



OUR SUCCESS IS SHAPING OUR FUTURE

**PANAUST**

SUSTAINABILITY REPORT 2013



# COMPANY PROFILE

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

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

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

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

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

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

## COMPANY STRUCTURE

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

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

### ASIA BUSINESS UNIT

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

#### LAOS

PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining Limited ('Phu Bia Mining'); the Government of Laos owns the remaining 10 per cent.

Phu Bia Mining has a Mineral Exploration and Production Agreement with the Government of Laos which regulates exploration, development and mining activities within the Contract Area, and sets out the tax and royalty obligations.

#### THAILAND

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

### SOUTH AMERICA BUSINESS UNIT

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

#### CHILE

PanAust owns a 60.45 per cent beneficial interest in the Inca de Oro Project through a Chilean incorporated joint venture company, Inca de Oro S.A. Codelco has a 34 per cent interest in Inca de Oro S.A., while an independent private company holds a 5.55 per cent beneficial interest. The Company also has a 100 per cent interest in the nearby Carmen deposit.

### PROJECT DEVELOPMENT BUSINESS UNIT

The Project Development business unit is responsible for the Company's development and operational improvement projects. It comprises teams responsible for technical studies and project implementation to deliver capital-efficient project development and operational improvement initiatives to support and enable the Company's growth.

### STOCK EXCHANGE LISTING

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



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

# MATERIALITY AND SCOPE OF THIS REPORT

PanAust uses the reporting requirements of the Global Reporting Initiative (GRI) G3, and reports to an A+ Application Level. To achieve this rating, the data provided from operational sites and the associated detail provided in the written report, have undergone external verification prior to publication. The third-party GRI A+ 2013 Assurance Statement provided by Beca Consulting can be found on page 66.

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

PanAust uses a materiality determination process to identify issues to be included in the Sustainability Report. The process provides a consistent approach to assessing issues of importance to the Company and its stakeholders.

The process is summarised in the following five steps.

1. Identify PanAust's key stakeholders based on their potential to impact or be impacted by the Company's presence. Identify and understand issues of importance to stakeholders through review of independent external reports, peer and competitor reports, and outcomes from investor, community and government engagements and meetings.
2. Identify and understand issues of significance to PanAust through examination of strategies and policies, external commitments, risk registers, external audit reports, internal reviews and incident reports.
3. Rank each issue on its level of 'importance to stakeholders' and its 'importance to PanAust'. The criteria for ranking is largely based on how PanAust defines issues of significance (level 4 or 5 incidents/potential incidents using the Company's Consequence Table; see page 64 and 65). In addition, issues are considered by commonality among stakeholders, frequency, duration and level of impact, media attention, stakeholder interest, relevance to Company strategies, and impact on business decisions.
4. Complete an internal review/check of rankings. In addition to the internal review process, PanAust's 2013 Sustainability Report has also undergone external assurance prior to publication. A key step in the assurance process is verification of the Company's materiality determination process and whether the report accurately reflects and discloses on material issues. A selection of stakeholder feedback was reviewed, and selected interviews with internal and external stakeholders were conducted by the assurance provider.
5. Issues that are identified as material are included within the scope of 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 that would substantively influence the underlying value of the company, and the assessments and decisions of stakeholders.*

The following figure shows the outcomes of PanAust's materiality process for 2013. Within the broader topic areas of Governance, Social Performance, Environmental Performance, Health and Safety, and Our People, each material issue is addressed in this Report.

The 2013 Sustainability Report focuses on those issues that matter most to PanAust and its stakeholders. PanAust maintains its commitment to the management of other sustainability issues (a detailed index of the GRI indicators and where they are reported – fully, partially, or not reported – for 2013 can be found on PanAust's website, [www.panaust.com.au/reports](http://www.panaust.com.au/reports)).

PanAust has communication mechanisms in place to allow stakeholders to raise specific questions or concerns and to ensure the Company's response contains relevant information that fully addresses each enquiry.

To provide feedback on this Sustainability Report, go to [www.panaust.com.au/reports](http://www.panaust.com.au/reports) and click on the **Sustainability Report FEEDBACK SURVEY** button.

To request further information about PanAust or this Report, email [info@panaust.com.au](mailto:info@panaust.com.au) or telephone +61 7 3117 2000.

## REPORT SCOPE

Most of PanAust's reporting relates to the material aspects of the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation, both of which are located in Laos. While exploration activities and growth projects (the Inca de Oro Copper-Gold Project in Chile and the Phonsavan Copper-Gold Project in Laos) are not operational, work occurs in relation to environmental and social impact assessments, and community development programs. PanAust is establishing systems and structures to enable reporting once commissioning of operations commences. Tables in this document advise where reporting includes data from sites other than the Phu Kham and Ban Houayxai Operations.

This Report is for the 2013 calendar year and is PanAust's eighth Sustainability Report. It follows that produced in 2013 for the 2012 calendar year.

## DATA

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

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

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





# CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

PanAust is part of a world-wide industry that has a critical role to play in improving the standard of living for current and future generations through meeting the demand for copper and precious metals in a responsible manner. As a major company operating in Laos, a least developed country, we have a responsibility to ensure the economic and social benefits of our operations are shared with our key stakeholders in that country including the Government of Laos and our host communities.

We recognise that integrating the principles of sustainability – corporate governance, stakeholder engagement, health and safety, and employee engagement – into our strategic plans and operational activities is essential for our ongoing success as a business that delivers value to our stakeholders.

We aim to sustain the PanAust business over the long term with a corporate strategy focused on growth by discovery, acquisition and development.

## BUSINESS PERFORMANCE<sup>2</sup>

2013 was another busy year for PanAust and one of great progress. The expanded Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation had their first full year of operation, and the Phu Kham Increased Recovery Project was successfully commissioned in the June quarter several months ahead of schedule and below budget.

Both the Phu Kham and Ban Houayxai Operations finished the year on a high with each recording strong production and cost performances. Phu Kham recovered well from the setback in early 2013 which required the mine plan to be adjusted to allow for remediation of an area of instability in the open pit that was identified in late 2012. Progressive records were achieved for total mining rates at Phu Kham. Total ore processed during 2013 was more than 18 million tonnes (well ahead of the plant design capacity of 16 million tonnes per annum). Commissioning of the Increased Recovery Project resulted in a step-change improvement in copper and gold recovery rates for the December half year in comparison to the June half year. A further improvement in copper recovery at Phu Kham is scheduled for 2014 as ore quality improves.

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

PanAust's consolidated 2013 copper production of 64,885 tonnes (t) was at the upper end of the guidance range (62,000t to 65,000t) and gold production in concentrate and doré of 183,769 ounces (oz) was above guidance (160,000oz to 175,000oz). The 2013 performance of Phu Kham and Ban Houayxai is a great credit to each of the on-site operational teams.

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

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

For the 2013 financial year, the PanAust Board of Directors declared dividends to shareholders totalling A\$0.06/share.

## SUSTAINING THE BUSINESS<sup>3</sup>

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

In October 2013, we announced that a revised life-of-mine plan for the Phu Kham Operation which forecast progressive year-on-year increases in annual copper in concentrate production to a peak of approximately 90,000t in 2018/19. Production levels at Phu Kham have the potential to further increase through the processing of high-grade copper-gold ore trucked 100 kilometres from a satellite open-pit at the KTL Copper-Gold Project. In February 2014, we announced the inaugural Ore Reserve for KTL as a sub-set of the Phu Kham Operation.

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

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

<sup>2</sup> A comprehensive review of PanAust's 2013 business performance can be found in the *2013 Annual Review*, available on the Company's website

<sup>3</sup> For PanAust's most up-to-date forward-looking statements, refer to the Company's ASX announcements and quarterly reports, available on the Company's website, [www.panaust.com.au](http://www.panaust.com.au)

Operational Free Cash Flow<sup>4</sup> (before regional exploration and new project evaluation work) is expected to more than double to approximately US\$100 million (at US\$3.25/lb copper) during 2014 following completion of the Increased Recovery Project, a 50 per cent reduction in sustaining capital, and improvements in stores and shared services management in 2013. Currently there is no project development capital approved for the 2014 year.

Our work in Chile is continuing with the extended Inca de Oro feasibility study which is incorporating the nearby Carmen deposit. Securing competitively priced power continues to be a key consideration and we are currently reviewing several proposals including for both renewable and non-renewable sources.

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

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

Until the condition precedent is satisfied, the Agreement provides for work to proceed on a feasibility study for our preferred development concept.



#### MANAGING RISK

In 2013, we reviewed the Group risk register and a risk management framework was embedded into the Company's corporate development work and project development phases of business activities. This framework was a significant component of the Frieda River due diligence process and was integrated into the decision-making process leading to our entering into the sale agreement.

In 2013, the Company again returned largely positive results as assessed against key sustainability indicators (see 'performance 2013/ targets 2014' tables on pages 23 and 24) and there are no material incidents to report (that is, no Level 4 or 5 incidents as outlined in our Consequence Table on pages 64 and 65).

The Company's 2013 Total Recordable Injury Frequency Rate (TRIFR) of 1.72 represented a 20 per cent year-on-year improvement from 2012's rate of 2.15. PanAust's 2013 Lost Time Injury Frequency Rate (LTIFR) was 0.31 (2012: 0.13); despite a slight year-on-year increase, it continues to be lower than industry averages.

Our reportable safety performance throughout 2013 was solid. We are saddened, however, that the lives of four contractors involved in influenced off-site activities were tragically lost in early 2013 (details of the incidents are provided on page 52 of this Report).

Chairman and Managing Director's Review continued overleaf

<sup>4</sup> Net cash flow from operations after: tax; sustaining and development capital expenditure; net lease drawdown and repayments; and, corporate costs. The estimate assumes average gold and silver prices of US\$1,300/oz and US\$22/oz respectively.



**BOTH THE PHU KHAM AND BAN HOUAYXAI OPERATIONS FINISHED THE YEAR ON A HIGH  
WITH EACH RECORDING STRONG PRODUCTION AND COST PERFORMANCES**





## CHAIRMAN AND MANAGING DIRECTOR'S REVIEW *CONTINUED*

The incidents triggered a review of our safety systems and practices for controlled and influenced activities and became an important driver for a high-level overhaul of contractor management and improvements in personnel transport and vehicle safety across the Group. We established the Senior Management Taskforce for Significant Incidents to oversee incident investigations and the implementation of recommendations across the business (the taskforce is chaired by the General Manager Human Resources and Risk Management, and reports to the Managing Director). By year end, significant progress had been made including a review of all local contractor capabilities, terminating contracts for those contractors not committed to PanAust's Values, implementing requirements for risk assessment as part of the contractor prequalification processes, and revising personnel vehicle standards.

The development of local contractors is critical to Laos' development goals and its sustainable future, as well as to our own business success. This is not without challenges and contractor management is an ongoing high-risk area for PanAust; we continue to focus considerable attention and effort on lifting the safety standards of our business partners in Laos.

Erosion control and sediment management are also significant challenges for PanAust's mining operations, project development and exploration activities given the mountainous, and high-rainfall setting of Laos. These challenges were a major focus for the Company in 2013. We believe that erosion control and sediment management needs to be considered through the entire project lifecycle from land clearing through to mine closure. The Company's Acid Rock Drainage and Sediment Management Committee provides oversight of erosion and sedimentation issues during site selection and design, construction and operation of exploration, project and operational mine sites. During 2013, we remediated areas impacted by sedimentation incidents that occurred in the previous year, including the construction of a major sediment control structure downstream of the KTL (formerly Phonsavan) Copper-Gold Project.

### CONTRIBUTING TO OUR COMMUNITIES

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

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

In March 2013, we were very pleased to once again be recognised by our industry peers at the Asia Mining Congress, where we received the Sustainability Leadership Award. The award acknowledged our community development programs in Laos which create and support business opportunities within the villages closest to our operations that has been particularly beneficial to women in the region including those from ethnic minorities.

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

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

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



CHAIRMAN, GARRY HOUNSELL



MANAGING DIRECTOR, GARY STAFFORD

# VISION & VALUES

## VISION

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

PanAust will outperform its competitors through:

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

## VALUES

### ▶ **High-performance outcomes** in all that we do

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

### ▶ **Respect for people**

- Respect through our commitment to our employees' health and safety through our Zero Harm safety objective and treating employees with consistency and fairness.
- Respect for the environment through best practice environmental performance that reflects the expectations of the communities in which we operate and promotes an internal culture of environmental and social awareness.
- Respect in the way we manage our daily business activities for the people and cultures of our host countries.

### ▶ **Integrity** in all of our dealings with employees, communities, government, suppliers and shareholders.

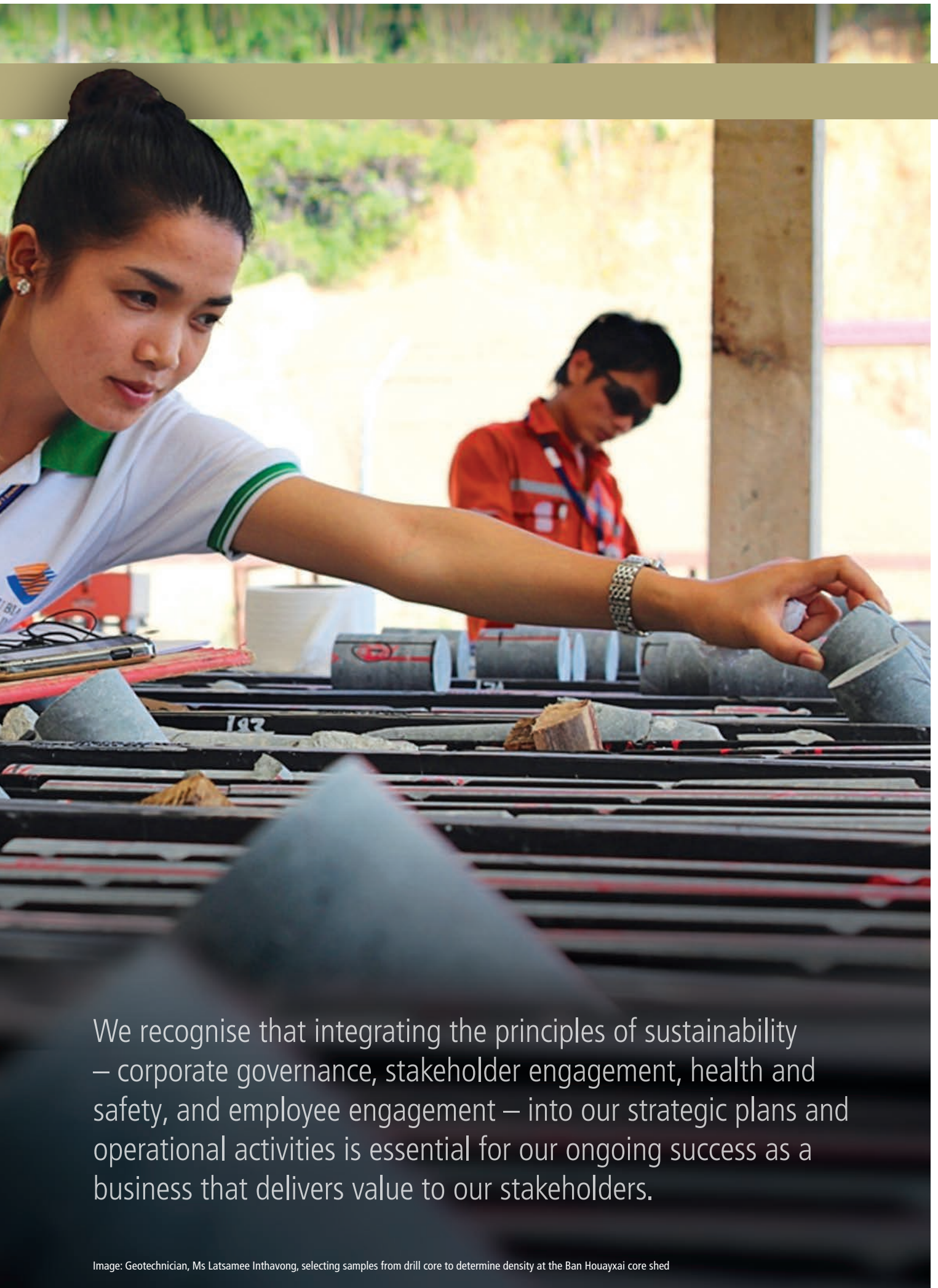
### ▶ **Excellence in communications** with all stakeholders but especially with our employees. We seek fair, honest and transparent dealings with our employees and stakeholders through open, two-way communication.

### ▶ Recruitment of **high-calibre people**, recognising the key to our success will be leaders who earn the authority of their position by gaining the respect of their team. We offer an encouraging and stimulating work environment, providing the necessary individual training and development to enable all employees to operate effectively.

### ▶ **Alignment of employees** to Company objectives through good leadership and systems that drive the right behaviour.







We recognise that integrating the principles of sustainability – corporate governance, stakeholder engagement, health and safety, and employee engagement – into our strategic plans and operational activities is essential for our ongoing success as a business that delivers value to our stakeholders.

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



THE BOARD HAS ADOPTED A SKILLS MATRIX TO IDENTIFY THE DESIRABLE MIX OF SKILLS AND COMPETENCIES TO BE HELD BY MEMBERS OF THE BOARD AS A WHOLE





# GOVERNANCE

## ► SUSTAINABILITY STRUCTURE

PanAust is committed to leading practice corporate governance frameworks. This commitment is founded on a culture driven by the Company's Values and based on integrity, continual improvement, and understanding and implementing international leading practice, rather than a 'tick-a-box' approach.

### THE PANAUST BOARD OF DIRECTORS

The structure and membership of the PanAust Board of Directors complies with the ASX Corporate Governance Council's corporate governance recommendations.

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

Directors must declare any interests that may result in a conflict of interest. Should a conflict-of-interest situation arise at a Board meeting, the relevant director must not vote on the resolution, and is required to be absent during deliberation on the matter in question (unless the Board otherwise consent).

The Board periodically reviews its composition to ensure its members hold an appropriate range of expertise required by the Company's operations. The Nominations Committee has within its Charter the requirement to consider and make recommendations to the Board regarding the necessary and desirable skills and experience of non-executive directors, selection criteria for non-executive directors, and Board succession planning with a view to maintaining an appropriate level of experience, skills and expertise within the Board. Under the Constitution, there are provisions requiring the retirement of one third of the directors at each Annual General Meeting (AGM); retiring directors are eligible to stand for re-election at the meeting, which is an ASX Listing Rule requirement.

The issue of diversity within the PanAust Board has been considered and in 2011, the Board adopted a measurable objective of increasing the number of women serving as non-executive directors from one

to two by 31 December 2014. With the appointment of Annabelle Chaplain in 2012, that objective has been met since that time.

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

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

The Chairman annually reviews the performance of all Directors. The Board has a program of performance evaluation which includes both externally facilitated evaluation and internal self-evaluation. The Company has engaged an external facilitator with particular expertise in the area of board performance assessment to undertake a review of the performance of the PanAust Board in the 2013 reporting year. This follows an internal self-evaluation process that was carried out for the 2011 and 2012 reporting years, and an externally facilitated evaluation undertaken for 2010.

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

There is a procedure in place for directors to seek independent professional advice on Company-related matters in order to discharge their duties effectively at the Company's expense. Written approval by the Chairman is required, but will not be unreasonably withheld.

The PanAust Board of Directors met seven times during 2013: in the months of January, February, May, August, October (twice), and December. The first meeting in the month of October was held in Laos during the Board's site visit.

Profiles of each Director are available in the Company's 2013 Annual Report and on the PanAust website: [www.panaust.com.au/directors](http://www.panaust.com.au/directors).

### PANAUST BOARD OF DIRECTORS AS AT 31 DECEMBER 2013

BOARD MEMBER	POSITION	DATE APPOINTED	COMMITTEE FUNCTION/S	STATUS
Mr Garry Hounsell	Chairman and Non-Executive Director	1 July 2008	Chairman Nominations Committee; member Audit and Remuneration Committees	Independent
Mr Gary Stafford	Managing Director	7 March 1996	Member Nominations Committee	Executive Director
Mrs Nerolie Withnall	Non-Executive Director	21 May 1996	Chairman Audit Committee; member Remuneration and Nominations Committees	Independent
Mr Geoff Handley	Non-Executive Director	29 September 2006	Chairman Remuneration Committee; member Nominations Committee	Independent
Mr Geoff Billard	Non-Executive Director	1 July 2008	Member Sustainability and Audit Committees	Independent
Mr Zezhong Li	Non-Executive Director	18 September 2009	Member Sustainability Committee	Nominee of GRAM*
Mr John Crofts	Non-Executive Director	17 September 2010	Chairman Sustainability Committee	Independent
Mr Ken Pickering	Non-Executive Director	28 October 2011	Member Sustainability and Remuneration Committees	Independent
Ms Annabelle Chaplain	Non-Executive Director	1 July 2012	Member Audit Committee	Independent

\* Under the Placement Agreement between PanAust and Guangdong Rising Assets Management (GRAM) dated 26 May 2009, GRAM has the right to nominate a director to the PanAust Board; however the parties agreed that a majority of the Directors and the Chairman will continue to be independent.

Image: PanAust Board of Directors<sup>^</sup> inspecting the new sediment control structure in the Houay Nakhing valley, downstream of the KTL Copper-Gold Project (front left to right) Chairman, Garry Hounsell and Managing Director, Gary Stafford; (rear left to right) non-executive directors: Ken Pickering, John Crofts, Geoff Handley, Nerolie Withnall, Annabelle Chaplain, and Geoff Billard. The Houay Nakhing structure is classified as a non-operational working area; conformity to PanAust's minimum standards for personal protective equipment is not required.

<sup>^</sup>Non-Executive Director, Zezhong Li does not appear in this photo

## GOVERNANCE *CONTINUED*

### SUSTAINABILITY COMMITTEE

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

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

The Sustainability Committee reports to the Board of Directors following each Committee meeting in relation to the discharge of its responsibilities. During 2013, the Committee met in February, May, August and November.

