



GROWTH THROUGH PARTNERSHIPS



SUSTAINABILITY REPORT 2010



PANAUST

COMPANY PROFILE

Company Profile

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

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

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

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

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

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

Company Structure

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

PanAust Asia

Corporate Structure in Laos

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

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

In 2007, the Government of Laos notified Phu Bia Mining that it intended to exercise its option to acquire a 10 per cent interest in Phu Bia Mining. The Shareholder Agreement and Articles of Association for the Government of Laos to take up its 10 per cent share in Phu Bia Mining was signed in Vientiane on 6 May 2011. The next step is to appoint two directors and to finalise the Share Transfer Agreements.

Corporate Structure in Thailand

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

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

PanAust South America

Corporate Structure in Chile

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

Further information about PanAust can be found on the Company website www.panaust.com.au.

Cover photography: Contractors, Mr Chanh (left) and Mr Pong (right), installing PanAust-sponsored water infrastructure for general community use in Nam Mo (a village adjacent to the Phu Kham Copper-Gold Operation). The employment of local contractors on community development projects contributes to the local economy and helps build capacity within areas in which the Company operates.

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This is PanAust's fifth annual Sustainability Report and follows that produced in 2010 for the 2009 calendar year. This report provides information about the Company's sustainability performance for the calendar year 2010 and, where appropriate, some references to the first quarter of 2011.



The Phu Kham Copper-Gold Operation open pit.

REPORT SCOPE

This is PanAust's fifth annual Sustainability Report and follows that produced in 2010 for the 2009 calendar year. This report provides information about the Company's sustainability performance for the calendar year 2010 and, where appropriate, some references to the first quarter of 2011.

This report conforms to the Company's commitment to the Minerals Council of Australia's (MCA) Enduring Value: the Australian Minerals Industry Framework for Sustainable Development.

The key target audience for this report is PanAust's stakeholders (see pages 32-34 for a definition of 'PanAust's stakeholders').

Global Reporting Initiative

PanAust uses the reporting requirements of the Global Reporting Initiative (GRI), Application Level B+. To achieve this rating, this report has undergone external verification prior to publication and the GRI B+ Assurance Statement provided by the independent third party is available on PanAust's website, www.panaust.com.au/reports.

The GRI Index for this report is also available on PanAust's website www.panaust.com.au/reports.

With the exception of financial, safety and employee-related information, and unless otherwise stated, this report does not include exploration programs, support offices in Chile or PanAust's corporate office in Brisbane, Australia.

Data are generally aggregated to the corporate level, recognising that the Company's principal activity is the Phu Kham Copper-Gold Operation in Laos. All GRI indicators are reported at 100 per cent of their value (PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining, with the balance held by the Government of Laos).

Where possible, the data are determined through measurements following GRI protocols. To avoid errors of transposition, data are entered into an electronic intranet-based corporate reporting system by staff on site.

About Materiality (process for defining content of this report)

PanAust adopts GRI reporting principles for defining content in this report. GRI describes the scope of materiality as: *"The information in a report should cover topics and indicators that reflect the organisation's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of stakeholders."*

To provide this information, PanAust relies on its company-wide risk management process (refer page 16) and its accompanying consequence table for recording negative incidents (see the Consequence Table on pages 84-85).

Under health and safety, environmental, social, security, regulatory, production and financial categories, this table classifies the severity of incidents according to the five levels of consequence with Level 1 representing the level of least consequence and Level 5 representing the highest.

PanAust recognises that incidents of a significant nature may, if not managed adequately, have a negative long-term material, strategic, business and/or reputational implication for the Company and its stakeholders. Risk management processes are therefore designed to proactively manage such incidents through identification of high risks and mitigation strategies to prevent occurrence.

Level 3 incidents receive close attention as they often forerun more material incidents. PanAust understands that Level 4 or 5 incidents have the potential to influence the assessment and decisions of stakeholders and has determined that the Company will report any incidents from those levels as material.

Throughout this report incidents are referred to by their consequence levels. Please refer to the Consequence Table for descriptions of each level.

Changes and/or Restatements

To establish the optimal structure for a rapidly growing and geographically diverse business, PanAust re-organised into two business units in 2010: PanAust Asia and PanAust South America. The PanAust corporate office in Brisbane provides oversight for Group growth, finance, commercial and technical services, and governance and public reporting. In early 2011, Project Development was recognised as a third business unit and incorporates feasibility studies and project implementation.

While most of PanAust's reporting relates to the material aspects of the Phu Kham Operation, the Company has commenced, where relevant and possible, reporting environmental and community aspects of its other activities, such as the Ban Houayxai Gold-Silver Project and the Phonsavan Copper Project in Laos, and the Inca de Oro Project in Chile. Although not yet operating, these projects are establishing reporting systems and structures to enable transparency and robust measurement once commissioning is commenced. Relevant tables in this report advise where reporting procedures include data from sites other than Phu Kham.

With the exception of new reporting items, the Company can now report data over a three-year production period.

Currency

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

Forward-Looking Statements

This report includes certain 'forward-looking statements'. All statements, other than statements of historical fact, included herein, including without limitation statements regarding forecast cash operating costs and financial performance, exploration results and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve 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.

A close-up photograph of a woman with dark hair, seen from the side, holding a large bundle of fresh green onions. The onions have long green stalks and white bulbous ends. She is wearing a blue long-sleeved shirt. The background is slightly blurred, showing other people in a market setting.

This report conforms to the Company's commitment to the Minerals Council of Australia's (MCA) Enduring Value: the Australian Minerals Industry Framework for Sustainable Development.

Local market-garden and fish-farming small businesses supply up to 12 tonnes of fresh produce to the Phu Kham Operation camp every month.

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

Dear Stakeholder,

We are very pleased to present our Sustainability Report for 2010 and the theme of 'Growth through Partnerships'. This theme recognises that our successes are achieved by working alongside our participating stakeholders in a manner that reflects our Vision and Values.

To achieve the Global Reporting Initiative B+ rating, this report has undergone external verification prior to publication.

Financial performance

2010 was an outstanding operational year for PanAust. The Company exceeded initial production and financial guidance for the year through a combination of strong production performance, good cost control and higher than anticipated commodity prices.

The Company's flagship asset, the Phu Kham Copper-Gold Operation in Laos, produced nearly 68,000 tonnes (t) of copper in concentrate at an average cash cost of US\$0.87 per pound (lb) after precious metal credits.

The 2010 Group consolidated Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were US\$300.1 million and Group consolidated net profit after tax was US\$160.1 million.

The Company's Lao-registered entity, Phu Bia Mining, entered into three-year term agreements for US\$120 million in debt facilities. The facilities establish funding independence for the Company's Lao business and enabled the accelerated reduction of inter-company debt, provided by PanAust, from surplus Phu Kham operating cash flow.

Sustainable growth

In April 2011, reflecting the Company's growth, PanAust graduated into the S&P/ASX 100 Index with a market capitalisation of over AUD\$2 billion.

At 31 December 2010, the Company had net cash of US\$140 million and, with strong earnings anticipated to continue from the Phu Kham Operation, PanAust is in a strong financial position to fund its pipeline of growth projects. That pipeline includes the Ban Houayxai Gold-Silver Project, 25 kilometres west of Phu Kham, which is under construction

and on track to commence commissioning in December 2011, and the Phu Kham Upgrade Project which has entered the detailed engineering phase and is on track for completion in mid-2012.

Earlier stage projects include: the Inca de Oro Copper-Gold Project in Chile, a joint venture with Codelco and where a feasibility study is scheduled to be completed in the first half of 2012; and the Phonsavan Copper-Gold Project, located in the northern part of our Contract Area in Laos, where the Company has commenced a scoping study with an objective of completing a feasibility study by the end of 2012.

Partnerships with the communities we impact

The Company's community initiatives continue to develop in villages impacted by the Phu Kham Copper-Gold Operation.

A common approach to community engagement, drawn from the experiences at Phu Kham, is being adopted for villages in the vicinity of the Ban Houayxai Project and the Provincial Capital of Phonsavan commensurate with increased activity in these areas.

In 2010, there was significant progress of community initiatives adjacent to the Phu Kham Operation and villages along the haulage route, however a number of community projects planned were not completed. This was largely due to deficiencies in the current tripartite approval process between the Company, the government and villages. In consultation with the relevant parties, the Company has commenced streamlining the approval process to enable completion of projects in 2011. The shortfall in expenditure incurred during 2010 was carried forward to 2011.

A common approach to community engagement, drawn from the experiences at Phu Kham, is being adopted for villages in the vicinity of the Ban Houayxai Project and the Provincial Capital of Phonsavan commensurate with increased activity in these areas.



Aerial view of the Ban Houayxai Gold-Silver Project in March 2011.

At Ban Houayxai, the Environmental and Social Impact Assessment (ESIA) was completed. This required extensive consultation during the establishment of both a socio-economic baseline and community development roles to support the ongoing development of community programs.

A sustainability team was established in Phonsavan in 2010 to increase the level of engagement with local communities and relevant government stakeholders, and to commence Project baseline data collection. Phonsavan has a population of approximately 60,000 and is the capital of Xiengkhouang Province.

Elsewhere, community engagement has commenced at the town of Inca de Oro in Chile, which is close to the Company's Inca de Oro Project. PanAust's acquisition of a controlling interest from joint venture partner Codelco was completed in March 2011. Drilling has commenced and as the Project moves forward, the Company's sustainability systems and processes will be adopted to ensure the Company's values are consistently applied across the Group.

Managing risk

Annual external audits against the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability and PanAust's Sustainability Standards were completed for the Phu Kham Copper-Gold Operation and this confirmed an overall improvement from 2009. However, an inconsistent application of the Company's training strategy, the incomplete implementation of the hygiene program and a requirement for further controls in product haulage were each identified for critical improvement. An inaugural gap analysis against PanAust's Sustainability Standards was also undertaken for the Ban Houayxai Project and exploration activities. The audits identified inconsistency in the implementation of standards in both these areas. Ensuring consistency of standards across all of PanAust's business as we grow is an important priority in 2011.

PanAust has made significant progress towards establishing an Enterprise Risk Management System. An internal audit process was implemented to ensure risk registers are developed in all areas of the business and risk mitigation plans are put in place and regularly reviewed.

The Company carried out its first full review of operational risk registers and three areas of risk related to safety and environmental performance were identified as material or potentially material: contractor management; incidents involving mobile equipment; and surface water management. Risk mitigation measures continued to focus on these areas during 2010.

Maintaining a safe workplace

The Company takes its commitment to Zero Harm very seriously and ensures that work sites are established, operated and maintained in accordance with leading practice. By international comparison, PanAust's safety record remains excellent but some of our key 2010 indicators show there is room for improvement.

Although PanAust's Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) are well below the MCA's Australian open-cut metalliferous minerals industry averages¹, with an LTIFR result of 0.47 and an TRIFR of 3.57, we did not achieve our internal target of less than 0.30 and 3.21 respectively.

The Company's Cardinal Rules were established in 2010; however we did not meet our target to rollout and implement them fully across the Group. Work is continuing in this area and we are now aiming to achieve complete implementation with all employees and contractors operating at PanAust sites by year end 2011.

Work is also continuing to implement Incident Cause Analysis Method (ICAM). After not reaching our target of training 12 personnel in ICAM by year end 2010, the Company has committed additional resources to train 30 employees in 2011.

Caring for the environment

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

The management of surface water and optimising the site water balance is a key environmental challenge at Phu Kham. To ensure changes to the mine plan are taken into account, both wet- and dry-season surface water management plans were formally developed and implemented in 2010.

Waste rock from the mining and processing of materials at Phu Kham is carefully managed and the Tailings Storage Facility has been recognised as meeting industry best practice.

PanAust is a signatory to the International Cyanide Management Code (ICMC) and has ensured that the design of the Ban Houayxai gold-silver process plant and ancillary facilities are ICMC compliant. Consistent with the ICMC, PanAust will require the cyanide supplier and cyanide transport company to also be ICMC compliant.

Our 2010 objective to undertake a baseline Carbon Footprint Analysis at Phu Kham in 2010 was not achieved. However, we are on track to complete this by the third quarter of 2011.

Setting the standards for behaviour

A campaign for communicating PanAust's Vision and Values was developed during 2010 and rollout across the Group commenced during the first quarter of 2011. The campaign has helped establish consistent standards of behaviour and a culture of respect, integrity and high performance across the organisation. Presentations delivered by managers used relevant day-to-day examples to demonstrate how the Vision and Values may be used as a broad guide to workplace behaviour and decision-making for all employees.

The Company also formalised its Code of Conduct during 2010. The Code provides in-depth and unambiguous guidance around standards of behaviour expected of all personnel engaged by the Company. A Code of Conduct awareness package was developed and its delivery began in March 2011.

Contributing to the economy and providing a legacy

PanAust's subsidiary company in Laos, Phu Bia Mining, has invested around US\$700 million in developing projects and related infrastructure. In 2010, the Company accounted for an estimated 10 per cent of Laos' estimated GDP and 30 per cent of export revenue, and generated up to US\$57 million in royalties, taxes and tenement fees. The Government of Laos formalised the exercise of its option to acquire a 10 per cent share in Phu Bia Mining through signing a Shareholder Agreement with the Company in Vientiane on 6 May 2011.

During 2010, the Company's full-time workforce grew from 1,677 to 2,266, largely due to the construction and development of the Ban Houayxai Gold-Silver Project and the expansion of the mining fleet at Phu Kham, each of which, in turn, also provided opportunities for existing employees. Eighty-four per cent of the Company's employees are Lao nationals.

As the business expands, we also aim to reduce reliance on expatriate employees for skilled and management positions in Laos. In 2010, a key step toward this goal was the graduation of the first 26 Lao nationals as participants in the Leadership Development Program for Supervisors within Phu Bia Mining.

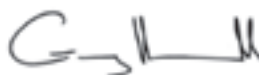
At any given time, within the Company's in-house Technical Trades Training Program, up to 40 trainees are completing two-year, training programs to achieve a Lao Ministry of Education-recognised trade qualification.

Receiving recognition

In 2010, the Company's Livelihood Improvement Program received the prestigious Best Community Development Initiative Award at the Asia Mining Congress in Singapore. The program facilitated the establishment of market-garden and fish-farming businesses supported by the Village Savings and Credit Fund – a micro-finance plan developed by the Company in partnership with the Lao Women's Union of the District of Xaysomboune. These small businesses are now providing up to 12 tonnes of fresh produce to the Phu Kham Operations accommodation camp each month. During 2010, the program also helped establish two thriving sewing-group businesses.

In April 2011, we were very pleased to announce that PanAust had won the Best Community Development Initiative Award for the second year running. This year the Award was made within the Southeast Asia Category for the Company's Lao Technical Trades Training Program. The 2011 Award recognised the positive long-term contribution the Program is making towards building a much-needed skills base for the long-term benefit of Laos.

We are delighted that the Company and its people have been recognised for the Company's partnerships with local communities and its leadership in these essential areas of the business. Such recognition provides further encouragement for PanAust to forge ahead with strengthening its partnerships with stakeholders across the Group.



Chairman, Garry Hounsell



Managing Director, Gary Stafford



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

VISION AND VALUES

VISION

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

PanAust will outperform its competitors through:

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

VALUES

■ High performance outcomes in all that we do

- Our employees are performance-focused with clear task definition, measurement and accountability. We constantly seek to improve performance and are committed to supporting employee development. Individual results and merit form the basis for performance-based pay and promotion.

■ Respect for people

- Respect through our commitment to our employees' health and safety through our Zero Harm safety objectives 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.





To serve as a reminder of the role they play in shaping the Company's culture, PanAust's Vision and Values were the focus of presentations delivered by line managers to employees throughout PanAust Asia and in the PanAust corporate office during the first quarter of 2011.

At the presentations General Managers explained how the Vision provides the strategic direction for the Company, and the Values provide ethical guidelines for the behaviour of individuals and the Company as a whole. Combined, the Vision and Values provide a useful framework to help employees understand the Company's purpose, working style and stakeholders' expectations.

Employees received PanAust Vision and Values 2011 desk-calendars and computer mouse mats, and posters have been placed in and around work areas.

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

GOVERNANCE

PanAust measures its sustainability performance against international standards and commissions independent audits based on the Equator Principles and the IFC's Performance Standards on Social and Environmental Sustainability. PanAust's activities are underpinned by its Sustainability Policy (available on the Company's website www.panaust.com.au/sustainability-0), which outlines the Company's commitment to preserving and enhancing the environmental, social, technical and financial aspects of the business.

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

PanAust is committed to achieving best practice corporate governance. This commitment is founded on a culture of integrity. PanAust applies the highest standards of corporate governance, financial management, technical expertise and Corporate Social Responsibility in all of its activities.

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

The 'Sustainability Organisational Chart' on page 15 highlights the key resources associated with delivering sustainability activities.

Sustainability forms part of the Executive Management Team's five-year plan and critical tasks. In addition, the General Manager Human Resources and Risk Management facilitates workshops with key operational personnel from across the Group to ensure Company-wide alignment with PanAust's approach to sustainability and Human Resources (HR) and establish Company-wide, operation-specific targets and objectives.

Group HR Workshops were held in January 2010 and March 2011. A Group Safety Workshop was held in May 2010 and a Group Sustainability Workshop was held in February 2011.

PanAust has adopted a Vision and Values statement that provides the ethical foundation for how the Company conducts its business; legally and ethically with strict observance of the highest standards of integrity and propriety. The statement is available on the Company's

website and on page 8 of this Report. PanAust's Vision and Values are displayed prominently across the Group via posters, computer mouse mats and calendars in English and Lao in the Brisbane and PanAust Asia offices respectively, and with the establishment of activities in Chile, posters will be translated into Spanish for the PanAust South America office. Vision and Values material also forms part of employee induction sessions and take-home kits. Within the Vision and Values framework, the Company's Board of Directors and Executive Management Team have a responsibility to carry out their functions in order to maximise the financial performance of the PanAust Group.

Code of Conduct

During 2010, the Company formalised its Code of Conduct using each PanAust Value as a foundation to provide guidance regarding the standards of behaviour expected of its directors and employees across the Group.

The Code is used to direct the organisation's position in relation to issues including bribery and corruption, anti-competitive behaviour, compliance with the law and endorses commitments outlined in PanAust's Sustainability Policy.

In early 2011, senior management developed and commenced communication of a Code of Conduct-awareness package to explain to employees the importance of the Code as the basis for the desired organisational behaviour. The Code of Conduct is available on the Company's website (www.panaust.com.au/corporate-governance), intranet and is included in employee inductions. The Code also includes a mechanism to raise concerns with respect to inappropriate conduct in a confidential manner directly to the Company Secretary and General Counsel without fear of victimisation.

The Code of Conduct states: *"The PanAust Group will not pay any bribes or corrupt payments to government officials to obtain any improper or illegitimate benefit or advantage, including the securing of any development approval or licence. All directors and employees are strictly prohibited from offering or making any such payments."*

Furthermore, Phu Bia Mining employees receive training that explicitly addresses the Company's position on inappropriate payments or inducement as part of their induction.

During 2010, there were no instances of bribery or corruption reported to the Board or management. There were no fines or legal actions for anti-competitive behaviour, anti-trust, or monopoly practices. There were no cases brought through dispute resolution mechanisms, nor did the Company attract any significant fines or non-monetary sanctions for non-compliance with law and regulations.

PanAust is committed to achieving best practice corporate governance. This commitment is founded on a culture of integrity. PanAust applies the highest standards of corporate governance, financial management, technical expertise and Corporate Social Responsibility in all of its activities.



Regional Exploration Manager, Peter Leaman (left), with Managing Director, Gary Stafford (right), at the Phu Kham Copper-Gold Operation.

All of PanAust's operational activities in Laos (by subsidiary company, Phu Bia Mining) are conducted in accordance with the Mineral Exploration and Production Agreement (MEPA), which is subject to the laws of the Lao People's Democratic Republic (Lao PDR). The MEPA outlines the Company's obligations across a range of issues including taxes and other financial obligations; employment and training of Lao nationals; regional cooperation with regard to the provision of additional infrastructure; environmental management and protection; local business development; and the settlement of disputes.

PanAust Asia's External Affairs office in Vientiane is responsible for overseeing compliance with the MEPA and maintains regular communication with government regulatory authorities of Laos. An internal review to verify compliance with the MEPA was undertaken in the first quarter 2010 with appropriate action taken in response to some gaps that were identified. The next internal review is scheduled for 2011.

In PanAust's 2010 Annual Report (available on PanAust's website), the Company provided a comprehensive corporate governance statement detailing compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's best practice recommendations. Should the Company depart from the recommendations, the reasons for the departure are explained.

External Standards, Principles and Guidelines

PanAust is committed to meeting the following external standards, systems and principles.

- The IFC's Performance Standards on Social and Environmental Sustainability for operating projects – www.ifc.org.
- The ASX's Corporate Governance Principles and Recommendations – www.asx.com.au.
- The MCA's Enduring Value – www.minerals.org.au, incorporating global industrial sustainability initiatives and providing guidance on the International Council on Mining and Metals' (ICMM) Sustainable Development Framework Principles – www.icmm.com.
- Alignment with the International Council on Mining and Metals (ICMM) policy on climate change. During 2010, an internal energy audit was completed for the Phu Kham Copper-Gold Operation, which will be further supplemented with an external Carbon Footprint Analysis in 2011 – www.icmm.com/climatechange/policy.
- The International Cyanide Management Code (ICMC) is a voluntary industry program for the gold-mining industry that promotes the responsible use of cyanide. PanAust is a signatory to this code for its Ban Houayxai Gold-Silver Project in Laos – www.cyanidecode.org.
- The GRI sustainability reporting framework and guidelines. PanAust has reported the GRI indicators that are material to its business as determined through its risk management approach and feedback from stakeholders – www.globalreporting.org.

Board of Directors – Composition and Controls

PanAust's Board of Directors is composed and controlled according to the ASX Council's corporate governance guidelines. As such, the following controls apply.

- 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 established a number of Committees: Nominations, Audit, Remuneration and Sustainability.
- Directors may follow a process to seek independent professional advice at the Company's expense.
- Directors do not receive compensation based on performance. However, a performance review process exists to monitor and correct any deficiencies in performance including sustainability performance.

The Board reviews its composition periodically 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 on 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 on the Board.

Following a two-year appraisal cycle of the Board's self-managed evaluation process that occurred in 2008, during the course of 2010, the Company undertook its first independent Board review facilitated by an external firm, Spencer Stuart. This firm has particular expertise in the area of Board and senior executive leadership, and Board and executive recruitment and performance assessment. The review involved the directors' completion of questionnaires as well as interviews between the independent reviewer and each director. The results of the review have been discussed at Board level and the outcomes will form the basis for the next two-year appraisal cycle.

Directors must declare any interests that may result in a conflict of interest. In a situation where a conflict arises 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.

Profiles of each director and members of the executive management team are available on the PanAust website (www.panaust.com.au/directors and www.panaust.com.au/management respectively).

The Charters of each Board Committee is available on the PanAust website (www.panaust.com.au/corporate-governance).

Board of Directors – status of each member

Board member	Position	Date appointed	Committee function/s	Status
Garry Hounsell	Chairman and Non-Executive Director	1 July 2008	Chairman of the Remuneration and Nominations Committees	Independent
Gary Stafford	Managing Director	7 March 1996	Member of the Nominations Committee	Executive Director
Nerolie Withnall	Non-Executive Director	21 May 1996	Chairman of the Audit Committee and a member of the Remuneration Committee	Independent
Andrew Daley	Non-Executive Director	3 August 2004	Member of the Audit Committee	Independent
Geoffrey Handley	Non-Executive Director	29 September 2006	Chairman of the Sustainability Committee	Independent
Geoffrey Billard	Non-Executive Director	1 July 2008	Member of the Sustainability and Remuneration Committees	Independent
Ze Zhong Li	Non-Executive Director	18 September 2009	Member of the Sustainability Committee	Nominee of Guangdong Rising Assets Management (GRAM)*
John Crofts	Non-Executive Director	17 September 2010	Member of the Sustainability Committee	Independent

* Under the Placement Agreement between the Company and GRAM dated 26 May 2009, GRAM has agreed that a majority of the directors and the Chairman will continue to be independent.

Sustainability Committee

Established in 2008, the Sustainability Committee is responsible for satisfying itself that effective measures, systems and controls are in place in relation to managing the following.

- 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 Charter of the Sustainability Committee can be found on the PanAust website.

The Sustainability Committee reports to the Board of Directors on a regular basis in relation to the discharge of its responsibilities. During 2010, the Committee met in February, May, August and November, and visited Laos in October to view sustainability-related matters firsthand as well as question management, employees and community stakeholders.

Reflecting the growth of the Company during 2010, in the March quarter 2011, directors Zezhong Li and John Crofts joined Geoffrey Handley and Geoffrey Billard on the Sustainability Committee.

Mechanisms for Shareholders and Employees to Provide Recommendations to the Board

The main forum for shareholders to interact with the Board is the Annual General Meeting (AGM). Other meetings may be convened by the Company when appropriate. At the AGM, shareholders vote on resolutions relating to such matters as the election of directors, the approval of the remuneration report and, in certain cases, the issue of new equity in the Company.

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, or at least 100 shareholders, 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 AGM also provides an opportunity for shareholders to ask questions of the directors and to make comments. The Board has encouraged a culture that welcomes shareholder feedback.

PanAust's website provides a method for feedback to be provided via an email contact form. In addition, the Company has open lines of communication with its shareholders including the dedication of investor relations and communications staff to answer any questions from shareholders on a day-to-day basis. The names and direct telephone numbers of the Investor Relations Manager and the Communications Manager are on the website. Shareholders and other interested members of the public can register for email alerts when investor (or employment opportunity) information is updated on the website.

GOVERNANCE continued...

While there is no set timeframe for responding to enquiries, the Company aims to respond within one working day and all responses are limited to public information.

The Investor Relations Manager also commissions Australian and international surveys to gain an understanding of how shareholders and the market perceive PanAust. The most recent surveys were undertaken by Greenwich Research International in late 2009/early 2010. The next surveys have been scheduled for 2011. In addition, the Investor Relations Manager receives documented feedback that is compiled by the hosting broker from investors following 'investor road-shows'.

