs are used to dispose of both waste rock and tailings generated from the Phu Kham and Ban Houayxai mines. The facilities are designed and constructed using a risk-based approach that accounts for the best life-of-mine and closure-management strategy. An Independent Tailings and Geotechnical Review Panel (consisting of two industry-leading tailings and geotechnical specialists) periodically evaluates each TSF's risk profile and performance, and reports directly to a PanAust Tailings Management Committee, which is chaired by PanAust's Managing Director, Dr Fred Hess. The period of review is determined based on performance of the facility and planned construction activities. In 2014, planned reviews including on-site inspections were completed for the Phu Kham and Ban Houayxai TSFs. Overall, the review findings were positive with no significant deficiencies identified.

ARD Management Plans have been developed for each site. The management plans take into account the results of waste rock characterisation and provide strategies for the identification, control and monitoring of ARD. On a day-to-day operational basis, well-established controls and strict placement procedures manage mine waste movement. A 'traffic light' management plan (red, amber, green,) is used to classify each waste type and ensure it is managed and disposed of in the correct location.

Image right: Environment Supervisor, Vidalath Vongnalaysane applying organic fertiliser to seedlings at the Ban Houayxai nursery; the fertiliser is made from waste food compost from the Ban Houayxai camp kitchen

PanAust prevents and minimises pollution and promotes the efficient use of natural resources; reuses and recycles waste; minimises contaminated emissions to air, land and water; and progressively rehabilitates land



Environmental performance

PanAust's ARD and Sediment Management Committee comprises internal management and external specialist ARD, tailings and civil engineering monitoring consultants to closely monitor implementation of each site's ARD management plan including the waste characterisation results and associated ARD controls. The committee ensures that management strategies are effective in minimising ARD during construction and placement of waste and continue to be effective long after mine closure.

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

	2012	2013	2014
WASTE ROCK (TOTAL)*	24,230,174	24,579,700	38,361,951
RED WASTE ROCK^	3,729,113	4,865,160	4,028,062
TAILINGS	17,578,234	22,336,130	23,010,966

* Waste rock volumes reported in the 2012 and 2013 Sustainability Reports did not include waste rock from Ban Houayxai; this error has been corrected for the 2014 Sustainability Report

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

Reviews of ARD management at Phu Kham and Ban Houayxai conducted by 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. The management of waste rock was extensively reported in PanAust's 2008 Sustainability Report (page 21) and continues to reflect current practice; the Report can be found on the Company's website, www.panaust.com.au/reports.

FRIEDA RIVER

PanAust is committed to bringing its world-class, best-practice environmental management standards including for the management of tailings and mine waste to the Frieda River Project and working with stakeholders and global specialists to ensure environmental impacts are minimised and natural resources are used efficiently throughout the life of the operation.

Since acquiring an 80 per cent interest in the Project in August 2014, a program of work has been undertaken to investigate Integrated Storage Facility (ISF) options to contain waste rock and tailings produced from the proposed Frieda River mine. Environmental Geochemistry International (EGi) are supporting the geochemical classification of mine waste. Field investigations include geotechnical drilling of embankment foundations and abutments as well as quarry locations for embankment construction material are underway to inform the design of the facility.

Water management

PanAust recognises that water resources need to be managed responsibly to meet competing requirements (including for processing ore) while limiting impacts on receiving communities and environments. In Laos, there is an inherent challenge in managing mine-water run-off in a tropical climate with surrounding steep topography within a distinct wet/dry season setting.

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

PanAust's operations have detailed water balance models and implement associated water management and monitoring programs. Overall, there is a net positive water balance, but water management requires close attention to ensure that water is used efficiently, and that appropriate holdings of water are maintained and discharged as necessary in a controlled manner throughout the wet and dry seasons. Both sites permanently discharge excess water from their TSFs as part of ongoing operations.

Water management measures at Phu Kham and Ban Houayxai performed well during the 2014 wet season (May to October). The controlled discharge from both TSFs was monitored by Company environment personnel as well as Government of Laos officials with results assessed against World Bank/IFC and Lao ambient water-quality guidelines, as well as background water-quality conditions.

In 2014, occasional exceedences of total suspended solids (TSS) occurred following peak storm events during the wet season. Investigations were undertaken into these non-conformances and corrective actions were implemented where required. In addition, further work is being undertaken to establish site specific guidelines for TSS particularly considering wet season peak storm events and associated ambient environment TSS levels.

During 2014, the passive water treatment system downstream of the Phu Kham TSF embankment performed effectively (refer to the case study on page 45 of PanAust's 2013 Sustainability Report). This system is the first case that PanAust is aware of where granite has proven to be effective in the treatment of manganese. Historically, limestone was considered the preferred medium for treatment; however, as granite was more readily available in Laos and the theory of precipitation of manganese requires 'a substrate' that is not necessarily limestone, PanAust used granite as an alternative.

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

WATER USAGE#	2012	2013	2014
Fresh water domestic use	242	124	216
Fresh water to process	4,854	8,378	8,660
Total water use in process	38,664	55,899	53,663
Recycled water to process	33,810	47,521	45,004
Operational wastewaters discharged^	38,905	75,704	96,063~
Percentage of recycled water	87	85	84

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

Measured by water meters or other estimation techniques

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

~ The increase from 2013 to 2014 can be attributed to limited discharge occurring at Ban Houayxai during the first four months of 2013 during completion of the TSF wall at Ban Houayxai (which also coincided with the end of the dry season)



Environment Team Leader, Han Chanthavong (left) and Environment Technician, Mr Boun (right) carrying out water-quality monitoring downstream of the Phu Kham TSF controlled discharge

While water use is significant, the vast majority is recycled; approximately 95 per cent at the Phu Kham Operation with the balance of water drawn from the Nam Mo River for specialised cooling systems in the processing plant.

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

Sediment and erosion control

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

PanAust recognises that erosion control and sediment management needs to be considered through the entire project lifecycle from land clearing through to closure. The Company's ARD and Sediment Management Committee provides oversight of erosion and sedimentation issues during site selection, design, construction and operation of exploration, project and operational mine sites. The Committee is guided by the Sediment and Erosion Control Standard. The standard requires a risk assessment to be conducted prior to disturbance and the development of site-specific erosion and sediment control plans for each site. In 2014, a specialist sediment control consultant assisted the Company's Lao operations to audit and review sediment control processes. The outcome of this audit is being used to inform the development of the site-specific erosion and sediment control plans.

PanAust's land clearance process is an important control for identifying and managing erosion and sedimentation risks. The land clearance process operates within INX, and includes the requirement for risk assessment, checklists and proposed mitigation measures to be outlined as part of land clearance submissions. Once cleared, areas are managed through site-based environmental management procedures.

During 2014, work continued in planning and implementing sediment and erosion control improvements across the Group. The focus has primarily been on the prevention of erosion through improved ground surface stabilisation and revegetation.

Cyanide management

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

The International Cyanide Management Code (the Code), administered by the International Cyanide Management Institute (ICMI), is a voluntary program for the manufacture, transport, and use of cyanide in the production of gold. To become Code-compliant, companies must satisfy a total of 31 standards of practice within the functional areas of: production, transportation, handling and storage, operations, decommissioning, worker safety, emergency response, training and dialogue with stakeholders. Code compliance includes rigorous audits carried out by independent third-party auditors and public posting of audit reports by the ICMI.

The Ban Houayxai Operation achieved pre-operational Code-compliance certification in January 2012; three months prior to the start of production. In March 2013, Ban Houayxai achieved operational Code-compliance certification. This was well ahead of the ICMI requirement for Code-compliance certification to be achieved within three years of an operation commencing production. PanAust commissions annual Cyanide Code gap audits against the ICMI Cyanide Code Gold Mining Verification Protocol (October 2009) together with the Guidance for Recertification Audits for the ICMI Code (January 2011). The 2014 Gap Analysis undertaken by Sustainability Future Growth provided good feedback on the high level of compliance to the Code and the high quality of laboratory cyanide analysis undertaken on site to support monitoring and management.

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

Cyanide risks associated with Ban Houayxai Operation have been assessed and managed from feasibility, construction, and operations while being mindful of future closure objectives. The Company recognises that the ongoing management of cyanide risks is dependent upon a trained, competent, cyanide-aware workforce. The operational workforce includes a dedicated full-time Code-compliance specialist to ensure that all Code requirements are considered and continue to be addressed. The site-based Emergency Response Team has been trained to respond to cyanide incidents. Cyanide transportation activities are undertaken by an appointed Code-certified transporter and the site continues to host cyanide-awareness sessions with communities along the Ban Houayxai transport corridor.

Environmental performance

Of the many elements of Ban Houayxai that were designed and constructed to exceed and improve upon Code requirements, perhaps the most notable is the plant's detoxification circuit. The circuit produces tailings slurry that contains less than the internationally agreed¹³ safe level of cyanide for solutions discharged to the environment. As such, prior to leaving the plant and before entering the TSF, cyanide levels are already better than international water quality standards to enable discharge of excess water to the environment.

Land rehabilitation and closure

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

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

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

Phu Bia Mining's Environmental Management Committee provides oversight of the closure planning process and stakeholder engagement strategy. A closure specialist was engaged in 2014 to advise the Committee and provide strategic advice for the closure plan updates for PanAust's operations.

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

LAND DISTURBANCE AND REHABILITATION (HECTARES)

	2012	2013	2014
Land disturbed and not yet rehabilitated (opening balance)	1,318	1,378	1,378
Land disturbed in reporting year	70	25	35
Land rehabilitated in reporting year	10	25	51
Total land disturbed and not yet rehabilitated (closing balance)	1,378	1,378	1,362

* Includes Phu Kham, Ban Houayxai and exploration



Rehabilitation and Sediment Control Supervisor, Khounphayvanh Konesavathdy undertaking monitoring of a rehabilitated area at Phu Kham

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

Decommissioning of the Heap Leach Gold Operation continued in 2014 with a strategic move from active to passive water treatment methods and, in particular, the use of activated carbon. The targeted program to improve decontamination of the lower levels of the pad using activated carbon is showing good results. The decontamination process is expected to take several years to complete until passive discharge criteria are achieved. Hedin Consulting was commissioned to design a suitable wetland treatment option for the next phase of closure. During 2014, extensive monitoring of the downstream river system confirmed that excess water discharged in the wet season was within ambient limits.

Closure plans and provisions are reviewed and updated annually across the business. Information on PanAust's closure provisions is provided within the notes to the consolidated financial statement on page 96 in the PanAust 2014 Annual Report.

¹³ The ICMI and the IFC state that 0.5 milligrams per litre Weak Acid Dissociable Cyanide is the safe level for solutions discharged from tailings storage facilities into the environment.

Energy and climate change

PanAust aligns itself with the ICMM policy on climate change, and recognises that minimising human-caused climate change is an important international goal that is of increasing interest to many of the Company's stakeholders. It could have potential impacts on PanAust's business particularly in relation to water availability and extreme weather events. Future domestic and international climate change policies have the potential to present both risks and opportunities in the countries where PanAust operates and they have the potential to affect future shareholder value.

PanAust's approach to addressing climate change is to consider the potential physical impacts within the Company's risk management processes and, where necessary, establish appropriate contingency plans to adapt while working to reduce energy consumption and improve energy efficiencies across the business.

Mitigation plans are in place to address water risks related to tailings management and the operation of the Phu Kham open pit during significant rainfall events which include appropriate engineering designs, clean and dirty water diversions, detailed site water balances, and pumping and passive water discharge systems. Sites are also equipped to monitor for inclement and extreme weather, and have established triggers to review operational plans in preparation for business continuity during these conditions. Sites are equipped with emergency power supplies and critical part stores and have well-developed emergency response plans for significant rainfall events including contingencies for managing road closures and re-establishing transport routes along the logistics routes. The Company has also improved flexibility on its concentrate logistics options with the development of an alternate route through and a port in Vietnam in addition to Thailand. PanAust's port facilities are sized to provide storage contingency during interruption to business. Insurance programs are in place to reduce risks associated with delays and losses due to natural risks including weather-related events. In 2014, PanAust completed contingency planning for key materials in the general supply chain.

