

PANAUST
OPERATE WITH
CHALLENGING
ATIONS. IT IS
THE RELAT
PERATIO

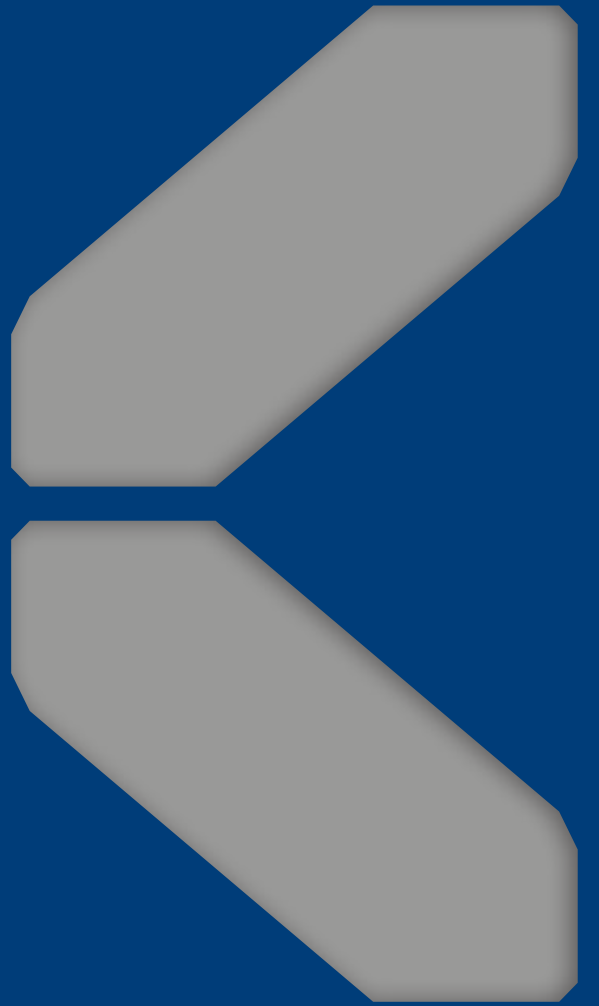
OUR PE
WINE OUR
COMMON CU
SUCCESS IS TH
OUR RELATIO
EMPLOYEE
HOST C



PANAUST

2017

Business Review and
Sustainability Report



PANAUST IS WAY AHEAD BECAUSE OF ITS PEOPLE, NOT ITS ORE BODIES. IT IS **PANAUST'S** PEOPLE THAT DEVELOP AND OPERATE WORLD CLASS PROJECTS IN CHALLENGING GEOGRAPHIC LOCATIONS. IT IS OUR **PEOPLE** THAT **FORGE** THE RELATIONSHIPS INTEGRAL TO OUR OPERATIONS AND ACTIVITIES. AND IT IS OUR PEOPLE THAT WILL DETERMINE **OUR** FUTURE SUCCESS. THE COMMON CURRENCY OF OUR **SUCCESS** IS THE STRENGTH OF OUR RELATIONSHIPS WITH OUR EMPLOYEES, OUR COMMUNITIES, HOST GOVERNMENTS, SUPPLIERS, PEERS AND PARTNERS.

COMPANY PROFILE

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

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

In PNG, PanAust is advancing the Frieda River Copper-Gold Project ('the Frieda River Project'). Frieda River is one of the largest known undeveloped copper and gold deposits in the world and offers PanAust excellent potential for the establishment of a world-class, long-life operation.

In 2016, PanAust expanded its presence in Southeast Asia through a joint venture in Myanmar. The partnership presents an exciting opportunity for the Company to establish an exploration base in this prospective region.

PanAust is focused on a sustainable business model associated with the production and sale of copper and gold, delivery of production goals and responsible astute growth. While copper forms the core product focus, gold and silver provide commodity diversity.

The strategic direction of the Company is to maximise returns from its producing assets while advancing projects that offer potential to sustain and grow the business in the long term.

PanAust is an Australian incorporated company owned by Guangdong Rising H. K. (Holding) Limited which is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd. (GRAM).

GRAM is a Chinese state-owned company regulated under the State-owned Assets Supervision and Administration Commission, the People's Government of the Guangdong Province in the People's Republic of China. GRAM operates as an investment company in mineral resource development, electronics, industrial waste management, real estate and finance.

Company structure

PanAust's corporate office in Brisbane, Australia provides leadership and support across the Group in relation to strategy, financial management, commercial and technical services, risk management, sustainability, corporate communications, human resources, governance and reporting.

Reflecting its operating capacity and commitment to building a worldwide business, PanAust is structured into two business units: PanAust Asia and Project Development.

PanAust Asia business unit

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

Laos

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

PBM has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. The MEPA regulates exploration, development and mining activities within a 2,600 square kilometre Contract Area, and sets out tax and royalty obligations.

Myanmar

PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company which holds the remaining 20 per cent of WRCL. The joint venture holds three Exploration Licences that cover a 213 square-kilometre area in the Sagaing Division, Myanmar.

PanAust has a farm-in agreement with Metro Mining Limited (an Australian ASX-listed company) for the Mahar San Exploration Project in Myanmar.

Project Development business unit

The Project Development business unit has responsibility for the Company's development projects and provides technical and operational improvement support. It is responsible for technical studies and project implementation of capital-efficient project development and strategic improvement initiatives to support and enable the Company's growth.

Papua New Guinea (PNG)

The Frieda River Project is held by the Frieda River Joint Venture, an unincorporated joint venture between Frieda River Limited (FRL) – a PanAust subsidiary company – and Highlands Frieda Limited, a wholly owned subsidiary of Highlands Pacific Limited. FRL manages the Project and holds an 80 per cent interest. The Independent State of PNG has a right, prior to the grant of a Special Mining Lease (SML), to purchase up to 30 per cent equity in the Project at a price pro-rated to the accumulated historical expenditure of the Project.

South America

PanAust holds a 66 per cent interest in the Inca de Oro Copper-Gold Project through a Chilean incorporated joint venture company, Inca de Oro S. A. (with Codelco) The Company also has a 100 per cent interest in the nearby Carmen copper-gold deposit.

PANAUST IS FOCUSED ON
A **SUSTAINABLE** BUSINESS
MODEL ASSOCIATED WITH
THE **PRODUCTION** AND SALE
OF COPPER AND GOLD,
DELIVERY OF PRODUCTION
GOALS AND ASTUTE
RESPONSIBLE GROWTH.

COMPANY PROFILE

Directors

Mr Shu Yao, Chairman (appointed 26 September 2017)

Dr Lixin Wang, Chairman (resigned 26 September 2017)

Dr Fred Hess, Managing Director

Mr Qian Deng

Mr Minzhi Han

Dr Qun Yang (appointed 26 September 2017)

Mr Gang Yu (resigned 26 September 2017)

Company Secretary

Ms Qingshan (Laurinda) Zhang

Auditors

PricewaterhouseCoopers

480 Queen Street

Brisbane QLD 4000

Bankers

ANZ Banking Group Limited

324 Queen Street

Brisbane QLD 4000

See PanAust's website for the complete profiles of PanAust's Board, www.panaust.com.au/directors

Contents

Company profile	1
Materiality and scope of this Report	5
Managing Director's Review	10
Vision and Values	17
Economic Performance	20
Governance	28
Social Performance	46
Environmental Performance	68
Health and Safety Performance	80
Our People	92
Assurance Statement	107
Company Ownership Profile	108

MATERIALITY AND SCOPE OF THIS REPORT

This 2017 Business Review and Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI), G4 Sustainability Reporting Guidelines including the Mining and Metals Supplement. The scope of the Report, as per GRI materiality requirements, covers 'topics and indicators that reflect the organisation's significant economic, environmental and social issues that could substantively influence the underlying value of the company, and the assessments and decisions of stakeholders'. Materiality Counts, an independent assurance provider, has provided assurance of both the materiality assessment process and a selection of material issues within this Report. A copy of the assurance statement is on page 107.

Materiality process

(The process for defining the content of this Report)

PanAust's 2017 Business Review and Sustainability Report focuses on those issues that matter most to the Company and its stakeholders. PanAust applies a consistent approach to identifying, assessing and verifying material sustainability issues which is outlined in the following five steps:

1. Stakeholders and their issues are identified

PanAust's stakeholders are identified based on their potential to impact or be impacted by the Company's business activities. Primary stakeholders and interested parties are listed on page 49 of this Report. Regular engagement with primary stakeholders, together with the review of independent external and competitor reports enables issues of importance to stakeholders to be identified and understood.

2. PanAust's issues are identified

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

3. Issues are assessed and ranked

Each issue is ranked on its level of importance to stakeholders and to PanAust. The criteria for ranking are largely based on how PanAust defines issues of significance (defined as levels 4 and 5 incidents/potential incidents using the Company's Consequence Table which is available on PanAust's website, www.panaust.com.au/corporate-governance) and benchmarking activities. Issues are considered by level of interest and commonality via requests for information from stakeholder groups and media coverage. For the 2017 Business Review and Sustainability Report, PanAust sought feedback on issue identification and ranking through a targeted survey from General Managers, managers and subject matter experts across the business. In addition, feedback provided through the Sustainability Report feedback survey button on PanAust's website was reviewed.

4. Material issues are verified

Material issues are presented to the Company's Executive Management Team for review and feedback. The Executive General Manager Support Services then endorses the material issues for inclusion in the annual Business Review and Sustainability Report.

Materiality Counts verifies that issues identified as material are included in the Report. A rolling assurance program aims to work through the material issues over a three to five-year period with up to six material issues assured each year. Energy and greenhouse gas emissions are assured every year to inform PanAust's reporting obligations to the CDP. Security performance and training are included in the annual assurance program to verify performance to the 'United Nations Voluntary Principles on Security and Human Rights' to which PanAust is a signatory. The assurance scope is revisited annually to ensure relevance to those material issues of most significance in the reporting period.

5. Material issues inform Company activities

PanAust's approach to managing material risks provides a continuous improvement feedback loop, which informs Company strategy, budgets, and business and engagement activities. At the executive level, material issues define the sustainability and business improvement focus areas for the Company. These outcomes cascade to the broader sustainability governance structure and are incorporated into business and annual plans, and key performance indicators. In 2017, PanAust held its ninth Annual Risk and Sustainability Workshop, with leaders from across the business, to review and plan for the proactive management of sustainability issues. The Workshop provided a forum for the translation of risk and sustainability strategies into planning processes, facilitated organisational alignment and provided a platform from which the business could share challenges and best-practice approaches to sustainability issues.

The following figure shows the outcomes of PanAust's materiality process for 2017. Within the areas of economic performance, governance, social performance, environmental performance, health and safety performance, and our people, each material issue – including the boundary of impact – is addressed in this Report.



MATERIALITY AND SCOPE OF THIS REPORT

Report scope

The principal activities of the PanAust Group during the 2017 reporting year were the:

- > production and sale of copper-gold-silver concentrate from the Phu Kham Copper-Gold Operation, Laos
- > production and sale of gold-silver doré from the Ban Houayxai Gold-Silver Operation, Laos
- > exploration and evaluation of projects in Laos, PNG and Myanmar.

Most of PanAust's reporting relates to the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation. Where relevant, information is also included for the Frieda River Project, and other exploration and growth projects.

This Report is for the 2017 calendar year and is PanAust's twelfth annual Sustainability Report; it follows that produced in 2017 for the 2016 calendar year.

Data collection protocols and reporting currency

With the exception of new reporting items, this Report in most cases presents data for a three-year period. Data for prior years (to 2006) is available in PanAust's Sustainability Reports, which are available on the Company's website, www.panaust.com.au/reports.

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

Data contained in tables and figures may include minor computational errors due to rounding.

Transparent reporting

PanAust values openness and transparency in its business activities. Each year, the Company produces a financial report, a Business Review and Sustainability Report (this document), quarterly activity reports and other ad-hoc Company Announcements.

With the exception of the financial report, which is submitted to the Australian Securities & Investments Commission (ASIC) and is available for a nominal fee paid to ASIC, all documents are made available on PanAust's website, www.panaust.com.au.

The 2017 financial report was independently audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards and will be submitted to ASIC in 2018.

Independent limited assurance is provided by Materiality Counts in relation to the six non-financial material issues of this Report (see page 107 for the Assurance Statement for issues covered), to meet the requirements of GRI G4 Core.

Through PanAust's Minerals Council of Australia (MCA) membership, the Company supports the Extractive Industries Transparency Initiative (EITI); a global initiative to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. PanAust reports payments to governments in its financial report, and Business Review and Sustainability Report (see page 54). The Phu Bia Mining Annual Business Review provides a summary of key content of both reports tailored to, and translated for, Lao stakeholders.

When legally permitted and consented to by host governments, PanAust supports making the material terms of its contracts publically available (in line with EITI requirements).

A detailed index of the GRI indicators and where they are reported – fully, partially or not reported – for 2017 can be found on PanAust's website, www.panaust.com.au/reports.

To provide feedback on the 2017 Business Review and Sustainability Report, go to www.panaust.com.au/reports and click on the Sustainability Report FEEDBACK SURVEY button.

To request further information about PanAust or this Report, email info@panaust.com.au or telephone +61 7 3117 2000.

Forward-looking statements

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



*Ban Houayxai Gold-Silver Operation
process plant grinding circuit*



PanAust Managing Director, Dr Fred Hess

MANAGING DIRECTOR'S REVIEW

AT PANAUST, WE DEFINE SUCCESS HOLISTICALLY.

Success requires excellence not only in the physical production of copper and gold but across all aspects of the business including our people, safety, environmental management, community relationships, government engagement, and returns to shareholders. We consistently find that pursuing business and sustainability outcomes in a complementary manner is mutually beneficial; success in one area facilitates excellence in the other. This approach is enshrined in our Vision and Values and through our code of conduct, *The PanAust Way*.

PanAust ended 2017 in good shape. Copper and gold production from our Operations in Laos was strong. In Papua New Guinea, we have taken substantial strides towards making the Frieda River Copper-Gold Project a reality. And we are actively working to grow the business through identifying and evaluating discovery, acquisition and development opportunities.

Importantly, we achieved these milestones safely, sustainably and in collaboration with our host communities and governments.

Success in the mining industry can be distilled into two fundamental constituents – an ore body that contains wealth in the ground, and people who unlock that wealth. Any inadequacy in one constituent must be compensated by abundance in the other for success to ensue. At PanAust, our ore bodies are lower in grade and have more challenging metallurgy than most. Our success is truly people driven.

As a mature business, we have increasingly focused our attention on developing our people to complement our continuing pursuit of technical and related advancements. It is PanAust's people – aligned to our strategy and our Vision and Values – that have developed successful projects in the face of an array of challenges including ore body grade, terrain, geographic remoteness and many more. It is our people that have forged relationships – with each other, with communities, and with governments – that have been integral to the success of our operations and activities. Our future is bright because our people will determine our success.

Developing the leadership skills of our people is a focus for the business as we seek new opportunities to both challenge them, and grow our employee base. *Leading The PanAust Way*, an internally designed and facilitated leadership development program, promotes a PanAust-style leadership capability model which integrates key aspects of *The PanAust Way*, our Vision and Values, and strategy. We recognise the importance of feedback to every individual and the role it plays in promoting their development. This is true from myself all the way down the organisational structure. We are progressively providing to each individual leadership role structured feedback from their workplace superior, peers and subordinates. The program provides revealing insight into leadership strengths and identifies areas for self-reflection and opportunities for improvement. The program aims to bolster the existing succession plan by developing an internal pool of current and future leaders who have the capability to deliver PanAust's business strategy. The program was launched at the end of 2016 to the Executive Management Team and was rolled out to managers and superintendents in 2017.

Keeping our people safe is an essential principle that every leader in our business believes in and takes seriously. We demonstrate this commitment by consistently achieving outstanding safety results – 2017 was no different. By year end, PanAust's Total Recordable Injury Frequency Rate (TRIFR) was 0.83. This outcome is better than the industry average and a 28 per cent improvement on the Company's 2016 safety results. Our safety performance reflects our commitment to Zero Harm safety objectives and the success of targeted safety programs that focus on hot spots and lead indicators.

MANAGING DIRECTOR'S REVIEW

During the year, a follow-up to the 2013 employee engagement survey delivered an improved result with respect to safety engagement. An overall satisfaction rating of 92 per cent outperformed the 2013 results by 11 per cent, and significantly outperformed the natural resources benchmark (made up of mid-tier and large, high-performing mining companies) of 87 per cent. This result confirms the maturing of the Company's safety culture and the belief of employees that PanAust genuinely cares for the safety, health and wellbeing of its workforce.

Our aim is to continue to improve our safety performance by remaining ever-vigilant against threats to our people. One such threat to an organisation with an impressive safety record is complacency. Recognising this, we have put in place measures to maintain our safety focus, including an annual program of deep dive audits. Since its inception in 2014, the executive management-led deep dive audit program has been instrumental in identifying threats to safety, verifying risk control measures and finding opportunities for improvement across the business for high-risk activities and incident hot spots. In 2017, 11 deep dive audits were completed across our Lao Operations, the Frieda River Project site in Papua New Guinea, and the Brisbane and Vientiane offices. All senior executives are required to lead and/or participate in the audit program, thereby ensuring that our senior leadership remains in touch with the frontline safety challenges in our workplaces.

We have developed the 'Injury and Incident Free' safety awareness program. This comprises six short films that are displayed on screens around the workplace, and other supporting materials that are used to further engage and inform our workforce on safety issues. The campaign visually and frequently reinforces how our existing safety management systems and tools are connected and minimise the potential for harm to our people and the business.

We have made a long-term commitment to promote localisation of our workforce through training and development. We have maintained our 2016 benchmark by employing 91 per cent Lao-nationals with this set to increase to 93 per cent in 2018. This outcome has been supported through the successful Trades Training Apprenticeship Program, which meets the Queensland TAFE Certificate III accreditation requirements, and by embedding the development of our local workforce as a performance measure for our expatriate workforce. In December, 34 Lao-national employees graduated from the Program and have since transitioned into full-time trades positions with the Company's Operations in Laos. Each graduate represents a positive and enduring legacy of PanAust's contribution to Laos.

In a separate complementary program, our Lao Supervisory Development Program targets high-potential employees and assists them to develop their leadership skills in the fields of planning and strategy, managing performance, problem solving, communication, and negotiation. Graduates in 2017 – the Program's seventh year – were recognised at a ceremony held at the Crowne Plaza Hotel in Vientiane. The success of this program is reflected in the promotion of 380 Lao employees into leadership positions since 2014, 85 of whom were promoted in 2017.

Importantly, our performance as a business has improved over this period of increased Lao-national participation in the workforce. This serves to reinforce our commitment to localising our workforce, ensuring they are Way Ahead as a result of their employment with PanAust.



PanAust recognises that its business depends on the strength of its social licence to operate. Wherever we do business, we seek to support our local communities through targeted development activities, employment and training opportunities, small-scale infrastructure programs, and business development. Critical to our social and business licences to operate is our environmental stewardship. I am pleased to report that PanAust recorded no significant environmental incidents in 2017.

The results of our 2017 IFC audit in Laos, in which we recorded our best ever performance. Importantly, for the first time, no critical findings were recorded, confirms our commitment to sustainability.

In Laos, while we benefit from the production at our Phu Kham and Ban Houayxai Operations, we have started planning for the important transition to closure at both Operations within the next five years. Our approach to closure planning is no different to a new project. In developing a feasibility study for closure activities and establishing a dialogue with key internal and external stakeholders early, we are demonstrating that we are committed to leaving a lasting positive legacy in Laos. It also exemplifies our credentials as leaders in sustainability in the mining sector. Importantly, we have successfully re-designed our internationally recognised community development fund program to cover a five-year period, with the aim of achieving UN Sustainable Development Goal standards in the three villages closest to our Operations.

In March, PanAust's Lao-registered subsidiary, Phu Bia Mining, was awarded a Labour Order Medal from the Government of Laos in recognition of the Company's upgrade of Road No. 12 in the Khammouane Province, an important link between Laos and Vietnam on the Company's logistics route. We were honoured to receive the medal which acknowledges our ongoing commitment to, and promotion of, the socio-economic development of Laos.

It is important to PanAust that the most vulnerable members of its host communities are recognised and supported. In November, we signed an agreement to partner with the Australian Government on the Women in Mining Project in Papua New Guinea. This Project aims to strengthen the participation of women in the Frieda River Project's Development Forum process and to ensure women receive lasting benefits over the life of the mine and beyond. This complements a program to combat family and sexual violence in partnership with the Papua New Guinea Mineral Resources Authority, the Australian Government, and the World Bank.

Recognising the human development challenges faced in Papua New Guinea, PanAust was pleased to extend its partnership with Interplast Australia & New Zealand in 2017. With PanAust's financial and logistical support, a team of five Interplast volunteers – led by the current President of the Australian Society of Plastic Surgeons, Professor Mark Ashton – travelled to Vanimo General Hospital in Sandaun Province in September. The team treated 15 patients who received transformative surgery to treat conditions including cleft lip and palates and burns/scar contracture releases. Local medical staff, including the country's only plastic surgery trainee, also received training from the visiting Interplast team, a move that ensures surgery skills and services in Papua New Guinea will endure.

PanAust staff gave their time, alongside a Company donation, to support the Zonta Club of Brisbane's 2017 Birthing Kit Project. The Project assembles and distributes birthing kits that contain provisions to assist with the provision of clean and safe birthing environments to women in Papua New Guinea and other developing countries. This is the fourth consecutive year PanAust has supported this important initiative.



On the back of improved metals prices, record production at our Operations, and ongoing vigilance to maintain a lean cost structure, PanAust's economic performance in 2017 was outstanding. Above budget and record copper metal production was achieved, with an annual record of 90,363 tonnes of copper in concentrate produced at the Phu Kham Operation. Profitability and cashflows were strong, and a robust balance sheet was maintained with no debt at year end.

Naturally, the year was not without its challenges. We met 2017 with high hopes for our exploration activities. Planned exploration activities in Laos were completed but failed to discover further economic mineralisation within the Contract Area. In Myanmar, delays in the approval of exploration licences meant we were unable to undertake field exploration activity as we had planned. While this was a disappointing outcome and a setback for the future growth of our business, encouraging progress was made towards securing licences late in the year and we remain optimistic about our exploration opportunities in Myanmar in 2018.

We also faced potential regulatory changes in Papua New Guinea where the Government is considering proposed amendments to the Mining Act of 1992. PanAust supports positive reform of regulations and legislation that benefits all stakeholders and has advocated pathways to achieve a mutually acceptable outcome. We continue to liaise with the Government of Papua New Guinea to encourage an outcome that maintains Papua New Guinea's attractiveness as a destination for investment.

We will not produce as much copper in 2018 as we did in 2017, in fact, production at Phu Kham will begin to decline year-on-year until its closure. With the closure of our Lao Operations on the five-year horizon, we are actively evaluating potential opportunities for growth through the filter of our Vision and Values, and to ensure the Company's future is sustainable, and in keeping with our holistic approach to running a successful, modern mining business. The world-class Frieda River Project represents the Company's future long-term cornerstone production asset.

The common currency of PanAust's success is the strength of its relationships; relationships with our employees, our communities, host governments, suppliers, peers and partners. These relationships depend on the trust fostered by timely, transparent and open communication reflected in this Report.

The 2017 Business Review and Sustainability Report is the twelfth instalment of our annual consolidated reporting on PanAust's sustainability performance. The Report, which is prepared to Global Reporting Initiative G4 Sustainability Reporting Guidelines and independently assured, identifies the material issues we face and how we manage them.

PanAust has published this 2017 Business Review and Sustainability Report earlier than in previous years to demonstrate our commitment to excellence in communications. I commend the Report to you and deliver with it a renewed commitment to operate and grow our business in a sustainable and responsible manner.

Managing Director, Dr Fred Hess

2017 HIGHLIGHTS AND FUTURE CHALLENGES



Economic Performance

Several production records achieved with the highest copper production at Phu Kham and above budget gold production at Ban Houayxai.

Profitability was strong, coupled by an upswing in commodity prices that delivered above budget EBITDA and NPAT.

A strong balance sheet was maintained with no debt at year end 2017.



Governance

A continued commitment to transparency as a private company including publishing quarterly activity reports and disclosing material sustainability matters to GRI G4 Core.

The Governance Committee was embedded with four meetings held.

Governance arrangements to manage material issues including tailings, acid rock drainage, and cyanide management continued to operate effectively.

A deep dive audit on anti-bribery and corruption was completed and an anti-bribery and corruption Company Standard developed.



Social Performance

Phu Bia Mining accounted for over 3.5 per cent (US\$597 million) of Laos' 2017 real gross domestic product (US\$16.9 billion).

A total of US\$175,102 was expended on community development fund (CDF) projects in Laos and US\$249,134 on health, education and capacity-building in PNG.

Independent review of CDF plans in Laos. CDF plans redesigned with a five-year outlook to support Lao communities post-closure.

2017 HIGHLIGHTS



Environmental Performance

Implementation of a diesel backloading initiative (see page 78) which removes over 1,500 tonnes of greenhouse gas emissions, saves over US\$1 million in transport costs annually, and eliminates 3,200 truck movements annually.

Pre-feasibility closure study for Phu Bia Mining completed, with closure plans updated for Phu Kham, Ban Houayxai and the Heap Leach Gold Operation (GMO).

PanAust was recognised as a leader in its CDP water disclosure, receiving an A rating.



Health and Safety

PanAust Group TRIFR and LTIFR continued to be significantly better than industry averages.

An overall satisfaction rating of 92 per cent was achieved with respect to safety engagement in an employee engagement survey (see page 83).

The Executive Management Team continued to drive safety values throughout the Company by visible safety leadership (see page 83).

PanAust was selected by the Government of Laos as their representative company for the 2017 ASEAN OSHNET Awards (see page 82).



Our People

34 apprentices graduated from the Trades Training Apprenticeship Program with an Australian Certificate III Trade qualification (see page 95).

Completed a gender diversity deep dive audit and initiated campaigns to improve women's participation in the workforce.

PanAust significantly outperformed its industry peers in 12 out of the 13 categories in the employee engagement survey.