The Sustainability Committee members are highly experienced and have worked internationally for major mining companies (see their profiles following). Furthermore, Committee members (as well as the Board) receive regular briefings on PanAust's enterprise risk management systems to ensure a consistent approach to sustainability oversight and review. During 2013, the Committee participated in inspections of the Company's key areas with an environmental and social focus during site visits to operations and/or projects in Laos.

As part of its work program, the Sustainability Committee invites representatives from an external stakeholder group to make a presentation in relation to current environmental, social and governance (ESG) issues and/or trends to the Sustainability Committee once each year at a Committee meeting. In 2013, a presentation was made by *Regnan – governance research and engagement*, ESG research specialists who undertake in-depth research and analysis on behalf of institutional investors.

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

### SUSTAINABILITY COMMITTEE MEMBER PROFILES FOR THE YEAR ENDED 31 DECEMBER 2013

**JOHN CROFTS** B.BUS (TRANSPORT, ECONOMICS & ACCOUNTING)

#### Non-Executive Director, Chairman Sustainability Committee

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

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

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

**GEOFF BILLARD** B.ECON, B.COM. (HONS, ECONOMICS) FCPA FAICD

#### Non-Executive Director, Sustainability Committee member

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

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

**KEN PICKERING** B.A. SCIENCE (MINERAL ENGINEERING)

#### Non-Executive Director, Sustainability Committee member

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

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

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

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

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



## ZEZHONG LI M.LAWS, M.PUBLIC ADMINISTRATION INTERNATIONAL DEVELOPMENT

### Non-Executive Director, Sustainability Committee member

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

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

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

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

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

### MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS TO THE BOARD

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

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

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

As an Australian incorporated company, PanAust must comply with the *Corporations Act 2001*. This Act provides a process whereby shareholders constituting at least five per cent of the votes that may be cast on a resolution, or at least 100 shareholders, may require the Company to consider a resolution at a general meeting or to circulate a statement to all shareholders.

The Board has encouraged a culture that welcomes shareholder and employee feedback. Stakeholder/shareholder engagement channels are outlined in the 'Stakeholder table' on pages 28 and 29.

## REMUNERATION STRATEGY

In 2013, PanAust's remuneration for directors and senior executive personnel 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, experienced team of directors and senior executives.

In PanAust's *2013 Annual Report*, details are provided in the Remuneration Report on the overall remuneration strategy (pages 23-42), the framework and practices adopted that determine the nature and amount of remuneration of key personnel, and that such remuneration is linked to quantitative targets to measure sustainability performance at all levels of the organisation to reinforce sustainability as a Value of the Company and a required outcome.

## EXTERNAL STANDARDS, PRINCIPLES AND GUIDELINES

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

PanAust applies the following external standards, systems and principles:

- The International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability for operating projects: [www.ifc.org](http://www.ifc.org).
- The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*: [www.asx.com.au](http://www.asx.com.au).
- The Minerals Council of Australia's (MCA) Enduring Value\* incorporating global industrial sustainability initiatives and providing guidance on the International Council on Mining and Metals' (ICMM) Sustainable Development Framework Principles: [www.minerals.org.au](http://www.minerals.org.au), [www.icmm.com](http://www.icmm.com).
- Alignment with the ICMM's policy on climate change: [www.icmm.com/climatechangepolicy](http://www.icmm.com/climatechangepolicy).
- The International Cyanide Management Code (the Code) is a voluntary industry program administered by the International Cyanide Management Institute (ICMI) for the gold-mining industry that promotes the responsible use of cyanide; PanAust is a signatory to the Code for its Ban Houayxai Gold-Silver Operation in Laos: [www.cyanidecode.org](http://www.cyanidecode.org).
- The GRI sustainability reporting framework and guidelines; PanAust reports the GRI indicators that are material to its business as determined through its risk management approach, materiality determination process and feedback from stakeholders: [www.globalreporting.org](http://www.globalreporting.org).
- In 2013, PanAust became a signatory of the Voluntary Principles on Security and Human Rights, which are a set of principles designed to guide companies in maintaining the safety and security of their operations within a framework that encourages respect for human rights: [www.voluntaryprinciples.org/](http://www.voluntaryprinciples.org/)

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

PANAUST FOSTERS A SUSTAINABILITY CULTURE THAT STRIVES  
FOR CONTINUAL IMPROVEMENT BY REWARDING SUSTAINABILITY ACHIEVEMENTS





## GOVERNANCE CONTINUED

### BUILDING A SUSTAINABILITY CULTURE

PanAust's approach to sustainability has its foundations in the Company's Vision and Values, and in *The PanAust Way* (the Company's code of conduct; see page 17 for more information), and is implemented through leadership and people management, induction and ongoing training and information sessions, strict observance of high-quality corporate governance standards, excellence in financial management, outstanding technical expertise, and supportive processes and systems. The Sustainability Committee regularly reviews the Company's sustainability approach and performance.

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

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

Sustainability forms part of the Executive Management Team's Five-Year Strategic Plan and critical tasks. The General Manager Human Resources and Risk Management facilitates a Risk and Sustainability Workshop each year with key management, and operational and sustainability support staff from across the Group to drive continual improvement and Company-wide alignment to PanAust's approach for the management of material risks and sustainability. The workshops provide the opportunity for sustainability-related activities and progress to be reviewed, challenges to be tabled and discussed, annual targets and objectives to be evaluated and formally set through the development of an annual risk and sustainability plan. The 2013 Risk and Sustainability Workshop was held in October in Vientiane, Laos and was attended by 41 personnel comprising operational management and risk/sustainability professionals.

In addition, Human Resource Workshops, also facilitated annually by the General Manager Human Resources and Risk Management, serve as a key process to strategically embed PanAust's Vision, Values and sustainability into the Company's operating culture.

### TRANSPARENT REPORTING

In PanAust's *2013 Annual Report*, the Company provides a comprehensive corporate governance statement (pages 46-50) detailing its compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*; the Company complies with all of the recommendations. The *2013 Annual Report* (including the financial report and corporate governance statement) was independently audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards.

Through PanAust's MCA membership, the Company supports the Extractive Industries Transparency Initiative (EITI); a global initiative to improve governance in resource-rich countries through the verification and full publication of Company payments and government revenues from oil, gas and mining. PanAust reports payments to governments in its Annual Report and Sustainability Report. At the time of writing this Report, Laos was not a signatory to the EITI.

PanAust's *2013 Annual Report* is available on the Company website, [www.panaust.com.au/reports](http://www.panaust.com.au/reports).

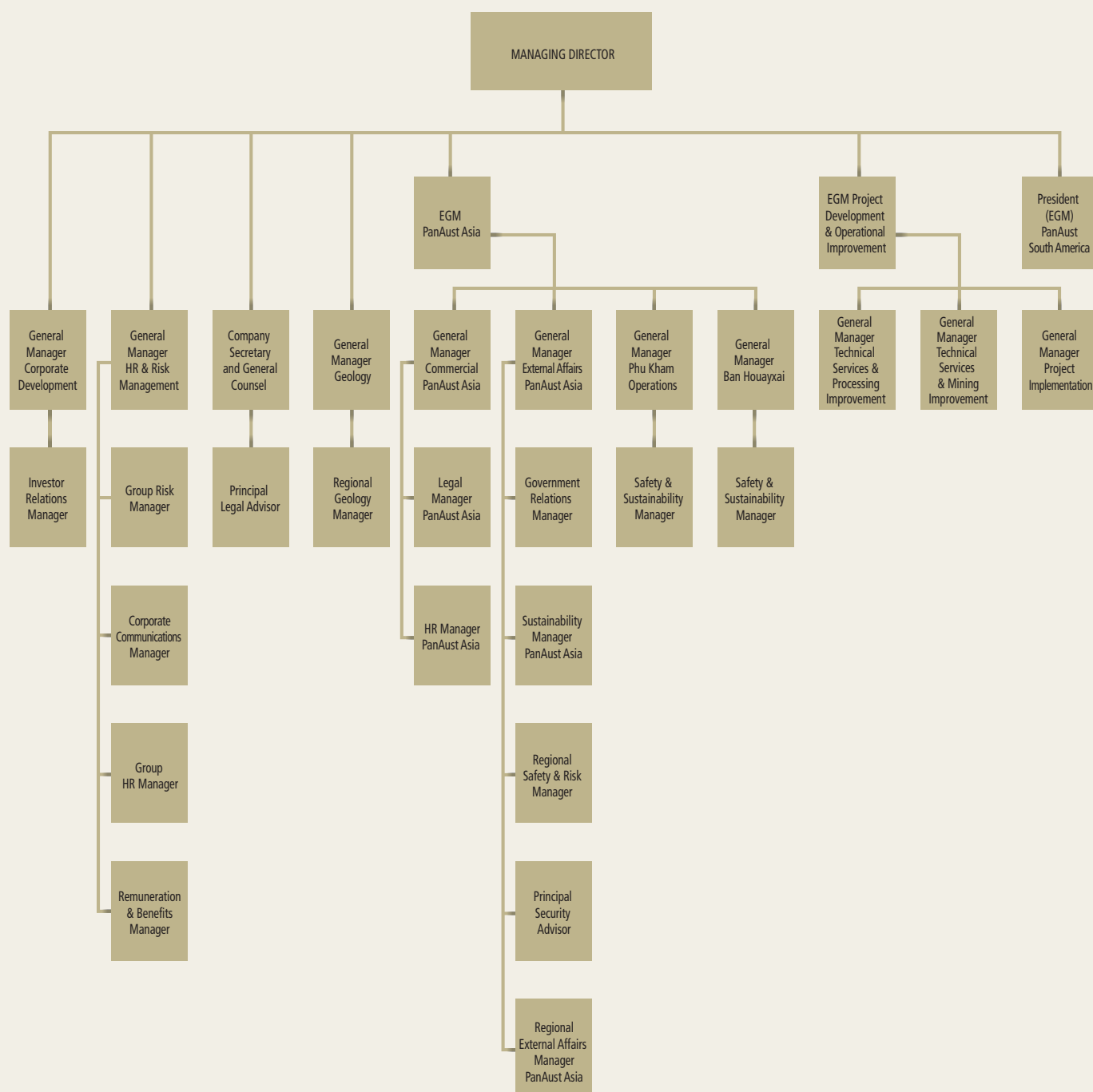
For sustainability reporting, PanAust uses the GRI G3 framework and reports to an A+ Application Level. This *2013 Sustainability Report* has been externally assured against the ISAE3000 and AA1000 Assurance Standard. The assurance process assessed the accuracy, materiality, completeness and responsiveness of selected data and information contained in this Report. The external Assurance Statement can be found on page 66.

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

# PANAUST SUSTAINABILITY ORGANISATIONAL CHART 2013\*

## BOARD SUSTAINABILITY COMMITTEE

REVIEWS AND PROVIDES OVERSIGHT FOR PANAUST'S SUSTAINABILITY APPROACH AND PERFORMANCE



\* Roles are depicted down to departmental manager and principal advisor level (which is equivalent to a manager level role). There are structures under departmental managers that support sustainability activities including a group focused on contractor management that reported to the Regional Safety and Risk Manager, PanAust Asia. The site-based Safety and Sustainability Managers provide functional leadership for the disciplines of environment, community, safety and security.



## GOVERNANCE CONTINUED

### ► BUSINESS CONDUCT

PanAust is a company with a clear Vision and a strong commitment to growth and high-performance outcomes. To ensure Company activities which are carried out in the pursuit of the Vision are done so legally, ethically, and with integrity and respect, the Company has a set of clearly stated and widely communicated Values and support mechanisms.

In 2013, PanAust completed a review of the Company's code of conduct and published a user-friendly handbook entitled *The PanAust Way* (which supersedes the previous version of the Company's Code of Conduct). *The PanAust Way* provides a practical guide to the minimum standards of behaviour expected by the Company for people when they are working with or for PanAust. *The PanAust Way* applies to all employees, directors and business partners (contractors, consultants, suppliers and service providers). It is underpinned by the Company's view that at all times, people working with or for PanAust, do so with integrity and in accordance with the law and exercise good judgement. The document was produced and distributed throughout the organisation in English, Lao and Spanish and is included in new employee induction packs. *The PanAust Way* is available on the Company website, [www.panaust.com.au/corporate-governance](http://www.panaust.com.au/corporate-governance).

### BRIBERY AND CORRUPTION

PanAust clearly states in its Values statement, that the Company will work with integrity and in a respectful manner (see page 8). Recognising that acts of corruption undermine the effectiveness and legitimacy of government institutions to the detriment of the general public and that such acts are illegal, PanAust strictly prohibits employees, directors and its business partners from making bribes or corrupt payments.

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

The Company's policy is **not** to make so-called 'facilitation payments'. Practical guidance is provided in *The PanAust Way* for employees, directors and/or business partners to follow should they be faced with a situation where a facilitation payment is demanded.

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

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

*The PanAust Way* also provides clear guidelines for Company employees, directors and business partners in relation to the giving and receiving of gifts, hospitality and offers of entertainment associated with their employment with PanAust.

During 2013, 969 employees in the Asia business unit were provided Code of Conduct training. Following the launch of *The PanAust Way* in November 2013, 129 employees in the Asia business unit received training as part of its initial roll-out.

Fifty-two employees in the South America business unit received Code of Conduct training in 2013.

In the Brisbane office, five new employees received Code of Conduct training as part of their induction during 2013, and 34 employees received training in *The PanAust Way* when it was launched in November. Throughout 2014, *The PanAust Way* training will continue to be rolled out across the PanAust Group.

PanAust has roles, responsibilities and processes in place to ensure the Company liaises with government agencies in a manner that provides sufficient time and information to allow mutual consideration of the impacts of business activities, and proposed legislative and regulatory changes.

PanAust has internal controls and procedures in place to monitor for misappropriation of funds, theft and other issues in relation to breaches of *The PanAust Way*. In 2013, PanAust adopted an Internal Control Management Charter and related work program in relation to the internal control function, which is designed to systematically review the internal controls and key financial risks of the Company and provide recommendations for improvements/enhancements to those controls.

For 2013, PanAust reports that there were no instances of Company-related bribery and/or corruption reported to the Board or management. There were no fines or legal actions for anti-competitive behaviour, anti-trust or monopoly practices, nor did the Company attract any significant fines or non-monetary sanctions for non-compliance with law and regulation.

A small number of non-material incidents relating to breaches of *The PanAust Way* were investigated and confirmed during 2013, and as per Company policy, resulted in the termination of employment and discontinuance of relationships with suppliers where appropriate. Incidents included theft of company property, and/or workplace behaviours or safety values that were not aligned with the Company's expectations.

PanAust has relevant resources in place to create awareness within the workforce on reporting on activities which are inconsistent with *The PanAust Way*, and to actively monitor and investigate any potential breaches. Criminal history checks are undertaken for all security personnel and other key roles to ensure recruited employees have not been involved in human rights violations, corruption offences, misappropriation of funds, or any other personal history concern that may compromise PanAust and/or their employment.

The Company has a Whistleblower Standard and an externally facilitated Whistleblower Service that was set up in 2012. To facilitate access, special arrangements were put in place to ensure that issues could be raised in PanAust's other two main languages, Lao or Spanish, in addition to English. In 2013, two matters were reported through the Whistleblower Service: one in relation to the reporting of the theft of Company property and the other related to general employment conditions. Both issues were appropriately responded to and closed out. More information and links to the service are provided on the PanAust intranet (for employees) and website for external stakeholders, [www.panaust.com.au/corporate-governance](http://www.panaust.com.au/corporate-governance).

## GOVERNANCE *CONTINUED*

### SPONSORSHIPS AND DONATIONS

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

- Transparency – details of donations must stand up to internal and external scrutiny.
- Independence – a donation must not create any sense of obligation for the recipient.
- Integrity – a donation must enhance the image and uphold the integrity of PanAust.

In Laos, sponsorship and donation priority areas are:

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

Phu Bia Mining's Donations Committee ensures a transparent assessment of donation requests by reviewing all requests in a consistent manner. The Committee makes decisions by consensus based on agreed selection criteria.

During 2013, the Committee comprised: the Chairman Phu Bia Mining, Manager Regional External Affairs PanAust Asia, Manager Sustainability PanAust Asia, Senior Government Affairs Advisor, and Senior Sustainability Advisor. Decisions are reviewed by the General Manager External Affairs PanAust Asia.

Throughout 2013, the sponsorships and donations program in Laos administered US\$235,000 to a wide range of recipients through cash and in-kind donations.

Through a \$60,000 sponsorship in 2013, the PanAust corporate office was the major sponsor of the largest ever exhibition of contemporary Indigenous Australian art at the Gallery of Modern Art (GOMA) in Brisbane, Australia. The Company's sponsorship of the exhibition, entitled *My Country, I Still Call Australia Home: Contemporary Art from Black Australia*, demonstrated PanAust's commitment to respecting people of all cultures and aligned PanAust with an organisation with similar values.

Representatives from the PanAust corporate office (Brisbane, Australia) attended a number of political functions in Australia throughout 2013 at a total aggregate cost of A\$13,250. Relevant approval was obtained through the Company's internal processes. No financial or in-kind donations to political parties, politicians or related institutions were made by PanAust or any of its subsidiary companies in Laos, Thailand or Chile during 2013.

### ► PRODUCT STEWARDSHIP

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

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

The market considers PanAust's copper-gold concentrate 'clean' and product metal specifications are put in place as part of contract terms and conditions with international customers. Penalties are enforced for product that does not meet these agreed specifications and may result in re-negotiation or refusal to receipt a shipment of product. Arsenic is the only potential trace element of concern in the Company's copper-gold concentrate and is therefore carefully monitored. There were no penalties outside of agreed contract specifications applied to any of PanAust's product shipments during 2013. Additionally, PanAust did not receive any customer complaints in 2013.

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

PanAust's copper-gold concentrate and gold doré product is not traded directly with the general public. These products are processed and, by the time they are ready for public consumption, 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](http://www.copper.com.au).



Copper has a long history of recycling and it is estimated that approximately 80 per cent of all copper ever produced is still in use today<sup>5</sup>. Copper contributes to future sustainable growth and development particularly due to its excellent conductivity properties which enables energy efficiency.

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

#### ► RISK MANAGEMENT POLICIES, SYSTEMS AND PROCESSES

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

##### RISK MANAGEMENT

PanAust's Enterprise Risk Management (ERM) Policy outlines the requirement for an effective ERM system to identify and manage all material risks across the Company.

The policy is publicly available through the Company website, <http://www.panaust.com.au/corporate-governance>. In 2013, the Company continued to focus its efforts on integrating risk management into all business processes, projects in development, and due diligence activities.

PanAust's risk management procedures align with:

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

Procedures include clear criteria for materiality and guidance on treatment and reporting measures. The risk management methodology is applied uniformly across all of PanAust's 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, the Audit Committee and the Sustainability Committee have each been delegated particular responsibilities under their respective Charters. The Board, the Audit Committee and the Sustainability Committee receive regular reports from management with respect to the effectiveness of the Company's management of material business risks; including presentations by senior management on each of the PanAust Group's key risks. Once a year, the Board has a meeting with a particular focus on the issue of risk management.

The PanAust Group Executive Management Team 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 to PanAust at the Group level. The Executive Team undertakes a workshop each year to identify key material risks based on the above criteria, to review current controls from a change management perspective and to oversee effective implementation. The last peer review by the Executive Team was undertaken in December 2013.

The PanAust Group Register defines materiality as an event that results in a consequence Level 4 or 5 (or above), evaluated utilising the Company's Extended Consequence Table on the following basis:

- Would the risk be a significant material risk requiring public disclosure?
- Could the risk substantively influence the assessment and decision of stakeholders?
- Could the risk materially change the underlying value of the business?
- Given strong reliance on Phu Kham to fund growth, could a production stoppage potentially cause a US\$5 million to US\$10 million impact on cash flow and EBITDA (equivalent to 10 to 14 days' production)?

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

In 2013, the organisation continued its ERM program implementation and application of risk management strategies. An internal reporting process has been established to track compliance against PanAust's risk management procedures.

The approach strives for:

- Simplicity: avoidance of unnecessarily complicated processes.
- Uniformity: a Group-wide process based on a single uniform set of tools.
- Clear ownership: risk registers for each operating department and for each special project that take account of all supporting risk processes falling within their operational area (for example, audits, studies, technical reviews, plans and inspections).
- Short interval reviews: strictly applied monthly reviews for high-level risks and quarterly reviews of registers.
- Clearly identifying materiality at corporate and operational levels; the level of significance is reflected in Levels 4 and 5 of the Consequence Table on pages 64 and 65).

<sup>5</sup> Source: International Copper Association Australia

PANAUST'S OPERATIONAL PERFORMANCE IS REGULARLY ASSESSED  
AGAINST THE SUSTAINABILITY STANDARDS AND EXTERNAL COMMITMENTS



## GOVERNANCE *CONTINUED*

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

In 2013, operational line managers and staff involved in implementing risk management and mitigation plans reviewed PanAust's operational risk registers to ensure alignment with changes to organisational structure. In addition, focus was directed to further embedding risk management into the corporate development and project development phases. In 2013 the Group risk register was reviewed in a workshop with executives. In addition, a risk management framework was embedded into corporate development work and was a significant component of the Frieda River due diligence process and informed the Company's decision to enter into the sale agreement.

To date, the areas of non-financial risk that have been identified as material or potentially material to PanAust and its stakeholders are summarised on page 3. Each issue is the subject of a mitigation plan and is addressed in this Report.

### PRECAUTIONARY PRINCIPLE

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

Environmental and social impact assessments (ESIAs) are completed prior to the development of operations and are guided by statutory frameworks with work undertaken by international consultants. To date, impact assessments have been completed for the Phu Kham and Ban Houayxai Operations. An Environmental Impact Assessment for the Inca de Oro Copper-Gold Project is being completed for submission, and an impact assessment for the KTL Copper-Gold Project is in progress. Issues identified through the impact assessments are incorporated in the Company's risk registers.

