



Sustainability Report 2009

partners for
the future

Company Profile

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

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

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

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

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

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

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

Corporate Structure in Laos

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

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

Corporate Structure in Thailand

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

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

Corporate Structure in Chile

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

Cover photography from left to right: Nengchue Pauengkue working at the trial vegetable plot at Phu Kham. Pontoon pumps at Phu Kham provide processing water. Environment Assistant, Miss Ai, tends to 'Mai Som-Phaat' seedlings at the Phu Kham nursery. Primary school students in the new school building in Nam Mo Village.

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Report Scope

This is PanAust's fourth annual Sustainability Report. It provides information about the Company's sustainability performance for the calendar year 2009, with some references to the first quarter of 2010 where available and appropriate.

The report conforms to the Company's commitment to the Minerals Council of Australia's Enduring Value – the Australian Minerals Industry Framework for Sustainable Development.

The target audience for the report is PanAust's stakeholders (see page 27 – Stakeholder Engagement for a definition).

GRI Reporting

PanAust is reporting on a self-declared with third party verification basis to meet the reporting requirements of the Global Reporting Initiative (GRI) Application Level B (Third Party Checked). With the exception of financial and employee-related information, and unless otherwise stated, the GRI indicators do not include exploration programs, support offices in Laos or PanAust's corporate office in Brisbane, Australia. Data are generally aggregated to the corporate level, recognising that the Company's principal activity is the Phu Kham Copper-Gold Operation in Laos. All GRI indicators are reported at 100 per cent of their value. (PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining with the balance held by the Government of Laos). The data are determined through measurements following GRI protocols, where possible. To avoid errors of transposition, data are entered directly by site staff into an electronic intranet-based corporate reporting system.

About Materiality

The GRI describes the scope of materiality: "The information in a report should cover topics and indicators that reflect the organisation's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of stakeholders."

To provide this information, PanAust relies on its company-wide risk management process and its accompanying consequence table for recording negative incidents (see the Consequence Table on page 66).

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

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

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

Throughout this report incidents are referred to by their consequence levels. Readers should refer to the consequence table for descriptions of each level.

Opposite: Lao sunset.

Changes/Restatements

In 2009, PanAust amended its health and safety statistical reporting convention, through the addition of the Fatal Injury Frequency Rate (FIFR) to bring it into line with the Minerals Council of Australia's (MCA) guidelines. The statistics reported in the Company's 2008 Sustainability Report have been restated in this report in accordance with the new convention. The number and extent of injuries upon which the 2008 statistics are based have not changed.

With the commissioning of the Company's first significant operation, the Phu Kham Copper-Gold Operation in April 2008, the Company can now report data over a two-year production period. In PanAust's 2010 Sustainability Report, further data will be incorporated to provide a more substantive view of performance trends over a three-year period.

Currency

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

Forward-Looking Statements

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

GRI Application Level B (Third Party Checked).
Refer to www.panaust.com.au for GRI table.





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

Vision and Values

Vision

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

PanAust will outperform its competitors through:

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

Values

- **High performance outcomes** in all that we do
 - Our employees are performance-focused with clear task definition, measurement and accountability. We constantly seek to improve performance and are committed to supporting employee development. Individual results and merit form the basis for performance-based pay and promotion.
- **Respect for people**
 - Respect through our commitment to our employees' health and safety through our Zero Harm safety objectives and treating employees with consistency and fairness.
 - Respect for the environment through best practice environmental performance that reflects the expectations of the communities in which we operate and promotes an internal culture of environmental and social awareness.
 - Respect in the way we manage our daily business activities for the people and cultures of our host countries.
- **Integrity** in all of our dealings with employees, communities, government, suppliers and shareholders.
- **Excellence in communications** with all stakeholders but especially with our employees. We seek fair, honest and transparent dealings with our employees and stakeholders through open, two-way communication.
- Recruitment of **high-calibre people**, recognising the key to our success will be leaders who earn the authority of their position by gaining the respect of their team. We offer an encouraging and stimulating work environment, providing the necessary individual training and development to enable all employees to operate effectively.
- **Alignment of employees** to company objectives through good leadership and systems that drive the right behaviour.



Opposite: Mining Supervisor, Bounsy Phommathep on site with Senior Mining Supervisor, Brian Aurthurs.

Left: 'Mai Pang' seedlings – a local tree variety – at the Phu Kham Copper-Gold Operation nursery.



Chairman and Managing Director's Review

Dear Stakeholder,

We are pleased to introduce our theme for the 2009 Sustainability Report: **'Partners for the Future'**. This theme reflects our determination to build on the strong relationships we have developed with the stakeholders that have supported PanAust through the most challenging of times.

PanAust continues to pursue leading practice in sustainability and has committed to progress towards external assurance in line with the Global Reporting Initiative (GRI) and assurance standard AA1000 or ISAE3000. As a result, this 2009 Report will undergo an external pre-assurance review to lay the foundations for an externally verified Sustainability Report for 2010.

2009 in Review

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

The backdrop for the Company's maturation into a profitable and sustainable business was the most severe credit squeeze and downturn in equity and commodity prices in living memory. In order to manage and alleviate the risks presented by the global financial crisis, PanAust's balance sheet was strengthened through a series of successful capital raisings. By the end of 2009, commodity prices had largely recovered and PanAust was a profitable mining company with a strong balance sheet and a pipeline of projects to support future growth.

In March 2010, the Company announced two significant growth initiatives:

- i. The Board of PanAust approved the development of the Ban Houayxai Gold-Silver Project in Laos for a total capital cost of circa \$150 million. The successful feasibility study was based on an open pit mining operation feeding ore to a conventional four million tonnes per annum (Mtpa) Carbon In Leach (CIL) process plant to produce over 100,000oz of gold and 700,000oz of silver per annum.
- ii. PanAust made a binding offer to Codelco, the world's largest copper company, to acquire a majority interest in the Inca de Oro Copper-Gold Project in Chile. The Board of Codelco has passed a resolution recommending the acceptance of PanAust's offer. Under Chilean law, the offer is subject to approval by Presidential Decree. The pending acquisition of a controlling interest in Inca de Oro in Chile will underpin a new growth initiative to build a sustainable mining business in South America.

Our Partnership with Laos and Our Contribution to the Lao Economy

The success of Phu Kham and the progress to early stage development of Ban Houayxai will support the near-term growth of the business in Laos. By any measure, PanAust is a major investor in Laos employing approximately 1,400 Lao nationals and contributing around 10 per cent of the nation's gross domestic product.

Opposite: Seedlings at the Phu Kham Copper-Gold Operation nursery.

Below: Garry Hounsell (left) Chairman, Non-Executive Director. Gary Stafford (right) Managing Director.



We recognise that the growth in our economic significance has increased the expectations on the Company to:

- contribute to regional infrastructure improvements; and
- enhance its already strong relationships with local communities and all levels of government.

To this end, in Laos the Company has:

- increased its capital expenditure on regional road improvements;
- maintained its annual funding of community development projects;
- initiated the micro-financing of local businesses; and
- strengthened its External Affairs Department. We are working with the government to improve the capacity of government departments to independently review the sustainability performance of the Company's operations.

Developing the Competency of Local Contractors in Laos

PanAust has long understood the risks of engaging local contractors with little or no prior large-scale mining experience. However, for certain tasks and functions, contractors represent the optimum business solution. Accordingly, PanAust has placed a greater emphasis on developing the management, operating and safety systems of local contractors through a collaborative approach to contractor management. Success with this strategy will have a two-fold benefit: local contractors will develop into reliable and competent partners for PanAust; and, those partners will become a significant and welcome addition to the diversity and competency of the local business environment, leading to increased local participation in other major development projects.

Regrettably, and despite our efforts to change the safety culture of local contractors, there were three contractor fatalities during the year associated with our operations in Laos. One occurred at a lay-down area set aside for a contractor at the Phu Kham Operation and a further two occurred on the public road between the mine site and the capital, Vientiane.

The Company extends its sincere sympathy to the families, colleagues and friends of these people.

The Company's increased endeavours to accelerate health and safety capacity building within its contractor base, to achieve its Zero Harm objective in 2010, are presented in this report. We developed a Contractor Management Plan in September 2009, and its implementation has been our highest priority. We are pleased to report that a second round of comprehensive contractor audits indicated a significant improvement in their safety systems and performance.

Our Adherence to Zero Harm Management Philosophy

The Company's approach to Zero Harm is a key objective to continual improvement of PanAust's sustainability performance. This report outlines the Company's approach and how it defines and reports on materiality. Now that Phu Kham is in its second year of operation, for the first time the Company can report on performance trends.

During 2009 there was one Lost Time Injury (LTI) in Laos. This excellent performance corresponded to a Group LTI Frequency Rate of 0.25, which is well below MCA averages (for 2007/08) for the Australian Opencut Metalliferous mining industry average LTI Frequency Rate of 1.8.

Our Conformance to International Standards

The annual external audit to check for conformance of the Phu Kham Operation with International Finance Corporation (IFC) Performance Standards was conducted in July 2009. The subsequent report identified four critical areas for improvement:

- i. risk management;
- ii. the creation of specialist safety roles;
- iii. occupational health and hygiene; and
- iv. water management at the Phu Kham Heap Leach Gold Operation.

The first two critical areas were addressed during the second half of 2009 and progress has been made on item iii. With respect to item iv, additional controls were put in place to address the water management issue at the Heap Leach Gold Operation, and any residual risks will be removed with its imminent closure in 2010.

PanAust has made substantial progress in the development of its risk management policies and procedures. This included the development of a risk management system based on ISO – AS/NZS 31000. The risk management strategy is underpinned by comprehensive registers developed for all operating departments and projects to identify risk and mitigation measures.

We have established a range of sustainability objectives for 2010 and beyond. Among other initiatives, we will be consolidating our risk management process, expanding our sustainability auditing both internally and externally, and undertaking baseline work on our energy use.

Developing Our People

During 2009, we re-focused the training and development programs for our Lao employees with the objective of increasing the localisation of the workforce through reducing reliance on expatriate employees to fill skilled and management positions. In 2009, 70 hours of training per Lao employee per year at the Phu Kham Operation were devoted to training.

The Heap Leach Gold Operation commenced in 2005 and was based on the mining and processing of gold oxide ore overlaying the much larger copper-gold deposit. The Heap Leach Operation was the Company's first exposure to operations and proved an excellent base for developing management systems and training our Lao employees. We are pleased to advise that all of the employees at the Heap Leach Operation will be transferred to other positions at the Phu Kham Copper-Gold Operation or Ban Houayxai Gold-Silver Project.

2010 Best Community Development Initiative Award

We are extremely proud that our employees and partners in sustainability initiatives and management are starting to receive the recognition they deserve for their efforts. This was highlighted by the Company receiving the 2010 Best Community Development Initiative Award at the Asia Mining Congress in Singapore. The award recognised the Company's Livelihood Improvement Program within the communities around the Phu Kham Operation and was judged by a highly distinguished panel from the IFC, Centre for Social Responsibility in Mining – The University of Queensland, and the International Council on Mining and Metals (ICMM).

Looking Ahead

Although we are delighted to receive a positive endorsement of our approach to sustainability management, we recognise that there is always room for improvement and this report is as much about identifying areas for improvement as it is about identifying where we have outperformed compared with industry norm and social expectations.


We congratulate management and our employees in all areas of the business for their enthusiastic application to the tasks in hand and for their leadership and achievements over the past year.



Chairman, Garry Hounsell



Managing Director, Gary Stafford



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

Operational Performance

Operating Results for the Year

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

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

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

During 2009, the London Metals Exchange's (LME) three-month forward copper price rose from a low of \$2,935/t (\$1.33/lb) at the beginning of the year to \$7,377/t (\$3.35/lb) at 31 December 2009. The average price received for copper for 2009 was \$5,223 (\$2.37/lb) after hedging.

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

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

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

Please refer to PanAust's 2009 Annual Report for a more comprehensive review of the Company's statutory accounts.

Phu Kham Copper-Gold Operation

Production Statistics		
Phu Kham Operations	12 months to 31 Dec 2009	Budget
Ore milled	11,025,914t	13,004,333t
Copper head grade	0.77%	0.76%
Gold head grade	0.33g/t	0.30g/t
Silver head grade	4.05g/t	2.93g/t
Concentrate produced	227,063dmt	289,114dmt
Copper in concentrate	54,019t	72,278t
Gold in concentrate	43,099oz	54,893oz
Silver in concentrate	440,306oz	398,429oz
Gold in doré (Heap Leach)	13,660oz	13,649oz

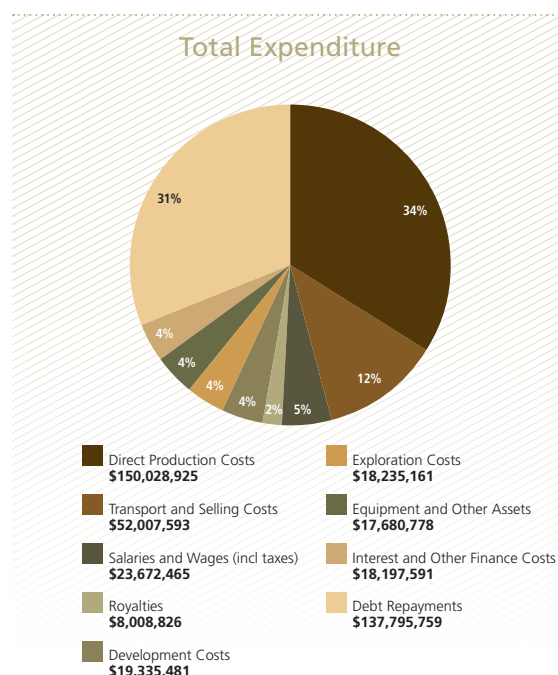
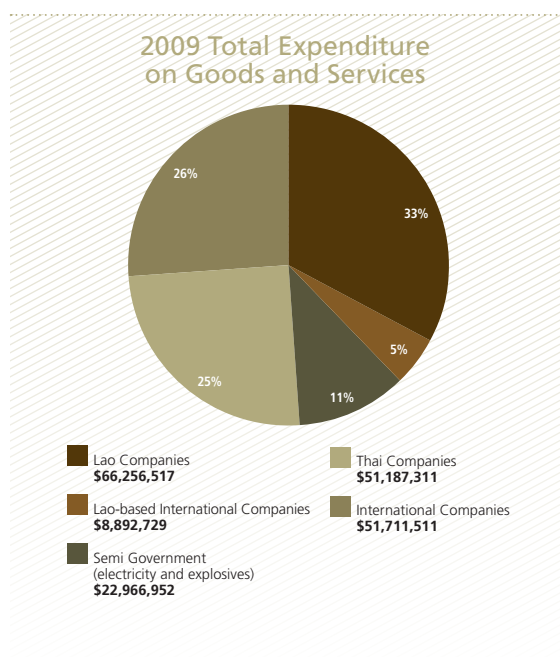
Opposite: The crusher at Phu Kham Copper-Gold Operation.

Below: Shutdown Supervisor Phu Kham Copper-Gold Operation, Miguel Villamor.



Economic Benefit

The Company's contribution in Laos is summarised below:



Government of Laos Direct Economic Benefit

Benefits	2008	2009
Personal income tax	2,999,878	2,232,304
Customs excise	Nil	210,061
Income tax*	Nil	Nil
Royalties	3,948,728	8,008,826
Concession fees	58,994	58,916
Business turnover tax**	Nil	1,756,557
Total	\$7,007,600	\$12,266,664

* Expect taxable status in Q4 - 2010

** One-off tax on utilities/fuel in 2009

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

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

13,660oz of gold in doré by-product was produced from the Phu Kham Heap Leach Gold Operation.