PanAust's leadership development program, **Leading the PanAust Way**, was successfully rolled out to the manager level, with the program's leadership capability model rolled out to the superintendent level.



Economic Performance

Maximise returns from existing assets while continuing to advance the Frieda River Copper-Gold Project to a final investment decision.

Maintain strong cash flow and minimise capital expenditure requirements with expected lower production profile of the Lao Operations.

Secure and grow replacement production for the operating assets in Laos.



Governance

Continue to implement Governance Committee processes and stewardship for high-risk activities.

Manage stakeholder expectations and implement robust governance processes in new jurisdictions, PNG and Myanmar.



Social Performance

Progress social closure strategies for the Lao Operations in conjunction with project stakeholders to reduce mine dependency and ensure successful post-closure outcomes.

Continue stakeholder engagement and capacity-building in PNG to progress the approval of the Frieda River Copper-Gold Project, and facilitate opportunities for government-to-government initiatives to enhance the Project and enable other regional development.

FUTURE CHALLENGES



Environmental Performance

Continue to manage sediment and erosion control risks that are prevalent in the mountainous and high-rainfall setting of PanAust's Operations and at its exploration and project development sites.

Identify further opportunities to improve energy efficiencies within the business.

Endorsement of environmental closure solutions for the Lao Operations from Lao stakeholders.



Health and Safety

Vigilantly work to grow and enhance the Company's safety culture and achieve Zero Harm safety objectives.

Continue to work with local contractors to enhance their safety culture and meet PanAust's contractor management standards.

Leverage highly developed systems and procedures in Laos to develop the Company's safety culture in PNG and Myanmar.



Our People

Continue the development of the Lao-national workforce to increasingly operate, maintain and manage the Lao Operations to international standards.

Attract and retain high-calibre staff in the lead-up to mine closure in Laos.

Increase gender diversity through Diversity Committee and setting and achieving measurable objectives and targets.

EXECUTIVE MANAGEMENT TEAM

AS AT 01 JANUARY 2018

PanAust Corporate

Dr Fred Hess,
Managing Director

Mr Andrew Price,
Chief Financial Officer

Mr Adrian Bell,
Executive General Manager Support Services*

Mr Simon Milroy,
General Manager Corporate Development and Exploration

Mr Paul Scarr, General Counsel

Mr Geoff Kernick,
General Manager Commercial

Mr Glen Connell,
General Manager External Affairs**

Ms Qingshan (Laurinda) Zhang,
Company Secretary

PanAust Asia Business Unit

Mr David Reid,
General Manager Operations

Mr Richard Taylor,
General Manager External Affairs and Site Support

Project Development Business Unit

Dr Peter Trout,
Executive General Manager Technical Support and Studies

Mr Scott Cowie,
General Manager Technical Services

See PanAust's website for the complete profiles of PanAust's Executive Management Team, www.panaust.com.au/management.

* During the reporting year, Mr Adrian Bell held the role of General Manager, Human Resources and Risk Management

** During the reporting year, Mr Glen Connell held the role of General Manager Government and Community Relations (PNG)





*PanAust's Executive Management Team, December 2017
(left to right) Mr Glen Connell, Mr Geoff Kernick, Mr Scott Cowie, Mr Andrew Price, Dr Peter Trout, Dr Fred Hess, Mr Simon Milroy, Mr Adrian Bell, Mr David Reid, Mr Paul Scarr, Ms Qingshan (Laurinda) Zhang (inset) Mr Richard Taylor*



PANAUST'S VISION AND VALUES



OUR VISION

PANAUST IS A
GROWTH-ORIENTED
MINING COMPANY
DETERMINED TO EXCEL.

OUR MISSION

DISCOVER, ACQUIRE,
DEVELOP, OPERATE
AND ENHANCE A
PORTFOLIO OF
COPPER-GOLD
ASSETS THAT CREATE
SHAREHOLDER VALUE.

OUR 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 employee's health and safety through our Zero Harm safety objective and treating employees with consistency and fairness.

Respect for the environment through best practice environmental performance that reflects the expectations of the communities in which we operate and promotes an internal culture of environmental and social awareness.

Respect in the way we manage our daily business activities for the people and cultures of our host countries.

INTEGRITY

In all of our dealings with employees, communities, government, suppliers and shareholders.

EXCELLENCE

In communications with all stakeholders but especially with our employees. We seek fair, honest and transparent dealings with our employees and stakeholders through open, two-way communication.

RECRUITMENT OF HIGH-CALIBRE PEOPLE

Recognising the key to our success will be leaders who earn the authority of their position by gaining the respect of their team. We offer an encouraging and stimulating work environment, providing the necessary individual training and development to enable all employees to operate effectively.

ALIGNMENT OF EMPLOYEES

To company objectives through good leadership and systems that drive the right behaviour.



90,363[▲]_t

COPPER IN CONCENTRATE PRODUCTION



*The Phu Kham Copper-Gold
Operation coarse-ore stockpile*

ECONOMIC PERFORMANCE

GROUP CONSOLIDATED ANNUAL METAL PRODUCTION EXCEEDED BUDGET.

On the back of improved metals prices, record production at the Operations in Laos, and ongoing vigilance to maintain a lean cost structure, PanAust's economic performance in 2017 was outstanding.

Group consolidated annual metal production exceeded budget, with a record 90,363 tonnes (t) of copper in concentrate produced. Importantly, this record was achieved without additional capital investment. Gold and silver production totalled 192,530 ounces (oz) and 1,377,376oz respectively in concentrate and doré.

The Way Ahead for PanAust in 2018 will be to focus on and further refine elements of the business that are within its control – production, cost performance and strategic growth opportunities.

ECONOMIC PERFORMANCE

Phu Kham Copper-Gold Operation, Laos (PanAust 90 per cent)

Phu Kham is PanAust's flagship Operation. The significant cash flow it generates has successfully supported the Company's growth while maintaining a strong balance sheet.

The Operation comprises an open-pit mine feeding ore to a process plant with recovery of copper and precious metals into a saleable concentrate using conventional flotation technology. The concentrate contains approximately 23 per cent copper, up to 9 grams per tonne (g/t) gold and up to 60g/t silver. Eighty per cent of Phu Kham's concentrate is trucked in covered containers to the ports of Vung Ang or Hon La in Vietnam (approximately 650 kilometres from Phu Kham) and the remaining 20 per cent to Sriracha Harbour in southern Thailand (approximately 1,000 kilometres from Phu Kham) for export to smelters mainly in Asia.

Mining and processing

Excellent production and cost performances were achieved at Phu Kham in 2017 with record annual copper in concentrate production of 90,363t (2016: 89,187t).

The 2017 C1* cost after precious metal credits was US\$1.18/lb copper and the all-in sustaining cost (AISC) was US\$1.68/lb copper.**

Mining operations performed well as ore continued to harden with the multi-stage deepening of the open-pit. Total ex-pit material mined was 55.5 million tonnes (Mt) and included 19Mt of ore. Over 18.5Mt of ore was milled – 15 per cent above nameplate capacity.

Copper recovery averaged a record 81.5 per cent (2016: 79.9 per cent), attributable to improved grade and ore quality, in conjunction with further advances in automated process control and operating practices within the grinding and flotation circuits.

The Phu Kham Ore Reserve supports a mine life of approximately four years from the end of 2017.

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

(**) AISC is the C1 cost plus royalties, allocated corporate support charges, shared services costs, sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised

Phu Kham Copper-Gold Operation production statistics

	2016	2017	Variance (%)
Total material mined (Mt)	57.0	55.5	(3%)
Ore milled (Mt)	19.1	18.5	(3%)
Copper grade (%)	0.58	0.60	3%
Gold grade (g/t)	0.28	0.25	(11%)
Silver grade (g/t)	2.20	2.33	6%
Concentrate produced (dmt)	384,275	387,867	1%
Copper in concentrate (t)	89,187	90,363	1%
Gold in concentrate (oz)	89,657	76,055	(15%)
Silver in concentrate (oz)	535,198	587,641	10%

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90 per cent)

The Ban Houayxai Gold-Silver Operation is located approximately 25 kilometres west of the Phu Kham Copper-Gold Operation and comprises an open-pit mine feeding ore to a conventional carbon in leach (CIL) and gravity recovery process plant.

Mining and processing

Above budget production was achieved at Ban Houayxai in 2017. Total material mined was an annual record of 14.7Mt (2016: 13.2Mt) and included 5.3Mt of ore (2016: 5.3Mt). Over 4.9Mt (2016: 4.7Mt) of ore was processed; 19 per cent above nameplate capacity.

The Operation produced 116,475oz of gold in doré and 789,735oz of silver in doré. The average C1 cost after silver credits was US\$618/oz gold and the AISC was US\$817/oz gold.

The Ban Houayxai Ore Reserve supports a mine life of approximately four years from the end of 2017.

Ban Houayxai Gold-Silver Operation production statistics

	2016	2017	Variance (%)
Total material mined (Mt)	13.2	14.7	11%
Ore milled (Mt)	4.7	4.9	4%
Gold grade (g/t)	1.01	0.89	(12%)
Silver grade (g/t)	12.32	9.27	(25%)
Gold in doré (oz)	127,825	116,475	(9%)
Silver in doré (oz)	1,101,393	789,735	(28%)

Growth opportunities: Evaluation and exploration

Frieda River Copper-Gold Project, Papua New Guinea (PanAust 80 per cent)

PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project.

The Company completed a feasibility study for the Project in May 2016. In June the same year, PanAust submitted its application for a Special Mining Lease (SML) for the Project to the Papua New Guinean Mineral Resources Authority (MRA).

In May 2017, PanAust announced the completion of an addendum to the original feasibility study. The addendum incorporated data and technical analysis from geological, geotechnical and metallurgical field programs that was not available at the time of the feasibility study.

In line with a commitment made in the Proposal for Development that accompanied the SML application, in 2017 PanAust investigated opportunities identified during the feasibility study to increase the value of the Project, decrease capital expenditure, and reduce the overall Project risk profile. Study work investigating these opportunities, including through the development of a shared-use infrastructure model that would significantly benefit the Project and the socio-economic development of the Sandaun and East Sepik Provinces, indicate several promising pathways for value enhancement. This study work will continue in 2018.

Throughout 2018, PanAust will work to maintain its excellent relationships with local communities, the Government of Papua New Guinea and other stakeholders to advance the Project.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

In Myanmar, PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company which holds the remaining 20 per cent of WRCL.

The joint venture holds three Exploration Licences within a 213 square-kilometre contract area in the Sagaing Region of northern Myanmar. The Exploration Licences comprise three tenement blocks: Hel Chain, Pin Hin Hka and Nam Awl.

In 2017, delays in the approval of additional Exploration Licences in Myanmar impeded planned field exploration activities.

Encouraging progress towards securing the Licences was made late in the year. Pending the approval of the Licences, a geochemical sampling and mapping program will resume in 2018, with a drilling program set to commence later in the year depending on the results obtained from the earlier work.

Mahar San Exploration, Myanmar Farm-in

In December 2016, PanAust entered into a farm-in agreement with Metro Mining Limited (an Australian ASX-listed Company) for its Myanmar subsidiary's 80 per cent interest in the Mahar San Exploration Tenements.

In 2017, mapping, soil sampling and a 1,200 metre diamond drilling program was completed. An eight-hole diamond drilling program is planned to commence in February 2018, and will investigate anomalous poly-metallic rock chip samples identified during the 2017 program.

Contract Area Exploration, Laos (PanAust 90 per cent)

In 2017, drilling at Pha Piang and Phu Dok On in the Company's 2,600 square-kilometre Contract Area was completed. The results from this drilling were not compelling enough to continue exploration of the targets tested.

Disappointingly, the Company's proposed boundary changes to the Contract Area to allow access to new exploration areas, were not accepted by the Government of Laos. Exploration activities were subsequently reduced and will remain at a low level pending the approval of boundary changes.

At the KTL Copper-Gold Project, no material site activities are currently being undertaken or are planned.



*Copper-Gold concentrate from
PanAust's Phu Kham
Copper-Gold Operation, Laos*

Inca de Oro Copper-Gold Project (PanAust 66 per cent), Carmen deposit (PanAust 100 per cent), Chile

PanAust completed a feasibility study on the Inca de Oro Copper-Gold Project in 2014. No material site activities were undertaken at Inca de Oro or the nearby Carmen deposit in 2017.

Following expressions of interest from multiple external parties, PanAust announced it was commencing a process for the sale of the Inca de Oro Copper-Gold Project and nearby Carmen deposit in January 2018.

Targeted acquisitions

PanAust continues to search for opportunities to invest in copper and/or gold projects globally. The Company is targeting advanced projects that are in production or can be brought into production within a few years, and are of suitable mine life and cost structure.

Financial performance

The full-year production and cost performance results underpinned an outstanding financial performance in 2017.

PanAust's consolidated net profit after income tax (NPAT) for the 12 months ending 31 December 2017 was US\$83.1 million (2016: US\$51.4 million).

Sales revenue from ordinary activities increased year-on-year to US\$792 million (2016: US\$716 million) driven primarily by a 26 per cent increase in copper prices combined with a 1.4 per cent increase in copper in concentrate sales. Slightly lower sales of gold in doré during the year were marginally offset by a higher average realised gold price.

In 2017, earnings before interest, taxes, depreciation and amortisation (EBITDA) of US\$296.0 million (2016: US\$239.5 million) was well above budget as a result of both higher copper production and an average realised copper price of US\$2.84/lb (budget assumption US\$2.15/lb).

The average prices realised, after hedging, for sales during 2017 were US\$2.84/lb for copper, US\$1,251/oz for gold and US\$17/oz for silver (2016: US\$2.25/lb, US\$1,245/oz and US\$17/oz respectively).

Cash flows and sales

Net cash inflow from operating activities was US\$302.5 million (2016: US\$221.5 million). Sales revenue increased at both the Phu Kham and Ban Houayxai Operations following record production performance at Phu Kham, with copper in concentrate increasing to 90,363t (2016: 89,187t).

Operational costs year-on-year comparison

	2016	2017	Variance (%)
Phu Kham C1 cost (US\$/lb copper)	1.10	1.18	7%
Phu Kham all-in sustaining cost (US\$/lb copper)	1.60	1.68	5%
Copper price (US\$/lb)	2.25	2.84	26%
Ban Houayxai C1 cost	450	618	37%
Ban Houayxai all-in sustaining cost (US\$/oz gold)	662	817	23%
Gold price (US\$/oz)	1,237	1,250	1%

There was no capital expenditure on major development projects in Laos in 2017 (2016: nil).

Expenditure during the year on the Frieda River Copper-Gold Project in PNG totalled approximately US\$22.8 million (2016: US\$34.3 million) and included permitting costs, drilling programs, exploration access track construction, corporate support and site-based activities.

Balance sheet

At 31 December 2017, PanAust had cash of US\$135.1 million (2016: US\$158.6 million); no external debt (2016: US\$54.5 million); and no mobile equipment lease facilities (2016: US\$21.1 million).

Reporting compliance

As an unlisted public company, PanAust continues to lodge an audited Annual Report (including Financial Statements) with ASIC and fulfilled reporting and compliance obligations in accordance with its debt facility agreements.

Reflecting the Company's Values in relation to 'excellence in communication', PanAust publishes activities reports on a quarterly basis on its website; see www.panaust.com.au/company-announcements.

CASE STUDY

LEAN IMPLEMENTATION



PANAUST ACTIVELY SEEKS OPPORTUNITIES TO INCREASE EFFICIENCIES, LOWER COSTS AND MINIMISE ADDITIONAL CAPITAL EXPENDITURE.

PanAust's Operations mine and process ore from relatively low-grade mineral deposits. The Company actively seeks opportunities to increase efficiencies, lower costs and minimise additional capital expenditure. Cross-functional teams at PanAust's Operations in Laos have embraced LEAN principles to meet this challenge.

In 2017, a strategy based on LEAN principles was developed to optimise value through the identification and elimination of waste. This strategy aligns with PanAust's Production Management System, implemented in 2015, which enhances value through a 'Plan – Execute – Review – Improve' continuous improvement process. Eliminating waste along entire value streams leads to processes that reduce human effort, greenhouse gas, space, capital and time, thereby facilitating higher quality products and services at a lower cost.

External consultants Orbiz Pty Ltd were engaged to assist the roll-out of LEAN at Phu Kham which commenced in June 2017. During eight weeks of active on-site engagement, nine improvement projects were identified across mobile maintenance, fixed-plant maintenance and infrastructure and road maintenance.

In June, a cross-functional team from the fixed-plant maintenance, process operations, logistics, mining, and operational improvement departments was formed to optimise the ball mill reline process and compress the reline schedule.

In conjunction with the Company's reline contractor, South Pacific Workforce, the team succeeded in reducing the ball mill reline time by 40 per cent. The estimated financial impact of this improvement is a US\$325,000 contribution to the Company's NPAT. Importantly, the project was completed ahead of schedule and with no safety incidents.

In September, an Operate for Reliability (O4R) project to improve the performance of blast hole drill rigs at Phu Kham began. O4R is an 'Operation-wide' approach that aims to transform asset performance by eliminating problems initiated by operations and by establishing a routine inspection regime that provides early warning of impending problems. Over a ten-week period, mobile maintenance and operational teams lifted the availability performance of the Atlas Copco DM45 drill fleet by 5 per cent, and the Atlas Copco ROC L7 fleet by 11.5 per cent without requiring additional capital.



O4R team (left to right):
 Orbiz consultant, Garry Smith; Senior Drill and Blast Trainer, Antonio Jaromahum; Welding and Fabrication Supervisor, Prabowo Soedarsono; PCR Shift Supervisor, Admad Prayogi; Operations Improvement Manager, Simon Young; Reliability Engineer, Jerald Tejada; Epiroc Supervisor, Natthakit; Drill and Blast Superintendent, Bounyog Munxayaphom; Heavy Equipment Technical Trainer, Hooker Gene; Senior Mobile Maintenance Trainer, Gary Price

Operations Improvement Manager, Simon Young notes the successful implementation of LEAN principles and the roll-out of associated projects will drive significant cost savings and efficiency improvements that will benefit the business, year-on-year until mine closure in Laos.

This initiative is contributing to PanAust's aim of maximising the value of its operating assets and the returns to stakeholders including host governments and shareholders.

“It has been pleasing that all our employees have embraced the LEAN discipline. The additional skills they have acquired through the implementation of these projects will help the Operations to deliver high-performance outcomes and improved efficiencies as production declines towards closure.”

**Operations Improvement Manager,
Simon Young.**



*PanAust General Manager
Commercial, Geoff Kernick
presents to employees in the
PanAust corporate office
Board room*

GOVERNANCE

**PANAUST CONTINUES
TO RECOGNISE THE
VALUE OF, AND REAP
THE REWARDS FROM, AN
INTEGRATED APPROACH
TO SUSTAINABILITY
GOVERNANCE.**

GOVERNANCE

Sustainability structure

Since transitioning from a listed-public company to a subsidiary of GRAM, the Company has retained and enhanced its governance foundations to ensure it achieves its long-term Vision, Mission and annual targets.

PanAust's robust corporate governance frameworks, systems and standards are underpinned by the Company's Values and a culture of continuous improvement.

The PanAust Board of Directors

The Board of Directors is the highest governance body within PanAust. The positions of Chairman and Managing Director are held by different persons.

PanAust Board of Directors as at 31 December 2017:

Board member	Position	Date appointed
Mr Shu Yao	Chairman and Non-Executive Director	26 September 2017
Dr Lixin Wang	Chairman and Non-Executive Director	Resigned 26 September 2017
Dr Fred Hess	Managing Director	11 November 2014
Mr Qian Deng	Non-Executive Director	7 July 2015
Mr Minzhi Han	Non-Executive Director	7 July 2015
Dr Qun Yang	Non-Executive Director	26 September 2017
Mr Gang Yu	Non-Executive Director	Resigned 26 September 2017

For the complete profiles of PanAust's Board members, see the Company's website, www.panaust.com.au/directors.

The PanAust Board of Directors and the PanAust Executive Management Team are responsible for ensuring effective measures, systems and controls are in place in relation to managing:

- > Environmental, community, occupational health and safety, human resources and other sustainability-related 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 G4 sustainability reporting guidelines or other reporting standards.

* Risk, health and safety, environment, external affairs

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

Governance committee

To support PanAust's Directors, the majority of whom are not based in Brisbane, and to further enhance governance standards, PanAust established a Governance Committee in 2016. The Committee is responsible for the oversight, development, implementation and review of corporate governance policies and standards that apply to the PanAust Group. In 2017, the Committee held four meetings to monitor and review policies, standards and controls for finance, legal, corporate governance, procurement, human resources and risk and sustainability. The Governance Committee reports its outcomes quarterly to the Executive Management Team which comprises the Executive Management Team.

Remuneration strategy

PanAust's objective in structuring remuneration for senior executives is to nurture a performance-based culture where competitive remuneration, benefits and rewards are always in the Company's best interest and aligned with PanAust's strategy, plans and objectives, and merit forms the foundation of performance-based pay and promotion.

Remuneration is linked to quantitative lead and lag targets against which sustainability performance is measured at all levels of the organisation. These targets reinforce sustainability performance as a key component of the Company's culture. At an executive level, sustainability* performance accounts for 15 per cent of the short-term incentive component of at-risk remuneration.

External standards, principles and guidelines

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

PanAust endeavours to comply with the following standards, systems and principles.

- > The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (applied to PanAust's operating assets): www.ifc.org. Through PanAust's annual IFC audit process, the Company aligns with the Equator Principles.
- > The Minerals Council of Australia's (MCA) Enduring Value** which aligns with the International Council on Mining and Metals (ICMM) Sustainable Development Framework Principles: www.minerals.org.au, www.icmm.com.

- > Alignment with the ICMM's Principles on climate change policy design: www.icmm.com.
- > The International Cyanide Management Code (the Code). A voluntary industry program administered by the International Cyanide Management Institute (ICMI) for the gold-mining industry that promotes the responsible use of cyanide. PanAust has been a signatory to the Code since 2011 for its Ban Houayxai Gold-Silver Operation (see page 74) in Laos: www.cyanidecode.org.
- > The GRI sustainability reporting framework and guidelines. PanAust reports the GRI indicators that are material to its business as determined through its risk management approach and materiality determination process: www.globalreporting.org.
- > The Voluntary Principles on Security and Human Rights (VPSHR). A set of principles designed to guide companies in maintaining the safety and security of their operations within a framework that encourages respect for human rights. PanAust has been a member company of the VPSHR since 2013 (see page 89): www.voluntaryprinciples.org.

External recognition

PanAust is proud of its sustainability and operational performance and has been recognised internationally through several awards. A full list and description of PanAust's awards can be found on the Company's website, www.panaust.com.au/sustainability.

In March 2017, PanAust was honoured to receive a Labour Order Medal from the Government of Laos in recognition of the Company's upgrade of Road No. 12 in the Khammouane Province, an important link between Laos and Vietnam on the Company's logistics route. The Medal also recognised PanAust's ongoing commitment to, and promotion of, socio-economic development in Laos.



A PC3000 lifted from the undercarriage by the custom-built 'banana link' jacking inside the Phu Kham Copper-Gold Operation's mobile maintenance workshop

PanAust Way Ahead in innovation

In May, PanAust's innovative approach to mining was recognised at the Austmine 2017 Mining Innovation Conference and Exhibition in Perth, where the Company was named as a finalist for the Austmine Miners Innovation Award. The nomination recognised an inventive solution developed by PanAust, in conjunction with Global Bucket Solutions (GBS), to simplify the maintenance of its primary excavator fleet in Laos.

The replacement of slew bearings in mining excavators and face shovels typically involves the use of cranes to separate the machine's upper section from the undercarriage (lower section). Identifying that this process was high-risk, time consuming and costly, PanAust and GBS developed a custom-built 'banana link' jacking stand (certified to European standards) that removed the need to use cranes and enabled the process to be carried out more safely inside the mobile maintenance workshop.

PanAust Managing Director, Dr Fred Hess said the nomination is indicative of how PanAust approaches the business of mining.

"The Company continually looks for opportunities to develop and implement innovative solutions that improve efficiency and reduce costs at its existing operations and assets. This is another way PanAust works to ensure it remains Way Ahead.

"Significantly, the broader use of this system within the mining industry has the potential to enhance workplace safety and efficiency," Dr Hess remarked.

GOVERNANCE

Building a sustainability culture

For PanAust, a successful and sustainable business is one where financial and non-financial performance outcomes are pursued in a complementary manner; where excellence in one area, encourages and facilitates excellence in the other.

The Company's approach to sustainability has its foundations in its Vision and Values and code of conduct, *The PanAust Way*. PanAust's Sustainability Policy (available on the Company website, www.panaust.com.au/sustainability) outlines the Company's commitment to workplace health and safety, host communities, environmental management, and the application of ethical business practices and corporate governance standards. The policy includes a commitment to continuously improve sustainability management and performance.

Sustainability is implemented through visible leadership and people management, induction and ongoing training and awareness sessions, strict observance of high-quality corporate governance standards, excellence in financial management, outstanding technical expertise, and supportive processes and systems.

Fourteen Sustainability Standards relating to PanAust's key outcome areas are applied across the business. See PanAust's website for more information, www.panaust.com.au/sustainability.

Importantly, every PanAust employee is personally invested in achieving holistic business outcomes.

Sustainability performance forms part of the Executive Management Team's Five-Year Strategic Plan and critical tasks for each year. The Executive General Manager Support Services is the executive-level position with responsibility for risk management, human resources and sustainability across the PanAust Group, and reports directly to the Managing Director.

Each PanAust business unit is provided organisational structural support to manage sustainability through either teams of professionals embedded within the unit or a corporate-based role providing the requisite level of support.

Since 2009, the Executive General Manager Support Services facilitates an Annual Risk and Sustainability Workshop with executives, managers and sustainability support staff across the business. The Workshop provides a mechanism to drive continuous improvement and Company-wide alignment to the management of material risks and sustainability. It provides an opportunity for sustainability-related activities and progress to be reviewed and challenges to be tabled and discussed. A risk and sustainability plan is formulated at each workshop. Objectives and targets are set for the upcoming year and are subsequently incorporated into Company and individual performance targets and incentives. Performance against these targets is evaluated at the end of each year for short-term incentive payments and more broadly at the following year's workshop as part of PanAust's continuous improvement process.