The Company has mechanisms for employees and external stakeholders to raise concerns about any material 'wrong doings' occurring in the organisation. The Group-wide Code of Conduct that was developed and adopted during 2010 outlines a process whereby employees must raise any breach of the Code with their manager, or in the case of directors, with the Chairman. The Company complies with the *Corporations Act 2001, Part 9.4AAA* which provides protection for whistleblowers. In addition, PanAust's own Code of Conduct provides a mechanism for complainants who have concerns about victimisation to report breaches to the Company Secretary and

General Counsel who will maintain confidentiality and ensure that complaints are appropriately addressed.

There are a number of formal procedures – such as the fair treatment process – and regular scheduled staff meetings, as well as informal avenues that allow employees and various stakeholders to interact. During their working visit to Laos in October 2010, the Board of Directors interacted directly with various communities and PanAust Asia employees (see Stakeholder Engagement PROFILE on page 37).

Remuneration Strategy

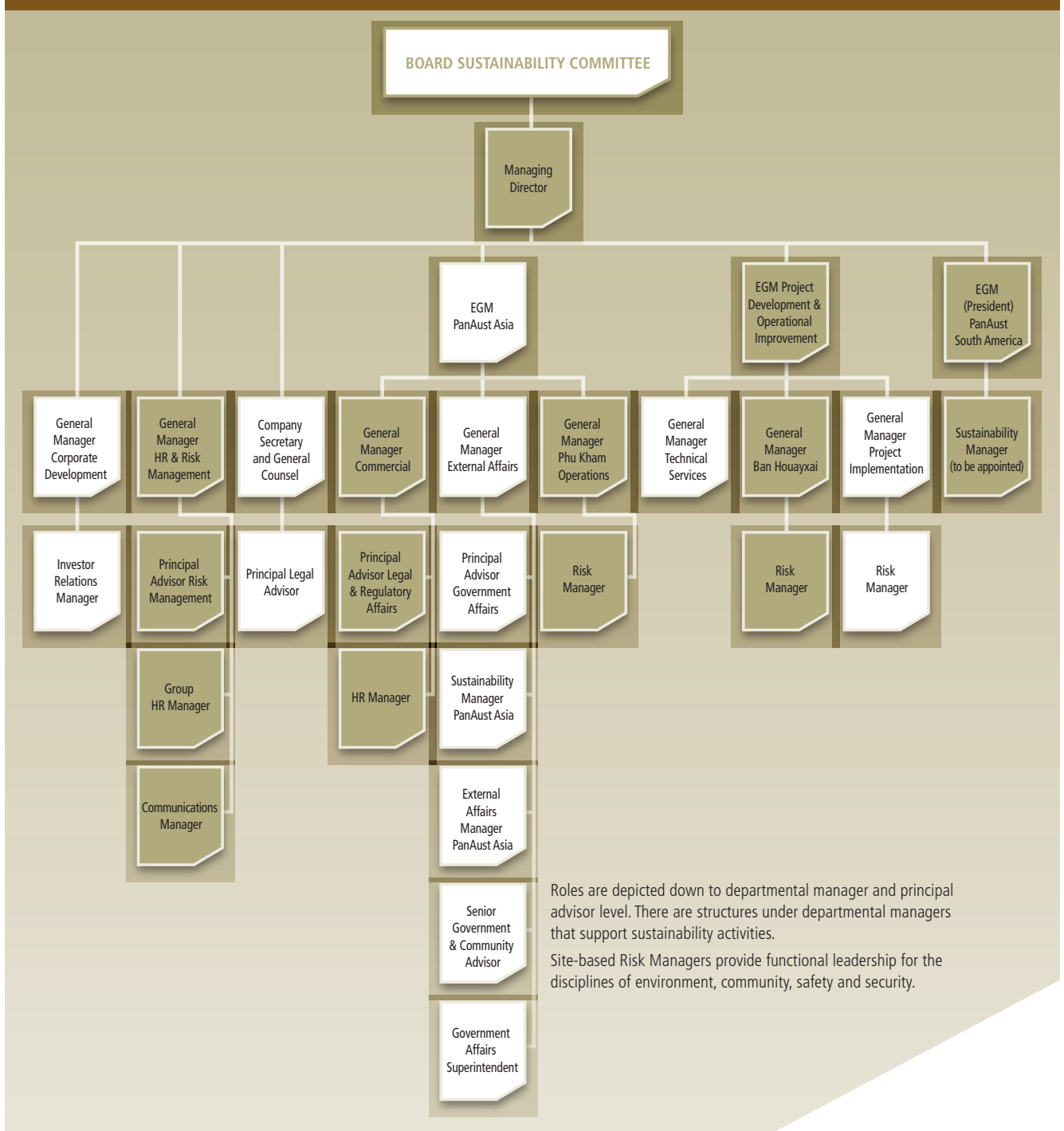
PanAust's remuneration for senior executives and non-executive directors in 2010 reflected the scale and complexity of the business, the Company's market capitalisation, and the competition for talent within the global mining industry. Within this context, the Company seeks to attract, retain and motivate a highly skilled, high quality and experienced team of non-executive directors and senior executives.

In PanAust's 2010 Annual Report, the Company provided a detailed report outlining the principles used to determine the nature and amount of remuneration provided to key management personnel and other executives.



Phu Kham Copper-Gold Operation 777D
Mining Operator, Ms Phern Phernphone.

Sustainability Organisational Chart 2010



Internal Management Systems and Processes

PanAust's risk and incident management systems, together with its auditing and benchmarking processes, are important means of identifying and managing risks so as to prevent incidents, as well as tracking and continually improving sustainability performance.

Risk Management

PanAust's Sustainability Policy (available on the Company's website) outlines the Company's commitment to develop, implement and maintain an effective Enterprise Risk Management (ERM) system for identifying and managing all material business risks. PanAust is working to deliver a publicly available ERM policy by mid-2011 with the goal to establish a more fully integrated risk management system.

The Company's Risk Management Procedures align with the International Organization for Standardization's (ISO) ISO 31000 Standard on Risk Management, ASX Corporate Governance Principles and Recommendations – Principle 7, the Company's Sustainability Standard 4 – Risk and Change Management, and Principle 15 of the Rio Declaration – Precautionary Principle. Procedures include clear parameters for materiality and guidance on treatment and reporting measures. The risk management methodology will be applied uniformly across all of its activities.

The Board of Directors 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, both the Audit Committee and the Sustainability Committee have been delegated particular responsibilities under their respective Charters.

The Sustainability Committee has particular responsibility to satisfy 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.

The PanAust Group Executive Committee guides corporate risk strategy and provides senior management oversight of strategic issues. It has responsibility for a high-level risk register that identifies key material business risks relevant at a PanAust Group level.

Each of the following business units, namely, PanAust Asia, PanAust South America and PanAust Project Development, has responsibility for a high-level risk register relevant to the material risks created in that business unit. In addition, each manager has responsibility for department or project risk registers and is required to have in place a plan for significant risks.

In 2010, the organisation continued its ERM program implementation providing a more consistent approach and application of risk

management strategies across the organisation. An internal audit process has been established to track compliance against the Company's Risk Management procedures.

The approach strives for the following.

- Simplicity – avoidance of unnecessarily complicated processes.
- Uniformity – a single 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 all high risks and quarterly reviews of registers.
- To capture and address high-consequence/low-probability events in operational areas to ensure the precautionary approach recognises the potential of the area.
- Clear identification of materiality – the level of significance that is reflected in Levels 4 and 5 of the Consequence Table.

The risk management process takes care to identify relevant risks of a very high consequence that, while less likely to occur, would have a very damaging impact on the Company were they to eventuate. An inbuilt mechanism elevates these risks to the 'high' category to ensure they are constantly reviewed.

In 2010, the first full review of operational registers was completed. To date, the three areas of risk that have been identified as material or potentially material are contractor management, mobile equipment and surface water management. They are receiving special attention.

Precautionary Principle

Board-approved projects' economic, social and environmental impacts are assessed through the ERM process. The relative merits of development are assessed and, when necessary, management plans are implemented in accordance with the precautionary principle.

Impact assessments are completed prior to operations, guided by statutory frameworks and using international consultants. To date, impact assessments have been completed for the Phu Kham Operation and the Ban Houayxai Project. Issues identified through the impact assessments are incorporated in the organisation's risk registers. In the operating phase, the risk registers and change management processes are used to ensure that a precautionary approach is considered in decision-making.

Sustainability Standards

To ensure the consistent implementation of sustainability activities across all operations and projects, PanAust's Sustainability Policy is supported by the Sustainability Standards. An internal benchmarking audit against the standards was completed for Phu Kham, Ban Houayxai, Phonsavan and Ban Phonxai by the end of the second quarter 2010. Most notable deficiencies were found in compliance with the following standards:

- Suppliers and Contractors
- Risk and Change Management
- Leadership and Accountability for development projects
- Environmental and Social Management.

A dedicated resource was employed in late 2009 to address the contractor management issues and coordinate comprehensive audits of the 10 major contractors against the Company's contractor management standards. Actions are also well underway to address the deficiencies in risk and change management, and leadership and accountability. Restructuring of business units and sustainability resources have progressed aspects of environment and community requiring additional focus.

Follow-up audits will be completed in 2011 to assess implementation progress.



Dr Pone (foreground) and other members of the Emergency Response Team carrying out a simulated heart attack victim stabilisation drill at Phu Kham.

PanAust's Sustainability Standards (The 14 Elements)

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. Training and Competency
9. Communication, Consultation and Participation	10. Suppliers and Contractors
11. Incident Reporting and Management	12. Crisis and Emergency
13. Monitoring, Audit and Review	14. Stakeholder Engagement

Auditing and Benchmarking

Operational performance is regularly audited against the Company's Sustainability Standards and external commitments. Some audits are carried out internally and some with external auditors. The main external audits and benchmarking studies that took place in 2010 include the following.

- **Audit against IFC Performance Standards**

An external environmental, social, health and safety audit of the Phu Kham Copper-Gold Operation (including concentrate logistics and port facility) and the Heap Leach Gold Operation was undertaken by KASA Consulting in April 2010. The audit was in accordance with the ISO 19011: 2002 Guidelines for Quality and/or Environmental Systems Auditing and World Bank Guidelines.

Verification of the status of non-conformances raised in the 2009 Environmental and Social Audit was carried out. Progress was made in closing out a majority of audit actions, contributing to a 2010 audit score of 77 per cent, a six per cent improvement from 71 per cent in 2009. The audit revealed that the Phu Bia Mining management team was able to demonstrate improvement in systems and operational processes. The three findings identified as 'critical findings', where Phu Bia Mining was considered to not have established systems or processes in accordance with the IFC Performance Standards, are summarised as the following.

1. Inconsistent application of the central Phu Bia Mining training strategy.
2. Partial implementation of the Occupational Hygiene Program.
3. Insufficient establishment and implementation of controls for the product haulage risk reduction program.

Actions have been undertaken to address these findings and the 2011 audit will determine progress against them.

Last year's audit also noted areas of high performance at the Phu Kham Operation including the following.

1. The processes for identification, handling and management of potentially acid-forming waste rock and mill tailing material.
2. Community engagement and community development.
3. Corrective and preventative pollution control actions.

During the year, KASA Consulting also conducted a gap analysis to the IFC performance standards for early stage construction activities at Ban Houayxai and to the e3 Plus Principles for Responsible Exploration developed by the Prospectors and Developers Association of Canada (PDAC) for the exploration group in Laos. The e3 Plus Principles align closely to the IFC standards, but are more specific to all phases of exploration. The audits were a voluntary internal initiative to drive consistency in the development and implementation of management systems across the group. Follow-up audits will be completed in 2011 to measure the implementation of prioritised recommendations.

• Insurance Audit

The principal audit for operational risk was undertaken by the International Mining Industry Underwriters (IMIU). The Company's exposure lies within the moderate range and is on a par with the mining industry worldwide. An action plan of improvements has been developed following the main audit in January 2011.

The principal concern affecting risk ranking continued to relate to the Company not having a spare SAG mill girth gear. IMIU commented that:

"Should a SAG mill girth be purchased, this index will considerably improve – to a level well better than world averages."

Although Phu Kham's position places it inside the moderate risk zone of our chart, we must advise the Maximum Foreseeable Losses for Phu Kham to be considered an unlikely/highly infrequent event in consideration of the levels of mitigation carried out there. Maintenance practices are amongst the very best in the world today." (IMIU)

The Company has undertaken a cost/benefit analysis, and implemented an appropriate approach to improve its position by obtaining a forged steel billet of the correct quality and size which can be used for producing the outer girth gear ring. A single billet could be used for both the SAG and Ball Mills. The billet is held by the fabricator and the time to produce girth gear is significantly reduced, thereby reducing the severity of business interruption. The strategy has been discussed with the insurer and considered appropriate given the organisation's size, and the associated cost of production, particularly as it has been acknowledged by the insurer that the Company's maintenance practices are among the best in the world.

• Tailings Storage Facility and Acid Rock Drainage

Quarterly design and construction reviews were undertaken by design and consulting engineers, Knight Piésold, designers of the Tailings Storage Facility (TSF). This is supported by an annual audit by Golder Associates. In December 2009, during routine inspections, surface cracks in earthworks were identified (differential settlement of fill materials) and on advice from Knight Piésold, remediation and moderating were implemented. It is believed that the integrity of the TSF has not been compromised, and monitoring carried out during 2010 is consistent with this belief.

Environmental Geo-chemical International (EGi) undertook an external audit of acid rock drainage (ARD) at the Phu Kham Operation. No material issues were identified and recommendations have been included as part of a continual improvement plan.

The operation of the Company's TSF has been independently evaluated as industry best practice following a number of independent reviews by EGi of the management of acid-generating material.

• Socio-Economic and Health Survey

To continually improve its understanding of local issues, the Company conducts regular socio-economic and health surveys undertaken by external research company, Geo-Sys (Lao PDR). In 2010, Geo-Sys undertook the Company's fifth survey to identify and prioritise community development programs throughout the year. The survey report is currently being finalised and the next survey is due in 2012.

Phu Bia Mining 2010 Audit Plan

External
IFC external audit of Phu Kham
Socio-economic and health survey (villages adjacent to Phu Kham Operation)
Health and Safety OHSAS 18001 – Phu Kham external baseline audit
Phu Kham ARD – half-yearly external audit by EGi
TSF design and construction review by Knight Piésold – quarterly audits
TSF external geo-technical audit by Golder Associates
IMIU external insurance audit
Heap Leach Gold Mine Operation external insurance and closure audit
Internal
Sustainability Standards internal benchmarking – Phu Kham, Ban Houayxai, Ban Phonxai and Phonsavan Projects
Gold Security Standard – Ban Houayxai internal audit against design
Contractor Management Audits
Half-yearly Safety Management Plan

Audits Completed and Planned 2010 and 2011

External	Planned/Completed 2010	Planned 2011	Comment
IFC external audit – Phu Kham	√/√	√	
Socio-economic and Health Survey (villages adjacent to Phu Kham Operation)	√/√	√	
Health and Safety OHSAS 18001 – Phu Kham external baseline audit	√/√	√	
Phu Kham ARD – half-yearly external audit by EGi	√/√	√	
TSF design and construction review by Knight Piésold – quarterly audits	√/√	√	
TSF external geo-technical audit by Golder Associates	√/√	√	
IMIU external insurance audit	√/√	√	
Heap Leach Gold Mine Operation external insurance and closure audit	√/x √	√	Operational external insurance audit not required by insurers from 2010.
ICMI pre-certification audit – Ban Houayxai		√	New 2010.
Internal			
Sustainability Standards Internal Benchmarking – Phu Kham, Ban Houayxai, Ban Phonxai and Phonsavan Projects	√/√	√	
Gold Security Standard – Ban Houayxai internal audit against design	√/√	√	
Contractor management audits	√/x	√	Due to turnover – partial completion only.
Half-yearly Safety Management Plan	√/x	√	Due to turnover – audit did not occur.

Human Rights

Respect for human rights is essential to the Company's continued success. The focus on partnerships with Lao contractors to supply a wide range of services to Phu Bia Mining broadens the scope for monitoring human rights issues. PanAust aligns with the United Nations Voluntary Principles on Security and Human Rights.

PanAust employs private security guards (Lao Security Services) who perform access control and static guard duties without lethal weapons.

The Company is required to have the Lao People's Army (LPA) present for certain activities as well as the Lao Police for normal police investigations. By the nature of their roles and the laws of the country, both of these agencies carry firearms. The Company has controls in place to reduce their carriage of firearms on site and when performing certain activities.

There have been a number of sporadic security incidents within the Company's contract area in Laos over the course of the last 12 months. In most cases, the Company's operations have not been impacted or have been remote from the location of the incident. The prevalence of guns in the community and the criminal activity of a few means that the Company enhanced security precautions in the second half of 2010 in remote areas and whenever the perceived threat level increased in the vicinity of the Company's operational centres or key access roads.

Where the LPA are engaged to ensure the safety of personnel and Company assets, the Company enters into a Memorandum of Understanding (MOU) to ensure that on-site government officers are aware of the Company's commitments to human rights and expectations for performance under these arrangements.

Incorporated into the risk management process is a module that assesses human rights impacts against the 1948 Declaration of Human Rights across operating sites. During 2010, asset protection staff, including Lao Security Services, received training in the following areas: security procedures; foot patrol; methods of restraint; search person, vehicle and building; crisis management; and crowd control. All training includes elements relating to human rights. There is a standard clause in all Phu Bia Mining contracts that states 'The Supplier must comply with all of Phu Bia Mining's policies, procedures and reasonable directions in relation to the provision of the Services, and ensure that the Supplier's employees, agents and subcontractors also comply'. This includes the Operation's policy in relation to 'human rights'.

The risk registers assist in identifying the potential for any human rights violations and plans are developed to mitigate against any such violations. In 2010, the risk registers indicated a very low potential for any violations and there were no human rights incidents or violations including discrimination, child labour, forced labour, freedom of association, or those relating to indigenous people within the Company or among its associated activities.

Child and Forced Labour

PanAust's operations have a low risk of child labour issues due to the implementation of rigorous human resource recruitment processes. In 2010, the Company strengthened supplier contracts in relation to child and forced labour by writing the following two clauses into all Phu Bia Mining supplier contracts.

Clause 21. Child Labour

The Supplier shall not employ, use or benefit from children in a manner that is economically exploitative, or is likely to be hazardous to, or interfere with, the child's education, or be harmful to the child's health, physical, mental, spiritual moral and social

development. The Supplier shall comply with national laws on the minimum age for employment. Children below the age of 18 must not be employed in dangerous work.

Clause 22. Forced Labour

The Supplier shall not employ, use or benefit from forced labour, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labour, such as indentured labour, bonded labour or similar labour-contracting arrangements.

By year end 2010, less than 10 suppliers remain to be transitioned onto these contracts and it is expected that they will all have signed revised contracts or commitment statements to this effect by year end 2011.



Phu Bia Mining senior staff with the Xaysomboun District Governor and delegation prior to an aerial survey of artisanal and small-scale mining activities on the Nam Mo River.

TARGETS

Review of 2010 Targets (performance)

PanAust 2010 Targets (includes overarching PanAust targets and regional and operational targets)		Result	Trend	Commentary/Revised Target	Target Date
PanAust	Zero Levels 4 (high) and 5 (extreme) incidents.	Achieved	Improvement	Target continued.	30.12.2011
Reduction or Improvement Targets		Result	Trend	Commentary/Revised Target	Target Date
PanAust	<0.30 LTIFR.	Not achieved	Deterioration	Actual 2010: 0.47 (see page 64 for details). Target 2011: 0.40*	30.12.2011
PanAust	Reduce Level 3 (medium) Environmental Incidents by 33% from 3 to 2.	Achieved (0)	Improvement	Maintain Target of <3 Level 3 (medium) Environmental Incidents.*	30.12.2011
PanAust	Reduce TRIFR Rate by 15% from 3.85 to 3.27.	Not achieved	Improvement	Actual 2010: 3.57 Target 2011: 3.21	30.12.2011
Phu Kham	Improve annual IFC-based audit score >75% (currently 71%).	Achieved	Improvement	Achieved (77%) 2011 targets >81% for Phu Kham plan and 65% for Ban Houayxai.	30.06.2011
Phu Bia Mining	Achieve 80% for all close out of INX** registered incidents.	51%	Deterioration	Target continued.	30.12.2011
Phu Bia Mining	Achieve 90% implementation of Lao Contractor Management Plan.	60%	Improvement	Completed fewer internal audits to plan. Target continued.	30.12.2011

Strategic Priorities and Continual Improvement Objectives		Result	Trend	Commentary/Revised Target	Target Date
PanAust	Implement Cardinal Rules fully across the Group.	Not achieved	Improvement	Systems supporting deployment were developed and rolled out at Phu Kham Operation.	30.12.2011
PanAust	Implement ICAM program with 12 trained investigators as per requirements of the Incident Reporting Procedure.	Not achieved	Slight improvement	Five trained investigators within the group, including those bringing skills with employment. Target continued.	30.06.2011
PanAust	Rollout revised Crisis Management Plan across the Group.	Achieved	Improvement	Complete two simulated events to the Crisis Management Plan in 2011.	30.12.2011
Phu Kham	Undertake baseline Carbon Footprint Analysis.	Not achieved	No change	Target continued.	30.07.2011
Phu Kham	Complete road sealing in all villages on the Ban Thouay to Phu Kham access road.	Achieved	Improvement	Annual road campaigns to progressively seal public road between Phu Kham and Ban Thouay.	30.12.2013
Phu Kham	Establish Water Resources Environment Agency (WREA) environmental monitoring unit.	Not achieved	Improvement	MOU presented to Government of Laos (waiting on their approval to proceed). Target continued.	30.12.2011
Phu Kham	Undertake baseline Occupational Health and Safety Management Standard OHSAS 18001 external audit.	Achieved	Improvement	Improve baseline score for OHSAS 18001 external audit.	30.09.2011
Phu Bia Mining	Receive Government of Laos agreement (annually) for Community Development Fund (CDF) expenditure plan and revised implementation procedures.	Partially achieved	Improvement	70% of funds committed and spent by year end (waiting on Government of Laos approval). Target continued.	30.12.2011

* 2011 targets have been adjusted taking account of the presence of major construction activities at Ban Houayxai and additional exploration activities.

** PanAust's electronic reporting and corrective action event management system InControl Software (INX).

2011 Targets

PanAust 2011 Targets		Status	Target Date
PanAust Group	Implement a fully integrated Enterprise Risk Management System including development of PanAust Group and business unit risk register and mitigation plans.	New	30.12.2011
PanAust Asia	Improve Lao nationals' development to enable promotion into roles previously filled by expatriates.	New	30.12.2011
PanAust Asia	Improve technical training programs for future growth projects in the region.	New	30.12.2011
Ban Houayxai	ESIA for Ban Houayxai complete and submit Environmental and Social Management and Monitoring Plan (ESMMP) for operations.	New	30.12.2011
Ban Houayxai	ICMI formal pre-operational audit scheduled for November 2011.	New	30.12.2011
Project Development and Implementation	Commission Ban Houayxai Gold-Silver Project.	New	30.12.2011
Project Development and Implementation	Complete Phonsavan scoping study.	New	30.12.2011
Project Development and Implementation	Complete Phu Kham Upgrade Project.	New	30.06.2012



Hauling ore at the Phu Kham Copper-Gold Operation.

ECONOMIC PERFORMANCE

Economic Performance

PanAust's Vision and Values are the foundation of the Company's commitments to meet its economic objectives. The Company develops and operates mines with a strong and experienced management team that shares these Values in the pursuit of the Company's Vision for long-term growth.

For a full overview of the Company's economic and financial performance, this report should be read in conjunction with the following documents: the PanAust *Annual Report 2010* and PanAust *Annual Review 2010*, both of which can be found on the Company's website www.panaust.com.au. Hardcopies can also be requested via the contact details provided on the website or on the back cover-page of this Report.

PanAust's *Annual Report 2010* is prepared in accordance with the *Corporations Act 2001*. The Audit Committee has within its Charter the responsibility to satisfy itself that effective measures, systems and controls are in place in relation to financial control and financial reporting (including the independent audit process) and management of material business risks (including the review of policies and procedures).

Goals and Performance 2010

Financial Performance

(Consolidated Group Operating Results for the Year)

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

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

For a more comprehensive review of the Company's statutory accounts, please refer to PanAust's *Annual Report 2010*.

Financial Strength

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

In July 2010, on behalf of the Company's Lao-registered entity, Phu Bia Mining, PanAust entered into three-year term loan agreements for US\$102 million in debt facilities. Terms were also agreed for a

US\$24.8 million equipment lease facility to complement an existing lease facility, which had an outstanding liability of US\$31.1 million at year end. In February 2011, the debt facilities were increased to a total of US\$120 million, comprising a US\$100 million Revolving Term Facility, a US\$20 million Guarantee Facility and hedging lines with the addition of Credit Suisse to the syndicate.

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

Financial Risks associated with Climate Change

The Company is yet to develop a position on climate change and incorporate future carbon pricing into its business models. PanAust's Sustainability Committee has been briefed on plans for the Company to complete a baseline carbon footprint assessment at the Phu Kham Operation to enable an appropriate position on climate change to be developed. At present, there is no developed regulation which specifically relates to locations where the Company operates. PanAust will continue to monitor developments relating to climate change policy and regulation in regions where operations are developed.

PanAust acknowledges that by its nature, mining employs some energy-intensive processes. While scientific debate around climate change continues, energy and fuel are expensive inputs to the production and movement of concentrate, and the Company's continuous improvement programs target reduced consumption and improvements in efficiency as sound business practice. Hydro-electric energy is the most prevalent form of energy available to the Laos grid which is, at times, supplemented with other forms of energy (for example, when electricity is imported into Laos from Thailand).

Water is a vital requirement at the Phu Kham Operation, used for processing ores. The Operation continues to progress in the areas of reducing fresh-water requirements and increasing efficiency in its reuse. This is driven by the challenges of operating in a high rainfall environment and managing positive water balances. PanAust's Operation and development Projects are not at risk from rising sea levels, as they are all located at significant elevations or distances from coastal areas.

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



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

ECONOMIC PERFORMANCE continued...

Given the local communities' reliance on agricultural activities and forest-sourced food production, foreseeable potential concerns include issues around food production and availability caused by severe weather systems. The Company has considered and will continue to monitor this potential risk and currently works within local communities to increase crop efficiency and diversity. In addition, Company-provided animal husbandry training and vaccinations, and broadening micro-financing programs to non-agriculturally dependent businesses, will potentially reduce this risk within the villages adjacent to the Operation.