PanAust requires its operating sites to develop an energy and carbon emissions inventory, and to measure progress including regular reporting of results in a transparent manner. In addition, as part of the annual business planning, operations are required to identify and implement efficiency projects. Some of the key projects implemented in 2014 include:

- lighting upgrades at Phu Kham and Ban Houayxai
- productive operating time improvements at Phu Kham
- increased truck payloads for concentrate haulage
- GMO Heap Leach detoxification – reduction in the use of sulphuric acid, hydrogen peroxide and lime and increase in the use of activated carbon

The Phu Kham and Ban Houayxai Operations each use a combination of direct and indirect energy sources to carry out their activities. Diesel provides the major source of direct energy used for mining and concentrate haulage activities. Hydroelectricity is the major source of electricity (provided by external providers) for the processing plants and throughout 2014 the majority of all electricity used came from hydroelectricity.

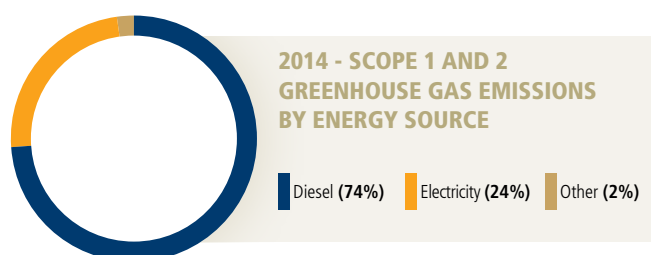
Six small-to-medium-scale hydropower projects in Laos, most of which are run-of-river producing less than 100 megawatts with comparatively small land impacts, currently supply PanAust's operations. Under exceptionally dry conditions, PanAust may be supplied with imported energy from Thailand which supplements the Lao grid from sources other than hydropower.

ENERGY CONSUMPTION (GIGAJOULES)

MATERIAL	2012	2013	2014
Diesel	2,619,652	2,480,192	2,370,023
Electricity	1,323,776	2,013,407	2,060,562
Petrol	2,711	1,319	720
LPG	6,276	6,498	6,413

Each year, PanAust reports to the CDP in relation to its carbon programs and climate change risks (including water) for the Group (including operations and offices in Australia, Laos and Chile). PanAust received a CDP score of 91 (out of 100) for its disclosure in 2014 which was a significant improvement on 2013 and elevated PanAust into the CDP 2014 ASX200 Climate Disclosure Leadership Index. PanAust's latest CDP questionnaire includes comprehensive details on the climate change risks and opportunities faced by the Company as well as a breakdown of the Company's Scope 3 emissions.

Environmental performance



GREENHOUSE GAS EMISSIONS (tCO₂-e)*

GREENHOUSE GAS EMISSION SCOPE #	2012 [^]	2013	2014
Scope 1 (direct greenhouse gas emissions)	200,000	186,878	181,450
Scope 2 (indirect greenhouse gas emissions from the generation of purchased electricity)	35,931	54,522	55,788
Scope 3 (greenhouse gas emissions from the broader project lifecycle including materials used, travel and transport)	202,122	229,425	242,925

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

Emissions include Phu Kham, Ban Houayxai, exploration and offices

The decrease in scope 1 emissions from 2013 to 2014 is predominantly due to reduced exploration activity in 2014. The increase in scope 3 emissions for the same reporting period related to the increased volumes of some materials used for processing the different quality ore that was encountered in 2014.

Concentrate haulage accounts for approximately seven per cent of the carbon inventory at Phu Kham. In 2014, the Company hauled 60 per cent of copper-gold concentrate to Vung Ang Port in Vietnam instead of to Sriracha Port in Thailand, which cuts more than 500 kilometres from each haul. This change resulted in an estimated saving of approximately 5,000 tonnes of carbon dioxide equivalent (tCO₂-e) or 52,000 gigajoules of fuel. Additionally, the use of the Vietnam port results in other indirect energy savings due to the reduction in required shipping distances from the port to the customer and provides for improved business continuity in the event of an issue with the other route. In 2015, PanAust is targeting an 80 per cent increase in haulage through Vietnam and, in the longer term, is considering other more direct avenues to haul product to north Asian customers.

In growing the PanAust business, it is anticipated that the Group's total carbon emissions will continue to increase over time even while improving the energy efficiency of each operating site. Other variables are likely to be present, including the availability of natural resources and infrastructure at each geographic location. Prefeasibility studies are required to consider conventional and renewable power options as a component of project evaluations. Host-government environmental and infrastructure priorities will also affect PanAust's ability to consider efficient and low-emission alternatives during project design and operation. The Company recognises that different approaches to mitigate emissions will be required in each host country.

Air quality emissions

Mining, processing and the transportation of product and concentrate generates air emissions. PanAust recognises the importance of assessing and managing risks associated with air quality emissions, in particular dust.

The 2014 materiality review determined that dust continues to be the most common air quality issue of concern to the communities adjacent to PanAust's Phu Kham operation as well as the communities along the transport routes.

Dust at the Phu Kham Operation is generated from vehicular activity on haul roads, the ore stockpile, blasting, drilling and excavating operations, and ore dumping at the primary crusher. The communities adjacent to Phu Kham provide ongoing feedback through the grievance mechanism in relation to dust nuisance. PanAust takes community feedback seriously and, in late 2013, an internal dust management forum was established at Phu Kham with the aim of identifying and implementing appropriate dust mitigation measures across the site. This resulted in a dust management plan being developed and implemented including a Trigger Action Response Plan to manage acute dust emissions issues. Additionally, during 2014 work was undertaken on the design and implementation of engineering-based dust mitigation measures for the coarse-ore stockpile.

Air-quality monitoring in the form of total suspended particulates, PM10 particulates and dust deposition rates, is carried out within the mine operating area and communities adjacent to PanAust's operations and haulage routes. Personal exposure monitoring is also conducted for individuals in the workplace for PM10 particulates and specific heavy metals and silica.

Dust monitoring results in the communities around the Phu Kham site have indicated occasional non-compliances with IFC/World Health Organisation standards during the dry season, with compliance noted in the wet season. Of particular issue with the community, is the impact of particulate matter in the atmosphere from Phu Kham's activities deposits on surrounding vegetation and community infrastructure including houses.

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

ENVIRONMENTAL PERFORMANCE CASE STUDY:

Improving land rehabilitation and livelihoods



Environment Supervisor, Toulor Vangdy with Mr Warchor Vang; one of the Ban Phonkeo villagers involved in bamboo grass-thatched mat production

Controlling or minimising erosion and sedimentation from landforms including waste dumps, embankments, disturbed areas for roads, infrastructure and other cleared areas on a mine-site are challenging. Traditionally, the ground-surface stabilisation practices used by PanAust included silt fencing, bamboo fencing, jute matting, synthetic cellular systems and grass stems. In 2013, the Ban Houayxai Operation embarked on a challenge to find a more sustainable approach to ground-surface stabilisation; one which used natural, locally sourced materials and would achieve cost efficiencies. The outcome was the development of bamboo and grass-thatched matting that is sourced from local materials, manufactured and supplied by local communities, is as environmentally effective as other techniques and is many times more cost effective.

The Ban Houayxai Environment team conducted field trials of various products with results demonstrating specifically designed bamboo grass mats and grass-thatched matting out-performed other ground-surface stabilisation techniques in the mountainous and high-rainfall setting environment of the mine. The matting effectively protected bare surfaces from the direct impact of heavy rain, maintained soil humidity and eventually, through the biodegrading process, became nutrients for the vegetation. Additionally, the mats are made from 100 per cent natural, locally sourced materials.

With a proven design, the Sustainability team then worked with local communities to identify suitable villages in which to build skills capacity and grow income opportunities through the manufacture and installation of the bamboo grass mats. In 2014, the initiative quickly proved itself to be a great success in terms of building capacity and developing revenue streams in local villages with 82 families from three villages (Ban Phonekeo, Ban Nalao and Ban Natee) participating in the program.

Ban Phonekeo villager, Mrs Houathao made the following comments in relation to the program, "I am very interested in making this type of mat for Phu Bia Mining. I make it by myself; around 90 per cent of participants in this program are women. I am very happy that Phu Bia Mining has given us an opportunity to make income at home."

The all-natural locally sourced and manufactured product is more effective while being six times less expensive than previously used synthetic cellular systems and three times less expensive than jute mats. The application of the bamboo and grass-thatched matting is now the preferred method for ground-surface stabilisation at Ban Houayxai, Phu Kham and the KTL Project in the north of the Phu Bia Mining Contract Area.

Health and Safety

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

PanAust's corporate strategy is focused on growth. The ability to grow, while keeping the neighbouring communities and the predominantly inexperienced workforce (in a mining context; in a least developed country such as Laos) safe is essential to business success and aligned with the Company's Values. The Company's Vision and Values outline PanAust's commitment to health and safety. Health and safety is also explicitly addressed as the first requirement within *The PanAust Way*. Through visible leadership including their words and actions, PanAust's leaders are required to promote a culture of Zero Harm.

PanAust assesses and manages health and safety risks across the Company through its Safety Management System, which is consistent with OHSAS18001 and includes standards, procedures, training and monitoring plans for each site. In 2012, the Company undertook gap analyses of the Phu Kham and Ban Houayxai Operations against the relevant aspects of the standard. During the subsequent three years, action plans have addressed non-compliances with progress to date focusing on contractor management, safety standards compliance, management of safety incidents and revising operational safety standards.

In 2014, a review of the safety component of the Sustainability Standards was initiated to more clearly define the minimum mandatory safety requirements for the business. This review is expected to be completed and implemented in 2015. Supporting these standards are PanAust's eight Cardinal Rules which are a clear and simple set of safety instructions with which the entire workforce is required to comply at all times. The Cardinal Rules focus on activities within the mining industry that have historically caused harm to people.

The Company recognises that a risk-aware workforce is integral to achieving its safety standards and driving continual safety improvement. Behavioural safety programs are a fundamental element of creating a risk-aware culture, and these programs underpin the effectiveness of management systems. A proactive safety culture based on lead indicators including visible safety leadership, job safety observations in the field, deep dive reviews, workplace inspections, hazard identification and safety training, continue to be a focus across the PanAust workforce.

PanAust requires employees, contractors and visitors to be inducted prior to entering PanAust controlled work sites. Standardised general safety and workplace-specific inductions form part of the induction programs. In addition to inductions, the Company runs a number of mandatory core safety training programs as well as specialist training for high-risk activities. PanAust's leaders, from executives to front-line supervisors, participate in Safety Leadership Training; in 2014, 53 Lao-national supervisors attended this training.

Approximately 38,000 hours of induction and health, safety and environment training was completed at PanAust's Lao operations during 2014; PanAust notes that in 2013, 79,000 hours of this training was completed. The year-on-year decrease is largely due to the stabilisation of the Ban Houayxai workforce following its first full year of production occurring in 2013.

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

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

SAFETY PERFORMANCE

PanAust's Total Recordable Injury Frequency Rate (TRIFR) of 0.88 for 2014 is a 48 per cent year-on-year improvement from 2013's result of 1.72. The Company's Lost Time Injury Frequency Rate (LTIFR) for 2014 was 0.15 which was also an improvement on the previous year's 0.31. PanAust's TRIFR and LTIFR continue to be significantly better than industry averages.

Despite these sound injury statistics, in June 2014 two contractors tragically lost their lives while working on a PanAust site carrying out work for the Company (see 'Contractor Management' on page 73 for more detailed information regarding the incident and the Company's response). This incident highlights the need for on-going vigilance of local contractors conducting high risk activities and has triggered a range of initiatives within PanAust to further strengthen contractor management and the capacity of contractors to work safely.

Image right: guiding an excavator into the Ban Houayxai Mobile Maintenance Workshop for scheduled maintenance; the traffic controller is giving the signal for 'stop'

The Company's ability to grow while keeping the workforce and neighbouring communities safe is essential to business success



Health and Safety

2012-2014 PANAUST GROUP REPORTABLE INCIDENTS (CONTROLLED WORK SITES)*

	2012	2013	2014
Working hours (employees and contractors)	19,983,937	16,301,952	13,680,409
Fatal injuries	0	0	2
TRIFR	2.15	1.72	0.88
DART Frequency	0.55	0.37	0.22
LTI FR	0.15	0.31	0.15

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

On a site-by-site basis, it is notable that Ban Houayxai's 2014 TRIFR reported a 75 per cent year-on-year improvement from 2013 to 2014, and Phu Kham reported 12 months LTI-free during 2014. These outcomes are a result of the maturation of Company systems, focus on safety leadership and lead indicator program, risk and hazard awareness training, and the sharing of skills, knowledge and initiatives between the Ban Houayxai and Phu Kham sites.