PanAust's 2017 Risk and Sustainability Workshop was held in Vientiane over three days in August and was attended by 34 operational and discipline-specific managers. Site representatives from four Lao contractor companies (logistics, earthworks, drilling and explosives providers) attended the second day of the workshop which facilitated discussions about the Company's safety and sustainability performance and initiatives. This included a dedicated session for contractors to provide feedback on outcomes from a contractor management workshop that was held the week before. PanAust used the third day of the Workshop as a forum for benchmarking performance and sharing learnings. Representatives from companies in the mining and heavy industries and logistics sectors were invited to speak about how their companies created a step change in safety and sustainability performance.

Human resources-related objectives and targets are reviewed and set at an annual Human Resources Workshop, also facilitated by the Executive General Manager Support Services. The workshop also serves as a key process to strategically embed PanAust's Vision, Values, sustainability and continuous improvement into the Company's operating culture.

The delivery of specific sustainability-related targets is the responsibility of operational line management who are accountable for outcomes as stated in the PanAust Group Risk and Sustainability Annual Plan and individual achievement plans.



Visiting the Operations; PanAust Managing Director, Dr Fred Hess (left) with Mining Manager, Luke Morris, at the Ban Houayxai Gold-Silver Operation

Setting the tone on sustainability

Time can denote significance. It can highlight what is important to people; the more time spent on a task is indicative of the level of importance they place on it.

The time PanAust Managing Director, Dr Fred Hess spends regularly and consistently communicating with the workforce, and maintaining a presence in the workplace demonstrates the significance he attributes to driving visual leadership from the top – a critical element to maintaining a sustainability culture.

Dr Hess reinforces Company culture and takes a hands-on leadership role in several strategic internal committees including the Senior Management Taskforce for Significant Incidents (SMT), the Governance Committee and the Tailings Review Committee (see page 71). Additionally, Dr Hess participates in deep dive audits (in 2017, the

serious security incidents deep dive). Dr Hess maintains a regular presence at employee briefings held monthly in the Brisbane corporate office and attends events in Laos and PNG to celebrate business successes and the achievements of PanAust's people. Dr Hess communicates with all employees via video messages in the Company's internal newsletter, sets the scene in a video introduction to the Company's leadership capability model, **Leading The PanAust Way** (see page 98), and opened the 2017 Annual Risk and Sustainability Workshop.

This leadership and oversight of material issues and processes ensures the Company's Vision is aligned to strategically valuable projects that will add value to PanAust and promote the long-term growth of the Company.

GOVERNANCE

Business conduct

PanAust is a company with a clear Vision and a strong commitment to growth and high-performance outcomes. To ensure Company activities are carried out legally, ethically, and with integrity and respect, PanAust has a set of clearly stated and widely communicated Vision and Values, and a code of conduct, **The PanAust Way**; both apply to all employees, directors and business partners. Business partners include: contractors, consultants, suppliers and service providers working with or for the PanAust Group, regardless of their position and location. **The PanAust Way** includes sections on human rights and anti-bribery and corruption and is available on the Company's website, www.panaust.com.au/corporate-governance.

PanAust's Vision and Values and **The PanAust Way** are presented and distributed throughout the Company in English, Lao and Tok Pisin. Using examples and story-telling, key concepts are also frequently communicated through the employee newsletter to reinforce the application of the Company's Values.

Throughout 2017, **The PanAust Way** continued to be embedded into the Company's culture through the training of 507 people.

PanAust has internal controls and procedures in place to monitor for misappropriation of funds, bribery and corruption, and other code-of-conduct-related issues including periodic checks through external audits and executive-led internal deep dive audits.

In 2017, the Internal Control Management team conducted a number of internal reviews on fraud-preventative controls, project governance standards, delegation of authority limits, and key controls identified for financial risk and capital management. This included the Chief Financial Officer-led deep dive audit on the internal controls in PanAust's payroll system, SAP. An SAP fraud diagnostic solution was also implemented during the year. The solution detects, investigates and monitors potential instances of fraud and potential control deficiencies in the system on a monthly basis.

A number of non-material incidents relating to breaches of **The PanAust Way** were investigated and confirmed during 2017 and resolved as per Company policy.

Anti-bribery and corruption

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

The PanAust Way communicates the Company's position in relation to anti-bribery and corruption, and provides guidelines relating to gift giving and receiving, anti-competitive behaviour and compliance with the law. While Australian law has an exception for facilitation payments, **The PanAust Way** prohibits employees from making such payments. PanAust has introduced a Company-wide training package that informs employees about relevant anti-bribery legislation and prohibited conduct.

PanAust employees, directors and business partners must also comply with the laws of the countries in which the Company operates. Under Australian law, it is an offence for Australian companies, citizens and residents to bribe foreign public officials (Criminal Code Act 1995).

PanAust will not use third-party intermediaries to circumvent the application of the Company's strict prohibition of bribery and other corrupt payments. In 2017, PanAust developed and implemented an anti-bribery and corruption standard for the Phu Bia Mining (Laos) and Wuntho Resources Company Limited (Myanmar) businesses.

There were no instances of Company-related bribery and/or corruption reported to the Board or the Executive Management Team in 2017. Additionally, there were no fines or legal actions for anti-competitive behaviour, anti-trust or monopoly practices, nor did the Company receive any fines or non-monetary sanctions for non-compliance with law and regulation in 2017.

Deep dive audit on anti-bribery and corruption

PanAust General Manager External Affairs and Site Support led a deep dive audit on compliance to the Group's anti-bribery and corruption standard during the year.

The audit confirmed that PanAust has robust systems in place to safeguard against bribery and corruption, and there is strong awareness within the Company that PanAust does not tolerate said behaviour.

The assessment involved a review of documentation including financial records and contracts, and interviews with staff who are responsible for implementing these policies.

A number of opportunities for improvement were identified, including providing additional training on detecting and investigating activities that may give rise to bribery and corruption risks. Internal documentation was also updated to reflect recent regulatory guidance in the area and additional controls were put in place to prevent, detect and report any incidents.

The Whistleblower standard and service


PanAust has in place a Whistleblower Standard and a Whistleblower Service to allow for reporting of any conduct that is contrary to **The PanAust Way**. The Whistleblower Service is available in English, Lao, and Tok Pisin, with a translation service available for other languages for submissions made online, by email or message left via voice mail. Issues can be reported anonymously and employees are encouraged to use the service if they are uncomfortable raising issues through normal day-to-day reporting channels.

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

In 2017, one matter was reported through the Whistleblower Service which was investigated and resolved.

A link to PanAust's Whistleblower Service is available on the Company's website, www.panaust.com.au/corporate-governance.

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



An aerial photograph showing the proximity of the village of Nam Mo (bottom-left) to the edge of the Phu Kham Copper-Gold Operation open-pit

GOVERNANCE

Human rights

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

Human rights encompass a broad range of issues in relation to PanAust's employees, contractors and suppliers, local communities, business partners and other stakeholders impacted by its operations. The Company understands that to manage human rights risks and realise opportunities, PanAust needs to build collaborative and transparent relationships with these key stakeholders across the mining life cycle.

Where available, PanAust uses existing systems and processes for the assessment and management of human rights issues and as a minimum, PanAust meets applicable legal requirements in relation to human rights.

In 2017, PanAust recorded no breaches of indigenous people's or other human rights.

A summary of PanAust's approach to managing human rights is provided in the below (which includes references to examples presented in this Report).

PANAUST'S HUMAN RIGHTS MANAGEMENT APPROACH

Commitment

- > *The PanAust Way*
- > Sustainability Policy
- > Sustainability Standards
- > Member Company – Voluntary Principles on Security and Human Rights (see page 89)
- > Alignment to the ICMM Indigenous peoples and mining position statement (see page 47)

Assessment

- > Human rights risk assessment
- > Human rights due diligence
- > Environmental and Social Impact Assessment
- > Stakeholder analysis (including indigenous peoples, men, women, youth, vulnerable and disadvantaged groups)

Act

- > Workforce practices and feedback mechanisms (see page 100)
- > Stakeholder engagement (including disadvantaged groups) appropriate to the project and location context and the IFC Performance Standards (see page 49)
- > Supplier evaluations and contract clauses related to human rights (see page 36)
- > Project designs, development and closure consistent with cultural and social values of host communities (see page 46)
- > Grievance mechanisms, resettlement and compensation protocols (see page 53)
- > Community development (including opportunities to enhance human rights of host communities, for instance, access to water and improved healthcare, education and livelihood opportunities) (see page 57)
- > Social and environmental management plans

Check and report

- > Periodic surveys (including socio-economic, perception and employee surveys)
- > Periodic audits (see page 41: including deep dives and annual audits of the Lao Operations against the IFC Performance Standards, contractor audits)
- > Internal and external reporting
- > Whistleblower Standard and Whistleblower Service (see page 34)

Sponsorships and donations

PanAust provides sponsorships of, and donations to, programs, organisations or causes that build goodwill in operational areas and align with PanAust's Values.

Sponsorship and donation requests are assessed against the following priority areas:

- > Projects located within the countries where PanAust has operating assets or is undertaking project development activities
- > Activities of national importance and symbolism
- > Projects benefiting the people of the provinces and districts in which the Company operates or is present
- > Projects promoting the culture, history, society and ethnic minorities representative of the areas in which the Company operates
- > Projects that support the capacity-building of relevant sector government agencies

In Laos, Australia and PNG, sponsorship and donation committees have been established to transparently and consistently assess requests against the priority areas. Decisions are reviewed by an executive in each business unit.

Details of the sponsorship and donations administered across the Company in 2017 are provided on page 57 of this Report. No financial or in-kind donations to political parties, politicians or related institutions were made by PanAust or any of its subsidiary companies in Australia, Laos, PNG, Myanmar or Chile during 2017.

More information about PanAust's approach to managing requests for sponsorship and donations is available on the Company's website, www.panaust.com.au/corporate-governance.

Sustainability in the supply chain

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

The PanAust Way along with PanAust's Contractor Management Standard set the minimum expectations for suppliers and contractors in areas including safety, environment, community, human rights and operating with integrity. The safety systems and performance of local contractors in Laos is a material issue for the PanAust business (see page 83).

PanAust has risk profiled the Company's top-tier (by expenditure) suppliers, which represent approximately 80 per cent of direct supplied goods. Each supplier was risk ranked across a number of categories including safety, environment, compliance, and anti-bribery and corruption. The profiling highlighted that within the top-tier of the supply chain, PanAust engages reputable organisations whose systems and in-country legal obligations mean that the necessity for PanAust to further influence performance is either not required or is limited.

In 2017, PanAust held business ethics sessions with approximately 120 suppliers from Laos and Thailand. The sessions focused on the 'operating with integrity' section of **The PanAust Way**.

PanAust procures goods and services locally where practical and based on commercial competitiveness, risk profile and contractor/supplier capacity. Support of local business results in direct and indirect benefits to host communities and regional economies in Laos (see page 66). For this reason, PanAust acknowledges that its greatest supply chain responsibility is at a local level where it has the maximum ability to influence local suppliers and contractors. This will continue to be the focus of the Company's efforts in 2018 and beyond. Over 49 per cent of goods and services for the Company are purchased in Laos; 80 per cent of goods and services are purchased within the region PanAust operates (Laos and Thailand).

Product stewardship

In Laos, PanAust produces copper concentrate which is sold directly to international smelters or through merchant traders. Gold-silver doré is sold directly to a refinery. Given the volume of product produced relative to the overall market size, PanAust has limited influence on the end-purchaser or end-product (copper cathode or refined precious metals). When a direct sales contract is placed with a smelter, due diligence is conducted to provide assurance on the customer's reputation, financial capability, and legal and business structure. Contracts are subject to PanAust's standard terms and conditions. All sales are secured by pre-payment or letter of credit.

PanAust's product stewardship approach focuses on the storage and transport of concentrate from mine gate to port through to the delivery of product in such a way that it meets customer specifications and in-country requirements. PanAust owns and operates its own road transport fleet for concentrate movement in Laos. PanAust's management systems and associated auditing processes are integral to the product stewardship approach and they include global positioning system (GPS) monitoring and tracking of product, and the use of escort vehicles on high-risk sections of the haulage route to enhance road safety and reduce the risk of concentrate spillage.

The market considers PanAust's copper-gold concentrate 'clean' and product metal specifications are incorporated in contract terms and conditions with international customers. The Company was in compliance with agreed contract specifications applied to product shipments during 2017. All trace elements, including arsenic, were in compliance with destination country maximum limits. PanAust engages directly with its customers through industry forums and office or site visits. In 2016, PanAust hosted a site visit to the Phu Kham Operation for its customers; the majority of smelter and trader customers were represented. PanAust did not receive any customer complaints relating to product quality in 2017.

More information about PanAust's product stewardship is available on the Company's website, www.panaust.com.au/corporate-governance.

CASE STUDY

CLOSURE PLANNING



PANAUST IS INTENT ON DELIVERING CLOSURE RESPONSIBLY.

With the end of production at the Company's Operations in Laos approaching, closure is an important strategic issue for PanAust. This vision is embodied in clear objectives that aim to leave a lasting positive legacy in Laos that:

- Ensure communities can sustain themselves at a higher economic standard than was possible before PanAust's Operations.
- Leave safe, stable and non-polluting landforms.
- Ensure infrastructure assets can be responsibly transferred to new owners.
- Progressively relinquish closed sites only when future guardianship is assured.

While closure is still on the five-year horizon for Operations in Laos, PanAust established an early dialogue with stakeholders to align operational commitments with post-closure outcomes.

This integrated, long-term approach to closure demonstrates that PanAust is Way Ahead. It exemplifies the leading practice governance standards synonymous with how PanAust conducts itself wherever it operates.

Construction of the closure spillway at the Phu Kham Copper-Gold Operation

In 2017, a closure pre-feasibility study for PBM, and updated closure plans for Phu Kham and Ban Houayxai were completed – a significant milestone in closure planning. Study work was led by the Technical Services team in Brisbane, with input and support from the Group Risk team and operational, mine planning and social and environmental teams from Phu Kham, Ban Houayxai and the Vientiane office in Laos. The cross-functional team completed study work in accordance with the Company's closure vision and objectives.

Several international external consultants were engaged, including Sustainable Solutions Global. Their experience in mine closure in developing countries provided PanAust an opportunity to learn from other relevant mine closures in order to maximise successful outcomes.

Study work in 2017 focused on the Phu Kham and Ban Houayxai Operations and surrounding communities, and the previously decommissioned, small-scale Heap Leach Gold Operation (GMO). Progressive rehabilitation opportunities were identified, as well as post-closure land use options, demolition requirements, further baseline studies needed to ensure water quality of the waterways close to the Operations, and designs for stable landforms.

Importantly, the study work integrated the closure and life of mine plans. Short and long-term closure requirements were developed for the tailings storage facility (TSF) embankments and spillways, final landform shaping of the waste rock dump, and water diversions at Phu Kham and Ban Houayxai.

Social, human resources and environmental aspects of closure planning were also progressed with geochemical and water quality modelling, the development of a social closure strategy (see page 66) and a human resources closure strategy.

Closure study work will continue to be led by Technical Services in Brisbane until 2019 when responsibility for closure activities will transition to site teams in Laos. Technical Services will work with site teams to identify and address any skill gaps to ensure that the Lao-workforce have the requisite skills to progress closure activities.

The execution of closure plans that deliver the Company's vision will leave a positive legacy in Laos and enhance PanAust's opportunity to acquire and develop future projects in other countries that can grow the business in the long term.





Group Risk Manager,
Bernie Wardle presents to
employees in the PanAust
corporate office Board room

Risk management

PanAust's approach to risk management

PanAust recognises that identifying and managing risk is integral to business management, improves the Company's profitability and protects and creates long-term value. PanAust uses risk registers, incident management systems and stakeholder feedback, combined with auditing and benchmarking processes to proactively identify, evaluate, prioritise and manage risks. The aim is to track and improve business performance.

PanAust fosters a risk-aware corporate culture. Materiality and risk tolerance are key considerations in all business decisions. Risk management is embedded throughout the business and mining lifecycle including PanAust's critical activities across all business functions and processes. The risk management framework is also applied when considering the business case for growth projects and entry into new jurisdictions. Risk assessments and risk management plans are developed to ensure that potential reputation, legal, business, regulatory and political exposures are addressed and have appropriate mitigations embedded into business strategies and plans.

Risk management policies, framework and processes

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

In 2017, PanAust continued to focus on integrating risk management into all business processes, projects in development, and due diligence activities.

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

- > the International Organization for Standardization's (ISO) ISO 31000 Standard on Risk Management
- > the Company's Sustainability Standard 4, Risk and Change Management
- > Principle 15* of the Rio Declaration* (the Precautionary Principle).

* Principle 15 of the Rio Declaration 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.

PanAust's Executive Committee is responsible for ensuring that PanAust's systems of risk management and internal controls are in place through PanAust's Governance Committee.

The PanAust Executive Committee carefully considers the level of risk it is prepared to tolerate. The Executive Management Team guides corporate risk strategy, provides oversight of strategic issues, is accountable for implementing the ERM framework, and for monitoring effective implementation.

The Executive Management Team has responsibility for a high-level risk register that identifies key material business risks relevant to PanAust at the Group level. Risk owners present to the Executive Management Team on the management of material risks through a peer review process. In addition, every Executive has responsibility for operational, departmental or project risk registers, and is required to have in place a plan to manage significant risks. PanAust has a clear process for defining materiality. Group-level risks are defined as an event that results in a consequence Level 5 (or above), evaluated utilising the Company's Extended Consequence Table (available on PanAust's website, <http://www.panaust.com.au/corporate-governance>) on the following basis:

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

PanAust has identified 15 active Group-level risks that are material to the business. These include economic, environmental and social risk factors. Areas of non-financial risk that have been identified as material or potentially material to PanAust and its stakeholders are addressed in detail in this Report. Financial risks are outlined in PanAust's Annual Report which is submitted annually to ASIC as a component of the Company's regulatory obligations, and is available to the public on request.

Group-level risks were reviewed by Executives in 2017. Risk issues relating to the Frieda River Project were elevated to the Group register given the timing and importance of the Project in the Company's growth pipeline, and in recognition that the Project's design phase provides an opportunity to implement long-term strategic sustainability objectives.

PanAust's Sustainability Standards

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

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

PanAust's operational performance is regularly assessed against the Sustainability Standards and external commitments. The Company's Operations in Laos have well-developed discipline-specific safety standards which will be progressively elevated to Group standards in support of other regions where PanAust has development projects and/or potential future operations. In 2017, a gap analysis against 16 safety standards was completed for the PanAust Asia business unit, with an additional two to be completed in 2018. Fatigue Management and Mobile Phone Use Standards were updated to Group Level Standards. A total of seven audits against the PanAust Contractor Management Standard were completed for key contractors.

Auditing and benchmarking

PanAust has established a corporate review and audit program to support its ERM programs. Some reviews are carried out internally while others require external or independent auditors.

GOVERNANCE

2018 sustainability audit plan and 2017 progress

EXTERNAL/ INTERNAL AUDITS	2017 PERFORMANCE	NEXT AUDIT
Economic performance		
Group financial audit	Completed annually and disclosed in PanAust's Annual Report to ASIC.	2018
External insurance audit	Completed to plan. Phu Kham and Ban Houayxai continue to be rated in the low risk insurability range and are considered better than the world average for risk reductions ratings. Ban Houayxai's risk reduction rating improved from moderate to low (in line with previous years) following the planned replacement of the ball mill girth gear in October 2017.	2018
Social performance		
IFC audit (environmental and social)	Completed to plan. Lao Operations maintained standards similar to the previous year (achieving 82 per cent for 2017 compared to 79 per cent in 2016). One non-conformance raised in 2016 was closed out. Pleasingly, there were no critical findings in 2017.	2018
Socio-economic surveys	Updates to the Frieda River Project mine-based communities and communities along the proposed road corridor were completed in December 2017. Lao socio-economic survey not due in reporting year (due 2019).	2019
Community Development Fund (CDF) reviews	Strategic reviews of CDF Agricultural Programs (by Environment – Sustainability – Livelihood) and Village Savings and Credit Funds were completed, with the objective of realigning these programs toward achieving post-closure outcomes (see page 66).	2019
Environmental performance		
Acid rock drainage (ARD) external audit	Completed to plan. Knight Piesold and Environmental Geo-chemical International undertook an external review of ARD management at Phu Kham and Ban Houayxai with one potentially material issue identified for which an action plan was developed (see page 72).	2018
ICMC operational recertification audit	Recertification audit was successfully completed in March 2016. Next recertification audit due in 2019. An internal annual gap analysis was also conducted in 2017. Progress on cyanide management is reported on page 74..	2019
Tailings Independent Review Panel (TIRP) and annual designers' TSF safety inspection	Sixth annual TIRP inspection completed to plan. The Panel noted its most important finding at Ban Houayxai to establish good management practices for construction, operation, monitoring and corporate governance of the TSF "was further strengthened in 2017". At Phu Kham, the TIRP recognised the site's progress since the previous inspection, noting that many findings were addressed in full and longer term recommendations were actioned and being progressed. An annual dam safety inspection was completed to plan for each site by the design engineer. Action plans addressing the findings were established and are well progressed.	2018
Health, safety and security		
Technical safety audits for high-risk activities and/or hotspots	Third-party aviation audits were completed for Laos and PNG providers (see page 86). A gap analysis against 16 safety standards was completed by KASA Consulting for the PanAust Asia business unit, with an additional two standards to be completed in 2018. PanAust executives led 11 deep dive audits for safety hotspots and high-risk activities (see page 83).	2018
Contractor safety management compliance reviews	Seven local contractors were prioritised for the audit and inspection program for the Lao Operations. A combination of compliance reviews, risk register reviews and inspections were completed. A deep dive audit into contractor maintenance management was completed in November 2017. Corrective action improvement opportunities will be undertaken in 2018.	2018
Sustainability Standards internal benchmarking: Phu Kham, Ban Houayxai and Frieda River	Completed in conjunction with IFC audits in Laos. At Frieda River, Sustainability Standards informed the baseline studies. The studies were incorporated into the 2016 Environmental Impact Statement (EIS), and will be reviewed in 2018 as part of the revision of the Project scope.	2018
Security setting and security management	A deep dive audit into PanAust's security protocols for dealing with serious security incidents was completed in 2017. Independent risk and vulnerability assessments were deferred until 2018 because of Phu Kham's reduced operating footprint and lower risk profile.	2018

2017-2020 performance and strategic targets

Includes overarching PanAust targets, and regional and operational targets

TARGETS	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2017, REVISED TARGET 2018	TARGET DATE
Economic performance				
Achieve annual production guidance for copper and gold and all-in sustaining cost guidance Lao Operations	Achieved	Improvement	Annual outcomes for safety, production and costs were better than budgeted at both operating sites for 2017. PanAust delivered full year NPAT above budget at US\$83.1 million (budget US\$2 million).	2018-2020
Complete Frieda River Project permitting and continue to add value	New		EIS submitted to the Government of PNG in December 2016. The SML application and EIS for the Project continue to be considered by the MRA, and the Conservation and Environment Protection Authority (CEPA) of PNG, respectively. PanAust is investigating opportunities to increase the value of the Project and access alternative development pathways to decrease capital expenditure and reduce the overall Project risk profile (see page 22).	2018
Progress exploration growth opportunities in Myanmar	In progress	No change	Exploration activities were placed on hold in July 2017 until additional exploration licences are granted.	2018-2020
Governance				
<i>The PanAust Way</i> embedded and implemented consistently across each worksite/ geographical location	In progress	Improvement	A total of 507 PanAust employees were trained in <i>The PanAust Way</i> in 2017. Governance requirements are embedded in contractor engagement processes and the inductions of all new employees and contractors. A deep dive audit into PanAust Asia's compliance to the Company's Anti-Bribery and Corruption Standard was completed (see page 34).	2016-2019
2017 Business Review and Sustainability Report prepared to GRI G4 requirements	Achieved	Improvement	The Report was externally assured to GRI G4 Core criteria for an unlisted public company. A gap analysis is being undertaken to transition to GRI Standards for the 2018 report.	2018
Establish Governance Committee	Achieved	Improvement	Four Governance Committee meetings were held in 2017, approving a range of corporate policies and standards.	
Social performance				
Community Development Fund (CDF) expenditure plan agreed with 80 per cent of funds committed to spend by year-end	Achieved	Improvement	7 out of an agreed 16 CDF projects were completed; 8 infrastructure projects were partially completed and funds carried over to 2018 (see page 59). New target: Fully implement the five-year CDF Plan 2018-2022 and achieve UN Sustainable Development Goals for the three target villages.	2018-2022
Implement government affairs and community strategies to enhance and maintain positive relationships in countries where PanAust has a presence	In progress	Improvement	Strong government relationships were maintained and managed in Laos, Vietnam, Thailand, and Myanmar. Stakeholder engagement in PNG continues with the Government of PNG, provincial administrations, landowners and local communities towards securing all relevant permits and licences, including a social licence to operate.	2016-2019

GOVERNANCE

TARGETS	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2017, REVISED TARGET 2018	TARGET DATE
Environmental performance				
No Level 3 environmental incidents	In progress	Improvement	No Level 3 environmental incidents.	2016-2019
EIS completed to an international standard and approved for each development project	In progress	Improvement	Environmental Inception Report for a revised Frieda River Project scope was submitted in December 2017 (refer page 69).	2018
Disclose PanAust's performance to CDP annually	Achieved	Maintained	Sixth report to CDP completed. A C rating was achieved in line with the extractives sector benchmark.	2016-2018
Progress closure planning for Lao Operations	In progress	Improvement	Closure plans updated for the Operations in Laos to pre-feasibility study level. Technical studies completed to provide a cover design for the decommissioned GMO Heap Leach Pad.	2018
Health and safety				
Zero Levels 4 or 5 incidents* on controlled work sites	Achieved	Improvement	Zero level 4 and 5 incidents.	2016-2019
TRIFR <1.25	Achieved	Improvement	2017 TRIFR of 0.83. Target for 2018 of 1.26.	2018
Address health and safety hotspots and close out actions assigned to the SMT and Fatigue Committee	Achieved	Improvement	Senior Management Taskforce for Significant Incidents actions were closed out. The focus in 2018 is to implement Fatigue Committee actions and deep dive audit findings.	2018
Advance Visible Safety Leadership Program	Achieved	Improvement	11 deep dive audits were led by Executives involving a cross-section of relevant employees (43 since the program's inception in 2014) Planned task observations program embedded in Laos and PNG.	2018
Crisis Management Plans in place with an annual coordinated simulation	Achieved	Improvement	Plans updated; training and simulations for PanAust Corporate, the Operations in Laos and the Frieda River Project completed. Maintain target. In 2018, the focus will be on PanAust Asia training and simulations.	2018
Achieve 90 per cent implementation of Group Contractor Management Standard	In progress	Improvement	PBM worked with local earthworks contractors to improve workshop and maintenance standards including completing upgrading several contractor facilities (see page 83).	2016-2019
Our people				
Conduct regular employee engagement surveys and implement findings	In progress	N/A	An employee engagement survey was completed in 2017.	2019
Develop Lao-national employees to enable their promotion into roles previously filled by expatriates	In progress	Improvement	Achieved 91 per cent localisation in Laos. Leading the PanAust Way was successfully rolled out to the manager level, with the program's leadership capability model rolled out to the superintendent level (see page 98).	2017

TARGETS	RESULT	YEAR-ON-YEAR TREND	COMMENTARY 2017, REVISED TARGET 2018	TARGET DATE
Improve technical trades training capability in Laos	In progress	Improvement	209 Lao employees have progressed from 'trades assistant' to 'tradesperson' level since 2014. 34 apprentices graduated from the Trades Training Apprenticeship Program with an Australian Certificate III Trade qualification.	2018
Roll out governance, HR and training systems and develop an employment and training plan for the Frieda River Project.	In progress	Improvement	HR standards and information technology (IT) systems implemented. An employment and training plan was submitted as part of the Frieda River Project feasibility study and application for Special Mining Lease.	2018

* A significant incident is a Level 4 or 5 impact from the PanAust Consequence Table (<http://www.panaust.com.au/sites/default/files/u12/PanAustConsequenceTable.pdf>)



(Left to right) Group Remuneration and Insurance Manager, Sarah Johns and Executive Assistant, Angela Close in the PanAust corporate office Board room



*(Left to right) PanAust
Managing Director, Dr Fred
Hess and Community Affairs
Superintendent, Craig Rumints
address people from the Frieda
River landowning village
of Wabia*

SOCIAL PERFORMANCE

PANAUST IS COMMITTED TO ENSURING ITS PRESENCE POSITIVELY IMPACTS HOST COMMUNITIES AND COUNTRIES IN WHICH IT OPERATES.