### PANAUST'S SUSTAINABILITY STANDARDS

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

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

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

PanAust's operational performance is regularly assessed against the Sustainability Standards and external commitments. Annual internal benchmarking assessments against the Sustainability Standards are completed for each worksite. The results inform the agenda of the Company's annual Risk and Sustainability Workshop and help identify gaps to be addressed through the development of the Group Risk and Sustainability Annual Plan. In 2013, improvements continued in the areas of leadership and accountability, risk management, environmental management, stakeholder engagement, suppliers and contractors, health and hygiene, and incident reporting and management. Areas prioritised for further focus in 2014 fall within the following standards: Suppliers and Contractors, Risk and Change Management for Development Projects, Monitoring, Audit and Review.

In addition, the Sustainability Standards will be reviewed against best practice and a set of Group-level discipline-specific standards developed for Health and Safety, Environment and Community, in line with the Company's growth and geographical diversification.

### AUDITING AND BENCHMARKING

The Company has established a corporate review and audit program to support its ERM programs. Some reviews are carried out internally while others require external or independent auditors. The main external audits and benchmarking studies that took place in 2013 are outlined in the following section.

### AUDIT AGAINST INTERNATIONAL FINANCE CORPORATION PERFORMANCE STANDARDS

In May 2013, KASA Consulting completed an external audit against the Equator Principles and the IFC Performance Standards on Social and Environmental Sustainability for the Ban Houayxai Gold-Silver Operation and the Phu Kham Copper-Gold Operation (including concentrate logistics and port facility, and the decommissioned Heap Leach Gold Operation). The audit also included verification of progress against non-conformances identified in the 2012 review.



## GOVERNANCE *CONTINUED*

The audit was in accordance with the ISO 19011: 2002 Guidelines for Quality and/or Environmental Systems Auditing and the IFC Performance Standards (where each performance standard is given equal weighting and the findings are not weighted according to risk in terms of materiality from a likelihood and consequence perspective). PanAust's approach is to address 'critical findings', 'areas of concern' and 'opportunities for improvement' in order to comply with IFC requirements. However the issues raised are also prioritised from a materiality perspective in accordance with the Company's risk matrix (likelihood/Consequence Table).

Both sites demonstrated year-on-year progress against the standards, including progress to enable closing out non-conformances in the areas of general hazardous materials management, pesticide management, and food hygiene improvements at Ban Houayxai.

The audit identified nine areas for improvement covering the themes of contractor engagement, concentrate haulage driver training, high-risk work activities and operational safety practices and training systems, molten materials management, domestic wastewater management, and food hygiene at Phu Kham.

Actions have been undertaken to address these findings and the 2014 audit program will assess progress in these areas.

### E3 PLUS PRINCIPLES FOR RESPONSIBLE EXPLORATION

In 2013, PanAust's exploration group commissioned its fourth external audit which measured its performance against relevant e3 Plus Principles for Responsible Exploration developed by the Prospectors and Developers Association of Canada, and relevant IFC Performance Standards. The audits are a voluntary internal initiative to drive consistency in the development and implementation of management systems across the Group. The audit closed out three critical findings from 2012 and identified an additional two critical findings to support the consistent implementation of health, safety, and environmental management systems. The Company will measure progress against implementation in mid-2014.

### INSURANCE AUDIT

The principal audit for operational risk was undertaken by the International Mining Industry Underwriters (IMIUI). Both the Phu Kham and Ban Houayxai Operations received excellent results. In 2013, the Company's exposure continued to be rated in the low-to-moderate range and continues to be considered better than the global average for the mining industry.

### TAILINGS STORAGE FACILITIES AND ACID ROCK DRAINAGE

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

In line with the 2012 TIRP recommendations, scheduled tailings reviews by the Knight Piésold design engineer were revised to six-monthly site inspection for the Ban Houayxai Gold-Silver Operation and quarterly inspections for the Phu Kham Copper-Gold Operation (the tailings storage facility for which is currently under construction), with a more detailed Dam Safety Audit conducted annually. In 2013, the Dam Safety Audits were conducted in conjunction with the panel's site inspection with no critical findings identified.

In 2013, Environmental Geo-chemical International (EGi) undertook an external review of acid rock drainage (ARD) management at the Phu Kham Copper-Gold Operation. No material issues were identified; recommendations have been included in a continual improvement plan. EGi also completed their review of the operational plan for managing ARD at Ban Houayxai.

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

### SOCIO-ECONOMIC AND HEALTH SURVEY

The Company conducts regular socio-economic and health surveys for its operations in Laos to continually improve its understanding of local issues and guide its community development programs. Surveys are scheduled at two-year intervals for new developments and three-year intervals for mature operations. The most recent surveys were undertaken in 2012 (by ESL, formerly known as Earth Systems Lao) and covered 50 villages in proximity to Phu Kham (17 villages), Ban Houayxai (7 villages), and Phonsavan (26 villages). The Company finds the surveys extremely beneficial to inform community engagement processes and in the identification and prioritisation of community development programs. The next surveys will be completed in 2015.

### 18001/14001 AUDITS

PanAust has committed to aligning its safety and environmental management systems with the ISO18001/14001 models. In 2012, the Company undertook gap analyses of the Phu Kham and Ban Houayxai Operations against the relevant aspects of the standards. It has formalised an action plan to address identified non-conformances over the subsequent three years. Progress to date has focused on contractor management, safety standards compliance, management of safety incidents and revising operational safety standards.

### INTERNATIONAL CYANIDE MANAGEMENT CODE

PanAust is a signatory to the ICMI's International Cyanide Management Code, achieving both pre-operational (January 2012) and operational certification (March 2013) for Ban Houayxai. Looking ahead, three-yearly independent audits as per ICMI requirements will be undertaken supplemented with periodic internal compliance audits. The first internal audit was completed by consultants Sustainability Pty Ltd in December 2013. Additional information on the Code and cyanide management is provided in the environmental section of this report, see page 47.

### EMPLOYEE ENGAGEMENT SURVEY

PanAust recognises that the failure to attract and retain a skilled workforce is a key business risk. As such, in 2013 the Company undertook an in-depth survey to generate a baseline understanding of employee engagement and to subsequently determine employee engagement improvement programs. See page 57 for details regarding the survey.

## SUSTAINABILITY AUDIT PLAN PROGRESS 2013

EXTERNAL AUDITS	2013 PERFORMANCE	NEXT AUDIT
Socio-economic surveys	✓ Completed: Ban Houayxai 2012; Phonsavan 2012; Phu Kham 2012/13 With maturing of sites, surveys will be revised to 3 yearly	2015
Phu Kham ARD – half-yearly external audit by EGi	✓ Completed to plan; at Phu Kham the reviews confirmed that the program for managing ARD risk is highly developed and the systems adopted for the prevention and control of ARD are 'best practice' and consistent with methods described in the Global Acid Rock Drainage Guide; no critical recommendations were noted for Ban Houayxai or Phu Kham; given maturing of systems, audits have been revised to annual from 2014	2014
Annual TSF Dam safety audit and interim inspections by Knight Piésold	✓ Completed to plan	2014
Independent Tailings and Geotechnical Review Panel	✓ Completed to plan; no critical findings made by external panel members	2014
IMIU external insurance audit	✓ Completed to plan; Phu Kham and Ban Houayxai risk exposure and reduction score remains better than world average insurance risk, with a risk profile similar to previous years	2014
ICMC Operational Certification Audit	✓ In March 2013, ICMI announced Ban Houayxai had been certified in full compliance with the International Cyanide Management Code; internal compliance audits are scheduled annually, with the next certification audit due in 2016	2016
Independent Closure review	✓ Completed to plan; a Phu Bia Mining Standard for closure, and closure provisioning was developed; Sustainable Solutions Global provided a gap analysis against Phu Bia Mining's conceptual closure plans and developed an action plan toward progressing detailed closure studies	2015
Gold Security Standard	✓ External audit completed to plan in 2012, internal compliance reviews completed in 2013, with next external audit scheduled in 2015	2015
Independent Regional Security Review	✓ Not due in 2013; The Banks Group completed the previous audit in 2012 confirming the risk profile of the regional security environment has not changed, and that appropriate security measures including improvements to remote security procedures are appropriate	2014
INTERNAL REVIEWS	2013 PERFORMANCE	NEXT AUDIT
Sustainability Standards internal benchmarking – Phu Kham and Ban Houayxai Operations, LCT and KTL Projects	✓ Completed to plan; all sites demonstrated progress against implementation of the standards; systems have been developed for all aspects of the standards and the focus now moves to consistent implementation	2014
Contractor Safety Management compliance reviews	✓ Review of all controlled and influenced contractors including an update of risk assessments and contractor safety management plans for local contractors; Contractor safety reviews embedded into contract renewals and changes of scope for all local contracts	2014
Phu Bia Mining Safety Management Plan	✓ In 2013, the following aspects of the plan were prioritised as a response to identified gaps: incident investigation, contractor management, mobile equipment and personnel transport, fitness for work including random drug testing baseline	2014

## AUDIT PERFORMANCE 2013 AND 2014 TARGETS

	2013 TARGET	2013 PERFORMANCE	2014 TARGET
IFC audit Phu Kham	>80% average audit result	✓ 80%	>80%
IFC audit Ban Houayxai	75% average audit result	✓ 75%	78%
e3 audit exploration	Close-out of the agreed critical non-conformances identified in 2012	✓ Three items closed out	Close out agreed critical non-conformances from 2013 audit
Internal review of Project Implementation Safety Management Systems	Develop a standard Project Safety Management Plan and standardise systems use with PanAust Systems	✓ Progress made on aligning Project Implementation's risk management and safety standards	Internal audit against the Project Safety Management Plan and implementation of PanAust Sustainability Standards
H&S OHSAS 18001/14001 PanAust Asia	Progress against close-out of critical findings	✓ Gap analysis completed in January 2012; action plan to close-out findings developed and being progressed	Maintain target



## GOVERNANCE *CONTINUED*

### 2013 PERFORMANCE AND 2014 TARGETS

PANAUST 2013 TARGETS (INCLUDES OVERARCHING PANAUST TARGETS, AND REGIONAL AND OPERATIONAL TARGETS)	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2013, REVISED TARGET 2014	TARGET DATE
PANAUST				
Zero Levels 4 (high) and 5 (extreme) incidents	Achieved	Improvement	Target continued	30/12/2014

REDUCTION OR IMPROVEMENT TARGETS	RESULT	TREND	COMMENTARY, REVISED TARGET	TARGET DATE
PANAUST				
1.91 TRIFR®	Achieved	Improvement	Achieved: 1.72 TRIFR Target: <1.67 TRIFR	30/12/2014
Target <3 (medium) environmental incidents	Achieved	Improvement	Achieved: zero level 3 environmental incidents Target: maintain	30/12/2014

PANAUST ASIA BUSINESS UNIT				
Achieve 80% for all close-out of INX <sup>®</sup> registered incidents	77%	Improvement	Achieved 77% compared to 65% in the previous year Target continued	30/12/2014
Achieve 90% implementation of Lao Contractor Management Plan	85%	Improvement	Contractor Management Standard developed and plan updated, with a focused effort on implementing additional requirements Target: 90% implementation of Contractor Management Standard	30/12/2014

STRATEGIC PRIORITIES AND CONTINUAL IMPROVEMENT OBJECTIVES	RESULT	TREND	COMMENTARY, REVISED TARGET	TARGET YEAR
PANAUST				
<i>The PanAust Way</i> training			New: roll out across the Group	2014
Implement Cardinal Rules (see page 54) across PanAust sites and controlled and influenced contractors	Achieved	Improvement	Cardinal Rules posters and training package rolled out across controlled and influenced sites, with greater workforce awareness of rules and a reduction in breaches Target: continue with a focus on achieving an overall reduction in Cardinal Rules breaches	2014
ICAMs <sup>+</sup> conducted in accordance with the Group standard for Incident Investigation	Achieved	Improvement	Achieved Maintain Target	2014
Crisis Management Plan: complete site-level scenario training and a Group co-ordinated simulation	Achieved	Improvement	Achieved Maintain target for 2014	2014
Mature the risk management system and training to support the internal audit program	Not achieved	Improvement	Risk management framework embedded into all phases of minor and major capital projects, and corporate merger and acquisition processes Target: develop a deep-dive review program for high-risk critical tasks and roll out across the Group	2014
Understanding energy and greenhouse gas emissions across the Group, with a formalised energy improvement plan	Not achieved	Improvement	A number of potential programs identified, related to improvements in product haulage (fuel management); second report to CDP <sup>1</sup> completed; carbon baseline expanded to include Ban Houayxai, exploration and regional offices Target: develop an energy improvement plan	2015
Address high-potential safety and environmental hotspots across the PanAust Group (vehicles, drug-use baseline, sediment management)	Achieved	Improvement	Achieved: 45% reduction in moderate potential vehicle incidents in 2013; 50% of workforce underwent a random drug testing baseline; erosion and sediment standard developed Target continued: hotspot focus on reduction in vehicle incidents, implementation of significant incident taskforce actions, consistent implementation of erosion and sediment standard, and review of visible leadership program	2014
Internal review of Sustainability Standards			New	2014
Employee engagement survey			New	2016
PanAust Sustainability Report to G4 requirements			New	2015

STRATEGIC PRIORITIES AND CONTINUAL IMPROVEMENT OBJECTIVES	RESULT	TREND	COMMENTARY, REVISED TARGET	TARGET YEAR
ASIA BUSINESS UNIT				
Complete road sealing in all villages on the Phu Kham to Ban Thouay access road by end of 2013	Not due	Improvement	The road between Phu Kham and Longxan was sealed in full; villages on the road between Longxan and Thabok have been sealed	Closed
Year-on-year improvement in closing gaps against critical non-conformance items to 18001/14001 baseline	Not due	Improvement	Baseline completed and approximately 20% improvement, however progress to plan has been slower than planned; target continued	2016
Receive GoL agreement (annually) for CDF <sup>‡</sup> expenditure plan, with 80% of funds committed and spent by year-end	Achieved	Improvement	49 out of agreed 52 CDF projects and 22 of 23 regional CDF projects completed; target continued	2014
Improve Lao-nationals' development to enable promotion into roles previously filled by expatriates	Not due	Improvement	A total of 42 Lao employees completed the Leadership Development Program in 2013; 18 Lao-national employees participated in the Mentoring Program; 14 employees completed the graduate program in 2013 and all offered fulltime positions within Phu Bia Mining; Phu Bia Mining's revised localisation strategy was implemented in 2013 with the focus on: localisation plans being established for all expatriate roles, Lao employees identified to fill these roles and development plans to enable this undertaken; development plans will align with existing training programs already in place, continued on-the-job training along with other internal programs – such as mentoring – to facilitate this development	2014
Improve technical training programs for future growth projects in the region	Not due	Improvement	Revise Trades Training/Apprenticeship Program commenced with 37 apprentices completing the pre-program in 2013 and graduating to the first-year full program in 2014; curriculum design has been completed with the aim to expand the number of participants in the program in 2014; competency testing of existing Lao Trades people took place in 2013 with the aim to better understand areas of development required and implement a more specific and targeted training program in 2014	2014
Complete annual compliance audits to the Cyanide Code; Recertification Audit 2016	Achieved	Improvement	Internal compliance audit completed to plan, with operating standards maintained	2016
ESIA <sup>~</sup> for KTL Project developed and ready for submission to GoL	Achieved	Improvement	Developed, submit in 2014	2014
Updated ESSMP <sup>×</sup> for Phu Kham submitted to GoL	Achieved	Improvement	Completed	Closed
Implement the Asian Development Bank Water and Sanitation project			New	2021
SOUTH AMERICA BUSINESS UNIT				
Environmental Impact Assessment for Inca de Oro submitted for approval	Achieved	Improvement	Developed revised Environmental Impact Assessment to align with change in Project scope	2014

@ Total Recordable Injury Frequency Rate (TRIFR), ^ PanAust's electronic reporting and corrective action event management system, InControl Software (INX), + Incident Causal Analysis Method, † Carbon Disclosure Project, ‡ Government of Laos, # Community Development Fund, ~ Environmental and Social Impact Assessment, × Environmental and Social Monitoring and Management Plan



PANAUST'S COMMUNITY DEVELOPMENT AIM IS TO BUILD LONG-TERM CAPACITY IN COMMUNITIES AND EMPOWER PEOPLE TO DETERMINE THEIR OWN DEVELOPMENT PRIORITIES



# SOCIAL PERFORMANCE

PanAust is committed to improving the standard of living of current and future generations of people in its host countries. The Company does this by meeting the global demand for resources in a socially responsible way; supporting traditional rights and values, and respecting cultural heritage. The Company recognises that its mining operations can have both positive and negative impacts on communities. PanAust aims to ensure that its presence has an overall positive affect on communities.

PanAust actively engages and maintains open and transparent dialogue with the governments and communities close to its operations and projects. Meaningful engagement is one way the Company can appreciate and understand the issues faced by those directly and indirectly affected by its operations. PanAust conducts periodic socio-economic and health household surveys in local communities to better understand issues and community living standards<sup>6</sup>.

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

PanAust's community development aim is to build long-term capacity in communities and empower people to determine their own development priorities. The Company's community development priorities and focus areas are identified – and plans subsequently developed – in consultation with all levels of government authorities and community representatives, backed up by the information drawn from socio-economic and health surveys. This approach ensures benefits are distributed appropriately and development programs are aligned with government and/or any aid agencies also working in the region.

PanAust has mechanisms built into its business practices to monitor and evaluate its engagement and development activities to enable continual improvement. Community concerns, whether they are individual or group, can be discussed directly with community relations staff or lodged through a 'grievance and request' mechanism. Grievances and community requests are recorded and processed through PanAust's electronic reporting and corrective action event management system, InControl Software (INX); allowing for trends to be identified and addressed. Where activities unavoidably impact livelihoods, compensation and mitigation schemes are put in place.

At PanAust's operations, a process of regular formal and informal community engagement is managed by teams responsible for community activities, including formal monthly meetings with community leaders to report on issues and receive feedback. In addition, formal meetings are regularly held with district, provincial and central government authorities. Each year, the Company publicly reports on its performance via an Annual Report, Annual Review and Sustainability Report. In Laos, an abridged, translated version of two of the corporate publications is produced – entitled the *Phu Bia Mining Annual Review and Sustainability Report* – which is focused more specifically on activities in that region and provided to key stakeholders.

## SOCIAL PERFORMANCE: MATERIAL ISSUES 2013

The PanAust materiality process identified the main focus areas of social performance in 2013 as:

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

Details pertaining to each of these topics follow.

### ▶ **STAKEHOLDER ENGAGEMENT**

PanAust recognises that its long-term success depends on its ability to build mutually beneficial relationships and work collaboratively and transparently with its key stakeholders. In this way, the Company can take the views and concerns of stakeholders into account in its decision-making.

Using risk management processes, PanAust has identified its stakeholders based on their potential to be impacted by or to have an impact on the Company. Stakeholders are classified as 'primary or secondary'. Primary stakeholders are classified as those most relevant or directly impacted, in terms of member numbers and/or level of involvement. As the Government of Laos is PanAust's principal stakeholder in Laos, the Company places a high priority on its engagement.

<sup>6</sup> Baseline socio-economic surveys were conducted at Phu Kham (2005), Ban Houayxai (2010) and Phonsavan (2012).