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

Categories that are tracked, but do not form part of externally reported statistics include influenced, monitored, and uncontrolled sites. These categories are subject to normal duty of care and consideration. Influenced activities receive additional attention through contractor management and lead indicator programs. PanAust's definitions for incident categories of control are summarised in the following table.

CATEGORIES OF CONTROL

CONTROLLED

All work conducted by employees, visitors, consultants and contractors on an active PanAust owned or leased site including operations, private easement and exploration sites irrespective of whether PanAust or the contractor provide direct supervision of the work activities. (PanAust sets standards, has a high level of workplace visibility, provides oversight, and monitors the outcomes). All locations external to a PanAust owned or leased sites where PanAust employees directly supervises or conducts work. Controlled incidents are reported internally and externally.

INFLUENCED

Work conducted in either public or private locations, external to Controlled sites where PanAust influences the contractor's standards, but requires the contractor to have sufficient management structures and systems in place to directly supervise the work to an agreed standard (outlined through the contract). The contractor's work at these sites is undertaken exclusively on PanAust's behalf. A work site is designated as influenced where a higher risk exposure exists (either to PanAust or the public), and the reputational exposure is too great to consider the contractor as monitored. Influenced worksites are provided additional oversight through regular auditing and by PanAust managers' (the designated contract owners) visibility in the workplace to ensure the work practices being implemented consistently addresses the nature of the risk the contractor creates for PanAust. Influenced incidents are reported internally but not externally unless material.

MONITORED

Work sites in either public or private locations, and external to Controlled sites where PanAust monitors the contractors performance, but requires the contractor to have sufficient management structures and systems in place to directly supervise the work to an agreed standard with minimal Contract Owner presence. Offsite work may be designated as monitored where a lower reputational risk exposure exists, or where a tier one contractor performs the work. Monitored incidents are reported internally but not externally.

UNCONTROLLED

Activities where PanAust has no influence (commercial public transport services) beyond the ability to select the provider based on its performance. Uncontrolled incidents are not reported.

Health and safety: material issues 2014

The PanAust materiality process identified the main safety challenges for the Company's operations in 2014 as:

- **SAFETY CULTURE: VISIBLE SAFETY LEADERSHIP**
- **CONTRACTOR MANAGEMENT**
- **VEHICLES AND MOBILE EQUIPMENT (CASE STUDY)**
- **HEALTH AND HYGIENE MANAGEMENT**
- **SECURITY MANAGEMENT**

Details pertaining to each of these topics follow.

Safety culture: visible safety leadership

PanAust recognises that the safety culture of a company is shaped by the actions of its leaders (defined as Visible Leadership) and relies on consistent expression of agreed Values, standards and behaviours to the workforce. In 2014, PanAust continued to focus on Visible Safety Leadership through safety workshops for senior managers, lead indicators, safety hotspot identification and the development and implementation of a deep dive review program (deep dive reviews are vertical layered reviews that look beyond the subordinate level and chain of command to ensure that systems and processes are in place, understood and operating effectively).

Since 2009, PanAust has held annual Risk and Sustainability Workshops with Company executives and managers from both the corporate and operational areas to progress safety leadership programs and to develop a Group action plan for the coming year in the areas of risk (including safety) and sustainability. The workshops provide an opportunity to discuss and address common issues or challenges. Through the workshops, programs are prioritised against the key elements of safety leadership: commitment, visibility, accountability, and consistency.

During 2014, a review of high-potential incidents (controlled and influenced) which occurred during 2013 found a substantial reduction in the number of incidents relating to hotspot areas of the business particularly vehicles and mobile equipment, drugs and alcohol, and Cardinal Rules compliance. Specific programs inaugurated in 2013 continued in 2014 in relation to vehicles and mobile equipment and day-to-day management programs were implemented for Cardinal Rules and drugs and alcohol to maintain the level of performance.

In 2014, PanAust developed and commenced implementation of a Group Visible Safety Leadership Guideline which will be further rolled out in 2015. The guideline was developed as a result of a Visible Safety Leadership workshop where the scope of visible leadership was agreed by relevant general managers and operational managers. The resulting guideline is a set of expectations on the types and duration of leadership activities to be undertaken by management every day and includes: hazard identification, job safety observation, workplace inspection as well as inclusion of hazard identification discussions in the managers' daily meetings. It also includes requirements around deep dive reviews to be led by executive general managers and operational general managers. Deep dive reviews focus on high-risk tasks, and other areas of concern for senior management. In 2014, deep dives were conducted in the areas of fatigue, contractor management, working at heights, blasting procedures, isolations, and change management.

Each site also identified specific visible leadership activities and utilised the results of the Company's employee engagement survey which took place in 2013 to focus on meaningful engagement with the workforce. Throughout 2014 a number of initiatives were implemented including:

- regular leadership walk-throughs
- improvements in the quality of job safety observations (JSOs) undertaken at operating sites
- improvement in housekeeping standards across each site, including segregation of people and equipment, and improved traffic management
- improvements in the quality of JSO's undertaken at operating sites
- implementation of GM led safety and employee engagement activities
- a 'one hazard per person per day' program in the Project Implementation workgroup
- procedures and templates were developed to support JSOs, planned task observations and deep dive reviews.

Contractor management

PanAust views the development of local contractors as critical to Laos' development goals and its sustainable future. The Company is continually working toward improving the capacity of its contractors so they can operate safely and bridge gaps identified in their safety performance. This approach is not without challenges and continues to be a high-risk area for the business.

PanAust has a centralised contractor engagement process for all contractors that the Company uses in Laos. The Contractor Safety Management Standard, available in English and Lao, underpins this centralised system. This document details the required standards including expectations for the contractor and the contract owner. In accordance with the standard and contract requirements, contractors are subject to audits of their facilities and activities. Contractors who pass these audits and continue to meet PanAust's safety expectations remain a PanAust preferred contractor.

Despite the continued improvement in the Company safety statistics and the on-going efforts of PanAust to improve the safety performance of contractors, in June 2014, two young male employees of a Lao contract civil works company were fatally injured while working for PanAust at a remote, mountainous exploration site eight kilometres northwest of Phu Kham. The incident occurred when a slope failed during remediation work they were carrying out to prevent access to adits excavated by artisanal miners.

In addition to support provided by the contract employer, PanAust provided financial support to both of the men's families and counselling support for employees and family members impacted by the incident.

A comprehensive incident investigation (overseen by the Senior Management Taskforce for Significant Incidents) was undertaken to determine the cause of the incident and to develop an action plan to prevent a similar incident occurring.

Health and Safety

To strengthen the management of contractors and in response to these fatalities, the Exploration Department conducted a two-day safety leadership summit focusing on lessons learnt, safety leadership and contractor management. Across the sites, significant work was undertaken to ensure lessons from this incident were communicated, the content of the Contractor Safety Management Standard reaffirmed, geotechnical standards updated and training packages developed, and geotechnical risk mapping for areas including roads was implemented. Furthermore, a project was commissioned to assess artisanal mining activities in the Phu Bia Mining Contract Area and prepare an Artisanal Mining Standard to provide guidance for the business.

PanAust senior executives from departments representing Exploration, Projects, External Affairs, Operations, and Logistics Haulage conducted deep dive reviews on contractor management to gain an understanding of compliance with the contractor management process for their areas of responsibility and to ensure that critical controls are in place and effective.

PanAust is applying the lessons learnt from its Laos-based operations to the Frieda River Project in the early stages of the project development. Significant work has been undertaken in the development and implementation of a contractor safety manual and the health and safety assessment of potential contractors (see the case study, 'PanAust's governance approach on the Frieda River Project' on pages 34 and 35 for more information).

Health and hygiene management

PanAust is committed to ensuring that work undertaken for business purposes does not impact on the health of employees and that employees remain fit for work. Health risks faced by PanAust employees include fatigue as well as occupational exposure to dust, fumes, diesel particulate matter, heat, noise and vibration.

PanAust manages fitness for work issues through the Fitness for Work Standard and each operation has fatigue management procedures in place and undertakes random drug and alcohol testing.

PanAust's occupational health and hygiene (OHH) program includes conducting qualitative risk assessments to assess potential exposures and has in place a scheduled monitoring program that is supported by a purpose-built OHH laboratory at Phu Kham.

In 2014, the OHH program was expanded across the Asia business unit. As well as ongoing monitoring at Phu Kham and Ban Houayxai, the team conducted risk assessments and baselines and commenced regular monitoring at KTL, Sriracha Port in Thailand, and Vung Ang Port in Vietnam.

In addition to the PanAust work program, support is extended to key contractors MVDC, TKPV and Boart Longyear, as well as local bottled-water providers to assess and identify improvement opportunities for their facilities.

PanAust's work with the bottled-water providers has achieved improved monitoring and compliance to relevant to World Health Organization and National Health and Medical Research Council guidelines, adequate raw-water source protection, improved maintenance scheduling requirements, regular inspections and improved sanitation (including the installation of PanAust sponsored sanitising equipment).

UNEXPLODED ORDNANCE

Between 1964 and 1973, approximately two million tonnes of ordnance (explosive weapons) were dropped on Laos of which an estimated 30 per cent failed to detonate. This has resulted in approximately 78 million potential unexploded ordnance (UXO) remaining. UXO continually hinder daily life and pose restrictions on the socio-economic development and safety of local residents, employees and contractors. In high-risk areas for which there are plans in place for exploration and future mining activities, significant additional planning and lead-times are being incorporated into Company programs to ensure the thorough identification and safe disposal of UXO.

UXO is not prevalent at the Phu Kham Operation and has a reasonably low-level presence at Ban Houayxai. At Phonsavan where the KTL project is located, the Company requires stringent clearance procedures to be adopted prior to working in the field. When UXO clearance is required, international experts who are registered with and accredited to Lao National Standards are contracted to conduct this work.

Security management

PanAust is a member of the United Nations Voluntary Principles on Security and Human Rights (VPSHR) and has in place clear guidance and associated procedures to manage the human rights aspects of security at its Lao operations and projects. As a member company, PanAust promotes the work of the VPSHR, participates in the annual plenary meeting of the voluntary principles with other signatories, and reports on progress in implementation through an annual report.

In 2014, the only country in which PanAust had security personnel assigned to its operations was Laos. As the Company's activities in Papua New Guinea ramp up, PanAust's existing security processes, procedures and training will be implemented.

The Phu Kham and Ban Houayxai Operations are located in Xaisomboun Province, an area which was historically the location of insurgent activities, largely as a legacy of the Indo-China conflicts of the 1960s and early 1970s. Though now stable, the area remains one of the least developed in Laos and the legacies of conflict remain and at times, security-related incidents have occurred within close proximity to PanAust's operations and exploration activities.

The Lao People's Army (LPA) are required by the Government of Laos to have a presence at PanAust's Operations and remote exploration sites. The LPA's role largely supports regional security external to PanAust's active working areas, however they may also provide a presence alongside selected infrastructure and Company assets due to their criticality and/or vulnerability. The Company works closely with the LPA under strict standards observed through a Memorandum of Understanding and Company provided induction on the Voluntary Principles and how they are applied on PanAust sites.

Image right: Mine Training Supervisor, Sayyasith Phonesavath (standing) with Fatigue Coordinator, Viengkham (sitting) reviewing 'fatigue self-assessment forms' completed by haul truck operators at Phu Kham

PanAust is committed to ensuring that work undertaken for business purposes does not impact on the health of employees and that employees remain fit for work



Health and Safety

The Memorandum of Understanding outlines the Company's expected standard of behaviour and 'use of force' expectations while the LPA are supporting selected operational activities.

PanAust also employs security guards (including Loss Prevention staff and Lao Security Services) to perform an unarmed access control and static security function across the Phu Kham and Ban Houayxai Operations.

Prior to commencement, LPA undertake a Company-provided induction program each time they are engaged that covers the areas of safety, use of force as it relates to the laws of Laos, and key components of the Voluntary Principles on Security and Human Rights, underpinned by *The PanAust Way* and the Company's Values and other behavioural expectations. Loss Prevention staff and security guards are also trained in site security procedures, foot patrol, methods of restraint, person and vehicle search, and crowd control. Refresher training is conducted annually.

Contracts for engaging public and private security providers outline PanAust's requirements in relation to International Law Enforcement Principles and the Use of Force on Company sites. This includes the ability to screen and remove from operating sites any person found to be in breach of PanAust's requirements.