The average C1¹ cash cost for the year was \$0.97/lb copper after precious metal credits, placing Phu Kham in a competitive position on the global copper mine cost

curve. Sales of concentrate for the year were approximately 231,850 dmt containing 55,000t of copper, 45,400oz of gold and 449,250oz of silver.

In March 2010, the Board of PanAust approved the development of the Ban Houayxai Gold-Silver Project, which is designed to produce, on average, more than 100,000oz of gold per year and 700,000oz of silver per year over a mine life of eight years at target cash cost of between \$400/oz and \$450/oz gold after silver credits (adopting 2010 costs and at silver prices of between \$17/oz and \$13/oz respectively). Resource development drilling has already identified the potential to extend the mineralisation and the aim is to increase the mine life to over 10 years.

Mining and Processing

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

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

Process plant enhancements were implemented throughout 2009 and will continue during 2010.

Resource Extension Drilling

During 2009, infill drilling in the south pit area at Phu Kham confirmed the presence of broad zones of copper-gold mineralisation up to 150 metres beneath the previous open-pit design. At the start of copper-gold operations in 2008, Phu Kham had a predicted mine life of just over 13 years. It is anticipated that the successful drilling in 2009 will support an increase in the ore reserve and an expansion of the Phu Kham process plant during 2012.

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

Phu Kham Heap Leach Gold Operation

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

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

As signatories of the International Cyanide Management Code (ICMC), the experience of working towards compliance significantly improved the way the Company purchased, transported, stored and handled cyanide. Significant investment in systems, infrastructure and resources were allocated to upgrade the Heap Leach Operation in line with the requirements of the ICMC.

In addition, safety and environmental training was undertaken with the workforce as well as cyanide awareness training with neighbouring communities in 2009.

Golder Associates undertook a review of progress towards ICMC compliance in 2008, and by 2008 year end the operation had achieved 78 per cent compliance.

Given the Heap Leach Operation was due to close in the first half of 2010, through a careful risk assessment, the Company decided further expenditure to achieve full compliance was not warranted. The Company's experience in developing systems aimed at conforming to the requirements of the code will provide considerable assistance with the development and operation of the Ban Houayxai Gold-Silver Project. Work has already commenced on incorporating ICMC's standards into initial design and construction activities. The Company has retained its ICMC signatory status for the Ban Houayxai Gold-Silver Project.

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

¹C1 Brook Hunt convention for reporting direct cash costs comprising: mine site, concentrate transportation and freight, treatment and refining charges and marketing costs. Based on payable copper in concentrate produced.

2010 Targets

During 2010, PanAust will commence declaring its sustainability performance against externally verifiable targets.

The table on the opposite page highlights those targets that best demonstrate the Company's commitment to Zero Harm and continual improvement in sustainability performance including zero Level 4 or 5 material incidents as defined under the Consequence Table. The Company will strive to achieve a balanced scorecard of 'lead and lag' indicators that show forward-looking and past-performance trends respectively.

In line with the commitment to Zero Harm, targets have been set for zero where that has been achieved or is considered to be achievable. Where more work is required, improvement targets have been established. As outlined on page 3 – Report Scope, PanAust expresses materiality as any event that results in a Level 4 or 5 incident from the Consequence Table. This includes a range of categories including health and safety, environmental, social, security, regulatory, production and financial (see the Consequence Table on page 66).

In 2009, three material incidents were reported in the health and safety category resulting from the deaths of three Lao contractors associated with the Company's activities.

The target for 2010 is zero Level 4 or 5 incidents across all categories. Corporate and operational sustainability targets are linked to the Company's performance reward program for all employees, including executives.

The Company's 2010 target for Lost Time Injuries (LTI) is 0.30. This consists of an estimated 10 million hours at 0.25 for existing operations and a further 1-1.5 million hours attributed to the project development at Ban Houayxai at the industry construction benchmark of 0.50.

Below: Hauling ore from the pit to the crusher at Phu Kham Copper-Gold Operation.



PanAust 2010 Targets (includes over-arching regional and operational targets)

Zero Harm Targets (assumes 'controlled and influenced' activities unless stated otherwise)	
PanAust	Zero Levels 4 (high) and 5 (extreme) incidents
Reduction or Improvement Targets	
PanAust	< 0.30 LTIFR rate
PanAust	Reduce Level 3 (medium) Environment Incidents by 33% from 3 to 2
PanAust	Reduce TRIFR by 15% from 3.85 to 3.27
Phu Kham	Improve annual IFC-based audit score >75% (currently 71%)
Phu Bia Mining	Achieve 80% close out of actions against incidents
Phu Bia Mining	Achieve 90% implementation of Contractor Management Plan
Strategic Priorities and Continual Improvement Objectives	
PanAust	Achieve GRI B (With Assurance) Reporting Level for 2010 Sustainability Report
PanAust	Implement Cardinal Rules fully across the Group*
PanAust	Implement Incident Cause Analysis Method (ICAM) program with 12 trained investigators as per requirements of the Incident Reporting Procedure
PanAust	Roll out revised Crisis Management Plan across the Group
Phu Kham	Undertake baseline Carbon Footprint Analysis
Phu Kham	Complete sealing in all villages on the Ban Thouay to Phu Kham access road
Phu Kham	Assist the Government of Laos with the establishment of the Water Resources Environment Agency environmental monitoring unit
Phu Kham	Undertake baseline Occupational Health and Safety Management Standard (OHSMS) 18001 external audit
Phu Bia Mining	Receive Government of Laos agreement to Community Development Fund (CDF) expenditure plan and revised implementation procedures

* Cardinal Rules for safety are being developed to completely eradicate behaviours that may result in serious injuries or fatalities.



*PanAust is committed to achieving
best practice corporate governance.*

Governance

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

PanAust's commitment to Corporate Social Responsibility (CSR) is underpinned by a range of policies relating to health and safety, environment, community and employee relations.

PanAust has adopted a Vision and Values statement which provides the ethical foundation for how the Company conducts its business. The statement is available on the Company's web site and on page 5 of this report. Within this framework, the Board and Management have a responsibility to carry out their functions in order to maximise the financial performance of the PanAust Group. The Company has not and will not make inappropriate payments or give inappropriate inducements in the conduct of its business. Phu Bia Mining employees receive training that explicitly addresses these issues in the Phu Bia Mining Code of Conduct as part of their induction.

The Company is a signatory to the Australian Minerals Industry Framework for Sustainable Development – Enduring Values which aligns with global industry initiatives such as the International Council on Mining and Metals (ICMM) Sustainable Development Framework Principles.

The Company has adopted a Sustainability Policy which is available on the Company's web site. The policy is put into practice through sustainability standards and management systems consistent with international standards and guidelines. All work units within the Company – from the corporate office to exploration, operations to closure activities – are, or will be, internally audited against these sustainability standards and annual improvement targets will be set based on areas for action prioritised by risk exposure.

Phu Bia Mining is governed by the MEPA with the Government of Laos. This agreement stipulates the operating requirements for Phu Bia Mining for both exploration and mining. Through the offices of Phu Bia Mining's External Affairs Department in Vientiane, regular communication is maintained with the government regulatory authorities who are responsible for overseeing compliance with the agreement. Periodic internal performance benchmarking is undertaken against the MEPA requirements.

In PanAust's 2009 Annual Report, the Company provided a detailed corporate governance statement. This statement details the Company's compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's best practice recommendations. To the extent that the Company departs from the recommendations, the reasons for the departure are explained in the statement.

Mechanisms for Shareholders and Employees to Provide Recommendations to the Board

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

As an Australian-incorporated company, PanAust must comply with the Corporations Act 2001. This Act provides a process whereby shareholders constituting at least five per cent of the votes 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 AGM also provides an opportunity for shareholders to ask questions of the Directors and to make comments. The Board has worked hard to develop a culture which encourages shareholder feedback. The Company's web site provides an opportunity for this to be done online. In addition, the Company has open lines of communication with its shareholders, including the dedication of investor relations and communications staff to answer any questions from shareholders on a day-to-day basis.

The Company has a number of mechanisms for employees and external stakeholders to raise concerns about any material 'wrong doings' occurring in the organisation. The Company is yet to develop a formal whistleblowers policy and complaint system.

There are a number of formal processes, such as the fair treatment process as well as informal avenues that allow employees and various stakeholders, including members of the Lao community, to directly interact with the Board as demonstrated by the Board's extensive visit to Laos in October 2009. Given the size of the Company and the level of interaction possible, these processes are considered appropriate at this time.

Opposite: Managing Director, Gary Stafford, and Process Superintendent, Roger Boston, inspecting the process plant at Phu Kham.

Board Composition and Controls

In accordance with the ASX Council's corporate governance guidelines:

- A majority of the directors are independent.
- The positions of Chairman and Managing Director are held by different persons, and the Chairman is independent.
- The Board has established a number of committees. Other than the Nominations Committee and the Audit Committee, these are comprised entirely of Independent Directors. The Audit Committee has a majority of Independent Directors. The Nominations Committee currently comprises the Chairman (who is independent) and the Managing Director.
- There is a process in place for Directors to seek independent professional advice at the Company's expense.
- Directors do not receive compensation based on performance. However, a strict performance review process exists to monitor and correct any deficiencies in performance including sustainability performance.
- Directors must declare any interests that may result in a conflict of interest. In a situation where a conflict arises at a Board meeting, the relevant Director must not vote on the resolution. The Director may also be required to absent themselves during deliberation on the matter in question.

The status of each Director is detailed in the table below.

Board member	Position	Date appointed	Committee function/s	Status
Garry Hounsell	Chairman and Non-Executive Director	1 July 2008	Chairman of the Remuneration Committee and the Nominations Committee	Independent
Gary Stafford	Managing Director	7 Mar 1996	Member of the Nominations Committee	Executive Director
Nerolie Withnall	Non-Executive Director	21 May 1996	Chairman of the Audit Committee and a member of the Remuneration Committee	Independent
Andrew Daley	Non-Executive Director	3 Aug 2004	Member of the Audit Committee	Independent
Geoffrey Handley	Non-Executive Director	29 Sept 2006	Chairman of the Sustainability Committee and was a member of the Audit Committee until 27 August 2008	Independent
Geoffrey Billard	Non-Executive Director	1 July 2008	Member of the Sustainability Committee and Remuneration Committee	Independent
Zezhong Li	Non-Executive Director	18 Sept 2009	Member of the Audit Committee since 4 December 2009	Nominee of Guangdong Rising Assets Management (GRAM)

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

Sustainability Committee

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

- Environmental, community, occupational health, 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 on a regular basis in relation to the discharge of its responsibilities. During 2009, the Sustainability Committee met in February, June, August, and December. In October, the Sustainability Committee visited Laos and Thailand to become familiar with the Company's sustainability activities through observing and questioning management, employees and community stakeholders.

The General Manager, Human Resources and Sustainability, oversees the integration of sustainability throughout the organisation, including the establishment of Company-wide and operation-specific sustainability targets and objectives for 2010. The organisational chart on page 20 highlights the resources associated with delivering key sustainability activities.

External Standards, Principles and Guidelines

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

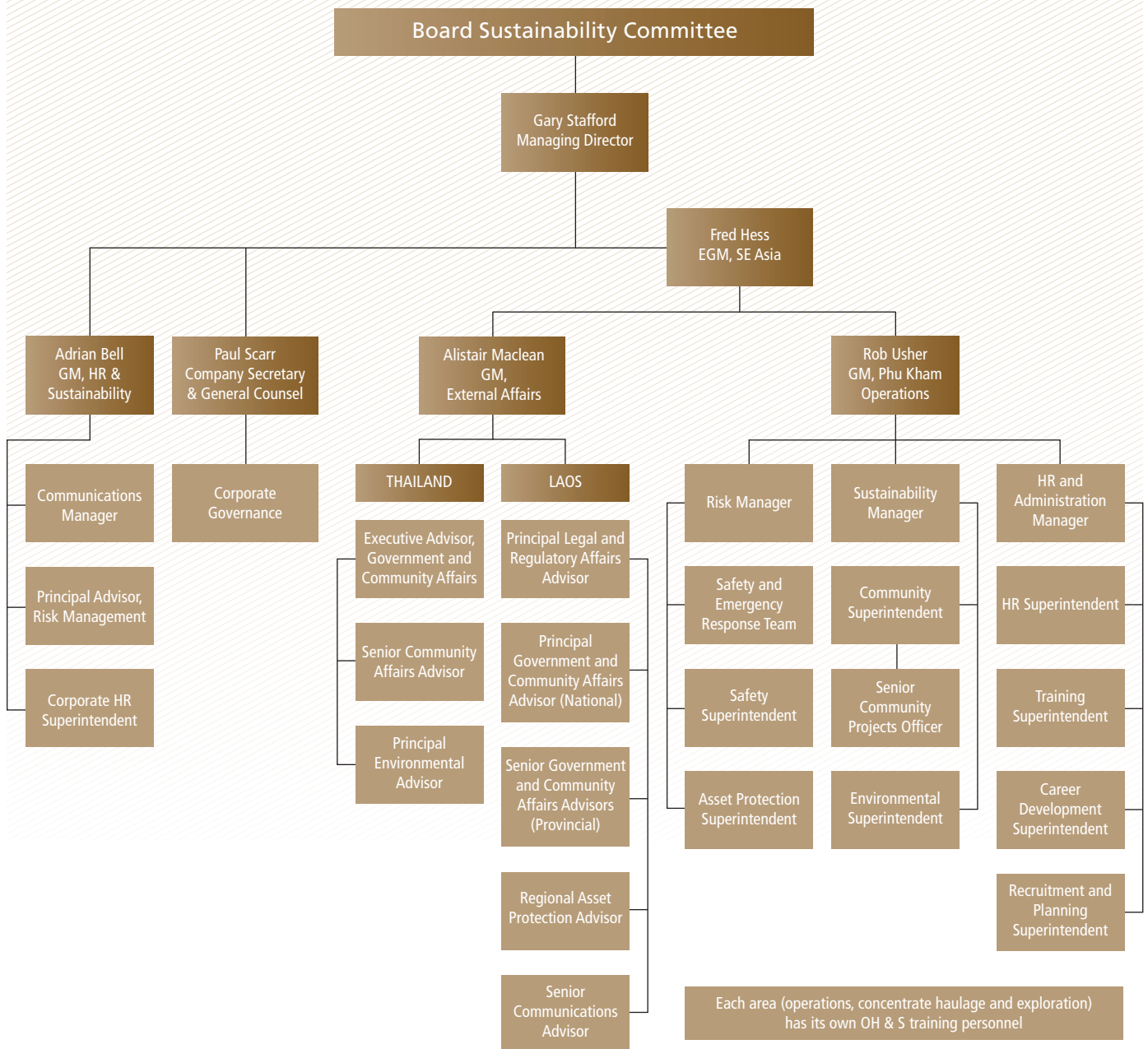
- The International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability for operating projects.
www.ifc.org
- The ASX's Corporate Governance Principles and Recommendations.
www.asx.com.au
- Enduring Value – the Australian Minerals Industry Framework for Sustainable Development
www.minerals.org.au/enduringvalue, incorporates global industrial sustainability initiatives and provides guidance on the ICMM Sustainable Development Framework Principles.
www.icmm.com
- As an Associate Member of the Minerals Council of Australia (MCA), PanAust has committed to apply operational standards globally that are consistent with Australian operational standards, while accommodating variations as a result of cultural, geographical or environmental circumstances in Laos and Thailand.