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



## SOCIAL PERFORMANCE CONTINUED

STAKEHOLDER GROUP	INTERESTS AND/OR CONCERNS	COMPANY ENGAGEMENT MECHANISM/RESPONSE
PRIMARY STAKEHOLDERS		
Shareholders and investment community	<ul style="list-style-type: none"> <li>- Operating, financial, and environmental, social and governance (ESG) performance</li> <li>- Corporate governance</li> <li>- Company strategy and its implementation</li> <li>- Funding strategy for future growth initiatives</li> <li>- Risk management</li> <li>- Executive remuneration</li> </ul>	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Investor meetings</li> <li>- Presentations at investor and/or ESG conferences and forums</li> <li>- Market announcements</li> <li>- Sustainability investor roadshow</li> <li>- Participation in surveys</li> <li>- Investor feedback surveys</li> <li>- PanAust website and publications</li> </ul> <p>Investor feedback is then used to determine the effectiveness of and refine future communication; responses to incoming queries are tailored to the specific query and are provided as soon as practicable</p>
Government in areas of operations across various levels (central, provincial and district) and among country officials (legislators, embassy/ government officials and agencies)	<ul style="list-style-type: none"> <li>- Regulatory compliance and standards</li> <li>- Permitting and impact assessments</li> <li>- Environmental performance</li> <li>- Community engagement</li> <li>- Use of external consultants</li> <li>- Future investment</li> <li>- Socio-economic benefits and Company contribution toward poverty eradication</li> </ul>	<ul style="list-style-type: none"> <li>- Regular meetings and reporting</li> <li>- Workshops and site visits</li> <li>- PanAust website and publications</li> </ul> <p>Benchmarking is also carried out against the Mineral Exploration and Production Agreement to ensure compliance</p> <p>Concerns raised through government engagement are addressed through tailored responses (including where necessary action plans or site visits)</p>
Local communities near PanAust's operations and projects	<ul style="list-style-type: none"> <li>- Access to employment</li> <li>- Business development</li> <li>- Land access</li> <li>- Donations</li> <li>- Environmental performance</li> <li>- Partnerships</li> <li>- Training and education</li> <li>- Benefit sharing with the local community</li> </ul>	<ul style="list-style-type: none"> <li>- Routine (scheduled, minuted) meetings</li> <li>- Frequent informal interaction with community leaders and members of the public</li> <li>- Participation in surveys</li> <li>- Workshops for CDF planning</li> <li>- Site tours</li> <li>- Participation in key community cultural events and festivals</li> </ul> <p>PanAust enters all concerns from the community into the INX database so that they are formally tracked, managed and only closed out when resolved</p>
The Board of Directors and Executive Management Team	<ul style="list-style-type: none"> <li>- Growth</li> <li>- Governance</li> <li>- Risk and sustainability management</li> <li>- Balanced business performance</li> <li>- Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>- Monthly Reports</li> <li>- Quarterly (at least) Board Meetings and Papers</li> <li>- Presentations by senior management</li> <li>- Interaction with employees and other stakeholders</li> <li>- Presentations by industry experts</li> <li>- Site visits</li> </ul> <p>Feedback from Board and Board Committee (including the Sustainability Committee) meetings is communicated to the relevant PanAust manager(s) to address within their area of the business; progress is tracked in subsequent Board papers and meetings</p>

STAKEHOLDER GROUP	INTERESTS AND/OR CONCERNS	COMPANY ENGAGEMENT MECHANISM/RESPONSE
PRIMARY STAKEHOLDERS CONTINUED		
Employees	<ul style="list-style-type: none"> <li>- Health and safety of employees</li> <li>- Environmental management programs</li> <li>- Employment terms and conditions (including remuneration)</li> <li>- Degree of engagement</li> <li>- Development and training</li> </ul>	<ul style="list-style-type: none"> <li>- Group/team meetings (daily, weekly and/or monthly)</li> <li>- Workplace Representatives Committee</li> <li>- Employee briefings and tool-box-talks and posters onsite</li> <li>- Group-wide employee newsletter</li> <li>- Employee engagement survey</li> <li>- PanAust website and intranet</li> <li>- HR programs targeting competency development, leadership development, mentoring, training, Lao localisation, trades training/apprenticeship</li> <li>- Employee Awards Program to promote best practice and continual improvement</li> <li>- A Fair Treatment process is available for employees to raise employment related concerns not addressed in other forums</li> <li>- Results of the employee engagement survey provided to employees and action plans have been developed to address key issues identified in the survey</li> <li>- External benchmarking of remuneration is undertaken to ensure fair and competitive pay and conditions</li> </ul>
Groups that share a business relationship with the Company including contractors, sub-contractors, suppliers and customers	<ul style="list-style-type: none"> <li>- Supply and contract agreements and conditions</li> <li>- Safety and sustainability-related expectations</li> <li>- Reliable payments</li> <li>- Business opportunities</li> <li>- Product and pricing information</li> </ul>	<ul style="list-style-type: none"> <li>- Regular meetings and briefings</li> <li>- Contracts, including performance feedback processes</li> <li>- Annual General Meeting</li> <li>- Site visits</li> <li>- PanAust website and publications</li> <li>- Concerns raised are addressed through tailored responses (including where necessary action plans or site visits)</li> </ul>
SECONDARY STAKEHOLDERS		
Media	<ul style="list-style-type: none"> <li>- Financial</li> <li>- Governance</li> <li>- Socio-economic</li> <li>- Environmental and operational performance</li> <li>- Industry perspective and commentary</li> </ul>	<ul style="list-style-type: none"> <li>- Interviews and other briefings</li> <li>- Market announcements</li> <li>- Media releases</li> <li>- PanAust website</li> <li>- Hosted site visits</li> <li>- Media monitoring service</li> <li>- Tailored responses to specific queries; pro-active response when errors in factual reporting are identified from media monitoring</li> </ul>
Non-government organisations, community advocates; lobby, activist, and environment groups	<ul style="list-style-type: none"> <li>- Socio-economic contributions</li> <li>- Environmental performance</li> <li>- Governance</li> <li>- Risk management</li> </ul>	<ul style="list-style-type: none"> <li>- PanAust website and publications</li> <li>- Sustainability investor roadshows</li> <li>- Attendance and/or presentations at non-government organisation conferences</li> <li>- Ad-hoc direct communication</li> <li>- Tailored responses to specific queries; participation at related events, conferences and other forums; feedback surveys</li> </ul>
Industry organisations	<ul style="list-style-type: none"> <li>- Leading practice</li> <li>- Industry alignment</li> </ul>	<ul style="list-style-type: none"> <li>- PanAust website and publications</li> <li>- Industry and broker-hosted conferences and market surveys</li> <li>- Hosted site visits</li> <li>- Membership of the Australia-New Zealand Business Association in Laos</li> <li>- Tailored responses to specific queries</li> </ul>
Any person, group or organisation that may be interested or affected	<ul style="list-style-type: none"> <li>- Wide range of specific interest issues</li> </ul>	<ul style="list-style-type: none"> <li>- PanAust website and publications</li> <li>- Tailored responses to specific queries</li> </ul>
Competitors and/or peers	<ul style="list-style-type: none"> <li>- Benchmarking (technology, employee and safety/sustainability practices)</li> </ul>	<ul style="list-style-type: none"> <li>- PanAust website and publications</li> <li>- Benchmarking visits to peer operations</li> <li>- Tailored responses to specific queries</li> </ul>

## SOCIAL PERFORMANCE CONTINUED

### THE ART OF MINING

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

Throughout 2013, the Peter Churcher collection, *Our People, Community and Landscape*, was shared with employees and stakeholders through exhibitions in Australia and Laos: in Melbourne, Sydney, Brisbane, Vientiane and a village which lies adjacent to the Phu Kham Copper-Gold Operation, Nam Gnong. Some of the paintings were also showcased in PanAust's 2012 publications. The full collection can be viewed on the Company website, visit [www.panaust.com.au](http://www.panaust.com.au).

The commission was jointly funded by Gary Stafford and PanAust. The collection is now displayed in the Brisbane corporate office and the Vientiane office in Laos.

During 2013, PanAust undertook a number of stakeholder engagement activities in Laos, including the following.

- Maintained an engagement plan throughout 2013 that included regular formal meetings with all levels of government at the community, district, provincial and central levels. This was supplemented by regular formal reporting, workshops, site visits and ad-hoc contact.
- Dedicated community relations staff held formal monthly meetings and regular informal communication with local communities.
- New staff trained in cross-cultural awareness during induction.
- Undertook a Group-wide employee engagement survey (see page 57).
- Engaged stakeholders through formal programs of work, including sponsorships and cash and in-kind donations.

#### GOVERNMENT OF LAOS ENGAGEMENT

PanAust maintains a schedule for engagement with key stakeholders and in particular the Government of Laos. A framework of regular scheduled and ad-hoc meetings with officials at central, provincial and district government levels provides important opportunities for dialogue. The Company provides monthly, quarterly and annual reporting on all aspects of the Company's activities. Officials from key government agencies are represented at both Phu Kham and Ban Houayxai to ensure mutual understanding and a close and productive relationship at the operational level. Additionally, PanAust regularly engages senior Government of Laos representatives through meetings in Vientiane and visits to operations. For example:

- The Company has taken the opportunity on several occasions to facilitate and host exchange visits both within the Company and also with industry peers to share knowledge.
- Engagement with Xieng Khouang Province authorities (where the KTL Copper-Gold Project is located) to build understanding on leading practice and environmental management of the Company and the wide range of long-term economic improvements and benefits for communities that has occurred since the presence of PanAust operations in adjacent provinces.



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



Throughout the course of 2013, meetings were held with ministers from a broad range of portfolios including PanAust's key government stakeholders. The PanAust Managing Director met with the Government of Laos Prime Minister, His Excellency Mr Thongsing Thammavong on 11 March 2013, and on 14 October 2013, he met with the Governor of Xieng Khouang Province, His Excellency Mr Somkot Mangnormek. At other times throughout the year, PanAust representatives met with the Minister for Energy and Mines, the Minister for Natural Resources and Environment; the Minister for Planning and Investment; the Minister of Finance, the Minister of Public Works and Transport; senior representatives from National Assembly; and the Governor of Vientiane Province.

Throughout the year, official delegations representing the Ministries of Energy and Mines, and Natural Resources and Environment inspected the Company's operations on several occasions. This continual engagement approach enhances government confidence in the Company's investment and contribution to the socio-economic development of Laos. The approval of the Company's Foreign Investment Licence extension in 2013 demonstrates the government supports the Company's long-term commitment and investment in the country.

## ► COMMUNITY RELATIONS

PanAust is committed to aligning its social practices with the International Finance Corporation (IFC) Performance Standards. During the project design phase for both the Phu Kham and Ban Houayxai Operations, significant consultation and planning was undertaken to minimise any need for displacement. Identification of social and community impacts were initially identified through the Social and Environment Impact Assessment process.

PanAust supports and applies the IFC's Performance Standard 7 which incorporates the requirement for Free, Prior and Informed Consent (FPIC) while recognising that the Standard doesn't intend for *FPIC to contradict the right of sovereign governments to make decisions on resource exploitation*. PanAust's engagement processes provide for extensive community participation, respect for traditional decision making as well as the right of sovereign governments to make decisions on resource exploitation whenever applicable.

PanAust's engagement programs include mechanisms to ensure that women and vulnerable groups are included in prioritising and planning community development activities. Phu Bia Mining has community affairs staff employed from the main ethnic groups which are present in the local area including Hmong, Khmu and Tai-dam. This enables effective communication between the Company and community members using ethnic-language speakers. Meetings are planned and scheduled in a manner that best affords all relevant community members the opportunity to actively participate. Meetings are coordinated through the village administration system, which includes representation by ethnic leaders and the Lao Women's Union (a national organisation for the development of gender equality). Engagement forums including socio-economic surveys and community development planning involves both male and female heads-of-households and includes the use of breakout groups to afford vulnerable groups the opportunity to express their views openly. Survey data is disaggregated

by gender and ethnicity to inform the Company's programs and assists in identifying and prioritising participation by vulnerable groups. The strength of PanAust's engagement programs are evidenced through the Company's broad range of community development projects, and the strong participation by women in the business development and microfinance programs, which have received external recognition through a number of industry awards.

PanAust will continue to ensure engagement with stakeholders is open and transparent and will utilise socio-economic data collected in local communities to ensure alignment with programs in 2014.

## REQUESTS AND GRIEVANCES

During 2013, 113 requests and proposals were processed by PanAust in Laos and predominantly related to financial and material support for community initiatives.

	2011	2012	2013
Requests and invitations	70	121	113

Across PanAust, mechanisms to receive and respond to stakeholder grievances and concerns are in place. Operations have local-level community grievance processes to acknowledge, investigate and document community concerns. These processes are transparent, culturally appropriate and readily accessible to all segments of the community. Regular, scheduled meetings with community leaders form an important part of this process to hear about issues of concern. Common concerns raised by communities in close proximity to the operations throughout 2013 included: land access (including impacts to agricultural land), access to employment, business development, donations, environmental performance, partnerships, and training and education.

The Company's Grievance Management Procedure includes a mechanism for escalation and arbitration if required. Depending on the nature and severity of the concern raised, it may require further investigation or referral to an independent party. All grievances and their management, along with queries, requests, proposals, concerns and complaints, are recorded in PanAust's incident management database, INX.

In 2013, the severity of community grievances across the Group was comparable with those reported in previous years. During the year, the Company received 84 new grievances in relation to Company activity (an additional 13 grievances were lodged with the Company that, after investigation, were found to be not related to PanAust activity). The 84 cases were lodged on behalf of 206 affected households. Of these cases, agreed resolution was achieved for 90 per cent of affected households (186 of the 206).

The remaining grievances have been investigated by the Company and a process going forward has been agreed by both parties. This may include interim compensation payments, and/or remediation/corrective actions and mitigation controls, which may extend for more than one reporting year. Many of these cases relate to sediment impacts on rice fields that typically take a number of years to resolve. This is due to the time required to stabilise and control the source of the sediment and restore soil fertility.

## SOCIAL PERFORMANCE CONTINUED

In 2013, 165 cases were carried over from impacts occurring in previous years; affecting a total of 341 households. Of these, obligations were fulfilled and cases were closed out for 77 affected households. For the remaining cases, the Company proactively managed them and honoured the process agreed for compensation and remediation. PanAust provides compensation in rice and will continue to do so until normal production can be restored.

GRIEVANCE MEASURE	2013 GRIEVANCES	CARRIED OVER CASES (FROM PREVIOUS YEARS)	TOTAL CASES ADDRESSED
Number of grievances	84	165	249
Number of affected households	206	341	547
Close-out rate (by cases resolved in full)	85%	17%	40%
Close-out rate (by affected households)	90%	23%	48%
Process agreed (cases to be carried over)	12%	83%	59%

### COMPENSATION AND RESETTLEMENT

PanAust's approach to project development is to design work sites in such a way that involuntary resettlement is avoided.

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

The grievance management process ensures that compensation is paid in a transparent manner at agreed and documented rates (Schedule of Rates). Compensation rates are calculated based on market price surveys and in consultation with local government and community leaders. All grievance claims and compensation payments are recorded in the INX database and in compliance with IFC Performance Standard 5 relating to land acquisition and involuntary resettlement.

In 2013, no involuntary resettlement requiring physical displacement (that is, relocation or loss of shelter), was needed by PanAust to develop projects or to operate at Phu Kham or Ban Houayxai.

In 2013, a total of US\$418,886 was paid in compensation and remediation for livelihood impacts associated with the Company's activities. This compensation was either for proactive land acquisition or unplanned impacts predominantly relating to agricultural land resulting in lost rice production. Of this, 59 per cent was paid to communities surrounding the Phu Kham operation and LCT exploration areas in close proximity to Phu Kham.

COMPENSATION PAID US\$	2011	2012*	2013
Amount	407,647	816,608	418,886

\* 2012 compensation costs have been updated to include rice compensation distributed in December 2012 where payment for supply of rice was made in January 2013

National Lao regulations and international standards, such as those from the IFC and ICMM, require PanAust to minimise impacts to community land. The requirements for compensation become more prescriptive as the degree of impact increases. When significant impacts occur at the household level (that is, more than 20 per cent of household production), national Lao regulations require livelihood restoration rather than cash compensation.

At the LCT exploration site, which is close to the Phu Kham operation, PanAust progressed livelihood restoration planning for 16 households from Nam Gnone village where land was permanently impacted by the installation of sediment control structures. To enable affected households to make informed decisions regarding options for their livelihood restoration, the Company carried out comprehensive consultation, information workshops and capacity-building activities focused on financial literacy, different forms of agriculture and planning skills.

Development of livelihood restoration plans for each household will commence in 2014. The Company will work with affected villagers and local government to agree on land compensation rates and forms for permanent settlement. This participatory approach seeks to create self-determination among affected villagers based on a clear understanding that the process is a final and positive opportunity for fair compensation.

## CASE STUDY

### Phonsavan remediation work

PanAust recognises that its activities can have an impact on agriculture and the livelihood of farmers. In 2012, heavy rainfall at the Company's KTL exploration site (part of the KTL Copper-Gold Project), caused the movement of sediment. This resulted in some damage to nearby irrigation channels and agricultural fields and affected Phonsavan's out-dated water filtration system (see *PanAust's 2012 Sustainability Report*, page 43). In 2013, PanAust undertook remediation of areas impacted by the sedimentation and provided rice as compensation to villages where harvests had been adversely affected.

In 2013, there was a significant reduction in the number of grievances related to sedimentation for villages adjacent to the Company's ongoing exploration activity at Phonsavan. Compensation to these affected households in 2013 was reduced by approximately 70 per cent from the 2012 payments. This was due to improvements in erosion control and sediment management structures undertaken by the Company. For example, the re-contouring of disturbed areas and hydro-seeding has been very effective in establishing groundcover and stabilising disturbed steep slopes.



The Houay Nakhing sediment structure installed to manage sediment loads from exploration activities at KTL, particularly during the annual wet season

To limit the potential for another incident similar to that which occurred in 2012, in 2013 the Company started to develop and implement a new Sediment Management Standard. The standard provides guidance and expectations on erosion control and sediment management for new activities requiring land disturbance. The Houay Nakhing sediment structure at Phonsavan has been constructed in accordance with the new Standard and has been effective at managing high sediment loads.

The Company also installed a rapid filtration system at Phou Chan water treatment plant at a cost of US\$500,000. This was commissioned in April 2013. The new system serves the town of Phonsavan and is more adequately meeting the demand of a growing population. This is achieved through a regular supply of water where previously the out-dated facility provided an intermittent service, particularly during the wet season. Over the course of the 2013 wet season, the rapid filtration plant and the Houay Nakhing sediment structure each performed very well. This addressed the broad concerns raised by Phonsavan stakeholders in 2012 and 2013.



The new rapid filtration system at the Phou Chan water treatment plant was installed by PanAust and is now providing an improved service to the town of Phonsavan



COMMUNITY HEALTH AWARENESS SESSIONS WERE CONDUCTED DURING 2013  
IN 29 VILLAGES LOCAL TO PHU KHAM, BAN HOUAYXAI AND PHONSAVAN



## SOCIAL PERFORMANCE CONTINUED

### ► ECONOMIC CONTRIBUTION TO SOCIETY

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

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

- Capital expenditure in exploration and project development and project operating costs, particularly through payments to Lao suppliers of goods and services.
- Revenues from copper, gold and silver sales and payments of royalties on such sales.
- Profit tax and other payments such as tenement rental fees to the Government of Laos.
- Salaries paid to employees and salary taxes to provinces.
- Training and skills development.
- Investments in community development programs.
- Payment of dividends to the Government of Laos as a ten per cent shareholder in Phu Bia Mining.
- Investment in regional infrastructure including roads, water and sanitation.
- Social investments through Community Development Funds.
- Procurement of local produce and other goods and services.

PanAust engages local companies (Lao and international companies based in Laos) where feasible and practical and based on commercial competitiveness, risk profile and contractor capacity. In Laos, local contractor capacity to meet safety and other requirements is improving as the mining sector matures. PanAust supports this process through coaching and requiring local companies to progressively work towards meeting the Company's expectations and standards. In the longer term, this will provide a more sustainable outcome for both PanAust and contractors while maximising expenditure flowing back into the local and regional economy.

With PanAust's established operations and growth plans, together with the Government of Laos' 10 per cent shareholding in Phu Bia Mining, the Company continues to make a significant contribution to its host communities and towards developing the economy of Laos. To date, the Company has invested approximately US\$1.29 billion into Laos (this represents the expenditure on physical assets and exploration areas located in Laos). This figure includes PanAust 2013 expenditure of US\$15 million towards public road infrastructure and maintenance along the Company's logistic route and regional roads in proximity to the Company's operations (since 2006, public road infrastructure expenditure by PanAust in Laos totals more than US\$51 million).

Total Phu Bia Mining activity, taking into account investments and in-country operating expenditure, accounted for over 5.1 per cent of Laos' real gross domestic product<sup>7</sup> (GDP), of US\$11.1 billion in 2013.

This investment does not take into account the indirect impacts of the Company's presence, for which there is a widely accepted and typical multiplier effect of around 2.5 from mining projects in developing countries<sup>8</sup> such as Laos.

During 2013, PanAust's other economic contribution to Laos included the following.

- Paid Lao suppliers of goods and services US\$237 million.
- Contributed approximately US\$83.9 million to the Government of Laos (see table overleaf).
- Contributed to capacity-building programs and activities at district, provincial and central government levels.
- Employed 3,533 people in Laos, 88 per cent of whom are Lao-nationals.
- Administered a sponsorships and donations program in Laos, where US\$235,000 was donated to a wide range of recipients through cash and in-kind donations.
- US\$1 million to the Asian Development Bank project (see case study on page 37).

Phu Bia Mining revenues of US\$725 million for the sale (and export) of copper, gold and silver in 2013 represent 26.3 per cent of total Lao goods exports (US\$2,648 million).

Through the Company's membership with the Minerals Council of Australia, PanAust supports the Extractive Industries Transparency Initiative, a global initiative to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

<sup>7</sup> Based on the 'expenditure approach' of calculating GDP where GDP can be derived as the sum of all final expenditures, changes in inventories of finished goods, work-in-progress and raw materials, and the value of exports of goods and services less the value of imports of goods and services. In this context, final expenditures comprise final consumption expenditure and gross fixed capital formation. These expenditures are equivalent to final demand and the measure is commonly referred to as GDP – expenditure approach.