The Company achieves this by meeting the global demand for resources in a socially responsible way, ensuring respectful and ongoing dialogue with stakeholders, recognising and supporting traditional rights and values, and respecting cultural heritage. Testament to this commitment is the recognised improvement in socio-economic outcomes for host communities in Laos since PanAust established its presence. PanAust's achievements in this regard have been recognised internationally through a number of awards (see page 30).

Host communities and countries obtain enduring benefits from PanAust's operations through: taxes and royalties, employment of local people, sourcing of goods and services locally, contributions to community infrastructure, training and capacity-building, and long-term economic and social development projects.

PanAust identifies the needs, issues and standards of living in local communities through stakeholder engagement and social impact assessments, including updates via socio-economic surveys. These methods enable the Company to gain a deeper understanding of the diversity and priorities of stakeholders, indigenous and vulnerable peoples, and assess risks and opportunities.

Partnering with and generating value for stakeholders, including host communities, host governments and employees, is essential for PanAust's growth and ongoing stakeholder support.

PanAust's management systems and supporting processes provide the guidelines, tools and mechanisms to address negative social and environmental impacts whilst progressing business opportunities. The systems are aligned with the IFC

Performance Standards and PanAust continues to use these Standards to annually audit its social performance. The 2017 audit was the tenth audit for Phu Kham and the eighth for Ban Houayxai. Feedback from the IFC auditors confirmed that in 2017 the Company recorded its best ever performance, with no critical findings identified.

PanAust's community development projects enable communities to build long-term capacity and empower them to determine their own development priorities. The Company's community development plans consider host communities' needs, host countries' plans, and the UN Sustainable Development Goals. The plans are developed in consultation with government authorities and community representatives, and are supported by the information obtained from socio-economic surveys. This approach ensures that the development projects meet the needs of the communities whilst aligning with government and/or aid agencies working in the region where appropriate.

PanAust has mechanisms built into its business practices to monitor and evaluate its engagement and development activities. Community concerns can be discussed directly with community relations staff, or lodged through a complaint, grievance or request mechanism. Where PanAust's activities unavoidably impact livelihoods, compensation and mitigation schemes are activated.

In Laos, InControl software (INX) captures all engagement activities, feedback, complaints, grievances and commitments. In PNG, Borealis software was implemented in 2017 to capture this information for the Frieda River Project. The data captured by these systems is used to monitor and identify trends, and for reporting.

SOCIAL PERFORMANCE

Social performance: material issues 2017

PanAust's materiality process identified the social performance focus areas for 2017 as:

- > Stakeholder engagement
- > Economic value generated
- > Community development
- > Closure preparedness

Stakeholder engagement

PanAust seeks to build collaborative and transparent relationships with stakeholders. Ongoing and open dialogue through informed consultation and participation with governments and host communities close to its operations and projects enables PanAust to understand and address issues and identify opportunities for those directly and indirectly affected by its business activities.

PanAust's engagement processes enable community participation and respect for traditional methods of decision-making. PanAust aims to achieve free, prior and informed consent (FPIC) of affected communities in accordance with IFC Performance Standard 7. PanAust recognises that this intent does not contradict the right of sovereign governments to make decisions on resource exploitation. PanAust's position is consistent with the ICMM's Indigenous peoples and mining position statement.

Representatives from Frieda River landowning communities, including three women from each of the language groups, with PNG MRA representative, Jesse Banamu and Frieda River Community Affairs Representatives Craig Rumints and Joel Hamago in front of the Hidden Valley open-pit



Landowner representatives from Frieda River visit Hidden Valley mine

The free, prior and informed consent of landowners at PanAust's Frieda River Project in PNG is a critical element of the Company's social licence to operate.

In October, ten representatives from the seven landowning communities close to the Frieda River Project site visited Harmony Gold's Hidden Valley silver and gold mine in Morobe Province.

The visit, coordinated by PanAust in conjunction with the PNG Mineral Resources Authority, gave landowners a greater understanding of the social and environmental impacts of a mine, and highlighted the potential opportunities for communities that the development of a mine can bring.

The landowners toured the open-pit mine, associated processing infrastructure and the tailings storage facility. The group also visited Hidden Valley's small-scale mining training centre in Wau to learn about the safe alluvial mining training offered to local alluvial miners from the Morobe Province and other parts of PNG.

Landowners also gained insights into the management of landowner associations, and participation in permitting processes including the Development Forum and the negotiation of a Memorandum of Agreement.

At PanAust's Phu Kham and Ban Houayxai Operations in Laos and the Frieda River Project in PNG, the Company has in place stakeholder engagement plans that identify the interests and relationships of stakeholders. These plans contain a range of culturally and socially inclusive engagement activities which are designed in collaboration with stakeholders and consider the needs of vulnerable groups.

During 2017, PanAust's stakeholder engagement activities included:

- > A range of regular meetings with local communities, their nominated representatives (including representation by women) and other special interest groups.
- > Meetings with relevant government departments and officials.
- > Community development programs: community members, local and district-level authorities are engaged in all stages of the planning, approval and delivery of community development activities.
- > Reports: each year, PanAust's performance is comprehensively reported via this document. An abridged version focused on PBM's activities is provided in English and Lao to key stakeholders in Laos. In addition, reporting to the Government of Laos occurs regularly.

Government engagement

The Government of Laos is one of PanAust's principal stakeholders. A framework of regular scheduled and ad-hoc meetings with central, provincial and district government-level officials provide important opportunities for dialogue. A dedicated Government Relations team is in place, with regular monthly and annual reports submitted on Company activities to the Government of Laos. A digital portal has been established to facilitate this process and ensure various government stakeholders can access the information they require. Officials from key government ministries are represented at both Phu Kham and Ban Houayxai to ensure transparency, mutual understanding, and close and productive relationships at the operational level. In addition, PanAust regularly engages senior Government of Laos representatives through meetings in Vientiane and site visits to the Operations.

In PNG, a Joint Provincial Consultative Committee (JPCC) supports provincial level engagement. The JPCC, which meets quarterly, comprises officials from the Sandaun and East Sepik Provinces, as well as relevant district officials and national government agencies, including the Mineral Resources Authority.

In Myanmar, Government engagement continues to occur through quarterly Joint Committee meetings with the Department of Geology, Survey and Exploration.



Women from the village of Ok Isai discuss issues that are limiting women's empowerment in the community, and brainstorm ways to improve their economic livelihoods

PNG women in mining project

Historically, women have not been prominent in negotiations over resource development in PNG, and are poorly represented in existing development and impact benefit agreements across the country. PanAust is addressing this issue early at its Frieda River Project by pursuing a number of programs to increase female participation in community development and benefit-sharing initiatives.

In November, the Company signed a Memorandum of Understanding with the Australian Government's Department of Foreign Affairs and Trade (DFAT) to institute a three-year Women in Mining Project.

The Project aims to ensure that the economic and social rights, and interests of women are heard and addressed in the Frieda River Development Forum process. A mentor will be assigned to work with women in the seven Frieda River landowning communities to build their capacity, thereby strengthening their ability to contribute to and influence outcomes. It is anticipated that greater participation by women in the early stages of the project will lead to a more equitable share of mine benefits.

SOCIAL PERFORMANCE

PanAust's stakeholders and interested parties

The Company takes a diverse range of external and internal stakeholder interests and concerns into consideration in carrying out its business activities. Stakeholders are identified based on the potential impacts of the project on them and their potential impacts on the Company. Stakeholder priority and importance differ across the material issues for each stakeholder group.

Engagement mechanisms are designed to provide stakeholders and other interested parties with an awareness of the Company's economic, governance and social performance, and understand stakeholder issues and concerns. The following table outlines key stakeholder groups, and engagement mechanisms and priorities in 2017.

Stakeholder group	Engagement mechanisms	Engagement priorities
Primary stakeholders		
Employees	<ul style="list-style-type: none"> > Site visits by the Managing Director and Executives > Team meetings (daily, weekly, monthly) and one-on-one interaction > Monthly employee briefings (Corporate) > Induction, training programs, awareness videos, career and professional development programs, English language training > Workforce planning meetings > Workplace Representative Committee in Laos > PKM and BHX FM radio stations – a fatigue management initiative > Employee engagement events, toolbox talks, posters > Panorama (Company-wide newsletter), intranet, videos, emails, alerts, noticeboards > Fair Treatment Process of appeal > Annual Employee Awards and Long Service Awards > Whistleblower Service > Employee engagement survey 	<ul style="list-style-type: none"> > Health, safety and wellbeing > <i>The PanAust Way</i> > Business performance > Project development activities and progress > Mentoring, training and development > Community contributions > Building local workforce skills > Maximising localisation > Employee retention as closure of the Operations in Laos approaches



A child from the landowning village of Wabia, PNG



(Left to right) Mrs Saengthong Thitthakhong, head of the vegetable growing group at Nasaysavang with PBM Community Supervisor, Phimpa Phalamy

Stakeholder group	Engagement mechanisms	Engagement priorities
Local landowners and host communities	<ul style="list-style-type: none"> > Multi-stakeholder consultation and collaboration to agree on community development projects > Community development progress meetings at the village, district and provincial levels > Community response, including grievances > Involvement in matters important to the community, including local community events > Frieda River Community Leaders Forums, Joint Provincial Consultative Committee (JPCC), EIS awareness along current and planned logistics routes, community consultation meetings 	<ul style="list-style-type: none"> > Community development (local capacity-building through training and education, local employment and business opportunities, enhancing public health, poverty reduction, access to clean water, food security and infrastructure development) > Closure planning > Operational and project development including revised project scope > Community safety > Grievance mechanisms > Community participation agreement committee, membership qualification criteria, landowner association, land representative company > Landowner representation > Benefits and compensation negotiations
GRAM and Board of Directors	<ul style="list-style-type: none"> > Board meetings > Reporting (monthly) 	<ul style="list-style-type: none"> > Financial returns and operating discipline > Funding strategy for growth
Project lenders (finance)	<ul style="list-style-type: none"> > Meetings > Provision of audit report results > Tailored responses to queries > On-site technical reviews 	<ul style="list-style-type: none"> > Long-term investor value and growth pipeline > Funding strategy for growth > Risk management > Environmental and social performance
Joint venture (JV) and/or equity partnerships	<ul style="list-style-type: none"> > Management committee meetings > Tailored responses to queries > Monthly reports > Technical reports 	<ul style="list-style-type: none"> > Financial returns, ability to service debt and operating discipline > Governance > JV expenditure, project progression, tenement requirements and statutory obligations > Safety and ESG performance, and stakeholder relationships > Disclosure requirements for JV partners including progress on permitting status (EIS, SML, feasibility studies and associated approval hearings)

SOCIAL PERFORMANCE

Stakeholder group	Engagement mechanisms	Engagement priorities
Governments	<ul style="list-style-type: none"> > Communication with the Government of Laos through the Government Relations team > Scheduled and ad-hoc meetings and agreements with local, provincial and central/national government representatives and officials > Joint initiatives with government for community development > Site visits for government officials > Tailored responses to queries > Tailored publications – proactive approach, including ‘Frequently Asked Questions’ > Online portal for the Government of Laos > Ad-hoc ministerial and department-level meetings by Company executives and the Managing Director 	<ul style="list-style-type: none"> > Relationship management > PanAust’s Vision and Values > Permitting and exploration renewals > Progression of project approvals (including the application for a SML and the EIS submission for the Frieda River Project) > Environmental compliance/management > Economic contributions and community development > Local employment and workforce localisation > Closure planning
Customers (smelters and refineries)	<ul style="list-style-type: none"> > Technical support regarding product quality > Regular customer meetings > Representation at conferences including the London Metals Exchange ‘LME Week’, London and the Centre for Copper and Mining Studies ‘CESCO Week’, Shanghai > Site visits > Product stewardship initiatives > Tailored responses to queries 	<ul style="list-style-type: none"> > Reliability of supply and product quality > Product weights and measures, assay exchange > Logistics and product stewardship > Cost and delivery > Safety and ESG performance and good stakeholder relationships
Contractors and suppliers	<ul style="list-style-type: none"> > Request for proposals (RFPs) – and tendering > Regular performance review meetings covering specific performance metrics > Price adjustment mechanisms undertaken quarterly, six monthly and annually > Commodity price forecasting – value add by suppliers with access to price indices > Risk management for one-off projects and where incidents occur > Participation in community workshops by site-based contractors > Tailored meetings > Inductions, monthly contractor performance reports 	<ul style="list-style-type: none"> > Security of supply – focus on major suppliers for operations including mobile maintenance, fixed plant maintenance, truck fleet maintenance and explosives > Quarterly performance review meetings covering specific performance metrics > Certified value guarantee (suppliers provide innovation and efficiencies) > Convening stakeholders to address geographical and shift pattern challenges > Training for contract owners in the PanAust Contractor HSE Management Standard > Contractor HSE Management Plan development > Contractor safety, workplace inspections, Job Safety Observations (JSOs), hazard identification, inspections, audits and reviews > Contractor inductions > <i>The PanAust Way</i>

Stakeholder group	Engagement mechanisms	Engagement priorities
Interested parties		
Industry associations	<ul style="list-style-type: none"> > Association meetings > Committee participation > Joint initiatives > Presentations and correspondence > Site visits including benchmarking visits to peer organisations > Participation and presenting at significant industry conferences 	<ul style="list-style-type: none"> > Policy and legislative setting > Education > Leading practice initiatives > Safety and ESG performance and good stakeholder relationships
Media	<ul style="list-style-type: none"> > One-on-one interaction with journalists, press releases > Company Announcements > Hosted site visits > Respond when material errors are identified in factual reporting 	<ul style="list-style-type: none"> > Communication with the public on project development and operational status > Economic, health and safety and ESG performance, including community development
Non-government organisations	<ul style="list-style-type: none"> > Provision of company information to inform industry reports > Meetings 	<ul style="list-style-type: none"> > ESG performance > Contract transparency
Capital market participants (including investment banks, debt, equity and independent analysts)	<ul style="list-style-type: none"> > Meetings and industry forums > Tailored responses to queries 	<ul style="list-style-type: none"> > General industry performance and ESG benchmarking > Business opportunities
Other mining companies, academics	<ul style="list-style-type: none"> > Papers and presentations at conferences, meetings etc. > Site visits and study tours 	<ul style="list-style-type: none"> > ESG performance > Benchmarking and good industry practice

Community relations

PanAust actively promotes opportunities for men, women, youth and other vulnerable groups to participate in relevant consultation, community development and decision-making processes. Community Relations teams include members from local ethnic groups close to PanAust's activities, enabling culturally effective communication between the Company and community members.

The Company conducts periodic socio-economic surveys to support community engagement and better understand issues and movement in community living standards. The various surveys provide an important mechanism to build an understanding of the needs and expectations of host communities to inform priorities and initiatives, and to assess the extent stakeholders believe their concerns are being effectively addressed.

SOCIAL PERFORMANCE

Grievance management

PanAust has in place grievance mechanisms at its Operations and for the Frieda River Project. Grievance mechanisms are designed to meet the intent of Principle 31 of the United Nations Guiding Principles on Business and Human Rights. The mechanisms are:

- > legitimate, predictable, equitable and transparent
- > culturally appropriate and based on dialogue and engagement
- > accessible
- > rights-focused
- > accountable (with monitoring and evaluation, disclosure and annual reporting).

The Company's Grievance Management Procedure provides for escalation and arbitration if required. Depending on the nature and severity of the concern raised, it may require further investigation or referral to an independent party.

PanAust continues to make significant progress in the timely management and close out of grievances in Laos. No grievances were raised in 2017.

At year end 2017, no grievances had been recorded at the Frieda River Project.

In 2017, PanAust had no disputes relating to indigenous people and customary rights.

2017 Grievances

GRIEVANCE MEASURE	NO. OF GRIEVANCES	NO. OF AFFECTED HOUSEHOLDS
2017 grievances	0	0
Grievances carried over from previous years*	2	18
Total grievances progressed in 2017	2	18
Total grievances resolved	2	18
Total carried over to 2018	0	0

* In 2008, a grievance relating to 12 affected households was reported. Due to an absence of verified compensation claim documentation, this grievance remained unresolved until 2017. This is why there is a difference between the data in this Report, and the 2016 Business Review and Sustainability Report.

Resettlement, livelihood restoration and compensation

No involuntary resettlement has taken place for PanAust's Operations. The Company seeks to minimise involuntary physical relocation and to minimise the negative impacts of economic displacement related to business activities. Protocols and procedures that the Company has in place to achieve this include planning, participative land access and acquisition practices, transparent compensation and livelihood restoration approaches.

If resettlement is required, the Company is committed to implementing programs in accordance with IFC Performance Standards 5 and 7 (Land Acquisition and Involuntary Resettlement, and Indigenous Peoples). In particular, this includes ensuring that resettled people and communities have their livelihoods and standard of living restored or improved as a result of the resettlement.

The Company's Lao compensation process aims to ensure that project-affected people are compensated fairly for the loss of assets and/or production by maintaining, at a minimum, pre-impact standards of living, housing and livelihoods, and identifying opportunities for project participation and other benefits. Physical and economic displacement is managed using the Company's Compensation Standard, Grievance Management Procedure, and Consultation and Community Engagement Procedure. The Standard aligns with Lao regulations and international standards, such as those from the IFC and ICMM.

The requirements for compensation become more prescriptive as the degree of impact increases. When significant impacts occur at the household level (that is, more than 20 per cent of household production is affected), Lao regulations require livelihood restoration rather than cash compensation.

Compensation is paid in a transparent manner at an agreed and documented schedule of rates via the grievance management process. Compensation rates in Laos are calculated based on market price surveys, provincial agreements, and in consultation and/or with approval from local government and community leaders. In PNG, compensation rates are set by the Government of PNG's Valuer General. If the Company believes the set compensation rate is too low, compensation is adjusted to reflect local value rates.

Given the maturity of the Lao Operations, including minimal requirements to disturb new land for mining purposes, in 2017, a total of US\$3,113 was paid in compensation and remediation for economic livelihood impacts. In PNG, US\$14,700 was paid to landowning communities for issues relating to impacts on community land from geotechnical investigation drilling, and ongoing compensation for land use.

Compensation paid (US\$)

	2015	2016	2017
Laos	182,401	488,901	3,113
PNG	-	145,036	14,700

Economic value generated

PanAust recognises its responsibility to make a positive social and economic contribution to the communities, regions and countries where it operates. The Company's philosophy is that wherever it operates, it collaborates with local authorities and communities to improve the socio-economic livelihood of the region. Focus areas are: infrastructure, health, education, agriculture, small business development, and village savings and credit funds.

PanAust contributes to the Lao economy in many ways, including through:

- > Revenues from copper, gold and silver including payment of royalties
- > Profit tax and other payments including tenement rental fees to the Government of Laos
- > Salaries paid to employees and salary taxes to Provinces
- > Training and skills development of employees and communities through capacity-building
- > Capital expenditure in exploration, project development and project operating costs, particularly through payments to Lao suppliers of goods and services
- > Investments in community development programs through community development funds
- > Payment of dividends to the Government of Laos as a ten per cent shareholder in PBM
- > Investment in regional infrastructure including roads, water and sanitation
- > Sponsorship and donations
- > Local procurement of goods and services from contractors and businesses.

Where appropriate, PanAust engages local companies (Lao and international companies based in Laos) to procure goods and services for PanAust's Laos-based activities. In doing so, the Company takes into consideration commercial competitiveness, risk profile and contractor capacity to ensure goods and services are provided in a safe and responsible manner. Support is also provided to local companies where required to ensure health and safety standards can be met.

To date, approximately US\$1.41 billion has been invested in Laos (this represents the expenditure on physical assets and exploration). This amount includes PanAust's 2017 expenditure of US\$1.97 million towards public road infrastructure and maintenance along the Company's logistic route, and regional roads in close proximity to the Company's Operations. Since 2006, PanAust has invested more than US\$60 million in Lao public road infrastructure. Improvements and maintenance of sections of the Phu Kham and Ban Houayxai transport and haulage routes have benefited 12 villages with a combined population of over 16,000 people, by providing faster access to markets and public services including hospitals and schools.

Total PBM activity, taking into account investments and in-country operating expenditure, accounted for over 3.5 per cent of Laos' real gross domestic product* (GDP) which, in 2017, was US\$16.9 billion. This investment does not take into account the indirect impacts of the Company's presence, for which a widely accepted and typical multiplier effect of the positive impacts mining projects have in developing countries (such as Laos) exists.**

During 2017, PanAust's other economic contributions to Laos included:

- > payment of US\$176 million to Lao suppliers of goods and services; over 49 per cent of external expenditure on goods and services was to companies in Laos and the Government of Laos
- > contribution of approximately US\$90 million to the Government of Laos
- > contribution to capacity-building programs and activities at district, provincial and central government levels
- > employment of 3,293 people in Laos; by year end, 91 per cent were Lao-nationals, with 29 per cent of total employees in Laos coming from local villages (adjacent or in close proximity to PanAust's Operations)
- > administering a sponsorships and donations program in Laos (in addition to the community development program), donating US\$118,000 to a wide range of recipients through cash and in-kind donations
- > PBM revenues of US\$792 million for the sale (and export) of copper, gold and silver in 2017 represents 20 per cent of total Lao goods exports (estimated by the Economist Intelligence Unit as US\$3,654 million).

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

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

SOCIAL PERFORMANCE

2017 total payments by PanAust Asia (US\$ million):



2017 payments for goods and services by PanAust Asia (US\$ million):



Direct economic benefit to the Government of Laos

DESCRIPTION	US\$ million		
	2015	2016	2017
Payroll tax	4.69	4.24	4.16
Customs excise (import service fee)	2.78	1.74	1.70
Road tax	4.26	4.48	4.70
Profit tax (income tax)*	1.18	16.19	25.33
Royalties	37.36	35.55	43.81
Concession fees	0.06	0.06	0.06
Value added tax paid upfront*	14.22	12.06	12.70
Value added tax deducted from profit tax**	(14.22)	(12.06)	(12.70)
Fuel import duty and excise tax	7.59	9.87	13.65
Fuel import duty and excise tax deducted from profit tax**	(7.59)	(9.87)	(13.65)
Cross border tax paid upfront	0.90	1.51	1.41
Cross border tax deducted from profit tax**	(0.90)	(1.51)	(1.41)
Dividend	4.80	4.50	10.50
Total contribution	55.14	66.76	90.26
Copper price (US\$/lb)	2.38	2.25	2.84

* In 2016, the Company initiated a strategy to reduce the prepaid profit tax balance.

** In accordance with the MEPA, PBM is exempt from value added tax and all import duties and excises and these are offset against profit tax in the year in which they are incurred; for 2015, these payments exceeded profit tax payable and accordingly are treated as a prepayment against future profit tax.



Distribution of PanAust Group revenue 12 months to 31 December 2017 (US\$ million)

Region	Operating costs by region	Employee wages and benefits by region	Payments to providers of capital by region	Payments to government by region
Laos	397.08	54.48	4.48	79.76
Thailand	0.72	0.13	-	-
Vietnam	8.69	0.02	-	-
Chile	0.74	-	-	-
Myanmar	2.65	1.34	0.01	-
PNG*	-	-	-	0.76
Australia	3.68	17.20	(0.34)	0.72
Total	413.56	73.17	4.15	81.24
Group revenue**	777.01			
Group economic value retained***	204.88			

* Operating costs only. Does not include payments to government, employee wages and benefits, depreciation or capital projects. Note: PNG costs (with the exception of taxation payments to government) are capitalised. In 2017, US\$20.9 million was capitalised against the Frieda River Project.