- ICMM Policy on Climate Change. PanAust is seeking to align with this policy by carrying out a baseline carbon footprint of its activities at Phu Kham in 2010.
www.icmm.com/climatechange/policy
- International Cyanide Management Code (ICMC) a voluntary industry program for the gold mining industry that promotes the responsible use of cyanide in gold mining. PanAust is a signatory to this code for its Ban Houayxai Gold-Silver Project.
www.cyanidecode.org
- GRI sustainability reporting framework and guidelines. PanAust has reported the GRI indicators that are material to its business as determined through its risk management approach and feedback from stakeholders.
www.globalreporting.org

Below: PanAust Board inspecting the Heap Leach Gold Operation. The operation ceased production during the wet season and the heaps were covered to mitigate risks of uncontrolled discharge. The operation closed in early 2010.



Sustainability Organisational Chart



Support Systems

• INX – Event Management System

• Aurion – HR Payroll System

• Integrated Management System

• Policy and Standards

Internal Management Systems and Processes

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

Risk Management

In 2009, a more extensive Enterprise Risk Management approach was adopted to address findings of an IFC Performance Standards external audit that identified an inconsistent application of risk management strategies across operational sites.

The approach is underpinned by the Company's Risk Management Guideline that conforms with the International Standards Organisation AS/NZS ISO 31000 Standard on Risk Management, ASX Corporate Governance Principles and Recommendations – Principle 7, and the Company's Sustainability Standard 4 – Risk and Change Management, and Principle 15 of the Rio Declaration – Precautionary Approach.

The approach strives for:

- simplicity – avoidance of unnecessarily complicated processes
- uniformity – a single group-wide process based on a single uniform set of tools
- clear ownership – risk registers for each operating department and for each special project that take account of all supporting risk processes falling within their operational area (for example, audits, studies, technical reviews, plans and inspections)
- short interval reviews – strictly applied monthly reviews for all high risks and quarterly reviews of registers
- capture and address high-consequence/low-probability events in operational areas to ensure the precautionary approach recognises the potential of the area.
- clear identification of materiality – the level of significance that is reflected in Levels 4 and 5 of the Consequence Table on page 66.

The implementation plan required 75 per cent of all operational registers to be completed by the end of 2009, and the balance finalised by the end of the first quarter 2010. The 2009 target was achieved and the first full review of registers is scheduled for the end of the first quarter of 2010. Across a range of low, medium and high risk, 48 high risks were identified. All high risks require monthly review and reporting. To date, the three areas of risk that have been identified as material or potentially material are contractor management, mobile equipment and surface water management. They are receiving special attention.

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

The external audit against IFC Performance Standards planned for 2010 will measure the Company's improvement in risk management. An internal audit process will begin tracking compliance against the Company's Risk Management Guideline and Standard in 2010.

Sustainability Standards

- In 2009, PanAust released its sustainability standards (see PanAust's Sustainability Standards – 'The 14 Elements' over the page) to be applied across all operations. An internal benchmarking audit against the sustainability standards for the Phu Kham Operations was completed in the third quarter 2009. Most notable deficiencies were found in compliance with the following standards: Suppliers and Contractors; Risk and Change Management; and, Leadership and Accountability. A dedicated resource was employed in late 2009 to address the contractor management issues and coordinate comprehensive audits of the 10 major contractors against the Company's contractor management standards. Actions are also well underway to address the deficiencies in risk and change management and leadership and accountability.
- In 2010, the Company will commence assessing the sustainability performance of: the Phonsavan and Ban Phonxai exploration projects; the Ban Houayxai Project; and the Project Implementation Department.

PanAust's Sustainability Standards (The 14 Elements)

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

Auditing and Benchmarking

Operational performance is regularly audited against the Company's sustainability standards and external commitments. Some audits are carried out internally and some with external auditors. The main external audits and benchmarking studies that took place in 2009 include:

Audit against IFC Performance Standards

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

Verification of the status of non-conformances raised in the 2008 Environmental and Social Audit was carried out. Good progress was made in closing out the majority of audit actions, contributing to a 2009 audit score of 71 per cent, an eight per cent improvement from 63 per cent in 2008. The audit revealed that the Phu Bia Mining management team was able to demonstrate improvement in systems and operational processes. The four findings identified as 'critical findings', where Phu Bia Mining was considered to not have established systems or processes in accordance with the IFC Performance Standards, are summarised in the opposite column.

Actions have been undertaken to address these findings and the 2010 audit will determine progress against the following:

- inconsistent application of risk management processes across sites*
- no cover for some specialist safety positions*
- there was no formal occupational health and hygiene plan and no systematic occupational health and hygiene monitoring program established.*
- a higher level of risk (of non-compliant discharge) at the start of the wet season due to storage limitations and low-river flows at the Heap Leach Gold Operation.* KASA commented that procedural controls are well established and implemented at the Heap Leach Gold Operation. However, the design of the pond arrangement provides a higher level of risk at the start of the wet season due to storage limitations and low river levels. Although controls were put in place to address KASA's concern, any residual risk will be removed with the closure of the Heap Leach Gold Operation in 2010.

Insurance Audit

- The principal audit for operational risk was undertaken by the International Mining Industry Underwriters (IMIUI). The exposure lies within the moderate range and is on a par with the mining industry worldwide. An action plan of improvements is being developed following the main audit in December 2009.

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

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

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

The Company is currently undertaking a cost benefit analysis to determine the requirements for this. However, it would be unusual for a company of PanAust's size, given the cost, to undertake such a purchase particularly as it has been acknowledged below by the insurer that our maintenance practices are amongst the best in the world.

Tailings Storage Facility and Acid Rock Drainage

- Quarterly design and construction reviews were undertaken by Knight Piesold, designer of the Tailings Storage Facility (TSF). This is supported by an annual audit by Golder Associates. In December 2009, during routine inspections, cracks in earth works were identified (differential settlement of fill materials) and on advice from design and consulting engineers, Knight Piesold, remediation and moderating were implemented. It is believed that the integrity of the TSF has not been compromised. Monitoring will continue in 2010.
- Environmental Geo-chemical International (EGi) undertook an external audit of Acid Rock Drainage (ARD) at the Phu Kham Operation. No material issues were identified and recommendations were implemented.

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

Training

- Auditors, Achieve Group Australia, confirmed that the Company's in-house trade training program and facilities were of a very high standard, particularly in the areas of curriculum content, teaching methods, stringency of assessments and competency record keeping. The auditors commented that the results gained from the program were exceptional and a credit to all involved in its design and delivery.

Socio Economic and Health Survey

- To continually improve its understanding of local issues, the Company conducts regular socio-economic and health surveys undertaken by external research company, Geo-Sys (Lao PDR). In 2008, Geo-Sys undertook the Company's fourth survey to identify and prioritise community development programs throughout the year. The survey report was finalised at the beginning of 2009 and the next survey is due in 2010.

Phu Bia Mining 2010 Audit Plan

External
IFC External Audit of Phu Kham
Socio-Economic and Health Survey – Villages adjacent to Phu Kham Operation
Health and Safety OHSAS 18001 – Phu Kham External Baseline Audit
Phu Kham ARD – Half Yearly External Audit by EGi
TSF Design and Construction Review by Knight Piesold – Quarterly Audits
TSF External Geo-technical Audit by Golder Associates
IMIU External Insurance Audit
Heap Leach Gold Mine Operation External Insurance and Closure Audits
Internal
Sustainability Standards Internal Benchmarking – Phu Kham, Ban Houayxai, Ban Phonxai and Phonsavan projects
Gold Security Standard – Ban Houayxai Internal Audit against design
Contractor Management Audits
Half Yearly Safety Management Plan



Human Rights

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

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

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

Although Laos has a history of conflict, in recent times, this has significantly decreased to the point where it is now negligible and the Company has seen a consequential drop in requirements to engage LPA personnel. However, the presence of LPA personnel is still required in more remote exploration locations and in outlying areas near to the Company's activities.

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

Incorporated into the risk management process is a module that assesses human rights impacts against the 1948 Declaration of Human Rights across operating sites. While some training in human rights occurs for security staff, consideration is being given to expanding the training in 2010. The risk registers indicate a very low potential for any violations.

In 2009, there were no human rights incidents or violations within the Company or activities with partners.

Child and Forced Labour

In order to obtain more comfort about suppliers' and contractors' compliance, the Company recently asked all of its suppliers to sign a declaration based on the following comments.

"The supplier should not employ, use or benefit from children in a way which is economically exploitative, or is likely to be hazardous to, or interfere with the child's education, or be harmful to the child's health, physical, mental, spiritual, moral and social development. The supplier shall comply with national laws on the minimum age for employment."

"The supplier shall not employ, use or benefit from all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty."

To date, the Company has received a very good response to its request with around 150 suppliers confirmed in writing that they comply with its child labour and forced labour commitments.

Opposite: A scenic view of countryside near the Phu Kham Operation.

Below: Community Liaison Officer, Nengher Xayliaveu (second from left) consulting with members of the Village Development Committee.





PanAust is committed to leading corporate governance practices that are appropriate for a company of its size and type.

Stakeholder Engagement

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

Reporting to Stakeholders

PanAust has identified its stakeholders as:

- shareholders
- any person, group or organisation that may be affected by the Company's operations
- legislators, Government officials and agencies in Laos, Thailand and Australia
- employees
- industry organisations
- identified banks and financial organisations
- groups that share a business relationship with the Company including contractors, subcontractors, suppliers, markets and customers
- interested public in Australia, Laos, Thailand and internationally.

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

The Company provides its shareholders with regular updates on progress and projects. During 2009, the Annual Report, Annual Review, Sustainability Report and Quarterly Reports were produced and made available publicly. Regular media releases, Company announcements and updates were also posted on the PanAust web site. The AGM was also held in May 2009 and provided an opportunity for shareholders to make comments and ask questions of the Directors. Shareholders are able to contact PanAust directly via email at info@panaust.com.au, and by telephone and direct mail. Contact details are provided on the back cover of this report.

Internally, PanAust reports its sustainability to employees via the PanAust and Phu Bia Mining intranet sites. The Company also produces an Operations Bulletin that has a dedicated section on sustainability, including environment and community, safety and human resources. In 2009, an annual employee awards scheme was initiated that included specific categories to raise the profile of environment, community and safety performance within the business.

Each year the Company brings Lao employees to the AGM in Australia to enable shareholders to ask questions in relation to sustainability issues and other matters. In 2010, winners of the Employee Awards attended the AGM.

The reporting and communication process is supported by communication specialists in the Brisbane office who can be contacted on +61 (0)7 3117 2000 or by email to info@panaust.com.au.

Engagement

While stakeholder engagement is critical to the success of any organisation, it is particularly so in the case of Phu Bia Mining's operations in Laos and the Puthep Copper Project in Thailand where the presence of the mining and exploration projects require engagement at a local, regional and national level.

Local and Regional Stakeholders

This grouping comprises communities in the areas most impacted by the Company's operations, project development areas and exploration activities. It also extends to the district and provincial levels of government as required.

Specifically, local stakeholders are communities at or near the Company's operational sites in Laos including the Phu Kham Copper-Gold Operation, Ban Houayxai Gold-Silver Project, Phonsavan Copper Project, and Ban Phonxai Prospect, and in Thailand, the Puthep Copper Project. Regional stakeholders include district and provincial government, businesses, organisations and individuals who may also have or seek a relationship with the Company.

All areas have their own needs with Phu Kham, Phonsavan and Puthep having the largest grouping of local and regional stakeholders. Formal and informal community consultation and engagement processes are established to meet the communication needs of all stakeholders, and to manage requests, opportunities and complaints via a grievance mechanism established by the Company.

Opposite: Phu Bia Mining staff member discusses vegetable growing with local villagers.

Grievance and Request Mechanism

Mining operations in general impact on nearby communities. In order to identify and respond to local and regional stakeholder concerns, PanAust has established a grievance mechanism. The Company actively engages the community through ongoing dialogue, and seeks to maintain open and transparent channels of communication.

In all cases, the Company aims to prevent recurrence of events and incidents, through proactive remediation to address root causes. As with safety and environment, grievances and community requests are captured and processed through the INX system to ensure follow-up and close-out.

During 2009, 138 events were processed relating mainly to donations, compensation and development opportunities. There were no material grievance reports in 2009. Twenty-two Level 1 and 2 complaints (as per the Consequence Table on page 66) were received during the year, compared with 25 during 2008, of which 19 were closed out. The reduction in issues reported reflects the continual improvement in communication and impact management.

Phu Kham Copper-Gold Operation (Laos)

At the Phu Kham Operation, a process of regular formal and informal community engagement is managed through a team of eight staff who are also responsible for community development activities. Significantly, 26 per cent (424 employees) of all Phu Kham employees are from local communities in the immediate vicinity of the mine and a further nine (9) per cent are from the greater Xaysomboun District within which the mine is located. Effective recruitment policies, agreed to by the local communities, are in place to limit in-migration and to ensure delivery of a high level of benefits to the local community. This implies that the local community is increasingly involved with the project and good working relationships and communication processes have been established.

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

Phu Kham places considerable importance on social interaction with the community. Regular activities occur with social and sporting events staged on and off site. Phu Kham actively engages and contributes to culturally important events within the community.

Ban Houayxai Project (Laos)

The area around the Ban Houayxai Project is sparsely populated. Management has established communication channels with the nearest communities some 18km away to ensure project information is communicated and concerns are heard and responded to. At Ban Houayxai, community consultation is a prerequisite for the approval of the Environmental Social Impact Assessment (ESIA) due for completion in the first half of 2010.

Phonsavan Copper Project (Laos)

The exploration offices and accommodation are centred in Phonsavan town. All employees are hired locally or live in town during their rostered work shifts. One specialist community relations officer maintains formal communication channels with local government and communities with regard to current and proposed operational impacts.

Puthep Copper Project (Thailand)

The Puthep Copper Project near Loei in Thailand has five community relations staff and two senior supervisors in Bangkok. Formal meetings are held regularly with the host communities in two sub-districts around the project development area covering 21 villages. At this early stage of the project, the focus is on developing relationships in the villages and communicating feasibility study information to create a better understanding of the project, and approval steps and requirements.

National Stakeholders

PanAust is a relatively large foreign investor in Laos and this demands a focus on relationships with national and local government and interested high-level stakeholders.

PanAust has an External Affairs Department made up of eight people in Vientiane to manage the legal and commercial requirements of operating in Laos.

The External Affairs Department has an important role to play in representing the Company at a national level to ensure the Company's policy commitments and point of view are communicated to the Government of Laos and the wider community.

Incidents

No material (Level 4 or 5) community incidents were reported in 2009.

Stakeholder Engagement Profile

PanAust Board Visit Reinforces Lao Community Ties

PanAust's commitment to community development, local employment, training and sustainability was strengthened by the Board of Directors' visit to Laos in October 2009. The Chairman and Managing Director were particularly honoured by the opportunity to meet the Prime Minister, HE Mr Bouasone Bouphavanh, as well as senior government ministers, to outline the Company's commitment to future growth and opportunities in Laos.

The visit by the Board included a tour of the Phu Kham Operation, a visit to the new school in the neighbouring village, Nam Mo, a hospital visit in Phonsavan to inspect equipment (donated by the Brisbane Mater Hospital in collaboration with PanAust) now being used, an inspection of environmental management practices such as the TSF, and meetings with government dignitaries, community members and local staff.

The Board also attended a traditional Lao festival (Loy Krathong) organised by the Nam Mo village to mark the end of Buddhist Lent and the wet season. The festival provided the Directors with an appreciation of how the local community interacts with the Company.

During one of the final days of the Board's trip, Directors visited the Company's latest development project, Ban Houayxai and the advanced exploration project at Phonsavan, which will further boost its economic contribution through the creation of new jobs, exports and royalties.



PanAust Board and management participating in a traditional Lao festival – Loy Krathong – in Nam Mo village.



PanAust strives to continually improve environmental performance through implementing and maintaining management systems that meet international standards.

Environmental Stewardship

PanAust is committed to carrying out its activities in a manner consistent with international leading practices. These practices are applied to environmental management through its Environmental and Social Management systems.