PanAust employees and business partners are expected to uphold and demonstrate a commitment to human rights and report any credible allegations of human rights abuses through line management or, if this is not appropriate, through the Company's Whistleblower Service (outlined on page 30).

PanAust's stakeholder engagement mechanisms (described in detail on pages 48 and 49) incorporate regular engagement on security-related matters with communities and the Government of Laos. Monthly meetings are held between site security personnel and local village leaders to discuss local security issues or grievances that may exist and quarterly meetings are held with Provincial Commanders from the LPA. The process is supported by the Company's grievance management procedure (outlined on pages 50 and 51).

Periodic internal human rights risks assessments incorporate security-related human rights risks. In 2014, PanAust's risk processes found that the Company had a low potential for any human rights violations related to security.

No significant security incidents affecting PanAust personnel or operations were recorded for 2014. One non-work related incident was reported by the company in September 2014. An off-shift employee residing in the Phu Kham camp sustained injuries when he was targeted in relation to a personal grievance. The employee has since made a full recovery and was supported by the Company to obtain appropriate medical care. The incident had no implications for the security of other employees or for the operation of Phu Kham. At the time of the incident, in line with the Company's security protocols, all mining, processing and maintenance operations at Phu Kham were temporarily suspended as a precautionary measure while the event was fully understood.

SAFETY AWARENESS PROGRAM TARGETS LOCAL CHILDREN



Nam Mo village paper mask-making competition finalists

PanAust recently worked with the Lao National Puppet Troupe to use a puppet performance and story-telling to raise awareness among local children on the dangers of unauthorised entry to the Phu Kham mine site.

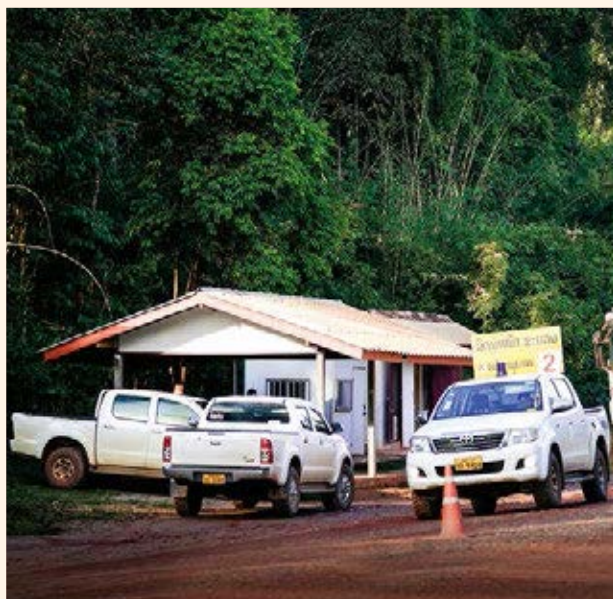
The Phu Kham mine is located close to two villages: Nam Mo and Nam Gnone. While it is not permitted nor encouraged for unauthorised people to enter the mine site, on occasion some local people enter the site to take a 'short-cut', fish or – although illegal – to look for scrap metal to on-sell.

The Company, together with the Lao National Puppet Troupe, developed and performed a story to target and engage children to help them easily and clearly understand the dangers of entering the mine site. Creating safety messages specifically for children has the benefit of indirectly engaging their parents. The puppet performance told the story of two young men, Kai and Khord, who enter the mine site out of curiosity and suffer tragic consequences as a result.

The show was performed four times over two days in the two villages and with approximately 145 children and 165 adults attending, the response was excellent. The children were fascinated by the puppet shows and participated enthusiastically in linked campaign activities such as a mask-making competition, and quizzes and games.

HEALTH AND SAFETY CASE STUDY:

Vehicle safety continual improvement



Driver reviver stations have been set up along transport and haulage routes to help monitor and manage driver fatigue

In response to the analysis of vehicle incidents and near-misses that occurred in 2013, PanAust implemented a number of safety initiatives to curb driver-related vehicle incidents throughout 2014. The initiatives included: the addressing of light vehicle design standard recommendations provided by an audit conducted by George Rechnitzer and Associates in 2013; managing driver behaviour in real-time with GPS tracking systems; and implementing an enhanced driver-training program. Information relating to each of these is outlined below.

In response to the George Rechnitzer recommendations, a Light Vehicles Standard was developed and used as the basis to tender for a new light vehicle fleet (which is expected to arrive in 2015). A Sadko personnel transport module incorporating robust rollover protection was successfully trialled with modules to be fitted to existing Sadkos from 2015.

GPS tracking and monitoring was expanded to personnel transport vehicles in 2014 with the system now operating across all concentrate logistics and personnel transport routes used by PanAust in Laos. The GPS tracking assesses how well a driver is controlling a vehicle by monitoring outputs like speed, harsh breaking, accelerating and cornering. The system generates driver behaviour scorecards which are used for on-going training and, where required, counselling of drivers.



PanAust's GPS tracking system was expanded in 2014 to monitor driver behaviour of all haulage and personnel transport in Laos

In 2014, a dedicated driver trainer was responsible for developing and implementing a light vehicle defensive driver training package across PanAust's Lao operations. The training is a two-week course that focuses on driver performance and behaviour and it is supported by on-going in-vehicle assessments and coaching.

Other initiatives for personnel transport include escorted convoys, the development of a driver values system, formal driver safety alerts and the development of a driver manual. Within the Logistics Department, two driver reviver stations have also been set up along the logistics corridor from Phu Kham to Vientiane, in addition to those previously implemented. Along the 840-kilometre logistics corridor in Laos, 10 driver reviver stations are in place. The driver reviver stations are compulsory stops. Four stations are located on high-fatigue sections and are staffed by a driver reviver officer who is trained to assess driver fatigue.

PanAust measures all vehicle incidents and closely monitors moderate and high-potential vehicle incidents across its controlled and influenced activities. 2014 end-of-year statistics demonstrated year-on-year improvement from 2013 with 44 incidents occurring in 2014, compared to 109 in 2013. Although this shows vehicle safety along PanAust's transport and haulage routes, and operations in Laos improved in 2014, it continues to be a focus area requiring improvement for the business and continued vigilance is applied with a particular focus on passenger transport safety.

Our people

PanAust recognises the value of attracting, developing and retaining employees given that they make the most significant contribution to the Company's success. PanAust aims to provide a professional environment where people can work productively and effectively while progressing personal growth and individual development. A strategic human resources (HR) framework comprising six core components aligns employees to the Company's Vision, Values, goals and objectives. These components are: employee health and wellbeing, remuneration and benefits, recruitment, training and development, organisational development, and HR systems.

PanAust's Employee Policy guides the Company's management of its people and the way work is undertaken by providing a reference for an integrated set of HR standards and processes. Additionally, the Company's code of conduct, *The PanAust Way* aligns employees' actions with PanAust's Values and behavioural expectations. PanAust's Employee Policy and HR-related standards, together with *The PanAust Way* help employees understand their responsibilities when working for PanAust.

WORKFORCE NUMBERS: FULL-TIME EMPLOYEES BY WORK LOCATION

	2012	2013	2014
Laos	3,239	3,533	3,623
Chile	19	50	31
Thailand	3	3	4
Australia	56	57	63
Papua New Guinea*	n/a	n/a	140
TOTAL	3,317	3,643	3,861

* PanAust acquired an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea in August 2014. This is the only table in the 'Our People' section of this Report which includes data for Papua New Guinea employees; HR statistics relating to Papua New Guinea will be included in the 2015 Report to allow for a full reporting year to have lapsed enabling meaningful trends to be identified

During 2014, PanAust's workforce in Laos increased three per cent (see above table) primarily as a result of finalising insourcing of concentrate haulage activities (previously provided by third-party contractors), and increased roles for activities relating to site security. In addition, the PanAust Asia business unit created 37 new entry-level mining and drill trainee roles to ensure a pool of trained replacements are immediately available for operator positions. In Chile, workforce numbers decreased (from 50 to 31) while a review of the feasibility study for the Inca de Oro Project was undertaken. Employee numbers in Brisbane increased to support project development activities relating to the Frieda River Project in Papua New Guinea.

Systems supporting the health and wellbeing of employees operate throughout the Company in both a global and country-specific capacity. In-house medical and recreational facilities are available to employees at PanAust's mining operations and a comprehensive range of insurance plans ensures protection for unexpected events. An Employee Assistance Program (EAP) provides a confidential counselling service for employees and their eligible family members on personal and work-related issues.

PanAust fosters an open and transparent environment in which employees, (as well as suppliers and stakeholders) are encouraged to report conduct contrary to *The PanAust Way*. An externally provided Whistleblower Service is available to employees, suppliers and external stakeholders as a confidential and anonymous way to report or raise concerns about misconduct either in the workplace or while undertaking Company business with organisations and/or individuals external to PanAust.

PanAust seeks high performance outcomes in all aspects of its business including individual employee performance. Performance expectations are communicated to employees initially via inductions and then annually through a goal and behaviour setting and monitoring process. Information regarding the Company's expectations is accessible to employees on PanAust's intranet. Concerns regarding breaches or behaviour inconsistent with that expected by the Company can be raised confidentially via the Whistleblower Service or, for those who believe they have been treated unfairly, formally via the internal Fair Treatment System. Information about the Company's HR systems is communicated across the Group in English and local languages.

Image right: Graduate Mining Engineer, Sonephet Latxaiyavong (left) with Senior Mining Engineer, Aphay Bouakham (right) at a pre-start mine planning meeting at the map table at Ban Houayxai

PanAust provides a professional environment where people can work productively and effectively while progressing personal growth and individual development



Our people

PANAUST WELCOMES FRIEDA RIVER EMPLOYEES

On Monday 25 August 2015, PanAust announced that the acquisition of an 80 per cent interest in the Frieda River Copper-Gold Project in Papua New Guinea had been completed. Copper mineralisation was discovered at Frieda River in the 1960s and since that time, the project has had a long history of exploration activities undertaken by numerous companies with varying outcomes, none of which have brought the Project into development. PanAust is determined to bring the Project into successful production and understands the value of employee engagement to this end. PanAust's General Manager Human Resources and Risk Management, and the Group Human Resources Manager were on site on Day One to welcome Frieda River employees and establish the importance of carrying out all work-related activities according to *The PanAust Way*.

A pre-recorded 'Welcome to PanAust' video by the then Managing Director, Gary Stafford was presented to staff and presentations were delivered on topics including *The PanAust Way*, Cardinal Rules, and other behavioural and safety guidelines. All presentations were translated into Tok Pisin either via subtitles or an interpreter. Every staff member received new work shirts (with PanAust/Frieda River branding) and a welcome pack. The Group Human Resources Manager conducted one-on-one sessions with each Frieda River employee to clarify new reporting relationships and performance and behavioural expectations, and to provide an opportunity for employees to voice any concerns and ask specific questions.

Frieda River employees reciprocated the welcome through the performance of a traditional Sing Sing for the visiting managers. Staff composed and choreographed the Sing Sing especially for Day One to share their stories about the long history of and the various owners associated with the Project with PanAust.



Image top: Frieda River Project Kitchen Hand, Ignas Peter (left) receiving his PanAust welcome pack from General Manager Human Resources and Risk Management, Adrian Bell (right)
Image lower: The Frieda River Project staff in their new PanAust kit on Day One of the acquisition

IN THE WORDS OF FRIEDA RIVER EMPLOYEES



"I am from the Village of Paupe which is one of the seven villages local to the Frieda River Project. I was one of the first females employed to work at Frieda River and have been with

the Project since 2007. I am hoping that the Frieda River Project will become an operating mine so that we see some changes in our community. I am happy to see and hear a lot been said and done about safety on all employees and workplace on the project site."

RHONDA TIKAP, Housekeeping Frieda River Project



"I am from the East Sepik Province in PNG. I've been employed at Frieda for close to four years, starting in May of 2010. I would definitely like to see PanAust push forward construction

and build an iconic mine not just for PanAust but for the people of East Sepik and Sandaun provinces and for PNG as a whole. The transition has progressed very smoothly and I am very happy with the emphasis on safety and new safety systems being implemented."