<sup>8</sup> Source: ICMM publication, *The role of mining in national economies*, 2012  
Source: World Bank and IFC Publication, *Large mines and communities: forging partnerships, building sustainability*, 2002

## SOCIAL PERFORMANCE *CONTINUED*

### DIRECT ECONOMIC BENEFIT TO GOVERNMENT OF LAOS \$US

DESCRIPTION	2011	2012	2013
Payroll tax	5,189,755	6,091,773	5,639,250
Customs excise (import service fee)	1,544,859	2,562,880	2,610,753
Profit tax	48,235,515	46,774,746	26,328,549
Royalties	33,904,463	40,205,989	45,092,563
Concession fees	58,916	58,916	38,911
Value added tax and business turnover tax paid upfront	16,303,763	21,973,779	20,767,931
Value added tax and/or business turnover tax deducted from income tax	-16,303,763	-21,973,779	-20,767,931
Fuel import duty and excise tax	-	-	2,447,888
Fuel import duty and excise tax deducted from profit tax	-	-	-2,447,888
Dividend	-	4,148,152	4,150,000
<b>Total contribution</b>	<b>88,933,508</b>	<b>99,842,456</b>	<b>83,860,025</b>

### DISTRIBUTION OF PANAUST GROUP REVENUE 12 MONTHS TO DECEMBER 2013 US\$

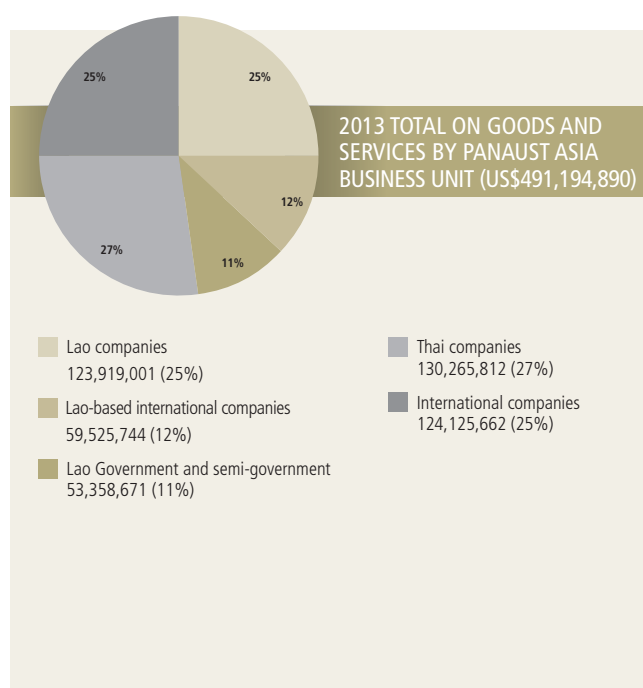
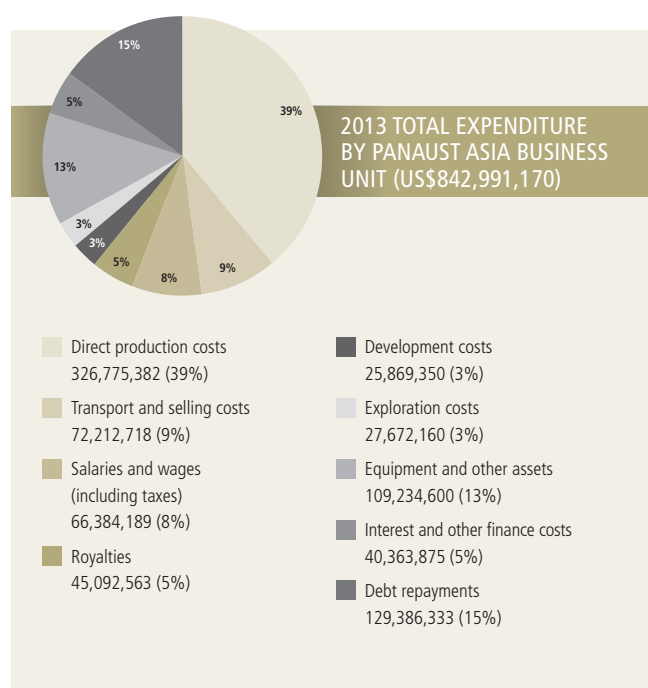
REGION	GROUP REVENUE* 733,965,245	OPERATING COSTS BY REGION	EMPLOYEE WAGES AND BENEFITS BY REGION^	PAYMENTS TO PROVIDERS OF CAPITAL BY REGION	PAYMENTS TO GOVERNMENT BY REGION	GROUP ECONOMIC VALUE RETAINED# 208,846,965
Laos		368,906,292	68,912,216	18,957,670	83,860,025	
Thailand		1,646,637	136,259	0	0	
Vietnam		4,349,871	~0	0	0	
Chile		1,201,354	1,965,751	0	1,110,321	
Australia		11,890,853	20,764,107	58,721	685,703	
		<b>387,995,007</b>	<b>91,778,333</b>	<b>19,016,391</b>	<b>85,656,076</b>	

\* Sales revenue, derivative gains/losses and other income

^ Operating costs only; does not include capital projects

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

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





## CASE STUDY

### Partnering with the Asian Development Bank

In October 2013, PanAust entered into a partnership with the Asian Development Bank (ADB) to deliver clean water and improved sanitation facilities to residents of 11 towns – or around 160,000 people – in Lao PDR. This accounts for more than 2 per cent of the national population.

ADB's current estimate is that three out of ten people in Lao PDR do not have access to clean water, and diarrhoea remains the third leading killer of young children. Further, recent studies have shown that economic costs from poor sanitation are equivalent to over 5 per cent of Lao PDR's gross domestic product.

This clean water project builds on the success of three previous ADB-supported sector investment projects enhancing water and sanitation systems in 31 small towns across Lao PDR, with 12 more systems for completion by 2015. Building on previous experience, this project will provide households with free water connections when they install a toilet in their home. Sanitation grants will be provided to poor households to ensure they can fully benefit from the project. The government has reported a dramatic improvement in public health in the towns where this program has already been implemented.

The project will contribute to the government's target of 90 per cent piped water supply and 100 per cent sanitation coverage in urban areas by 2030, contributing significantly to achieving the Millennium Development Goals in Lao PDR and its national urban water supply and sanitation strategy for 2013-2030.

PanAust is the first private sector donor to partner with ADB for one of its sovereign projects. The Company is contributing a \$6 million grant over six years to the project (which has a total value of USD \$46.5 million) as part of the Company's ongoing sustainability activities in Lao PDR. ADB will fully administer PanAust's grant and continues its long-term commitment to the water and sanitation sector in Lao PDR by providing US\$35 million in project financing, with the Government of Lao PDR and local communities contributing the remaining funds totalling about US\$5.5 million.

*"PanAust is delighted to contribute to the achievement of the Millennium Development Goals in Lao PDR, in partnership with the Government, ADB, and local communities. The Company has been a long-term investor in Laos and this adds an important new dimension to PanAust's extensive community development initiatives."*

PanAust Managing Director, Mr Gary Stafford



Ms Sujata Gupta, Director, Office of Co-financing Operations, Asian Development Bank Manila (left) with Rob Usher, Executive General Manager PanAust Asia, signing the agreement between the ADB and PanAust



A water treatment plant built in the Vientiane Province as part of the ADB's Northern and Central Regions Water Supply and Sanitation Sector Project

*Photo acknowledgement: Anupma Jain, Asian Development Bank*

## SOCIAL PERFORMANCE CONTINUED

### ► COMMUNITY DEVELOPMENT

PanAust supports community development initiatives at all of its operational and major exploration sites. The overall goal of community development programs is to help reduce poverty and assist local communities develop sustainable socio-economic livelihoods that will continue beyond the life of mines.

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

In Laos, community development projects are managed in partnership with local communities and closely coordinated with local government authorities. Community Development Funds (CDFs) are in place at Phu Kham, Ban Houayxai and Phonsavan, with Memoranda of Understanding between PanAust and the Government of Laos defining coordination and management arrangements. Planning follows a process that begins with community-led needs assessments and a review of the socio-economic situation in each community. Consultations are held with local government to ensure alignment with national development strategies and goals and to avoid duplication with existing or planned government initiatives. Once finalised, annual community development plans are jointly approved by the Company and local government. PanAust's CDFs prioritise projects in education, agriculture, health, infrastructure, and microfinance and small business development.

In 2013, a total of US\$765,000 was budgeted for CDF activities in Laos: Phu Kham, US\$355,000; Ban Houayxai, US\$190,000; Phonsavan, US\$220,000. These figures include discretionary extra budget allocations of US\$110,000 for projects at Ban Houayxai and US\$150,000 for projects at Phonsavan to help address considerable community infrastructure needs in local communities (schools, clinics, water supplies, etc) and along haulage routes.

Total CDF expenditure during 2013 was US\$922,701, including US\$663,010 on new projects in the 2013 annual plan and \$259,691 on projects carried over from previous years' planning cycles. The disbursement rate in 2013 was 88 per cent, which is an improvement on previous years. The proposed CDF budget in 2014 includes projects that will be carried over from 2013.

CDF programs in 2013 comprised 75 small-scale projects in 46 rural communities directly and indirectly affected by PanAust's activities. Focus areas were education, health, agricultural development, microfinance and community infrastructure.

#### COMMUNITY DEVELOPMENT FUND TOTAL EXPENDITURE US\$

	2011	2012	2013
Expenditure	668,371	515,018	922,701

In addition to CDF programs, PanAust also undertakes community education and other community-focused initiatives. In 2013, the focus of these initiatives was on HIV/AIDS and drug awareness, road safety and environmental awareness.

As part of a three-year sponsorship arrangement that commenced in 2012, PanAust again partnered with not-for-profit organisation Interplast in 2013 to provide free surgical treatment for people in Laos who would otherwise not have access to such services (see case study in PanAust's 2012 *Sustainability Report* page 37). The Company's support for the program in 2013 enabled Interplast to assess 137 patients during 10 days and complete surgery for 66 people.

In May 2013, PanAust once again partnered with the Government of Laos' Poverty Reduction Fund<sup>9</sup> to organise participatory village development planning workshops to complete three-year village development plans in a further four villages in proximity to the Ban Thouay Transit Facility<sup>10</sup>, thereby completing the exercise in all CDF target villages. The aim of the partnership is to help communities take greater ownership of their own development, and encourage maximum participation from poor households, women and ethnic groups. The resulting village three-year development plans are designed first and foremost as a guide to the village and district administration, but also constitute important input into the Company's community development programs, which helped focus and apportion CDF spending throughout 2013. Looking beyond 2013, it is likely that the CDF focus areas in 2014 will remain similar to those of 2013.

### CONTRIBUTIONS TO EDUCATION

Educational opportunities are limited in many of the rural communities near to PanAust's operations in Laos. Although most villages have a primary school, facilities are basic, classrooms overcrowded and teachers over-extended. A significant number of children do not finish primary school with even fewer completing secondary education.

During 2013, the Company supported community development initiatives designed to increase access to education and the quality of learning. The overall spend was US\$253,670.

In-service training was organised for 60 teaching staff from schools in the two districts closest to the Phu Kham Operation, and financial assistance was provided to enable local education authorities to conduct monitoring visits to local schools.

Tailored assistance was provided to a number of schools according to specific needs. For example, at Phonsavan, six schools received text books, stationery and sports equipment. Near the Ban Houayxai Operation, classroom furniture – including chairs and desks, book shelves and blackboards – was provided.

As part of a reading promotion project, nearly 50 teachers and district education staff completed a three-day training course on techniques to promote reading among children. Libraries and reading corners were established in six schools near the Phu Kham Operation. These schools were stocked with over 1,200 storybooks and almost 1,300 sets of art supplies.

<sup>9</sup> The Poverty Reduction Fund is a key government initiative to reduce poverty in Laos. It is supported by major donors including the World Bank, Ausaid and the Swiss Agency for Development and Cooperation; for more information, visit <http://www.prflaos.org/>.

<sup>10</sup> The Ban Thouay Transit Facility is located 122km from Phu Kham and is the central hub for logistics including dispatch of copper-gold concentrate from Phu Kham to the ports in Thailand and Vietnam; the facility includes driver accommodation.

Five new primary school buildings comprising a total of 17 classrooms were constructed: three at Ban Houayxai (Ban Lak24, Ban Ngiew and Ban Phonekeo), one at Phonsavan (Ban Khou), and one along the Phu Kham haulage route in the Longxan Province (Ban Xiengme). The new facilities provide an improved learning environment for more than 500 students.

Adult education classes were held for adults in two villages who had not completed primary school. Fifty adults completed the course, which focused on basic literacy and numeracy, to obtain primary-school equivalency certificates.

### INFRASTRUCTURE PROVISION

Recognising that access to basic services including education and healthcare is limited by underdeveloped infrastructure combined with the widely dispersed and often isolated rural communities in Laos, PanAust has made significant contributions to various forms of infrastructure.

For example, a new community centre was constructed in Nam Cha village (near Phu Kham), which was completed and handed over in October 2013. It is a general purpose facility that can be used for community activities such as public meetings, village administration work, social events, and training and health awareness.

During 2013, new water supplies were constructed in five villages: three near Phonsavan (Ban Houa, Ban Nanou and Ban Vieng), and two near Ban Houayxai (Ban Ngiew and Ban Phonekeo); benefiting almost 3,000 people. The water supply infrastructure are gravity-fed systems that deliver water from mountain streams to public standpipes in the village. To promote sustainability, training was provided on community management and maintenance of the infrastructure.

### STANDING BY THE PHILIPPINES

Following the devastation caused by Typhoon Haiyan in the Philippines, it was very welcome news that each of PanAust's 113 Filipino staff and their families were safe and accounted for.

As a proud employer of Filipino nationals, the Company responded to disaster appeals with two \$50,000 contributions: one to Red Cross (Australia) and the other to Médecins Sans Frontières (Australia). A further \$13,000 was directed to urgently needed supplies that were sent via a shipping container from Brisbane to the disaster zone that included tents, sleeping bags, food, clothes, hygiene and sanitary items, and medical equipment.

Additionally, through 'matched-giving' donations, where PanAust contributed the equal of the amounts donated by individual employees, totals of \$22,429 from Phu Bia Mining and \$12,040 from the Brisbane office was also committed to post-typhoon relief efforts.



### COMMUNITY HEALTH

Poor health is a significant problem facing many rural communities in Laos. Contributing factors include a lack of quality healthcare services, poor hygiene and sanitation practices, limited health awareness, low rates of childhood immunisation and poor nutrition. Besides causing reduced life-expectancy, poor health exacerbates poverty by reducing labour availability and productivity which depletes financial reserves and creates debt, and prevents children from completing school which reduces livelihood opportunities.

In 2013, PanAust undertook a number of community health care initiatives some of which are outlined below.

- Training was held to upgrade the skills of nursing staff stationed at seven village health centres near the Phu Kham Operation. Furthermore, two local women completed their second year at nursing college under a PanAust scholarship.
- A new community health centre was constructed at Nasaysavang Village near Ban Houayxai, providing a healthcare service to six local villages (Nasaysavang, Natee, Namxao, Mueangphu, Nongpou, Homxay) with a combined population of more than 3,000 people.
- Community health awareness sessions were conducted during 2013 in 29 villages local to Phu Kham, Ban Houayxai and Phonsavan with a combined population of 24,604. Topics focused on mother and child health including nutrition, breastfeeding and immunisation.
- Mobile clinics were organised on a quarterly basis in 11 villages to promote access to preventative and palliative healthcare. The clinics provided free general health checks, dental treatment and eye checks with more than 1,700 consultations in total.
- PanAust recognises that increased population mobility associated with its activities can lead to elevated HIV-transmission risk for employees, contractors and people living in nearby communities. To address this, PanAust has in place various controls to manage the behaviour of employees and contractors, and so mitigate HIV transmission risks. During 2013, the Company also held HIV-awareness activities providing employees and local communities with access to appropriate preventative knowledge and information.

Image: Global hand-washing day activities at Nasaysavang Primary School were coordinated by the Ban Houayxai sustainability team



## SOCIAL PERFORMANCE CONTINUED

### ► LONG-TERM CAPACITY-BUILDING IN COMMUNITIES

The Company aims to build long-term capacity in communities through economic development and contribution to the long-term strengthening of community viability, rather than economic dependency. The objective is to create a sense of shared value that benefits both the communities and the Company in terms of meeting immediate community needs and more long-term solutions to societal issues and regional economic development. Through careful planning of community development initiatives and local purchasing and investment, PanAust is able to develop community capacity to manage key infrastructure and develop skills to maintain and grow local business enterprises.

### INCOME GENERATED FROM SMALL BUSINESS INITIATIVES US\$

Throughout 2013, small community businesses collectively generated in excess of US\$1 million of revenue for local families producing consumables such as vegetables, drinking water, eggs, cloth bags, fruit and fish.

	2011	2012	2013
<b>Total</b>	358,206	771,262	1,020,587

The Company's short-term goal is to boost local food production to meet demand from operations. In the longer term, in the interest of post-mine sustainability, the focus will shift to facilitating participants' access to alternative markets to reduce reliance on sales to PanAust. To support this process, in 2013, approximately US\$95,000 was spent on initiatives to help enhance local farming capacity including agricultural training for local villagers to improve yields, quality and diversity, as well as technical and material assistance to several government-run agricultural outreach centres.

### MICROFINANCE SCHEMES

Since 2010, the Company has assisted 12 local communities to establish microfinance schemes through the Village Savings and Credit Funds. These village-banks provide access to savings and loan facilities that are not otherwise available in rural areas. Members take loans to support a variety of small-scale income generating activities, as well as education, healthcare and other household expenditure needs.

The microfinance program expanded from six villages at year-end 2012, to 12 villages at the end of 2013 (11 of which are associated with the Phu Kham Operation); doubling total membership from 743 to 1,514 individuals. In the order of US\$220,000 of loans were issued during the year; mostly micro-loans to women who comprise the majority of the membership. The funds are performing well: the overall repayment rate remains very high and funds are growing. The Company's community development officers closely monitor financial performance indicators in each village and provide advice to fund managers on bookkeeping, internal controls and management of late loan repayments.

The Company is developing the capacity of local authorities, including the Lao Women's Union, to provide institutional support for Village Savings and Credit Funds. This takes the form of district supervisory committees responsible for monthly monitoring visits, bookkeeping advice and audits.

During 2013, the Company organised training for all 12 village management committees to strengthen capacity in bookkeeping and financial management. Training was also conducted for district supervisory committees on topics including governance, accounting and internal controls.

Beyond providing significant cash income for the 200-plus participating families, the small business development program has helped empower local women and contributed to improving social outcomes through increased income.

### POPULATION AND ECONOMIC GROWTH IN LOCAL COMMUNITIES

PanAust understands that its operations and activities in Laos create a strong demand for products and services, particularly in areas close to its operations. These economic opportunities often lead to population increases (through inward migration) in nearby villages. Population growth can also enhance economic growth and broaden market and development opportunities<sup>11</sup>. However, inward migration may also increase pressures on local food security and increase the incidence of disease, including sexually transmitted diseases.

Through regular socio-economic surveys, PanAust monitors population growth in communities near to its operations and advanced stage exploration sites. PanAust continues to monitor the situation and migration trends against information sourced in respect to historical migration. This information assists in implementing policies to ensure delivery of a high level of benefits to people most affected by the Company's operations, and to minimise company induced impacts.

For example, PanAust's recruitment practices identify long-term residents of local communities (true locals) and prioritise them for positions to which they may be suited. True local checks are also included as part of community development planning processes to ensure long-term residents are appropriately represented and benefit appropriately from community development initiatives such as microfinance, agricultural training and vegetable trading. True local checks are not conducted for projects that provide a 'collective good' to the whole community, for instance public services such as schooling or healthcare.

In 2013, the Company's contractor management standards were revised to include the requirement for new controlled contractors to be housed within operational areas and for influenced contractor camps to be located close to their work locations and separate from local communities. These standards minimise any adverse impacts of contractor employee in-migration on communities.

<sup>11</sup> Source: IFC report, *Understanding Project-induced In-migration*.

### POST-CLOSURE PREPAREDNESS

PanAust aims to minimise the local population's dependency on its mining operations through supporting sustainable community programs such as agricultural training, microfinance and small business activities, and by ensuring all new health and education infrastructure is owned and managed by local authorities. The Company recognises that in a developing country like Laos, other economic opportunities and social support mechanisms to assist people and communities after closure are not as readily available as in developed economies. As such, this affects the lead times required for closure planning and supports the development of detailed social closure planning several years ahead of planned closure timeframes.

The cessation of local employment, small business opportunities and community development support by the Company will all need to be managed in a sensitive transitional manner in the lead up to closure.

To assist in community preparedness for closure, PanAust will continue to strengthen the capacity of local businesses and agricultural producers near to the operations by identifying market opportunities, providing training and advice, and promoting access to financial services.

Based on current reserves and planned production rates, the Phu Kham Operation has a ten-year life-of-mine and the Ban Houayxai Operation has seven years. In the next few years, PanAust will commence the development of an integrated closure communication and engagement strategy for both internal and external stakeholders, with clear consistent messages and mechanisms for incorporating ideas and concerns into the closure planning process.



### SMALL BUSINESS DEVELOPMENT

PanAust's operations in Laos present significant opportunities for local producers and service providers. The Company supports the growth of local small businesses to meet this demand as part of its ongoing commitment to provide benefits to host communities. Through this type of engagement, the Company builds long-term capacity in communities.

PanAust's approach is to source products and/or services that meet the Company's requirements locally or regionally. If appropriate-quality products and services are not available, the Company may develop community programs to help establish local businesses. This approach empowers local villagers to develop their own small businesses to meet the demand for products and services for the Company's operations. PanAust also encourages local businesses to find other markets to reduce reliance on the Company and enable longer term viability.

Throughout 2013, small community businesses collectively generated in excess of US\$1 million of revenue for local families producing consumables such as vegetables, drinking water, eggs, cloth bags, fruit and fish.

Image: Small community businesses produce consumables such as fresh food and cloth geology bags for Phu Bia Mining



PANAUST ASSESSES AND MANAGES ENVIRONMENTAL RISKS ACROSS ALL STAGES OF THE BUSINESS FROM EXPLORATION TO DEVELOPMENT, OPERATIONS AND INTO CLOSURE





# ENVIRONMENTAL PERFORMANCE

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

Baseline studies and Environmental and Social Impact Assessments (ESIAs) are used in conjunction with internal risk management processes to identify and prioritise PanAust's environmental issues. In 2013, the ESIA for the KTL Copper-Gold Project in Laos was completed and the decision to submit to the Government of Laos will be dependent on the final outcomes of the feasibility study. The Environmental Impact Assessment for the Inca de Oro Project in Chile was expanded to include the Carmen deposit and will be submitted in 2014. On completion of the Frieda River transaction, work will also commence on a revised project Environmental Impact Statement based on PanAust's revised development concept.

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

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

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

In 2013, PanAust had no significant environmental incidents, complaints, spills, penalties, fines or non-monetary sanctions for any legal non-compliance.

## ENVIRONMENTAL PERFORMANCE: MATERIAL ISSUES 2013

PanAust's materiality process identified the main environmental challenges for PanAust in 2013 as:

### ► TAILINGS AND WASTE ROCK MANAGEMENT

### ► WATER MANAGEMENT

### ► SEDIMENT AND EROSION CONTROL

### ► CYANIDE MANAGEMENT

### ► LAND REHABILITATION AND CLOSURE

### ► AIR QUALITY EMISSIONS

### ► ENERGY AND CARBON MANAGEMENT

Details pertaining to each of these topics follow.