At Phu Kham the main environmental challenges are the management of surface water and the management of mine waste, particularly acid-forming waste.

Phu Kham averages 2,300mm of rain annually. Most of this occurs in the May to September northern monsoon season and as a result presents significant challenges.

The two main waste-products from the Phu Kham operating mine and concentrator are overburden and the tailings. See tailings waste rock quantities on page 33. Phu Kham has a strip ratio of 1:1 life of mine and 1.5:1 for 2009. All waste – solid and tailings – is stored in a single facility, the TSF. The ore being processed by Phu Bia Mining contains sulphur compounds which oxidise when they come into contact with oxygen and water to form acid which can in turn leach metals into the water. To manage Potential Acid-Forming (PAF) material in the tailings and high sulphur waste rock, both are stored under water within the TSF. The facility has been evaluated as industry best practice by independent auditors, EGI.

Issues relating to the management of surface water and waste management have been identified in the environmental impact assessment and the Environmental Management and Monitoring Plan (EMMP) and are subject to ongoing review and continual improvement. Both are explained in detail in this report.

Phu Kham Environmental Expenditures

	2008	2009
Salaries	\$398,367	\$319,005
Administration	\$141,210	\$121,670
Environmental Analysis	\$67,711	\$177,186
Technical Assistance	\$62,838	\$27,368
Equipment and Supplies	\$30,435	\$26,819
Consumables	\$23,564	\$20,153
Reclamation	\$17,731	\$27,368
Staff Training	\$15,476	\$ 0
Rehabilitation	\$261,903	\$496,164
ICMC Improvements	\$354,000	\$ 0
Environmental and Social Audits	\$90,000	\$88,061
Bi-annual Economic, Social and Health Survey	\$35,000	Nil
Sub total	\$1, 498,235	\$1,303,794
TSF	\$18,184,000	\$11,225,038
Sub total	\$18,184,000	\$11,225,038
Total	\$19,682,235	\$12,528,832

Opposite: Phu Bia Mining staff and Nam Gnone community members planting trees during World Environment Day.

Centre: Phu Kham Copper-Gold Operation nursery.

Right: Environment Assistant, Miss Ai, tends 'Mai Som-Phaat' seedlings at the Phu Kham Copper-Gold Operation nursery.



Environmental Incidents

There were no material (Levels 4 or 5) environmental incidents, penalties or fines for any legal non-compliance in 2009. There were, however, three Level 3 incidents arising from water management (see water quality on page 34). The method of recording incidents remains unchanged from 2008; however the classification has changed to reflect the requirements around incident reporting developed in 2009.

Environmental Incidents

Classification	2008	2009
Level 5 - Material	0	0
Level 4 - Material	0	0
Level 3	0	3
Level 2	4	8
Level 1	26	37
Total	30	48

The increase in the reporting of environmental incidents is seen as a positive development in the prevention of more serious incidents. The increase is the result of continual importance being placed on environmental awareness training within the workforce and community as well as increased attention being paid to risk management.

Below: Environment Coordinator, Bounmy Phommakone undertakes regular environmental inspections at Phu Kham.

Materials Management

Most of the materials consumed by PanAust are at Phu Bia Mining's operations. In 2008, the quantity of construction materials decreased and the quantity of processing materials increased, reflecting the transition from construction to full operation at Phu Kham. The reduction in cyanide usage reflects lower Heap Leach throughput.

Materials Consumed at Phu Kham

Material	2008	2009
Diesel	25ML	26ML
Petrol	545kL	240kL
Explosives	2,138t	2,503t
Cyanide	694t	464t
Hydrate Lime	952t	885t
Quick Lime	7,856t	15,341t
Cement	15,125t	8,107t
Frother	443t	245t
Collector	60t	186t
Hydrochloric Acid	155kL	76kL
Hydrogen Peroxide	515t	499t
Sulphuric Acid	1,177t	789t
Carbon	45t	9t
Grinding Media	6,090t	10,321t
Ore (PK+GMO)	7,392,115t	10,591,671t



Waste Management

PanAust continued to apply its policy of recycling materials when environmentally safe. Recycling of waste oil, plastic, aluminium, steel, oil, cardboard and timber continued to be promoted through the Phu Kham Operation.

Waste Recycled at Phu Kham and Heap Leach Gold Operations

Type	2008	2009
Scrap Metal (all types)	58t	108t
Mixed General Waste	7,013m ³	7,368m ³
Cardboard/Paper	4t	9t
Used Chemical Drums	1,387	50*
Waste Oil	150m ³	277m ³
Plastic (All Types)	49m ³	56m ³
Wood/Timber	922m ³	82m ³ *

* Reflects changes in usage.

Tailings, Waste Rock Management

The management of waste rock was extensively reported in the 2008 Sustainability Report which can be found on the Company's web site.

The waste rock from the mining and processing of materials is carefully managed to limit the potential formation of acid.

The management of rock is classified based on its acid rock drainage potential using a simple 'traffic-light' management plan – red, amber, green.

All 'red' material (>4% sulphur) is considered high Potential Acid-Forming (PAF) and is disposed of underwater in the TSF.

All 'amber' material (0.4% – 4% sulphur) is considered low PAF and is encapsulated in the facility construction within 'green' (<0.4% sulphur) material which is considered Non Acid-Forming (NAF). Only 'green' material is used in general road construction and earthworks elsewhere.

The process is strictly controlled using a fleet management system to ensure that sulphur grades are tightly managed to meet quality control standards. Blending of green and amber waste rock is used to ensure the sulphur grade in encapsulated cells does not exceed one per cent. Extensive surface and groundwater monitoring occurs below the TSF embankment. Monitoring downstream from the TSF indicates compliance with all discharge standards.

Tailings/Waste Rock Quantities

Categories	2008	2009
Solid tailings	6,131,605t	10,798,850t
Total Waste Rock	12,011,329t	14,271,623t
Waste Rock (class red)	7,101,517t	11,433,271t

Below: Pontoon pumps at the Phu Kham Copper-Gold Operation TSF provide recycled processing water.



Water Management

In addition to carefully managing the quantity and quality of large volumes of water typically associated with copper-gold open-pit mining and concentrating operations, there is an inherent challenge in managing mine water run-off in a tropical climate with surrounding steep topography. As a result, surface water management at the Phu Kham Operation is the second most significant of PanAust's key risks identified as having had or having the potential to result in material incidents.

Water Quantity

Phu Kham Plant Site Annual Rainfall	
2008	2,661mm
2009	2,336mm

Water Use at Phu Kham and Heap Leach Gold Operations		
	2008	2009
Total Water Use	14,302,737m ³ /yr	25,168,277m ³ /yr
Water Recycled	13,403,865m ³ /yr	23,818,503m ³ /yr
Recycled Water	94%	94%
Water discharged from storm water pond into the Nam Gnone river following detoxification	718,936m ³ /yr	757,359m ³ /yr

The average annual rainfall exceeds the evaporation rate by about 50 per cent. Rainfall run-off from the open-pit and processing site is collected and discharged into the TSF.

Water from the Heap Leach Gold Operation is stored in a storm water pond prior to release. The quality of the released water complies with the IFC requirements, the Government of Laos and the ICMC. The use of cyanide ceases during the wet season in order to ensure water quality is maintained.

While water use is significant, the vast majority at Phu Kham is recycled. The small percentage of water not recycled is drawn from the Nam Mo River as filtered raw water used in the process plant's hydraulic cooling systems and pump seals.

Water Quality

Water run-off from the pit and processing areas is managed through drainage and pumping systems. During the wet season all discharge points are monitored on a weekly or daily basis consistent with the level of operational control required. Treatment and monitoring facilities are in place at the stormwater pond discharge at the Heap Leach Gold Operation. After treatment to meet discharge requirements, the excess water accumulated in the stormwater pond is released into the Nam Gnone river. Extensive monitoring of the downstream river system is undertaken to confirm that excess water discharge is within safe limits.

Despite the significant challenge of managing water in a high rainfall environment, there were only three Level 3 (ie non-material) water discharges (relating to elevated copper and low pH) at the Phu Kham Heap Leach Gold Operation and the open-pit during the year. Existing monitoring systems and controls ensured these events were immediately addressed and impacts were isolated. Additional operating controls for the identification, handling and management of potentially acid-forming material have been put in place to minimise the likelihood of such discharges recurring in the future. This includes a full redesign of the Pit Water Management Plan, additional sumps (including a large catchment sump) and improved pumping capacity. Increased water sampling, spillage removal from under the conveyor system and limestone sheeting provide further controls.

In partnership with the Government of Laos, Phu Bia Mining is pursuing the establishment of a Water Resources Environment Agency environmental monitoring unit at Phu Kham. The unit will facilitate transparent communication and engagement on matters relating to environmental management.

Biodiversity and Land Rehabilitation

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

In 2009, biodiversity management progressed by Phu Bia Mining staff having good awareness and commitment to ensuring biodiversity impacts were minimised. Results of ongoing monitoring of fish species and population density

confirmed that there has been no long-term impact from the Company's activities. This will be further investigated with an aquatic survey in 2010.

Rehabilitation in high-risk areas continued with most steep slopes having undergone primary rehabilitation with native plant species. Phu Kham has established a nursery to propagate seedlings for use in rehabilitation.

Land Use and Rehabilitation

Category	2008	2009
Land Rehabilitated	26ha	13ha*
Total Land use (land disturbance)	433ha	682ha
Protected Areas**	10ha	10ha

*Reduction compared to 2008 reflects reduced area of disturbed land available for rehabilitation.

**Public access through a national biodiversity conservation area (49km by 20m) maintained by Phu Bia Mining and not included in total land use.

Land Disturbance as at 31 December 2009

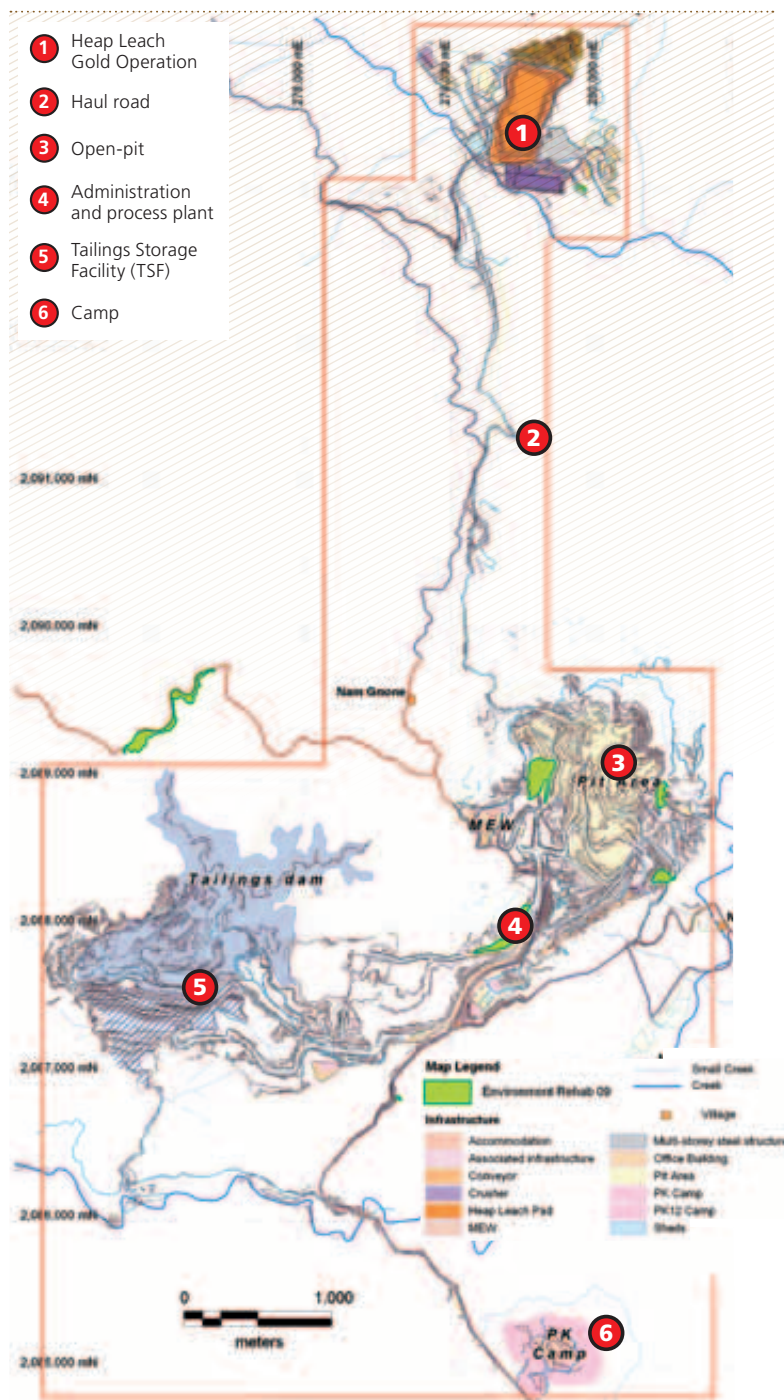
Feature	Area
Phu Kham mine site	28ha
Heap Leach Gold Operation and Access Road	132ha
TSF	387ha
Diversion Channel	21ha
Plant Site, Phu Kham Camp and Phu Kham Link Road	114ha
Total	682ha

Energy Management

Electricity for the Phu Kham Operation in Laos is purchased from the national grid. The electricity is generated using water power (hydro-electricity), a renewable energy source. During the dry season, the national grid supplements the hydro-generation with energy from non-renewable sources. A conservation awareness program continued at Phu Kham and focused on water and electricity use, including:

- A capacitor bank to improve the power factor
- Slip Energy Recovery (SER) on the SAG mill
- Variable speed drives on the major pumps.

Phu Kham Copper-Gold and Heap Leach Operations' Environmental Footprint



Phu Kham Electricity Consumption

2008	143,568kWh
2009	227,734kWh

**2009 was the first full year of production.*

In 2010, Phu Kham will undertake a baseline Carbon Footprint Analysis. This will provide a basis for future reporting and improvement targets.

Noise and Air Pollution

Mining, processing and transportation of concentrate generate air emissions, mainly dust. Phu Bia Mining works to limit these emissions through road watering and by transporting product in covered vehicles. In addition, road sealing within village boundaries along the transportation route will be completed in 2010. In cooperation with local police, the monitoring of vehicle speeds through communities also mitigates dust impacts.

Road Safety Program

Phu Bia Mining supports road safety groups in nine villages along the concentrate haulage route to promote road safety awareness among the local community and to provide feedback to the Company on road safety issues. Phu Bia Mining partnered with non-governmental organisation (NGO) Handicap International (Belgium) to deliver road safety community awareness in seven villages along the concentrate haulage route.

Internally, the Company initiated road safety user group meetings involving staff members from the Risk, Logistics, Projects and Sustainability departments as well as road haulage contractors. From there several initiatives and

Below: Boun, local environment technician from Nam Mo Village, monitors water quality at the Heap Leach Gold Operation.



improvements were made. Over \$1.34 million was spent in 2009 on road maintenance and road improvements between Phu Kham and the Ban Thouay ferry crossing on the Lao side of the border (115km of road).

Copper Concentrate Transportation and Packaging

During 2009, in excess of 230,000 dmt (up from 92,000 in 2008) was transported by truck from the Phu Kham Copper-Gold Operation to the port of Sriracha in neighbouring Thailand. The environmental impact associated with the transport of the concentrate is low, and in 2009 there were two non-material traffic-related incidents reported within the haulage route in Thailand.

The Company pursues rigid procedures to minimise any environmental impacts associated with the transport of concentrate. The concentrate containers are covered during transport to prevent spillage and suppressed dust. Additional requirements include the monitoring of vehicle speed, the mandatory escorting of vehicles within the off highway haulage route, and ongoing in-cab driver training and assessments. These measures ensure speed and driver behaviours are controlled as the trucks pass through villages minimising noise, dust and risks to other road users.