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

*** Group economic value retained is calculated by Group revenue less Group operating costs, employee wages, payments to providers of capital and payments to government.

SOCIAL PERFORMANCE

Community development

PanAust's community development program aims to make meaningful contributions to building long-term community capacity, thereby empowering people to determine and progress their own development priorities beyond the life of the Company's Operations. All operational and active development projects support community development programs in line with good international practice.

As part of its broader sustainability commitments, PanAust continues to assess other socially responsible projects that fit within its host-community development priorities of capacity-building and promoting economic independence.

Corporate, Pre-development and Exploration community development

In PNG, community development planning occurs within village planning committees. The outcome is a community participation agreement between the Company and the community that details responsibilities and costs.



In 2017, PanAust contributed US\$249,134 to community development programs in PNG, with a further US\$45,070 associated with the use of helicopters to deliver these programs to Frieda River communities which are inaccessible by road.

These programs focused on improved health and education services and capacity-building. In addition, a further US\$81,968 of in-kind support was provided to assist with the construction of a telecommunications tower that services three of the Frieda River landowner communities.


Health programs were delivered in collaboration with Telefomin District Health and Papua New Guinea Baptist Church Health Services. Activities included the provision of national supplementary immunisations, the delivery of community outpatient clinics, the transportation of medical supplies to project community clinics, attending to medical emergencies, and the evacuation and referral of patients to regional health facilities. Support was also provided to Interplast Australia & New Zealand to carry out a PanAust-sponsored surgical program at the Vanimo General Hospital (see page 58).

Education assistance was delivered in cooperation with Telefomin District Education and the Boards of various local schools. Activities included school improvement programs, provision of materials for maintaining and upgrading infrastructure, logistics support to teachers and their families, and school fee assistance for students. The Frieda River Community Affairs team, in conjunction with the Telefomin Secondary School, also commenced a project to investigate and understand the drivers contributing to the high rate of children dropping out of school. Opportunities to keep children in primary school were also investigated.

Sponsorship of US\$5,000 was provided to the Zonta Club of Brisbane's 2017 Birthing Kit Project. The project assembles and distributes birthing kits to assist with the provision of clean and safe birthing environments for women in PNG and other developing countries.

Kits contain a rubber sheet, soap, gloves, cord, scalpel and gauze. Representatives from PanAust's Brisbane office and their families participated in the birthing kit packing day where almost 13,000 kits were assembled. This is the fourth consecutive year PanAust has supported this initiative.

In Myanmar, PanAust donated US\$2,000 to the residents of Alae Ywa Village near the Banmauk Township to assist with the rebuilding of houses and for the purchase of livestock after a severe storm struck the village in April 2017.



Bethany with her Mother at the Vanimo General Hospital. After being severely burnt when she was three-months old, Bethany, now three, underwent surgery to correct a burn scar contracture; she is now learning to walk for the first time – a gift made possible by Interplast’s skilled volunteers who were financially supported by PanAust.

Photo: Interplast/Woodrow Wilson.

PanAust-sponsored Interplast surgical program in PNG

The Frieda River Project is located in a remote, least developed area of PNG. Access to government services is extremely limited. A core focus of PanAust’s community development work is improved health outcomes for impacted communities. In September, Interplast Australia & New Zealand delivered a PanAust-sponsored surgical program at the Vanimo General Hospital in PNG.

A team of five Interplast volunteers, led by current President of the Australian Society of Plastic Surgeons, Professor Mark Ashton, travelled to the hospital in PNG’s north. Over five days, the volunteer team treated 15 patients who received transformative surgery to treat conditions including cleft lips and palates, and burns/scar contracture releases.

PanAust transported five villagers from communities close to its Frieda River Project site to the hospital for treatment. During the program, local medical staff received training from the visiting Interplast team. This capacity-building and mentoring of PNG medical professionals – including the country’s only plastic surgery trainee, Dr Danlop Akule – ensures that reconstructive surgery skills and services in PNG will endure.

The Member for Telefomin and Defence Minister Hon. Solan Mirisim MP, welcomed the program.

“The partnership between the Frieda River Project and Interplast is an excellent initiative that helps the people of the Telefomin District. It is an example of the important community development work that the Project undertakes,” the Defence Minister commented.

PanAust Managing Director, Dr Fred Hess said the Company’s continued partnership with Interplast demonstrated its commitment to transforming the lives of those living close to where it operated.

“Our mining activities typically take us to remote locations where local communities derive a subsistence economic livelihood and struggle to receive adequate government support for health, education and other services.

“PanAust has made a substantial positive impact on people in communities close to its Operations and activities to balance the known impacts of living in close proximity to a mining operation.

“The Company takes great satisfaction in working with our local communities to alleviate poverty and build a better future for current and future generations,” Dr Hess said.

SOCIAL PERFORMANCE

Community development in Laos

The Company's community development programs support Laos in achieving the UN Sustainable Development Goals by contributing to poverty alleviation, and supporting economic progress in rural communities adjacent to its Operations. Community development projects are managed in partnership with local communities and closely coordinated with local government authorities. In 2017, community development funds (CDFs) were in place at Phu Kham and Ban Houayxai with a Memoranda of Understanding between PanAust and the Government of Laos defining coordination and management arrangements. CDF planning follows a process that begins with community-led needs assessments and a review of the socio-economic situation in each community. Given PanAust's Operations in Laos are mature with closure on the five-year horizon, CDF projects are strategically focused to ensure benefits will continue to support the communities post-closure. Consultations are held with local government authorities to ensure alignment with national development strategies and goals, and to avoid duplication with existing or planned government initiatives. The Company and local governments jointly approve the final annual community development plans. This approach distributes benefits appropriately and aligns with government and/or aid agencies working in the region.

In 2017, a total of US\$456,000 was budgeted for CDF activities in Laos: Phu Kham, US\$374,000 and Ban Houayxai, US\$82,000.

Due to changes in the structure of government departments managing the CDF program and their different expectations regarding oversight, sign-off on the 2017 program was delayed until September 2017. As this was the wet season, a number of CDF projects were required to be delayed until 2018.

CDF programs in Laos in 2017 comprised 16 small-scale projects across rural communities directly and indirectly affected by PanAust's activities.

A total of US\$175,102 was expended on CDF projects during the year and included a number of projects that were finalised from the 2016 CDF program.

Community development fund total expenditure in Laos

AMOUNT (US\$)	2015	2016	2017
Expenditure	348,090	349,190	175,102

Focus areas were education, agricultural development, small business development, microfinance, and infrastructure. Projects that were partially completed in 2017 included: the upgrade of a Nasaysavang primary school building, the construction of the upper secondary school and a teacher's dormitory at Nam Mo, a building for the micro-finance management unit in Nam Mo, gabion weirs at Nasaysavang, and a community market at Nam Mo. The remaining costs for these projects will be carried over into 2018 when they are scheduled to be completed.

Year-on-year community development contributions are not explicitly determined by the Company's consolidated profit position. The contributions take into account a range of factors such as Company presence, impact, local capacity and dependency levels as communities mature. The data does not include in-kind and administration contributions towards community priorities or the purchase of locally produced consumables including fruit, vegetables and water.



Construction of the Nasaysavang Primary School

PanAust total community development contributions

CONTRIBUTION (US\$ million)	2015	2016	2017
Community development Laos	0.35	0.35	0.17
Community development PNG	0.06	0.11	0.25
Logistics costs associated with PNG community development	-	0.27	0.05
Community development Chile	0.11	-	-
Sponsorship and donations Laos	0.16	0.03	0.12
Sponsorship and donations PNG	-	0.03	0.08
Sponsorships and donations Myanmar	0.02	0.02	-
Sponsorship and donations Australia	-	0.01	0.01
Total contribution	0.70	0.82	0.68
PanAust adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)	169.73	239.52	295.97
Total contribution as a percentage of EBITDA	0.41%	0.34%	0.23%



CASE STUDY

THE EVOLUTION OF COMMUNITY DEVELOPMENT IN LAOS



PROMOTING COMMUNITY-LED DEVELOPMENT CONTRIBUTES TO PROSPEROUS COMMUNITIES.

Since the first community development initiatives were implemented in 2006, PanAust's approach to community development in Laos has evolved from delivering annual Company-led programs to community-led programs. Current programs have a five-year outlook to align with post-closure outcomes.

External independent reviews and community feedback have been instrumental in this evolution, which ensures the Company continues to meet the long-term development goals for people living in communities close to where it operates. During the first full-year of operation at the Heap Leach Gold Operation in 2006, PanAust implemented community development initiatives in the nearby village of Nam Gnone. These initiatives evolved in 2007 to a formal Community Development Fund (CDF), with Memoranda of Understanding between the Company and the Government of Laos to support the villages of Nam Gnone and Nam Mo. Village Development Committees were established to increase community participation in CDF projects. The goal of the CDF program was to empower people living in communities close to the Company's Operations to determine their own development priorities, thereby facilitating sustainable socio-economic livelihoods that would continue beyond the life of mine. This goal remains unchanged. PanAust continues to work to improve the standard

of living for people in these communities, establish a sense of ownership with regard to development issues, and undertake activities in cooperation with the local community that align with the UN Sustainable Development Goals.

In 2008, the villages of Nam Gnone and Nam Mo entered into an agreement with the Company to provide vegetables to the mine.

This agreement was a significant milestone for CDF programs, and was underpinned by agricultural programs aimed at building the capacity of people in these communities, improving yields and diversifying crops.

As PanAust's Operations and projects expanded, so did CDF programs. Between 2011 and 2015, CDF programs were in place for the Phu Kham and Ban Houayxai Operations and for the exploration site at Phonsavan. Additionally, an annual 'one project per village' program supported villages close to remote exploration sites and along the Company's transport and concentrate haulage routes.

In 2014, PanAust implemented a broader socially-inclusive, capacity-building approach to CDF programs.

This community-constructed infrastructure model shifted support from PanAust building community infrastructure, to up skill community members so they could, where appropriate, construct infrastructure by themselves under the supervision of local engineers and Company representatives.

As PanAust's Operations are mature, CDF programs now focus on the delivery of post-closure outcomes. In 2017, a revised CDF plan with a five-year outlook was developed. The plan aims to ensure that at closure, the three villages closest to the Operations will have met all of the major development goals for education, health, water and sanitation, livelihoods and public administration.

PanAust is proud of its approach to community development, and in particular, the positive changes the CDF program has had on villages close to its Operations and activities in Laos. This approach is indicative of the Company's commitment to leaving sustainable communities that can prosper long after the Company's Operations close, and assist the Government of Laos to achieve its Sustainable Development Goals.

The morning market at Nam Mo



SOCIAL PERFORMANCE



Teacher, Mr Yenglor Jongmoua, leading a mathematics lesson at the Nam Mo Lower Secondary School

Supporting the education of girls

A gender equality gap exists at all levels of schooling in Laos, with the gap between girls and boys widening during secondary school. At PanAust's local communities, the Company is actively working to overcome this disparity by improving access to education.

It is historically and culturally challenging for girls to attend school in Laos. Many are kept at home either to assist with household duties or – if a school is a considerable distance from the family home – for safety reasons.

Since operations at Phu Kham commenced in 2008, PanAust has upgraded the primary school and established a lower secondary school in the neighbouring village of Nam Mo.

The upgrading of education facilities in the village has improved access to education for more than 1,700 students. Given this has decreased the distance required to get to school, latest socio-economic data shows this has encouraged more girls to attend, with their enrolments for primary and secondary school now surpassing boys (89 vs. 87 per cent and 91 vs. 88 per cent respectively).

PanAust will continue to work toward supporting the education of girls in communities close to its Operations in Laos. The next focus area will be to establish an upper secondary school in Nam Mo which will allow children in and around the village to complete their secondary education close to home.



Nam Mo Lower Secondary School students



Education

PanAust understands that education is a key foundation to improving people's lives. A sound education is a cornerstone of social development with literacy and numeracy skills opening up opportunities for advancement in many areas of life.

PanAust's first CDF programs in Laos included a focus on education for a number of reasons: to open up employment opportunities at the mine for local community members, to open up capacity-building opportunities in the local community to support the mine, and to provide opportunities for individuals and local businesses beyond closure.

While primary education is compulsory in Laos, enrolment rates, completion rates and learning outcomes are low due to issues related to poverty, insufficient schools and/or skilled teachers, and a lack of books and teaching aids. Over-crowding is also an issue in many village schools. While access to primary education has improved significantly over the past 20 years, many children leave school before completing the full five-year curriculum, meaning functional literacy – adults who can independently meet the reading and writing demands placed on them – has not been achieved. Secondary and tertiary education completion rates are lower still.



PBM's community education program aims to improve learning outcomes for children and adults in local communities. Projects have focused on improving children's access to primary school through: school construction, provision of school uniforms and stationery, education scholarships, and providing measures to improve the quality of education through teacher training, and the provision of teaching aides. Since the commencement of the CDF program in 2006, PanAust has contributed to the construction, expansion and/or improvement of 19 schools in Laos, thereby improving access to education for almost 1,700 students. During 2017, the Company contributed US\$36,519 towards initiatives designed to increase access to education and the quality of learning within communities close to its Operations. Programs for the year included: improvements to buildings at the Nasaysavang Primary School, commencing construction of an upper secondary school at Nam Mo, teacher's dormitories at Nam Mo and Nam Gnong, and the provision of summer schools in both villages. These projects were undertaken in close coordination with the Anouvong District Education and Sports Office.

SOCIAL PERFORMANCE

Community health

In Laos, poor health is an issue in many rural communities. Contributing factors include a lack of quality healthcare services, poor hygiene and sanitation practices, limited health awareness, low rates of childhood immunisation, and poor nutrition. All are underpinned by poverty.

In 2010, PanAust handed over community health clinics at Nam Mo and Nam Gnone to the District Health Office. Specialists in family planning and nutrition work in the clinics and also vaccinate infants against diseases such as hepatitis B, tuberculosis, diphtheria, pertussis (whooping cough), tetanus, encephalitis, rubella, malnutrition, and polio. Monthly statistics show that these clinics continue to be well-utilised by women, men and children with over 1,400 consultations in 2017.

The principal program to deliver health outcomes in 2017 related to improvements made to the gravity-fed water systems at Nam Gnone and Nam Mo. Water intakes, water storage tanks and repairs, and the installation of additional public taps in the villages were completed.



A woman from the village of Nam Gnone receives medical attention at the village medical centre

The PNG Family and Sexual Violence Action Committee

For PanAust, it is important that vulnerable members of its host communities are supported to facilitate their involvement in stakeholder engagement activities. In 2017, this commitment was provided through sponsorship of the PNG Family and Sexual Violence Action Committee (FSVAC).

The Committee's objective is to reduce the occurrence of, and suffering caused by, physical, sexual and psychological violence within families and extended

families in PNG, and increase access to support services and justice for survivors of family and sexual violence.

During the year, the Committee held two scoping/consultation meetings at each of the seven Frieda River landowning communities to determine requirements for the implementation of programs which would work towards the Committee's objective.

PanAust will continue to work with the Committee in 2018 to implement the initiatives identified in 2017.

Infrastructure provision

PanAust has made significant contributions to various forms of infrastructure in Laos, including medical facilities, education and other building infrastructure, road development and maintenance, and water and sanitation systems. The Company delivers infrastructure projects as much as possible in partnership with governments and local communities. Under this 'community-constructed infrastructure' model, PanAust procures the materials for the project, and local community members (where appropriate) build the infrastructure themselves with supervision from local authorities and Company personnel.

In 2017, infrastructure improvements included ceiling repairs at a Nasaysavang primary school building, and gravity-fed water system improvements at Nam Mo and Nam Gnone. Additionally, maintenance activities were carried out on existing infrastructure that had been provided through the CDF programs after it was confirmed village authorities did not have the financial means to maintain and repair this infrastructure. Post-closure, the maintenance of infrastructure will be responsibly handed over to the relevant government department.

In March, PanAust was honoured to receive a Labour Order Medal from the Government of Laos. The medal recognised the Company's upgrade of Road No. 12 in the Khammouane Province along the Company's concentrate haulage route, and for supporting broader socio-economic development in Laos.

Enterprise development (supporting local businesses)

PanAust aims to build long-term capacity in communities through economic development and contributing to strengthening community resilience, rather than developing economic dependency.

The Company aims to source products and services locally and/or regionally. This approach encourages local suppliers to expand their customer base in preparation for the eventual shift to Company closure. Agriculture is an industry where local communities and farmers can build on their existing capabilities to supply PanAust's Operations, while providing for the expansion of enterprise opportunities. Post-closure, agriculture will provide an important source of cash income for local communities. This is an improvement on what existed prior to the Company's presence when activities were largely restricted to subsistence-level farming.

In 2017, through the CDF programs, PanAust contributed US\$30,505 towards agriculture capacity-building programs, including:

- > A project to clear land for cattle and buffalo rearing, installing fencing, and planting appropriate feed grass. The project was coordinated in conjunction with the Xaysomboun Provincial Department of Agriculture and Forestry, the Anouvong District Agriculture and Forestry Office, and the Department of Energy and Mines. To support this project, veterinary tools and vaccines were supplied to a group of villagers who were trained in vaccine administration to cattle and buffalo. Separate areas have also been cleared, fenced and grassed for goat rearing with trees planted to provide additional feedstock for the goats.
- > The commencement of construction of gabion weirs to supply water to rice paddies at Nam Sao, Nam Sing and Nam Kor.

Throughout 2017, PanAust collectively purchased over US\$1,041,799 of consumables (vegetables, drinking water, eggs, fruit and fish) for its Operations from local community businesses.

Procurement spend from host community businesses

	2015	2016	2017
Total (US\$)	1,013,390	954,409	1,041,799

Access to financial services

Since 2010, the Company has assisted 12 local communities to establish microfinance schemes through the Village Savings and Credit Funds (VS&CF), thereby empowering local communities, in particular women, through enterprise development and other benefits that accrue from saving for the future.

The VS&CFs provide access to savings and loan facilities that are not otherwise available in rural areas for its members. Members take out loans to support a variety of small-scale income generating activities as well as to cover household expenditure such as education and healthcare. Village-level management committees provide oversight of the schemes, supervised by a District Supervisory Committee headed by the Lao Women's Union.

In 2017, PanAust officially handed over responsibility for the management of VS&CFs at Ban Phonlao, Vanglouang, Nam Khoui, Ban Meauanglong, Xiengmee, and Napho to the village and the Longxan District.

The remaining VS&CFs in Nam Gnone and Nam Mo continue to be supported by the Anouvong District Supervisory Committee on a monthly basis and through an annual audit. These governance mechanisms ensure that the VS&CFs remain in strict compliance with the regulatory and administrative requirements of the scheme. To support closure objectives, these funds will develop into Credit and Savings Unions registered with the Bank of Laos and have been included in future CDF programs.

Closure preparedness

Closure planning is an integral part of strategic and life of mine planning for PanAust. While mine closure for existing Operations in Laos is on the five-year horizon, it is recognised as good practice to establish dialogue with stakeholders early and to align operational commitments with post-closure outcomes during the life of the Operations. The Company acknowledges the need to ensure that host communities in closest proximity to its activities are supported to build capacity and skills to plan for, and manage, post-closure issues as well as capitalise on any opportunities.

In 2017, planning for social closure outcomes continued to be prioritised. A preliminary socio-economic review addressing the closure of the Phu Kham and Ban Houayxai Operations was completed, as well as an independent review of agricultural programs and options for the VS&CFs. A Social Performance Closure Strategy was also drafted which includes social closure criteria.

The Company continued to engage in dialogue regarding the impacts of closure, post-closure land use and other closure-related issues primarily with the Government of Laos and host communities. For further information about mine closure preparedness, see the closure planning case study on page 37.



Inside the Ban Houayxai Gold-Silver Operation nursery, Environment Supervisor, Han Chanthavong tends to seedlings which are used in land rehabilitation

ENVIRONMENTAL PERFORMANCE

**PANAUST ACKNOWLEDGES
THAT LEADING-PRACTICE
ENVIRONMENTAL
MANAGEMENT IS ESSENTIAL
FOR ONGOING BUSINESS
GROWTH AND SUCCESS.**

ENVIRONMENTAL PERFORMANCE



Respect for the environment is a core Company Value (see page 18) and is at the forefront of business strategy, decision-making, and day-to-day operations.

From exploration to development, throughout operations and into closure, PanAust endeavours to limit its impact on the natural environment. It does this by complying with host country legal requirements and through the effective management of mine waste, efficient use of resources, progressive rehabilitation of land and the maintenance of ecosystem services*.

Planning for the management of environmental issues at the pre-development stage is the cornerstone of PanAust's success with regard to environmental management. PanAust's approach to environmental management firstly requires an understanding of baseline environmental conditions; followed by the identification of project-specific risks and impacts; and then implementation of controls in conjunction with monitoring and measurement of performance.

Baseline studies, environmental and social impact assessments (ESIAs) and annual IFC audits are used in conjunction with internal risk management processes to understand PanAust's environmental risk profile.

Environmental risks are managed through PanAust's Environmental Management System which includes sustainability standards, procedures, and management and monitoring plans for each site. Progress against management and monitoring plans is assessed at regular intervals. For key material issues, external audits and/or detailed reviews of performance are undertaken (for example, for tailings and waste rock management).

In 2017, PanAust submitted an Environmental Inception Report (EIR) and an environmental permit application for a revised Frieda River Project scope which is being considered.

The Company recognises that an environmentally aware workforce is integral to achieving high standards and continuous improvement. Each year, PanAust delivers environmental awareness training programs, including inductions, to all employees and contractors working at its Operations in Laos and at the Frieda River Project site in PNG.

Environmental awareness programs at local schools

In 2017, PanAust initiated an environmental awareness program for the communities close to the Ban Houayxai Operation.

Commencing at the Nasaysavang Primary School and attended by around 350 students and teachers, the program focused on educating students and teachers about the surrounding environment, its importance, and how to look after it.

A quiz was held with the students and a school litter pick up was also coordinated.

PanAust provided learning materials including textbooks and sports equipment for use at the school. The Company plans to roll the program out to other local schools.

Right: (left to right) Environment Officer, Phokham Shanghalat and Environment Superintendent, Keokhankit Saothongxay leading environmental awareness activities at the Nasaysavang Primary School



* Ecosystem services are the benefits that people, including businesses, derive from ecosystems. They can be grouped into four broad categories: provisioning, such as the production of food and water; regulating, such as the control of climate and disease; supporting, such as nutrient cycles and crop pollination; and cultural, such as spiritual and recreational benefits.

PanAust encourages the reporting of all incidents as it reinforces a risk-aware culture and ensures that even minor issues are investigated and appropriately addressed. Incidents are recorded and processed through PanAust's electronic reporting and corrective action event management system, InControl Software (INX). The use of INX allows for trends to be identified to assist in avoiding repeat occurrences where possible.

In 2017, PanAust had no significant environmental incidents, complaints, spills, penalties, fines or non-monetary sanctions for any legal non-compliance. A medium environmental incident occurred when one of PanAust's contract haulage companies in Thailand was involved in a vehicle incident that resulted in a spillage of copper concentrate into a local waterway. PanAust's contractor engaged with the local community and relevant regulatory authorities as part of its response to the incident. Third party environmental consultants were engaged to assist with the clean-up plan design and physical recovery of material. Whilst a monitored activity, PanAust provided a review of the initial and subsequent clean-up activities and has maintained a watching brief on the ongoing engagement with key stakeholders. PanAust's contracts with logistics companies contain clauses that include environmental performance and management obligations. More information about how PanAust manages incidents, is available on the Company's website, www.panaust.com.au/managing-incidents.

Environmental performance: material issues 2017

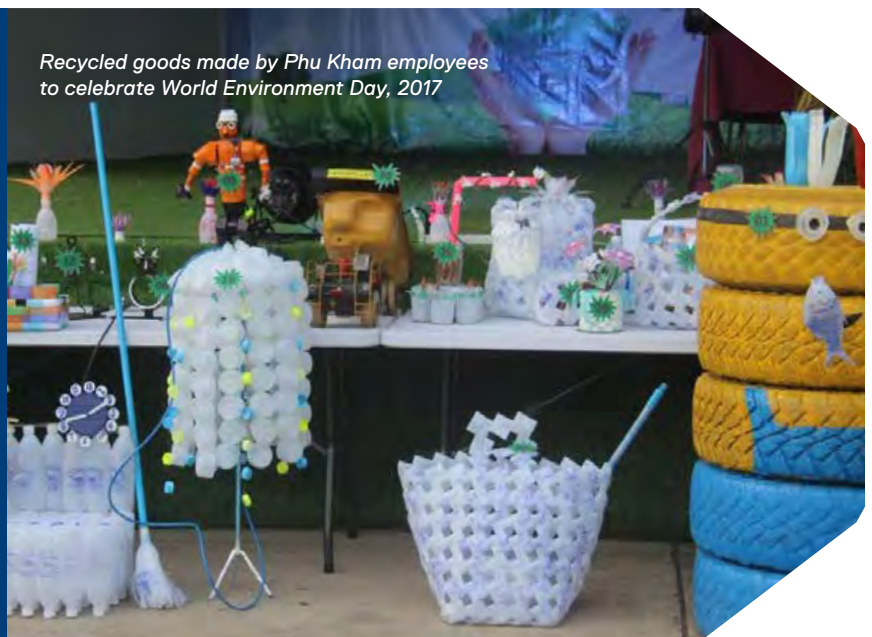
PanAust's materiality process identified the environmental performance focus areas for 2017 as:

- > **Tailings and waste rock management**
- > **Water management**
- > **Cyanide management**
- > **Land rehabilitation and closure**
- > **Energy and carbon management**

World Environment Day celebrations

On 5 June, World Environment Day celebrations were held at both the Ban Houayxai and Phu Kham Operations. The aim of the day was to share key environmental messages with the workforce in a fun and interactive way. Activities included tree planting, a recycled material invention competition, recycled material fashion show and an environmental quiz. The event was a great success and included involvement from site-based employees and contractors.