JETHRO KWAINDU, Frieda River Coordinator Project Operations

VOLUNTARY TURNOVER IN 2014

PanAust's Group voluntary turnover statistics showed a minor increase in 2014 from 2013. In Asia the rate showed a marginal increase while in Australia the rate declined. South America did not experience any voluntary turnover in 2014. The Company undertakes research on turnover on an annual basis including carrying out exit interviews with departing employees. The results of this research have helped PanAust identify and understand the factors that influence employees' decisions to leave and have guided changes to policies and practices that influence turnover rates.

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

	2011	2012	2013	2014
PanAust Group	10.7	12.5	11.0	11.4
Australia	13.2	8.1	12.3	8.5
Asia	10.7	12.6	11.1	11.6
South America	10.3	6.0	2.3	0.0

Our people: material issues 2014

The PanAust materiality process identified the main workforce challenges and opportunities for HR operations and activities in 2014 as:

- **EMPLOYEE ENGAGEMENT**
- **WORKPLACE DIVERSITY**
- **DEVELOPMENT AND TRAINING**

Details pertaining to each of these topics follow.

Employee engagement

PanAust believes that employees have an emotional attachment to their work, their job and to the organisation that they work for. 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 influences employee engagement.

PanAust embarked on a project to understand the level of employee engagement in the second half of 2013. The aim of the project was to determine the drivers within the Company that would allow engagement to be maximised and dissatisfaction and turnover to be minimised.

Central to the project was the engagement of an independent, external specialist employee survey company to undertake a PanAust employee engagement survey. The survey – entitled *Your Say* – was voluntary and conducted across all business regions. To maximise the opportunity for employees to participate, the survey was made available in local languages and in both an online and a paper-based format. Additional support was provided to employees to help understand questions and intent and to support those with low literacy levels. Sixty-nine per cent of employees participated in the survey.

The survey asked 88 questions related to 17 broad employee engagement topics (for more information relating to the survey, see pages 57 and 58 of PanAust's *2013 Sustainability Report*).

Results of the *Your Say* survey were presented to employees as a one page, snap-shot summary. The snap-shot communicated: employees' overall perception of PanAust's sustainable engagement; the top five areas of the business, the top five areas of the business that need improvement compared to similar companies, and the key areas that matter to sustained employee engagement; as well as the Company's next steps in response to the survey results.

In 2014, in response to the survey results, workshops and focus groups were conducted by the human resources team with the General Manager Human Resources and Risk Management to review survey results and identify trends, issues and opportunities for positive improvements in employee engagement. Additionally, managers received results tailored to their department(s) for the purpose of developing targeted initiatives (in consultation with relevant site and regional managers). The Company consequently undertook a coordinated plan of action in 2014; the case study on page 87 provides an overview of PanAust's employee engagement initiatives that were implemented in 2014.

PanAust intends to undertake the same survey again after at least three years from the first to understand whether initiatives identified and implemented are having a positive impact.

Workplace diversity

PanAust recognises that a diverse workforce brings a wide range of perspectives and experiences which enable business innovation and Company success. PanAust is committed to creating an inclusive environment where employees are treated fairly and demonstrate their potential through talent and are rewarded based on merit. All aspects of workforce diversity are important; however, PanAust pays particular attention to ethnic and gender diversity in order to meet strategic objectives as well as commitments to relevant legislation and host countries.

PanAust promotes and supports workplace diversity through policies and standards such as the Employee Policy and the Diversity Standard. Both are available on the Company website, www.panaust.com.au/corporate-governance and are introduced to new employees during induction. The Company's code of conduct, *The PanAust Way*, also sets behavioural expectations to underpin diversity in the workplace.

In 2014, specific diversity objectives, existing employee programs and commitments to external agencies were upheld and continued to support, promote and engage more Lao-national and female employees at all levels of the Company.

Our people

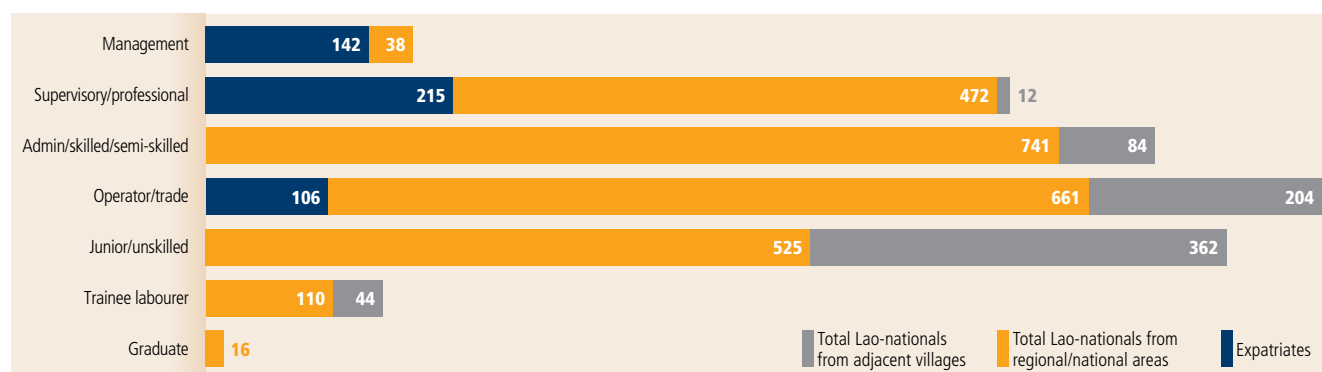
PanAust continued to underpin diversity in Laos with the Mentoring Program. Under the program, senior PanAust managers and executives mentor high-potential employees including Lao-national ethnic minority and female employees. A pilot program launched in 2012 was successfully concluded in 2014, with fifteen Lao-national employees, including three senior Lao female employees, completing the program as mentees. This program will now be extended for another cycle and will continue to provide an avenue for valuable professional experience to be transferred between employees and support the development of effective management skills and PanAust's succession planning processes. More information about the Mentoring Program can be found on page 84 within the Development and Training section.

Encouraging the participation of Lao-national females who are in roles with leadership potential (supervisors-in-training) in the Company's in-house Leadership Development Program was a 2014 focus area for PanAust. From a group of 11 Lao-national females participating in the development program, nine completed it during 2014; the remaining two are scheduled to complete in 2015.

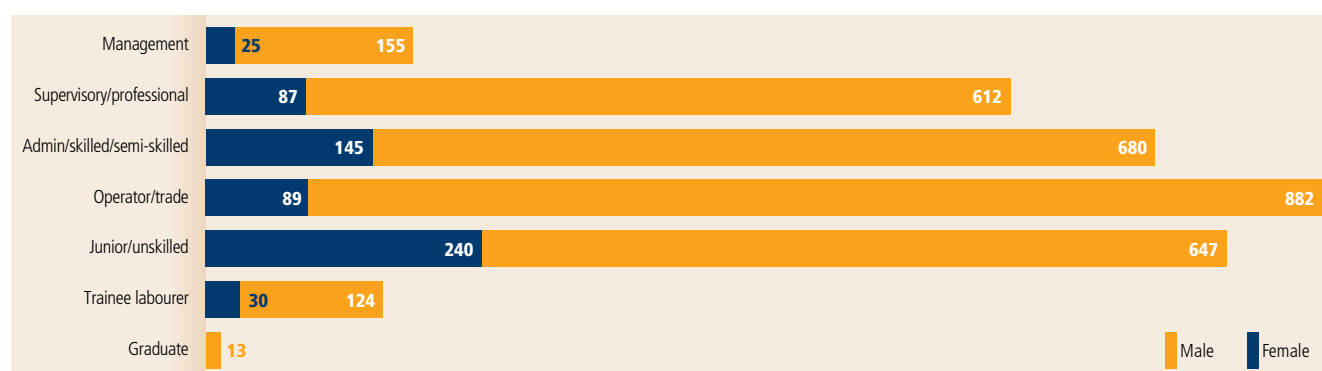
WORKFORCE STATISTICS YEAR ENDING 31 DECEMBER 2014

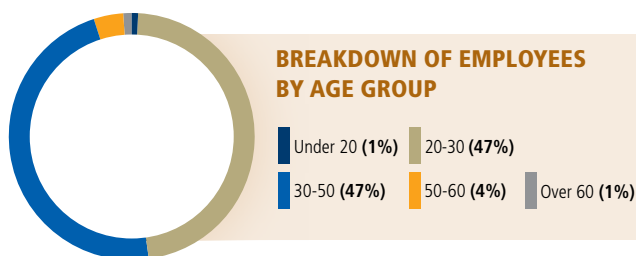
	2012	2013	2014
PanAust Group total full-time employees (permanent and fixed-term contract arrangements)	3,317	3,643	3,721
Phu Bia Mining total full-time employees (permanent and fixed-term)	3,239	3,533	3,623
Female employees as a percentage of all PanAust Group employees	16	16	17
Lao employees as a percentage of all Phu Bia Mining employees in Laos (permanent, fixed-term and casual)	87	88	88
Expatriate employees as a percentage of all Phu Bia Mining employees in Laos (permanent, fixed-term and casual)	13	12	12
Number of casual Lao employees	463	485	182

2014 BREAKDOWN OF EMPLOYEES BY ROLE CATEGORY (LAOS OPERATIONS ONLY)



2014 BREAKDOWN OF PANAUST EMPLOYEES BY GENDER





Of the total PanAust workforce (less those in Papua New Guinea) at year-end 2014 (3,721), 647 were women (17 per cent) with 36 of those in management roles, which represents 16 per cent of all management roles across the Group.

Within PanAust's Lao-based workforce at year end 2014 (3,623), 614 were women (17 per cent) with 21 in management roles, 75 in supervisory/professional roles, and 89 in operator-type roles typically filled by males.

From 2013 to 2014, Phu Bia Mining experienced a constant proportion of expatriate employees (12 per cent) to Lao employees (88 per cent). 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 2014 increased from 16 per cent in 2013 to 17 per cent, trending similarly to that of the PanAust Group.

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

NATIONALITY MIX OF LAOS-BASED EMPLOYEES AS AT 31 DECEMBER 2014 (TOTAL 3,623)

Lao-nationals	3,156
Expatriates from Papua New Guinea, Thailand, The Philippines, Malaysia, Indonesia	337
Expatriates from Australia, New Zealand, United States, Europe	130

WORKFORCE LOCALISATION AT FRIEDA RIVER

PanAust is committed to optimising access to employment opportunities for people from its host communities. The Company is demonstrating this commitment at Frieda River; with the acquisition of the Project in August 2014, work commenced to develop and refine human resource strategies for the feasibility study and the associated site work programs.

The initial focus was to transition existing Frieda River Project employees to PanAust's terms and conditions, and to determine preferential employment strategies for local communities in preparation for site drilling works. As at December 2014, the Project employed 140 people; 75 per cent of whom originated from local communities. In parallel to preparing for site programs, work also commenced to review the human resource plans and concepts proposed by the previous project owner in past feasibility studies. Revised plans will be a key part of future project permitting and the final PanAust feasibility study.

EMPLOYMENT OPPORTUNITIES FOR LOCAL PEOPLE IN LAOS

PanAust has generated employment opportunities for people who originate from areas close to the mine sites and as well as provided those employees with opportunities to work outside of their original locations of hire and move into other roles based on other PanAust sites. At year-end 2014, 31 per cent of the total Phu Bia Mining Lao-national workforce were originally employed from villages adjacent to Phu Kham and Ban Houayxai, and from the local Xaisomboun, Vang Vieng and Hom districts. Due to the opportunity for transfer, temporary assignments and promotions, some employees are now working outside their local area and/or home district and are based in the Vientiane corporate office, another operation or with the exploration or projects teams.

DIVERSITY COMMITTEE

The PanAust Diversity Committee continued to operate in 2014. The committee reports to the Managing Director and monitors the performance of the PanAust Group with respect to diversity. In 2014, the committee discharged its responsibility to implement the objectives adopted by the Board and to generate new initiatives for consideration. Throughout the year, the Diversity Committee itself had a diverse membership in gender and ethnicity. Several measurable diversity objectives across the PanAust Group were achieved in 2014 including the following:

- commissioned a research paper on *Flexible Working Arrangements; policy and practices in the mining industry*, by the Diversity Council of Australia
 - Prepared a Remuneration by Gender Report (an internal paper providing analysis of remuneration based on gender and position-level with the organization)
 - maintained two female non-executive Directors on the Board of PanAust
 - published an article about the value of diversity within PanAust in the Group-wide employee newsletter.
- In the Lao context the following diversity objectives were achieved in 2014.
- Participation of at least three senior Lao women employees in the formal PanAust Mentoring Program and completion of the program during the year.
 - An increase in the proportion of Lao employees at supervisor level or above who identify as coming from a Lao ethnic group other than the majority Lao Loum (9.7 per cent in 2013 to 13.4 per cent in 2014)
 - Exceeded the target of employees who are Lao women working in supervisor-in-training level roles completing the PanAust Asia leadership program (target 50 per cent, achieved 87 per cent). The two participants who are yet to complete the training will do so in 2015.
 - Continued to provide opportunities for Lao-nationals to participate in the technical trades training and graduate programs by engaging 37 new apprentices (seven of whom were female) and 10 new graduates.