In addition, the Company monitors concentrate haulage trucks to ensure that native fauna is not being transported either from or into the project area.

Ninety-five per cent of all concentrate haulage is undertaken by Lao and Thai contractors. Consequently, PanAust understands the potential for incidents and will maintain its focus on contractor management to continuously reduce the exposure.

Following the 2009 wet season, the Company commenced a process of sealing roads through impacted villages to eliminate potential for noise and dust, as well as to improve overall safety (at the time of finalising this report, this process was all but complete prior to the start of the 2010 wet season). The Material Safety Data Sheet (MSDS) for concentrate is available on the PanAust web site.

Gold Transportation and Packaging

During 2009, 13,660oz of gold doré was extracted. The environmental impact associated with the transport and packaging of gold doré is negligible, and in 2009 there were no incidents reported associated with these activities.

Environmental Profile

Celebrating World Environment Day

Led by the United Nations Environment Program, World Environment Day (WED) has been celebrated across the globe on 5 June every year since 1973.

With the aim of stimulating awareness of environmental issues and encouraging positive action, the essence of WED was brought to life through a day of action and celebration with the Nam Mo and Nam Gnone villages and schools.

One of the day's highlights was the planting of approximately 600 seedlings around the yards of and along roads leading to both schools in each village. Providing additional cause to focus on and celebrate 'trees' was the timing of the Laos National Tree Planting Day – it falls annually on 1 June.

WED was also used as an opportunity to discuss and plan a way forward for waste management improvements in and around both villages. Discussions on the day identified the specific need for services to help people manage waste in the villages. As a result, funded by the Community Development Fund, both the Nam Mo and Nam Gnone villages now have fully operating landfill facilities. And as a testament to a 'day of action', students, Company staff and local people worked together to collect and bin rubbish from around the schools and villages.

With the Lao National Fish Releasing Day falling on 13 July of each year, it was also a timely opportunity for the Company to agree to releasing 500,000 fingerlings (small fish) into the local waterways on 13 July 2010.

The day also saw school students and villagers participating in an 'environmental knowledge competition'. At least 80 participants received prizes including WED t-shirts.

Phu Bia Mining Sustainability Department staff, Nam Mo and Nam Gnone village schools, and the Village Development Committee together planned and hosted the event.

While very much a community-based 'grass-roots' event, WED in the Nam Mo and Nam Gnone villages was a day of many important environmental milestones and actions. It also typified the way in which the Company builds capacity within the community – by engaging, consulting and encouraging participation in decision-making to empower local people to take ownership of community issues.

"Last year I was participating in World Environment Day organised in the school. The event provided a good opportunity for students and villagers to deepen their understanding about the environment. You can see now several trees around the school are growing up! I'm very much looking forward to the WED this year." Miss Chanthone, Nam Mo Secondary School student.

"World Environment Day was a very good event for the villagers to come together and do something for our environment. It gave us a chance to discuss any environmental issues that we were facing. Last year waste management in the village was addressed. Many places were not as tidy as they should be. From there we started to work with Phu Bia Mining to focus on this issue and finally we have two landfill facilities operating in both villages." Mr Sonexay, Nam Mo Village Development Committee Head.



Nam Mo Secondary School student, Miss Chanthone, is pleased with the results of World Environment Day.



Through partnerships, PanAust is making a meaningful contribution by investing in the local economies and communities in the countries in which it operates.

Community

Community Development

As a signatory to the MCA Enduring Value Guidelines, PanAust is committed to bringing about real and lasting improvements to the lives of local people. Working in close partnership with villagers and local authorities, the Company's community development activities aim to improve the standard of living of local communities by focusing on education, healthcare, agriculture, water and sanitation, infrastructure and small business development.

In Laos, the Company contributes \$300,000 annually to the Community Development Fund (CDF). These funds are used to advance community-based initiatives in the communities affected by the Phu Kham Operation and haulage activities between the mine site and Ban Thouay.

PanAust's community development initiatives aim to engage with local communities to make their lives better now and in the future; to educate and empower people so they can identify and take ownership of opportunities and lead independent, self-determined lives.

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

Defining the Local Community

The Phu Kham Cooper-Gold Operation is directly adjacent to two villages – Nam Gnone and Nam Mo. PanAust focuses community efforts in these villages as well as along concentrate-haulage routes, directly proportional to the impact imposed by the project.

Learning about the Local Community

To continually improve understanding of the local population, PanAust regularly commissions independent experts to carry out socio-economic and health surveys. As well as economic and physical health data, these surveys provide comprehensive information about the cultural and gender mix, population movements in the area and positive and negative impacts the Company's presence is having. Survey data and analysis are then used to help identify and prioritise community development programs and opportunities for improvement. They are included in INX and regular reporting processes.

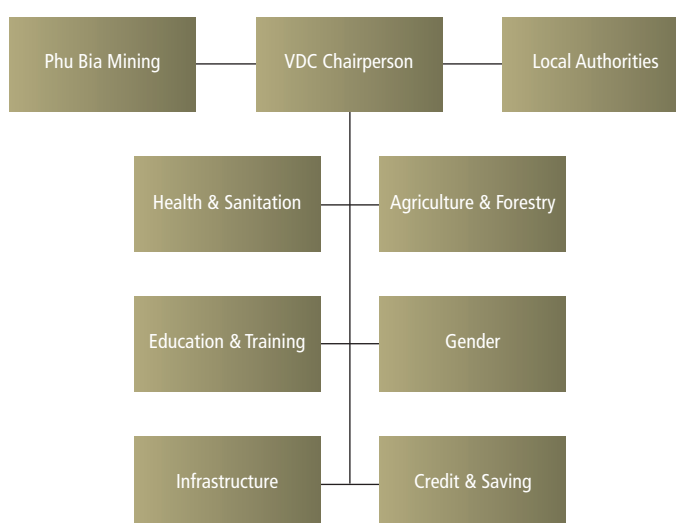
The socio-economic survey undertaken by Geo-Sys initially assisted in the identification of gaps and development opportunities. Through consultation and engagement with local communities and the district the inputs are then developed into an annual plan. Many of the gaps identified in the 2008 survey have been addressed. However, others require a long-term strategy and consultation such as sealing of dirt roads along the public access roads used to transport goods to and from the mine.

Local community participation in identifying and prioritising development needs is addressed through close cooperation with village development committees, village authorities and local government at district and provincial level.

The Company has established a Village Development Committee (VDC) in each target community to ensure local ownership of development priorities. Members are selected annually by community members and meet regularly with Company community officers to plan and coordinate development activities. In 2009, training was organised for the VDC to strengthen leadership, organisational and project management skills

Opposite: Provision of text books has helped improve education for local children in the school at Nam Gnone village.

VDC ORGANISATION



Close collaboration with government authorities at the district and provincial levels ensures alignment with national and regional development strategies and avoids duplication of activities.

Community Activities

During 2009, working within the priority areas of education, healthcare, agriculture, infrastructure, water and sanitation, and small business development, PanAust delivered a broad mix of community development initiatives.

Education

Three local schools benefited from targeted assistance during 2009: Nam Gnone Village Primary School, Nam Mo Village Primary School and Nam Mo Village Lower Secondary School.

An extension to the Nam Gnone village primary school was completed in early 2009. The three new classrooms were built and furnished to relieve overcrowding in the existing five-room school building built by the Company in 2006 and have provided improved learning amenities for more than 90 students. The Company also celebrated the first anniversary of the opening of the secondary school in Nam Mo which it helped to construct in 2008. Educational supplies were provided to all three schools, including text books, notebooks and stationery.

A four-month program of adult literacy evening classes commenced in Nam Mo village and Nam Gnone village during November 2009. Students will graduate in early 2010.

Although not funded by the CDF, Phu Bia Mining provided the following educational services during 2009.

- In June, mine-safety awareness sessions were delivered to local schools.
- During July and August, summer schooling was provided to children from both local villages. The program offered English language and environmental awareness classes, which are not part of the normal curriculum, and were well attended. The program also provided a safe area for children to play during the long summer break.

Health

National immunisation coverage remains low, particularly in rural communities in Laos (according to UNICEF health statistics). This issue was therefore viewed as a priority action. Child and maternal immunisation campaigns were supported in Nam Gnone village and Nam Mo village throughout the year, in partnership with government medical personnel, village health volunteers and local authorities.

Responding to a severe outbreak of seasonal influenza in October 2009, logistical and financial assistance was provided to enable government medical personnel to rapidly respond and bring the situation under control.

Community Health

In 2009, Phu Kham medical clinic staff commenced community health awareness sessions with local village residents in the community. The monthly sessions proved popular with discussions that included the use of traditional herbal remedies as opposed to western treatments. Staff and community members both benefited from the sessions by sharing experiences and learning from each other. Phu Bia Mining staff also assisted Lao Government health workers with Maternal and Child Health (MCH) programs, particularly vaccinations.

Phu Bia Mining is supporting Bounhome Phouvong (Dr Noi), Chief Medical Officer at the Phu Kham Medical Clinic who has a scholarship to complete a two-year master's course in the Health Social Science International Program at the Mahidol University in Bangkok. With her scholarship covering tuition fees only, the Company is funding Dr Noi's living, study and ancillary expenses for the full-time study program. See profile on page 55.

Phu Bia Mining medical staff provided HIV/AIDS awareness sessions in local communities. This is expected to be an area of increased focus in 2010.

Infrastructure

In late 2009, construction of the community development centre in Nam Gnone village commenced and design work was completed for another centre in Nam Mo. The centre at Nam Gnone includes a training/meeting room, working space for the VDC, an office for the village authority and a health clinic.

School amenities were upgraded in Nam Mo village with the installation of fencing around the school grounds to stop livestock access and so provide a sanitary environment for children to study and play.

A significant financial contribution was provided for improvements to the road linking Nam Mo village with the district capital, Xaysomboun. The local community benefits from easier access to health care, education and other public services, as well as access to markets for their produce.

Public Road Expenditure by Phu Bia Mining – 2007/09

Capital upgrades	millions
New public roads around Phu Kham	\$1.999
ADB link road – Phu Kham to ADB9 (including 1 x bridge)	\$3.562
ADB9 upgrades	\$0.652
Shortcut road south of Longxan (including 2 x bridges)	\$5.703
Nature Reserve upgrades (including design)	\$3.040
Total capital upgrades	\$14.956
Routine road maintenance	
2007	\$0.268
2008	\$3.121
2009	\$1.340
Total road maintenance	\$4.729
Capital upgrades and road maintenance	\$19.685

Phu Kham operations rely on the use of public roads for access to the project. The project lies some 100 kilometres from the nearest sealed highway. Since 2005, the Company has spent nearly \$20 million in upgrades and maintenance to local road infrastructure. While this provides the Company with the necessary access it requires and the Government with a long-term asset, it also ensures improved access and additional benefits in terms of goods and services and business opportunities as well as better and safer road conditions for all communities along the route.

Below: Community Liaison Officer, Daovone Vongvane prepares local school children for a tour of the Phu Kham Copper-Gold Operation.



Water and Sanitation

The gravity-fed piped water system serving Nam Mo village was upgraded in March 2009 to address dry-season water shortages. An additional water - supply was integrated into the existing system and an extension to the water mains was installed in the western half of the village.

A water supply management workshop was organised for community leaders in the Nam Gnone and Nam Mo villages to promote ownership, self-reliance and sustainability. The committee developed rules and regulations relating to appropriate usage, protection, maintenance and repair of the water supply system.

These infrastructure and organisational improvements have enabled village authorities to begin charging the local population water-user fees. This will provide a financial resource for long-term water supply maintenance and improvements.

Community awareness on hygiene and sanitation was organised in conjunction with government health experts.

Landfill facilities were constructed in Nam Gnone village and Nam Mo village to provide a sanitary means to dispose of household waste. Awareness and training helped lead to the development of community refuse disposal regulations and a house-to-house collection service.

Agriculture

A program of agricultural training throughout the year helped boost local capacity in market gardening, fish and frog raising, and mushroom farming. A combination of technical and practical training, combined with monitoring and mentoring was successful in improving the quality, quantity and variety of local agricultural production.

Agricultural development activities in 2009 resulted in significant new sources of cash income for local small-holder farmers, and were of particular benefit to members of the community and those community members who are not employed directly by the Company.

Through the provision of training, advice and equipment, volunteer village veterinarians were enabled to deliver two rounds of free livestock vaccinations to all interested local farmers. With the aim to reduce disease and mortality rates in livestock and thereby increase agricultural productivity, the program is designed to reverse low demand for animal vaccinations. In years to come, to ensure the service is sustainable, service fees will be gradually introduced.

The Company also provided logistical support to local fish farmers to enable the purchase and transport of 20,000 fingerlings from Vientiane to local villages.

Micro-finance

The Village Savings and Credit Fund was launched in the Nam Gnone and Nam Mo villages in November 2009. The scheme provides a secure means for saving money and an affordable source of credit to support income-generating activities, schooling and health care emergencies. It is providing tangible benefits for local people who otherwise have little access to financial and social services. The initiative has proved to be especially beneficial for local women, who comprise 98 per cent of participants.

Small Business Development

Market-gardening emerged as an important source of income for local communities during 2009. Company kitchens purchased 88,000 kilograms of fresh vegetable produce from local small-holder farmers. Total sales volume reached \$65,000 during the year, providing a significant new source of cash income for approximately 150 farmers, 98 per cent of whom are women. The provision of agricultural skills training and the establishment of the Village Savings and Credit Fund have facilitated the rapid growth of market-gardening.

The Company's short-term goal is to boost local vegetable production to meet the increasing demand of the Phu Kham Operation. In the longer term, Phu Bia Mining will assist local farmers to access other markets in the District and possibly further afield.

In response to the Company's community relations activities, feedback from the VDC, and the 2008 socio-economic and health survey undertaken by Geo-Sys (Lao PDR), a need was identified to address the lack of business opportunities for local people. Using the existing community development priority categories – agriculture, micro-finance and small business development, the Company designed and delivered the Livelihood Improvement Program.

Confirmed by a feasibility study, the Phu Kham camp was identified as a large consumer of fresh vegetables and therefore a significant market for local agricultural produce.

Phu Bia Mining community offices worked with the VDC to start up and support market-garden businesses to grow and supply the Phu Kham camp. The program includes the following interdependent elements:

1. Registration of participants: participants must be long-term locals from project-affected villages.
2. Identification and preparation of gardens: suitable land was found and a large area of fallow land was developed.

3. Agricultural training: training has been delivered to more than 150 local people to help them understand and apply techniques for quality, quantity and variety of produce. Training topics have included wet-season growing, propagation of new vegetable varieties, soil preparation, composting and production of organic pesticides. The training program has been expanded to aqua-culture (frog and fish farming) as well.
4. Access to micro-finance: the Company partnered with the Lao Women's Union from the district of Xaysomboune to introduce and promote the Village Savings and Credit Fund.
5. Point of sale: under the supervision of the VDC, farmers bring their produce to a sales point in the village each week for quality checking, sorting, weighing and payment processing.
6. Market information: the Company provides vegetable demand data – including varieties, quantities and price – one month in advance.

Apart from the quantifiable successes of the program, it is also building community capacity in terms of empowering

women, proving the potential of local soil and the natural environment, improving nutrition, and providing practical skills and a sense of opportunity for the development of sustainable business that will remain beyond the life of the mining operation.

Sustainability Award

In March 2010, PanAust's Livelihood Improvement Program received the Best Community Development Initiative Award at the sixth annual Asia Mining Congress in Singapore. The award was judged by an esteemed panel comprising the International Council on Mining and Metals, the IFC and the Centre for Social Responsibility in Mining – University of Queensland.