## ► TAILINGS AND WASTE ROCK MANAGEMENT

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

Purpose-built TSFs are used to dispose of both waste rock and tailings generated from the Phu Kham and Ban Houayxai mines. The facilities are designed and constructed using a risk-based approach that accounts for the best life-of-mine and closure-management strategy. An Independent Tailings and Geotechnical Review Panel (consisting of two industry-leading tailings and geotechnical specialists) periodically evaluates each TSF's risk profile and performance, and reports directly to a PanAust Tailings Management Committee, which is chaired by the Managing Director, Gary Stafford. The period of review is determined based on performance of the facility, and planned construction activities.

Planned reviews including on-site inspections were completed for the Phu Kham and Ban Houayxai TSFs and the pre-feasibility TSF design for the KTL Copper-Gold resource in May 2013. Overall, the review findings were positive with no significant deficiencies identified. The Panel was satisfied with the level of improvement made in the establishment of good management practices for the TSF embankments since their previous review in 2012, and the incorporation of previously identified good management practices have been integrated into site procedures and management methods.

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

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

## ENVIRONMENTAL PERFORMANCE *CONTINUED*

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

	2011	2012	2013
Waste rock (total)	19,355,933	21,297,275	21,823,754
Red waste rock*	3,849,964	3,729,113	4,865,160
Tailings	12,869,228	17,578,234	22,336,130

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

Reviews of ARD management at Phu Kham and Ban Houayxai conducted by three independent consultants confirmed that the program for managing ARD risks at both operations is highly developed and the systems adopted for the prevention and control of ARD are consistent with methods described in the Global Acid Rock Drainage Guide. The management of waste rock was extensively reported in PanAust's *2008 Sustainability Report* (page 21) and continues to reflect current practice; the Report can be found on the Company's website, [www.panaust.com.au/reports](http://www.panaust.com.au/reports).

### ► WATER MANAGEMENT

PanAust recognises that water resources need to be managed responsibly to meet competing requirements (including for processing ore) while limiting impacts on receiving communities and environments. In Laos, there is an inherent challenge in managing mine-water run-off in a tropical climate with surrounding steep topography within a distinct wet/dry season setting. Overall, there is a net positive water balance, but water management requires close attention to ensure that water is used efficiently, and that appropriate holdings of water are maintained and discharged as necessary in a controlled manner throughout the wet and dry seasons.

PanAust's operations have detailed water balance models and implement associated water management and monitoring programs. Both sites permanently discharge excess water from their TSFs as part of ongoing operations.

Water management measures at Phu Kham and Ban Houayxai performed well during the 2013 wet season (May to October). The controlled discharge from the TSFs at both sites was monitored by Company environment personnel as well as Government of Laos officials. Water discharges are monitored with results assessed against World Bank/IFC and Lao ambient water-quality guidelines, as well as background water-quality conditions.

In 2013, occasional exceedences of total suspended solids occurred following peak storm events during the wet season. Investigations were undertaken into these non-conformances and corrective actions were implemented where required. An investigation was also conducted related to a localised fish mortality incident downstream of the decommissioned Gold Operation Heap Leach pad during a first-flush event in the Nam Gnone River. The investigation and co-monitoring was completed in cooperation with the Government of Laos, and determined that the project discharge was compliant to the site's Environmental Management Plan and agreed criteria for discharge. A number of additional controls were adopted by the project as a precautionary measure to address stakeholder concern.

During 2013, a passive water treatment system was constructed downstream of the Phu Kham TSF embankment (see case study on page opposite). In addition, residence ponds have been installed prior to discharge to the Nam Mo River. The residence ponds are stocked with native fish and were predominantly installed as demonstration ponds to show the community that the discharge water quality is such that flora and fauna are able to survive and thrive.

### WATER USAGE AND DISCHARGE (MEGALITRES/YEAR): PHU KHAM, THE HEAP LEACH GOLD OPERATION\*, BAN HOUAYXAI<sup>^</sup>

WATER USAGE	2011	2012	2013
Fresh water domestic use	161	242	124
Fresh water to process	1,534	4,854	8,378
Total water use in process	30,471	38,664	55,899
Recycled water to process	28,937	33,810	47,521
Operational wastewaters discharged <sup>#</sup>	5,754	38,905	75,704
Percentage of recycled water	95	87	85

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

<sup>^</sup> Ban Houayxai data included from 2012 only

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

While water use is significant, the vast majority is recycled; approximately 96 per cent at the Phu Kham Operation with the balance of water drawn from the Nam Mo River for specialised cooling systems in the processing plant. Recycled water volumes increased at Phu Kham in 2013 due to the water requirements of the Increased Recovery Project.

Water recycling is limited at the Ban Houayxai Operation due to geographical constraints requiring the TSF to be located in a different catchment remote to the site's processing plant. Some internal water recovery and reuse occurs within the process plant area, which is not measured at this point in time. Wastewater volumes increased in 2013 due to the full year of production at Ban Houayxai as well as an improved method to calculate the discharge from the Ban Houayxai TSF (developed by external consultants, Knight Piésold).

## CASE STUDY

### Continual improvement in water discharge quality – Phu Kham's passive wastewater treatment system

In late 2012, elevated levels of manganese were detected in the waters discharging from the toe drain of Phu Kham's TSF. The manganese levels were higher than the limits set by IFC. While operational waters stored in the TSF do not contain elevated levels of manganese, investigations in 2013 found that the manganese levels were becoming elevated as the seepage water flowed through the embankment.

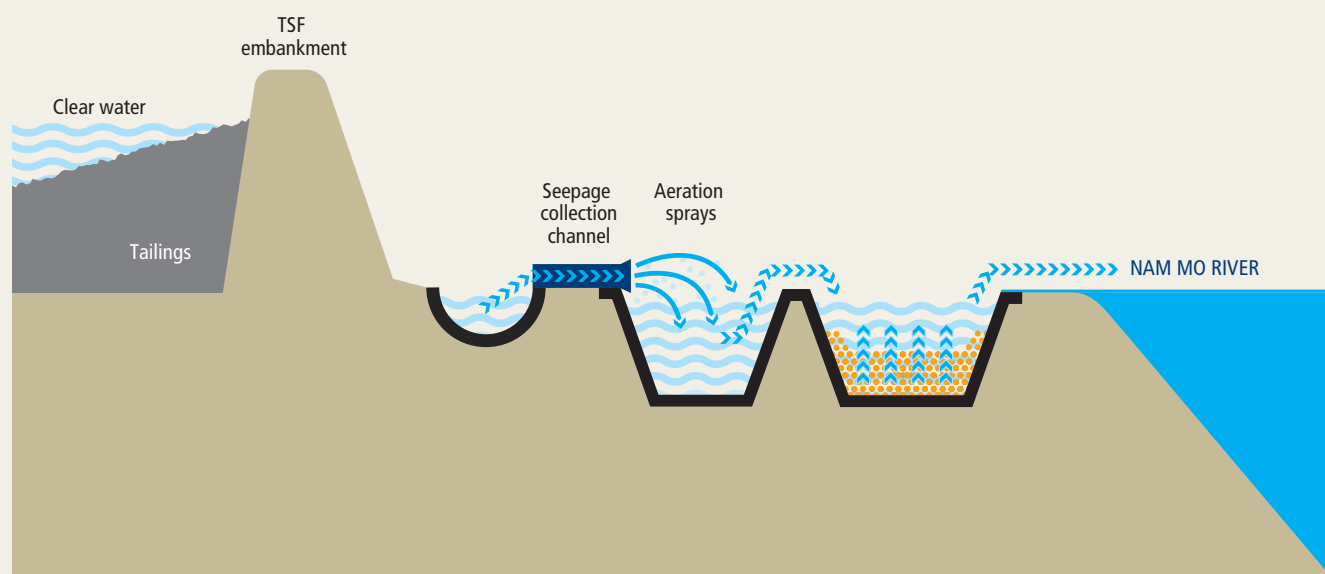
PanAust commissioned consultants, Hedin Environmental, an environmental consulting firm based in the United States, to review water monitoring results, identify the cause of the elevated manganese and recommend a system for treatment. The recommended treatment system needed to take into account the changing water levels in the TSF and the final water elevation when the TSF construction is finalised.

Hedin Environmental found that the most likely source of manganese was from soils in the surrounding catchment area and recommended a passive water treatment system which could effectively manage the elevated manganese. The resultant passive water treatment system comprises three sections prior to discharge to the Nam Mo River: aeration, constructed wetland, and a crushed rock bed.

The aeration component of the system converts the soluble iron into an insoluble form. The wetland system then slows down the water flow and allows settlement of iron precipitates in the ponds. The final crushed rock bed helps to further remove manganese by converting any soluble metals to form solids, which settle on the substrate.

Construction of the passive water treatment system was completed in June 2013 and results from water quality monitoring indicate that manganese levels are now well within IFC guidelines.

#### PASSIVE WASTEWATER TREATMENT SYSTEM





DURING 2013, WORK CONTINUED TO BE UNDERTAKEN IN PLANNING AND IMPLEMENTING  
SEDIMENT AND EROSION CONTROL IMPROVEMENTS ACROSS THE GROUP



## ENVIRONMENTAL PERFORMANCE *CONTINUED*



### ► SEDIMENT AND EROSION CONTROL

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

PanAust recognises that erosion control and sediment management needs to be considered through the entire project lifecycle from land clearing through to closure. The Company's ARD and Sediment Management Committee provides oversight of erosion and sedimentation issues during site selection, design, construction and operation of exploration, project and operational mine sites.

In May 2013, the committee completed an independent review of erosion and sediment control programs at PanAust's operating and exploration sites in Laos. The review found excellent practices at some locations, and identified the need for further work to improve performance across the operations. In response, a Sediment and Erosion Control Standard was developed in 2013 and will be implemented in 2014.

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

During 2013, work continued to be undertaken in planning and implementing sediment and erosion control improvements across the Group. In particular, necessary erosion control works were undertaken and a major sediment control structure was constructed at the KTL Copper-Gold Project in preparation for the 2013 wet season.

### ► CYANIDE MANAGEMENT

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

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

The Ban Houayxai Operation achieved pre-operational Code-compliance certification in January 2012; three months prior to the start of production. In March 2013, Ban Houayxai achieved operational Code-compliance certification. This was well ahead of the ICMI requirement for Code-compliance certification to be achieved within three years of an operation commencing production.

PanAust's audit reports can be viewed on the ICMI website, [www.cyanidecode.org/signatory-company/panaust-limited](http://www.cyanidecode.org/signatory-company/panaust-limited).

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

Of the many elements of Ban Houayxai that were designed and constructed to exceed and improve upon Code requirements, perhaps the most notable is the plant's detoxification circuit. The circuit produces tailings slurry that contains less than the internationally agreed<sup>12</sup> safe level of cyanide for solutions discharged to the environment. As such, prior to leaving the plant and entering the TSF, cyanide levels are already better than international water quality standards to enable discharge of excess water to the environment.

<sup>12</sup> The ICMI and the IFC state that 0.5 milligrams per litre Weak acid Dissociable cyanide is the safe level for solutions discharged from tailings storage facilities into the environment.

Image far left: Environment Assistant, Sith Souththavong, tending seedlings at the Ban Houayxai nursery that will be used in vegetation rehabilitation programs.

This page: Sediment control elements installed in December 2012 at Bohr Thong exploration site (near Phonsavan) included waterway diversion, bamboo matting and hydro seeding shown in the top photo; the lower photo was subsequently taken in October 2013



# ENVIRONMENTAL PERFORMANCE *CONTINUED*

## ► LAND REHABILITATION AND CLOSURE

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

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

Closure planning is considered at all stages of each project's life cycle. Where significant risks are posed by ARD, PanAust's operations are designed to minimise long-term closure risks. PanAust's Group Level Standard for Closure sets out the closure requirements for sites. The intent of this Standard is to develop and then maintain all PBM operational activities that have closure outcomes to a 'good' international standard<sup>13</sup>.

Closure plans are in place for Phu Kham, Ban Houayxai and the Heap Leach Gold Operation. In 2013, the Ban Houayxai closure plan was revised by external consultants, Golder Associates, to incorporate International Cyanide Management Code requirements.

### LAND DISTURBANCE AND REHABILITATION (HECTARES): PHU KHAM, BAN HOUAYXAI\*

	2011	2012	2013
Land disturbed and not yet rehabilitated (opening balance)	1058	1,318	1,378
Land disturbed in reporting year	309	70	25
Land rehabilitated in reporting year	50	10	25
Total land disturbed and not yet rehabilitated (closing balance)	1,317	1,378	1,378

\*Excludes remote drilling activities

PanAust is working with the Government of Laos to establish a joint Rehabilitation and Closure Committee. The aim of the committee is to align the Company's longer term social and rehabilitation programs with community requirements post mine closure.

The linkages between ARD, land management and closure are maturing across PanAust's operations in Laos. As such, the ARD and Sediment Management Committee will be replaced by an Environmental Management Committee which will have a broader scope, including addressing material technical and social closure issues in an integrated forum. A closure specialist will be engaged to advise the Committee and will provide strategic advice for the next round of closure plan updates for PanAust's operations.

Decommissioning of the Heap Leach Gold Operation continued in 2013. The targeted program to improve decontamination of the lower levels of the pad continues to show good results. The process is expected to take several years to complete and, until passive discharge criteria is achieved, the active storage, treatment, discharge and monitoring facilities will remain in place. Extensive monitoring of the downstream river system in 2013 confirmed that excess water discharged in the wet season was within ambient limits.

<sup>13</sup> A 'good' standard is defined as meeting expectations of international industry codes of practice such as the IFC and ICMM, as well as industry self-guidance closure documents from major international mining companies. Further definition of 'good practice' comes from The Post-Mining Alliance ([www.postmining.org/](http://www.postmining.org/)) which considers 'good practice' to be an integrated approach which embraces all stakeholders, including the local community, in decision-making from the earliest stages of mine development, keeps them engaged throughout and plans for closure at the earliest opportunity.

As a result of the updates to the closure plans and ongoing consultation, the closure provisioning calculations were updated for Phu Kham, Ban Houayxai, the exploration function, and the Heap Leach Gold Operation. Information on PanAust's closure provisions is provided on pages 64, 69 and 92 within the notes to the consolidated financial statement in the PanAust 2013 Annual Report. A closure costing standard is under development to support this provisioning process.

## ► ENERGY AND CLIMATE CHANGE

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

PanAust addresses risks and opportunities by considering the physical impacts of climate change within the Company's risk management processes and by establishing appropriate contingency plans to adapt to potential impacts. As an example, mitigation plans are in place to address water risks related to tailings management and the operation of the Phu Kham open pit through appropriate engineering designs, clean and dirty water diversions, detailed site water balances, and pumping and passive water discharge systems for operating during significant rainfall events. Sites are also equipped to monitor for inclement weather and have established triggers to review operational plans in preparation for business continuity during these conditions. Sites are equipped with emergency power supplies and critical part stores and have well-developed emergency response plans for significant rainfall events including contingencies for managing road closures and re-establishing transport routes along the logistics routes. The Company has also improved flexibility on its concentrate logistics routes and port options with the decision to develop a route through Vietnam in addition to Thailand. Insurance programs are in place to reduce risks associated with delays and losses due to natural perils including weather-related events. PanAust is also evaluating options to provide greater flexibility in other aspects of its general supply chain.

Extreme weather events have the potential to impact personnel, production, business continuity and local communities. PanAust will continue to address climate change challenges by minimising business risks, capturing improvement opportunities and taking action to address the physical aspect of climate change with full consideration of the social, environmental and economic value. Managing the physical aspect of climate change provides PanAust with opportunities to demonstrate its position as a company operating in and providing a leadership role in a developing country.

PanAust requires its operating sites to develop an energy and carbon emissions inventory, and to measure progress including regular reporting of results in a transparent manner.

The Phu Kham and Ban Houayxai Operations each use a combination of direct and indirect energy sources to carry out their activities. Diesel provides the major source of direct energy used for mining and concentrate haulage activities. Hydroelectricity is the major source of electricity (provided by external providers) for the processing plants. PanAust is currently supplied by up to six small-to-medium scale hydropower projects in Laos, most of which are run-of-river producing less than 100 megawatts with comparatively small land impacts. Under exceptionally dry conditions, PanAust may be supplied with imported energy from Thailand which supplements the Lao grid from sources other than hydropower.



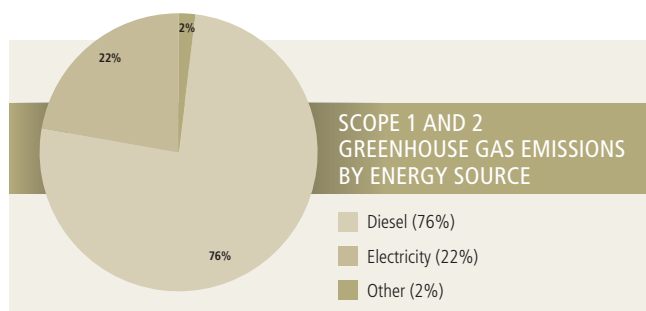
## ENERGY CONSUMPTION# (GIGAJOULES)

MATERIAL	2011	2012	2013
Diesel	2,092,883	* 2,619,652	2,480,192
Electricity	927,090	1,323,776	2,013,407
Petrol	2,476	2,711	1,319
LPG	4,989	6,276	6,498

# 2011 consumption was for Phu Kham only; 2012 and 2013, includes Phu Kham and Ban Houayxai (first full year of production), exploration and corporate offices

\* Note that an error in the 2012 diesel consumption figures was found during the data verification exercise; this error has been corrected

Each year, PanAust reports to the Carbon Disclosure Project (CDP) in relation to its carbon programs and climate change risks (including water) for the Group (including operations and offices in Australia, Laos and Chile). PanAust received a CDP score of 66 (out of 100) for its disclosure in 2013. In 2014, PanAust has commissioned a gap analysis of its disclosures in an effort to provide additional transparency.



Diesel is the major source of energy for PanAust's mining and haulage activities. The Company continues to monitor diesel consumption to identify opportunities for efficiencies including for concentrate haulage activities.

## GREENHOUSE GAS EMISSIONS (TCO-E)\*

GREENHOUSE GAS EMISSION SCOPE#	2011	2012^	2013
Scope 1 (direct greenhouse gas emissions)	147,986	200,000	186,878
Scope 2 (indirect greenhouse gas emissions from the generation of purchased electricity)	25,043	35,931	54,522
Scope 3 (greenhouse gas emissions from the broader project lifecycle including materials used, travel and transport)	109,479	202,122	229,425

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

# 2011 emissions for Phu Kham only; 2012 and 2013 emissions include Ban Houayxai (first full year of production), exploration and offices

^ Note that an error in the 2012 diesel consumption figures was found during the data verification exercise; this error has been corrected and greenhouse gas emissions recalculated

The decrease in scope 1 emissions from 2012 to 2013 is predominantly due to the reduction in diesel consumption at Ban Houayxai as the TSF construction was completed in February 2013 (note that construction of the TSF occurred from late 2011). The increase in Scope 2 and 3 emissions is predominantly due to 2013 being Ban Houayxai's first full year of production.

Concentrate haulage accounts for approximately seven per cent of the carbon inventory at Phu Kham. In 2013, a risk evaluation of concentrate haulage options was undertaken and the decision was made to haul 40 per cent of copper-gold concentrate to a port in Vietnam (instead of to Sriracha in Thailand) which cuts more than 500 kilometres from each haul. This

change in haulage routes resulted in an estimated saving of approximately 3,400 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>-e) or 36,000 gigajoules of fuel. The use of the port in Vietnam results in other indirect energy savings due to the reduction in required shipping distances and provides for improved business continuity in the event of an issue with either route. The Company is targeting an increase in haulage through Vietnam to 66 per cent in 2014, and 80 per cent in 2015 in addition to considering other more direct avenues to direct haul to its Asian customers in the long term.

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

## ► AIR QUALITY EMISSIONS

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

The 2013 materiality review determined that dust continues to be the most common air quality issue of concern to the communities adjacent to PanAust's operating facilities as well as the communities along the transport routes.

Dust at the Phu Kham Operation is generated from activity on haul roads, the ore stockpile, blasting, drilling and excavating operations, and ore dumping at the primary crusher. The communities adjacent to Phu Kham provide ongoing feedback through the grievance mechanism in relation to dust nuisance. PanAust takes community feedback seriously and, in late 2013, an internal dust management forum was established at Phu Kham with the aim of identifying and implementing appropriate dust mitigation measures across the site.

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

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

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

At Phu Kham, a number of new initiatives were introduced or planned in 2013 including the trialling of various dust-suppression agents for application to roads to determine the most suitable agent for site and the design and implementation of engineering-based dust mitigation measures relating to the coarse-ore stockpile.



THE COMPANY'S VISION AND VALUES OUTLINE  
PANAUST'S COMMITMENT TO HEALTH AND SAFETY





# HEALTH AND SAFETY

PanAust's commitment to health and safety is underpinned by the Zero Harm philosophy where all workplace incidents and injuries are considered preventable.

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

PanAust assesses and manages health and safety risks across the Company. Risks are managed through the Safety Management System – consistent with Occupational Health and Safety Advisory Services (OHSAS) 18001 – which includes standards, procedures, training and monitoring plans for each site. In 2013, the bowtie risk assessment methodology was introduced to the Company for high-risk activities and revision to the safety standards for PanAust's Lao operations commenced, including the Permit to Work system which is being revised to more effectively manage risks at the workplace.

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

PanAust requires employees, contractors and visitors to be inducted prior to entering PanAust controlled work sites. Standardised general safety and workplace-specific inductions form part of the induction programs. In addition to induction, the Company runs a number of mandatory core safety training programs as well as specialist training for high-risk activities. PanAust's leaders, from executives to front-line supervisors, participate in Safety Leadership Training. In 2013, approximately 79,000 hours of induction and health, safety and environment training was completed; compared to 56,000 hours completed in 2012. The increase represents the focused efforts to train staff on basic risk management, hazard identification, safety leadership and completing Cardinal Rules refreshers (see page 54 for more information on Cardinal Rules).