Operational Performance

PanAust Asia

Phu Kham Copper-Gold Operation, Laos

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

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



Construction activities at the Ban Houayxai Gold-Silver Project.

The final product is a copper-gold concentrate, grading approximately 25 per cent copper, seven grams per tonne (g/t) gold and 60g/t silver. Concentrate is trucked 1,000 kilometres in covered containers to Sriracha Harbour, south of Bangkok in Thailand, for shipment to smelters in Asia.

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

Mining and Processing

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

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

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

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

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

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

Resource Extension Drilling

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

Phu Kham Copper-Gold Operation Production Statistics

	12 months to 31 Dec 2010	12 months to 31 Dec 2009	Budget for 12 months to 31 Dec 2010
Ore milled	12,856,720t	11,025,914t	12,670,270t
Copper grade	0.75%	0.77%	0.71%
Gold grade	0.33g/t	0.33g/t	0.28g/t
Silver grade	3.79g/t	4.05g/t	2.76g/t
Concentrate produced	274,907dmt	227,063dmt	257,380dmt
Copper in concentrate	67,806t	54,019t	62,801t
Gold in concentrate	58,152oz	43,099oz	42,426oz
Silver in concentrate	507,590oz	440,306oz	315,030oz
Gold in doré (Heap Leach)	2,490oz*	13,660oz	3,285oz

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

Organic Growth Opportunities

Projects

Ban Houayxai Gold-Silver Project, Laos

Status: Under construction

Approved in March 2010, the US\$150 million Ban Houayxai Gold-Silver Project is scheduled to commence initial commissioning in late 2011, with steady state production anticipated to be reached during the March quarter 2012.

Once operational, Ban Houayxai will comprise an open-pit mine feeding ore to a conventional 4Mtpa Carbon In Leach (CIL) process plant. It is scheduled to produce, on average, 100,000oz of gold and 700,000oz of silver per annum over a nine-year mine life.

At the end of March 2011, Project expenditure and commitments totalled approximately US\$84 million out of a total original capital estimate of US\$150 million. Increased costs for earthworks and scope changes to boost environmental controls for the handling of cyanide destruction have led to an anticipated increase of approximately US\$25 million to the original capital cost estimate. It is likely that this increase will be significantly offset by capital savings achieved through changes in scope at the Phu Kham Upgrade Project.

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

Phu Kham Upgrade Project, Laos

Status: Board approved; long-lead items ordered

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

From mid-2012, the investment is expected to deliver an increase of copper in concentrate production from current design levels of between 60,000 and 65,000 tonnes per annum (tpa), to more than 65,000tpa. The Project is also designed to lift processing plant

capacity from 12 to 16Mtpa on primary ore and incorporates a 50 per cent increase in milling and flotation capacity. These changes will introduce more operating flexibility with less operating downtime and an absolute increase of two per cent in copper recovery. Implementation is timed to coincide with a scheduled decline in ore head grades.

Inca de Oro Copper-Gold Project, Chile

Status: Feasibility study in progress

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

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

The deposit hosts an estimated Indicated and Inferred Mineral Resource of 769.7 million tonnes grading 0.36 per cent copper and 0.10g/t gold. A pre-feasibility study completed by Codelco has confirmed the potential for a conventional open-pit mining and flotation operation to support annual production of approximately 50,000t of copper and 40,000oz of gold in concentrate at competitive cash costs, over a plus 10-year mine life.

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

The acquisition fits well with PanAust's corporate strategy for growth and represents an excellent opportunity to establish a business in one of the world's most attractive copper mining regions. PanAust is also evaluating other copper mining assets in the region for acquisition.

Phonsavan Copper-Gold Project, Laos

Status: Inaugural mineral resource estimate completed; resource drilling ongoing

The most advanced of PanAust's exploration projects, the Phonsavan Copper-Gold Project lies in the northern part of the Contract Area and comprises two deposits that are five kilometres apart: KTL

and Tharkhek. The Project is close to existing road and power infrastructure and the town of Phonsavan which, with a population of around 57,000, will provide a source of labour. The Vietnamese coast is approximately 250 kilometres to the east by sealed road which provides a potential export route for concentrate product.

Resource drilling at KTL during 2010 confirmed the continuity of the copper-gold deposit over a strike length of two kilometres, dipping to the south at approximately 45 degrees. An inaugural Mineral Resource of 80.4Mt at 0.43 per cent copper and 0.19g/t gold containing approximately 350,000t (774Mlb) of copper and 500,000oz of gold has been estimated. In addition, a new discrete high-grade gold zone was discovered at the Tharkhek deposit.

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

Puthep Copper Project, Thailand

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

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

During 2011, Puthep plans to complete further leach test work and will submit a mine plan to apply for mining leases and complete community consultation and an Environment and Health Impact Assessment (EHIA).

Exploration

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

prospects within the Company's Contract Area in Laos. The area is under-explored and is highly prospective for copper and gold, offering excellent potential for the discovery of significant new metalliferous resources as the basis for organic growth.

Other Growth Strategies

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

Economic Contribution

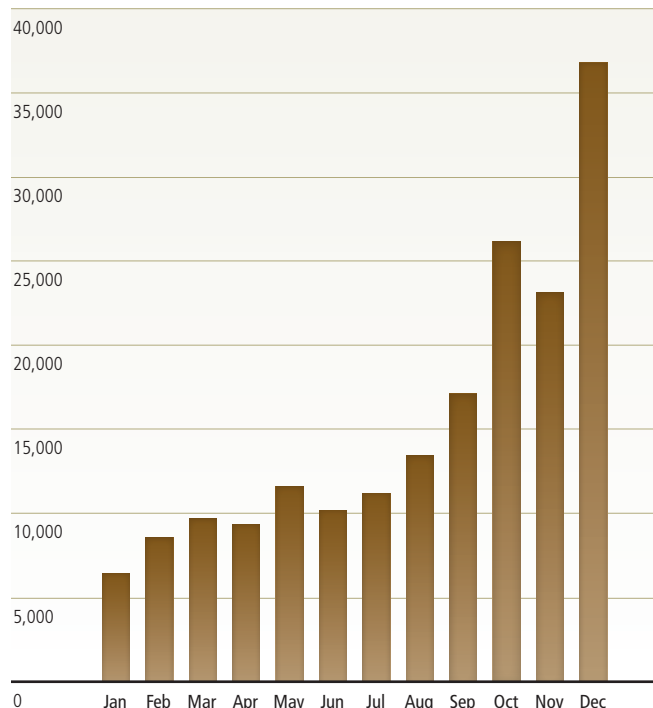
PanAust has made major contributions to the Lao economy through its subsidiary company, Phu Bia Mining, investing around US\$700 million. Economically, the value of the Company's copper, gold and silver production represents an estimated 10 per cent of Laos' Gross Domestic Product (GDP) and over 30 per cent of exports. Phu Bia Mining's total direct contribution to government revenues (royalties, taxation and tenement fees) in 2010 was approximately US\$57 million and, from this total, the Company was pleased to make its first provisional tax payment of US\$18 million on 14 February 2011 for the 2010 year.

In 2007, the Government of Laos notified Phu Bia Mining that it intended to exercise its option to acquire a 10 per cent interest in Phu Bia Mining. A Shareholders' Agreement was signed in May 2011 that formalised the transfer of shares and the arrangements between the two parties.

PanAust wage level is above the national minimal wage level for Laos. Preferential procedures are in place for local hiring ensuring a strong presence in local markets (for further information on recruitment policies, see the 'Respecting our People' section from page 72).

The Company directly employs almost 1,900 Lao nationals, which comprises 84 per cent of Phu Bia Mining's workforce. During 2010, PanAust continued to work closely with local and central government agencies and community members to identify, prioritise and implement capacity-building programs and projects in focus areas of education, healthcare, agriculture, water and sanitation, infrastructure, and small business development. Direct benefits increased from small business initiatives during 2010 generating annualised revenue of US\$187,000 to local communities adjacent to Phu Kham.

2010 Monthly Revenue of Small Business Initiatives (US\$)



PanAust works with Lao companies and international companies based in Laos when they are deemed suitable and capable. Contractors are selected based on contractor capacity, business location, commercial competitiveness, risk, and environmental and social performance. This approach ensures that a significant portion of expenditure in this area flows back into the Lao and regional economies. PanAust spent close to US\$115 million with Lao-based companies for the provision of goods and services in 2010. Lao contractors employed some 2,000 Lao employees for the Company's operations in 2010. Employees' wages are also being spent in the local and national economies.

Additional information regarding expenditure in local communities is presented in the Community section from page 52.

Government of Laos Direct Economic Benefit*

Benefits	2008 US\$	2009 US\$	2010 US\$
Royalties	2,280,531	8,363,404	**27,901,799
Income tax	2,999,879	2,232,304	3,268,509
Concession fees	58,994	58,916	58,916
Customs excise/import service fee	0	210,836	1,030,632
Profit tax	0	0	18,000,000
Value Added Tax and/or Business Turnover Tax	493,887	1,262,669	6,498,346
Total	\$5,833,291	\$12,119,129	\$56,758,202

* To align with changes to reporting procedures in 2010, data for 2008 and 2009 have been amended from that presented on page 12 of PanAust's 2009 Sustainability Report.

** The significant increase in royalties from 2009 to 2010 reflects the sliding-scale formula used to calculate benefits to the Government of Laos and relates to the high copper prices attained during 2010.

Markets and Customers

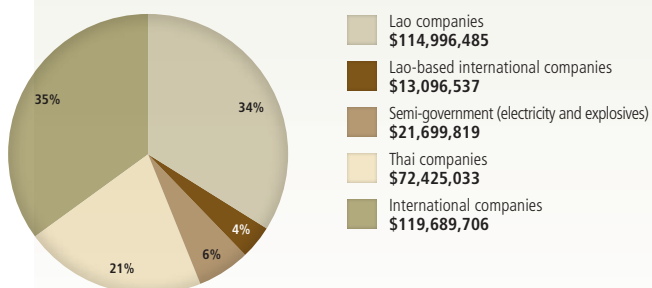
During 2010, two smelters in China and three large international traders purchased a total of 273,486 dry metric tonnes (dmt) of PanAust-produced copper-gold concentrate.

The two Chinese smelters would have sold the resultant refined copper in the Chinese domestic market. The traders, who do not have the facilities to process the concentrate, on-sold the material to smelters in China, India and South Korea. It is likely the refined copper from these sales to the traders would then be sold by the smelters domestically to their customers in each jurisdiction. The concentrate tonnages into each country was 201,144dmt for China, 62,277dmt for India and 10,065dmt for South Korea. In 2010, PanAust copper concentrate averaged 24.7 per cent in contained copper.

There is no domestic Lao or, at present, sub-regional (Thailand, Vietnam) market for copper-gold concentrate. The relatively low volume of concentrate production in the region, combined with the high capital costs and low margins associated with downstream processing of copper, mean that there is little incentive or rationale for the construction and operation of smelters and refineries in the region. This is largely understood by the Government of Laos.

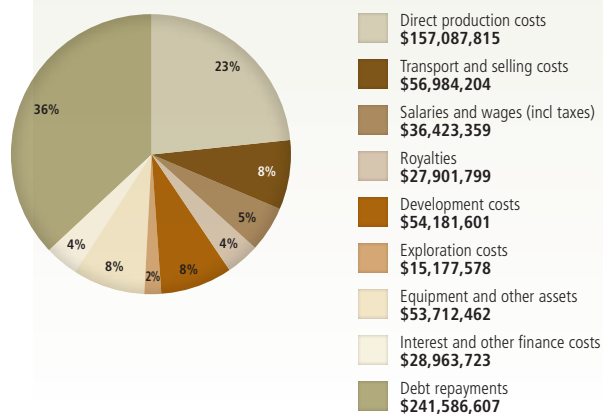
2010 Total Expenditure on Goods and Services by PanAust Asia

US\$341,907,580



2010 Total Expenditure by PanAust Asia

Total US\$672,019,148



Inspecting drill core samples at the Phu Kham Copper-Gold Operation.

STAKEHOLDER ENGAGEMENT

PanAust's stakeholder engagement is guided by its commitment to the MCA's Enduring Value, Principle 10 which states: *"Implement effective and transparent engagement, communication and independently verified reporting arrangements with stakeholders."* (For more information, visit www.minerals.org.au/enduringvalue.)

In order for PanAust to conduct its business, primary and secondary stakeholders have been identified through the risk management processes based on their potential to impact or be impacted by the Company's presence. Primary stakeholders have been classified as those most influential or directly impacted, both in member numbers, and/or level and frequency of involvement.

PanAust regularly reports on its sustainability performance both internally and externally and provides accurate and transparent communications with all key stakeholders, in particular its employees, local communities and governments of countries in which it operates.

The Company produces three key publications each year: the Annual Report, the Annual Review and the Sustainability Report.

During 2010, the PanAust website www.panaust.com.au underwent a rebuild to improve access to Company information. The website provides comprehensive information about the Company and is updated with information as it comes to hand. Key information on the site includes: the share price, Operations and Projects, governance, the Board of Directors and Executive Management Team, ASX Announcements, the annual publications (current and archived), quarterly reports, quarterly conference calls, half-year and full-year financial reports, Company presentations, fact sheets, sustainability updates, career opportunities (including videos in relation to 'living and working in Laos'), how to contact the Company by email, telephone or direct mail, and an email subscription function for investor and work opportunity alerts.

Reporting, stakeholder engagement and communication processes are supported by communication specialists in the Brisbane office.

PanAust has identified its primary and secondary stakeholders and methods of reporting and/or engagement are summarised in the following table.

Stakeholder Group	Interests and Concerns	Communication/Engagement Channel
Primary Stakeholders		
Australian and international investment community including: investors (retail and institutional shareholders and potential shareholders), brokers, banks and financiers	Financial returns, governance, growth, risk management.	Investor Relations Manager, the AGM, PanAust website, personal, tailored responses are provided to specific queries from the relevant General Manager. Industry and broker-hosted investor conferences, papers and presentations.
Government in areas of operations across various levels (district and provincial) and among country officials (legislators, embassy officials, government officials and agencies in Laos, Thailand, Chile and Australia)	Regulatory compliance, standards, socio-economic benefits, permitting and impact assessments, environmental performance, community engagement, closure planning and use of external consultants.	PanAust External Affairs Office based in Vientiane (staff of 13), various formal and informal meetings throughout the calendar year, including structured weekly meetings with Government, regular reporting, workshops, site visits, and engagement through events such as Phu Bia Mining's annual formal social function. Regular performance benchmarking carried out against the MEPA. Direct engagement with international financial institutions and other agencies. PanAust website.
Local communities near PanAust's Operations and Projects in Laos, Thailand and Chile: ie. Those at or near the Phu Kham Operation, the Ban Houayxai Project, the Phonsavan Project, the Puthap Project and the Inca de Oro Project.	Access to employment, business development, land access, sponsorships, environmental performance, partnerships, training and education.	Dedicated community liaison staff in place at each location where the Company has a significant presence. Besides daily, often informal interaction and engagement, all operational sites maintain a schedule of formal monthly meetings with village authorities and regular formal meetings with district and province government. Written reports to local authorities, community site tours, Company participation in community celebrations/cultural celebrations.
The Board of Directors and Executive Management Team	Growth, governance, risk management, balanced business performance, financial returns.	Company Secretary and Legal Counsel, quarterly Board Papers and Meetings (of which one per year takes place in Laos), site visits to Laos, Thailand and Chile. PanAust website.
Employees	A wide range of internal and external issues (many external issues addressed under local communities).	Depending on the operating environment, meetings and/or briefings are held daily, weekly and/or monthly. The Phu Kham Operations Bulletin is published every quarter. The intranet, monthly reports, PanAust website and PanAust Asia Employee Award Program.

PanAust actively engages local communities close to its operations and exploration activities through ongoing dialogue, and seeks to maintain open and transparent channels of communication (both formal and informal).



PanAust Managing Director, Mr Gary Stafford (left) and PanAust Chairman, Mr Garry Hounsell (centre), being greeted by villagers at the newly constructed Nam Gnone Community Centre during the Board's visit to Laos in October 2010.

STAKEHOLDER ENGAGEMENT continued...

Stakeholder Group	Interests and Concerns	Communication/Engagement Channel
Primary Stakeholders continued		
Groups that share a business relationship with the Company including contractors, sub-contractors, suppliers and customers	Supply and contract agreements and conditions, reliable payments and business opportunities. Timely, reliable quality product and pricing.	Contracts, regular meetings and briefings with relevant Company personnel, performance feedback processes, an annual formal social function in Laos and the AGM in Brisbane. Where appropriate, participation in Company staff induction process. PanAust website.
Resources, finance and business journalists, and other media commentators primarily in Australia, Laos, Thailand and South America	Financial performance, socio-economic, environmental and operational queries.	Media is managed by geographical location: the Investor Relations Manager and Communications Manager in Australia; PanAust Asia External Affairs Department in Asia and PanAust South America President and Executive General Manager in South America. PanAust website.
Secondary Stakeholders		
Non-government organisations, community advocates, lobby groups, activists, and environment groups	Socio-economic contributions, environmental performance, governance, risk management, human rights.	PanAust website. Where and when required, direct communication and/or personal, tailored responses from relevant General Managers. Visits to active operational sites.
Industry organisations	Best practice, industry alignment.	PanAust website, industry and broker-hosted investor conferences and market surveys. Site visits.
Any person, group or organisation that may be interested or affected by the Company's operations in Laos, Thailand and Chile	Wide range of specific interest issues.	PanAust website. Personal, tailored responses are provided to specific queries from the relevant General Manager.
Competitors and/or peers	Benchmarking, project information.	PanAust website. Personal, tailored responses are provided to specific queries from the relevant General Manager.

Grievance and Request Mechanism

By nature of their location and activities, mining operations impact on nearby communities. PanAust actively engages local communities close to its operations and exploration activities through ongoing dialogue, and seeks to maintain open and transparent channels of communication (both formal and informal), and to manage requests, opportunities and any complaints should they arise via a 'grievance and request' mechanism. In all cases, the Company aims to prevent recurrence of events and incidents, through proactive remediation to address root causes.

In order to identify, prioritise and respond to local and regional stakeholder concerns, the Company has established a grievance and request mechanism which is managed through INX. As with safety and environment, grievances and community requests are captured and processed to ensure follow-up and close-out.

There were no material grievance reports in 2010. One hundred and eighty-six events were processed relating mainly to donations, compensation and development opportunities. One hundred and twenty Levels 1 and 2 incidents (as per the Consequence Table) relating to concerns, complaints and compensation were received during the year. During 2010, US\$169,000 was paid in compensation for land access and minor livestock losses associated with the presence of the Company's activities.

The frequency and severity of events across the Group were comparable with those reported in previous years, despite a significant increase in footprint and development activities during 2010. Phu Kham incidents reduced by 29 per cent while requests increased by 22 per cent. This reflects the continual improvement in communication and impact management by the Company.

Grievance/Request Table*

	Total Events	Outstanding Events	Closed out	Requests Consultation	Concerns Complaints Negotiations
2008	93	**	**	**	93
2009	155	6	96%	48	107
2010	186	51	73%	66	120

* The table does not include planned programs supporting Community Development Funds.

** Data not available through INX for the period.

Phu Kham Copper-Gold Operation

At the Phu Kham Operation, a process of regular formal and informal community engagement is managed through a team of staff who are also responsible for community development activities. During 2010, the team grew from eight to 13 full-time staff members to support the Operation's activities. Significantly, 32 per cent (458 employees) of all Phu Kham employees are from local communities in the immediate vicinity of the mine and a further 11 per cent are from the greater Xaysomboune District within which the mine is located. Effective

recruitment policies, agreed to by the local communities, are in place to limit in-migration and to ensure delivery of a high level of benefits to the local community. This ensures that the local community is increasingly involved with the project with good working relationships and communication processes being well established.

The Operation holds formal monthly meetings with community leaders to report on operational issues and to receive feedback from the community. Formal quarterly meetings are held with district government authorities. Additional meetings at all levels are conducted on an as-required basis.

Phu Kham places considerable importance on social interaction with the community. Regular activities occur with social and sporting events staged on and off site. Phu Kham actively engages and contributes to culturally important events within the community including. During 2010, this included working with local authorities and communities to host the Hmong New Year celebrations in November and a ceremony in December to mark Lao Independence Day. Friendly soccer games between different teams and communities are frequently hosted at the Phu Kham camp soccer field.



Phu Bia Mining community liaison employees consulting with members of the Village Development Committee.

Ban Houayxai Gold-Silver Project

The area around the Ban Houayxai Project is sparsely populated with the nearest village located 18km from the project area. Extensive consultation and a socio-economic baseline was established during 2010 as part of the project ESIA process which involved identification of and consulting in local villages that have the potential to be impacted by the mine's development. The process identified that there are no villages that are directly impacted and nine villages along the general supply route and transmission line alignment that are likely to be indirectly impacted.

During 2010, using a similar model to the Phu Kham Operation, three permanent positions were established within the community development department at the Ban Houayxai Project to support the development of more structured and formalised community dialogue.

Phonsavan Copper Project

The Phonsavan Copper Project offices and accommodation are located within the major regional town of Phonsavan. The project has transitioned from pure exploration to early scoping study stage. All employees are hired locally or live in town during their rostered work shifts. A specialist Community Relations Officer maintains formal communication channels with local government and communities with regard to current and proposed operational impacts. During 2010, additional experienced 'sustainability' resources from the Phu Kham Operation were dedicated to the Phonsavan Project to engage with the community and to increase Phu Bia Mining's profile within the district. As part of this program of activity, 14 Government of Laos officials participated in site orientation visits to Phu Kham and its surrounding villages to provide them with an understanding of the benefits and issues associated with a large-scale, international mining presence. Community relations and community development plans to reflect project requirements in a major regional centre were also revised during the period.

Puthep Copper Project

The Puthep Copper Project near Loei in Thailand has five community relations staff and two senior supervisors in Bangkok. Formal meetings are held regularly with the host communities in two sub-districts around the project development area covering 21 villages. At this early stage of the project, the focus is on developing relationships in the villages and communicating feasibility study information to create a better understanding of the project and approval steps and requirements. During 2010, village leaders and local government representatives participated in three study trips to the Phu Kham Operation in Laos. The purpose of the visits was to enable local communities to better understand the types of positive and negative impacts that can be expected by the future development of the project within their own region.

In Brisbane, the Company supported the city's inaugural Thai Culture and Food Festival through an AUD\$5,000 sponsorship and attendance at the event.

National Stakeholders

PanAust Asia's External Affairs Department plays an important role in representing the Company at a national level to ensure the Company's policy commitments and point of view are communicated to the Government of Laos and the wider community. During 2010, PanAust Asia resources were expanded in Vientiane in the areas of commercial, legal, human resources, communications and sustainability to ensure an appropriate focus on relationships with national and local government and high-level stakeholders is maintained with the growth of the organisation and an increasing presence in the area.

Incidents

No material (Level 4 or 5) community incidents were reported in 2010.

STAKEHOLDER ENGAGEMENT PROFILE



To further strengthen PanAust's Board of Directors' association with and understanding of Laos they spent several days visiting during October 2010.

Their visit included site tours, presentations and meetings with staff at the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Project, as well as spending time in local communities.

The directors visited the Nam Gnone Community Centre which was under construction at the time*. They also met villagers from Nam Mo, including small-business operators, Ms Tou, who grows mushrooms and leads a local sewing group, and Mr Sai, a local fish farmer.

PanAust Managing Director, Mr Gary Stafford, met with the Lao Minister of Planning and Investment, H.E. Mr Sinlavong Khoutphaythoune and Minister of Energy and Mines, H.E. Mr Soulivong Daravong.

During the last day of their visit, the directors attended a Board Meeting that was convened in the northern Lao city of Luang Prabang. The city is located where the Nam Khan River meets the Mekong and is well known for its Buddhist temples and monasteries. The Board also attended a traditional alms-giving ceremony with local monks in Luang Prabang – an experience they agreed was a great privilege.

Speaking on behalf of the Board, Mr Stafford said, "PanAust is very proud of its Lao identity and its continuing contribution to the prosperity of the nation. We recognise that the growth of the Company and the development of Lao PDR are mutually beneficial."

* The Nam Gnone Community Centre was completed in March 2011, and includes a health clinic (see page 55 for more information).

(Left) Members of the PanAust Board (and former Chairman, Dr Robert Bryan, top right) with PanAust staff members and villagers at the Nam Gnone Community Centre in October 2010.

(Right) The Board's site visit to the Phu Kham Copper-Gold Operation in October 2010.

ENVIRONMENTAL PERFORMANCE

PanAust is committed to carrying out its activities in a manner consistent with international leading practices. Company practices are guided by the Sustainability Policy, Sustainability Standards, legal obligations (including Project ESIAs) and the IFC Performance Standards on Social and Environmental Sustainability, and applied through the Company's Environmental and Social Management Systems.

The Company's Environmental and Social Management Systems focus on finding ways to improve environmental performance using risk management processes to identify and prioritise risks and opportunities. Environmental management plans are developed and audit processes are used to monitor effective implementation and prioritise continual improvement opportunities. As the organisation expands its footprint, management systems support the levels of environmental performance that are expected from the Company's operations and will ensure consistency in performance.

The General Manager, Human Resources and Risk Management has responsibility for the Group's overall environmental performance, and for advising senior management and the Board on environmental matters. In addition, PanAust Asia is supported by a Regional Sustainability Manager as well as one or more environmental professionals based at each operation or project to advise site management on environmental matters. Risk and sustainability professionals from across the Group meet at least once per year to develop strategy, and to monitor progress against agreed action plans and review progress against internal and external audits.

The PanAust Sustainability Committee meets quarterly and, according to its Charter, monitors the Company's environmental management practices, and ensures that appropriate policies are in place.

All PanAust employees and contractors are obliged to comply with environmental laws, regulations and requirements issued through statutory obligations, as well as the PanAust Sustainability Policy and Sustainability Standards.

Risk management processes have identified the main environmental challenges at the Phu Kham Copper-Gold Operation as being the management of surface water and the management of mine waste, particularly acid-forming waste. Issues relating to the management of

surface water and waste management have been identified in the Environmental Impact Assessment and the ESMMP and are subject to ongoing review and continual improvement. Both are explained in detail in this report.