The Livelihood Improvement Program recognises the Company's contribution to the sustainable development of the communities around the Phu Kham Operation in Laos. Jointly managed by PanAust's community officers and the VDC, the program promotes and facilitates market-gardening and fish farming in local villages through agricultural training and quality control.

Below: Executive General Manager – Southeast Asia, Dr Fred Hess (centre), accepting the Best Community Development Initiative Award for the Livelihood Improvement Program at the Asia Mining Congress in March 2010.



Community Development Fund (CDF) Spending by Sector

In Laos, the Company contributes \$300,000 annually to a CDF, which is used to advance community-based initiatives in agriculture, education, infrastructure, training, business development in the communities in close proximity to the Phu Kham Operation and its associated activities.

Sector	2009
Agriculture	\$18,079
Education	\$47,525
Infrastructure	\$166,272
VDC and Support Costs	\$26,056
Training/Skills Development	\$5,772
Micro-finance	\$9,729
Total	\$273,433

CDF Spending by Project

Budget Year	2009
Construction of School Fence – Nam Mo Village	\$4,868
Nam Gnone School Fence Project	\$529
VDC Capacity Building/Training Project	\$9,666
Agricultural Development Project, Horticulture	\$9,762
Aquaculture Development Project, Fish Raising	\$6,403
Construction Project Community Centre, Nam Gnone Village	\$51,900
Water Supply Improvement Project, Nam Mo Village	\$14,990
Solid Waste Management Project, Nam Mo Village - Phase 1	\$7,259
Solid Waste Management Project, Nam Gnone Village - Phase 1	\$6,727
Community Education and Adult Education Project	\$773
Livestock Vaccination Program	\$1,914
VDC Operating Costs	\$21,649
Microfinance Project	\$9,729
Contribution to Road Construction, Nam Mo Village to Xaysomboun	\$80,000
Construction Project: Nam Gnone School Extension	\$44,717
Education Supplies	\$2,546
Total	\$273,433

Source of Donations	2008	2009
Vientiane	\$44,647	\$84,701
Phu Kham Operation	\$5,256	\$8,626

Major items included \$30,000 towards the 25th Southeast Asian Games and \$25,000 to the Typhoon Ketsana disaster relief fund.

Community Profile

The Livelihood Improvement Program

Aligning with the Lao Government's poverty reduction policies, the Livelihood Improvement Program was set up to lift the long-term livelihood prospects for people living around the Phu Kham Copper-Gold Operation without them having to become employees of the mine.

By early 2010, 150 people – 98 per cent of whom were women – had established a viable market-garden or fish-farming business to help meet the demand for fresh produce at the Phu Kham Operation.

One such small business person is Ms Joom, a 44-year old mother of two and resident of Nam Mo. In late 2009, Ms Joom became a participant in the 'Livelihood Improvement Program', and by early 2010 had her own flourishing mushroom-growing business.

Ms Joom acquired the necessary skills to become a mushroom market-gardener by attending the agricultural and small business training sessions. She formed a group with five others to take out a million kip loan for a three-month term at the interest rate of two per cent, giving her the purchasing power to buy mushroom spore and set-up materials for her business.

Within three weeks of set up, Ms Joom had grown and sold 25 kilograms of mushrooms, earning close to 500,000 kip from her first sale at a market price of around 20,000 kip per kilogram – a fantastic result.

Ms Joom said she was very grateful for the training as well as the work the Company has done with the Lao Women's Union to provide access to finance. She is hopeful that the combination of up-skilling and affordable credit will give other people from both Nam Gnone and Nam Mo the opportunity to improve their standard of living.



Ms Joom with a crop of her mushrooms.



PanAust's core value of respect for people underpins our total commitment to employee health and safety and to achieve Zero Harm safety objectives.

Health and Safety

PanAust's core value of respect for people underpins the Company's commitment to employee health and safety and to achieve its Zero Harm safety objectives.

Opposite: Community Officer, Vassana Keomany.

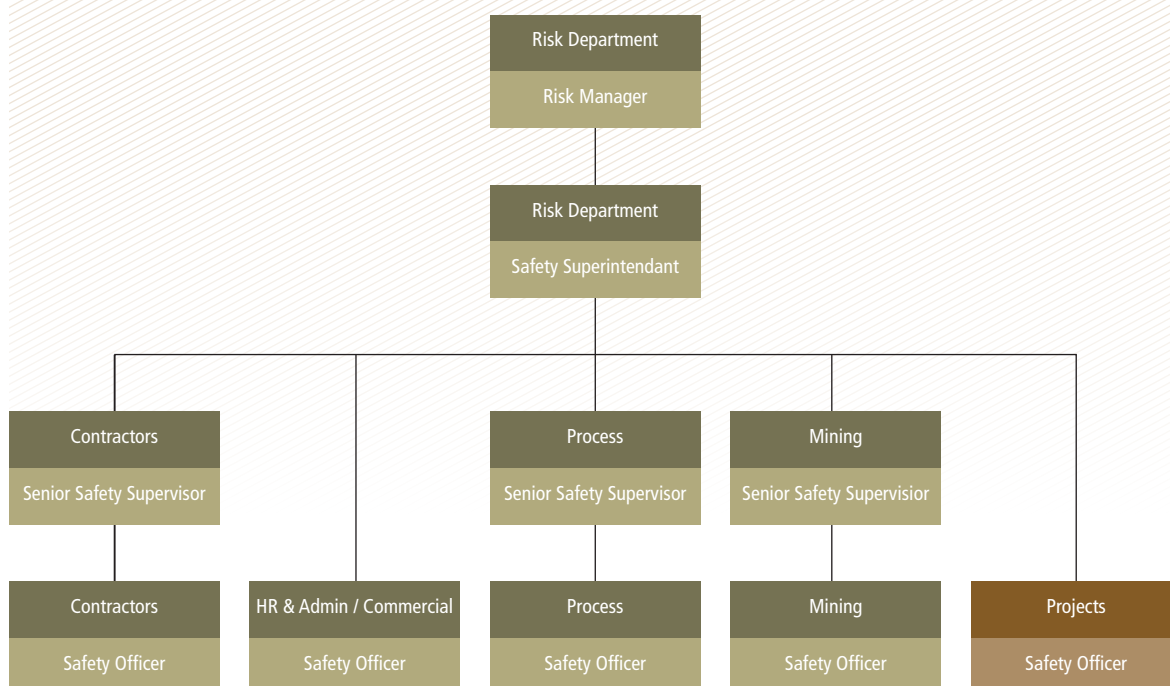
The Company seeks to continually improve Health and Safety (H&S) performance and to this end, during 2009, strengthened its resources, systems and programs. The Company ensures leaders promote a shared culture of Zero Harm by including H&S objectives in their performance measures – providing an effective, systemic method of bringing H&S into all decisions and actions.

PanAust is committed to supporting employees through training and behavioural H&S programs. Particular focus has been on contractor H&S performance and the Company is expending considerable time and resources

on improving the capacity of local contractors to achieve the same high H&S standards that have been achieved within its own workforce.

With 1,468 – or 85 per cent – of the Phu Bia Mining full-time and casual workforce being Lao nationals, the development of Lao employees' health and safety skills within robust systems necessitates extra attention being paid to this area. Health and Safety issues are coordinated by the Risk Department and managed by departmental managers.

Risk Department Organisational Chart



Health and Safety Training

The Phu Kham Copper-Gold Operation commenced concentrate production in April 2008. Considerable training and development had been undertaken at the adjacent Heap Leach Gold Operation that had been operating for several years prior, but the increased scale of the Phu Kham Operation necessitated a proportional increase in training to ensure Lao staff were able to perform their duties in a safe and efficient manner.

An Occupation Health and Safety (OHS) training plan was developed that incorporated a staged roll-out of the following:

Step 1 – Introduction to hazard identification.

Step 2 – 'Take 5' safety awareness based on the principle of 'Engaging the mind before the hands' to identify and control immediate hazards as employees go about their day-to-day work.

Step 3 – Introduction to job safety observation (JSO) program and advanced JSO for more senior personnel (formalised targets for workplace inspections to be undertaken by key operational personnel).

Step 4 – Job safety analysis.

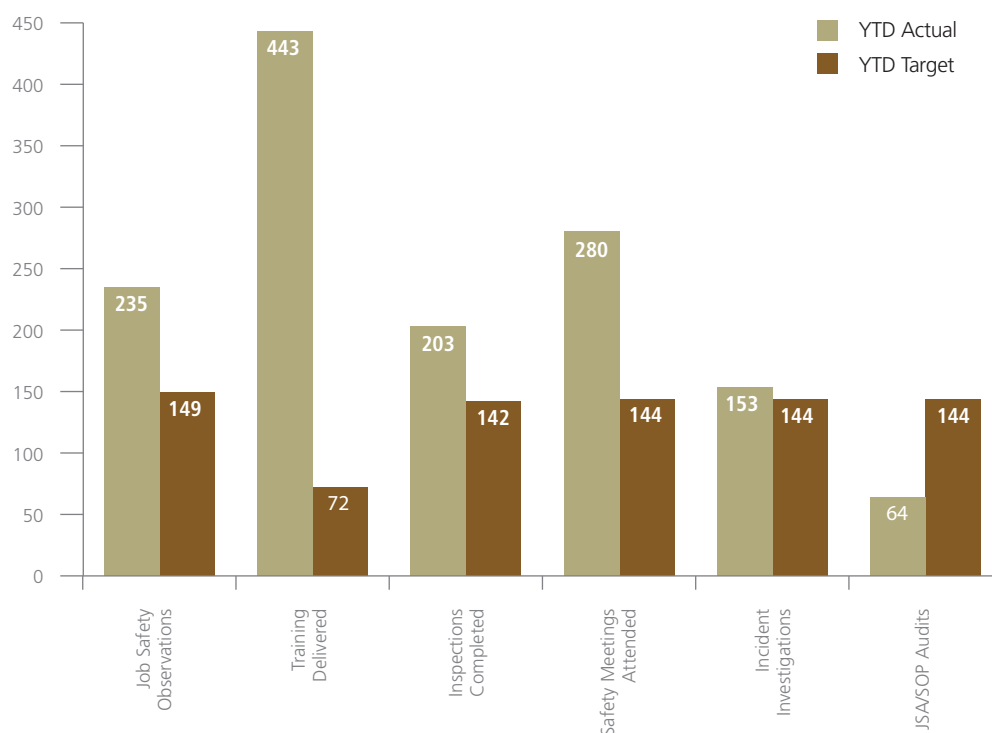
Step 5 – Workplace inspections. Formalised targets for workplace inspections are undertaken by key operational personnel.

Step 6 – Risk assessment and control (advanced hazard identification through risk registers).

In 2009, hazard identification training delivered over 200 hours with an average of eight people per session in attendance. To date, the level of improvement has been very encouraging. More training modules are planned for implementation and delivery rates for the program will increase in 2010.

Safety Officer 2009 Performance Against Targets

Safety Officers have agreed performance targets for a range of activities. The graphs below demonstrate annual performance against plan and monthly delivery of the program.



Health and Safety Performance Reporting

At the close of 2009, PanAust revised the methodology for tracking and reporting health and safety statistics to comply with MCA guidelines. Data for 2008 and 2009 have been included in this report using these statistics. Externally reported statistics now include Fatal Injury Frequency Rate (FIFR), Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). Additionally, PanAust tracks Days Away – Restricted or Transferred (DART). Definitions for each category are available in the glossary.

To allow consistent reporting, PanAust also revised its methodology for grouping incidents by the levels of control that it can exercise. Based on a review of industry good practice and paying attention to the Company's exposure to Lao contractor management implications, four categories were established.

The electronic reporting and corrective action event management system INX (InControl Software) was effectively rolled out across the Company in 2008 and improved in 2009. This system provides timely, consistent incident tracking across the organisation and since its implementation it has greatly enhanced the Company's ability to record incidents, and track progress and completion of corrective actions.

2009 Incident Log

Incidents	Lodged 2009	Closed out 12/09
Total	870	673 (77%)

Below: Phu Bia Mining's safety record compares favourably with the Australian Openpit Metalliferous mining industry.



Incident Reporting Categories

Categories that necessitate a high degree of management and audit to ensure they meet the Company's H&S standards and Zero Harm safety objective are the basis of the Company's statistical reporting.

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

Categories that are managed but do not form part of external reporting requirements. These categories are subject to normal duty of care considerations as the level of PanAust involvement permits.

Monitored	Activities such as service provision (freight of goods and services to the mine site) where PanAust has little or no control over the selection or operations of that service 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.

Phu Bia Mining's health and safety performance is a function of distinct groupings. For Phu Bia Mining employees and experienced offshore contractors, it is one of high performance. For example, adjusted figures for Phu Bia Mining employee-only activities for 2009 are FIFR 0.0, LTIFR 0.16 and TRIFR 3.85 compared with the latest available data from the MCA 2007/08 that show an average for the Australian Opencut Metalliferous mining industry of FIFR 0.01, LTIFR 1.8 and TRIFR 7.00.

Lao subcontractors have not met the Company's high performance standards and regrettably there were three fatalities during the year involving their activities associated with the Company's operations in Laos. Two occurred on the public road between the mine site and the capital, Vientiane. The other occurred at a lay-down area set aside for the contractor at the Phu Kham Operation.

- On 12 February, Mr Chanthala Simabong, an employee of subcontractor Deuan Sawanh Group, was fatally injured when his semi-trailer carrying copper concentrate veered off the public road between the mine site and Vientiane.
- On 1 August, Mr Suet Sanyalath, an employee of subcontractor Meuang Vang Development Construction (MVDC), was fatally injured when his backhoe overturned while undertaking road maintenance between the mine site and Vientiane.
- On 5 August, Mr Yer Thao, an employee of subcontractor MVDC, was fatally injured while changing a truck tyre.

The Phu Bia Mining management team continues its efforts to lift the H&S capacity of contractors. This includes regular and comprehensive audits of contractors under the Company's control or influence.

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

However, the Company recognises that if it is serious about partnerships in developing countries such as Laos, it must be inclusive in both engaging a wider range of local contractors and acknowledging that those partnerships

bring short to medium-term capacity issues. Contractor management has been classified as a significant material risk and therefore requires close attention to reduce it to an acceptable level. For this reason, contractor activities such as public road maintenance, concentrate haulage and the future Mekong River ferry crossing are included in the Influenced Category. In developed countries these activities would not necessitate the same degree of control that the Company is applying in Laos. Their inclusion in the Company's statistical reporting ensures that a constant focus remains on the development of subcontractor health and safety capacity.

2008/09 Reportable Incidents – Controlled and Influenced Activities Combined

Year	Hours	FIFR	LTIFR	TRIFR
2008 (unadjusted)	10,909,889	Not included	1.15	6.56
2008 (adjusted)	10,909,889	0.18	1.37	6.38
2009	8,045,214	0.37	0.25	3.85

Leadership in Health and Safety Drive

During September, two H&S workshops were held. The first workshop comprised key H&S employees and senior managers from both the corporate and operations areas, and focused on reaching group alignment on H&S systems and processes that, while generally in place, required some adjustment.

The second workshop involved the above people, plus all operational, exploration and service managers. The meeting focused on the importance of H&S leadership and reviewed the state of H&S management within the Company. The workshop developed and agreed on a Safety Management Action Plan to drive H&S management for the next six months. Monthly updates on progress are being reported. At the end of December 2009, progress against the objectives stood at 74 per cent – up from 24 per cent at the end of September. This will be followed-up by a six monthly review of performance in 2010.

The Sustainability Committee has had this as a major focus of reporting at the quarterly meetings during the latter half of 2009.