The Diversity Standard sets out processes to ensure equal opportunity and non-discrimination in relation to gender, age, religion and ethnicity; it is available on the Company's website www.panaust.com.au/corporate-governance.

Our people

Development and training

PanAust is determined to leave long-lasting legacies in Laos including a skilled workforce that can participate in and help grow the Lao economy through professional services, mining and other heavy industry. In the shorter term, PanAust remains focused on the localisation of its workforce to enable Lao-nationals to increasingly operate, maintain and manage the Company's operations in Laos.

PanAust's people development strategy focuses on continual learning 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 and for future promotion, enable organisational readiness for growth and to build a sustainable workforce. PanAust has established programs to ensure the development of a pipeline of talent including succession and localisation planning, skills training, personal development programs and learning support initiatives.

Over time, the decline in the number of expatriates in management and supervisory roles and the corresponding increase in Lao-national employees in these roles, demonstrates the success of PanAust's localisation strategy.

Company training is provided internally and in conjunction with a wide range of partners. Paramount to the annual training plan is compliance and competency training which is undertaken by employees in relevant roles to ensure each is skilled to safely and competently perform their role. This training also ensures employees are aware of their personal and Company obligations in relation to appropriate workplace, safety and environment standards, as well as industry and international standards. In addition to compliance and competency training, technical enhancement training is also available for employees to explore contemporary technical ideas and concepts to build upon their existing technical knowledge. PanAust training is delivered via face-to-face learning and/or through online e-learning tools.

Development programs at PanAust ensure employees have the required capability to enable business performance and growth. These programs include the graduate development program, leadership development program and internships. Development programs target particular sectors of PanAust's workforce for tailored learning.

TRAINING DELIVERY

In Laos, training delivered by PanAust's in-house specialists and training partners totalled 325,110 hours in 2014 (an average of 95 hours of training per employee). The total hours of training is a decrease on 2013 (333,680 hours) due to Ban Houayxai reaching a steady state of operation after the previous couple of years of ramp-up and training new employees, as well as the training department undertaking a review of internally-run training courses to cover the key concepts as efficiently as possible.

TRAINING SUBJECT/FOCUS AREA	TOTAL HOURS	PERCENTAGE OF ALL TRAINING PROVIDED
Mine operations	103,182	32
Apprenticeship Program (delivered in partnership with the Lao-German Technical College)	100,564	31
Safety and induction	36,775	11
Professional and leadership development	36,739	11
Clerical, education and awareness programs	30,225	9
Trades and engineering	17,625	6
TOTAL TRAINING HOURS	325,110	100

SUCCESSION PLANNING AND INVESTMENT IN FUTURE LEADERS

In parallel with PanAust's training and development programs, the Company has also established tailored initiatives to guide and encourage employees who have been identified as future leaders to attain development goals. As noted above, the Company's in-house Mentoring Program provides employees (mentees) with access to experienced and knowledgeable senior employees (mentors) who can help them achieve individual and business-focused development outcomes. A pilot program which commenced in 2012 was focused on high potential Lao employees and successfully concluded in late 2014 with a total of 15 mentees having participated. A review of the program was conducted with a view to determining the future of the Mentoring Program. The review concluded that the pilot program was very well supported by the Lao employees who saw tremendous benefits from the mentoring program for their own development as well as providing benefits to the mentors, particularly enhanced job satisfaction by contributing to the development of Lao-nationals.

Of the 15 mentees that participated in the pilot, nine have been promoted, two have had their roles broadened to include more responsibility, and one is now in an acting manager capacity. The program provided positive examples of feedback where it helped those who are on the cusp of a promotion, provided the mentee with recognition that they are important to the business and the results of the program were visible to the mentees' managers. Following the review, PanAust determined that a second round of the Mentoring Program would be conducted and participation broadened to other high-potential employees across the business. Training for the second round of participants (12 mentors and six mentees) was carried out in late November 2014. An external coach provides guidance to mentors to help maximise the outcomes. The Mentoring Program continues to be a key initiative supporting the development of high-potential employees recognised within the Company's succession planning process. This is viewed as necessary for the Company's growth, localisation and diversity objectives and will support employee attraction, engagement, career development and retention strategies.

Image right: Automotive Electrical Trades Trainer, John Jajar (left) with Apprentice Automotive Electrician, Yeng Ya (right) carrying out a Take 5 Risk Assessment before commencing a training exercise at the Lao-German Technical College in Vientiane

PanAust is determined to leave long-lasting legacies in Laos including a skilled workforce that can participate in and help grow the Lao economy



Our people



Apprentice Plant Fitter Machinist, Viengphone Khutthiyavong and Apprentice Automotive Electrician, Khamsao Suvannavong during their pre-apprenticeship year in 2014

LEADERSHIP DEVELOPMENT

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

Leadership Development Programs are attended by supervisors and high-potential employees. Superintendents and managers attend externally facilitated workshops (via an Australian-based training provider). Course content targets professional development of communication and negotiation skills, planning and strategy, managing performance and problem-solving techniques. Each leadership program provides tools and techniques for leaders to positively support and influence their workforce. Programs, which are delivered in both English and Lao, form the building blocks of the Company's positive performance culture which aligns leaders to PanAust's Vision and Values.

In 2014, a group of 63 employees completed the Leadership Development Program designed for front line supervisors. All 63 were Lao-national employees and this builds on the 40 graduates from 2013 and 20 from the year 2012. The training team has maximised the number of people able to attend this program in 2014 by refining the course content and expanding availability to various sites. A further 19 employees are at various stages of the course and due for graduation in 2015. During a one-year training timeframe, each program participant completes more than 200 hours of structured training and post-course assignments, including Safety Leadership Training.

Further to internally run courses, three employees from the manager/high-potential superintendent group also attended an external program conducted by the Melbourne Business School (Mt Eliza). The aim is to provide opportunities for further skills development for employees to be effective at a manager level including strategic thinking and long-term decision making.

Leadership Development Programs have contributed to the Company's ability to appoint Lao-national employees to senior roles and reduce reliance on expatriate employees as well as to prepare expatriates and corporate staff for promotion or transfer when positions become vacant or new positions arise due to the Company's growth.

GRADUATE DEVELOPMENT

PanAust's Graduate Program is targeted at Lao-national graduates across a range of disciplines including mining engineering, environment, sustainability and technical services. The program accepts graduates from Lao-based institutions, providing a two-year in-house technical and professional development pathway. Graduates are exposed to contemporary technical techniques, supported with interpersonal skills training and are supervised by experienced professionals who act as coaches and mentors. If, at the completion of the program, a suitable vacancy exists within the Company, the graduate may be offered a permanent role. The graduate program demonstrates PanAust's commitment to developing local employees to ensure a pipeline of suitable talent for PanAust and to make a long-lasting contribution to the Lao economy through a more skilled and professional workforce.

In 2014, a group of 17 graduates completed the program (this follows 2012's 16 graduates and 2013's 14 graduates). All 17 were offered permanent roles within the Company. Also in 2014, an intake of 9 graduates, including one female, commenced the program; scheduled for completion in 2016.

TECHNICAL TRADES TRAINING PROGRAM

The Phu Bia Mining Trades Training Program in Laos offers five-year apprenticeships in technical trades conducted in partnership with the Lao-German Technical College in Vientiane, Laos. This program has been run by the Company since 2013 and was established in response to a review of trades training which concluded that a more comprehensive and targeted program was required to address a general shortage of qualified tradespeople within Laos and to generate a pool of appropriately qualified candidates for the Company.

At year end 2014, a total of 69 apprentices were in first or second year of their training: 12 of these apprentices were female. Apprentices attend twelve months of pre-apprentice vocational training before entering the four-year apprenticeship program in a specific trade. The pre-apprentice training prepares students for the main program by teaching basic trade skills such as using hand tools, power tools, and measuring tools and techniques. It also exposes students to the industrial concepts of safety and workplace housekeeping as well as enhancing existing English language and mathematics knowledge. During the one-year pre-apprentice program, students complete blocks of site-based work experience to enable them to assess the various trade disciplines available to help them select a specific trade vocation for the main four-year program. The 2014 trades training intake numbered 37 including seven females. Targeted marketing encourages females to submit applications for the program.

Also in 2014, the Company accepted a proposal by the MMG-owned LXML Sapon Copper Mine in southern Laos (the only other large-scale mechanical mine in the country) to join Phu Bia Mining in running the apprentice program. The agreement will provide efficiency and knowledge-sharing benefits derived from shared training resources and materials.

OUR PEOPLE CASE STUDY:

Employee engagement initiatives 2014



Ban Houayxai employees at the 'BH X Factor' talent contest Grand Final; the contests run at both Phu Kham and Ban Houayxai have been very well-received by staff

As reported in PanAust's 2013 Sustainability Report (pages 57 and 58) and on page 81 of this Report, in 2013 PanAust completed a comprehensive employee engagement survey, named *Your Say* to canvass the views of employees across the Company on a wide range of engagement topics.

The survey was conducted by an independent, external specialist employee survey company and with almost 70 per cent of employees participating, the data gathered provided the Company with a good understanding of the drivers of employee engagement and retention.

PANAUST RESULTS

The data was analysed in comparison to other global mining companies and PanAust's 'overall sustainable engagement score' was 73 per cent of PanAust employees. This indicator can be defined as the percentage of employees who felt connected to the Company and motivated to achieve the PanAust's goals (that is, engaged) within an environment that supports productivity (being enabled) and maintains personal wellbeing (feeling energised).

In comparison with other companies within the global resources sector, PanAust returned a better result in key areas (reported by the survey as Top 5 Areas):

1. Recognition: high-quality performance is recognised
2. Organisation structure: the structure support efficient operations
3. Career development: there are opportunities to achieve personal growth and career objectives
4. Working relationships: teamwork is encouraged
5. Sustainability: there is pride in the Company's contributions to the community

On the other end of the results spectrum were those relating to areas requiring greater focus in order to increase employee engagement (reported by the survey as Top 5 Areas for Improvement):

1. Retention: retaining our best people
2. Strategy and direction: understanding how individual work contributes to business objectives
3. Senior leadership: communication to employees by senior managers
4. Safety: visible safety leadership
5. Company values: understanding the Values

The results from the survey were shared with employees across the Group and in 2014 PanAust embarked on a program of initiatives, largely tailored in response to the Top 5 Areas for Improvement, to enhance and better support employee engagement and organisational advocacy.

IMPROVEMENT ACTIONS 2014

By delving deeper into the survey results, PanAust identified key drivers of **employee retention** to target specific areas for improvement. Namely, Company Values, recognition and reward, and work/life balance.

New human resource standards were part of a retention plan targeting PanAust's largest group of employees, Lao-nationals. These included:

- a travel allowance to help employees cover the cost of travel to a Company pick-up-point
- a one-off retirement benefit (pending meeting relevant criteria) to improve the retirement security of Lao employees
- enhanced medical insurance to incorporate optical and dental.

Efforts to improve **employee's understanding of how their work aligns with Company objectives understanding the Company's Values** included cascading information and PanAust's business goals through individuals' achievement plans and mid- and end-of-year performance reviews. Regular strategy update sessions aiming to explain the Company's Values and how business goals are achieved through individuals' performance are also now in place.

Hot News, ensures **communication from senior leaders** penetrate all levels of the organisation, including reaching those employees without a computer or high levels of literacy. Key messages are provided to supervisors and broadcast verbally during tool-box talks (primarily in Lao-language) each month. Key messages include Company initiatives and specific links between work activities and the long-term goals of the Company.

Furthermore, video messages from the Managing Director and/or general managers focusing on business strategy and plans are embedded in the electronic version PanAust's Group-wide quarterly employee newsletter.