With the development of the Ban Houayxai Gold-Silver Project, the baseline environment characterisation was completed during 2010, and the ESIA and Construction Management Plan were submitted for permitting through the Lao Water Resources and Environmental Authority (WREA). The project compliance certificate was issued in the first quarter of 2011. During the construction phase, environmental priorities are management of land disturbance activities including sediment management and development of waste management systems. The environmental priorities for Ban Houayxai during 2011 are to develop and commence implementation of the operational environmental management plan, and to document management systems ahead of commissioning in late 2011. Furthermore, the Project is designed and is being constructed to meet certification requirements of the International Cyanide Management Institute (ICMI)-administered ICMC to which PanAust is a signatory. To achieve this objective, dedicated resources were embedded within the organisation during 2010 including an ICMC Compliance Superintendent to focus on this key activity, and a program of external verification against the ICMC will be undertaken over the next two years (see Environment PROFILE on page 51 for more information).

During 2011, baseline characterisation studies will be integrated into the development timetables for the Phonsavan Copper-Gold Project in Laos and the Inca de Oro Copper-Gold Project in Chile. Baseline data will also continue to be collected at the Puthep Copper Project in Thailand.

Expenditure on environment was similar to previous years at Phu Kham, indicating the maturation and stabilisation of the Operation. Expenditure at Ban Houayxai was US\$115,655 for development monitoring outside of the ESIA that was completed during the year. Additional expenditure in excess of US\$5 million was spent in the design and construction stage of Ban Houayxai to comply with ICMC requirements.



All PanAust employees and contractors are obliged to comply with environmental laws, regulations and requirements issued through statutory obligations, as well as the PanAust Sustainability Policy and Sustainability Standards.

View of the area surrounding the Phu Kham Copper-Gold Operation's Tailings Storage Facility.

ENVIRONMENTAL PERFORMANCE continued...

Operational Environmental Expenditures*

	2008 US\$	2009 US\$	2010 US\$
Salaries	534,656	135,386	364,378
Administration	141,210	121,670	128,689
Environmental Analysis	67,711	177,186	210,470
Technical Assistance	62,838	27,368	45,131
Equipment and Supplies	30,435	26,819	64,041
Consumables	23,564	20,153	41,013
Reclamation	17,731	27,368	0
Staff Training	15,476	0	6,942
Rehabilitation	261,903	496,164	96,601
ICMC Improvements	354,000	0	8,020
Environmental and Social Audits	90,000	88,061	126,221
Bi-annual Economic, Social and Health Survey	35,000	0	36,860
Sub-total	1,634,524	1,120,175	763,988
TSF	18,184,000	11,225,038	23,072,641
ESIA			**679,820
Sub-total	18,184,000	11,225,038	23,752,461
Total	\$19,818,524	\$12,345,213	\$24,516,449

* 2008/09 Expenditure includes the Phu Kham Operation and the Heap Leach Gold Operation. 2010 expenditure also included the Ban Houayxai Project.

** One-off project cost spent between January 2008 and March 2011, with the majority spent during 2010.



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

Environmental Incidents

PanAust can report there were no material (Levels 4 or 5) environmental incidents, penalties or fines for any legal non-compliance in 2010. Compared with the previous year, the overall severity of environmental incidents in 2010 decreased. This can be attributed to improvements resulting from the Phu Kham 2010 surface water management plan and maturing of the Company's corrective actions system.

The reporting of low-level environmental incidents continued during 2010 with 45 incidents reported across the group for a range of issues including air quality, land contamination, spills, biodiversity and waste management. Twelve Levels 1 and 2 spills were recorded during the period, the most common related to small losses of hydrocarbons (the Consequence Table on pages 84-85 specifies spill volumes for each level of incident reporting). PanAust views low-level reporting in a positive light as it reinforces the Company's hazard identification processes and ensures minor issues are investigated, which, in turn, prevents more serious incidents from occurring. This is particularly important close to the Company's operations where communities have had limited exposure to international environmental standards prior to the Company's presence.

During 2010, environmental awareness training continued to be delivered to the workforce and communities affected by the Phu Kham Operation. A formal environmental and biodiversity awareness training program was delivered at Phu Kham. Ban Houayxai developed and rolled out its sustainability induction program, which includes cross-cultural understanding, Lao legal obligations, and community, environmental and archaeological protection and management.

The National University of Laos was engaged to conduct general environmental and biodiversity awareness training in 10 villages along the concentrate haulage route and those adjacent to the Phu Kham Operation. World Environment Day activities were held in conjunction with local communities and Company-supplied fingerling releases occurred on the Lao National Aquatic Animals and Wildlife Day.

The increasing presence of artisanal and small-scale mining (ASM) activities close to the Phu Kham Operation led to a Company-delivered campaign to provide community leaders and authorities with awareness of the potential impacts that ASM activities have on water quality and biodiversity.

Environmental Incidents Table

Classification	2008	2009	2010
Level 5 – Material	0	0	0
Level 4 – Material	0	0	0
Level 3	0	3	0
Level 2	4	8	13
Level 1	26	37	32
Total	30	48	45

Materials Management

Primary Materials

Most of the primary materials consumed by PanAust occur at Phu Bia Mining's operations. In 2010, the total amount of processed ore increased to 12.2Mt at Phu Kham.

Supplied Materials

Principal reagents and consumables which are purchased by the Phu Kham Operation, the Heap Leach Gold Operation and the Ban Houayxia Project are summarised in the table overleaf. Approximately 10,000 tonnes of recycled steel grinding balls are the only input material which is used at Phu Kham that is purchased from a recycled source.

In line with an overall increase in material movements and the presence of harder rock types with depth in the Phu Kham open pit, explosives use increased in 2010. Hydrated lime usage also increased to improve control of alkalinity levels in the TSF; minimising the likelihood of acid rock drainage (ARD) generation and ensuring precipitation of metals to improve the overall quality of stored water.

As part of the decommissioning process, detoxification activities increased at the Heap Leach Gold Operation which increased the use of acids.

Waste Inventory for Phu Kham, the Heap Leach Gold Operation and Ban Houayxai

Material	Unit	2008	2009	2010
Ore Mined (Phu Kham)	t	7,392,115	10,591,671	12,242,248
Diesel ^{1,2}	**ML	25	26	31
Electricity ^{1,2}	***kWh	143,568,000	227,734,000	245,170,428
Petrol	kL	545	241	129
Lubricants	kL	197	251	342
Explosives ^{****}	t	2,138	2,456	5,024
Cyanide ²	t	694	464	104
Hydrate lime	t	952	885	4856
Quick lime	t	7,856	15,341	16,028
Cement	t	15,125	8,107	5,934
Frother	t	443	246	253
Collector	t	60	186	234
Hydrochloric acid	kL	155	76	23
Hydrogen peroxide	t	515	499	940
Sulphuric acid ²	t	1,177	789	1,463
Carbon ²	t	45	9	0
Grinding media	t	6,090	10,321	10,057

* Correction of a reporting error in PanAust's 2009 Sustainability Report.

** 1L atmosphere = 101.325 joules.

*** 1kWh = 3,600,000 joules.

**** Explosives includes both ammonium nitrate/fuel oil and emulsion products.

1 Includes Ban Houayxai.

2 Includes Heap Leach Gold Operation.

The reduction in cyanide usage reflects throughput decreases at the Phu Kham Heap Leach Gold Operation and its subsequent cessation of production in April 2010.

PanAust uses significant quantities of diesel and lubricants to support the mobile equipment fleet which continues to grow.

Tailings and Waste Rock Management

Significant volumes of waste rock and tailings are produced as a by-product of mining. The waste rock from the mining and processing of materials is carefully managed to limit the potential formation of acid.

At the Phu Kham Operation, total waste rock movements for the year totalled 17.6Mt, while tailings discharged into the TSF totalled close to 12.6Mt, both a slight increase on previous years, and in line with the increased processing of ore for 2010.

The management of waste rock was extensively reported in the 2008 Sustainability Report which can be found on the Company's website. The management of waste rock at Phu Kham is the most significant environmental risk for the Group and is classified based on its ARD potential using a simple 'traffic-light' management plan – red, amber, green.

All 'red' material (>4 per cent sulphur) is considered high potential acid-forming (PAF) and is disposed of underwater in the TSF. During 2010, 5Mt of red waste rock was mined and placed to tailings.

All 'amber' material (0.4–4 per cent sulphur) is considered low to moderate PAF and is encapsulated in the TSF construction within 'green' (<0.4 per cent sulphur) material which is considered non acid-forming (NAF). Only 'green' material is used in general road construction and earthworks elsewhere.

The process is strictly controlled using the fleet management system to ensure that sulphur grades are tightly managed to meet quality control standards. Blending of green and amber waste rock is used to ensure the sulphur grade in encapsulated cells does not exceed one per cent.

Instrumentation is installed in the tailings embankment wall to monitor ARD through the presence of oxygen and changes to temperature of the material placed in the dump. During 2010, additional monitoring equipment was installed to monitor the effectiveness of current strategies to minimise ARD during construction and placement. The results for 2010 suggest that oxidation and ARD are being effectively controlled within the PAF cells. Extensive surface and groundwater monitoring continues below the TSF embankment. Monitoring downstream from the TSF indicates compliance with all discharge standards. External reviews by Knight Piésold and EGI of the management of ARD and tailings performance are carried out every six months to ensure ongoing performance and recommendations for improvement.

At Ban Houayxai, pre-stripping, road construction and earthwork preparations commenced ahead of construction activities. A total of 7.3Mt of overburden was moved during the year, some of which was reused to form the Run of Mine pad (ROM pad), construction foundations for the plant site and in tailings embankment facility construction. Baseline characterisation of waste materials from the Ban Houayxai pit was completed in 2010 as part of the ESIA process. The study determined that for the current reserve base, only 10 per cent of the total material from the pit is likely having potential to generate ARD.

Tailings/Waste Rock Quantities for PanAust Operations and Development Projects

	Unit	2008	2009	2010
Waste rock (total)*	t	12,011,329	14,271,623	24,933,321
Red waste rock	t	7,101,517	11,433,271	4,954,026
Total amounts of solid tails	t	6,131,605	10,798,850	12,571,281

*Waste rock 2010 includes 7.3Mt for Ban Houayxai.

General Waste Management

PanAust continued to apply its policy of recycling materials when environmentally safe. Recycling of waste oil, plastic, aluminium, steel, oil, cardboard and timber continued to be promoted through the Phu Kham Operation. During 2010, as construction activities increased, a landfill was developed for Ban Houayxai. It is anticipated that the Ban Houayxai programs will be reported on from 2011.



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

Waste Management at Phu Kham and Heap Leach Gold Operations*

Type	Fate	Units	2008	2009	2010
Mixed general waste	landfilled	t	1,759.6	1,842.1	1,475.9
Plastic (all types)	landfilled	t	3.0	3.4	76.2
Plastic (all types)	recycled	t	0	0	0.8
Wood/timber	landfilled	t	440.9	41.9	244.1
Food waste	landfilled	t	19.5	1.2	0
Scrap metal (all types)	recycled	t	56.9	113.9	1,431.3
Cardboard/paper	recycled	t	6.9	9	2.2
Used chemical drums and IBCs**	landfilled	each	0	45	67
Used chemical drums and IBCs	recycled	each	1,393	79	294
Waste oil	recycled	m ³	142.4	285.8	289.0
Hazardous waste***	landfilled	t	515.9	301.9	934.8

* 2010 data differs from previous reporting periods due to change in unit of measure and 2010 collation procedures.

** IBC: intermediate bulk containers.

*** As prescribed by the Basel Convention, the Company does not recycle or ship any hazardous wastes internationally.



Return water pumps at Phu Kham's Tailings Storage Facility supply 95 per cent of the water required to process ore to copper concentrate at the Operation.

Water Management

In addition to carefully managing the quantity and quality of large volumes of water typically associated with open-pit mining and concentrating operations, there is an inherent challenge in managing mine-water run-off in a tropical climate with surrounding steep topography. With 75 per cent of the annual rainfall (average 2,300mm) occurring in the four-month northern monsoon period of June to September and the average annual evaporation of 50 per cent of this precipitation, surface water management at the Phu Kham Operation is PanAust's second most significant key risk identified as having the potential to result in material incidents.

Rainfall run-off from the open-pit and processing site is collected and discharged into the TSF. While water use is significant, the vast majority at Phu Kham is recycled. The small percentage of water not recycled is drawn from the Nam Mo River as filtered raw water used in the process plant's hydraulic cooling systems and pump seals.

Several smaller water sources are also used to provide fresh water for domestic uses on each project. Domestic grey-water reports to sewage treatment facilities for treatment prior to discharge to water-ways with regular monitoring.

Water from the Phu Kham Heap Leach Gold Operation is stored in a storm-water pond prior to release. With the end of production at the Heap Leach Operation, the total quantity of water discharged for 2010 was less than previous years. Detoxification is expected to continue for some time, and is expected to require further discharge at slightly lower rates for 2011. The quality of the released water complies with the IFC guidelines, the Government of Laos Water Quality Guidelines and the ICMC.

Water Quantity

Annual rainfall (mm)	2008	2009	2010
Phu Kham	2,661	2,336	2,462
Ban Houayxai	2,917	2,928	3,309

Water Usage*

	Unit	2008	2009	2010
Fresh water domestic use	**Mm ³ /yr	***	***	0.17
Fresh water to process	Mm ³ /yr	0.8	1.25	1.65
Total water use in process	Mm ³ /yr	14.3	25.2	30.6
Recycled water to process	Mm ³ /yr	13.4	23.8	29.0
Recycled water	%	94%	94%	95%
Water discharged from Heap Leach Gold Operation storm- water pond into the Nam Gnone river following detoxification	Mm ³ /yr	0.72	0.76	0.54

* Volumes of water used at Ban Houayxai were not significant during 2010 and are not included in water quantity data.

** Mm³: million cubic metres.

*** Data reporting commenced in 2010.

Water Quality

Water run-off from the pit and processing areas is managed through drainage and pumping systems. During 2010, several improvements were made to the Phu Kham site surface water management plan, including improvements to pit perimeter and pit bench drainage, and converting the Stage 1 pit void, to a wet-season sump and pumping station. Drainage improvements to the ROM pad area also occurred, and additional equipment was purchased to improve overall pumping capacity.

During the wet season, all discharge points are monitored on a weekly or daily basis consistent with the level of operational control required. Despite the significant challenge of managing water in a high rainfall environment, there were no accidental water discharges (relating to elevated copper and low pH) at the Phu Kham Heap Leach Gold Operation and the Phu Kham open pit during the year and there was an improvement on the previous operating year's performance.

Additional operating controls for the identification, handling and management of potentially acid-forming material are considered as part of the half-yearly wet-season/dry-season management plans. Six monthly third-party reviews of ARD and water quality are conducted. 2010 reviews identified the need for additional lime to be added to the tailings stream to improve control of TSF alkalinity and minimise the potential for ARD generation. Significant improvements to water quality have since been noted, and further studies will be conducted to assess the potential to increase water recycling to the plant in 2011.

From 2011, mining in the Phu Kham pit will occur closer to, and ultimately intercept, the Nam Sam stream. Additional measures will be required to manage potential sedimentation issues, as well as an increasing presence of groundwater with pit depth. While deepening of the pit will reduce the likelihood for accidental mine-water discharge, an increased focus on ARD management and groundwater interaction will be required. As such, a major objective for 2011 will be to develop a site groundwater model to interact with the surface water management plan.

In partnership with the Government of Laos, Phu Bia Mining is pursuing the establishment of a WREA environmental monitoring unit at Phu Kham. The unit will facilitate transparent communication and engagement on matters relating to environmental management. During 2010, a scope of work for the laboratory and an MOU were developed and presented to WREA for consideration. In addition, the Phu Kham laboratory carried out its first gap analysis to ISO 17025. The 17025 standard primarily relates to the operation and effectiveness of Quality Management systems within a laboratory, as well as technical requirements including factors that determine correctness and reliability of the tests performed. A follow-up audit will be completed in 2011 as part of the laboratory continual improvement program.

A decline in the overall background water quality on the Nam Mo River is evident in areas where there is a growing presence of ASM activity. Internal studies, including aerial surveys with district and provincial officials, were carried out to better define the extent of activities and processing methods. Additional water quality, land use, and aquatic surveys were also completed in cooperation with the WREA and mine personnel have assisted with providing awareness programs on the potential impacts of these activities.

Results of ongoing monitoring of fish species abundance and diversity were carried out and, to date, there has been no long-term impact from the Company's activities. A 2010 aquatic fauna survey was completed for Phu Kham and, as expected, with increasing presence of ASM activities, there is a decline in the presence and diversity of local aquatic species in areas nearby to these activities.

Biodiversity and Land Rehabilitation

Neither the Phu Kham Operation or the Ban Houayxai Project are located in any world-heritage listed sites, or international or national protected areas. ESIA processes have been used to determine the requirements for biodiversity management plans. Plans are required and have been developed for the Phu Kham Operation and the Ban Houayxai Project as part of their ESMMPs. Impacts to land and

biodiversity are carefully managed through a formalised land clearing program, which aims to minimise unnecessary land disturbance, and to ensure that the placement of activities considers potential impacts to local biodiversity, and waterways supporting biodiversity and community resources. Biodiversity present within the immediate project areas is locally and regionally common, however, the potential presence of endangered and vulnerable species in the surrounding areas requires an appropriate program of habitat and vegetation management measures to be implemented with any land disturbance activities.

In 2010, land disturbance programs, rehabilitation activities and internal and external awareness-raising of biodiversity-related issues continued at Phu Kham and commenced at Ban Houayxai ensuring that biodiversity impacts from Phu Bia Mining activities were minimised. As part of the general induction process, Phu Kham employees are instructed to protect native wildlife and forest resources, and discouraged from hunting or participating in wildlife trade activities. The Company conducts random inspections of convoys on a regular basis to check for any suspicious activity in relation to this matter. Breaches of the rules are recorded and investigated in line with other environmental incidents. No material incidents were reported during 2010.

Rehabilitation in high-risk areas continued with most steep slopes having undergone primary rehabilitation with native plant species. In addition, exploration areas close to the Phonsavan community were prioritised with a dedicated rehabilitation program. Phu Kham has a well-established nursery to propagate seedlings for use in rehabilitation.

All operations have plans in place to reclaim and rehabilitate land to a standard which aims to minimise environmental impact and maximise use during and after mining and ore processing have ceased.

Decommissioning of the Phu Kham Heap Leach Gold Operation commenced in 2010 and included dismantling and removal of the power station, crushing circuit and plant. Where practical, storage sheds were relocated to the Ban Houayxai project. Unsalvageable items will be offered for recycling.

The Heap Leach Gold Operation's decommissioning presents a number of challenges associated with the longer term issue of the cyanide leach pad closure. An external specialist in cyanide waste management has been engaged to provide technical assistance, and to ensure the maximum probability of success through good planning aligned to ICMI requirements. The process involves leaching cyanide and metals from the heap leach pad followed by a process of irrigation until run-off from the pad consistently meets site and international discharge criteria.

The first season's detoxification and irrigation program has demonstrated good progress in reducing the residual concentration of copper and cyanide in the upper levels of the heap leach pad. More difficult will be the decontamination and rinsing of the lower levels of the pad where it is more compacted and difficult to access. Several recommendations to improve access to the lower lifts and improve rinsing of this area of the pad have been made and implemented during 2011. The process is expected to take several years to complete and until passive discharge criteria is achieved, the active storage, treatment and monitoring facilities will remain in place at the storm-water pond discharge during the decommissioning period. Following treatment to meet discharge requirements, excess water accumulated in the storm-water pond is monitored through an internal discharge permitting process prior to release into the Nam Gnone River. Extensive monitoring of the downstream river system is undertaken to confirm that excess water discharge is within ambient limits.

Land Disturbance by PanAust Operational and Development Project Sites as at 31 December 2010*

	Unit	2008	2009	2010
Progressive rehabilitation each year	Ha	26	13	33
Total land rehabilitated (LOM** to date)	Ha	26	39	71
Total land use (progressive land disturbance)	Ha	433	682	939
Land disturbance protected areas to date (public road)***	Ha	10	10	10

Land disturbance as at 31 Dec 2010 (LOM breakdown)

Phu Kham mine site (pit)	Ha	28	92
Phu Kham TSF	Ha	387	470
Plant site and Phu Kham camp and link road	Ha	114	114
Heap Leach Gold Operation and access road	Ha	132	132
Diversion channel	Ha	21	21
Ban Houayxai Project	Ha		152
Total Disturbance (LOM to Date)	Ha	682	81

* Excludes remote drilling activities.

** LOM: Life of mine.

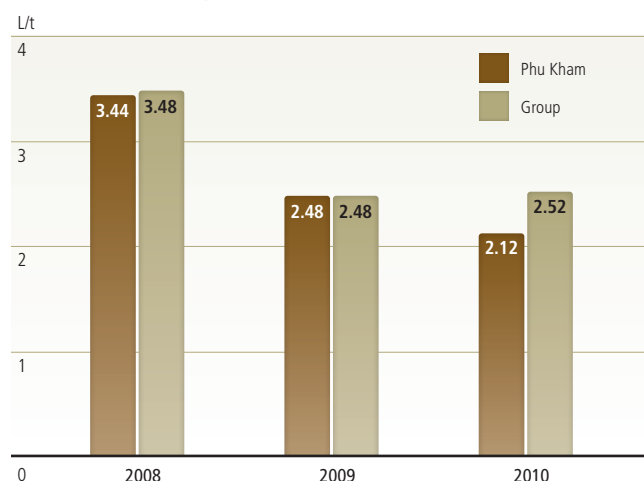
*** The public access road passes through a protected area which is approximately 73km from the Phu Kham Operation.

Energy Management

PanAust's operations utilise a combination of direct and indirect energy sources to carry out its activities. During 2010, 31ML of diesel fuel provided the major source of direct energy used. No renewable

sources of direct energy were used during the year. Its primary uses were to operate mobile plant and mining equipment at Phu Kham and Ban Houayxai. Other smaller amounts of fuel were also used during the year, namely 129kL of petrol. Overall, the Phu Kham Operation continues to monitor its fuel usage practices with a focus on its efficiency. Programs to improve road condition and general awareness campaigns were completed, and baseline energy audits for the processing plant and supporting infrastructure were carried out.

Diesel Use (litres per tonne of ore mined)



Indirect energy usage comes from electricity purchased from the national grid to support the Phu Kham Operation in Laos. The electricity is generated using water power (hydro-electricity), a renewable energy source. During the dry season, the national grid supplements the hydro-generation with energy from non-renewable sources used to generate power in Thailand.

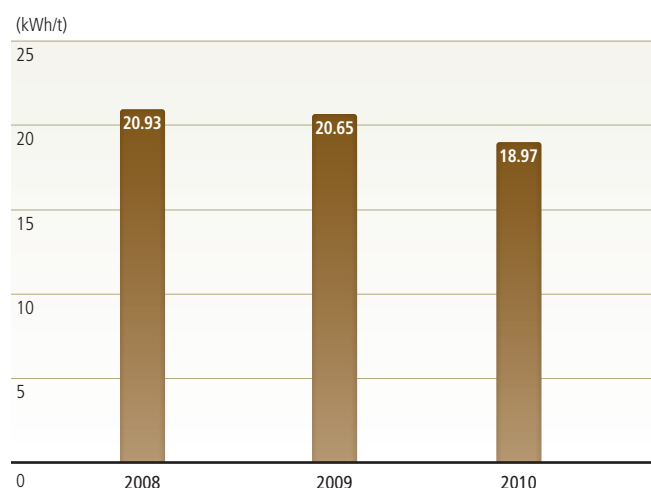
Electricity Usage (kWh)*

2008	2009	2010
143,568,000	227,734,000	245,170,428

* 2008/09 figures represent Phu Kham as the major project for the Group; 2010 includes 1.226MW for Ban Houayxai.

The Phu Kham Operation uses 99.5 per cent of all electricity purchased by operations in 2010 with the processing plant being the major consumer. Over time, the Operation is improving its efficiency; reporting an 8.1 per cent improvement in 2010 compared to the previous year per tonne of ore milled. The increased throughput resulted in more efficient utilisation of the grinding circuit.

Phu Kham Electricity Use (kiloWatt hours per tonne of ore milled)



During 2010, Phu Kham commissioned an electricity baseline audit for the Operation. The six-month study provided an energy consumption and load breakdown for the plant. An energy audit of ancillary areas was also completed and identified a number of energy improvement opportunities.

Conservation awareness programs continued at Phu Kham and focused on water and electricity use, and include a capacitor bank to improve the power factor, a Slip Energy Recovery system on the SAG mill and variable speed drives on major pumps.

The information from the 2010 studies will be incorporated into a baseline carbon footprint analysis for the Operation which has been commissioned with the global engineering, architecture and environmental consulting company, GHD, and will be completed by the third quarter of 2011.

Noise and Air Pollution

Mining, processing and transportation of concentrate generate air emissions, mainly dust. Phu Bia Mining works to limit these emissions through minimising land disturbance, road watering, using filters and dust suppression equipment on drills and conveyor systems, and by transporting product in covered vehicles. Dispersion modelling carried out as part of the project impact assessment determined

that waste disposal and processing of ores were unlikely to exceed ambient air-quality guidelines in surrounding villages. Air-quality monitoring, in the form of particulate and dust deposition rates, are monitored within the mine operating area and villages adjacent to the Phu Kham Operation's activities and haulage route. Five Level 1 dust complaints were received and addressed during 2010 in relation to dust generated by vehicles passing through local villages. During the 2010/11 dry season, the mine paid for the sealing of roads within local village boundaries adjacent to the project and along the public transportation route which has significantly reduced complaints.

There were no noise complaints raised during 2010. Noise monitoring programs have been established, and results of monitoring indicate that the main exposures are around crushing and grinding circuits.

Monitoring of blast activities are undertaken by the mine, mainly in the form of co-ordinated scheduling and evacuation of pit and surrounding buffer zones during blast periods. Daily scheduling of blast programs are communicated to local villages. Blasting is completed at routine times to minimise disruptions at local villages.

Deliberate steps to reduce the amount of ozone depleting substances have been established through the Company's procurement and chemical management systems. A review of the chemical management system identified the presence of one refrigerant in use containing an ozone depleting substance (HCFC) during 2010. Total use for the year was 749kg. The product has since been replaced by an alternate environmentally friendlier product and remaining stock returned to the supplier.

Products and Services

PanAust produces two principal products: copper-gold concentrate and gold doré.