In September 2009, PanAust engaged H&S consultants, Safety Wise Solutions, to undertake a review of incident investigations with emphasis on contractor fatalities and to make recommendations around safety leadership, incident investigation, follow-up and where general safety performance could be improved. The report highlighted that many of the corrective actions required were already in place or being implemented. However, priority recommendations were:

1. To adopt a standard investigation tool particularly for material and high potential incidents
2. Develop a policy on incident investigation and reporting
3. Implementation of Cardinal Rules
4. Increased management visibility in safety
5. Improved development of risk registers
6. Improved Contractor Management

All recommendations were accepted and actions relating to each recommendation are referenced either in this section or elsewhere in this report. The Company procedure on incident investigation and reporting has been updated and is available on the Company's intranet. The investigation process that has been adopted is ICAM. Two training workshops in ICAM are planned for 2010 to expand the number of current accredited investigators from four to at least 12.

The Safety Wise Solutions' recommendation to implement Cardinal Rules was accepted. Cardinal Rules are those safety breaches that historically, within a mining environment, commonly result in serious injury or a fatality. Seven critical safety issues common to all operating areas were identified for inclusion in the Cardinal Rules. The rules will apply to all employees and contractors at any PanAust site in whatever region of the world. Given the serious consequences for breaching the rules, rules must be unambiguous and implemented only after all employees are fully educated in their importance and have the necessary training and competencies to be able to fully comply.

A Company-wide roll-out will occur in 2010 and it is expected to take several months. A gap analysis is underway to identify training and awareness needs that must be addressed prior to implementation.

PanAust Cardinal Rules

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

Phu Bia Mining Supplementary Cardinal Rule*

8. Never handle an unexploded ordnance (UXO) unless specifically licensed, trained or properly authorised to do so.

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

Contractor Management

The Phu Bia Mining departmental risk registers consistently identified Lao freight, earthworks and road maintenance contractor issues as the foremost exposure to material risk. At the same time, the Company is committed to engaging local contractors in partnerships that will spread the economic benefit to the broader community. In doing so, it is recognised that this will also include short to medium-term exposure to Lao contractor capacity issues that are typical of local contractor activities in a developing country. Lao contractors make a significant contribution to the construction of Phu Kham's TSF, road maintenance on its access roads and the transportation of concentrate haulage. The mining operations and access roads are all in remote mountainous locations.

In 2009, Phu Kham transported approximately 231,850dmt of copper concentrate approximately 1,000km to the export port of Sriracha in Thailand. This involved an average of 50 highway trucks travelling in each direction daily. While freight movement in Thailand is on well-developed highways and is a monitored activity, the 110km route from Phu Kham to Thabok is through generally mountainous terrain on government roads maintained by Phu Bia Mining but open to public use. This section has been included in the Influenced Category and subject to tight controls.

An expanded Contractor Management Plan was developed in late 2009 with a focus on the operations of 10 Lao partners supplying contract services to the Company using approximately 200 pieces of heavy equipment and some 1,400 contractor employees. This included a dedicated contractor management specialist who was employed in late 2009 to implement the Contractor Management Plan. Duties included coordination of comprehensive audits of 10 contractors against the Company's Contractor Management Standards. The first, a four-day audit of DSG (concentrate haulage contractor) involving key managers from both companies highlighted the significant improvement they had made in the development and implementation of their Safety Management Plan, specifically improvements in their management organisation, mechanical workshop operations, workplace inspections, signage, walkways and barriers. DSG had improved training, focused on operator and maintenance competencies and H&S awareness.

In early 2009, Phu Bia Mining initiated blanket drug and alcohol testing for concentrate truck drivers consistent with the testing regime at the Phu Kham Operation. An initial failure rate of 20 per cent occurred during the first month. Following training and constant monitoring, blanket testing and post incident testing during the last quarter of 2009 resulted in a zero per cent failure rate – a significant shift in behaviour.

In addition, escort vehicles and convoys have been implemented on the public road that travels through a number of kerb-side villages and mountain stretches between the Phu Kham site and Thabok as well as for oversized equipment from Sriracha Harbour to Phu Kham.

To reduce the impact of transport vehicles on the ten villages along the unsealed sections of the highway between Thabok and Phu Kham, approval has been granted for the expenditure of \$3 million in 2010 to seal through the villages.

Crisis Management and Emergency Response

A review and update of the current corporate crisis management plan was undertaken in the last quarter of 2009 with training, roll-out and exercises due during 2010. The plan is based

on a model currently in use across the industry. It provides strong linkages to existing risk registers, incident and emergency management plans. A feature of the plan is the call-out triggering process that is based on identified risk exposures through the Company's risk management processes.

All sites have emergency preparedness and response plans in place. The Phu Kham emergency response teams completed training modules equivalent to an Australian Certificate 3 in mines rescue. Certificate 3 from Australian Training Frameworks is an agreed minimum standard for training (Certificate 3 in mines rescue is a module in a Diploma/Degree course in mine management).

All team members were required to increase their general fitness with compulsory physical training during each shift before undertaking the theoretical and practical emergency response modules.

The emergency response teams completed weekly drills as per the schedule drawn up by the emergency response trainer. The teams also participated in daily skills exercises. Emergency preparedness and training was undertaken at all the exploration sites where first-aid and fire-fighting training was conducted by Phu Kham-based teams.

*Left and right:
Emergency response
training at Phu Kham.*



Community Health and Wellbeing

The Risk Department coordinates a community health and wellbeing program which covers topics overlapping with those presented to employees at Phu Kham. This ensures a wider distribution of information and education to benefit all community members. Representatives of the Phu Kham health clinic cover topics such as:

- Cold, influenza and bird flu
- Gastro-intestinal health
- Heat stress
- Smoking and medicine effects
- Conjunctivitis
- HIV/Aids
- Family planning
- Hygiene
- Diabetes
- Regular exercise
- Road safety
- Benefits of vaccinations

Company doctors also work alongside Vientiane Province medical staff and Xaysamboun District medical staff to deliver infant and adult vaccinations to the community.

H1N1 Preventative Program

Recognised for its potential to have a significant adverse impact on the Company's operations and surrounding communities, the H1N1 virus pandemic activated PanAust's crisis management plan and teams in 2009. Teams in Brisbane, Laos and at Phu Kham were all actively involved in managing exposure to ensure minimal impacts. On arrival at site employees and visitors underwent a five-day temperature screening process. Further contingencies were developed as the World Health Organisation increased the threat levels. PanAust experienced no business interruptions, although two employees in Vientiane were identified as requiring quarantine and review by third party medical staff.

Unexploded Ordnance

Between 1964 and 1973, about five million tonnes of ordnance (explosive weapons) were dropped on Laos of which an estimated 30 per cent failed to detonate, resulting in approximately 78 million potential UXO remaining. UXO continually hinder daily life and pose restrictions on development and the safety of local residents, employees and contractors.

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

Accredited UXO detection and removal contractors are engaged by Phu Bia Mining to undertake all clearance work in advance of any activity involving work on previously uncleared ground. Pathfinder teams undertake shallow searches up to 25 centimetres with metal detection equipment and where activities require deeper checks, search up to five metres.

Each team locates, identifies and where required, destroys any UXO. More than 60 trained Lao-national UXO clearance employees are supported by Level 4 UXO Disposal Technicians, the highest accreditation awarded for these activities. Fifty-six are Lao employees with 44 recruited locally prior to training.

In the second half of 2009, as field activity increased, approximately 1,342,294m² of land was cleared, safely disarming over 176 pieces of ordnance. From 2001, when the clearance program began until the end of 2009, no incident or injury has been recorded.

Health Profile

Dr Noi

Employed as a Company Doctor in February 2007, Bounhome Phouvong (Dr Noi) was promoted to Chief Medical Officer with the opening of the Phu Kham Clinic one year later.

While providing health services to employees, Dr Noi also enjoyed helping local people who came into the clinic – including delivering babies and giving life-saving assistance to severely ill people.

Improving her professional skills and stimulating her interest in community health, Dr Noi helped develop and deliver programs to remote communities; including providing vaccinations and information about general health, family-planning, and preventing and managing sexually-transmitted diseases.

Through the Rockefeller Foundation (established in 1913 to promote the wellbeing of humanity throughout the world), Dr Noi won a partial scholarship in the Health Social Science International Program (Masters) at the Mahidol University in Thailand. Thanks to Company financial support to cover two years of living and study expenses, she was able to accept the scholarship.

In a further testament to Dr Noi's commitment and ability, through a process that attracted thousands of applications from around the world, she has been selected to attend the 'Women Deliver 2010 Conference' in Washington DC (USA), 7-9 June 2010.

Dr Noi describes her long-term professional intentions clearly: *"To reduce risky sexual behaviour, and maternal and child morbidity and mortality rates especially in remote areas in Lao... I will continue my work in maternal and child health in local villages. I will also continue to empower women to make the right decision for their health in reproduction, and I will support the expansion of family-planning services nationwide."*



Dr Noi enjoying a break between presentations at an international 'Women's Issues' conference.



The Company has an integrated set of Human Resources policies and systems to ensure high-calibre employees are attracted, developed and retained.

Respecting Our People

The Company has an integrated set of Human Resources policies and systems to ensure high-calibre employees are attracted, developed and retained. This strategy, together with a strong focus on leadership development and in particular training of Lao nationals, has ensured employees are aligned with Company goals and values and has resulted in high-performance outcomes at the Company's flagship Phu Kham Operation.

Workforce Composition

At year end, PanAust had a total of 1,677 full-time staff, including 1,644 employed by Phu Bia Mining in Laos, 10 in Thailand, and 23 in the Brisbane-based head office. Of the total Phu Bia Mining workforce, the Company employed 1,468 Lao nationals (1,333 permanent, 49 fixed-term and 86 casual employees), 167 expatriates from developing countries outside Laos and who have previous mining or heavy-industry experience, and 95 expatriates from developed economies. At 2009 year end, 98 per cent of the total full-time staff at PanAust were Lao-based, 0.6 per cent were Thailand-based, and 1.4 per cent based in Brisbane.

The Company actively encourages workplace diversity. At 2009 year end, 19 per cent of the workforce was female with many in typically male-dominated operator-type roles. Twenty-one different nationalities from the Asia Pacific region, Africa, Europe, and South and North America were employed by Phu Bia Mining.

The Company ensures direct benefits from its activities within the immediate communities through positive local preferential employment practices, with 35 per cent of the total workforce at Phu Bia Mining (not including casuals) employed locally from adjacent villages and the local Xaysomboun district.

Workforce statistics at year ending 31 December	2008	2009
Total full-time employees (permanent and fixed-term contract arrangements)	1,542	1,677
Female employees	22%	19%
Lao employees (permanent, fixed-term and local casual)	83%	85%
Expatriates	14%	15%
Total casual Lao employees	116	86

The number of employees engaged on a casual basis fluctuates depending on the number of exploration projects, project life-cycles and seasonal requirements. Casual workers are typically engaged locally to assist with exploration field works, cleaning and laundry, kitchen work, mining field works and maintenance works.

From 2008 to 2009, the number of expatriate employees increased as a result of exploration activities and development of the Ban Houayxai Gold-Silver Project that required recruitment of specialist roles previously delayed as a result of the global financial crisis. See the section relating to Training and Development on page 60 to find out how the Company is developing these skills in-house and in-country.

Opposite: Phu Bia Mining Apprentice of the Year, Oudia Vanhnathai, right; with Sayan Sengsavang, left; and Thongsouk, centre.

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



Phu Bia Mining Employees Categorised by Role/Profession and Origin in 2009

Role/Profession	Expatriate		Lao Non-Local		Host District		Adjacent Villages		Total	
	#	%	#	%	#	%	#	%	#	%
Management (manager/superintendent/senior professionals)	102	75	34	25	0	0	0	0	136	100
Supervisory/Professional	107	40	156	58	5	2	1	0	269	100
Operator/Trade	53	11	347	75	23	5	39	8	462	100
Trainee/Labourer			274	35	119	15	384	49	777	100
Total	262	16	811	49	147	9	424	26	*1644	100

* This figure does not include casual employees.

In 2009, 25 per cent of 136 management roles were filled by Lao nationals. Sixty per cent of supervisor/professional roles are currently filled by Lao nationals, demonstrating PanAust's commitment to ensure skills capability is being fostered and developed within the existing Lao workforce for more senior leadership roles in future.

PanAust's commitment to its people is reflected in its relatively low voluntary turnover rate of 10 per cent per annum. Expatriate voluntary turnover is 17.3 per cent. Within the Lao national workforce the rate of voluntary turnover is lower at 8.7 per cent. The Company's turnover is low compared to similar commute operations in the Australian metalliferous mining industry where average voluntary turnover for fly-in fly-out operations is 18.3 per cent and for drive-in drive-out operations is 14.3 per cent (as reported in a survey conducted by Mackie Employer Solutions released in April 2010 entitled, Resource Industry Turnover Analysis).

Group Rolling Average Voluntary Turnover

2007	2008	2009
15%	11%	10%

By gender, the Group voluntary turnover rate for 2009 as a proportion of the total workforce for male employees was 6.4 per cent compared with 3 per cent for female employees. The turnover rate within the female population at year end 2009 was 15.6 per cent, and within the male population was 7.9 per cent.

The low expatriate turnover, and low rate of turnover among local and national workers, validates the Company's approach to pay, conditions and opportunities for development, in that these are meeting the expectations of the international and local market. This also means the Company has a stable and motivated workforce in which to invest and utilise in growing the business in Southeast Asia.

Human Resources, Equity and Diversity

Key human resources policies support a diverse and productive workforce regardless of race, religion and gender and include Anti-Discrimination, Anti-Harassment, Equal Employment Opportunity, an Individual Performance Review Process and Succession Planning. These policies provide a structured, consistent approach to managing human resources and reinforce the Company's zero tolerance approach regarding discrimination.

Minority Groups

The Company actively encourages applications from minority groups, females and Lao nationals from Hmong, Khmu and Lao Loum ethnic backgrounds.

In employment advertisements in Laos, the Company encourages females to apply for typically male-dominated roles and adopts positive discrimination practices to ensure representation of females and certain ethnic groups within its workforce. Consequently, the ethnic representation in the Phu Kham workforce broadly reflects the balance of different ethnic groups in the villages local to the Operation.

In 2009, 85 per cent of employees at the Phu Kham Operation were Lao nationals, comprising Hmong, Khmu and Lao Loum ethnic groups.

Inward migration in recent years has somewhat altered the ethnic composition of local communities. To limit migration trends, Phu Bia Mining's recruitment policy gives first priority to job applicants who have been long-term residents of local communities (defined as people living in the villages prior to 2005).

As a result of this policy, the proportion of Hmong employed at the Phu Kham Operation mirrors the original ethnic composition of the community more closely than the current composition.

The two adjacent villages to the Phu Kham Operation are Nam Mo and Nam Gnone. The Company has regular communication with both villages regarding employment practices and monitors statistical trends to ensure the employment of locals from each of these villages.

Nam Mo Village

Ethnic group	Residents	Employees
Lao Loum	75.6%	64%
Hmong	0.3%	2%
Khmu	24.1%	34%

Nam Gnone Village

Ethnic group	Residents	Employees
Lao Loum	21.5%	5%
Hmong	69.9%	90%
Khmu	8.7%	5%

Recruitment and Selection

In relation to recruitment and selection, PanAust has a policy to guide the formal process to ensure consistency and compliance with equal employment opportunity. Although there is positive discrimination with respect to gender and employment of locals and ethnic groups, within these groupings employment is merit-based.

Recruitment for all positions is open to both male and female applicants. Role vacancies are advertised internally on the Company intranet, in local newspapers, within the local villages via the community relations team and in some cases internationally via the internet. Applications are accepted in hard copy as well as electronically to cater for those candidates who may not have access to computers. The Company also assists local candidates by liaising with representatives of local communities to collect hard copy applications.