Recycled goods made by Phu Kham employees to celebrate World Environment Day, 2017



ENVIRONMENTAL PERFORMANCE

Tailings and waste rock management

Tailings and waste rock management continues to be the most significant short- and long-term environmental risk for PanAust. The quantity of tailings material, its mineral composition and fine sediment nature, and the requirement for long-term stable tailings storage facilities (TSFs) necessitates robust tailings management strategies. The management of waste rock to prevent acid rock drainage (ARD) is comprehensive due to the potential for ARD to induce acidity and dissolved metals into water which can be harmful for receiving environments. To effectively manage these risks, detailed planning and designs are required before mine development. Further comprehensive governance during operations is crucial to ensure environmental impacts are equal to or better than international standards. Operational governance also promotes beneficial post-mining land use and reduces post-closure liability.

Tailings

PanAust operates two purpose-built TSFs, one for each of its Operations in Laos. Each is designed and constructed to international standards and guidelines (including the Australian National Committee on Large Dams, ANCOLD) and incorporates the best available technology to account for an integrated life of mine and closure management strategy. The Phu Kham TSF is used to dispose of waste rock and tailings. The Ban Houayxai TSF is used to dispose of tailings with waste rock disposed of in a separate engineered waste rock dump. TSFs require comprehensive management and governance processes throughout the life of each facility. PanAust has a well-established stewardship program for its TSFs in Laos which includes the following:

- > **Executive management commitment:** A commitment from the Managing Director to ensure appropriate governance processes are in place and construction and operating procedures for the facilities are consistently adhered to.
- > **Appointment of a Tailings Independent Review Panel (TIRP):** The TIRP directly reports to PanAust's Managing Director on material risks to the facilities. The TIRP currently consists of three industry-leading tailings, geotechnical and water specialists. Each year, the TIRP review includes physical inspections of the

Phu Kham and Ban Houayxai TSFs, and an evaluation of the monitoring and measurement systems. The Panel reports its findings to a PanAust Tailings Review Committee reporting to the Managing Director. Action plans are developed and a follow-up audit is completed ahead of each wet season to confirm progress (see page 41).

- > **Overview and quality assurance:** A Principal Tailings Engineer based in the corporate office provides overview and quality assurance of design and construction activities.
- > **Annual dam safety inspections:** An annual audit of each facility is completed by the Design Engineer.
- > **Risk-based review:** A risk based review is completed annually
- > **Engineer of Record:** An Engineer of Record is responsible for design, construction, operation, and performance monitoring.
- > **Quarterly inspections:** Quarterly inspections by PanAust's Principal Tailings Engineer and/or Senior Tailings Engineer.
- > **Inspections and monitoring:** Daily, weekly and monthly inspections and monitoring by trained PanAust employees reporting to a site-based Tailings Superintendent. Monitoring of seepage and embankment deformation is undertaken as well as inspections and audit programs to ensure that the equipment is operational and working appropriately.
- > **Detailed dam design:** Detailed dam design for each construction period by the Design Engineer.
- > **On-site laboratory:** An on-site laboratory provides results for quality control and assurance of construction materials.
- > **Mine Closure Plan:** Final dam designs are being developed in preparation for closure. A pre-feasibility study for PBM mine closure was completed in 2017 to inform the final design and will be engineered to a feasibility study level during 2018 as part of the closure plan.
- > **Five-yearly comprehensive dam performance audits:** Conducted by independent third parties on a five yearly basis with the most recent audit completed in January 2018.



The Tailings Storage Facility at the Phu Kham Copper-Gold Operation

Waste rock

PanAust's approach to ARD management is considered leading-practice across the global mining industry and has been documented as a case study in the 'Australian Government Leading Practice Sustainable Development Program for the Mining Industry Handbook on Preventing Acid and Metalliferous Drainage'.

PanAust actively manages the potential for ARD from the early stages of mine planning through to operations and closure. At both Phu Kham and Ban Houayxai, the management strategy to address the potential for ARD commenced well before mine operations began, with sulphur modelling undertaken as an integral component of ore-body modelling and mine planning processes. The sulphur modelling facilitated detailed characterisation of rock types based on their acid-forming potential which informed the development of an integrated ARD life of mine plan.

The ARD Management Plan provides strategies for the identification, control and monitoring of mine waste and is regularly updated with any relevant changes in sulphur modelling. The Phu Kham ARD management plan classifies waste rock and how it is managed in accordance with the following categories:

- > Blue waste rock: lithologies with non-acid forming potential and acid-neutralising capacity; can be deposited anywhere on site.
- > Green waste rock: non-acid forming; can be deposited anywhere on site and can be used for other purposes.
- > Amber waste rock: low acid forming potential; suitable for placement in purpose built, clay-lined cells in the TSF embankment wall to prevent oxidation.
- > Red waste rock: high acid forming potential; deposited within the catchment of the TSF and is progressively submerged below a water cover to prevent oxidation and reduce the potential for ARD.

On a day-to-day operational basis, mining operations use a mobile fleet management system (Jigsaw), incorporating a real time global positioning system (GPS) to ensure that specific waste rock types are directed to the correct destination on a truck-by-truck basis.

High-level governance of ARD management is provided through PanAust's ARD Review Committee which comprises internal management and external ARD consultants. The Committee checks that management strategies are effective in limiting the potential for generation of ARD during construction and placement of waste, and that it will continue to be effective following mine closure.

Consultant reviews of ARD management at Phu Kham and Ban Houayxai confirm that the programs are comprehensive. The programs are consistent with methods described in the Global Acid Rock Drainage Guide which is sponsored by the International Network for Acid Prevention with the support of the Global Alliance, 2014.

Tailings/waste rock quantities (tonnes) for Phu Kham and Ban Houayxai

	2015	2016	2017
Waste rock (total)	45,155,118	44,642,896	45,879,510
Red waste rock*	7,361,862	7,843,894	13,558,360
Tailings	23,786,834	23,424,057	23,115,347

* Red waste rock is defined as high-risk, potential acid forming waste. Greater volumes of red waste rock were encountered in 2017 due to areas being mined in the open-pit

At Phu Kham and Ban Houayxai, mineralised waste and low grade ore stockpiles are managed through internal water management systems. Rehabilitation of these stockpiles is accounted for in closure plans.



ENVIRONMENTAL PERFORMANCE

Water management

PanAust recognises that water resources need to be managed responsibly to meet operational requirements (including for processing ore) while limiting impacts on receiving environments and communities. At Phu Kham and Ban Houayxai, mine water run-off challenges stem from the location of the Operations in steep mountainous terrain in a tropical climate with distinct wet and dry seasons.

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

At both Phu Kham and Ban Houayxai, water balance models are in place, supported by water management and monitoring programs. The models incorporate water consumption and runoff and groundwater inputs to the mine pits and TSFs to predict water discharge volumes. The model takes into account the requirement to ensure that high sulphur tailings and waste remain under a cover of water to prevent ARD. At each Operation the majority of water that enters the TSF is from rainfall runoff from upper catchments, with a small volume of treated water coming from site processing activities, and at Phu Kham, from pit dewatering.

The discharge from each TSF is monitored by Company environment personnel, as well as Government of Laos officials. Results are assessed against World Bank, IFC and Laos ambient water-quality guidelines, and background water quality conditions.

The Phu Kham open-pit and TSF have been designed with clean water diversion drains to minimise the capture of rainfall runoff. Water management aims to divert as much clean runoff water as possible and maximise recycling to limit fresh water consumption and discharge volumes. Given the amount of annual rainfall, there is a net positive water balance with excess water discharged as necessary in a controlled manner throughout the year.

While PanAust's Operations use a significant amount of water, approximately 95 per cent is recycled at Phu Kham.

The fresh water used at Phu Kham is drawn from the Nam Mo River and is used predominantly for domestic purposes and specialised cooling systems for equipment in the process plant.

In 2017, controlled wet season discharge from the Phu Kham TSF occurred from June to November in accordance with internal site permits and government notifications. The discharge was compliant with water quality guidelines.

At Ban Houayxai, geographical constraints limit water recycling as the TSF is located in a different catchment a significant distance from the Operation's process plant. Water recovery and reuse is maximised within the process plant area.

The TSF remains a continuous discharge facility. Exceedances of total suspended solids (TSS) in the facility discharge occurred during the 2017 wet season peak rain events. Further studies are being undertaken in collaboration with Government of Laos officials.

Water usage and discharge (megalitres/year*) Phu Kham and Ban Houayxai Operations

	2015	2016	2017
Fresh water domestic use	276	226	393
Fresh water to process	8,821	8,677	8,677
Total water use in process	61,275	61,018	57,581
Recycled water to process	52,453	52,341	48,904
Compliant water discharged**	26,700	55,164	67,821
Percentage of recycled water	86	86	85

* Measured by water meters or other estimation techniques.

** Discharge water from the Phu Kham and Ban Houayxai TSFs and the GMO wetland. In 2016, operational water discharge volume increased at Phu Kham to achieve the water balance requirements for the TSF.

*The Ban Houayxai Gold-Silver
Operation process plant and thickener*



Cyanide management

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

As a signatory to the International Cyanide Management Code (the Code), PanAust maintains certification of the Ban Houayxai Operation to the Code. The Code, which is administered by the International Cyanide Management Institute (ICMI), is a voluntary program for the responsible manufacture, transport, use and disposal of cyanide in the production of gold. The Ban Houayxai Operation was designed in accordance with the Code and received pre-operational certification in 2012, operational certification in March 2013, and was recertified in 2016. PanAust's compliance to the Code is testament to how effective planning during design can mitigate environmental issues during operations. PanAust conducts annual internal gap audits at Ban Houayxai to ensure the Operation remains compliant to the Code. PanAust's audit reports and signatory status can be viewed on the ICMI website, www.cyanidecode.org/signatory-company/panaust-limited.

The entire design for the Ban Houayxai Operation was prefaced on the objective of achieving Code compliance and included robust process control systems, bunding, leak detection systems and tertiary emergency ponds. The most notable feature is the plant's detoxification circuit. The circuit destroys cyanide in the tailings slurry so that it contains less than the internationally agreed safe level of cyanide for solutions discharged into the environment. Prior to leaving the plant and before entering the TSF, monitored cyanide levels at Ban Houayxai are already better than international water quality standards necessary for discharge of water into the environment.

PanAust recognises that the ongoing management of cyanide risks is dependent upon a trained, competent, cyanide-aware workforce. The site-based Emergency Response Team has been trained to respond to cyanide incidents, and an emergency containment pond has the capacity to capture any accidental spill. Cyanide transportation activities are undertaken by a Code-certified transporter and the site regularly hosts cyanide-awareness sessions with communities along the Ban Houayxai transport and concentrate haulage route.

More information about PanAust's approach to cyanide management can be found on the Company's website, www.panaust.com.au/environment.

ENVIRONMENTAL PERFORMANCE

Land rehabilitation and closure

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

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

PanAust considers closure planning at all stages of a project's lifecycle. Where significant risks are posed by ARD, PanAust's Operations are designed to limit long-term closure risks.

The Company has in place a Closure Standard, Closure Cost Estimation and Provision Standard, and Closure Stakeholder Engagement Plan which set out the closure requirements for sites. Closure plans are in place for Phu Kham, Ban Houayxai and GMO, all of which are supported by financial provisions. In 2017, the Phu Kham and Ban Houayxai Closure Plans were revised to pre-feasibility level. For further information, see the closure planning case study on page 37.

Internal oversight of the closure planning process and stakeholder engagement strategy is provided by the PanAust Asia Closure Committee. The Committee is supplemented by technical consultants as required.

A Government of Laos Closure Committee is also in place and is a structured engagement forum to ensure that PBM's closure activities are aligned with stakeholder expectations. The Committee is run through a Memorandum of Understanding which sets out the membership details and expectations of members. In August, PBM re-established committee meetings following an extensive break in contact due to lack of availability of key staff amongst Provincial and District authorities. Further changes to the membership of the committee are currently being revised and are expected to include greater representation by the Central Government in 2018.

Land disturbance and rehabilitation (hectares)*

	2015	2016	2017
Land disturbed and not yet rehabilitated (opening balance)	1,362	1,380	1,412
Land disturbed in reporting year	31	43	68
Land rehabilitated in reporting year	14	11	24
Total land disturbed and not yet rehabilitated (closing balance)	1,379	1,412	1,457

* Includes Phu Kham and Ban Houayxai

In 2017, the Closure Plan for GMO was revised to include an updated strategy for the management of the heap leach pad incorporating a water shedding cover to mitigate long-term environmental risk.

The wetland constructed in 2015 continues to be successful in treating leach pad runoff to appropriate discharge guidelines. The wetlands provide the passive treatment process for storm water discharge from the site. Extensive monitoring of the downstream river system continues and confirms that water discharged from the site throughout the year is within ambient limits.



Land rehabilitation activities at the Ban Houayxai Gold-Silver Operation

Energy and carbon management

Fuel and electricity are significant cost drivers for the PanAust business. Energy efficiency is considered in the design phase for PanAust's operations and projects. Ongoing campaigns are put in place to minimise consumption of energy and materials in order to lower operating costs and consistent with the intent of the ICMM Principles for Climate Change Design.

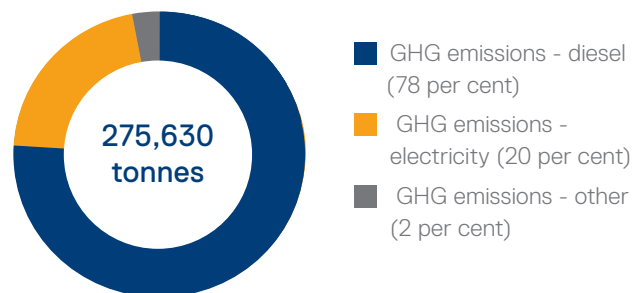
PanAust assesses and manages carbon and climate change risks through internal risk management processes and systems that are in place to manage water risks associated with extreme weather events at each operation and project site.

PanAust has introduced flexibility into its logistics chain with regards to haulage routes and port access. PanAust also has contingency plans in place for key materials in the general supply chain and maintains appropriate contingent stock levels. Further details on carbon risks and opportunities can be found in PanAust's submission to the CDP carbon program, available on the CDP website, www.cdp.net. PanAust has participated in the program since 2011.

PanAust's operating sites develop annual energy and carbon emissions inventories. Both operational sites use a combination of direct and indirect energy sources to carry out their activities, predominantly diesel and grid electricity sourced from hydroelectric power.

In 2017, while significant effort was made to improve efficiencies, the Company's Scope 1 emissions and diesel intensity increased. These emission increases were forecast based on harder ores, deepening of the open-pits, associated in-pit haulage routes, embankment raises, and closure work on the Phu Kham and Ban Houayxai TSFs.

2017 Scope 1 and 2 greenhouse gas emissions by energy source



Energy consumption (terajoules)

MATERIAL	2015	2016	2017
Diesel	2,532.5	2,675.9	2,880.4
Electricity	2,135.8	2,191.5	2,235.1
Petrol	0.3	0.3	0.3
LPG	6.6	6.5	6.7

Energy intensity (kilojoules/tonne)*

MATERIAL	2015	2016	2017
Diesel intensity (kJ/t)	37,119	38,104	41,044
Electricity intensity (kJ/t)	31,305	31,207	31,849
Total ore and waste mined (kt)	68,227	70,226	70,178

* Includes Phu Kham, Ban Houayxai and logistics

Greenhouse gas emissions (tCO₂-e)*

GREENHOUSE GAS EMISSION SCOPE	2015	2016	2017
Scope 1 (direct greenhouse gas emissions)**	185,829	198,232	221,053
Scope 2 (indirect greenhouse gas emissions from the generation of purchased electricity)**	57,820	53,538	54,577
Scope 3 (greenhouse gas emissions from the broader project lifecycle including materials used, travel and transport)	254,407	266,744	251,028

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

** Emissions include Phu Kham, Ban Houayxai, Frieda River, exploration and offices

ENVIRONMENTAL PERFORMANCE

As a substantial consumer of energy, PanAust focuses on annual efficiency programs that reduce energy requirements. Each year, teams across the business identify and implement projects that will reduce energy and/or materials consumed. These projects are tracked to identify annual savings, including greenhouse gas emissions, and payback periods.

For the most up-to-date details regarding PanAust's energy efficiency projects, see the CDP website, www.cdp.net and search for 'PanAust'.

Successful projects implemented in 2017 included:

- > Implementation of backloading diesel fuel on the return leg of concentrate haulage (for further information, see the diesel backloading case study on page 78).
- > A number of initiatives across maintenance teams to upgrade all lighting plants, replace mineral oils with synthetic oils to reduce internal friction in the gearboxes and reduce power consumption, reconfigure the Phu Kham high voltage capacitor bank to improve the site's power factor (enabling the site to utilise real power more effectively).

PanAust's maintenance facilities in Laos continued to maintain their Caterpillar (CAT) 5-star contamination control (CC) rating. The work that is in place to achieve this rating is significant for greenhouse gas emissions savings, particularly in terms of reduced materials consumption. Specifically, the efforts

involved in achieving the maximum 5-star accreditation have led to reduced oil consumption and extended replacement/rebuild life of the mine fleet at both Phu Kham and Ban Houayxai. Phu Kham and Ban Houayxai are two of only four operations worldwide that have the maximum 5-star rating (as advised by Caterpillar).

Diesel consumption for transport activities accounts for the largest component of PanAust's energy and greenhouse gas inventory. PanAust recognises that drivers play an essential role in delivering fuel efficient transport. In 2017, PanAust once again competed in Volvo's Asia Pacific Fuelwatch Challenge – a competition that promotes fuel efficiency and driver productivity. After intense competition in Thailand, PanAust concentrate haulage drivers, Mr Det and Mr Yeng Vue were awarded first and second place respectively in the off-road category. Mr Det competed in the competition final in Sweden in September. To compete, Mr Det not only had to satisfy Volvo's fuel efficiency criteria, he had to embody PanAust's safe driving culture. Mr Det did so, having recorded no warnings or major speed breaches in the 12 months prior to the competition.

It is the second time in two years that Company employees have represented PanAust in the finals. Recognition of the Company's drivers at this event reinforces PanAust's Values, safety, and fuel efficiency culture.

Environment Technicians Mr Boun and Mr Kualee conducting water monitoring at the Phu Kham Tailings Storage Facility



CASE STUDY

DIESEL BACKLOADING

ENVIRONMENTAL PERFORMANCE



WAY AHEAD

A HOLISTIC APPROACH TO BUSINESS SUCCESS.

PanAust empowers its employees across the Company to drive business improvement. A diesel backloading initiative, conceived of and implemented by the Company's Logistics team, has reduced costs and environmental impacts, and improved safety and female participation in the workforce.



Diesel backloading had its genesis in 2015 as an idea to improve the Company's diesel haulage performance. The initiative utilises returning 'empty' concentrate trucks to transport diesel to the Phu Kham Operation. An innovative purpose-built, half-height tank loaded with diesel shares the return journey with an 'empty' concentrate container from the logistics hub at Ban Thouay to Phu Kham. On arrival, the driver proceeds to a fuel farm to discharge the diesel before proceeding to the process area to collect concentrate. Once the truck is loaded with concentrate, the empty diesel tank shares the journey back to Ban Thouay with a loaded concentrate container.

All key elements of the half-height tank design were developed in-house by the Logistics team. Roll over specialists, Unilon completed an independent review of the tank during the backloading trial in 2016, confirming it was stable and safe in any combination with full or empty tanks.

Backloading removes the need for diesel to be transported to the Operation separately, reducing the number of vehicles (and fuel consumption) required to transport diesel and concentrate between Phu Kham and Ban Thouay. The initiative has removed a requirement for nine daily truck movements and over 3,200 truck movements annually. The initiative not only saves over US\$1 million annually in transport costs, it lowers road haulage safety risks by reducing total vehicle movements and removes over 1,500 tonnes of greenhouse gas emissions. Furthermore, nine new female employees have been recruited to load and unload fuel containers at the Phu Kham Operation.

Diesel backloading has the added benefit of bringing the management of diesel haulage and the associated vehicle specification and maintenance under PanAust's management. Based on known fuel burns and carbon emissions data, diesel backloading will reduce carbon emissions through to the end of mine life at Phu Kham and Ban Houayxai by 7,800 tonnes*. The logistics team is now investigating the full optimisation of backloading of all inbound cargo, including the consolidation of loads to eliminate regular inefficient partial loads, removing more trucks from busy roads. Importantly, the system developed to backload fuel has the potential to be rolled out at the Company's future projects and operations; demonstrating that how the Company does business in Laos, provides a template for how PanAust seeks to do business elsewhere.

General Manager Commercial, Geoff Kernick said that the implementation of the backloading initiative was a cross-functional team effort that reflected PanAust's holistic approach to business success.

The logistics, supply and sustainability teams in Laos applied out-of-the-box thinking to improve costs and sustainability outcomes. The project demonstrates that successful cost, production and sustainability outcomes are mutually supportive," Geoff said.

* This figure is attributable to fuel savings alone as the emissions savings through associated reductions in tyre usage is still being quantified.



Maintenance Team Leader,
Beedai Thao completing a
'Take 5' hazard assessment

HEALTH AND SAFETY PERFORMANCE

PANAUST'S **COMMITMENT** TO HEALTH AND SAFETY IS BUILT ON THE **ZERO HARM PHILOSOPHY** WHEREBY ALL WORKPLACE INCIDENTS AND INJURIES ARE CONSIDERED **PREVENTABLE.**

HEALTH AND SAFETY PERFORMANCE

Achieving business objectives, while keeping the workforce and neighbouring communities safe, is essential to PanAust's short- and long-term success and is aligned with the Company's Values.

Together, PanAust's Vision and Values and Sustainability Policy provide guidance and structure for the Company's commitment to health and safety. Health and safety is also addressed as the first requirement within *The PanAust Way* which details the behaviours required of employees, contractors and suppliers. Through visible leadership, including their words and actions, PanAust's leaders are required to promote a culture of Zero Harm.

Visible safety leadership is driven at all levels of the organisation. Recognising that a risk-aware workforce is fundamental to achieving strong safety outcomes, behavioural-based safety programs substantially contribute to the Company's remuneration incentives and drive continual safety improvement. Lead-indicator programs prioritise visible safety leadership, job safety observations in the field, deep dive audits, workplace inspections, planned task observations and safety training.

PanAust assesses and manages health and safety risks across the Group through its Safety Management System, which is consistent with OHSAS 18001*. The Safety Management System is based on a continuous improvement model of: policy and standard setting; planning; implementation and operation; checking and corrective actions; and management review of performance against the model.

In 2017, work continued on the implementation of operational safety standards for the PanAust Asia business unit. A third-party gap analysis of compliance with 16 standards was completed; compliance averaged 71 per cent. 'Standard champions' have established action plans to address key audit deficiencies. These 'champions' are subject-matter experts and/or managers appointed to drive ownership, implementation and ongoing enhancements to the standards based on business needs.

PanAust has seven Cardinal Rules which are clear and simple safety instructions with which the entire workforce is required to comply at all times. Cardinal Rules focus on high-risk activities within the mining industry that have historically caused serious harm to people and are applicable to PanAust. PanAust's Cardinal Rules can be viewed on the Company website, www.panaust.com.au/health-and-safety.

PanAust requires all employees, contractors and visitors to undergo a safety induction prior to entering PanAust controlled work sites. This includes general safety and workplace-specific inductions. In addition, the Company runs a number of mandatory core safety training programs and specialist training for high-risk activities. During 2017, 33,639 hours of safety inductions and health, safety and environment training was completed at PanAust's Operations in Laos.

PanAust benefits from a strong health and safety incident reporting culture. The Company's Group-level Incident Reporting and Classification Procedure is aligned with the Mineral Council of Australia's guidelines for tracking and reporting health and safety statistics. The investigation and management of significant incidents (that is, actual or potential controlled incidents and/or actual or potential influenced incidents) continues to be overseen by the Senior Management Taskforce for Significant Incidents.



The Taskforce is comprised of members of the Executive Management Team with operational oversight, including the Managing Director. The Taskforce is responsible for ensuring that the Group-wide implications of significant incidents and any emerging safety concerns are given appropriate consideration and followed up. This approach ensures that findings and recommendations are shared across the business where similar activities occur, or where different activities with similar risks occur and are not limited to the incident and affected personnel only.

Since 2009, PanAust has held an Annual Risk and Sustainability Workshop with Company executives and managers from both corporate and operational areas, as well as high-potential employees and contractors. The Workshop progresses safety leadership programs, emerging issues and safety hot spots for the business, and delivers a Group action plan for the coming year in the areas of risk (including safety) and sustainability. Workshop outcomes feed into PanAust's corporate business strategy. Further information about the 2017 Annual Risk and Sustainability Workshop can be found in the Governance section of this Report on page 31.

* Occupational Health and Safety Assessment Series (OHSAS) 18001 is an internationally applied standard for occupational health and safety management systems

PanAust's Operations in Laos are located in remote areas where there is limited government infrastructure or systems to deal with complicated or severe medical emergencies. The Company's ability to manage medical emergencies is therefore vital to ensuring the health and safety of its employees and local communities. The Phu Kham and Ban Houayxai Operations are equipped with trauma management clinics, doctors and paramedics. Each Operation has in place an emergency response plan and trained, dedicated professional fire and emergency services (FES) teams and equipment. Teams complete training modules equivalent to an Australian Certificate III in Mines Emergency Response and Rescue.

PanAust has a well-established crisis management structure to deal with the strategic response and management of Company-wide impacts during a crisis.

The system is tested annually to ensure that team members are proficient in their roles. More information about PanAust's crisis management structure can be found on the Company's website, www.panaust.com.au/health-and-safety.

Safety performance

PanAust's 2017 safety results clearly reinforce the value safety brings to the business in terms of improving production while containing costs. For the size of the Company, PanAust's safety performance is world-class.

PanAust's TRIFR and LTIFR continue to be significantly better than industry averages.