Copper-Gold Concentrate

Copper is a very common substance that occurs naturally in the environment. It is present in air, water and soils, and commonly found in water and food sources consumed by people. When copper is within soil it firmly attaches to organic matter and minerals which reduces its toxicity. It does not break down in the environment and can negatively influence the activity of microorganisms and earthworms in soil. When copper mixes with water, the soluble copper compounds can be hazardous to natural eco-systems and human health. In surface water, copper can travel great distances, either suspended on sludge particles or as free ions and can be hazardous

in relatively small concentrations to aquatic ecosystems. For these reasons, PanAust's concentrate product is transported in covered containers from the Phu Kham Copper-Gold Operation to the port of Sriracha in neighbouring Thailand to prevent spillage or dust losses.

DSG, a Lao-Thai based company, is responsible for transporting the Company's concentrate product. PanAust understands the potential for incidents and maintains a focus on contractor management during product transit. As part of the DSG contract management plan, requirements are imposed on contractor movements through Laos including the monitoring of vehicle speeds, brake testing, random and blanket alcohol and for-cause drug testing, the mandatory escorting of vehicles along the off-highway haulage route, ongoing in-cab driver training and assessments, and the development of emergency response procedures (for more information, see Health and Safety PROFILE on page 71). These measures ensure speed and driver behaviours are controlled as the trucks pass through villages in order to minimise noise, dust and risks to other road users. The Material Safety Data Sheet (MSDS) for concentrate is available on the PanAust website.

During 2010, the Company commenced a process of sealing roads through villages along the concentrate haulage route to eliminate potential for noise and dust, as well as to improve overall road conditions. A total of 20.7km of public road was sealed and an additional 20km stretch was widened. Of the 112km route to Ban Thouay, 53.9km of road had been sealed by the end of the first quarter 2011. The Company's aim is to continually upgrade the haulage route during the coming years.

Internally, the Company initiated road-safety user group meetings involving staff members from the Risk, Logistics, Projects and Sustainability departments as well as road haulage contractors with eight meetings held in 2010. Several initiatives and improvements have been made since that time. More than US\$12 million was spent in 2010 on road maintenance and road improvements along the access roads to Phu Kham and Ban Houayxai. Phu Bia Mining continued to partner with Handicap International (an NGO from Belgium) and the Laos Road Safety Authority to deliver road safety and incident response awareness in villages along the concentrate haulage route.

PanAust's copper concentrate product is considered relatively clean and product metal specifications are put in place as part of contract terms and conditions with the Company's international customers. Penalties are enforced for products that do 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 Phu Bia Mining copper concentrate and is therefore carefully monitored. No penalties outside of agreed contract specifications were applied to any of the Company's product shipments during 2010.

Gold Doré

During 2010, 2,490oz of gold doré was extracted from the Phu Kham Heap Leach Gold Operation (with production ceasing in April 2010). Gold's lack of toxicity and its compatibility with living systems is why it is commonly used in the fields of dentistry and medicine. The environmental impact associated with the transport and packaging of gold doré is negligible, and during 2010, no incidents were reported by PanAust associated with these activities.

Product Recycling and Sustainability

Copper Concentrate

Of any material used throughout civilisation, copper has one of the longest histories of recycling. It is estimated that approximately 80 per cent of all copper ever produced is still in use today. Recycling brings significant environmental benefits including more efficient natural resource use, energy savings, waste reduction and preservation of the natural resource for future generations.

Copper is likely to contribute to future sustainable growth and development particularly as its excellent conductivity properties enable energy efficiency.

Worldwide demand for copper cannot be met exclusively through secondary/recycled sources. Continued new production will be required to meet ongoing human needs.

Gold Doré

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 is cannot be readily retrieved. Gold ranks among the most high-tech of metals, performing vital functions in many areas of everyday life. Gold's unique properties make it useful in medical applications, pollution control, air bags, mobile telephones, laptop computers, space travel components, and many other things that are considered indispensable in modern life. Approximately 12 per cent of demand for gold comes from the industrial sector.

Product Stewardship

PanAust 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, they are in the form of inert material. Additional general information on copper, including health, safety and environmental effects, is available through a website that is maintained by the Copper Development Centre: www.copper.com.au.

During 2010, there were no instances brought to the attention of PanAust for non-compliance with regulations concerning customer health, safety and environment.

PanAust product is delivered to customers in bulk, and no conventional product labelling applies to the shipment of copper concentrate or gold doré. As such, there were no instances of penalty warnings, breaches of voluntary codes, or non-compliance with regulations relating to product information or labelling and no associated fines. An MSDS for copper concentrate is available on the PanAust website and it is also readily available for customers.

PanAust's products are semi- or partially processed when sold to smelters or refineries. The Company, therefore, does not have any influence on the end purchaser or end product (copper cathode or refined precious metals).

PanAust sells its product to reputable companies. Principally, the Company ensures customers are satisfied with the product produced by ensuring the shipped material meets the specifications set out in the sales contract for the full range of metals and other elements contained in the concentrate. As a medium-sized producer in the global market, PanAust maintains a formalised marketing partnership via an agency agreement with BHP Billiton. The agency maintains direct contact with customers, fields enquiries, ensures customer requirements are taken into consideration and provides feedback to the Company. The agency agreement also incorporates the provision of shipping and general administrative services plus strategic advice. In addition, PanAust meets at least twice per year with each customer. PanAust did not receive any customer complaints during 2010.

The Company adheres to all legal requirements regarding consumer privacy, including appropriate and lawful collection, use, disclosure and maintenance of personal information. No incidents of substantiated complaints regarding breaches of consumer privacy or loss of customer data occurred during 2010. PanAust's privacy policy is available on the PanAust website.

There were no product responsibility related criminal and or civil fines, penalties, warnings or breaches of voluntary codes assessed against the Company or its officers and directors when in their organisational capacity during the reporting year.

Advertising, marketing and sponsorship of copper concentrate product or gold doré in the public domain is not an area relevant to PanAust's activities. As such, the Company had no instances of breaches of any such regulations during 2010.

Services

PanAust's principal suppliers and the commodities they supply are listed below. The Company's policy is to work with and support local suppliers and contractors within operational regions where and when possible.

- IP Fuel, Houkhong Trading – fuel
- Electricity Du Laos – electricity
- Boliver International, Magotteaux – grinding media
- Cytec, Chememan – reagents and chemicals
- TKPV, PV Explosives – explosives

Principal contractors to PanAust's operations are:

- ODR, MVDC – mining services
- Caterpillar, Komatsu – mining equipment and maintenance parts
- DSG, Vanh Transport – concentrate haulage
- Milsearch – Unexploded Ordnance (UXO) clearance
- Drillcorp, Indodrill, Boart-Longyear – drilling services

Environmental conditions are included in Company contracts with key suppliers and contractors to ensure performance standards are understood. A key objective for 2011 is to establish a contract for the sourcing and transportation of cyanide to supply Ban Houayxai that will ensure the Company's ICMI supply-chain commitments (ie. production and transportation certification) can be met.

Environmental incidents for controlled and influenced activities along the Phu Kham haul road are investigated and managed to meet Company standards.

Exploration uses drilling contractors for all drilling activities. Environmental performance is reviewed as part of the awarding of contracts, with consideration given to environmental policy, procedures, and emergency plans, and is monitored constantly during the contract period.

A baseline audit to the e3 Plus Principles for Responsible Exploration developed by the PDAC was completed in 2010. The PDAC standards align closely to the IFC performance standards used for development and operating sites. The exploration group achieved an overall compliance of 52 per cent to the principles, and annual continuous improvement targets will be established to improve performance.

ENVIRONMENTAL STEWARDSHIP PROFILE



As a signatory to the ICMC, PanAust's Ban Houayxai gold-silver process plant that is currently under construction is a leading example of one that is designed from ground-up to be Code-compliant.

Since the start of the last century, the use of cyanide (in a process called cyanidation) has been the industry standard for simplifying the leaching of gold and silver from ore. The disadvantage of using cyanide is its associated toxicity and its ineffectiveness in treating refractory ores and concentrates. The alternatives to cyanide for the recovery of metals are few, varied and generally more metallurgically and physically complex. They also often have a negative impact on the economics of low-grade ore bodies.

At the Ban Houayxai process plant, cyanide will be used in the CIL circuit and the gold extraction circuit to recover gold and silver contained in the ore mined from the open pit.

Administered by the ICMI, the Code is a voluntary industry program for companies using cyanide in the production of gold and/or companies producing and transporting cyanide. It focuses exclusively on the safe management of cyanide, mill tailings and leach solutions. It is intended to complement an operation's existing obligation to comply with the applicable laws and regulations of the political jurisdictions in which it is located.

To become Code-compliant, Ban Houayxai must satisfy 31 standards of practice representing the following Verification Protocol for Gold Mining Operations principles: production, transport, handling and storage, operations, decommissioning, worker safety, emergency



response, training and dialogue. In some areas, Ban Houayxai will exceed the Code standards.

Achievements toward compliance include the appointment of dedicated employees to ensure compliance, completion of an ICMI-compliant sign-off in design, review and construction documentation, a third-party Hazard and Operability Study (HAZOP) and the selection of Code-compliant supply chain partners. Training documents for cyanide awareness, operational equipment, and plant safety were also completed as were visitor induction kits. A photographic record of compliance infrastructure and issues has also been established.

Ban Houayxai has committed to an eight-year schedule of independent third-party audits against ICMI protocol and criteria to ensure compliance and suitability for ongoing certification.

The ICMI Compliance Superintendent at Ban Houayxai, Mr Ray Biehl, said, "The challenge for the operating team at Ban Houayxai is to be recognised as a responsible gold and silver producer in the Southeast Asian region, in particular by the Laos PDR. Formal certification by the ICMI is one way of demonstrating to the world that Ban Houayxai has achieved best practice operation in this field."

(Left) ICMI Compliance Superintendent, Mr Ray Biehl, and Process Training Officer, Nouamkham Sengchanthavong, inspecting the CIL #5 tank leak detection system at Ban Houayxai.

(Right) Ray Biehl checking earthworks compaction prior to concrete pouring adjacent to CIL #1 tank at Ban Houayxai.

PanAust is committed to conducting its activities in a socially responsible manner, supportive of fundamental human and traditional rights and values, and respectful of the cultural heritage of the communities in which the Company operates. These commitments are outlined in the PanAust Sustainability Policy and Sustainability Standards.

The Company works in close partnership with villages and local authorities to improve the standard of living of local communities. Annual audits against the IFC Performance Standards on Social and Environmental Sustainability and socio-economic surveys are used to inform development plans and ensure that programs delivered are of a high standard and meet the development aspirations of local communities.

At Phu Kham and the Heap Leach Gold Operation, annual audits to the IFC standards and ISO19011, continued to demonstrate year-on-year progress. The Ban Houayxai Project and PanAust's exploration activities also completed a gap analysis with the intent to deliver consistent programs across sites, projects and activities to address issues in advance of moving into operations.

Social risk issues at the Phu Kham Operation continued to be managed through the implementation of its social and environmental management plan. The Operation's focus on minimising impacts of mine traffic on local communities, managing local contractors, minimising land disturbance and compensation requirements, and ensuring the benefits of the mine's presence is shared in accordance with the Company's Community Development Fund (CDF) commitments.

In 2010, PanAust took the opportunity to restructure the organisation's sustainability resources to enable it to deliver a proactive program of engagement in new communities where it is developing its presence. A shared central resource was established in Vientiane to support engagement of national stakeholders and oversight of sustainability issues across all work locations. The Company also increased its presence on the ground at the early stage Phonsavan Copper-Gold Project and more proactively engaged in grass-roots dialogue at the Puthep Copper Project in Thailand. The

ESIA for the Ban Houayxai Gold-Silver Project was delivered and with the Project's development, the opportunity to more broadly expand the benefits of PanAust's presence in the Hom and Xaysomboune districts arose, as well the internal opportunity to reposition and develop Lao national staff from the Heap Leach Gold Operation that ceased production in April 2010.

Community Development

As a signatory to the MCA's Enduring Value Guidelines, PanAust is committed to bringing about real and long-lasting improvements to the people of host countries through its community development programs, and ensure its 'social licence' to operate is maintained. The Company aims to build long-term capacity and capability within communities affected by PanAust's activities. Programs focus on providing opportunities to improve livelihoods and empower communities to take ownership and determine their development priorities. Where mining activities impact on local livelihoods, compensation and mitigation schemes are put in place.

PanAust has made major contributions to the Lao economy with investments through its subsidiary company, Phu Bia Mining, totalling approximately US\$700 million to date and accounting for an estimated 10 per cent of the nation's GDP.

Not including contractor employees, the Company provides direct employment to 1,872 Lao nationals (comprising 84 per cent of the total Phu Bia Mining workforce). The Company's direct contribution to government revenues (royalties, taxation and tenement fees) in 2010 was approximately US\$57 million.

For several years, PanAust has funded community projects through an annual US\$300,000 CDF for villages and communities adjacent to the Phu Kham Copper-Gold Operation. The Company works closely with the village administration using a committee-style approach to engage with target communities to encourage local ownership of development priorities. Members meet regularly with Company community officers to plan, coordinate and implement development activities.

Programs and priorities are also guided by regular Company-commissioned socio-economic and health surveys.

PanAust has made major contributions to the Lao economy with investments through its subsidiary company, Phu Bia Mining, totalling approximately US\$700 million to date and accounting for an estimated 10 per cent of the nation's GDP.



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

Defining the Local Community

The Phu Kham Copper-Gold Operation is directly adjacent to two indigenous minority communities – Nam Gnone and Nam Mo villages. PanAust focuses community efforts in these villages as well as along concentrate-haulage routes directly proportional to the impact of the project.

Ban Houayxai defines its local communities as villages directly impacted by the project's presence including villages and indigenous communities situated along the haulage route between Ban Houayxai and Ban Phonsavang, and villages impacted by newly constructed electricity transmission lines to supply the Ban Houayxai Project.

With the intention of reaching more people affected by the Company's activities, PanAust extended its community projects during 2010 and capacity-building projects were extended to communities along concentrate haulage routes, and those near to other Company projects including Ban Houayxai, Ban Phonxai, Phonsavan and Puthep. An agreed revision to the CDF for Phu Kham was completed with the Government of Laos in early 2011 and during 2011 MOUs will also be sought for Ban Houayxai and Phonsavan.

The Company has budgeted US\$90,000 and US\$80,000 for 2011 community development activities in and around Phonsavan and Ban Houayxai respectively, and approximately US\$130,000 for communities affected by the Puthep Copper Project in Thailand.

Learning about the Local Community

To continually improve understanding of the local population, PanAust commissioned Geo-Sys (Lao PDR) to conduct its fifth socio-economic and health survey in 2010. As well as economic and physical health data, these surveys provide comprehensive information about the cultural and gender mix, population movements in the area and positive and negative impacts of the Company's presence. Survey data and analysis are then used to help identify and prioritise community development programs and opportunities for improvement of existing programs. Through consultation and engagement with local communities and the district, recommendations are prioritised and developed into an annual plan for management through INX.



Local resident, Mr Bouaket, working at a recently established fish farm at Nam Mo village.

Community Programs

In 2010, the method for administering the Company's CDF program underwent review to streamline and strengthen processes for implementing programs. The process uses a bottom-up approach where the Company works with villages to identify community needs and priorities. Programs are planned and then reviewed by a Provincial Management Committee (comprising district representatives, as well as representatives from eight government sectors). The Provincial Management Committee ensures avoidance of program duplication by aligning with the National Socio-economic Development Plan and the Lao National Growth, and Poverty Eradication Strategy.

An agreed process and selection criteria for managing different project scales and contracts was established to help provide transparency and simplification of enacting smaller programs and projects.

During 2010, CDF continued to prioritise within the areas of education, healthcare, agriculture, water and sanitation, infrastructure and small business development to deliver a broad mix of community development initiatives. A five-day workshop focused on capacity-building for village-based organisations by strengthening leadership, and organisational and project management skills to support these initiatives.

Education

Throughout 2010, repairs and maintenance was completed for school buildings in the villages of Nam Mo and Nam Gnone. Capital improvements were made to the Nam Gnone School including installing electricity, lights and fans to seven classrooms.

Thirty primary-school teachers from 19 schools in the Xaysomboune District were supported in a five-day 'capacity-building in teaching to meet national standards' training course. Two local teachers were supported to attend teacher training college.

A three-month literacy and numeracy course was provided to 69 adult students in Nam Mo and Nam Gnone, with a particular focus on engaging women. An English language course and adult education program also started. The Company also continued to sponsor an eight-week summer school program attended by 262 local children in 2010 with a focus on subjects that are under-represented in the general school curriculum. The program also provides a safe area for children to play during the long summer break.

Also during 2010, a program to establish libraries in three local primary and secondary schools was completed and 310 books were delivered to the local community.

Fifty-nine of the poorest families in the district were supported with uniforms and stationery benefiting the education of 72 children.

Healthcare

During 2010, the Company employed a Community Health Officer to provide support and coordinate health initiatives. An MOU was completed with the Vientiane Health Department to develop and manage a health clinic in Nam Gnone which opened March 2011. The Health Department assigned nurses to staff the clinic, and PanAust provided training to nurses. The clinic improves access to quality healthcare for local communities in terms of both location and affordability, and provides information to improve health, vaccinations, monitoring of specific issues, palliative care, and general checkups. Another health clinic is being planned during 2011 for Nam Mo village.

The Company also delivered mine and road-safety awareness campaigns, awareness programs for dengue fever and malaria, and HIV/AIDS prevention training sessions to local communities. For further information about these and other community health programs supported by the Company, see 'Community Health and Wellbeing' on page 69.

Agriculture (Aquaculture and Livestock)

In conjunction with the District Agriculture and Forestry Office, the Company supported a livestock vaccination program in five local villages, as well as livestock management training for farmers and training to local veterinarians. The vaccination program aims to reduce business risk and increase livestock health through prevention of disease outbreaks.

Agricultural development projects supported by PanAust during 2010 included rice cultivation field trials, surveys of rice yields and fruit tree cultivation training. Study tours to successful market-gardening projects were organised as learning opportunities for local farmers. During 2010, a Market Gardeners Group was formalised to manage and organise the production and sale of fresh produce to Phu Bia Mining and local markets.

In communities close to Phu Kham, the aquaculture industry continued to develop throughout 2010 with CDF-funded capacity-building programs provided to fish-farmers including technical supervision and training on fish breeding. A small commercial industry was established as the Phu Kham Operation commenced purchasing locally raised pond fish.

Water and Sanitation

Construction of community landfill facilities in Nam Mo and Nam Gnone villages was completed in early 2010. The Company also assisted these villages establish community waste management systems, including regular household waste collection. In early 2011, a study visit to two 'sanitary model villages' was carried out with community representatives.

In 2010, the Company agreed to assist Nam Mo and Nam Gnone village authorities to work towards the goal of achieving 100 per cent coverage of household latrines by the end of 2011. A total of 272 households were subsequently supported with materials and training. Villagers contributed labour as well as materials for construction.

Municipal water-mains were upgraded in Nam Mo and Nam Gnone villages during 2010. The upgrade was a necessary component of the village road sealing project due to road compaction and realignment. The opportunity was also taken to upgrade and increase the number of public taps to ensure adequate supply and improve accessibility to the villages.

Company-sponsored road sealing that occurred during 2010 through the two villages improved community sanitation by reducing dust in the dry season and muddy conditions in the rainy season. The associated construction of five kilometres of roadside gutters improved village drainage and reduced standing water that can contribute to malaria and other community health issues. Construction was undertaken by local village contractors, thereby maximising returns to the community. This work was fully funded by the Company.

Infrastructure

During 2010, the Company reached agreement with the Vientiane Province Department for Planning and Investment to proceed with three infrastructure projects: Nam Mo Community Centre, Nam Mo Primary School expansion and a lower-secondary school at Na Pho (a village situated on the concentrate haulage route). Each project had commenced and was well advanced by the end of March 2011.

Aiming to improve safety and communities' access to services including education, healthcare and markets, the Company invested US\$12 million in upgrades and maintenance of public roads around Phu Kham and Ban Houayxai and a further US\$80,000 was provided through the CDF to the District as a contribution to road improvements between the Phu Kham Operation and Xaysomboune District Capital.

Road sealing within village boundaries was prioritised resulting in safety improvements and reducing dust along the haulage route.

Commensurate with the Company's increased exploration activities, priority needs at Phonsavan and Ban Houayxai were discussed with communities and local authorities. 2010 initiatives included a US\$7,875 project to design and build a new temple in Vieng village and commencement of a US\$11,000 project to construct a new bridge in Douxang village that will improve community access to markets and services.

Small Business Development

Small business development programs aim to provide villagers with additional income sources, practical skills and the opportunity to develop businesses that will be sustainable beyond the life of the mine. Programs include field trials of new vegetables, agriculture and aquaculture as well as training in micro-finance and project management.

In response to feedback from the Village Development Committee and Geo-Sys survey in 2008, the Company designed and delivered a very successful Livelihood Improvement Program and in early 2010, it received the Best Community Development Award at the Asia Mining Congress in Singapore (for further information about the program and the award, see pages 42 and 43 of the *PanAust Sustainability Report 2009*).

By the end of 2010, local small farming businesses were supplying up to nine tonnes of fruit and vegetables, and one tonne of fish to the Phu Kham camp every month. Local income generated at year end from small business development totalled US\$184,706.

Income Generated from Small Business Initiatives 2010

Program	Vegetables	Fish	Oranges	Calico Bags	Drinking Water
US\$	95,532	29,445	6,625	41,831	10,273

The Company's short-term goal for the Livelihood Improvement Program is to boost local food production to meet the increasing demand from the Phu Kham Operation (including farmed fish as outlined in the 'Agriculture' paragraph). In the longer term, the focus will shift to building capacity within businesses and improving infrastructure to enable broader markets to be reached and reduced reliance on the presence of the Operation. Current programs benefit more than 150 farmers, empowering minority and women's groups (98 per cent of participants are women) and providing improvements and variety to traditional nutrition and diet.

During 2010, small business development programs also supported the establishment of sewing-group businesses near Phu Kham and Ban Houayxai to produce and sell calico bags to the Company for use in exploration and geology activities.

Between the start of August 2010 and the end of March 2011, close to 90,000 locally produced bags were sold to the Company by two sewing-group businesses and there is a contract in place for the groups to provide calico bags to the Company for the next two years (for more information on this program, see Community PROFILE on page 61).

Thailand

In Loei Province in northern Thailand, PanAust has an established community relations program at the Puthep Copper Project in association with the ongoing EHIA being undertaken by Kasetsart University. The Company allocated US\$130,000 for community development projects for 2010 and throughout the year supported local cultural and religious festivities, made sports and learning equipment contributions to schools, provided supplementary income to villagers to carry out community service work, established a fish farming project, and constructed public toilets at the district's main temple.

Australia

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



PanAust sponsored the design and build of a new prayer temple in Vieng village which is located near Phu Bia Mining's activities at Phonsavan. Deputy Village Chief, Mr Khongvilay (left) is pictured here with Phu Bia Mining's Sustainability Manager, Mr Jeff Millgate (right).

Community Development Award

For work undertaken at the Company's in-house Technical Trades Training Centre, PanAust received the award for Best Community Development Initiative, Southeast Asia Category, at the Asia Mining Congress Global Mining Sustainability Awards in Singapore in April 2011.

The award recognised the positive contribution the Trades Trainee Program has made to remote communities adjacent to the Company's Phu Kham Operation by building much-needed long-term skills and economic capacity through high-quality, formal, Lao-recognised trade qualifications.

By the end of 2011, a total of 54 trainees will have completed the Trades Trainee Program providing a significant number of people employment, career paths and an income that is considerably higher than the Lao national average. Long-term social and economic benefits flow into communities through lifestyle improvements and educational opportunities that can be passed on to the next generation.

The Asia Mining Congress award submissions were judged by an expert panel comprising representatives from the IFC, the International Council on Mining and Metals and The University of Queensland's Centre for Social Responsibility in Mining.

Phu Kham CDF Spending by Sector (US\$300,000 committed annually)

	2009 US\$	2010 US\$
Agriculture	18,079	27,311
Education	47,525	21,237
Infrastructure	166,272	20,905
VDC and support costs	26,056	14,350
Training/skills development	5,772	*1,959
Micro-finance	9,729	16,092
Health		6,915
Small business development		5,042
District road upgrade		81,055
Development planning		20,000
Total	\$273,433	**\$214,867

* Some specific training costs are captured under sector programs.

** US\$90,000 underspent in 2010 is committed to 2011 projects.

Road Expenditure

	Up to and including 2009 US\$ million	2010 US\$ million
New public roads around Phu Kham	1.999	1.110
Link Road Phu Kham to ADB9 (including one bridge)	3.562	
ADB9 upgrades	0.652	2.715
Shortcut road south of Longxan (includes 2 x bridges)	5.703	
Nature reserve upgrades	3.040	
Bitumen road surface and drainage at Nam Mo to Thongkhoun		0.013
Ban Houayxai North Link Road		6.067
Ban Houayxai to Naxaysavang upgrade		0.246
Total capital upgrades (subtotal of above)	14.956	10.151
Routine road maintenance	1.340	2.174
Total	16.296	12.325

Artisanal and Small-Scale Mining

In Laos, ASM activities are present in several places within the Contract Area. Activities to this point are generally low density and are more or less regulated by the government. ASM activities have occurred in the region for several decades.

Adjacent to the Phu Kham Operation and the Ban Houayxai Project, the Nam Ngum 2 hydropower project was completed in 2010. ASM operators have relocated their activities outside of the reservoir boundary resulting in an increased presence of activity along the Nam Mo River near the village of Nam Mo and the Phu Kham Operation.

The extent of activities is estimated by project personnel as involving around 25 operations and approximately 200 people several kilometres upstream and downstream of the Phu Kham Operation. PanAust's approach is to closely monitor activities that are in close proximity to the Operation and to report on issues brought about by their presence to local, district and provincial authorities. In particular, reports are provided where ASM presence has the potential to influence the Nam Mo community and the background environmental data-sets (for more information, see page 46). The

Company recognises that a growing ASM industry can influence social order and community health, and as such, Company personnel are working with the communities to provide awareness around these issues.

A number of subcontractors extract sand to support the Phu Kham Operation from the same area at the Nam Mo River where ASM activities are occurring. The environmental performance of these contractors is very closely monitored by the Company and they are subject to the same conditions and operating standards as other contractors. The Operation purchased and commissioned a sand and gravel crushing/screening plant in 2010 which will allow feed material to be sourced from a quarry in the existing pit from mid-2011. This will significantly reduce the presence of Company contractors sourcing material from the Nam Mo River.