Rates of pay are determined by job role and individual performance as well as prevailing labour market conditions, irrespective of gender. Salary bands are established for positions, without any form of discrimination based on gender.

A culturally fair and language-free assessment tool known as Q-Test is used in the selection process involving candidates of Lao ethnic origin. This allows the Company to assess the aptitude of Lao candidates who may have minimal education. Additionally, behaviour-based interviewing techniques continue to ensure a consistent and fair selection process.

Performance Reviews

Regular performance reviews are an important aspect to open two-way communication and provide employees the opportunity to discuss individual performance and identify areas for professional development. The annual review involves an assessment of the progress of an employee against an individual achievement plan (developed at the commencement of the performance year) and key behavioural indicators. In addition, an informal review is conducted mid-year to assess interim progress against the achievement plan and if necessary, adjust the plan to reflect changes in direction and priority. In 2009, all employees received a performance review which was conducted in conjunction with the annual salary review process to ensure compliance.

Succession Planning

A formalised process identifies talent and monitors the progress of succession planning throughout the year. Management committees at the operational and corporate levels are actively involved in providing input and identifying potential or emerging issues, roles for growth and activities to support the plan. In 2009, 58 Lao nationals were promoted into more senior roles after they were identified through the formal succession planning process.

Employee Health and Wellbeing

An employee health and wellbeing program is in place at the Phu Kham Operation where a majority of the Group's employees work. Doctors from the Phu Kham health clinic deliver presentations covering standard topics like the common cold, hearing and hygiene, regular exercise, benefits of vaccination, heat stress as well as topics relating to current issues like bird flu.

The purpose of providing information to employees and contractors is to raise awareness and provide education in relation to these issues.

Employee Induction

An extensive induction program, conducted by the Company, consists of a centralised General Safety Induction and New Employee Induction, delivered in both the English and Lao languages. These inductions provide education in generic safety policies, procedures and rules. The inductions also introduce the Company culture and ethical business practices through communicating vision, values and human resources policies. In addition, expatriate employees undertake cultural awareness with respect to Lao cultural sensitivities as part of their induction. As well as completing the centralised induction, employees and contractors are required to complete department inductions to allow safe access to specific areas of the operation. In 2009, all new Phu Bia Mining employees completed the centralised and relevant department-specific induction programs.

Training and Development

Training and development of people is important to PanAust. The Company has established a central training department at the Phu Kham Operation and embedded training within each area of the Operation. This was achieved by tailoring training to each area of the business for maximum effectiveness.

A number of programs help the Company identify and train the talent in its workforce and familiarise employees with mining industry standards and ensure consistent, high quality performance and practices. These programs include site induction, skills development to meet the requirements of existing roles, succession planning to identify training to meet the requirement of future roles, leadership development and performance reviews.

Skills Development

With PanAust's primary operations located in Laos, most of the training and development programs are focused on developing Lao employees. This is because most new employees do not have the base skills to operate safely and productively in a mining environment. A major focus in 2009 was to improve the skills of the local workforce, with approximately three per cent of total hours worked by Lao staff devoted to direct formal training (not including on-the-job practical training).



Training Course Hours

Courses	2008	2009
Trade Traineeships	4,800	65,500
Process Operation (Fixed Plant)	6,000	420
Mobile Equipment Operation (Mining)	37,747	13,792
Maintenance Skills Training (Mobile Maintenance)	N/A	514
Leadership Development	2,464	4,047
Occupational Health and Safety (excluding inductions)	4,208	4,248
Software and Operating Systems	180	736
English Language Development	1,447	8,070
Inductions (general and area)	1,126	3,609
Company Policies and Procedures	N/A	772
Miscellaneous*	7,028	335
Total	65,000	102,043
Mean average training hours per employee per year	50	70

*Due to implementation of a new training database in 2009, it was difficult to undertake a direct comparison with the number of training hours compared with the previous year. Therefore, training hours from 2008 that were not in the 2009 groupings have been allocated as miscellaneous training hours for comparative purposes.

Training Costs

Training	2009
Trainers (direct salary)	\$757,790
General Training Costs across the Site	\$309,770
Training Contractors (external training programs)	\$33,701
Pronto System Training	\$22,000
Pathumthani Technical College	\$50,505
Total	\$1,173,766

The total training cost for 2008 was \$1,295,444. A direct comparison with the above costs was difficult due to the implementation of a new training database in 2009.

While the Company's training and development programs make good business sense, they also meet commitments to the Government of Laos and local communities to develop the skills of an employee base that has no previous industry experience. To progressively reduce reliance on expatriate skills in the workforce, the Company promotes local employees when their capability fits role requirements. In 2009, the operations team determined competency requirements for each position and developed an individual skills matrix for every employee. At an individual level, matrices provide a training and development foundation for role incumbents and allow tracking and development of specific competencies.

Opposite: Junior Trade Technician, Khone Sayyath training at the Phu Kham in-house training centre.

Below: Phu Bia Mining Apprentice of the Year, Oudla Vannhathai, right; with Thongsouk, left.



Leadership Development

A comprehensive Leadership Development Program (LDP) was developed in 2008 to ensure Lao employees are utilising contemporary leadership techniques in keeping with the Company's vision and values. Twelve leadership development modules were developed and delivered throughout 2010 as part of the LDP. Approximately 150 employees participated in the program, with 50 senior-level Lao personnel expected to complete the full program in June 2010. The remainder of participants are expected to complete the program in December 2010. During 2008 the majority of the LDP training courses were delivered in English. However, in 2009 most of the courses were delivered in Lao. This meant more Lao national employees attended the course modules and developed greater leadership capacity in the workforce than existed previously.

"It is a very good program because it teaches us how to lead a team. All of the leadership techniques that I have learned can easily be applied in my workplace and I have used them. I think all of our leaders should go through this program." Phu Kham Heap Leach Gold Operation Training Coordinator, Sisongkhalm Sithanomhuck.

Operator Training

To ensure positive impacts on safety and productivity, new truck driver recruits undergo intensive technical training, as well as receiving training with the Company's state-of-the-art truck training simulator. The simulator provides a safe environment for employees to train and practice new skills using equipment designed to reproduce the features of driving a truck.

Trades Training

There are insufficient, skilled tradespeople in Laos to meet the Company's existing and future planned growth requirements. To overcome this shortfall and to supplement the Company's future need for trade skills, Phu Bia Mining established an in-house Technical Training Centre in 2006. At any one time the centre has up to 40 Lao employees learning trade skills such as mechanical fitting, welding, electrical and diesel fitting of heavy earth-moving equipment.

Following the graduation of the first 15 students in March 2009, a further 17 students graduated in January 2010. The two-year program involves completion of up to 18 technical trade subjects as well as English language training. Although the program is conducted in-house, the Company has worked with the Lao-German Polytechnic College in Vientiane and the Pathumthani Technical College of Thailand, to provide teaching staff and training material, to ensure the qualification is recognised in Laos.

Achieve Group Australia, an Australian expert in the field, undertook an external audit of the program and facilities. The resulting report was, overall, extremely positive and included the following feedback:

"The results being gained from this program are exceptional and a credit to all involved in its design, delivery and continuous improvement. In my opinion, this program is one of the most complete I have seen actively being used. I am keen to present some of my findings to our local businesses and training industry in Australia, with the view to demonstrating what is possible with the right commitment and passion towards training." – Achieve Group Australia.



"When I graduated from high school I joined the army. After a year I heard about the Phu Bia Mining Trade Training program and applied. I have gained a lot of knowledge and skills because of the program. Not only did I learn the technical things, but it has also helped me to grow up and learn to work with other people. My life is so much better now, and is improving all the time." – Phu Bia Mining Apprentice of the Year, Oudla Vanhnathai.

Language Training

Language training is an integral part of employee development when working with an international mining company using the latest mining techniques. Following on from the English language training program developed and delivered in previous years, in 2009 advanced-level training was completed by 30 students. Basic English language training continued through the year and focused on conversational skills at the beginner and intermediate levels.

Left: Phu Bia Mining Apprentice of the Year, Oudla Vanhnathai, with Trade Trainees Khone Sayavath and Beeher Herchalen.

Centre: Phu Kham Training Coordinator, Sisongkhalm Sithanomhuck has participated in the Leadership Development Program.

Right: Employee Award winners at the presentation ceremony held at Phu Kham in April 2010.

Employee Award Program

To foster a culture of continual improvement and improve sustainability awareness, the Company introduced employee achievement awards to recognise and reward employee excellence.

Presented for the first time in April 2010 for outstanding performance during 2009, the awards were open to all staff in the following categories:

- **Technical Trainee (Apprentice) of the Year** – someone who has performed exceptionally well through their technical training, whether they have completed their training or are still in the program
- **Safety Employee of the Year** – someone from the general workforce who has shown outstanding commitment and contribution to safety
- **Safety Team of the Year** – for the section/shift crew with outstanding commitment to safety
- **Sustainability Award** – for outstanding community service in Laos and/or achievements in environmental protection
- **Managing Director's Rising Star Award** – for the outstanding overall employee of the year who has performed at a very high level and has made a significant contribution to the success of the business.

In addition to receiving public recognition in a formal ceremony along with a cash prize, employees will embark on a study tour of leading practice mining operations in Southeast Asia and Australia. The aim of the tour is for this outstanding group to further develop their skills, learn new ways of performing work activities, benchmark leading practices and share learnings within the Phu Kham Operation.



Scholarship Program

Phu Bia Mining is sponsoring Dr Bounhome Phouvong (Dr Noi), Chief Medical Officer at the Phu Kham Clinic, to complete a two-year master's scholarship in the Health Social Science International Program at the Mahidol University in Bangkok. With her scholarship covering tuition fees only, the Company is funding Dr Noi's living, study and ancillary expenses for the full-time study program.

See page 55 for a profile of Dr Noi.

Internal Communications

The Company promotes open communication between employees and managers and encourages direct communication regarding operational changes. Throughout the year, there was regular communication and presentations by management about the Company's performance and future plans.

The process of management-employee communication is facilitated through a number of strategies. These include company inductions, regular 'toolbox' talks conducted by employee leaders, the distribution of a monthly newsletter, training in human resources policies and procedures, behavioural expectations, and the 'fair treatment system' (a grievance procedure in which all employees are informed). Performance reviews are also conducted bi-annually with all employees. This involves a review of employee achievement plans based on the Company's strategic five-year plan and annual planning process that cascades down throughout the organisation's structure to ensure all employees are aligned with the Company's objectives.

Below: Phu Kham Training Coordinator, Sisongkhalm Sithanomhuck explains training policy to employees.

A monthly operational newsletter is widely distributed and, to reinforce a 'sustainability' culture, each edition includes stories and information relating to the environment, community consultation, safety and human resources initiatives.

A group-wide intranet, accessible by all employees, provides a central location for comprehensive corporate and operational information, policies and procedures, systems and processes.

Employee Relations

Employment terms and conditions for Phu Bia Mining employees are regulated by the MEPA. This agreement was developed by the Company in conjunction with the Government of Laos to ensure the Company adheres to relevant national regulations for its operations and exploration activities in Laos, while applying international best practice employee relations principles. The Company has registered its work terms and conditions with the appropriate government authorities for its activities in both Laos and Thailand.

Employees are engaged on individual contracts and are entitled to freedom of association. These contracts have been reviewed by both the Lao Government and union bodies. A philosophy of dealing directly, openly and fairly with employee-related matters is a requirement of the MEPA. The Company has been supportive of the presence of workplace representatives at its mining operations in Laos and in late 2009, Phu Bia Mining began discussions with the Lao Trade Union Federation to set up workplace representatives. No time was lost due to labour disputes during 2009.



People Profile

In August 2007, 19-year old Miss Xaivang from a local Hmong subsistence farming family started work with Phu Bia Mining as a Fuel Farm Assistant.

The role requirements were basic: record fuel issues, work the required roster, carry out all work safely, and be honest. On commencing, Miss Xaivang certainly fulfilled the job requirements but was not able to write or speak English, had no computer skills, could not drive a vehicle, and – having only ever worked with her family to help grow crops – had never worked with any nationality other than Lao.

Seeing opportunities for growth and learning in the early stages of her employment, Miss Xaivang took the initiative to independently progress and expand her skills.

- She enrolled herself on a Phu Bia Mining-sponsored 4WD course and completed it in her own time, thereby acquiring the Phu Bia Mining prerequisite for driving a vehicle.
- She developed her understanding of English by attending evening classes and working through translation books provided by her manager.

With the commissioning of a new bulk-fuel facility in late 2008, the fuel farm attendant role was no longer required. By this time, noting her achievements and her potential for further growth, Miss Xaivang's manager saw an opportunity for Miss Xaivang to move into a more complex role within the Company. The opportunity also offered Miss Xaivang more meaningful work within Phu Bia Mining, and she subsequently accepted a Warehouse Officer role within the Phu Kham Copper-Gold Warehouse.

Since then, Miss Xaivang's skills have gone from strength-to-strength. She now has a strong understanding of the warehouse system and processes, and possesses general clerical and stock control skills. She is also able to operate a forklift, and her manager advises that her English skills are continually improving by undertaking a comprehensive in-house Phu Bia Mining English language development program. She is proactive, shows great attention to detail, and above all is now the 'face of the Phu Kham Warehouse' providing customer service to a broad, multicultural workforce.

Miss Xaivang said that Phu Bia Mining has changed her life considerably since she started in 2007.

"I have learned a lot from Phu Bia Mining like computer skills, driving, a little English, materials knowledge and much more," Miss Xaivang said.

"I have been able to support my family financially and they are proud of what I have achieved through working with Phu Bia Mining," she said.

"I am very happy working for Phu Bia Mining. I enjoy working with my team and have a great boss. I would like to go on and be a Team Leader within the warehouse as I think I will have the skills in the future."



Miss Xaivang carrying out general clerical duties at the Phu Kham Warehouse.

Consequence Table

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

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

Glossary

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

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

AS/NZS ISO 31000:2009 is the international ISO standard that superseded AS/NZS 4360 in late 2009.

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

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

Business principles refer to the way PanAust operates globally, and an ethical decision-making framework.

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

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

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

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

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 unfettered and independent judgment.

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

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

Global Reporting Initiative (GRI) is a widely used sustainability reporting framework that sets out the principles and indicators which organisations can use to measure and report their performance in sustainability.

Hectare (ha) 10,000 square metres.

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.

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

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

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.

London Metals Exchange (LME) is the industry's most widely used non-ferrous metals market.

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.

Maternal and Child Health (MCH) refers to the wellbeing of pregnant women, mothers, infants and children.

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

Megalitre (ML) 1,000,000 litres.

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

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

Non-ferrous metal is any metal material that does not relate to, include or contain iron.

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

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

Personal Protective Equipment (PPE) is provided to employees to minimise the risk of injury or illness. PPE is used only as a last resort if other controls are not available or do not adequately reduce an identified risk.

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% sulphur. Low PAF material 1%-4% sulphur.

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

Third Party Checked is a definition used when a third party has offered an opinion of the self declaration in accordance with the GRI sustainability reporting framework. Carole Burnham PhD, PEng, BCEE of Carole Burnham Consulting provided PanAust with advice on the report as part of the pre-assurance process and confirmed the PanAust Self Declared level of GRI B. This confirmation does not imply assurance. Carole Burnham Consulting is an Ontario-based proprietorship providing strategic and advisory services to public and private sector clients on sustainable development and environment.

Tonne (t) 1,000 kilograms.

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

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

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

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

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

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

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

Injury definitions

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

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

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

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

Total Recordable Injury (TRI) LTI + DI/RWI + MTI

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

Rate definitions (as per MCA)

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

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

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

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

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

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

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

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

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

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

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

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



Lao sunset.

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