Several actions were taken in 2014 to improve **visible safety leadership**, including:

- Senior management out in the workplace undertaking a number of rigorous deep dive reviews of high-risk work activities
- supervisors visibly role-modeling safety behaviours and actively communicating directly safety-related matters with their teams
- the use of on-site large plasma screens to visually display safety information
- in the transportation of people and concentrate, driver reviver stations have been expanded, and activities such as enhanced driver training and rotating drivers have been implemented

Apart from the Top 5 areas for improvement, *Your Say* also highlighted employees' desire to achieve a better work/life balance while on-site, prompting various initiatives focused on entertainment, food and hygiene at the Phu Kham and Ban Houayxai camps:

- Entertainment activities that enhance site-wide morale
- revised meal plans incorporating a broader range of local and regional foods
- enhanced quality of night-shift meals
- expanded social activities
- reallocation of accommodation to minimize sharing
- night-shift cleaning of ablution blocks
- upgraded accommodation facilities where required.

PanAust will continue to use the feedback from the 2013 *Your Say* survey to develop targeted programs and initiatives to further improve employee engagement and retention. A follow-up 'pulse' survey is scheduled for 2016.

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*
- Spotless Group Holdings Limited*

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.

Dr Fred Hess

BSc (Hons), PhD, MAusIMM

Managing Director

Dr Hess, who was appointed Managing Director on 11 November 2014, is a metallurgist with over 30 years' experience.

Since joining PanAust in October 2005, Dr Hess has held several Executive Management positions, most recently as Executive General Manager Project Development and Operational Improvement. Dr Hess was a major driving force behind the development, construction and management of the Phu Kham Copper-Gold Operation and Ban Houayxai Gold-Silver Operation in Laos. Dr Hess has overseen two major plant upgrades at Phu Kham and undertaken major studies on the Puthep Copper Project in Thailand and the Inca de Oro Copper Project in Chile.

Prior to joining PanAust, Dr Hess 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. Dr Hess spent the first six years of his working career at Bougainville Copper in Papua New Guinea. Dr Hess is a graduate of the Julius Kruttschnitt Mineral Research Centre at the University of Queensland.

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*

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

Geoff Handley

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

Non-Executive Director

Mr Handley is a geologist with over 40 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 (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 (including nearly 5 years living in PNG), 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.



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:

- Guangdong Fenghua Advanced Technology Holding Co., Ltd.* (Chairman)
- Guangdong Rising (Australia) Pty Ltd. (the holding company of Caledon Coal Pty Limited)* (Chairman)
- Shenzhen Zhongjin Lingnan Nonferrous Metal Co.

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

John Crofts

*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 CEO and Managing Director of Tambora Resources Corporation (previously Indo Terra Resources), an unlisted Canadian Company.

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)
- Teck Resources 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 and as a non-executive director of Downer EDI Ltd. In addition, Ms Chaplain has extensive experience as a non-executive director of companies involved in the provision of critical infrastructure including bulk commodity ports, pipelines and water. She is chairman of Queensland Airports Ltd.

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

- Downer EDI Limited*

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

Qian Deng

Master of Management

Alternate GRAM-appointed Non-Executive Director

Mr Qian Deng is the Vice General Manager of Overseas Development Department at Guangdong Rising Assets Management (GRAM), a position he has held since December 2013. Mr Qian Deng was appointed to act as an alternate Director to Mr Zezhong Li, GRAM's nominee Director on the Board of PanAust. GRAM is a cornerstone investor in PanAust.

Prior to joining GRAM, Mr Qian Deng worked for worked for Shenzhen Zhongjin Lingnan Nonferrous Metal Co. where he was involved in the investment in Perilya Limited (an Australian based lead and zinc producer) and GlobeStar Mining Corporation (a Canadian based copper and gold producer).

Mr Qian Deng currently serves as a Director of Guangdong Rising (Australia) Pty Ltd (the holding company of Caledon Coal Pty Limited).

Mr Qian Deng was appointed as an Alternate Director on 28 January 2015.

Gary Stafford

BSc (Hons, Mining Engineering) MAusIMM

Resigned Managing Director, 11 November 2014

On 6 March 2014 a succession process commenced for the position of Managing Director. On 11 November 2014, Mr Gary Stafford resigned. Mr Stafford had served as Managing Director of the Company since 1996. On 11 November 2014, Dr Fred Hess was appointed Managing Director of the Company.

* denotes current directorship

Financial summary

Summary of PanAust's financial results for the 12 months to 31 December 2014¹⁴

(US\$ MILLION)	12 MONTHS TO 31 DEC 2014	12 MONTHS TO 31 DEC 2013
Sales revenue	678.8	725.0
Sales revenue, derivative gains/losses and other income	698.3	734.0
Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)	194.2	272.5
Profit/(loss) after income tax	(221.4)	43.7
Profit/(loss) after income tax, attributable to PanAust Limited	(178.1)	36.4
Basic earnings per share (US cents)	(29.8)	6.1
Dividend per share (Australian cents)	3	6

¹⁴ PanAust's assets in Laos are held by Phu Bia Mining. The Government of Laos owns a 10 per cent interest in Phu Bia Mining. Results in the above summary reflect 100 per cent ownership of Phu Bia Mining other than "Profit/(loss) after income tax, attributable to PanAust Limited" which recognises the Government of Laos' minority interest.



Dusk at the Ban Houayxai Gold-Silver Operation

PanAust Limited Consolidated Statement of Profit or Loss and other Comprehensive Income

For the period ended 31 December 2014

	NOTES	31 DECEMBER 2014 \$'000	31 DECEMBER 2013 \$'000
Sales revenue	4	678,769	725,048
Derivative gains	4	17,268	7,302
Other income	4	2,293	1,615
Mining operations costs		(242,467)	(266,614)
Employee benefits expense		(105,615)	(89,803)
Treatment and refining charges		(43,145)	(29,206)
Royalties		(36,209)	(40,065)
Copper concentrate haulage		(32,131)	(27,048)
Marketing, realisation and freight costs		(15,122)	(14,297)
Changes in inventories of finished goods and work in progress		(20,183)	14,837
Other expenses	5	(22,323)	(20,070)
		181,135	261,699
Interest and finance charges	5	(21,394)	(21,905)
Depreciation and amortisation expense	5	(129,110)	(118,336)
Impairment expense	5	(264,742)	(50,850)
Change in the fair value of investment in Highlands Pacific Limited		(1,859)	(1,182)
PROFIT BEFORE INCOME TAX		(235,970)	69,426
Income tax benefit/(expense)	6	14,590	(25,730)
PROFIT/(LOSS) AFTER INCOME TAX		(221,380)	43,696
OTHER COMPREHENSIVE INCOME ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Cash flow hedges, net of tax		-	4,142
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(221,380)	47,838
PROFIT/(LOSS) AFTER INCOME TAX IS ATTRIBUTABLE TO:			
Owners of PanAust Limited		(178,109)	36,383
Non-controlling interests		(43,271)	7,313
		(221,380)	43,696
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of PanAust Limited		(178,109)	40,111
Non-controlling interests		(43,271)	7,727
		(221,380)	47,838
		CENTS	CENTS
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share	15	(29.80)	6.12
Diluted earnings per share	15	(29.70)	6.11

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes in the PanAust 2014 Annual Report.

Financial summary

PanAust Limited Consolidated Balance Sheet

For the period ended 31 December 2014

	NOTES	31 DECEMBER 2014 \$'000	31 DECEMBER 2013 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8(a)	74,069	130,270
Receivables and other assets	8(b)	39,936	28,469
Inventories	9(a)	93,217	117,062
Current tax receivables	6	10,138	-
Derivative financial instruments	10	5,372	1
TOTAL CURRENT ASSETS		222,732	275,802
NON-CURRENT ASSETS			
Receivables and other assets	8(b)	7,907	13,205
Investment in Highlands Pacific Limited	8(c)	5,992	3,488
Inventories	9(a)	11,720	19,200
Property, plant and equipment	9(b)	838,709	904,586
Exploration, evaluation, and mine development	9(c)	87,543	205,276
Intangible assets	9(d)	13,274	13,965
TOTAL NON-CURRENT ASSETS		965,145	1,159,720
TOTAL ASSETS		1,187,877	1,435,522
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8(d)	77,293	76,904
Borrowings	8(e)	18,662	29,313
Deferred considerations payable	8(f)	50,000	-
Current tax liabilities	6	-	6,005
Provisions	9(f)	18,208	16,211
Derivative financial instruments	10	-	2,215
TOTAL CURRENT LIABILITIES		164,163	130,648
NON-CURRENT LIABILITIES			
Trade and other payables	8(d)	1,030	-
Borrowings	8(e)	164,456	194,702
Deferred tax liabilities	6	1,923	25,299
Provisions	9(f)	80,875	60,534
TOTAL NON-CURRENT LIABILITIES		248,284	280,535
TOTAL LIABILITIES		412,447	411,183
NET ASSETS		775,430	1,024,339
EQUITY			
Contributed equity	13(a)	558,338	554,642
Reserves	13(b)	46,905	40,237
Retained earnings	13(c)	107,157	318,388
Capital and reserves attributable to owners of PanAust Limited		712,400	913,267
Non-controlling interests	14	63,030	111,072
TOTAL EQUITY		775,430	1,024,339

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes in the PanAust 2014 Annual Report.

PanAust Limited Consolidated Statement of Changes in Equity

For the period ended 31 December 2014

		ATTRIBUTABLE TO OWNERS OF PANAUST LIMITED					
CONSOLIDATED ENTITY	NOTES	CONTRIBUTED EQUITY \$'000	OTHER RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000	NON- CONTROLLING INTERESTS \$'000	TOTAL EQUITY \$'000
BALANCE AT 1 JANUARY 2013		548,029	30,738	324,395	903,162	107,185	1,010,347
(Loss)/Profit after income tax		-	-	36,383	36,383	7,313	43,696
Changes in fair value of cash flow hedges		-	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
BALANCE AT 1 JANUARY 2014		554,642	40,237	318,388	913,267	111,072	1,024,339
(Loss)/Profit after income tax		-	-	(178,109)	(178,109)	(43,271)	(221,380)
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD		-	-	(178,109)	(178,109)	(43,271)	(221,380)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	13(a)	3,696	-	-	3,696	-	3,696
Total changes in non-controlling interests		-	-	-	-	(461)	(461)
Dividends provided for or paid	13(c)	-	-	(33,122)	(33,122)	(4,310)	(37,432)
Employee share based payments	16	-	6,668	-	6,668	-	6,668
		3,696	6,668	(33,122)	(22,758)	(4,771)	(27,529)
BALANCE AT 31 DECEMBER 2014		558,338	46,905	107,157	712,400	63,030	775,430

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes in the PanAust 2014 Annual Report.

Financial summary

PanAust Limited Consolidated Cash Flow Statement

For the period ended 31 December 2014

	NOTES	31 DECEMBER 2014 \$'000	31 DECEMBER 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		667,980	720,966
Payments to suppliers and employees (inclusive of goods and services tax)		(479,201)	(494,823)
Receipts for derivatives		7,738	7,570
Payments for tax		(19,211)	(45,489)
		177,306	188,224
Interest and fees paid		(15,009)	(13,474)
Put option premium paid		(1,193)	(3,608)
Interest received		669	399
NET CASH INFLOW FROM OPERATING ACTIVITIES	7	161,773	171,541
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(44,420)	(88,693)
Deferred stripping cost		(44,708)	(21,078)
Payments for exploration and evaluation costs		(23,814)	(48,373)
Payments for brownfield development costs		-	(25,626)
Payments for investment in Frieda River Limited		(29,398)	-
Payments for investment in Highlands Pacific Limited		(4,363)	(4,670)
Payments for investment in associates		-	(315)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(146,703)	(188,755)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		-	1,331
Proceeds from issues of shares to non-controlling interest		153	1,547
Proceeds from borrowings		15,000	70,660
Repayment of borrowings		(45,360)	-
Finance lease payments		(18,277)	(23,553)
Dividends paid to Company's shareholders		(29,426)	(37,108)
Drawdown finance lease		7,740	10,768
NET CASH INFLOW FROM FINANCING ACTIVITIES		(70,170)	23,645
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(55,100)	6,431
Cash and cash equivalents at the beginning of the financial year		130,270	125,029
Effects of exchange rate changes on cash and cash equivalents		(1,101)	(1,190)
CASH AND CASH EQUIVALENTS AT END OF YEAR		74,069	130,270

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes in the PanAust 2014 Annual Report.