In 2017, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.08 from one lost time injury. This rate was 97 per cent lower than the annual target of 0.23.

Given PanAust's LTIFR has been significantly better than industry averages for a number of years, and the small number of injuries contributing to the LTIFR, the Company has maintained a focus on improving its Total Recordable Injury Frequency Rate (TRIFR). In 2017, a TRIFR of 0.83 was achieved. This was 40 per cent lower than the annual target of 1.25.

While TRIFR has increased from 2015, this was expected given the overall increase in the Company's risk profile over the past three years, including entry into two new jurisdictions (PNG and Myanmar) and bringing in-house the concentrate logistics operations in Laos.

2015-2017 PanAust group reportable incidents (controlled work sites)*

	2015	2016	2017
Working hours (employees and contractors)	12,945,489**	12,989,512	13,182,310
Fatalities	0	0	0
TRIFR	0.62	1.15	0.83
DART*** frequency	0.15	0.15	0.23
LTIFR	0.15	0.00	0.08

* Controlled work sites include data for both employee and contractor injuries and man-hours; injury rates are the number of injuries for every million hours worked for the year.

** The working hours for 2015 were corrected (increased by approximately one per cent) in 2016 from the hours reported in the 2015 Business Review & Sustainability Report as an error was found in the previous data.

*** Days away, restricted or transferred

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

Categories that are tracked, but do not form part of externally reported lag statistics, include influenced and monitored sites. Influenced activities receive additional attention through contractor management and lead indicator programs. A comprehensive description of PanAust's 'categories of control' is available on the Company's website, www.panaust.com.au/health-and-safety.

In 2017, PanAust was selected by the Government of Laos as their representative company for the ASEAN OSHNET Awards in recognition of the Company's safety culture and performance. Award winners will be announced in April 2018.

HEALTH AND SAFETY PERFORMANCE

Social performance: material issues 2017

PanAust's materiality process identified the social performance focus areas for 2017 as:

- > **Safety culture**
- > **Contractor management**
- > **Transport vehicles and mobile equipment**
- > **Security management**

Safety culture

PanAust continues to develop a proactive and positive safety culture. This is not done to simply achieve minimum compliance with legislation. Instead, it reflects the Company's Values and integrity of mission to achieve Zero Harm objectives, and ever-greater levels of business success. The Company recognises that its safety culture is shaped by the actions of its leaders and relies on the consistent expression of agreed values, standards and behaviours to the workforce.

Measuring the development of the PanAust safety culture requires a range of indicators to be evaluated. PanAust uses training programs including *Leading The PanAust Way* to help drive the development of the culture, while the Visible Safety Leadership Program (led by executives through deep dive audits of critical high-risk activities), Positive Performance Indicators (PPI) – including job safety observations (JSOs) and planned task observations – and the Annual Risk and Sustainability Workshop, reflect the maturity of the Company's safety culture. Lag indicators such as the safety performance statistics are used as feedback measures on the output of PanAust's safety culture.

During the year, a follow up to the 2013 employee engagement survey delivered an improved result with respect to safety engagement. An overall satisfaction rating of 92 per cent outperformed the 2013 results by 11 per cent, and significantly outperformed the natural resources benchmark (made up of mid-tier and large, high-performing mining companies) of 87 per cent (see page 100).

Behavioural safety programs are fundamental in creating a risk-aware culture across the workforce. As such, they continue to play an important role in the Company's remuneration and incentive programs (see page 29).

In 2017, PanAust continued to focus on visible safety leadership by: cascading the Company's leadership capability model, *Leading The PanAust Way* (see page 98) to managers and superintendents, developing and rolling out of the Injury and Incident Free program in Laos (see page 89), five safe behaviours training, expanding PPIs and the deep dive audit program, and a number of community safety initiatives (see page 84).

Planned task observations were embedded into PPI programs down to the team leader level. The program focuses on how employees work in compliance to a standard, procedure, job safety analysis (JSA) or permit, rather than a snapshot of the employee's behaviour which is observed and discussed through the Company's job safety observation program.

The JSO program continued to be expanded in 2017, rolling out to team leaders across the Operations in Laos, and training and education on the five key safe behaviours initiative continued. The five safe behaviours initiative intends to generate mindfulness of behaviours that promote safe work practices: 'eyes on the path', 'eyes on your hands', 'right tool for the job', 'mind on the job' and 'line of fire'.

The deep dive audit program has had a significant impact on the Company's safety culture and controls since its inception in 2014. To date, 43 deep dive audits have been completed for material risk issues across the Group and the program continues to enjoy strong leadership and buy-in from the Executive Management Team. Reflecting the commitment of executives to the program, audit pre-planning, execution and follow-up of actions takes approximately three to four days, with most executives undertaking more than one deep dive audit each year. In 2017, audits conducted in Laos included: helicopter external load operations; anti-bribery and corruption; serious security incidents protocols; training records; employee bus transport; and contractor operations and maintenance. In PNG, fatigue management, and riverine transport safety and security deep dive audits were completed. As a measure of the program's success in terms of visible leadership, in 2017 audits were extended to cover non-safety issues: warehouse return parts processes; gender diversity; and the internal controls in PanAust's payroll system (SAP) with special focus on fraud prevention.

Contractor management

The Company works closely with local contractors who have little to no previous mining experience to continuously improve their safety culture and bridge gaps in their safety performance. This approach is not without challenges with contractor management continuing to be a high-risk exposure area to which PanAust gives close attention.

PanAust has a Group-wide Contractor Management Standard and an engagement process for all contractors. The Standard details PanAust's requirements including expectations for the contractor and the PanAust contract owner. In 2017, these expectations were reinforced through training for contract

Children with their helmet prize for participating in the children's safety quiz at the Thakhek Logistics Safety Day, October 2017



Community safety programs

Community safety programs demonstrate that at PanAust, safety culture does not stop at its Operations. In 2017, a scooter helmet program and the Logistics Safety Days held at Ban Thouay and Thakhek took the Company's safety values to its employees homes and their communities and helped reinforce the message that PanAust cares about its employees and their families, that safety is a core value of how we operate, and to drive correct behaviours by leading by example.

The scooter helmet program encourages people to wear helmets on public roads (which is not common in Laos, particularly in rural environments) and offers employees and their families' good quality helmets through a subsidised purchase plan. The program included an educational campaign for defensive riding, preventative maintenance of scooter safety systems (brakes,

steering, lights and tyres) and reinforced the tragic consequence that serious head trauma injuries can have on people's livelihoods and families. Over 2,000 subsidised helmets have been purchased since the program began.

Logistics Safety Days bring together logistics personnel and their families for a day of fun while promoting the Company's safety culture. The nature of logistics work and the risks associated with those activities – including fatigue – and how family members can help reduce those risks are discussed.

In this way, PanAust is promoting a safety culture that will take root outside the mine gates and endure beyond the life of its Operations.

owners and superintendents that looked at how to effectively implement the Standard and engagement processes to improve contractor safety performance. By year end, 85 managers, superintendents and supervisors (or equivalent) representing a substantial proportion of the contract managers or their delegates, had successfully completed this training.

Contractors are subject to regular audits of their facilities and activities. In 2017, a deep dive audit on contractor maintenance was completed in Laos with valuable findings relating to contractor identification of maintenance risks.

In addition, 31 contractor health, safety and environment (HSE) audits which reviewed contractor risk registers, training programs, and site safety compliance to safety management systems were conducted. These audits are scheduled for the year ahead to ensure proactive management of contractor HSE. A key challenge faced by the audit program is ensuring the participation of Contract Managers in these audits, to consolidate their training and build stronger HSE relationships with their contractors.

Dedicated maintenance and safety personnel are embedded within local contractor work facilities at the Phu Kham and Ban

Houayxai Operations to support contract owners and help local contractors improve their maintenance practices and operations.

In 2017, PanAust once again invited senior representatives from the Company's key contractors including Linfox, MVDC, ODR and TKPV to attend the Annual Risk and Sustainability Workshop. The Workshop reinforced the Company's expectations with regards to safety management.

A quarterly Contractor Safety Workshop was established in the second half of 2017. The Workshop promoted constructive dialogue with PanAust contractors, helping them determine their position on the safety spectrum and identify areas of focus to improve their own organisational safety culture. Feedback from contractors who attended the Workshop was positive, many noting its value to help implement safety improvements within their Laos-based workforce.

In PNG, the Company's centralised contractor management process was rolled out in 2015. During 2017, health, safety, community and environment evaluations were conducted for long-term strategic contractors to support site operations.

HEALTH AND SAFETY PERFORMANCE



The ODR PK 12 workshop at Phu Kham after PanAust provided assistance to upgrade the facility

New contractor workshops at Phu Kham and Ban Houayxai

PanAust considers the development of local contractors as critical to Laos' development goals and the nation's sustainable future. Since 2015, the Company has worked closely with local contractors at PanAust's Operations to bridge gaps identified in their safety performance. In 2017, this commitment to contractor safety was demonstrated in the Company's upgrading of contractor workshop facilities.

A commitment from PBM contractor owners and management, as well as buy-in from contractors expedited the upgrades. A PBM mobile maintenance team member was also embedded with on-site contractors to deliver positive changes in contractor workshop standards.

At Phu Kham, the Boart Longyear (BTL) facility was moved to the light infrastructure area (LIA) and upgraded, and the ODR mobile maintenance workshop at PK12 and associated facilities were completely rebuilt with materials from buildings reclaimed from the decommissioned GMO site.

At Ban Houayxai, the chemical storage facility at the TKPV mobile maintenance workshop was upgraded to include a permanent bund (chemical containment area).

The upgraded facilities comply with PanAust Workshop Standards and will help drive a step-change in the safety culture of PanAust's contractors.

Transport, vehicles and mobile equipment

Vehicle safety along PanAust's transport and concentrate haulage routes in Laos, and at the Company's Operations is a significant area of focus due to the inherent risk exposure that comes with continuous operations and logistics movements on public roads.

PanAust implements a number of safety initiatives such as vehicle standards, maintenance practices, driver training and public road improvements to reduce vehicle incidents. In 2017, the Company recorded 12 vehicle incidents where there was the potential for a lost time injury. This continued a four-year decline in incidents recorded (14 reported in 2016; 26 in 2015; 44 in 2014; and 101 in 2013). This is a remarkable achievement given the remote and challenging environments in which PanAust's people operate vehicles.

Initiatives to improve personnel transport, vehicles, and mobile equipment safety continued to be enhanced during 2017 and included:

- > The continued fitting of in-cab cameras into Company-owned logistics fleet vehicles (buses, trucks and escort vehicles) and the heavy mine fleet at both the Phu Kham and Ban Houayxai Operations. This advanced camera system allows video footage to be downloaded wirelessly from the control room and increases camera coverage (one extra camera for light vehicles and two cameras for trucks).
- > A range of initiatives related to fatigue management (see page 86).
- > An ongoing program to ensure fitness for work which includes random, blanket and for cause drug and alcohol tests.

- > Continued separation of traffic and pedestrian flows around workshops and warehouse facilities at the Operations in Laos.
- > Development and rollout of a web-based asset management and inspection system, MyOSH, that monitors vehicle maintenance inspections and records to detect and prevent fraudulent mechanical inspections (see the maintenance safety journey case study on page 88).
- > Logistics safety days (see page 84).
- > The development of logistics-specific procedural videos covering topics such as:
 - Convoy procedures
 - Vehicle pre-start inspections
 - Risk-reduction strategies
 - Torque management and downhill braking techniques
 - Fatigue management.
- > The rollout of the diesel backloading initiative which reduces the volume of traffic on the logistics routes by using concentrate haulage trucks to transport diesel to site. For more information, see the diesel backloading case study on page 78.
- > Upgrading personnel transport buses in Laos to ensure they are compliant with Australian Design Rule (ADR) 68, Occupant Impact Protection in Buses. This upgrade followed a comprehensive audit by an external specialist and included replacing existing vans and contractor buses (that were not ADR 68 compliant) with a fleet of 34 coaster buses and upgrading existing Scania buses.
- > Logistics Emergency Response Team (ERT) capabilities at Ban Thouay and Thakhek. Full-time Fire and Emergency Service (FES) staff, along with doctors and volunteer ERT members from within logistics teams, can now respond to incidents along the transport and concentrate haulage routes. The FES team are also responsible for training logistics staff in the use of fire extinguishers, warden training, evacuations and first aid. They also assist doctors during a medical response and conduct routine fire and safety inspections at all logistics facilities.

When required, PanAust uses fixed-wing and rotary-wing (helicopter) aircraft to transport personnel and equipment to its Operations and Project sites.

To mitigate risks associated with aviation travel, PanAust implemented a Group Aviation Standard, Helicopter External Load Operations Guideline, and Travel Standard. Coupled with individual country civil aviation regulations, these standards and guidelines detail the minimum controls required for aviation safety across the Company.

Since 2010, PanAust has required an annual third party aviation safety audit of its private charter providers. During 2017, one audit was carried out on a fixed and rotary-wing aircraft operator in PNG, and two audits carried out on rotary-wing and fixed-wing aircraft operators in Laos to confirm they suitably met PanAust's Group Aviation Standard.

Driver fatigue is recognised as a significant risk, given that PanAust has continuous operating sites. The mining fleet (primarily 100t rigid body dump trucks) and logistics fleet (concentrate haulage on public roads) are considered most at risk. The Company's mining fleet travels approximately 4.9 million kilometres each year, and the logistics fleet travels approximately 12 million kilometres.

The Company established a Fatigue Management Committee in 2016. Comprised of executives and senior managers from across the business, the Committee's mandate is to ensure that any investigation learnings, research or recommendations concerning fatigue management are shared across the Company and implemented accordingly. The Committee continued to provide this oversight on fatigue matters in 2017.

A number of initiatives were implemented during 2017 to reduce the risk of fatigue. These included:

- > The development of the Fatigue Committee Strategy and 'Plan on a Page' to further expand the mandate of the Committee.
- > Development and rollout of a PanAust Group-level Fatigue Management Standard and Fatigue Management Risk Assessment outlining the minimum requirements that all PanAust business units must meet to manage risks associated with fatigue.
- > Engaging a fatigue management consultant to review potential risk factors for the logistics teams and present the findings to the Fatigue Committee for consideration across the Group.
- > An evaluation of fatigue management technologies such as fatigue detection cameras in vehicles (Howden, DTC and CAT systems) and circadian rhythm monitoring watches (MyCadian and CAT systems) for personnel.
- > Continuing logistics accommodation upgrade trials through the implementation of similar trials to mining fleet operator's accommodation. These upgrades focused on noise and light reduction strategies, as well as a reduction in driver headcount per room. Surveys of operators sleeping in upgraded rooms indicate they are getting better quality sleep.
- > Logistics Safety Days that saw logistics drivers and their families tour the Company's logistics facilities, where they were educated on the dangers of fatigue, and how family members can help combat driver fatigue.

CASE STUDY

IMPROVING SAFETY CULTURE



AN ENGAGED WORKFORCE IS FOCUSED AND WILL SEE WHEN SOMETHING IS WRONG, REPORT IT, LEARN FROM IT, AND WORK TO PREVENT IT.

Incentivising safety performance challenges people to look for new ways to complete tasks more safely and, in so doing, removes complacency and engages employees. This in turn nurtures ideas that drive process improvement, removes human error, improves business efficiencies, and increases safety outcomes.

As of 31 December, the Phu Kham mobile maintenance team achieved 1,728 days injury-free. This equates to over four years or 4,843,496 hours worked without a recordable injury. Given the potential high-risk work carried out in mobile maintenance workshops and field operations, this is an outstanding achievement attributed to the improved safety culture of maintenance teams.



Above: Phu Kham mobile maintenance team receives their fifth CAT 5-Star contamination control rating, October 2017



Above: MyOSH web-based asset and inspection database in action at the Phu Kham Copper-Gold Operation

Caterpillar 5-star contamination control program

After completion of construction of Ban Houayxai mobile maintenance facilities in 2012, the Company introduced a Caterpillar (CAT) 5-star contamination control program. The first audit of the facility resulted in a zero-star rating. This result galvanised the site teams to implement sweeping changes that looked at how maintenance was carried out. After six months, and much work, a second audit was carried out in January 2013 and the facility received a five-star rating. The Phu Kham mobile maintenance facility followed with a 5-star rating in 2013. Holding this rating ever since, the Operations are two of only four worldwide to hold the maximum 5-star rating. Rigorous processes have been put in place to maintain the Company's 5-star ratings. Contamination control is embedded in the day-to-day processes for maintenance teams. It is a proxy for excellence in housekeeping standards and practices and operational excellence through equipment reliability improvements, major component life extensions, and maintenance cost reductions. It is no coincidence that in the years since the implementation of the CAT 5-star program, safety metrics for the maintenance teams continue to improve as the discipline required to achieve compliance is a proxy for good safety management.

Toolbox

Maintenance toolbox/pre-start meetings traditionally involved all maintenance crews and were held every morning before work commenced.

A review of the meetings in 2017 found that it was difficult to engage employees and promote participation in a group of more than 100 people. As a result, employees were 'tuning out'.

To encourage participation and feedback, toolbox meetings were reinvigorated in 2017 and split into smaller individual meetings for each maintenance crew. Each crew prepares and presents toolbox content for their meetings. Only two 'all hands' maintenance toolbox meetings involving all crews are held each week.

The crew-sized toolbox meetings have promoted engagement, participation and a renewed passion for safety. Practical demonstrations are encouraged to highlight area-specific safety concerns, which has in turn improved overall safety awareness.

MyOSH program

In April 2015, a contractor's fuel truck collided with a power pole at Phu Kham resulting in injuries to the driver and passenger and interrupting power to the Operation. Subsequent investigations identified that the incident was caused by brake failure, and the vehicle inspection sticker had been fraudulently issued.

To address this issue, the MyOSH program was introduced in 2017. MyOSH is a web-based asset and inspection database that checks a vehicle's maintenance history and eliminates the ability to create fraudulent inspection stickers.

Scannable QR codes were added to vehicle inspection stickers which security personnel are required to check every time a vehicle enters an Operation's perimeter. The QR codes are easy to scan and link back to the maintenance database that contains all the vehicle maintenance and inspection information, including photos of the vehicle and when maintenance was completed.

The database and automated process safeguards the integrity of monthly vehicle maintenance inspections, and removes human error associated with producing vehicle inspection stickers.

The journey to improve the safety culture of maintenance teams in Laos has yielded improved safety outcomes, and enhanced processes that are driving superior operational performances.

“Challenging people to look at safety differently and suggest ways that safety processes can be improved removes complacency – a real risk for teams that are already performing so well in terms of safety.”

**Mobile Maintenance Manager,
Mark McCartney.**

“Maintenance teams are exceedingly proud of their safety journey! We have all come a long way. We will however never be content with what we have already achieved and will continue to push ourselves to further improve our safety, production and cost outcomes,” Mark said.

HEALTH AND SAFETY PERFORMANCE



A PC300 being safely guided out of the
Phu Kham mobile maintenance workshop

Injury and incident free program

As a Company with consistently strong safety performance, and mature systems in place to manage safety, it is important to refocus on continuous improvement and guard against complacency.

In 2017, PanAust launched the Injury and Incident Free program to the business in Laos. The ultimate goal of the program is to create a culture that embraces safety as a core value and improves workplace behaviours.

The Injury and Incident Free program demonstrates how existing safety management systems and tools are connected, and when applied consistently, minimise the potential for harm to our people and to the business.

The program addresses and links together five key areas:

- > Effective communication: Promotes awareness, debate and quick problem solving.
- > Visible leadership: Leading by example – living and breathing PanAust's Vision and Values and being driven to achieve excellence at work, and driving others to do the same.
- > Fitness for work: Attending work without the presence of alcohol or illicit drugs in the body, and monitoring work, rest and recreation to manage fatigue.
- > Behaviour-based safety: Designed to prevent injuries and incidents in the workplace through identifying and eliminating incorrect behaviour, is underpinned by PanAust's Cardinal Rules, JSOs and planned task observation programs.
- > Hazard identification: Examine the workplace, identify hazards, assess risks and implement controls to reduce risks.

The ultimate goal of the program is to further embed a culture that embraces safety as a core value and improves workplace behaviours.

Security management

PanAust is a member of the United Nations Volunteer Principles on Security and Human Rights (VPSHR) and has implemented clear guidance and procedures to manage the human rights aspects of security at its Operations and Projects. As the Company's activities in PNG and Myanmar ramp up, PanAust's existing security processes, procedures and training will be tailored to these jurisdictions and implemented.

PanAust has security personnel assigned to its Operations in Laos. The Phu Kham and Ban Houayxai Operations are situated in the Xaysomboun Province which is historically the location of insurgent activities, largely arising from remnants of the Indo-China conflicts of the 1970s. While now stable, the legacies of conflict remain. At times, regional security incidents have occurred in close proximity to the Operations and around exploration activities. Periodically these incidents have resulted in temporary restrictions on operational activities and the logistics route.

The Lao People's Army (LPA) is required by the Government of Laos to have a presence at PanAust's Lao Operations. In 2017, approximately 158 LPA were assigned to PBM's activities at Phu Kham and Ban Houayxai (as at December 2017). In addition, 45 LPA were assigned to Ban Thouay and a number of LPA assigned to Exploration field teams. The LPA's role is to support regional security external to PanAust's active working areas. They may also provide a presence alongside selected infrastructure routes and at Company assets due to their criticality and/or vulnerability. This includes providing security escorts for remote work and along higher risk sections of the Company's transport and logistics route.

The Company works closely with the LPA through a Memorandum of Understanding (MoU) which outlines the Company's expected standard of behaviour and use of force expectations.

During 2017, the MoU with the LPA was updated to include requirements around the use of chamber flags (visual indicators that show there is no bullet in the rifle chamber, preventing accidental discharges). The MoU is available in both Lao and English on PanAust's intranet.

Prior to their deployment to PBM sites and each time they are subsequently engaged, members of the LPA are required to complete a Company-provided induction program. The induction covers safety, the use of force as it relates to the laws of Laos, key components of the VPSHR underpinned by **The PanAust Way**, the Company's Values, and other behavioural guidelines. In 2017, 1,316 LPA and loss prevention department (LPD) staff and contractors completed the VPSHR training through their induction program.

PanAust employs loss prevention personnel to perform unarmed access control, static security and emergency response functions at its Phu Kham and Ban Houayxai Operations.

All loss prevention personnel including contractors are required to complete training covering the VPSHR and appropriate use of force. All loss prevention personnel in Laos attended this training in 2017.

Strict security protocols are established by the Company to pre-empt, and where required, respond to occasional regional security issues. The security protocols were reviewed and updated during 2017 to ensure their currency for the Operations in Laos. A proactive approach is taken to initiate these protocols early and to progressively restrict remote work activities, personnel movements and operational activities during such periods based on proximity to operational areas and several risk factors. This is aimed at minimising the need for further response and/or the potential for conflict to arise. No significant security incidents affecting PanAust personnel or Operations were recorded in 2017.

Additional security initiatives implemented in Laos during 2017 included:

- > State-of-the-art CCTV system
- > Upgrading and expanding site access control management systems, including identification access card control in and out of all camp and mine facilities for employees, contractors, visitors and vehicles.
- > A deep dive audit led by the Managing Director and General Manager External Affairs and Site Support into PanAust's security protocols for dealing with serious security incidents.
- > Reducing security exposure through the consolidation of the Operational footprint by closing to GMO facility that is no longer in use.
- > Reaching an agreement with the LPA over the handover and use of the GMO camp facility – an MoU was signed with a physical handover completed.

In 2017, the Phu Kham and Ban Houayxai Operations saw a step change decrease in security, trespass and theft incidents, achieving the lowest rate of incidents and incident severity in six years.

More information about PanAust's approach to security management is available on the Company's website, www.panaust.com.au/community/managing-human-rights.



*Electrical apprentices
Ms Chanhom Phanthavongsa
and Mr Mai Sithanontha
engaged in electrical remote
control systems training at the
Lao-German Technical College*

OUR PEOPLE

PANAUST RECOGNISES THAT ITS EMPLOYEES MAKE THE MOST SIGNIFICANT CONTRIBUTION TO THE SUCCESS OF THE BUSINESS.

As a result, it understands the inherent business value of attracting, engaging, developing and retaining its employees and providing a meaningful and rewarding environment in which to work.

PanAust provides a professional environment where people can work productively and effectively while progressing personal growth and individual career development goals. The Company’s strategic human resources (HR) framework comprises six core components and aligns employees to the Company’s Vision and Values, goals and objectives. These components are: employee health and wellbeing, remuneration and benefits, recruitment, training and development, organisational development and HR systems.

A full suite of published and communicated policies, standards and guidelines provide employees with information about the practical application of the Company’s Vision and Values. This includes an Employee Policy which guides PanAust’s management of its people and the way work is undertaken. It is used as a reference for an integrated set of HR standards and processes. The Company’s code of conduct, *The PanAust Way*, aligns employees’ actions with PanAust’s Values and behavioural expectations including those supporting diversity in the workplace.

These two documents along with other HR-related standards, inductions, training programs and the performance management cycle including annual achievement plans and reviews, help employees understand their responsibilities when working for PanAust, and behavioural expectation when interacting with other employees and external stakeholders.

Workforce numbers full-time employees by work location

REGION	2015	2016	2017
Laos	3,276	3,249	3,293
Chile	10	0	0
Thailand	4	4	4
Australia	60	52	51
PNG	124	100	79
TOTAL	3,474	3,405	3,427

During 2017, PanAust’s workforce numbers in Laos increased marginally when compared to 2016.

OUR PEOPLE

Voluntary turnover in 2017

Since 2015, PanAust has noted a year-on-year decline in the average rate of voluntary turnover for the Group. This downward trend continued in 2017. Within Southeast Asia, voluntary turnover was lower than the previous year. In PNG, 2017 was the second full year voluntary turnover was measured. Within this workforce, voluntary turnover was the lowest across the PanAust Group.

The Company closely monitors its turnover statistics and carries out exit interviews with departing employees. This enables PanAust to understand factors that influence employees' decisions to leave the Company and has guided changes to policies and practices aimed at engaging and retaining employees.