PanAust manages fitness for work issues through the Fitness for Work Standard. Each operation has fatigue management procedures and undertakes random drug and alcohol testing. During 2013, a targeted random drug testing program was introduced in Laos that targeted testing 50 per cent of the workforce. Ongoing review of the results is being carried out to identify any emerging drug and alcohol issues across the organisation. PanAust responds to local issues by working with District and Village authorities to promote drug awareness and to educate local communities on the consequences of drug taking both in accordance with host-country laws and the Company's own drug and alcohol policies.

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

PanAust implements its Group-level incident reporting and classification procedure (which complies with the Mineral Council of Australia's guidelines for tracking and reporting health and safety statistics), and also calculates Days Away Restricted or Transferred (DART) in line with guidelines from the United States Occupational Safety and Health Administration. Incidents are categorised according to the level of control the Company can exert.

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

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

## CATEGORIES OF CONTROL

### CONTROLLED

These are work-related activities where PanAust can set safety, health, environmental and community standards and directly supervise and enforce their application. Controlled sites include operational areas, private access roads, exploration base camps, and associated private access roads and drill sites.

### INFLUENCED

Activities external to controlled worksites where PanAust can influence standards but does not provide direct supervision. These activities are generally in public locations where contractors' activity may create some reputational exposure to PanAust, requiring closer attention to ensure standards for conduct and operations are closely aligned with PanAust requirements.

### MONITORED

Activities such as service provision (freight of general 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.

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

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



## HEALTH AND SAFETY *CONTINUED*

While PanAust continues year-on-year improvement in TRIFR, it is recognised that low injury results alone will not prevent future significant incidents.

In 2013, PanAust focused on safety hotspots as well as the development of an action plan to overhaul the Company's contractor management safety standards for controlled and influenced activities. Additionally, the Company worked to improve personnel transport standards across the Group including influencing contractors to implement these standards. By year end, significant progress had been made, including a review of all local contractor capabilities, terminating contracts for those contractors not committed to PanAust's Values, implementing requirements for risk assessment as part of contractor prequalification processes and revising personnel vehicle standards.

### 2011-2013 PANAUST GROUP REPORTABLE INCIDENTS (CONTROLLED WORK SITES)\*

	2011	2012	2013
Working hours (employees and contractors)	16,072,278	19,983,937	16,301,952
Fatal injuries	0	0	0
TRIFR	2.80	2.15	1.72
DART Frequency	0.31	0.55	0.37
LTIFR	0.06	0.15	0.31

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

The Company has a strong reporting culture; INX continues to be implemented and its functionality improved across the Group. To enhance the Company's ability to internally report and analyse trends from data collected, during 2013 there was a focus on further categorising incidents to better understand hotspot areas and develop focused strategies for improvement.

### HEALTH AND SAFETY: MATERIAL ISSUES 2013

The PanAust materiality process identified the main safety challenges for the Company's operations in 2013 as:

- ▶ **VISIBLE SAFETY LEADERSHIP**
- ▶ **CONTRACTOR MANAGEMENT**
- ▶ **VEHICLES AND MOBILE EQUIPMENT (CASE STUDY)**
- ▶ **CARDINAL RULES**
- ▶ **HEALTH AND HYGIENE MANAGEMENT**
- ▶ **SECURITY MANAGEMENT**

Details pertaining to each of these topics follow.

#### ▶ **VISIBLE SAFETY LEADERSHIP**

PanAust recognises that the safety culture of an organisation is shaped by the actions of leaders. In 2013, PanAust continued to focus on visible safety leadership through safety workshops for senior managers, lead indicators and safety hotspot identification and management. In 2013, the visible safety leadership program was completed for 43 Lao-national Supervisors.

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

Building on the supervisor visible leadership training delivered throughout 2013, in December PanAust general managers participated in a SAFEMap Deep Leadership workshop with behavioural safety specialist, SAFEMap President, Corrie Pitzer. Prior to the workshop, 360 degree safety profiles were completed for each general manager to identify their strengths and weaknesses in safety leadership. The workshop provided an opportunity to share profiles, safety leadership strategies and lessons learnt from each manager. In 2014, executives will be involved in developing a Visible Safety Leadership Program for implementation across the group. The program will include rolling out a deep-dive review to be undertaken by operational executives and general managers to test critical controls, safety standards, and processes and procedures of high-risk activities. Each operational executive or general manager is required to complete at least three deep-dive reviews within their area of responsibility during 2014.

PanAust's lead indicator program had a strong focus on hotspot areas in 2013. A detailed review of high-potential (controlled and influenced) incidents was undertaken to identify any incident trends and potentially emerging hotspots. Potential emerging 'hotspots' identified for management in 2013 included vehicles and mobile equipment, drugs and alcohol, and Cardinal Rules compliance. In 2013, each general manager developed action plans to address safety 'hotspots' in their area of the business. Performance against the hotspot areas and other lead indicators is tracked on a monthly basis and linked to all operational employees' and senior management's remuneration and recognition programs.

#### ▶ **CONTRACTOR MANAGEMENT**

PanAust views the development of local contractors as critical to Laos' development goals and its sustainable future. This approach is not without challenges and continues to be a high-risk area for the business. The Company continues to work towards improving the capacity of contractors to operate safely and bridge gaps in performance.

Regrettably, during 2013 four contractors involved in off-site influenced activities lost their lives while working on PanAust's behalf.

- On 3 January, a company contracting to PanAust was transporting their own employees in their own vehicle from a PanAust worksite on a public road when the driver lost control of the vehicle resulting in an incident that included three fatalities.
- On 16 March, a contractor working on the public access road to Phu Kham lost control of the vehicle he was operating, which was supplied by his company, resulting in a single fatality.

These fatalities highlighted that further work and focus was required in the area of contractor management.

Recognising the need for ongoing vigilance, in 2013 PanAust Asia developed a centralised contractor engagement process for its Lao-based operations. To support this centralised system, a Contractor Safety Management Standard was developed and the procedure and evaluation form were reviewed to reflect the more stringent requirements of the standard. The standard requires a safety plan to be provided by the contractor as part of the tender process. Once the contract is approved and work has commenced, the contractor is subject to audits of their facilities and activities. Contractors who meet the PanAust safety expectations maintain their status as a PanAust preferred contractor.

Improvements in contractor management have also been made to the local contractor management pre-qualification processes and standards with a focus given to managing large local contractors. Once fully embedded, additional focus will be required to address smaller local contractors (of lower risk) who do not trigger the centralised contractor engagement process.

## CASE STUDY

# Managing vehicles and mobile equipment hotspots

In early 2013, incident and near-miss data highlighted that there was a significant vehicle and mobile-equipment issue within PanAust's Lao operations. Two vehicle incidents involving contractors undertaking off-site influenced activities on PanAust's behalf resulted in four contractor fatalities. Within the Company's controlled activities, a significant passenger-transport bus incident occurred which could have resulted in significant injuries.

PanAust Managing Director, Gary Stafford recognised that the Company required a focus on strong leadership to improve performance in this hotspot area. As a direct result, the Senior Management Taskforce for Significant Incidents was established. The taskforce provides oversight in the review of significant incident investigations (including vehicle incidents) and the implementation of recommendations across the business. Key actions included the preparation of contractor management action plans by Executive Managers (and the linking of performance to remuneration and benefits), and the commissioning of two external specialists to review passenger vehicle safety (including specifications) and driver training respectively. In addition, a review of PanAust's road safety initiatives for concentrate haulage – which is viewed as an area of excellence – was undertaken to identify potential lessons learnt that could be applied to personnel movement activities.

Each general manager prepared a vehicle hotspot action plan with the main aim of reducing potential Level 3 consequence vehicle incidents within the controlled and influenced workforce. At the end of the year, data showed a 45 per cent reduction in the number of vehicle incidents, decreasing from 198 in 2012, to 109 during 2013.

A review of the existing personnel transport vehicles in Laos was undertaken by George Rechnitzer and Associates, an independent road and vehicle safety expert consultancy group from Australia. The review provided an assessment of the general mechanical

safety of vehicles (in particular design of critical systems such as brakes and steering), classification of each vehicle with reference to international vehicle rating systems, where available, as well as the level of passenger protection. The report provided recommendations in relation to: vehicle modifications for increased protection of passengers; alternative vehicles that provide 'five-star' ANCAP ratings; and specific vehicle models that could be more appropriate for different duties. The recommendations are being reviewed across the business and agreed actions will be implemented from 2014.

In terms of driver training, PanAust commissioned Safe Drive Training (Aust) Pty Ltd to review PanAust's driver training requirements and driving procedures for personnel transport within Laos. As a result of this review, a driver trainer role was established in the Laos operations. The driver trainer will mentor and coach drivers en-route as part of the drivers' ongoing training and development.

A number of initiatives have also been implemented across the business. In relation to the concentrate haulage fleet, which significantly increased its controlled work activities in 2013, a number of initiatives to increase GPS monitoring and daily speed reports in Laos were introduced. The number and resourcing of driver reviver stations was improved and CCTV cameras were installed in the driver camp to monitor driver movements. Many of the initiatives deployed in concentrate haulage are being incorporated into the Personnel Transport Standard.

To enhance passenger transport safety, a trial of in-vehicle monitoring systems including GPS and dashboard cameras is being undertaken. At Phu Kham, trials have been undertaken into collision avoidance systems and fatigue management systems in addition to improving on-shift nap stations.



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



GPS monitoring and recording tracks personnel and haulage vehicles along transport routes from Phu Kham and Ban Houayxai to Vientiane and the haulage route from Phu Kham to the ports in Thailand and Vietnam, thereby enabling driver anomalies to be identified and managed in real-time

## HEALTH AND SAFETY *CONTINUED*

### ► CARDINAL RULES

PanAust's Cardinal Rules are a set of clear and simple safety instructions with which all employees must comply at all times. The rules were first developed in 2009 to provide clear expectations on PanAust's requirements for particular high-risk activities that have been found to cause serious injury or fatalities within the mining industry. PanAust Cardinal Rules are stated on page 63 of PanAust's *2011 Sustainability Report* or on page 8 of the first edition (November 2013) of *The PanAust Way*; both publications are available on the PanAust website, [www.panaust.com.au](http://www.panaust.com.au).

In 2013, PanAust developed a suite of icons and posters (in English, Lao and Spanish) for each Cardinal Rule. The icons and posters, together with awareness presentations form part of an ongoing campaign to continually raise awareness of the Cardinal Rules and their key role in the safety and wellbeing of the workforce.

At the Ban Houayxai Operation, Cardinal Rules risk registers have been developed. The registers detail the areas on site where the rule is applicable and the specific management measures associated with that area to ensure Cardinal Rule compliance.



An icon for each of PanAust's Cardinal Rules was developed in 2013 and forms the basis for ongoing Group-wide awareness raising communication material

### ► HEALTH AND HYGIENE MANAGEMENT

Health risks faced by PanAust employees include fatigue as well as occupational exposure to dust, fumes, heat and noise.

In late 2012, occupational health and hygiene (OHH) monitoring programs were implemented at the Phu Kham and Ban Houayxai Operations. Dedicated site-based OHH personnel run the programs and in 2013, the OHH laboratory at Phu Kham was further developed to support the program.

In 2013, bilingual procedures were developed to support the program and intensive training of the OHH team was undertaken. Specific technical training within the OHH laboratory and in the field was completed.

In addition to scheduled monitoring activities, the OHH team prioritised programs in 2013, to address improvements in food hygiene on operational sites and contractor camps in addition to ventilation and engineering improvements to reduce exposures of dust and lead to employees working in the Phu Kham laboratory. Alternative hearing-protection trials and occupational noise mapping were completed across PanAust's Lao operations and exploration sites. The noise mapping used GPS and GIS-based mapping systems to indicate hotspot noise areas for the demarcation of mandatory hearing protection zones.

Based on the success of the OHH program in 2013 and the identification of occupational health and hygiene needs elsewhere in the business, the OHH team in 2014 will be further developed as a regional resource for the Company's other workplaces in Asia.

### UNEXPLODED ORDNANCE

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

UXO is not prevalent at the Phu Kham Operation, and there is a reasonably low-level presence at Ban Houayxai. At Phonsavan, the presence of UXO is much higher and requires stringent clearance procedures to be adopted prior to working in the field. People required to work in these areas undertake a comprehensive UXO-specific induction. The Company engages an accredited UXO detection and removal contractor, Milsearch, to undertake clearance work in advance of any activity on previously un-cleared ground. Teams locate, identify and, where required, destroy any UXOs.



## ► SECURITY MANAGEMENT

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

Due to PanAust's operations being located in the Xaysomboun District, the Company is required by the Government of Laos to have a Lao People's Army (LPA) presence to ensure regional security and stability. Laos is, at this point in time, the only country in which PanAust has security personnel assigned to its operations. The Company works closely with the LPA under strict standards observed through a Memorandum of Understanding and Company-provided induction to ensure an appropriate security presence external to the perimeter of its active working areas.

In 2013, PanAust joined the Voluntary Principles on Security and Human Rights (VPs). The PanAust Sustainability Policy has been revised to reflect this commitment and a Memorandum of Understanding has also been established between the Company and the LPA which outlines the Company's alignment with the Voluntary Principles on Security and Human Rights. As a member, PanAust is required to participate in the annual plenary meeting of the VPs with other signatories and to report on progress in implementation through an annual report. PanAust will conduct an audit to measure compliance to principles and will provide annual refresher training in the VPs to all public and private security providers used by PanAust and its subsidiaries.

Significant consultation and planning was undertaken with local communities to minimise any need for displacement. Identification of any social and community impacts are initially identified through Social and Environment Impact Assessment processes and management plans.

Strong stakeholder engagement programs are in place with each level of Government and with local communities in the districts where PanAust has an operating presence. Meetings are held on a monthly and quarterly basis. Monthly meetings are held between site security personnel and local village leaders to discuss local security issues or grievances that may exist and quarterly meetings are held with Provincial Commanders from the LPA. The process is supported by the Company's grievance management procedure.

Risk registers are maintained and periodically reviewed by operating sites and security functions. Incorporated into the risk management process is a module that assesses human rights impacts against the 1948 Declaration of Human Rights across operating sites. The risk assessments consider, among other factors, the potential for human rights violations, Rules of Law, conflict analysis and the provision of equipment to public and private security providers servicing PanAust operating sites. Risk assessments provide the foundation for developing appropriate Company security standards as well as training requirements and contractual arrangements with private and public security providers.

Loss Prevention staff, including Lao Security Services, receive training in the following areas: use of force, Voluntary Principles on Security and Human Rights, site security procedures, foot patrol, methods of restraint, person and vehicle search, and crowd control.

No significant security incidents affecting PanAust personnel or operations were recorded for 2013.

In 2013, the risk registers indicated a very low potential for any human rights violations and there were no human rights incidents or violations including for those associated with discrimination, child labour, forced labour, freedom of association, or for indigenous people within the Company or among its activities.

## USE OF FORCE

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

As noted above, PanAust is a member of the Voluntary Principles on Security and Human Rights. The Company provides clear guidance in *The PanAust Way* and associated procedures to manage the human rights aspects of security at its operations and projects. PanAust employees and business partners are expected to uphold and demonstrate a commitment to human rights and report any credible allegations of human rights abuses through line management or, if this is not appropriate, through the Company's Whistleblower Service (see page 17). Contracts for engaging public and private security providers outline PanAust's requirements in relation to International Law Enforcement Principles and the Use of Force on Company sites. This includes the ability to screen and remove from operating sites any person found to be in breach of PanAust's requirements.

The Company is required to have members of the LPA present for certain activities as well as the Lao Police for any police investigations. By the nature of their roles and the laws of Laos, personnel from both of these agencies carry firearms. PanAust also employs private security guards to perform an unarmed access control and static security function across the Phu Kham and Ban Houayxai Operations. All security personnel are trained in use of force requirements, and in ensuring that the use is relevant to the level of threat posed.

A signed Memorandum of Understanding has been established between the Company and the LPA which outlines PanAust's alignment with the Voluntary Principles on Security and Human Rights and further outlines the Company's 'use of force' expectations while the LPA are supporting selected operational activities. Prior to being utilised in a supporting function, members of the LPA undergo an induction program which covers the areas of safety, use of force as it relates to the laws of Laos, and key components of the Voluntary Principles on Security and Human Rights. Policies and procedures are in place to regulate the carriage of firearms on site, and the functions in which the LPA is used.

PANAUST SEEKS HIGH PERFORMANCE OUTCOMES IN ALL ASPECTS  
OF ITS BUSINESS INCLUDING INDIVIDUAL EMPLOYEE PERFORMANCE



# OUR PEOPLE

PanAust values the contribution of employees and provides an environment where people can work productively and effectively while progressing personal growth and individual development. A strategic human resources (HR) framework comprising six core components aligns employees to the Company's Vision, Values, goals and objectives. These components are: employee health and wellbeing; remuneration and benefits; recruitment; training and development; organisational development; and HR systems.

An Employee Policy guides PanAust's management of its people. The Policy provides a reference for an integrated set of HR standards and processes, and guides the way work is undertaken within the Company. In addition to this policy, an enhanced code of conduct, *The PanAust Way*, was introduced in 2013 to further align employee conduct with PanAust's Values. Both the Employee Policy and *The PanAust Way* help employees understand their responsibilities and the Company's expectations of employee behaviour when working for PanAust.

## WORKFORCE NUMBERS: FULL-TIME EMPLOYEES BY WORK LOCATION

	2011	2012	2013
Laos	3,312	3,239	3,533
Chile	13	19	50
Thailand	9	3	3
Australia	39	56	57
<b>Total</b>	<b>3,373</b>	<b>3,317</b>	<b>3,643</b>

As at 31 December 2013, the PanAust Group had 3,643 employees. During 2013, PanAust's workforce in Laos increased nine per cent primarily as a result of insourcing concentrate haulage and site asset protection activities previously provided by third-party contractors. In addition, the PanAust Asia business unit created a number of new entry roles which included 40 new trade apprentices. In Chile, workforce numbers increased to 50 due to insourcing exploration support activities at Inca de Oro and Carmen. Employee numbers in Brisbane and Thailand remained relatively constant.

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

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

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

## VOLUNTARY TURNOVER IN 2013

PanAust's group voluntary turnover statistics showed a decrease in 2013 from 2012 in both Asia and South America however rates in Australia increased. The Company undertakes research on turnover on an annual basis including carrying out exit interviews with departing employees. The results of this research have helped PanAust identify and understand the factors that influence decisions to leave and have guided changes to policies and practices that influence turnover rates.

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

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

## OUR PEOPLE: MATERIAL ISSUES 2013

The PanAust materiality process identified the main workforce challenges and opportunities for HR operations and activities in 2013 as:

### ► EMPLOYEE ENGAGEMENT

### ► WORKPLACE DIVERSITY

### ► DEVELOPMENT AND TRAINING

Details pertaining to each of these topics follow.

### ► EMPLOYEE ENGAGEMENT

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

In 2013, PanAust embarked on a project to understand the level of engagement of its employees in order to determine the drivers within the Company which would allow engagement to be maximised and turnover to be minimised. Central to this project was the undertaking of an Employee Engagement Survey to gauge employee engagement successes, issues and opportunities for improvement. Data from the survey will be used to assist senior executives in identifying and making recommendations to improve employee engagement and/or enhancing current programs to better support employee engagement and organisational advocacy.



## OUR PEOPLE *CONTINUED*

The survey, internally named *Your Say*, was conducted across each PanAust region and made accessible to all employees. Participation in *Your Say* was voluntary; it was available in local languages both online and via paper-based format. Additional support was provided to those employees with low levels of literacy to help them understand survey questions and intent. The survey asked 88 questions in regards to 17 broad employee engagement topics. Each topic was carefully selected to enable PanAust results to be benchmarked with other companies and norms both within and external to the resources industry, on a domestic and global basis. These topics were:

1. Strategy and direction
2. Senior leadership
3. Immediate supervisor
4. Working relationships
5. Training and career development
6. Recognition and reward
7. Retention
8. Job satisfaction
9. Company Values
10. Organisation structure
11. Work/life balance and workload
12. Safety
13. Survey follow-up
14. Diversity
15. Environment and sustainability
16. Communication

Seventy per cent of the total PanAust workforce participated in the survey. The data collected from the survey was compiled and analysed in late 2013 with results available to PanAust management and employees in early 2014. Workshops and focus groups will be held in 2014 to review the survey results and to identify trends, issues and opportunities for positive improvements in employee engagement, and action plans will be developed to crystallise opportunities. PanAust intends to undertake the same survey at least every three years to understand whether initiatives identified and implemented are having a positive impact. Further information on results and actions will be provided in PanAust's *2014 Sustainability Report*.

### ► **WORKPLACE DIVERSITY**

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

In 2013, specific diversity objectives, existing employee programs and commitments to external agencies continued momentum from the previous year to support, promote and engage more Lao-nationals and females at all levels of the organisation.

PanAust continued to underpin diversity in Laos with tailored Mentoring Programs (see page 61). Under the program, senior PanAust managers and executives mentor high-potential Lao-national employees, including the three most senior Lao female employees in the Company. These programs provide an avenue for valuable professional experience to be transferred between mentors and mentees and support the development of effective management skills. In addition to mentoring programs, a focus during 2013 was to accelerate Lao female senior supervisors through the Company's in-house leadership development program. All female senior supervisors had either fully completed the program or substantially completed the program by the end of the year.

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

## EMPLOYEE AWARDS PROGRAM



PanAust has an Employee Awards Program to reward and promote outstanding contributions to safety, environment, community, leadership, teamwork, training, and production. Award winners are recognised in a ceremony, participate in a study tour to best-practice mines in Southeast Asia and Australia, attend the PanAust Annual General Meeting in Australia (in May each year), and receive a cash prize. The program fosters a culture of continual business, professional and individual improvement, and promotes activities reflective of PanAust's Values and which are critical to the Company's success. The photo above shows the fifth annual Employee Award winners (for 2013) at a gala dinner and ceremony held in Vientiane for all nominees and their families.