Conduct

During 2010, there were no material instances of Company-related bribery 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.

As guided by the Company's Vision and Values and Code of Conduct, the Company liaises with government agencies to provide sufficient time and information to allow consideration of the impacts of proposed legislative and regulatory changes on business activities. PanAust supports capacity-building measures and in 2010 supported the public policy process through donations to the 2011 Congress of the Lao People's Revolutionary Party.



Nam Gnone village road in 2005 (left), and in May 2010 following road sealing and drainage work (right).

The Company provides sponsorship and donations to particular programs, organisations or causes that build goodwill in operational areas and/or enhance relationships with key stakeholders. The following principles are applied in determining donations and sponsorships.

- 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.

Donations have been prioritised as follows.

- 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.

Resettlement

PanAust policy is to minimise involuntary resettlement, and to compensate fairly for adverse affects on communities where they cannot be avoided. To date, there have been no material instances where involuntary resettlement has been required by PanAust to develop its projects or to operate at Phu Kham and/or Ban Houayxai.

Closure Planning

Closure planning is considered at all stages of a project life cycle and, particularly where significant risks are posed by ARD, operations are designed to minimise long-term closure risks. Provisions are made for closure in the balance sheet of each operation. The provision includes the cost of rehabilitation, decommissioning and restoration. To date, PanAust operational policy has required the Phu Kham Copper-Gold Operation and the Heap Leach Gold Operation to establish closure plans. A Conceptual Closure Plan was developed for the Phu Kham Operation and a detailed review of the Heap Leach Gold Operation Closure Plan commenced in 2010.

The social and environmental requirements of closure will continue to evolve, and it will be necessary to revisit those aspects of closure regularly during the life of projects to establish agreeable community outcomes at closure. Community outcomes will be developed in consultation with the affected communities.



Nam Mo village Secondary School students. School students from Nam Gnone and Nam Mo have benefitted from ongoing Company-sponsored facility improvements and the provision of educational material.

COMMUNITY PROFILE



Building on the success of PanAust's award-winning livelihood improvement program that helped establish market-garden businesses, 2010 also saw the development of sewing-group businesses to supply calico bags to the Company.

With calico bags being a standard, high-turnover tool used for gathering geological samples, the Phu Bia Mining Community Development Team consulted with community leaders in mid-2010 to confirm the local capability for sewing and supplying a quality product.

Between the start of August 2010 and the end of March 2011, close to 90,000 locally produced bags have been sold to the Company by two sewing group businesses: one located near Phu Kham and another near Ban Houayxai. Each group has 10 women participants from nearby villages. The current groups have a two-year contract to supply calico bags to the mine and hope that it is extended for a further two years.

The leader of the sewing group, Ms Tou, who had previously established a market-garden business, said, "A calico bag sewing business was a dream a couple of years ago."

Enabled by loans from the Village Savings and Credit Fund – a micro-finance scheme that was developed by the Company in partnership with the Lao Women's Union of the District of Xaysomboune – the women purchased sewing machines and material needed to initiate production of the bags.



"We work hard to produce the quality and the quantity of bags for Phu Bia Mining and deliver them on time. I am happy that I have work to do. Since I joined the sewing group, many things have improved. We can make a profit of 500,000 to 600,000* kip each month."

Ms Tou said that money earned from the business is used for her children's education.

Phu Bia Mining Senior Community Relations and Development Officer, Mr Louangtip Vilay, said his team is also supporting a sewing training program for local unemployed women. It is envisaged that graduates will be able to produce Phu Bia Mining staff clothing as well as more calico bags. Mr Vilay stated that the sewing group business and training aims to provide short- to long-term opportunities for local people and that there are other small business opportunities being explored locally, including the production of drinking water, and the farming and/or trading of oranges, pineapple, watermelon and shrimp.

* Equivalent to US\$60 to US\$70 approximately.

(Left) Sewing group leader, Ms Tou, producing calico bags to supply Phu Bia Mining.
(Right) Nam Mo sewing group and Village Chief, Mr Somesouk, paying a visit to the Nam Gnone sewing group.

HEALTH AND SAFETY

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

The Company seeks to continually improve its Health and Safety (H&S) performance and during 2010 continued to strengthen its systems and programs. The Company requires leaders to promote a shared culture of Zero Harm. This is demonstrated by the inclusion of H&S objectives in managers' performance measures – including lead and lag indicators – providing an effective, systematic method of bringing H&S into all decisions and actions. H&S issues are managed by departmental managers with coordination by the Risk Department.

2010 focused on building the foundation for safety management through the implementation of a safety management system aligned with the Sustainability Standards. The Phu Kham Operation formalised its safety management plan and aligned its occupational health and safety management system to the International Standard ISO18001. The Operation completed its first baseline audit in 2010. The model uses a risk-based approach to systems development and prioritisation of safety programs. Recruitment of operational personnel commenced for Ban Houayxai to enable the proactive development of systems and rollout of health and safety management programs prior to the commencement of operations.

PanAust is committed to supporting employees through training and behavioural H&S programs. With 1,872 – or 84 per cent – of the PanAust Asia full-time and casual workforce being Lao nationals, the development of Lao employees' health and safety skills within robust systems necessitates paying extra attention to this area. This commitment extends to contractor H&S performance and the Company is expending considerable time and resources on improving the capacity of local contractors to achieve the same high H&S standards that have been achieved within its own workforce.

Health and Safety Performance Reporting

PanAust complies with the MCA guidelines for tracking and reporting H&S statistics. PanAust also tracks Days Away – Restricted or Transferred (DART).

In 2010, PanAust revised its methodology for grouping incidents by levels of control that it can exercise, paying special attention to the Company's Lao contractors and their risk exposures at that time. Four categories were established (see following table), recognising the need to focus on contractor activities while their systems developed. With significant progress made during the year, from 2011 PanAust will re-align external reporting methodology with industry reporting

to enable the organisation's performance to be transparently compared with peers. Commitments to internally investigate, audit and report with rigour on influenced activities will continue as contractor management remains a significant activity requiring ongoing improvements and close monitoring.

Categories

PanAust's 2010 statistics include controlled and influenced activities as described below.

Controlled	All PanAust activities in operational areas, including visitors (mine site, exploration sites, construction sites, offices etc).
Influenced	All contractor activities within operational areas. Contractors that are involved in full-time support of the Company where PanAust can exercise reasonable control (concentrate transport in Laos but not in Thailand) or activities that partially support the Company and where reasonable control can be exercised (road maintenance on government roads significantly impacted by PanAust). Third party unrelated activities that interact with the Company in these areas are not included.

Categories that are managed but do not form part of the 2010 externally reported statistics. These categories are subject to normal duty of care considerations as the level of PanAust involvement permits.

Monitored	Activities such as service provision (freight of goods and services to the mine site) where PanAust has little or no control over the selection or operations of that provider.
Uncontrolled	Activities where PanAust has no influence (regular public transport services) beyond the ability to select the provider based on its performance. Incidents resulting from these activities are not recorded.

INX continues to be implemented across the Company and year-on-year functionality and use has improved. The system provides timely, consistent incident tracking across the organisation and in 2010 was enhanced to capture the Company's proactive safety programs. 2010 performance demonstrates that PanAust is not learning optimally from low-level events. It is recognised that the system implementation requires focused efforts and user training to deliver the safety results we are looking to achieve.

Incident Log (injuries and safety incidents)

Incidents	Logged	Closed out (as at 31 Dec)
Total 2009	870	673 (77%)
Total 2010	764	362 (47%)

2010 focused on building the foundation for safety management through the implementation of a safety management system aligned with the Sustainability Standards. The Phu Kham Operation formalised its safety management plan and aligned to the International Standard ISO18001.



Phu Kham Emergency Response Team undertaking fire fighting training.

2008-10 PanAust Group Reportable Incidents (controlled and influenced combined)

Year	Hours	Fatal Injury Frequency Rate	Lost Time Injury Frequency Rate	Days Away Restricted Time	Total Recordable Injury Frequency Rate
2008	*10,969,949	0.18	1.37	1.73	6.38
2009	*8,259,650	0.36	0.24	0.24	**4.24
2010	12,896,451	0.00	0.47	0.62	3.57

* Data adjustment from that recorded on page 51 of PanAust's 2009 Sustainability Report. This table expanded to PanAust Group man-hours (previously, Phu Bia Mining only).

** Correction of a calculation error recorded on page 51 of PanAust's 2009 Sustainability Report (3.85).

PanAust's 2010 LTIFR was 0.47, which was less than the 2008-09 MCA Australian opencut metalliferous minerals industry average of 3. The Company's TRIFR was 3.57, which was also well below the MCA's average² of 9.

Overall the severity rate of 2010 incidents shows a marked improvement compared with previous years. However, the LTIFR of 0.47 represents a year-on-year increase for the Company and is a result of six Lost Time Injury (LTI) events involving five contractors and one exploration employee. The Company recognises that if it is serious about partnerships in developing countries such as Laos, it must be inclusive in both engaging a wider range of local contractors and acknowledging that those partnerships bring short-to medium-term capacity issues. In previous years, Lao subcontractors have not met the Company's high performance standards and it is pleasing to see that during 2010 progress was made in this area; this was demonstrated by a 57 per cent reduction in safety incidents associated with concentrate haulage contractors (see Health and Safety PROFILE on page 71). Contractor management continues to be a high risk but improving area for the organisation and dedicated resources and improvement programs to monitor and influence their performance will continue.

There were no cases brought through the Company's dispute resolution mechanisms nor were there significant fines or non-monetary sanctions for non-compliance with health and safety law and regulations during 2010.

LTI Incident Summary

On Sunday 6 June 2010, a contractor electrician sustained an electrical 'flash over' injury while working offsite on contractor equipment at the Nam Mo River near the operation at Phu Kham. On Thursday 17 June 2010, a contractor was injured while working on an access road to the Ban Houayxai Gold-Silver Project during installation of a road culvert retaining wall.

On Wednesday 30 June 2010, in a remote and mountainous location in Laos, an exploration employee and a contractor driver, suffered non-life-threatening gunshot wounds while delivering supplies

to an exploration camp. The event was carried out by unknown assailants. On the following day, Thursday 1 July, in a separate but most likely related incident, a contractor working at a quarry on the outer perimeter of the Phu Kham Copper-Gold Operation received a superficial gunshot wound. At the time of these incidents there was no related disruption or threat to the nearby operation. All persons affected by these incidents made a complete recovery. There have been a number of sporadic security incidents within the Company's contract area in Laos over the course of the last 12 months. In most cases, the Company's operations have not been impacted or have been remote from the location of the incident. The prevalence of guns in the community and the criminal activities of a few means that the Company has to maintain enhanced security precautions in remote areas and whenever the perceived threat level increased in the vicinity of the Company's operational centres or key access roads.

The remaining LTI occurred on Monday 5 July 2010 when a drilling contractor sustained a fractured ankle while assisting with the set up of a rig at the Ban Houayxai Gold-Silver Project.

As a consequence of the proactive application of H&S procedures plus ongoing education of staff, PanAust can report that permanent employees within the Phu Kham Copper-Gold Operation have achieved over two years without an LTI. The Phu Kham Copper-Gold Operation continued to perform well against other industry benchmarks, with an LTIFR of 0.25, and TRIFR of 2.48; both improvements on their 2009 performance.

Security

Controlled Risk consultants conducted a baseline security review for PanAust in 2007 to ensure appropriate security measures were considered for planned operations at that time. Following the two security-related incidents that occurred in 2010 (30 June and 1 July), a second review was commissioned to advise on PanAust Asia's Security Strategy and to assess any changes to the regional security setting. The review concurred that the situational setting remains similar to 2007 and that the Phu Kham Operation had adopted many of the recommendations made in the earlier report as well as progressing others. Several additional recommendations were made which have been considered and adopted where appropriate. PanAust is committed to carrying out regular audits in this area.

2 Averages provided in the MCA Draft Safety Performance Report of the Australian Minerals Industry 2008-2009.

Leadership in Health and Safety

The Company's commitment to H&S is driven by PanAust's Vision and Values and is explicitly addressed as the first requirement of the organisation's Code of Conduct.

A Group Safety Meeting was held in May 2010, with a focus on engaging senior managers from both the corporate and operational areas to progress safety leadership programs and review progress against the group safety action plan developed in late 2009. Meetings of this nature have been highly successful within the organisation and have assisted in creating a step change in the way safety is managed, in particular in relation to contractors.

The workshop provided an opportunity to prioritise programs and discuss the organisation's key elements of safety leadership which were developed from a review by Australian consultants, Safety Wise Solutions, in late 2009: commitment, visibility, accountability, consistency.

Key recommendations from the review were to complete the following.

- Develop a policy and standard tool for incident investigation and reporting.
- Implement Cardinal Rules.
- Increase management visibility in safety.
- Improve development of risk registers.
- Improve Contractor Management.

All recommendations were accepted and actions relating to each recommendation are referenced either in this section or elsewhere in this report. The Company procedure on incident investigation and reporting was updated in late 2009 and rolled out in 2010, including incorporating requirements into the INX system. The Company's goal for 2010 was to complete ICAM investigation training at Phu Kham. This objective was not achieved; however, the Company remains committed with two programs scheduled for 2011 which will deliver a full complement of trained lead auditors across worksites. The training will expand the number of investigators from four to at least 30, covering all worksites.

The Safety Wise Solutions' recommendation to implement Cardinal Rules was adopted. Cardinal Rules are those safety breaches that historically, within a mining environment, have resulted in serious injury or a fatality. Seven critical safety issues common to all operating areas were identified for inclusion. Given the serious consequences for breaching the rules, rules must be unambiguous and implemented only after all employees are fully educated in their importance and have the necessary training and competencies to be able to fully comply.

An initial rollout with management occurred in 2010 including development of training materials and a review of activities and competencies that would need to be addressed to comply with the rules. The rollout has since been implemented to controlled activities at Phu Kham with the objective to achieve full implementation across all employees and contractors operating at any PanAust site or activity by the end of 2011.



The Phu Kham Process Operations team were the 'Safety Team of the Year 2010' in the Employee Awards Program.

PanAust Cardinal Rules

1. Never operate any mobile equipment whilst under the influence of alcohol or drugs.
2. Never operate any mobile equipment unless specifically licensed, trained or properly authorised to do so.
3. Never maintain any equipment before first rendering it safe by isolation, unless specifically licensed, trained or properly authorised to do otherwise.
4. Never remove, modify or bypass a personal danger tag or lock unless properly authorised to do so.
5. Never work at heights greater than two metres unless either the work area is fully guarded to prevent falls or appropriate personal fall protection is worn.
6. Never enter a designated confined space unless properly authorised to do so.
7. Never instruct another person to breach a Cardinal Rule.

Phu Bia Mining Supplementary Cardinal Rule*

8. Never handle UXO unless specifically licensed, trained or properly authorised to do so.

*This only applies in Laos due to the presence of UXO.

Contractor Management

The Phu Bia Mining departmental risk registers consistently identified Lao freight, earthworks and road maintenance contractor issues as the foremost exposure to material risk. At the same time, the Company is committed to engaging local contractors in partnerships that will spread economic benefits to the broader community. In doing so, it is recognised that this will also include short- to medium-term exposure to Lao contractor capacity issues that are typical of local contractor activities in a developing country.

Lao contractors make a significant contribution to the construction of Phu Kham's TSF, road maintenance on its access roads, and the transportation of concentrate haulage. The mining operations and access roads are all in remote mountainous locations, and the organisation's commitment to upgrade and improve public road conditions on the concentrate haulage and transport route in 2010 demonstrates a strong commitment to improvement through engineering controls (for information on expenditure, see 'Road

Expenditure' table page 58). In addition, the use of escort vehicles to guide haulage trucks in small convoys of three through the mountainous section of the haul route was implemented in 2010.

Behavioural-based programs have also been established including for-cause and random drug and blanket alcohol testing regimes for concentrate haulage contractors arriving and departing the Phu Kham Operation in addition to programs monitoring driver behaviours and speed. Additional measures are planned to further address behaviours in 2011.

The 2010 Contractor Management Plan focused on 15 Lao partners supplying contract services to the Company and using approximately 200 pieces of heavy equipment and some 1,400 contractor employees. The program included establishing a dedicated contractor management specialist who was employed to implement the Plan including coordination of comprehensive audits against the Company's Contractor Management Standards. Sixteen audits were completed in this area in 2010 across 21 aspects, and are summarised below.

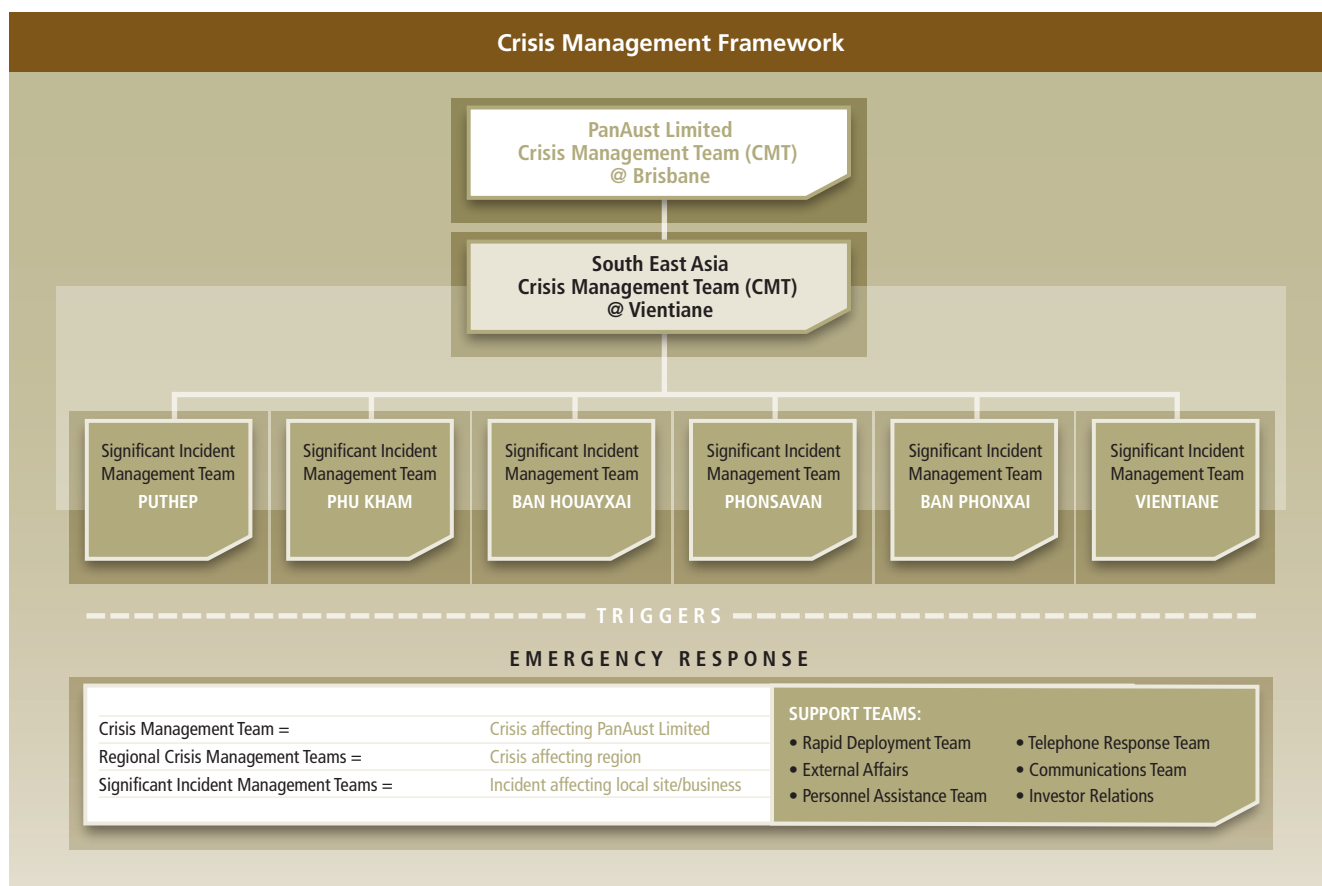
- Induction (general)
- First Aid Facilities and Trained personnel
- Hazardous Substances and MSDS
- Workplace Inspections
- Injury Rehabilitation Management
- Fitness For Work
- JSA System
- Permit To Work System
- Training, Licences and Competencies
- Safe Operating Procedures (SOPs)
- Emergency Management Plan
- Equipment Maintenance Procedures
- Job Safety Observations (JSOs)
- Confined Space Entry
- Personal Protective Equipment
- Pre-Start Inspections
- Working At Heights
- Sustainability Management
- Take 5
- Hot Work
- Subcontractor Management (where applicable)

Crisis Management and Emergency Response

A review and update of the corporate Crisis Management Plan was undertaken during the last quarter of 2009, and again in 2010. Significant Incident Management Team plans were developed for the Lao and Thai work sites as well as the PanAust Corporate Office. The plans were rolled out including the completion of three desktop simulation exercises at Phu Kham, Ban Houayxai and Corporate Office. The plans are based on a leading industry model that provides strong linkages to existing risk registers, incident and emergency management plans. A feature of the Plan is the call-out triggering process that is based on identified risk exposures through the Company's risk management processes. During 2010, the plan was called out once over the shooting incident referred to earlier and proved beneficial for coordinating and managing the incident. Additional training and two simulations will be conducted in 2011.

Crisis Management Framework

All sites have emergency preparedness and response plans in place. The Phu Kham Operation has a full-time dedicated professional Emergency Response Team (ERT). Teams complete training modules equivalent to an Australian Certificate 3 in mines rescue. Certificate 3 from Australian Training Frameworks is an agreed minimum standard for training (Certificate 3 in mines rescue is a module in a Diploma/Degree course in mine management). In addition, teams complete weekly scheduled drills and participate in daily skills exercises. Emergency preparedness and training was undertaken at all the exploration sites where first-aid and fire-fighting training was conducted by Phu Kham-based teams.



HEALTH AND SAFETY continued...

During 2010, additional emergency response equipment consisting of trauma packs, stretcher frames, and neck braces was purchased to support the rescue teams. Significant upgrade of fire-fighting capabilities at Phu Kham was also undertaken and two 45t fire/water trucks and a CAT777 (100t capacity) fire/water truck were commissioned. In addition, automated plant area fire systems were also commissioned.

Sixty-six emergency response training simulations were carried out by site operational teams in 2010.

Training completed by ERT staff at Phu Kham in 2010 included the following.

Course	Hours
First aid	200
Senior first aid	288
CPR	48
Fire fighting	104
Area warden	24

Health and Safety Training

Throughout 2010, a range of safety-related training was carried out at the Phu Kham Operation including inductions, permits to work, radiation, hand safety, hazard identification, lock out/tag out, INX training, confined space, job safety observation (JSO), Take 5, and incident investigation. In total, 6,000 hours of occupational H&S related training was completed in addition to 4,900 hours of inductions.

To support the Company's continued focus on H&S, core safety training was delivered to the Lao workforce to ensure active participation in identifying hazards and undertaking inspections in and around the workplace. A central shared training department was established for Asia during the year to support Lao training and development, including training in aspects of safety that are deployed across PanAust Asia. This structure builds on the strong foundations, learnings and excellent performance of the Phu Kham Operation.

The Occupation Health and Safety Training Plan incorporates a staged rollout of the following programs.

Step 1	Introduction to hazard identification.
Step 2	'Take 5' safety awareness based on the principle of 'Engaging the mind before the hands' to identify and control immediate hazards as employees go about their day-to-day work.
Step 3	Introduction to JSO program and advanced JSO for more senior personnel (formalised targets for workplace inspections to be undertaken by key operational personnel).
Step 4	Job safety analysis.
Step 5	Workplace inspections. Formalised targets for workplace inspections are undertaken by key operational personnel.
Step 6	Risk assessment and control (advanced hazard identification through risk registers).

A summary of programs captured through the INX system in 2010 demonstrates PanAust's progress in implementing these training programs and is provided below.

Program	INX recorded events	% Closed out
Safety tool box meetings	214	N/A
Workplace inspections	2,035	N/A
Hazard Id	448	74%
JSO	2,754	85%

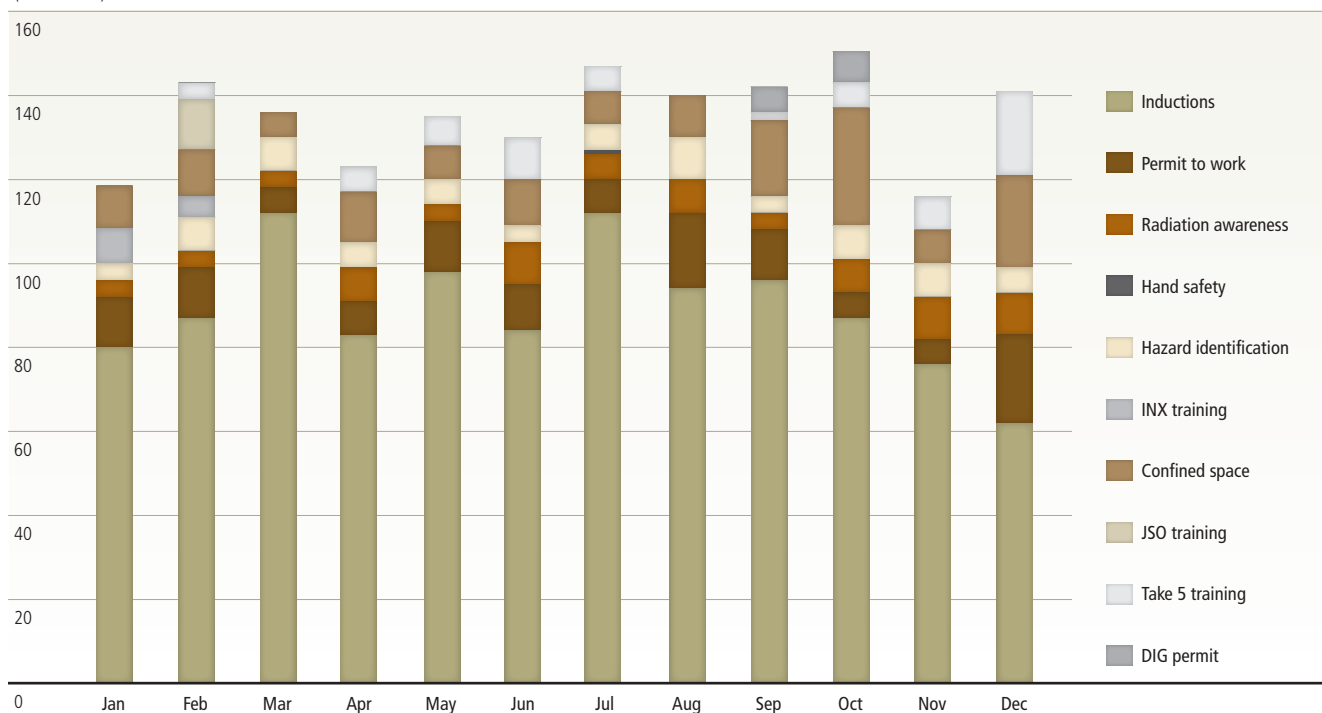
Safety Officer 2010 Performance Against Targets

Company Safety Officers also have agreed performance targets for a range of proactive activities and training. A summary of programs they delivered or participated in during 2010 is provided below.