Summary of Mineral Resources and Ore Reserves

Material changes to the Mineral Resource estimate for Ban Houayxai, and to the Ore Reserve estimates for Phu Kham and Ban Houayxai when compared with the estimates as at 31 December 2013 are discussed in the respective Table 1 reports later in this document. There were no other material changes to the Mineral Resource estimates.

Mineral Resources

PHU KHAM, LAOS

PHU KHAM (0.2% COPPER CUT-OFF)					31 DECEMBER 2013			
	31 DECEMBER 2014							
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Measured	100	0.54	0.23	1.9	118	0.53	0.23	1.9
Measured (stockpiles)	3	0.28	0.18	1.4	3	0.31	0.17	1.2
Indicated	70	0.45	0.21	2.3	72	0.46	0.21	2.3
SUB-TOTAL (M+I)	173	0.50	0.22	2.1	192	0.50	0.22	2.0
Inferred	12	0.37	0.21	1.9	12	0.37	0.21	1.9
TOTAL PHU KHAM	184	0.49	0.22	2.1	204	0.49	0.22	2.0

BAN HOUAYXAI, LAOS

BAN HOUAYXAI					31 DECEMBER 2013			
	31 DECEMBER 2014							
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	1	-	0.53	3.7	<1	-	0.57	3.1
Indicated	6	-	0.63	3.8	7	-	0.70	3.7
SUB-TOTAL (M+I)	6	-	0.62	3.8	7	-	0.70	3.7
Inferred	<1	-	0.43	1.6	1	-	0.38	1.7
SUB-TOTAL (OXIDE)	7	-	0.61	3.7	8	-	0.66	3.5
TRANSITIONAL (0.30g/t GOLD CUT-OFF)								
Measured	4	-	0.71	9.2	3	-	0.83	10.6
Indicated	8	-	0.78	9.1	14	-	0.83	9.0
SUB-TOTAL (M+I)	12	-	0.76	9.2	16	-	0.83	9.3
Inferred	<1	-	0.49	5.0	<1	-	0.45	3.4
SUB-TOTAL (TRANSITIONAL)	12	-	0.76	9.1	17	-	0.82	9.1
PRIMARY (0.40g/t GOLD CUT-OFF)								
Measured	7	-	1.06	11.5	1	-	1.10	10.3
Indicated	14	-	1.05	9.1	30	-	1.04	7.6
SUB-TOTAL (M+I)	21	-	1.05	9.9	31	-	1.04	7.7
Inferred	<1	-	0.84	3.1	7	-	0.87	5.9
SUB-TOTAL (PRIMARY)	21	-	1.05	9.9	37	-	1.01	7.4
COMBINED OXIDE, TRANSITIONAL, PRIMARY								
Measured	12	-	0.91	10.2	4	-	0.85	9.8
Measured (stockpiles)	3	-	0.37	3.9	2	-	0.38	2.4
Indicated	27	-	0.88	8.0	50	-	0.94	7.4
SUB-TOTAL (M+I)	42	-	0.85	8.3	56	-	0.91	7.4
Inferred	<1	-	0.47	2.2	8	-	0.80	5.4
TOTAL	42	-	0.85	8.2	64	-	0.90	7.1

Summary of Mineral Resources and Ore Reserves

KTL, LAOS

KTL (0.5% COPPER CUT-OFF)					31 DECEMBER 2013			
	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Measured	9	1.13	0.57	3.4	9	1.13	0.57	3.4
Indicated	10	0.78	0.27	3.9	10	0.78	0.27	3.9
SUB-TOTAL (M+I)	19	0.94	0.41	3.7	19	0.94	0.41	3.7
Inferred	<1	0.52	0.02	0.3	<1	0.52	0.02	0.3
TOTAL KTL	19	0.94	0.41	3.7	19	0.94	0.41	3.7

LCT, LAOS

LONG CHIENG TRACK (0.3g/t GOLD CUT-OFF)					31 DECEMBER 2013			
	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Measured	7	0.02	0.72	4.0	7	0.02	0.72	4.0
Indicated	12	0.05	0.81	5.2	12	0.05	0.81	5.2
SUB-TOTAL (M+I)	19	0.04	0.78	4.7	19	0.04	0.78	4.7
Inferred	11	0.15	0.72	2.4	11	0.15	0.72	2.4
TOTAL	31	0.08	0.76	3.9	31	0.08	0.76	3.9

FRIEDA RIVER, PAPUA NEW GUINEA

HORSE-IVAAL-TRUKAI (HIT) (0.2g/t COPPER CUT-OFF)					31 DECEMBER 2013			
	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Measured	780	0.51	0.28	-	780	0.51	0.28	-
Indicated	410	0.44	0.2	-	410	0.44	0.2	-
SUB-TOTAL (M+I)	1,190	0.49	0.25	-	1,190	0.49	0.25	-
Inferred	920	0.39	0.17	-	920	0.39	0.17	-
TOTAL	2,110	0.44	0.22	-	2,110	0.44	0.22	-

NENA (0.3g/t COPPER CUT-OFF)					31 DECEMBER 2013			
	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Measured	-	-	-	-	-	-	-	-
Indicated	33	2.81	0.65	-	33	2.81	0.65	-
SUB-TOTAL (M+I)	33	2.81	0.65	-	33	2.81	0.65	-
Inferred	12	1.84	0.45	-	12	1.84	0.45	-
TOTAL	45	2.55	0.60	-	45	2.55	0.60	-

INCA DE ORO AND CARMEN, CHILE

INCA DE ORO			31 DECEMBER 2014		31 DECEMBER 2013			
HEAP LEACH								
INCA DE ORO OXIDE AND MIXED (0.25% COPPER CUT-OFF) ¹⁵								
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		
FLOTATION								
INCA DE ORO SUPERGENE 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	186	0.44	0.13	2.0	186	0.44	0.13	2.0
Indicated	126	0.35	0.08	1.7	126	0.35	0.08	1.7
SUB-TOTAL (M+I)	312	0.41	0.11	1.8	312	0.41	0.11	1.8
Inferred	77	0.30	0.06	1.4	77	0.30	0.06	1.4
TOTAL	389	0.39	0.10	1.7	389	0.39	0.10	1.7
CARMEN TRANSITIONAL AND PRIMARY (0.25% COPPER CUT-OFF)								
31 DECEMBER 2014					31 DECEMBER 2013			
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	0.42	1.1	5	0.33	0.42	1.1
Indicated	7	0.35	0.43	1.3	7	0.35	0.43	1.3
SUB-TOTAL (M+I)	12	0.34	0.43	1.2	12	0.34	0.43	1.2
Inferred	34	0.34	0.31	1.0	34	0.34	0.31	1.0
TOTAL	46	0.34	0.34	1.0	46	0.34	0.34	1.0

¹⁵ 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 Mineral Resource estimate has been included in this table.

Summary of Mineral Resources and Ore Reserves

Ore Reserves

PHU KHAM, LAOS

PHU KHAM	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Proved	85	0.55	0.24	1.9	102	0.52	0.23	1.9
Proved (stockpiles)	3	0.28	0.18	1.4	3	0.31	0.17	1.2
Probable	42	0.48	0.23	2.3	52	0.46	0.22	2.1
SUB-TOTAL	130	0.52	0.23	2.1	157	0.50	0.22	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	88	0.54	0.24	1.9	112	0.55	0.26	2.0
Probable	42	0.48	0.23	2.3	53	0.47	0.22	2.2
TOTAL	130	0.52	0.23	2.1	165	0.52	0.25	2.0

BAN HOUAYXAI, LAOS

BAN HOUAYXAI	31 DECEMBER 2014				31 DECEMBER 2013			
CLASS	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)	TONNES (Mt)	CU (%)	AU (g/t)	AG (g/t)
Proved	11	-	0.92	10.9	4	-	0.79	9.5
Proved (stockpiles)	1	-	0.46	6.7	2	-	0.36	2.3
Probable	14	-	0.87	8.0	30	-	0.85	8.3
TOTAL	26	-	0.87	9.2	36	-	0.81	8.0

MINERAL RESOURCES AND ORE RESERVES

The Ore Reserves and Mineral Resources estimates summarised above were reported under the JORC Code in an announcement entitled "2015 Mineral Resource and Ore Reserve Statements" lodged by PanAust with ASX on 19 February 2015 and is available to view on the PanAust website at www.panaust.com.au.

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 2015 report and that all material assumptions and technical parameters underpinning the estimates in the 19 February 2015 report continue to apply and have not materially changed. PanAust confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

GENERAL NOTES

- 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; an 80 per cent interest in Frieda River (HIT and Nena); a 61.3 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.

Assurance Statement



Beca Independent Assurance Report to PanAust

Beca Pty Limited (Beca) was engaged by PanAust to provide independent limited assurance of its Sustainability Report 2014 to the scope of work outlined below.

Scope of Work

The Sustainability Report 2014 (the Report) covers PanAust's operations for the 12 months to 31 December 2014, unless stated otherwise in the text. This work was performed using Beca's assurance methodology to ISAE 3000, the International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information. To do this, Beca conducted an independent review of PanAust's materiality process and findings, including attending three PanAust stakeholder road show sessions as an observer, and interviewed key personnel in the business to determine the datasets to be assured. Beca then interviewed a number of personnel and reviewed relevant data and documentation at PanAust's offices in Brisbane and Vientiane and the majority of PanAust's operations, namely the Phu Kham and Ban Houayxai operations in Laos. The subject matter for the limited assurance consisted of the three elements below for the following six datasets: sediment and erosion control standard implementation; energy consumption and Scope 1 and 2 greenhouse gas (GHG) emissions (reasonable assurance was undertaken for this indicator); risk management policies, systems and processes; contractor safety management processes; Community Development Fund (CDF) spend and community grievances:

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance data and statements in the Report.
- Validity of the self-declared 'in accordance' GRI G4 Core reporting.

Beca's Independence

PanAust was responsible for preparing the Report. Beca, one of the largest employee-owned engineering and related consultancy groups in Asia Pacific, was established in 1918, has more than 2,500 employees and 17 offices across the region. The Beca team of assurance auditors, experienced in the determination of materiality and the assurance of sustainability data, led by Jo Cain, was responsible for expressing assurance conclusions in line with the scope of work agreed with PanAust. During 2014, Beca did not work with PanAust on other consulting engagements.

Our Conclusion

Beca concludes that, based on the scope of work and related limitations, for the specified subject matter, PanAust's Sustainability Report 2014:

- Provides a balanced representation of the material issues concerning PanAust
- Reports accurate performance information based on the limitations outlined above
- Satisfies the requirements of 'in accordance' GRI G4 Core reporting

for the 12 months to 31 December 2014. In addition, Beca has provided a management report to PanAust.

Key Observations

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

- **Record keeping:** Rigorous record-keeping is in place at the sites, in particular for environmental data, such as sediment and erosion control and energy use.
- **Materiality process:** Stakeholder engagement is incorporated into the materiality process through sector-specific stakeholder road show sessions. Material issues raised at the 2014 sessions fed into Beca's selection of material issues for assurance.

Beca identified two datasets with material errors (5% discrepancy or more), namely community grievances and energy consumption. Whilst these datasets had improved since 2013, further improvement could be achieved with a greater focus on internal data verification and sign off processes. During the assurance process, PanAust fully addressed these data discrepancies.

Beca congratulates PanAust on its continued commitment to sustainability reporting.

Beca Pty Limited, 1 May 2015, Melbourne, Australia

Beca Pty Limited is an independent employee-owned engineering and related consultancy services group in the Asia Pacific region. Beca has prepared this statement for PanAust in accordance with Beca's standard terms and the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Beca as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Beca will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Beca's express written permission.

FORWARD-LOOKING STATEMENT

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

PROVIDE FEEDBACK ON THIS REPORT

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

To request further information about this Report and or any of its content, email info@panaust.com.au or telephone +61 7 3117 2000.

Image right: Heavy Equipment Technician, Indra Diyantor descending from the top deck of a Caterpillar 777D following a transmission function check in the Phu Kham Mobile Maintenance Workshop

For PanAust, sustainability signifies a commercially successful business with a social licence to operate, which is founded on mutually respectful and constructive relationships with host governments and communities





PANAUST

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Stock Exchange Listing

PanAust Limited Shares are listed on the
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