### WORKFORCE STATISTICS YEAR ENDING 31 DECEMBER 2013

	2011	2012	2013
PanAust Group total full-time employees (permanent and fixed-term contract arrangements)	3,373	3,317	3,643
Phu Bia Mining total full-time employees (permanent and fixed-term)	3,312	3,239	3,533
Female employees as a percentage of all PanAust Group employees	15%	16%	16%
Lao employees as a percentage of all Phu Bia Mining employees in Laos (permanent, fixed-term and casual)	84%	87%	88%
Expatriate employees as a percentage of all Phu Bia Mining employees in Laos (permanent, fixed-term and casual)	18%	13%	12%
Number of casual Lao employees	421	463	485

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

Within PanAust's Lao-based workforce at year end 2013 (3,533), 567 were women (16 per cent) with 19 in management roles, 70 in supervisory/professional roles, and 82 in operator-type roles typically filled by males.

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

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

At 31 December 2013, of the total full-time workforce in Laos, 3,045 were Lao nationals; 345 were expatriates from Papua New Guinea and Southeast Asian countries such as Thailand, The Philippines, Malaysia, and Indonesia; and 143 were expatriates from 'western' countries such as Australia, New Zealand, the United States and several European nations.

PANAUST'S DIVERSITY STANDARD SETS OUT THE PROCESSES TO ENSURE EQUAL OPPORTUNITY AND NON-DISCRIMINATION ACCORDING TO GENDER, AGE, RELIGION AND ETHNICITY





## OUR PEOPLE *CONTINUED*

### DIVERSITY COMMITTEE

The PanAust Diversity Committee continued to operate in 2013. The committee reports to the Managing Director and monitors the performance of the PanAust Group with respect to diversity. In 2013, the committee discharged its responsibility to implement the objectives adopted by the Board and to generate new initiatives for consideration. Throughout the year, the Diversity Committee itself had a diverse membership with reference to gender and ethnicity. Several measurable diversity objectives across the PanAust Group were achieved in 2013 including the following.

- Incorporated a Diversity Education Program into the induction program for all new employees.
- In 95 per cent of recruitment actions, PanAust interviewed at least one woman candidate (the goal is to interview at least one female candidate who meets the key minimum selection criteria for the position).
- Maintained two women non-executive Directors on the Board of PanAust.
- Undertook first analysis of 'remuneration by gender' based on position classification levels.

In the Lao context the following diversity objectives were achieved in 2013.

- Implemented a formal mentoring program for future Lao senior Company leaders with 19 employees participating in the pilot program.
- All Lao women employees at senior officer, superintendent or senior adviser level completed (or are in the process of completing) the PanAust Asia Leadership Development Program (the target for 2013 was 50 per cent)
- Completed a review of all expatriate roles and identification of localisation opportunities and formulated development plans.
- Continued provision of technical trades training, scholarship and graduate programs and the Company has entered into an arrangement with an external education provider to offer a new entry-level program targeting career pathways for Lao women school leavers in 2014.

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

### ► DEVELOPMENT AND TRAINING

PanAust's people development strategy focuses on continual learning that supports ongoing skills development through on-the-job experiences and targeted training. These activities are essential in preparing employees to meet the professional requirements of their role, enable organisation readiness for growth and to build a sustainable workforce. PanAust has established programs to ensure the development of a sustainable pipeline of future talent which includes skills training, personal development programs and learning support initiatives.

Company training is provided both internally and in conjunction with a wide range of partners to ensure PanAust meets the needs of: all employees, timeframes within which training is required and the geographic nature of its business. Paramount to the annual training plan is compliance and competency training which is undertaken by employees in relevant roles to ensure each is skilled to perform their role safely and competently. This training also ensures employees are aware of their personal and Company obligations to appropriate workplace, safety and environment standards, as well as industry and international standards. In addition to compliance and competency training, technical enhancement training is also available for employees to explore contemporary technical ideas and concepts to build upon their existing technical knowledge. All training at PanAust incorporates leading-edge approaches and is delivered via face-to-face learning and/or online e-learning tools.

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

In parallel with PanAust's training and development programs, the Company has also established initiatives to guide and encourage employees in attaining development goals. As noted above, the Company's Mentoring Program provides employees (mentees) with access to experienced and knowledgeable existing senior employees (mentors) within PanAust who can help them achieve individual and business-desired development outcomes. Both mentors (currently 19) and mentees (currently 15) are trained in the mentoring process and an external coach provides guidance to mentors to help maximise success of the program.

### TRAINING DELIVERY

Training delivered by Phu Bia Mining in-house specialists and training partners in 2013 totalled 333,680 hours, averaging 72 hours of training per employee for the year. The total hours of training is an increase on 2012 (253,881 hours) due to continued ramp-up for the Ban Houayxai Operation and an increase in the range of training modules offered. Areas of significant training investment were in mine operations training (101,010 hours, 30 per cent of total training hours), safety and induction training (75,323 hours, 22 per cent of total training hours), trades and engineering training (99,561 hours, 30 per cent of total training hours), and professional and leadership development (17,893 hours, 5 per cent of total training hours).

### LEADERSHIP DEVELOPMENT

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

## OUR PEOPLE *CONTINUED*

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

In 2013, a group of 40 employees completed the Leadership Development Program designed for front line supervisors. All 40 were Lao-national employees and this builds on the 20 graduates from 2012. A further 44 employees are at various stages of the course and due for graduation in 2014. During a one-year training timeframe, each program participant completes more than 200 hours of structured training and post-course assignments, including Safety Leadership Training.

One externally facilitated development workshop for managers and high-potential superintendents was conducted in Australia during 2013 and was attended by 17 employees (14 manager-level employees and three superintendent-level employees). The workshop content focused on developing skills to be effective at a manager level including strategic thinking and long-term decision making. The program involves the participation of PanAust senior executives who provide initial strategy setting and context and assist with program assessments such as case-study presentations. In addition to the manager-level workshop, seven managers or high-potential superintendents also attended external programs conducted by the Melbourne Business School (Mt Eliza).

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

### GRADUATE DEVELOPMENT

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

In 2013, a group of 14 graduates completed the program (this follows 2012's 16 graduates) which included two female graduates. All 14 of the 2013 graduates were offered permanent roles within the Company. Also in 2013, an intake of 10 graduates, including three females, commenced the program and are due to complete it in 2015.

### TECHNICAL TRADES TRAINING PROGRAM

The Phu Bia Mining Trades Training Program underwent a transition in 2013 from a two-year technical trades training program to a five-year apprenticeship program conducted in partnership with the Lao-German Technical College in Vientiane, Laos. This change was made in response to a recent review of trades training which concluded that a more comprehensive and targeted program was required to address a general shortage of qualified tradespeople within Laos and to generate a pool of appropriately qualified candidates for the Company.

In 2013, 40 apprentices commenced the new program in Laos including seven female apprentices; female applicants were specifically targeted. Apprentices attend twelve months of pre-apprentice vocational training before entering the four-year apprenticeship program in a specific trade. The pre-apprentice training prepares students for the main program by teaching basic trade skills such as using hand tools, power tools, measuring tools and measuring techniques. It also exposes students to the industrial concepts of safety and workplace housekeeping as well as enhancing existing English language and mathematics knowledge. During the one-year pre-apprentice program, students complete blocks of site work-experience to give them the opportunity to assess the various trade disciplines available to help them select a specific trade vocation for the main four-year program. A further intake of 37 apprentices commenced in early 2014, again including seven females.

Also in 2013, 33 trade trainees from the original 2011 program were awarded Lao trade certificates after successfully completing final assessments at the Lao-German Technical College. These trainees had already undergone two years of technical trade instruction along with one year of work experience.

## CASE STUDY

# PanAust partnering with a Lao educational institution for technical trades training program

PanAust, through Phu Bia Mining in Laos, commenced a new Trades Training Program in 2013 which replaced the previous common trade two-year program with an enhanced five-year apprenticeship program. This change reflects PanAust's commitment to develop a skilled local workforce, reducing the reliance on expatriates and underpinning the skills growth required within the mining and heavy industries sector in Laos.

Forty students commenced the program in early 2013 with a further 37 expected to commence in 2014. The program is delivered in partnership with the Lao-German Technical College in Vientiane and is designed to take Lao-nationals with no previous experience in a maintenance trade, and train and develop them to be fully competent tradespeople who can safely and effectively maintain equipment such as Caterpillar 777D haul trucks, dozers, excavators and all associated plant and equipment. College facilities are used to host the practical and theoretical aspects of the training modules, while PanAust's own training specialists deliver them. The Company has helped improve College facilities and equipment with the long-term aim of enabling the College to fully administer the program in the future. PanAust trainers are, therefore, also training, developing and mentoring College staff with the objective of the school being able to deliver the training independently within five years.

The program is the first of its kind in Laos where a private company has partnered with a Lao tertiary institution to provide world-class training. The success of the program has been recognised by the Government of Laos. Representatives from the Office of the President recently visited the College to better understand the partnering arrangement, with a view to encouraging replication of the arrangement elsewhere in Laos.

The partnership has multiple flow-on benefits. The College benefits through improvements to its physical facilities and technical expertise, as well as expansion of its curriculum. PanAust is helping develop the institution to enable it to provide technical trades training to mining and other industries potentially beyond the life of the Company's own mines; a truly positive legacy for Laos' sustainable future.

PanAust is benefiting through a supply of qualified tradespeople without having had to develop and build training facilities from the ground up. Furthermore and most importantly, the lives of students and their families are forever transformed through the development of in-demand skills culminating in a trade qualification, jobs, and the shared economic and social benefits of a salary, job security and long-term career prospects.

The program comprises one year of pre-apprentice vocational training followed by a four-year apprenticeship in a specific trade namely: mobile mechanical and electrical, fixed-plant mechanical and electrical, along with welding and fabrication. The majority of apprentices have been recruited from villages close to the Phu Kham and Ban Houayxai Operations. PanAust supports each apprentice with travel, board and expenses.

One of the female apprentices, Ms Malee Yang was interviewed to better understand her impressions of the program so far and what her involvement has meant for her and her family.

### HOW HAS THE PROGRAM BENEFITED YOU?

Ms Yang: *It has allowed me to gain a specific trade skill while at the same time learning a foreign language, English, which is very useful in Laos. Involvement in the apprentice program is good for my future career as I receive a regular salary and the Company also gives me insurance and other benefits.*

### WHAT IMPROVEMENTS HAS THE PROGRAM PROVIDED FOR YOUR FAMILY/YOUR FUTURE?

Ms Yang: *Being involved in this program has benefited my family a lot. They can now have a better life from sharing in the salary I receive. I send most of my money back to my family and this has helped them a lot every month. In addition the program has improved me professionally; I now accept responsibility for how I go about the work assigned to me. I look at ways in which I can assist people in my team, and it has improved my understanding of working safely.*

### WHAT ARE YOU CURRENTLY LEARNING?

Ms Yang: *We do both technical practical training as well as the theory. Each day, we also have an English-language class and a class in maths. I have learnt how to work in a team and we are always taught about doing things safely.*

### WHY WERE YOU ATTRACTED TO PARTICIPATING IN THE TRADES TRAINING PROGRAM?

Ms Yang: *I thought this would make my life and my family life better and allow me the opportunity to get a job after graduating. It also provides me with a good salary and other benefits like insurance that I would have otherwise not had.*



Apprentices with Phu Bia Mining trainer during a practical class of Engine Component Familiarisation



Maintenance Trades Apprentice, Ms Malee Yang



# CONSEQUENCE TABLE

LEVEL		HEALTH & SAFETY	ENVIRONMENTAL	SOCIAL	
1	SLIGHT	First Aid Injury, minor health impacts	Slight/temporary impact on environment, corrected in less than one day; any amount contained within design requirements without additional impact; or minor less than 50 litre non-acutely hazardous spill or emission on-site 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 less than 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 requiring less than 2 weeks remediation; impacts on biophysical environment, managed locally; loss of non-endangered flora/fauna including aquatic life (more than one hectare or fauna replaceable or compensable but at a cost); any amount greater than 500 litres contained within area already impacted by mining; quickly contained and corrected hazardous spills or emission on-site 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 US\$5million; loss of endangered/highly regarded flora/fauna including aquatic life; significant contaminant outside containment but on mine site; non-acutely hazardous spill (5000-15,000 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 greater than US\$5million; significant loss of endangered/highly regarded flora/fauna including aquatic life; acutely hazardous spill or equivalent emission onsite or offsite	Complete breakdown of relationship with key stakeholders; sustained negative media coverage on a national international level; cessation or severe restriction of operations; public outrage	

	SECURITY	REGULATORY	PRODUCTION	FINANCIAL US\$
	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 less than six hours from one mine department or financial losses as per the financial value indicated to the right	\$1 to \$20,000
	Repeated/multiple minor breakdown of property security controls; recoverable without further escalation	Infrequent exceedence of regulatory obligations and/or expectations resulting in a decrease in regulatory authority tolerance and/or an increase in reporting requirements	From six hours' to one day's production loss from one mine department or financial costs/loss as per the financial value indicated to the right	\$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 on a fine or censure	From six hours' to one day's total production loss or costs/loss as per the financial value indicated to the right	\$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 one day to seven days' total production loss from one or all departments or costs/loss as per the financial value indicated to the right	\$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	More than seven days total production loss or costs/loss as per the financial value indicated to the right	More than \$5,000,000

# ASSURANCE STATEMENT



## Beca Independent Assurance Report to PanAust

Beca Pty Limited (Beca) was engaged by PanAust to provide independent limited assurance of its Sustainability Report 2013 to the scope of work outlined below.

### Scope of Work

The Sustainability Report 2013 (the Report) covers PanAust's operations for the 12 months to 31 December 2013, unless stated otherwise in the text. This work was performed using Beca's assurance methodology to ISAE 3000, the International Standard on Assurance Engagements for assurance engagements other than audits or review of historical financial information. To do this, Beca conducted an independent review of PanAust's materiality process and findings and interviewed key personnel in the business to determine the datasets to be assured. Beca then interviewed a number of personnel and reviewed relevant data and documentation at PanAust's offices in Brisbane and Vientiane and the majority of PanAust's operations, namely the Phu Kham and Ban Houayxai operations in Laos. The subject matter for the limited assurance consisted of the three elements below for the following six datasets: operational waste water discharged, energy consumption and Scope 1 and 2 greenhouse gas (GHG) emissions (reasonable assurance was undertaken for this indicator), total recordable injury frequency rate (TRIFR), gender diversity including percentage of women in the workforce, conduct (including bribery and corruption), and grievances:

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance information in the Report.
- Validity of the self-declared GRI G3 A+ Application Level.

### Beca's Independence

PanAust was responsible for preparing the Report. Beca, one of the largest employee-owned engineering and related consultancy groups in Asia Pacific, was established in 1918, has more than 2,500 employees and 17 offices across the region. The Beca team of assurance auditors, experienced in the determination of materiality and the assurance of sustainability data, led by Jo Cain, was responsible for expressing assurance conclusions in line with the scope of work agreed with PanAust. During 2013, Beca did not work with PanAust on other consulting engagements.

### Our Conclusion

**Beca concludes that, based on the scope of work and related limitations, for the specified subject matter, PanAust's Sustainability Report 2013:**

- Provides a balanced representation of the material issues concerning PanAust
- Reports accurate performance information based on the limitations outlined above
- Satisfies the requirements of the self-declared GRI G3 A+ Application Level

**for the 12 months to 31 December 2013. In addition, Beca has provided a management report to PanAust.**

### Key Observations

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

- **Data owners:** PanAust personnel demonstrated a good understanding of the data, the reporting process and the importance of assurance, in particular the environmental team.
- **Gender diversity:** Data for additional gender diversity indicators is collated by PanAust for ongoing management, going beyond requirements in this area.
- **Data collation:** A robust data collation process is in place from site level, to the Vientiane office, to Brisbane head office.

Beca identified two material areas for improvement relating to grievances and energy consumption data. During the assurance process, PanAust fully addressed these data discrepancies and developed processes to improve the collection and management of these datasets going forward.

Beca congratulates PanAust on its continued commitment to sustainability reporting.

A stylized, handwritten-style signature of the word "Beca" in a dark blue color.

Beca Pty Limited, 19 May 2014, Melbourne, Australia

Beca Pty Limited is an independent employee-owned engineering and related consultancy services group in the Asia Pacific region. Beca has prepared this statement for PanAust in accordance with Beca's standard terms and the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Beca as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Beca will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Beca's express written permission.



## 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.

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

**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.

**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.

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

**ENDURING VALUE** is the Australian Minerals Council 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.

**THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)** aims to strengthen governance by improving transparency and accountability in the extractives sector through the verification and full publication of company payments and government revenues from oil, gas and mining in resource-rich countries.

**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) use to measure and report their performance in sustainability.

**HAZARD** a physical condition or situation that creates or increases the chance of an incident occurring.

**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 exceedences, 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 judgement.

**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.

**INTERNATIONAL CYANIDE MANAGEMENT INSTITUTE (ICMI)** 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 consist 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 (IMIUI)** is recognised as one of the world's leading mining industry underwriters and is a Lloyd's of London syndicate.

**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.

**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 the 2,600 square-kilometre Phu Bia Contract Area in Laos.

**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 international industry that is safe, profitable, innovative, environmentally and socially responsible, attuned to community needs and expectations.

**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.

## GLOSSARY CONTINUED

**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.

**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.

**PRECAUTIONARY PRINCIPLE (OR PRECAUTIONARY APPROACH)** states that if an action or a policy has a suspected risk of causing harm to the public or to the environment, in the absence of scientific consensus that the action of policy is harmful, the burden of proof that it is not harmful falls on those taking the action. The principle implies that there is a responsibility to protect the public from exposure to harm when scientific investigation has found a plausible risk. These protections can be relaxed only if further scientific findings emerge that provide sound evidence that no harm will result. In some legal systems, the precautionary principle is also a general and compulsory principle of law.

**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.

**SIGNIFICANT INCIDENT** is an actual reportable significant/material incident from the 'controlled' category of Level 4 and 5 impact from the PanAust Consequence Table. A potential reportable significant/material incident is an incident or near-miss from the 'controlled' category that could have, under slightly different circumstances, resulted in an impact of Level 4 or 5 from the PanAust Consequence Table.

**TAILINGS STORAGE FACILITY (TSF)** an engineered impound for the storage of waste rock (tailings) remaining after the mining and onsite processing of minerals.

**UNEXPLODED ORDNANCE (UXO)** are 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.

**VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS** are a set of principles developed by the governments of the United States, the United Kingdom, the Netherlands, Norway, Canada, Colombia, and Switzerland; companies in the extractive and energy sectors; and non-government organisations. Participants recognise the importance of promoting and protecting human rights and the construction role business can play in advancing human rights goals (visit [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org)).

**WASTEWATER 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.

### MEASUREMENTS

**CUBIC METRES (m<sup>3</sup>)** is the volume of a cube with edges one metre in length.

**HECTARE (ha)** 10,000 square metres.

**MEGALITRE (ML)** 1,000,000 litres.

**MEGAWATT (MW)** 1,000,000 (106) Watts.

**MILLION CUBIC METRES (Mm<sup>3</sup>)** measures the volume for a million cubic metres.

**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.

**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.

**TONNE (t)** 1,000 kilograms.

### INJURY DEFINITIONS

**FATAL INJURY (FI)** an injury that results in death.

**FIRST AID INJURY (FAI)** a minor work-related injury, which, after first-aid treatment, the worker returns to normal duties before the start of the next scheduled shift.

**LOST TIME INJURY (LTI)** a work-related injury that results in a minimum of one full shift's absence.

**MEDICAL TREATMENT INJURY (MTI)** an injury requiring medical treatment but allows the person to return to normal duties on or before the start of the next scheduled shift.

**NON-WORK RELATED INJURY (MWRI)** an injury or illness that present symptoms at work, but are solely a result of non-work related events or exposure.

**RESTRICTED WORK INJURY (RWI)** an injury requiring the worker to abstain from all of his/her normal work duties, or to work a shorter than normal shift.

### RATE DEFINITIONS FOR THE CALENDAR YEAR

**DAYS AWAY, RESTRICTED OR TRANSFERRED (DART)** is the sum of RWIs and LTIs for the twelve months, divided by the number of man hours, multiplied by a million, divided by the number of man hours worked over the last twelve months.

$$[(RWIs + LTIs) \text{ for past 12 months} \times 1,000,000] / \text{man hours worked in past 12 months}$$

**FATAL INJURY FREQUENCY RATE (FIFR)** is calculated as the number of FIs for the past 12 months, divided by the number of man hours worked in the past 12 months, multiplied by one million to two decimal places.

$$(FIs \text{ for past 12 months} \times 1,000,000) / \text{hours worked for the past 12 months}$$

**LOST TIME INJURY FREQUENCY RATE (LTIFR)** is calculated as the number of LTIs for the past twelve months divided by the number of man hours worked, multiplied by one million to two decimal places.

$$(LTIs \text{ for past twelve months} \times 1,000,000) / \text{man hours worked in past 12 months}$$

**SEVERITY RATE (SR)** the average number of days lost per one million hours worked.

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

**TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)** is calculated as the number of LTIs, RWIs and MTIs for the past 12 months multiplied by one million, divided by the number of man hours worked over the past 12 months. This indicator does not include first aid treatment of a routine nature.

$$[(LTIs + RWIs + MTIs) \text{ for the past 12 months} \times 1,000,000] / \text{man hours worked for past 12 months}$$

# FEEDBACK

## PROVIDE FEEDBACK ON THIS REPORT

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To request further information about this Report and or any of the content within it, email [info@panaust.com.au](mailto:info@panaust.com.au) or telephone +61 7 3117 2000.

## FORWARD-LOOKING STATEMENTS

This document includes certain 'Forward-Looking Statements'. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast production performances, potential mineralisation, resources and reserves, and future expansion plans and development objectives of PanAust Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.





**PANAUST**

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#### Stock Exchange Listing

PanAust Limited shares are listed on  
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ASX Code: PNA

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