Program	Number during 2010
JSO	536
Workplace inspections	169
OHS meetings attended	396
OHS audits conducted	145

Training Hours by Month, 2010

(No of Hours)



Community Health and Wellbeing

The Sustainability and Risk Department coordinates a community health and wellbeing program which covers topics overlapping both work, and more general community health issues. In 2010, the Phu Kham medical team presented at 289 employee and contractor toolbox meetings, and delivered a monthly health and wellbeing newsletter to raise awareness on relevant health-themed issues in the workplace.

In addition, 31 health and wellbeing community awareness sessions were delivered to villages adjacent to the mine during 2010. The sessions were well attended by community members and ensured a wider distribution of relevant information and education to benefit all community members.

A summary of some key programs delivered in the community are summarised below.

- A three-day community health education campaign on dengue fever and malaria was held in Nam Mo and Nam Gnong villages. The campaign raised awareness of vectors of transmission, means of prevention and appropriate medical care. Use of bed-nets was promoted and community leaders and village health volunteers were asked to tackle stagnant water issues in villages. The program was followed up by the provision of 200 mosquito bed-nets to families in each village who lacked the means to purchase their own.

- A five-day training program on HIV/AIDS counselling was held in Vientiane for selected PanAust Asia staff and local government health personnel. The training was conducted by a Lao specialist organisation, Lao Youth Action Programme (LYAP), as a follow-up to the successful HIV/AIDS awareness campaign at Phu Kham and in local villages in May 2010.
- Community awareness sessions were held in Nam Mo and Nam Gnong to promote awareness of conjunctivitis, including means of transmission, prevention and cure. The session was well attended by more than 100 people in each village, including community leaders.
- Additional mine-safety community awareness events were conducted during the month in both villages, supported by the distribution of specially commissioned posters, T-shirts and stickers. The overarching aim is to promote understanding that local people, livestock and vehicles must keep out of the mining area for safety reasons.
- To improve road safety and support road safety campaigns, a full set of standard road traffic signs were installed in Nam Gnong and Nam Mo villages.

Company doctors also work alongside Vientiane Province medical staff and Xaysomboune District medical staff to deliver infant and adult vaccinations to the community. Programs during the year included hepatitis A, typhoid, and diarrhoea.

HEALTH AND SAFETY continued...

Unexploded Ordnance

Between 1964 and 1973, approximately five 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 UXO remaining. Unexploded Ordnance continually hinder daily life and pose restrictions on development and the safety of local residents, employees and contractors.

UXO are not prevalent at the Phu Kham Operation. However, in a number of other areas of the contract area UXO clearance is required.

Accredited UXO detection and removal contractors are engaged by the Company to undertake all clearance work in advance of any activity on previously un-cleared ground. Pathfinder teams undertake shallow searches up to 25 centimetres with metal detection equipment and where activities require deeper checks, they search up to five metres.

Each team locates, identifies and where required, destroys any UXO. More than 90 trained Lao-national UXO clearance employees are supported by Level 4 UXO Disposal Technicians – the highest accreditation awarded for these activities. During 2010, more than 1,310,000 square metres of land was cleared, safely disarming more than 500 pieces of UXO.

Between 2001, when the clearance program began, until the end of 2010, more than 2,654,000 square metres of land has been cleared. No material incidents or injury have been recorded over that period. Two non-material incidents were investigated and recorded in INX during 2010.

Mobile Equipment

Developing and enhancing driver skills continued to be a focus for the Phu Kham Operation and other PanAust work sites in Laos. Both employees and contractors operate mobile equipment at the mine sites. Additionally, driving is the main form of transport for staff travelling between Vientiane and Phu Kham. Improvements to road surfaces in 2010 significantly improved safe access to both Phu Kham and Ban Houayxai and included reducing gradients and widening of high-risk sections of road.

Programs to ensure drivers develop risk awareness and good driver behaviour include random breath testing, monitoring of travel times, periodic speed checks and training in behavioural safety.

During 2010, truck driver recruits continued to undergo intensive technical training with the Company's state-of-the-art truck training simulator. The simulator provides a safe work environment for employees to train and practice using equipment that reproduces the features of driving a truck. Some 25,000 hours of mobile equipment operator training was completed during 2010.

In advance of operational start-up at Ban Houayxai, the Company's recruits commenced their mine operator training program.

High-risk machinery training including forklift, skidsteer loader, elevated work platforms, and gantry crane commenced through an Australian Registered Training Organisation. The training requires employees to be assessed as competent and provided with a verification certificate to the Australian Competency Standard.



Phu Kham Copper-Gold Operation 777D Mining Operator, Ms Nui, completing log-book details.

HEALTH AND SAFETY PROFILE



Acknowledging the unsatisfactory safety performance of contractors hauling copper concentrate from the Phu Kham Copper-Gold Operation to the export port of Sriracha approximately 1,000 kilometres away in Thailand, PanAust established the Contractor Safety Management Plan in late 2009. The Plan's objective was to bring the safety capacity of host-country contractors to the same level the Company has achieved with its own workforce.

The focused efforts of the Phu Kham management team to improve the safety performance of concentrate haulage contractors during 2010 resulted in a 57 per cent reduction in incidents compared with 2009. This was despite the year-on-year number of trips almost doubling from 6,306 to 12,535 and an increase in the volume of concentrate transported.

These results can be attributed to a range of strategic, integrated and rigorous safety initiatives developed and implemented throughout 2010.

- Escort driver training with ongoing re-training of numerous drivers.
- A Heavy Vehicle Inspection Manual was developed to increase the standard of vehicle inspections and to allow non-compliant contractor fleet to be phased out.
- To help manage fatigue, an Australian Standard-compliant logbook system was implemented in July along with stringent monitoring and training for all drivers.
- A vehicle braking code was developed along with the introduction of testing equipment. Fortnightly vehicle testing identifies non-compliant vehicles which are removed from service.
- Driver training and assessment documented and carried out to a measured standard. Training modules for light motor vehicles, heavy rigid vehicles and heavy combination vehicles were developed.
- Roadwork projects to reduce all gradients to a maximum of 12 per cent in what is a mountainous environment.

When analysis revealed speed was a contributing factor to most of the 2010 incidents, a 'Zero Tolerance to Speeding' initiative was implemented in early 2011. This included different speed limits for different circumstances, driver training, speed checks along the length of the haulage route and, when necessary, disciplinary action. By the end of March 2011, 3,237 speed checks had been completed and 170 warning letters issued to drivers.

Other 2011 initiatives include the commissioning of a truck simulator to complement training modules and the installation of software in a fleet of new trucks to provide real-time monitoring of driver behaviour.

In addition, alcohol breath testing is carried out on truck drivers every time they enter logistics bases at Longxan and Ban Thouay – this equates to approximately 160 tests per day. Up to a further 20 random tests occur along the haulage route each day and night. In addition, cause testing is undertaken for drugs. Personnel estimate that out of thousands of tests throughout 2010, there was only four that recorded alcohol positive.

Phu Bia Mining's Concentrate Haulage Superintendent, Mr Scott Morgan, said the 2010 safety initiatives have underpinned a dramatic improvement in the safety performance of the Company's contractor driver base.

"We have experienced an outstanding result in challenging operational conditions. Initiatives have been embraced by staff at all levels and very well supported by the concentrate haulage contractors," Mr Morgan said.

"I believe our safety initiatives show what can be achieved when all parties at all levels work together as a team."

Haulage Contractor Incidents

	2009	2010
Number of contractor haulage trips	6,306	12,535
Incidents	24	28
Percentage of total trips	0.31%	0.22%

(Left) The new purpose-built 'brake-testing' facility at the Ban Thouay logistics base.

(Right) Mr Tienchai Chuntasorn and Mr Kornsawan carrying out speed checks along the concentrate haulage route.

RESPECTING OUR PEOPLE

The Company has an integrated suite of human resource policies and support systems to ensure high-calibre people are attracted, rewarded, developed and retained. This strategy, together with a strong focus on training, health, safety and leadership development of the workforce, has ensured all employees are aligned with the Company Vision and Values and are aware of behavioural expectations, resulting in high-performance outcomes across the PanAust Group.

Workforce Composition

PanAust as a whole grew its total workforce in 2010 to 2,266 full-time employees (from 1,677 in 2009 and 1,542 in 2008).

The Company's Lao subsidiary, Phu Bia Mining, grew its workforce from 1,644 in 2009 to 2,219 full-time (permanent and fixed-term) employees in 2010 (35 per cent growth). This represents the creation of an additional 575 jobs across all levels of the organisation, mostly as a result of the construction and development of the Ban Houayxai Gold-Silver Project, expansion of the mining fleet at Phu Kham and the creation of a shared service function for the Asia region. The appointment of an Executive General Manager for PanAust South America is significant as the Company expects to see more people engaged in senior roles to support the development and fulfil the Company strategy in this region throughout 2011.

The Company continues to attract a diverse and multi-cultural workforce, with employees from countries including Australia, Asia, the Pacific Islands, Africa, Europe, and North and South America. Of the total full-time staff in Laos, 1,872 are Lao nationals; 248 are expatriates from countries within the Southeast Asia region; and 99 are expatriates from Australia and other western economies. In addition, the Company has 14 employees located in Thailand, 32 based in the Australian head office and one employee in Chile. At year end 98 per cent of total full-time staff were Laos-based, with the remainder in Australia, Thailand and Chile.

In 2010, 18 per cent of the total PanAust Group workforce was female. A total of 69 women held senior professional and supervisory roles and 48 were represented in traditionally male-dominated operator-type roles. The difference in female representation from 2009 to 2010 can be explained by the increase in employees engaged to work on construction activities for the Phu Kham Upgrade Project and the Ban Houayxai Gold-Silver Project. Construction and trades roles are traditionally male dominated and the ability to engage skilled female employees in this area is limited.

Workforce Statistics Year Ending 31 December

	2008	2009	2010
PanAust Group total full-time employees (permanent and fixed-term)	1,542	1,677	2,266
PBM total full-time employees (permanent and fixed-term)		1,644	2,219
PanAust Group female employees	22%	19%	18%
Lao employees as a percentage of all PBM employees (permanent and fixed-term)	83%	85%	84%
PBM expatriate employees working in Laos (permanent and fixed-term)	14%	15%	16%
Total casual Lao employees	116	86	568

The number of employees working under casual contract arrangements per month can vary significantly depending on Company projects, exploration activities and seasonal factors. The average number per month for 2010 was 568 and solely related to Laos. They were primarily required for project-related construction activities.

As a result of exploration and Project construction activities (Phu Kham Upgrade and Ban Houayxai), there has been a minor increase in the number of expatriate employees from 2008 to 2010. This increase in expatriates was not to the detriment of total Lao employee numbers which has held steady over the same period.

A relatively low voluntary turnover rate across the PanAust Group is indicative of employee commitment to and support of the Company, and relates to the recruitment process matching employees to the right jobs, internal career development opportunities and an engaged workforce.



Mechanical Fitter Trainee, Mr Bounxanh Chongvang,
at the Phu Kham Mobile Maintenance Workshop.

Breakdown of Employee Source by Role Category (Phu Bia Mining)

Role/Profession	Expatriate		Lao		Adjacent villages		Total	
	No.	%	No.	%	No.	%	No.	%
Management (manager/superintendent/senior professional)	111	82%	24	18%	0	0%	135	6%
Supervisory/professional	146	45%	171	52%	10	3%	327	15%
Operator/trade	89	12%	448	60%	207	28%	744	34%
Admin/skilled	1	0%	242	44%	304	56%	547	25%
Junior/unskilled	0	0%	322	91%	31	9%	353	16%
Trainee labourer	0	0%	47	42%	66	58%	113	5%
Total	347	16%	1,254	57%	618	28%	2,219	100%

In 2010, 18 per cent of management roles were held by Lao nationals. Just over half of supervisor/professional roles were held by Lao nationals with all remaining role categories (operator/trades, admin/skilled, junior/unskilled and trainee labourer) containing at least a 90 per cent representation of Lao nationals. This is consistent with the previous year.

Minority Groups

The Company has a diverse workforce indigenous to Laos from ethnic groups including Lao Loum, Hmong and Khmu. These groups comprised a total of 84 per cent of the Company workforce in 2010; consistent with the previous year (85 per cent).

Nam Mo and Nam Gnone are the two villages in the immediate vicinity of the Phu Kham Operation. Company representatives from human resources, security and the community relations group meet with community leaders of each village as well as elected district representatives about employment matters at least once a month. The human resources team monitors employment statistics of locals from each of these villages as new employees are engaged.

PanAust's recruitment policy aims to limit the impact of in-migration to these villages and the surrounding areas where the Company operates. The Company's community relations group monitors trends against information sourced in respect to historical migration. This information enables the identification of long-term residents of local communities (defined as people living in the villages prior to 2005) in applicant lists and prioritises them for positions for which they may be suited.

Local Residents Employed within each Ethnic Group

Location	Hmong	Khmu	Lao Loum
Nam Mo Village	2%	34%	64%
Nam Gnone Village	88%	5%	7%
Longxan Community	50%	7%	43%
Xaysomboune District	45%	28%	27%

* Nam Mo Village is ethnically Khmu and Lao Loum and Nam Gnone is ethnically Hmong, along with Xaysomboune.

At year end 2010, 28 per cent of the total Phu Bia Mining workforce (Phu Kham, exploration, Ban Houayxai, shared services in Vientiane) were originally employed from villages adjacent to the Phu Kham Operation and the local Xaysomboune district. At the Phu Kham Operation 43 per cent of employees are from communities in the immediate vicinity of the mine and Xaysomboune district. There are now employees who are originally from the local and Xaysomboune district working within the shared service function, exploration group and project implementation groups. These people may not have had the opportunity to work outside of their local or district area had the Company not implemented a local employment strategy at Phu Kham.

Phu Bia Mining Lao Workforce by Ethnic Group by Location

Location	Hmong	Khmu	Lao Loum
Nam Mo Village	2%	57%	13%
Nam Gnone Village	41%	6%	1%
Longxan Community	2%	1%	0.5%
Xaysomboune District	25%	25%	3%
Wider Country of Laos	30%	11%	82.5%
Total	100%	100%	100%

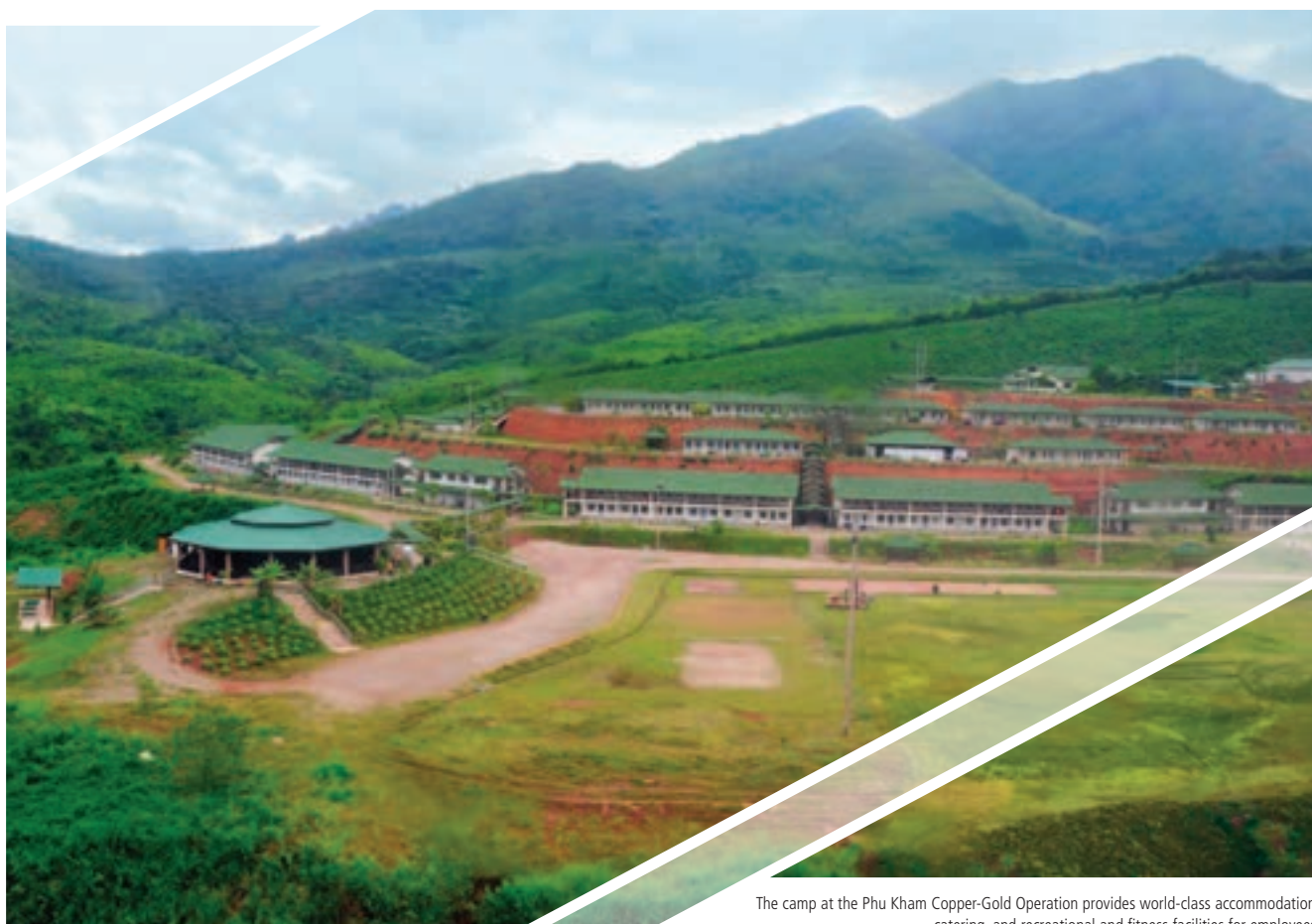
PanAust's Equal Employment Opportunity (EEO) Policy encourages diversity and is a topic that is covered during employee inductions. It is also available on the Company's intranet. A statement on recruitment advertisements in Laos promotes the Company's EEO practice and encourages both women and men to apply for roles.

Employee Relations and Engagement

Employment terms and conditions for Phu Bia Mining employees are regulated by the MEPA along with Lao Labour Law. The MEPA was developed in conjunction with the Lao Government and was registered with appropriate authorities and union bodies. Australian-based and Chilean-based employees are covered by labour and workplace H&S legislation as a minimum.

Harmonious workplace relations in Australia and Laos resulted in no time lost due to labour disputes, strikes or lock-outs during 2010.

All employees are engaged on individual contracts and are entitled to freely associate with whomever they wish. No employees are covered by a collective bargaining agreement. The Company promotes open communication between employees and managers as well as providing timely information to employees about human resources, operational, safety and environmental matters.



The camp at the Phu Kham Copper-Gold Operation provides world-class accommodation, catering, and recreational and fitness facilities for employees.

PanAust's plan to further enhance workplace communication within the Lao operations progressed in 2010 with the implementation of a Workplace Representative Committee. An agreement was drafted by Phu Bia Mining and endorsed by the Lao Trade Union Federation outlining the appointment of workplace representatives by a nomination process, along with the work areas to be represented and criteria nominees must meet. The first meeting of the Workplace Representative Committee will be held in 2011 with the express purpose to address and discuss workplace matters to ensure a continued harmonious relationships among all stakeholders within the employment relationship.

Throughout 2010, there was regular communication to employees on Company performance and future plans. Various communication methods are used including team meetings, tool-box talks, topical presentations, print media (notice-board postings, newsletters and memos), the Company intranet, formal training sessions and one-on-one communication during individual performance reviews. These communication methods provide both formal and less formal settings for employees and managers to engage in discussion about various matters.

To create positive employment relationships, a representative from Phu Bia Mining's human resources, security and community relations teams meet with local authorities each month. This initiative opened up an avenue for two-way communication between the local community and the Company to raise awareness of human resource practices, and/or address any questions or specific topics local authorities may wish to cover. This also enables capture of any emerging issues so that they may be addressed.

PanAust's plans to open another mine at Ban Houayxai, and the strategy to fill positions internally, are outlined as part of a process that includes communication sessions for Phu Kham employees scheduled for early 2011. These sessions provide information about roles available, details about the operation, conditions of employment, and the recruitment process for those already employed by the Company. There will be an opportunity for employees to register their interest or apply for specific positions.

To ensure the Company is positioned for and prepared for further growth, plans are in place for human resource policies to be reviewed in 2011 to identify areas for improvement and follow up with communication of policy changes and/or new standards.

Attraction and Retention

Retention of employees at all levels of the organisation has been as a result of a carefully planned human resources strategy and an integrated approach to human resource practices in: organisational development, remuneration and reward, succession planning, operational and camp conditions, training, recruitment, health and safety, annual individual achievement plans and performance reviews, discipline and fair treatment systems (for appeals), and anti-harassment and EEO policies and processes. This has been further assisted by Company growth and the resulting opportunities for career and professional development for existing employees.

During 2010 in Laos, there were 141 employee transfers at the same job level, as well as 271 promotions to higher level positions. These figures are primarily attributable to the use of existing personnel to fill roles at the Ban Houayxai Gold-Silver Project, as well as an effective internal promotion strategy to fill vacancies at the Phu Kham Copper-Gold Operation. Additionally, a small number of internal transfers were supported between the Australian and Lao entities.

Wherever possible, new positions at the Ban Houayxai Project are being filled by skilled employees from the existing operation, Phu Kham. This strategy provides unprecedented career development opportunities internally and substantial additional local employment opportunities externally. In all cases of new position recruitment or internal transfers, the process outlined in the PanAust Recruitment and Selection Policy is followed.

A relatively low voluntary turnover rate of 9.8 per cent across the PanAust Group is indicative of employee commitment to and support of the Company, and relates to the recruitment process matching employees to the right jobs, internal career development opportunities and an engaged workforce.

Group Rolling Average Voluntary Turnover by Year

Year	%
2007	15%
2008	11%
2009	10%
2010	9.8%

Voluntary turnover in Laos, which was already low by industry commute roster standards in 2009, held steady in 2010 at approximately nine per cent for Lao employees, and for expatriate employees, it decreased from 17 per cent to less than 15 per cent.

This is in contrast to similar commute operations in the Australian metalliferous mining industry where the average voluntary turnover for fly-in-fly-out operations was 24.4 per cent and for drive-in-drive-out operations was 18.8 per cent³.

By gender, the Group voluntary turnover rate as a proportion of the total workforce for male employees was 7.1 per cent and for females was 1.5 per cent. The total turnover rate within the female population at year end 2010 was 8.4 per cent, and within the male population, 8.6 per cent.

Indigenous Employment

The Company's employment approach, established at the Phu Kham Operation and applicable for future projects, is to provide positive employment preference to people from immediate local communities who have either the appropriate aptitude and potential capability and/or skills and experience for a particular role. Additionally, vacancies are internally assessed to determine whether suitable candidates may be sourced within the local community prior to advertising in Laos and then regionally in Asia, or internationally.

The Company's recruitment process secures a strong Lao national candidate pool via the use of Q-Test. Q-Test is a culturally neutral, language-free assessment tool that establishes a candidate pool with a strong cognitive capacity and 'trainability'. In this way, the recruitment process ensures candidates are not excluded on the basis of not having had a formal ('paper and pencil') education or due to language barriers.

Conversely, a tool other than Q-Test is required for positions which require a certain level of education to meet the demands of the role and to perform effectively. For these roles, short-listed candidates undergo a non-discriminatory behavioural-based interview, which asks the same question of each candidate for the same role and looks for behavioural examples of past performance to judge future performance. At least one human resources representative is present at each interview usually with a line representative, who is trained in behavioural interviewing to ascertain alignment of skills and experience to the role requirements and ensure a proper non-discriminatory process is followed. Once reference checks are completed (at least two are required), employment contracts are presented directly to candidates by a human resources representative or the recruiting manager. Candidates who accept employment do so by their own free will.

Prior to commencing employment it is a Company requirement for employees to provide proof of their age. Minimum age for employment is 18 years old. A copy of a birth certificate or a nationally recognised equivalent (for example, in Laos the 'Family Book') needs to be presented prior to commencement of employment. Through this process, the Company aims to minimise the risk of inadvertently employing children, thereby reducing the risk of child labour.

Succession Planning

To ensure organisational sustainability, Succession Planning is co-ordinated by Human Resources twice per annum. This process involves a review of role incumbents from Supervisor-level up to higher positions in the organisation in order to identify and develop talent and high-potential employees as well as provide continuity in all key positions in the organisation. Development plans are agreed between high-potential employees in terms of what is required from a development perspective in order to develop further into another role or a higher role. This process is supported by the leadership development program, equal employment opportunity, internal formal training programs, the external education assistance scheme and temporary assignment policy. PanAust Asia and PanAust Group Succession Planning meetings were held in August/September 2010 and March/April 2011.

Annual Performance Review and Pay Rates

PanAust has established market competitive remuneration with rates of pay for different roles determined by such things as the job requirements, industry benchmarking (internally, nationally and internationally), the level of the position within the organisation structure, the job market, qualifications and experience, and personal behaviours of the employee.

Remuneration may vary subject to the outcome of an employee's annual performance review which is linked to the individual's performance against agreed targets documented in their annual achievement plan. Targets encompass individual, business and sustainability factors, with safety performance affecting the outcome for all employees. Depending on the nature of a role, sustainability performance may also comprise targets relating to environment and community. Training and development opportunities are also agreed and discussed as part of the performance assessment. All eligible employees in the business participated in this process in 2010.

³ Statistics reported in Mackie Employer Solutions, 'Resource Industry Turnover Analysis' survey results, April 2011.

Training and Development

Training and development is of great importance to the Company achieving its Vision, adhering to its Values (one of which is to develop employees and achieve high-performance outcomes) and part of its training, and organisational development and retention strategy.

In 2010, a centralised Training and Development Department was established as part of a shared service function to manage training, development and succession planning strategy and implementation for PanAust in the Asia region. The main focus of this department is to ensure the availability of skilled Lao employees for current and future operations. Thus programs and initiatives – like formal training courses, skills development, leadership development and language training – are targeted both internally at current employees and externally to build capacity in the wider Lao labour market.

Internally formal, structured training is conducted along with competency-based, on-the-job training. Taking a competency-based approach to training allows the Company to use existing training matrices to assess the competency of the incumbent in the role. Each matrix contains the core competencies required of an incumbent to be able to be fully capable to perform their job. The matrix is key to leaders identifying development opportunities, assessing and tracking performance as well as identifying areas in which the business may need to focus training efforts.

The dual formal and on-the-job training approach is intended to increase Lao skill development and further enable progressive localisation of the workforce. For all intents and purposes, it appears to be successful as demonstrated by the increase in Lao employees across all role types from 2009 to 2010 (see table relating to Phu Bia Mining employees by Role/Profession) and the Company's ability to promote internally to fill roles.



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

Phu Bia Mining Employee Training Hours 2010

Courses	Applicable Workforce	2008	2009	2010
Inductions and health, safety and environment	All	5,334	8,629	12,379
Mine, processing and mobile operator skills	Operator, trade, trainee labourer	43,747	14,212	27,302
Trades and engineering skills	Operator/trade	4,800	66,014	64,063
Professional and technical skills	Professional, admin/skilled	n/a	n/a	2,014
Clerical and general work skills	Admin/skilled	8,655	9,141	11,407
Leadership development	Management, supervisory, professional	2,464	4,047	2,556
Total		65,000	102,043	119,721
Number of Phu Bia Mining employees (permanent and contract)		1,508	1,644	2,219
Average training hours per employee per year (permanent and fixed)		43	62	54

* Due to the implementation of a new training database in late 2009, reporting aggregation and groupings of training data have changed resulting in different categories and data presented compared to previous years' reports. Data have been adjusted to represent Phu Bia Mining employees. Note, total training hours per year remain the same.

Training Costs

Training	2008 US\$	2009 US\$	2010 US\$
Trainers (direct salary)	-	\$757,790	\$389,371
General training costs across the site	-	\$309,770	\$283,819
Training contractors (external training programs)	-	\$33,701	\$179,100
Pronto system training	-	\$22,000	\$83,466
Pathumthani Technical College	-	\$50,505	\$128,000
Total	*\$1,295,444	\$1,173,766	\$1,063,756

* A breakdown of 2008 training costs was not possible due to a change in the training database in 2009.

Of the proportion of work hours spent training the Phu Bia Mining workforce in 2010, 33 per cent was dedicated to safety training, 37 per cent to trades and operations training, and 30 per cent to professional and leadership development.

This continual training strategy is supported by expatriate employees who commit to develop the skill base and leadership confidence of Lao national employees within their contract of employment. This is further reinforced by the fixed-term nature of the contracts issued to certain expatriate employees. The contracts are a clear statement of the Company's intent and expatriate employees' agreement to build the skills of the Lao workforce in the areas in which expatriate employees operate, and within a defined timeframe. This is further linked to the individual performance review process involving expatriates to assess actions against agreed outcomes and targets involving development of team members (particularly those of Lao origin).

Workforce Skills Development

The Company's in-house Technical Trades Training Centre was established in 2006 at the Phu Kham Copper-Gold Operation. This is an ongoing partnership with the Pathumthani Technical College in Bangkok.

At any one time, 40 trainees are completing two-year, trade-training programs in one of the following fields: welding and fabrication, automotive mechanical, automotive electrical, electrical fitting (industrial and domestic), heavy mechanical engineering or mechanical fitting. With the pipeline of projects in Laos and lack of available trade skills within the country, there are plans in place to increase intake numbers.

The program ensures technical competency of participants through their completion of theoretical and practical course components in conjunction with supervision by experienced trades trainers and field-work with experienced trades-qualified employees. English literacy development is also part of the curriculum.

In January 2010, 17 students were awarded a Certificate of Trade Studies from Pathumthani as well as a Certificate of Completion and Statement of Attainment from PanAust. This is the first phase of the trades training program and a further 20 trainees are scheduled to undergo final exams through Pathumthani in May 2011.

In the second phase of the program, graduates are offered permanent employment as junior-level trainees/technicians with on-the-job training within Phu Bia Mining's operations. After 10 months of such service, the trainees undergo the third phase of certification through the Lao-German Technical College based in Vientiane.

Upon successful completion of an examination through the Lao-German Technical College, participants receive a Certificate of Trade Studies from the Lao Ministry of Education (that is, a formal Lao-recognised trade qualification). In March 2010, 16 graduates completed this third phase of training and received the Certificate of Trade Studies from the Lao Ministry of Education.

The trades training program received the Best Community Development Initiative Award in the Southeast Asia Category in April 2011 at the Asia Mining Congress in Singapore (see page 58 for more information).

Leadership Development

The leadership development program is essential to continue growing the leadership capability of PanAust's workforce. The program further embeds the Company's positive performance culture, reinforces and aligns leaders to the Vision and Values, and provides tools and techniques for leaders to positively support and influence the workforce.

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

English Language Training

Due to the Company's international focus, employees are provided with the opportunity to enhance their English language skills. Development of English language literacy is encouraged, with basic, intermediate and advanced courses being run frequently throughout the year. English language training courses comprised 14 per cent of the total training conducted for the Phu Bia Mining workforce in 2010.

Employee Award Program

Introduced in 2009, the Employee Award Program aims to recognise excellence in safety, sustainability, production and overall personal contribution to the business as well as foster a culture of continual improvement within the Company. 2010 nominations were open to all PanAust Asia employees and were awarded to outstanding people and teams in early 2011.

2010 Employee Award Winners

Category	Individual/Team Name
Safety Individual	Paisan Wantongkum
Safety Team	Phu Kham Process Operations
Sustainability	Sengaloun Saysomvang
Production	Mobile Maintenance Section
Employee of the Year	Tiengkham Phengmeuangkhoun

In addition to receiving recognition at a ceremony held at Phu Kham, the 2010 award winners received a cash prize and participation in a study tour (taking place at the time of this report's production) which included visits to three leading practice mining operations in Southeast Asia and Australia. The study tour provides the employees with an opportunity to further develop their professional skills, learn new ways of performing work activities, benchmark leading practices and, on their return to Laos, share professional and cultural learnings with colleagues, family and friends. The award program is now embedded within the Company's employee development and performance system to be continued on an annual basis.

2009 Employee Award Winners

Phu Bia Mining's Senior Cleaning Assistant, Ms Vankham Soda, was awarded Best Safety Employee for 2009. Ms Soda and her award-winning colleagues visited three mines during their study tour which occurred in 2010: Xstrata's Ernest Henry copper-gold mine in north-west Queensland, Newcrest's Cadia copper-gold mine in New South Wales and Kingsgate's Chatree gold mine in Northern Thailand.

Ms Soda made the following comments about her trip to Australia.

"I enjoyed the trip to Australia as I had never been there and it was my first time to leave the country. During the trip I saw many things namely the sea and big fish which you cannot find at home.

Phu Bia Mining has many good policies, especially its focus on communities and having employees staying at home. Communities are proud and are undertaking a lot of activities such as growing vegetables and mushrooms to support their families.

I was very pleased to be awarded best safety employee and tour Australia. I had never been outside the country and flown in an airplane. I enjoyed the trip to Australia very much!"



At PanAust's AGM in May 2010: 2009 Employee Award winners with PanAust Chairman, Mr Garry Hounsell. (Left to right) Vongpanya Bounmixai, Soulina Kongsegjith, Khonekham Lovanxia, Garry Hounsell, Sitsavai Pothichak, Oudla Vanhnathai, and (front) Vankham Soda.

Health and Safety Support Systems

The Company consistently seeks to achieve a safe and healthy work environment and provides training, support and monitoring through standards and systems such as safety inductions, anti-harassment commitment, leave entitlements, provision of travel and medical insurance, drug and alcohol monitoring, education in the appropriate use of electronic resources, counselling and disciplinary processes, licensing in equipment, and the Code of Conduct and Cardinal Rules. These systems aim to reinforce Company culture and ensure employees' behaviour is in line with Company values and employees do not inadvertently impact their own or others' health and safety while carrying out their work.

Employees are required to act in accordance with all the above-mentioned H&S support systems, while visitors and contractors are required to behave as a minimum in according with workplace H&S standards. All employees, contractors and visitors are provided a generic safety induction prior to engaging in work or visiting a work site.

The Company is committed to providing a work environment free from discrimination or harassment. All complaints of discrimination or harassment are taken seriously and are acted upon immediately. No cases of discrimination and four incidents of harassment were reported in 2010. Subsequent investigations led to the dismissal of six employees. The appropriate counselling and disciplinary process was adhered to in all cases. Counselling support is offered and available to employees from the doctor at the site clinic, or designated employees trained in peer support. To reinforce the Company policy on anti-discrimination and anti-harassment, general communications to employees occurred throughout the year via verbal information in team meetings, emails and notice-board postings. The Fair Treatment System is a formal process available to those who require an avenue through which to resolve a grievance in instances where an employee believes they have been treated unfairly. The recently formalised Code of Conduct provides over-arching standards for behaviour and another avenue for concerns over breaches of behaviour to be raised.



Graduates from the Phu Kham Technical Trades Training Centre receiving their Certificate of Trade Studies from the Lao Ministry of Education in 2010.

RESPECTING OUR PEOPLE PROFILE



The 2010 Employee of the Year award winner, Tiengkham Phengmeuangkhoun (TK) has worked with the Company since 2000 and has built a reputation as a natural leader, and someone who embodies the spirit of PanAust's Vision and Values through hard work, taking responsibility and exercising excellent judgment. He was nominated by his manager for these reasons.

TK's role is that of Senior Government Advisor with the External Affairs Department, PanAust Asia. In the following profile, TK describes his work life with the Company and sense of appreciation for being awarded Employee of the Year.

My name is Tiengkham Phengmeuangkhoun. I was born 2 Nov 1954, in Ban Perk, Naxaythong District of Vientiane Capital.

In 2000, a former PanAust Manager asked for my guidance and assistance in visiting surveyed areas such as around Ban Houayxai, Phu Kham and KTL. During this time, I also helped the manager meet former district and area leaders. In 2001, I worked as a casual employee for PanAust mainly collecting copper samples. Since 2001, I have been working on community relations, within the External Affairs Department and my responsibilities include working closely with the Lao People's Army resolving any issues of conflict and ensuring the safety of field staff.

At one time, there was a serious misunderstanding between the Government and the Company in relation to a drilling program (whereby the local authorities and Government mistakenly thought the Company was extracting gold and copper from drilling-program material). I coordinated with relevant district leaders and Government representatives to clarify the situation to assure them that drilling was a normal part of exploration.

In 2003, I started with the Heap Leach Gold Operation. It was challenging and difficult because, at the time, the mining industry was new to Laos and people did not understand the benefits that

could follow – they did not cooperate with the Company. It is true that the project had an impact on their productive land and changed their way of life. It also impacted on the traditions and culture of ethnic people living around the project. I always concentrated on working patiently, responsibly and closely with local communities and relevant local authorities. I adopted a participatory approach, using the Company philosophy of being a good neighbour or family member. This philosophy allowed me to concentrate on working to help the local people understand the potential benefits of the project and meet our objectives.

In my role now as Senior Government Advisor, I coordinate with higher levels of Central and Provincial Government.

This Company has given me the opportunity to study and learn from both formal courses and on-the-job training. It has helped me to understand foreign cultures. I have participated in study tours and the Company has looked after me financially.

Personally, I would like to take this opportunity to express my sincere thanks to Phu Bia Mining. The Company's Managers are concerned about their employees' wellbeing and performance. They are also careful to ensure the safety of employees. This reflects the Company's regulations and policies. Again, I would like to say thanks to my colleagues, both Lao and expatriate, for supporting me in the Employee Awards Program. I was surprised to win the Employee of the Year Award, and it is a very significant and meaningful event in my working life. I wish all my colleagues the best.

(Left) 2010 Employee of the Year winner, Tiengkham Phengmeuangkhoun, also known as 'TK'.
(Right): 2010 Production Team of the Year winners, the Mobile Maintenance Team.

CONSEQUENCE TABLE

LEVEL	HEALTH & SAFETY	ENVIRONMENTAL	SOCIAL
1 SLIGHT	First Aid Injury. Minor health impacts.	Slight/temporary impact on environment. Corrected <1 day. Any amount contained within design requirements without additional impact. Or minor <50 litre non-acutely hazardous spill or emission on or off site.	Slight impact on community wellbeing. Written/verbal complaint from community. Immediately rectifiable.
2 LOW	Small number of injuries, Medical Aid Injury. Transfer Duties. Modified Duties. No risk of permanent impacts.	Minor non-compliance resolved within one week. Low impacts on biophysical environment. Easily compensated loss of some non-endangered flora/fauna (including aquatic life). Any amount contained within secondary containment, no additional impacts. Or <500 litres of non-acutely hazardous spill or equivalent emission on site.	Low but ongoing impact on community health/wellbeing. Takes some time to resolve.
3 MEDIUM	Injury resulting in absence from all work duties. (Lost Time Injury) Long-term medical treatment required for an individual. Some hospitalisation.	Non-compliance(s). Requires <2 weeks remediation. Impacts on biophysical environment, managed locally. Loss (>1 hectare or fauna replaceable or compensatable, but at a cost) of non-endangered flora/fauna (including aquatic life). Any amount >500 litres contained within area already impacted by mining. Quickly contained and corrected hazardous spills or emission on or off site.	Impacts that go beyond the local concerns but are recovered quickly and without significant lasting reputational or relationship impacts.
4 HIGH	Single fatality. Multiple extensive injuries/ industrial diseases requiring significant hospitalisation. Permanent severe life-altering impact on one person.	Significant non-compliance (against local or recognised international standards). High local impacts on biophysical environment resolvable but up to \$5m. Loss of endangered/highly regarded flora /fauna (including aquatic life). Significant contaminant outside containment but on mine site. Non-acutely hazardous spill (5,000-15,000 litres) or equivalent emission off site.	National and international concerns. Sustained NGO/ stakeholder activism resulting in reputational damage. Difficult to resolve quickly.
5 EXTREME	Multiple fatalities. Permanent severe life altering disabilities for multiple people. Large number of people requiring long-term hospitalisation.	Severe impacts on biophysical environment. Very difficult to resolve and remediation >\$5m. Significant loss of endangered/highly regarded flora/fauna (including aquatic life). Acutely hazardous spill or equivalent emission on or off site.	Complete breakdown of relationship with key stakeholders. Sustained negative media coverage on a national and/or international level. Cessation or severe restriction of operations. Public outrage.

SECURITY	REGULATORY	PRODUCTION	FINANCIAL
Single minor breakdown of property security controls. Recoverable without further escalation.	Minor technical breaches that are tolerated or ignored by regulatory authorities resulting in no action.	Work stoppage <6 hours from 1 mine department or losses as per →	\$1 to \$20,000
Repeated/multiple minor breakdown of property security controls. Recoverable without further escalation.	Infrequent exceedance of regulatory obligations and/or expectations resulting in a decrease in regulatory authority tolerance and/or an increase in reporting requirements.	From 6 hours to 1 days production loss from 1 mine department or costs/loss as per →	\$20,000 to \$200,000
Significant breakdown of property security controls. Recoverable at cost without further escalation.	Occasional (once per year or less) or moderate failure to meet significant regulatory obligations and/or expectations resulting in a fine or censure.	From 6 hours to 1 days total production loss or costs/loss as per →	\$200,000 to \$1,000,000
Breakdown of property security that is resolvable but only after significant reputational/property damage. Sustained allegations of human rights abuses, difficult to manage.	Repeat or severe failure to meet significant regulatory obligations resulting in large and/or increasing fines and/or a loss of regulatory community trust.	From 1 to 7 days total production loss from one or all departments or costs/loss as per →	\$1,000,000 to \$5,000,000
Complete breakdown of property security beyond the capacity of operating controls to manage. Severe human rights breaches.	Sustained inability to meet significant regulatory obligations resulting in cessation or severe restriction on operations.	Over 7 days total production loss, or costs/loss as per →	Over \$5,000,000

GLOSSARY

Acid Rock Drainage (ARD) occurs when large-scale earth disturbances cause rock surfaces to be exposed to air and rain – a reaction may occur with the elements in the rock that result in a change in the characteristics of the water that drains off.

Acutely Hazardous Substance is a hazardous substance which causes or is capable of causing death, serious illness or serious physical injury to any person or persons as a consequence of its release into the environment.

Artisanal and small-scale mining (ASM) is mining that is carried out at a subsistence level through to small commercial mining activities. The activities can be legal, informal or illegal.

Australian Securities Exchange (ASX) is where the buying and selling of Australian company shares takes place. The S&P/ASX 200 is a market-capitalisation weighted and float-adjusted stock market index of 200 Australian companies (stocks).

Biodiversity (or biological diversity) is the variability among living organisms from all sources, including land-based and aquatic ecosystems of which they are a part.

Corporations Act 2001 (Corporations Act) is a Commonwealth of Australia legislative act that sets out the legal requirements for regulating companies in Australia and includes matters such as company formation and operation.

Corporate Social Responsibility (CSR) is an organisation's intentional inclusion of public sphere interest (belonging to communities, consumers, employees, stakeholders etc) into corporate decision-making, the encouragement of community growth and the eradication of any activities that may harm people or the environment in the short and/or long term.

Crisis refers to a condition of instability or danger, as in safety, environmental, business, social, economic or political that, if left unattended, can significantly affect the Company's reputation and ability to conduct normal business.

Crisis Management Plan (CMP) is designed to enable organisations to react positively and effectively identify, contain and protect against situations that challenge normal business activities. Within that context, a CMP must include preparation, recognition and implementation of a plan of action during a time of crisis.

Cubic metres (m³) is the volume of a cube with edges one metre in length.

C1 costs are cash operation costs including mining, processing, site administration, transport, treatment and refining, net of gold and silver credits.

Emergency is a serious, unexpected and potentially dangerous situation requiring immediate action.

Enduring Value is the Australian Minerals Industry Framework for sustainable development. MCA members commit to upholding fundamental human rights and respecting cultures, customs and values in their dealings with employees and others affected by their activities.

Environmental Management System (EMS) is a tool that provides a structured approach to monitoring and managing an organisation's impacts on the environment.

Global Reporting Initiative (GRI) is a network-based organisation that pioneered the world's most widely used sustainability reporting framework that sets out the principles and indicators which organisations (including PanAust) can use to measure and report their performance in sustainability.

Hectare (ha) 10,000 square metres.

Hydrocarbons refer to an organic compound consisting of hydrogen and carbon. The majority of hydrocarbons found naturally occur in crude oil.

Incident is defined as any occurrence or hazardous situation that has actually resulted in, or had the potential to result in, adverse consequences to people, the environment, the community, PanAust's reputation, or a combination of these. Incident types include safety and near misses, injuries and illnesses, occupational hygiene exceedances, events resulting in environment or community impacts, and/or security breaches.

Incident Cause Analysis Method (ICAM) is a holistic safety investigation analysis method that aims to identify both local and broader factors that may have contributed to a safety incident.

Independent directors are considered to be 'independent' when they are independent of management and free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of their independent judgment.

International Council on Mining and Metals (ICMM) was established in 2001 to serve as a change agent for performance improvement in the mining and metals industry. It brings together mining and metal companies and associations to address core sustainable development challenges faced by the industry.

International Cyanide Management Code (ICMC) is a voluntary industry program for the gold mining sector to promote the responsible management of cyanide used in gold mining, enhance the protection of human health and reduce the potential for environmental impacts.

The International Cyanide Management Institute administers the ICMC for the manufacture, transport, and use of cyanide in the production of gold, and develops and provides information on responsible cyanide management practices and other factors related to cyanide use in the gold mining industry.

International Finance Corporation (IFC) Performance Standards consists of eight auditable standards with wide international acceptance that provides guidance for managing and improving organisations' social and environmental performance through an outcomes-based approach.

International Mining Industry Underwriters (IMIU) is recognised as one of the world's leading mining industry underwriters and is a Lloyd's of London syndicate.

International Organization for Standardization (ISO) is a non-governmental organisation that develops and publishes international standards. ISO is a network of the national standards institutes of 162 countries (one member per country) with a central coordination secretariat in Switzerland.

INX is PanAust's electronic reporting and corrective action event management system and is an abbreviated form of InControl Software.

ISO 31000 is an international standard that provides principles and general guidance on risk management.

ISO 19011 is an international standard that provides guidelines for quality and/or environmental management systems auditing.

ISO 17025 is an international standard that provides general requirements for the competence of testing and calibration of laboratories.

ISO 18001 is the internationally recognised assessment specification for occupational health and safety management systems.

Joule (J) is a unit of energy that is equal to that expended (or required) to move one newton through a distance of one metre or the work required to produce one Watt of power for one second.

Kilogram (kg) 1,000 grams.

Kilolitre (kL) 1,000 litres.

Kilometre (km) 1,000 metres.

KiloWatt (kW) 1,000 Watts and is typically used to express the output power of machines, engines and large tools.

Materiality is information disclosed in this report that reflects the organisation's significant economic, environmental and social impacts that could substantively influence the assessment and decisions of stakeholders. PanAust defines materiality as any event that results in a Level 4 or 5 incident from the Corporate Consequence Table.

Material Safety Data Sheet (MSDS) is a document that contains information on the potential health effects of exposure to chemicals, or other potentially dangerous substances, and on safe working procedures when handling chemical products.

Mineral Exploration and Production Agreement (MEPA) is an agreement between PanAust and the Government of Laos that regulates exploration and mining within a Contract Area of 2,636km² in Laos and is in accordance with the Government of Laos.

Megalitre (ML) 1,000,000 litres.

MegaWatt (MW) 1,000,000 (10⁶) Watts.

Minerals Council of Australia (MCA) represents Australia's mining industry nationally and internationally. Its strategic objective is to advocate public policy and operation practice for a world-class industry that is safe, profitable, innovative, environmentally and socially responsible, attuned to community needs and expectations.

Non Acid-Forming (NAF) waste material from the Phu Kham Operation that has a sulphide content that is not expected to generate acid. NAF <1 per cent sulphur.

Non-Government Organisation (NGO) is an organisation that is created with no participation or representation from any government.

Ounce (oz) refers to the international troy ounce used to express the mass of precious metals such as gold and silver and is equal to exactly 31.1034768 grams.

Potential Acid-Forming (PAF) waste material from the Phu Kham Operation that has a sulphide content that is expected to generate acid. High PAF material >4 per cent sulphur. Low PAF material 1-4 per cent sulphur.

Tailings Storage Facility (TSF) an engineered impound for the storage of waste rock (tailings) remaining after the mining and on-site processing of minerals.

Tonne (t) 1,000 kilograms.

Recycled water is water that has been used at least once and is treated to a level suitable for further safe use.

Rio Declaration, Principle 15 advises that where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

Stakeholder is a person or group that has an investment, share or interest in something. Stakeholders in a company may include shareholders, directors, management, suppliers, governments, employees and the community.

Unexploded Ordnance (UXO) is explosive weapons that did not explode during the time of combat when they were used, and so, to this day, pose a risk of detonation and therefore are a major hazard.

United Nations Voluntary Principles on Security and Human Rights are a set of non-binding principles to balance safety needs while respecting fundamental freedoms and human rights.

Water Resources Environmental Agency (WREA) is a Lao Government department that administers matters relating to Lao water resources.

Waste water discharge is the total volume of effluent discharge to surface water irrigation, treatment by third parties, or to rivers or oceans.

Zero Harm is a philosophy where incidents and injuries are not tolerated regardless of their severity or frequency.

Injury definitions

Fatal Injury (F) an injury that results in death.

Lost Time Injury (LTI) an injury that results in a minimum of one full shift's absence (AS1885.1 – 1990).

Days Away, Restricted or Transferred (DART) is an Occupational Health and Safety Administration (OHSA) definition that refers to injuries that prevent an employee from returning to their normal duties.

Medical Treatment Injury (MTI) an injury requiring medical treatment.

Total Recordable Injury Frequency Rate (TRIFR) the number of lost time injuries, disabling injuries, restricted work injuries and medical treatment injuries per one million hours worked.

Rate definitions (as per MCA)

The performance of the minerals industry is measured as a rate, allowing for the comparison of different sectors or years on a comparable basis.

Incidence Rate (IR) the number of fatalities or injuries per 1,000 employees – calculated by

$$\frac{(\text{number of occupational fatalities or injuries}) \times (1,000)}{(\text{number of employees})}$$

Frequency Rate (FR) the number of occupational fatalities or injuries expressed as a rate per million hours worked – calculated by

$$\frac{(\text{number of occupational fatalities or injuries}) \times (1,000,000)}{(\text{number of hours worked})}$$

Fatal Injury Frequency Rate (FIFR) the number of fatal injuries per one million hours worked.

Lost Time Injury Frequency Rate (LTIFR) the number of lost time injuries per one million hours worked.

Days Away, Restricted or Transferred (DART) Rate includes cases involving days away from work, restricted work activity and transfers to another job.

Duration Rate (DR) the average time lost for every lost time injury – this is a measure of the severity of the injuries occurring and is calculated by

$$\frac{(\text{total number of days lost})}{(\text{number of lost time injuries})}$$

Severity Rate (SR) the average number of days lost per one million hours worked – calculated by

$$\frac{(\text{number of days lost}) \times (1,000,000)}{(\text{number of hours worked})}$$

Number of hours worked the total number of hours worked by employees in the recording unit during the recording period.



Safety Officer, Mr Sith Duangmano, with the
Phu Kham process plant in the background.



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Stock Exchange Listing

Shares of the Company are listed on
the Australian Securities Exchange.
ASX Code: PNA

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To provide feedback or to request further information
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