PanAust voluntary turnover average rate (per cent of total workforce)

Region	2015	2016	2017
PanAust Group	9.08	6.93	4.37
Australia	14.06	10.53	13.21
Southeast Asia	9.20	6.76	3.79
South America	9.90	0.0	0.0
PNG*	N/A	1.68	0.97

* 2017 is the second year data is being reported for PNG

Our People: material issues 2017

PanAust's materiality process identified the main workforce focus areas for 2017 as:

- > Training and development
- > Employee engagement
- > Workplace diversity

Training and development

Training and development programs offered by PanAust contribute to the Company's long-term goals and diversity objectives and are considered as a mechanism that supports employee attraction, engagement, career development, and retention strategies.

In Laos, a specialist in-house training team delivers general compliance and discipline-specific skills training. A total of 303,717 hours of training was delivered in 2017, representing an average of 92 hours of training per employee. Details of the type and volume of training delivered in Laos are outlined below.

Breakdown of training types in Laos 2017

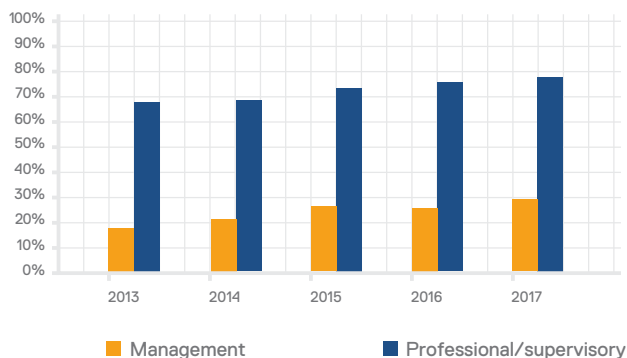
Training subject/focus area	Total hours	Percentage of all training provided
Mine operations	59,731	20%
Apprenticeship program (delivered in partnership with the Lao-German Technical college)	89,581	29%
Safety and induction	33,639	11%
Professional and leadership development	31,407	10%
Clerical, education and awareness programs	41,320	14%
Trades and engineering	48,039	16%
TOTAL TRAINING HOURS	303,717	

PanAust remains focused on the localisation of its workforce. The term 'localisation' refers to the transition of a position previously held by an expatriate employee, to a Lao-national employee, enabling Lao-nationals to increasingly operate, maintain and manage the Company's Operations. This has the added benefit of meeting one of PanAust's long-term legacy objectives in Laos which is to develop a skilled workforce that can continue to participate in and help grow the national economy post-closure.

PanAust focuses on progressive learning and supports ongoing skills development through on-the-job experiences and targeted training. These activities are essential in ensuring employees meet the professional requirements of their current role and prepare them for future promotion. PanAust has established programs to ensure the development of a pipeline of talent that enables organisational readiness for Company growth, and helps build a sustainable workforce.

People development has contributed to an increase in the proportion of Lao-nationals in management and supervisor/professional level roles over time.

Lao-nationals as a proportion of management and professional/supervisory roles (2013 – 2017)



Paramount to the Company's training and development strategy is the annual employee training plan. Regular reporting ensures compliance and competency training is undertaken by all employees to ensure they can safely and competently perform their roles.

Technical training is also provided to employees, fast-tracking their development and giving them access to contemporary technical ideas and concepts to build upon their existing knowledge. Training is delivered via face-to-face learning and/or through online e-learning tools.

Demonstrating the success of training plans, in 2017 a total of 234 Lao-national employees throughout the business were either promoted or had a role grade progression. Most notably, 62 Lao-national employees were promoted to senior technical or team leadership roles, with an additional five being promoted to superintendent level.

In Laos throughout 2017, the in-house training team focused on ensuring that high-potential Lao employees and team leaders completed the Supervisory Skills Training Program modules, and attended technical training and trades and engineering skills development workshops. This essential training supports employees transitioning into roles with greater leadership responsibility. As in 2016, 26 per cent of Lao-national employees completed this training in 2017.

In August 2017, the Company conducted a deep dive audit into training records. The audit examined the process for recording employee training to determine if it was appropriate, consistent and understood by all stakeholders. Limited to the training records of PBM employees, the audit covered the entire lifecycle of the training records process to identify any flaws in the current procedure for generating and recording training records, and gaps in mandatory competencies required for the role being performed.

The audit identified several areas for improvement including improving the functionality of the Learning Management System (implemented in 2016) and allowing departments to exercise greater control over the management of their training records. These corrective actions will be addressed in 2018.

Trades Training Program

A key initiative designed to leave a lasting legacy in Laos is the Company's Trades Training Program. This consists of two distinct programs: the Site Training Program targeted at Lao maintenance employees already in the workforce, and the Apprenticeship Program which aims to build a pool of talent for the Company to draw on.

Under the targeted trades training program, Lao maintenance employees' trade skills are assessed and tested. Based on the results, individual training plans are developed for each employee. This program was implemented in 2014, and at year end 2017, resulted in 221 Lao employees progressing from a 'trades technician' level to 'tradesperson' level.

PanAust's Trades Training Apprenticeship Program in Laos was established in a modified form in 2013 and offers a five-year apprenticeship in a technical trade discipline. Apprentices attend twelve months of pre-apprentice vocational training before entering the four-year Apprenticeship Program in a specific trade discipline. In partnership with the Lao-German Technical College in Vientiane, the program seeks to address a general shortage of qualified tradespeople within Laos, and to generate a pool of appropriately qualified national candidates for the Company to employ.

In October 2017, the Company's first intake of trades training apprentices graduated (see page 95)

A further 50 apprentices (34 from PBM and 16 from MMG Sepon) including nine women (eight from PBM and one from MMG Sepon) entered their final year of training in 2018. The program supports 16 apprentices from the MMG-owned Sepon Copper Mine in southern Laos (the only other large-scale mechanised mine in the country) who were invited by PBM to join the program in 2015 following their observation of the program's success.

CASE STUDY

FIRST INTAKE OF TRADES TRAINING APPRENTICES GRADUATE

PANAUST IS DEDICATED TO CULTIVATING A SKILLED LOCAL WORKFORCE WHEREVER IT OPERATES.

In Laos, the development of Lao-national employees has reduced the Company's reliance on expatriates through increased localisation (see page 97), and underpins the skills growth required within the mining and heavy industries sector. PanAust's Apprenticeship Program exemplifies this commitment to local skills development.

Established in a completely modified form in 2013 and delivered in partnership with the Lao-German Technical College in Vientiane, the Program addresses a general shortage of qualified tradespeople within Laos, and generates a pool of suitably qualified local candidates for the Company. Candidates were required to undertake 12 months of pre-apprentice vocational training before entering the four-year apprenticeship program.

In October 2017, the Company's first intake of apprentices completed their final assessments and obtained an Australian Certificate III Trade Qualification and a Lao Higher Diploma of Technical Training. The 34 apprentices – five of whom were women – completed a trade in one of the following fields: automotive electrical, heavy vehicle plant mechanical, metal fabrication and welding, fitting and machining, and electrical.

The apprentices transitioned into full-time trade roles within the Company's fixed plant maintenance and mobile maintenance teams in December.

While the implementation of the Program has not been without its challenges, PanAust met these with innovative solutions.

For example, at the onset of the Program, College technical training manuals were written in English. To address the language barrier this presented, manuals were translated into Lao, and the Program expanded to include technical English lessons. Following the success of these measures, translated manuals and English classes were embedded into all courses at the College for the benefit of more than 1,400 students.

Ken Shield is a Fitter Diesel Teacher with TAFE Queensland. He and his colleagues, John Maule and Jonathon Ballard assessed the apprentices during their final, week-long examinations.

"I was astounded by the level of skill they demonstrated. Some outperformed Australian apprentices I have assessed. If I had my own workshop, I would not hesitate to employ them," Ken remarked.

A particular moment during Ken's assessment of the apprentice auto electricians and diesel fitters highlights the level of aptitude the apprentices displayed.

"I asked for a power-flow diagram and work out ratios through gearing on a manual transmission. Not only did they provide the most remarkable diagram, they almost had me baffled with their calculations. They even drew an elliptical set range change, not an easy feat, then gave me their ratios combined. It was truly a work of art! I am only sorry that I did not get a good photo of the diagram to show my colleagues here at TAFE Queensland," Ken revealed.

Trade Training Superintendent, Craig Splitt was equally impressed with the dedication the apprentices displayed throughout the entire program, and especially in the lead-up to their final assessments.

"I could not be prouder. Their motivation to achieve their qualifications is one of the most impressive acts of dedication I have ever seen. They are without a doubt the best group of apprentices I have ever trained," Craig said.

The Trades Training Apprenticeship Program demonstrates PanAust's ongoing commitment to leaving a lasting legacy in Laos. Students participating in the Program gain a skill for life that will last beyond the life of the Company's Operations. PanAust's experienced expatriate staff who have been embedded at the College have also been instrumental in broadening the technical and mechanical knowledge and English-language skills of existing College trainers.



Above: Electrical Trades Training Apprentices performing fault finding on motor control wiring



Ms Malee Yang was a first-year apprentice completing her pre-apprentice training in 2013 when PanAust spoke to her about the Apprenticeship Program. When asked what being a trades training apprentice meant to her, Ms Yang said the income she was receiving was helping her and her family. Ms Yang also expressed excitement at the prospect of transitioning into a full-time role with the Company following her (then) eventual graduation.

Five years later, Ms Yang now holds a Certificate III in Engineering – Electrical/Electronic from TAFE Queensland, and a High Diploma Electrical Certificate from the Lao German Technical College in Vientiane.

PanAust asked Ms Yang about her experience as a trades training apprentice ahead of her full-time placement with the Company as a maintenance electrician.

Above: Ms Malee Yang standing in front of her light installation assessment project, part of her final assessment, October 2017

How did the program benefit you and your family?

Ms Yang: The program gave me a good education, accommodation, a good salary, and tools and equipment to use for training. The most important thing is that I can support my family by sending them the money I earn.

What was the most rewarding part of the Program?

Ms Yang: The most rewarding part of the apprenticeship program are the skills I've learned (electrical skills and English). In addition, I was able to attend on-the-job training which helped me understand what I was learning in the classroom. The thing I am mostly proud of is that I have acquired a Certificate III accreditation from TAFE Queensland in Australia.

What does the future hold for you now that you have graduated?

Ms Yang: I think I am going to create my own business and/or continue my higher level of education.



Trades Training apprentices celebrate their success with the Managing Director and several Company executives at their graduation ceremony, December 2017

OUR PEOPLE

Talent management

The success of PanAust's talent management strategy is underpinned by the Company's leadership, mentoring and professional development programs. These programs embody the core leadership competencies PanAust has identified as key to success in leadership roles within the Company, regardless of an employee's functional area or position level.

PanAust has a number of initiatives and programs in place to support talent management across the business, including:

- > Localisation strategy (see below)
- > Leadership development (see page 98)
- > Mentoring program (see page 98)
- > Workforce planning – the annual budgeting process links in with the life of mine plan for the business to plan and predict workforce numbers and identify expatriate positions targeted for localisation
- > Succession planning – annual planning process to identify high potential employees for more senior roles; includes development plans which may include participation in the mentoring program.

In addition to the formal programs above, a significant amount of informal on-the-job training and coaching between Lao-national employees and more experienced expatriate staff is making a positive contribution to the success of PanAust's Operations, its objectives, and is leaving a positive and sustainable legacy.

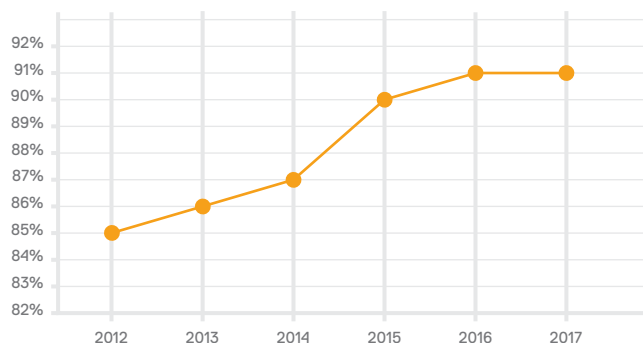
Localisation strategy

Fundamental to the Company's talent management strategy in Laos is its localisation strategy. The strategy relies on the training and development of Lao-national employees to meet the requisite skills and competencies required to perform a role to the desired level, reducing expatriate numbers in relevant jurisdictions.



Incorporating a level of flexibility within the defined organisational structure has proven to be an important element in localisation's success.

Localisation progress (Lao Operations) proportion of Lao-nationals in the workforce (2012 – 2017)



The localisation strategy is an overarching document which is supplemented by the annual training plan and provides direction in terms of focus areas with regards to Lao-national training and organisational development initiatives. The strategy articulates the steps required to identify high-potential Lao employees and ensure they have the requisite skills and abilities to replace expatriates.

Each year, the Company reviews and sets targets for localisation. In 2017, the Company retained its milestone achievement of 91 per cent localisation in Laos. This demonstrates the success of the systems and programs in place and the Company's commitment to its localisation objectives. However, given the size of PanAust's business and that most remaining roles are highly specialised in nature further significant strategy inroads will be challenging.

The combination of this opportunistic approach with more formal localisation and headcount planning has resulted in the promotion of more Lao-nationals, with development programs supporting their transition to, and success in, more senior roles.

The fact the Company has recorded year-on-year improved operational performance since 2015 with less expatriate labour reinforces the view that the Company's employee development programs are working.

Leadership development

At PanAust, leadership development is delivered via two separate yet complementary programs: the Supervisory Skills Training Program and *Leading The PanAust Way*.

Supervisory Skills Training Program

The Supervisory Skills Training program is aimed at providing existing team leaders, supervisors and high-potential employees with the training required for success in frontline leadership roles. Currently offered to PBM employees, the course – delivered in English and Lao languages – comprises 10 modules covering topics such as: leading work teams, performance counselling, problem-solving, conflict resolution, communication, and delegation techniques. Participants are required to complete 80 hours of structured training, case studies and practical exercises. In 2017, 166 employees (the majority of whom were Lao-national and included 26 women) graduated from the program. This was a significant improvement on 2016's total of 81, and continues a year-on-year increase in Program graduates (2014: 63; 2015: 73, 2016: 81).

Inviting and encouraging Lao-national females to participate in the Supervisory Skills Training Program continues to be a priority for the business. Nine women graduated in both 2014 and 2015, 21 in 2016, and 20 in 2017.

Leading The PanAust Way

Leading the PanAust Way is an internally designed and facilitated leadership development program incorporating a PanAust-style leadership capability model which integrates key aspects of *The PanAust Way*, PanAust's Vision and Values and strategy, a 360-degree feedback survey, and a leadership development plan.

Leading the PanAust Way aims to bolster the existing succession plan by developing an internal pool of leaders and potential leaders for the Company. Those who complete the program develop an understanding of the language used to describe qualities and behaviours which PanAust expects and values in its employees and leaders. The program provides insight on leadership strengths and identifies areas for self-reflection and improvement and is delivered in a cascading manner, with each level of management delivering the program to the level below. This ensures total in-house delivery and ownership.

In 2017, *Leading the PanAust Way* was successfully rolled out to the manager level. The leadership capability model was introduced to the superintendent level, and will ultimately be rolled out to all employees across the PanAust Group.

Mentoring

PanAust's Mentoring Program is part of the Company's talent management strategy and supports the development of PanAust's high-potential employees who have been identified as future leaders to achieve their full potential. The program is run internally and pairs high-potential employees (mentees) with senior PanAust executives, managers, and superintendents (mentors). The mentee/mentor relationship provides mentees with access to experienced and knowledgeable leaders who can help them achieve their individual and business-focused development goals and guide leadership behaviours that are aligned with the Company's Values.

The current mentoring program commenced in late 2015 and concluded in July 2017. Like the original program that commenced in 2013, this second program received positive feedback from both mentees and mentors. As a result of the success of these two programs, a new eighteen-month program launched in November 2017, with a select group of 28 high-potential and newly appointed leaders across the business completing their preparatory training in late October. A group of new mentors also completed the requisite training in October and were joined by existing mentors seeking refresher training.

PanAust's mentoring program has evolved following innovative solutions the Company has implemented to address inherent language and cultural challenges. Lao participants are now paired with Lao mentors and PanAust's extensive suite of talent management tools have enabled the Company to target more senior leaders across the organisation. Other high-potential employees across the business receive training in the leadership capability model component of *Leading the PanAust Way*.

Employee engagement

PanAust's employee engagement agenda is embedded within all aspects of the HR framework, localisation strategy, training and development plans and the employee lifecycle. Formal development programs, wellbeing initiatives and performance incentives have been designed and implemented. These build a strong relationship with employees, encourage maximum performance and secure an employee's emotional attachment to the Company. The stakeholder and interested parties table on page 49 also outlines specific engagement mechanisms and priorities for the 2017 reporting year.

In May, PanAust conducted a Group-wide employee engagement survey entitled Your Say. The survey was intended to inform the Company as to whether initiatives implemented following the employee engagement survey conducted in 2013 were having a positive impact, and gauge employee perceptions about impending mine closure in Laos. For more information, see the 2017 Your Say employee engagement survey case study on page 100).

OUR PEOPLE



Mining Training Officer, Somboun Sysavath performing at Phu Kham's 2017 'Copper's Got Talent' competition

Uncovering hidden talents promotes a healthy work-life balance

"Working on site can be difficult. It is so important to ensure there are events for site-based employees to look forward to; they can provide comfort to those who have been away from their home, friends and family for extended periods of time". So says Development Superintendent and Vice President of the Phu Kham Social Club, Chansanook Sengthavong.

In 2013, PanAust introduced talent contests for site-based employees and contractors at Phu Kham and Ban Houayxai. Held in August each year, Phu Kham's 'Copper's Got Talent' and Ban Houayxai's 'BH-X Factor' contests promote the importance of a healthy work-life balance for site-based employees, and have become one of the most popular and anticipated events on the Phu Kham and Ban Houayxai social club calendars.

Each contest consists of four weekly preliminary rounds, with the top-two performances from each preliminary round, as decided by a panel of judges, securing a place in the final. The winner and runner-up performers in the final contest receive both a trophy and prize money.

The year-on-year increase in participants demonstrates the popularity the contests hold for site-based employees. The initiative brings people together, generates a sense of community spirit on site, all while respecting the traditional values and culture of Laos.

Chansanook is committed to the initiative. "We see the joy the talent contests bring to employees each year, and we will work to ensure they remain a permanent fixture on our social club calendars".



AS A COMPANY THAT VALUES HIGH-PERFORMANCE OUTCOMES, PANAUST LOOKS FOR OPPORTUNITIES TO IMPROVE IN ALL ASPECTS OF ITS BUSINESS.

The Company actively seeks feedback from its workforce. A comprehensive business-wide employee survey – Your Say – in 2013 yielded many opportunities for improvement. A follow-up Your Say engagement survey was conducted across the business in 2017 to better understand the drivers impacting employee engagement.

The survey canvassed the views of employees across the Group on a range of categories that specifically focused on retention and engagement. The categories were:

1. Sustainable engagement
2. Retention
3. Strategy and direction
4. Senior leadership
5. Immediate supervisor
6. Working relationships
7. Training and career development
8. Recognition and reward
9. Job satisfaction
10. Company Values
11. Safety
12. Communications
13. Survey follow-up

The 2017 Your Say survey was conducted by Willis Towers Watson, an independent world-leading employee survey company with a large data base for benchmarking of results. Having also carried out the 2013 Your Say survey, Willis Towers Watson benchmarked the 2017 Your Say survey results against the 2013 survey data and the Global Natural Resources benchmark which includes mainly mid-tier and large, high-performing mining and natural resource companies.

In 2017, 85 per cent of PanAust employees participated in the Your Say survey; a 16 per cent higher response rate than the 2013 survey. Additionally, when compared with the Global Natural Resources benchmark, PanAust significantly outperformed its industry peers in 12 of the 13 survey categories.

Executive General Manager Support Services, Adrian Bell attributes the improved survey participation rates and category results seen in 2017's survey to PanAust's response to the 2013 survey.

"The 2017 survey results reflect the success of the improvements PanAust made following consultations with the workforce after the 2013 Your Say survey. 2013 Your Say survey results were not reviewed in isolation. Through focus groups and targeted discussions with employees across the business, we really listened to what our people had to say. This gave us greater insight into what was driving the results and helped us determine how to address employee concerns," Adrian said.

The Company is taking a similar approach in responding to the 2017 survey results, having already commenced focus groups to gain further insight into the results and to inform positive initiatives, particularly in pockets of the business where a department may be lagging.

Willis Towers Watson Managing Director Talent & Rewards, Hamish Deery remarked on the improved results PanAust recorded in the 2017 survey.

"PanAust has made significant improvements on all the topics assessed since the original survey conducted in 2013. The magnitude of the improvements – ranging from 11 per cent to 18 per cent – is also noteworthy for an organisation of PanAust's size," Hamish said.

The next follow-up survey is scheduled for the end of 2019.

OUR PEOPLE



Aligning employees with Company policies and business systems

Systems supporting the health and wellbeing of employees operate throughout the Company in both an international and country-specific capacity. At all PanAust operations, in-house medical and recreational facilities are available to employees and a comprehensive range of insurance plans ensure protection for unexpected events. The Company's Employee Assistance Program (EAP) provides a confidential counselling service for employees and their immediate family members to deal with personal and work-related issues.

PanAust fosters an open and transparent environment in which employees are encouraged to report conduct contrary to the Company's code of conduct, **The PanAust Way**. Employees are introduced to **The PanAust Way** during their employee induction, with refresher training run on a regular basis to ensure all employees understand their code of conduct obligations. Supporting **The PanAust Way** is an externally provided Whistleblower Service (see page 34), which provides a confidential and anonymous means of reporting or raising concerns about serious misconduct.

Information regarding PanAust's expectations for employees' performance and behaviour is readily accessible by employees via the Company's intranet. Concerns by employees who believe they have been treated unfairly are handled formally via the Company's Fair Treatment Process. Further information about the Company's HR systems are communicated across the Group in English and local languages and are reinforced periodically through employee briefings the quarterly internal newsletter.

Workplace diversity

PanAust recognises that a diverse workforce brings a wide range of perspectives and experiences which enables business improvement and drives Company success. PanAust creates an inclusive environment where employees are treated fairly, can demonstrate their potential talent and are rewarded based on merit.

The Company pays particular attention to ethnic and gender diversity in order to meet strategic objectives, as well as commitments to relevant legislation in host countries. Workplace diversity is promoted and supported at PanAust with policies and standards including the Employee Policy and the Diversity Standard. Both are readily available to employees on the Company's intranet and website. All new employees receive an introduction to the Policy and Standard during their induction. **The PanAust Way** also emphasises behavioural expectations that underpin diversity in the workplace.

Topics such as child labour, equal employment opportunity, diversity, appropriate workplace behaviour and complying with host country laws are also covered during inductions and when communicating **The PanAust Way**. Supplier contracts also stipulate the required standards of behaviour when working on PanAust sites or on behalf of the Company including ensuring that forced labour is not used.

PanAust minimises the risk of inadvertently hiring underage workers (child labour) through rigorous recruitment processes. The Recruitment and Selection Standard contains a specific review process to ensure minors are not employed.

The minimum employable age is 18 years. The Company requires all potential recruits to provide proof of age identification prior to commencing employment. The majority of the PanAust workforce is between 20 and 50 years old.

Workforce statistics three years to 31 December 2017

PanAust Group	2015	2016	2017
Full-time employees (permanent, fixed-term)	3,474	3,405	3,427
Women	587	569	618
Women as a percentage of the PanAust workforce	17%	17%	18%
PBM	2015	2016	2017
Full-time employees (permanent, fixed-term)	3,276	3,249	3,293
Lao-nationals	2,947	2,946	3,006
Expatriates*	329	303	287
Women	541	536	582
Lao-nationals as a percentage of the PBM workforce	90%	91%	91%
Expatriates as a percentage of the PBM workforce	10%	9%	9%
Women as a percentage of the PBM workforce	17%	17%	18%
Frieda River Project (FRP)	2015	2016	2017
Full-time employees (permanent, fixed-term)	124	100	79
PNG-nationals	118	96	74
Expatriates	6	4	5
Women	14	10	10
PNG-nationals as a percentage of the FRP workforce	95%	96%	94%
Expatriates as a percentage of the FRP workforce	5%	4%	6%
Women as a percentage of the FRP workforce	11%	10%	13%

* During the reporting years, expatriates were predominantly sourced from PNG, Thailand, the Philippines, Malaysia, Indonesia, Australia, New Zealand, USA and European countries

Gender

At year end 2017, the PanAust Group had a total workforce numbering 3,427, of which 618 were women, (18 per cent of the total workforce) which included 34 in management roles (19 per cent of all management roles across the Company). PanAust's Lao-based workforce (PBM) numbered 3,293 with 582 roles filled by women (18 per cent of PBM; greater than 2015 and 2016). A further breakdown indicates that women held 22 roles with management responsibility and 99 supervisory or professional capacity roles.

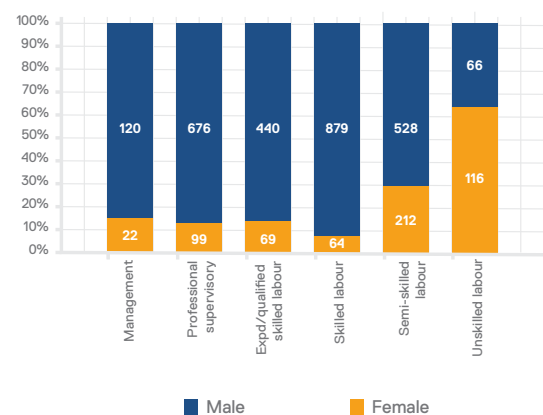
Regular analysis is undertaken by the Company to track the proportion of women within various job categories especially

in mining operator and technical maintenance type jobs that are atypical for women. In 2017, PBM employed 136 women in operator and technical maintenance jobs, representing 11 per cent of the total jobs in this job family. A total of 24 women were employed in trainee/apprentice jobs, representing 30 per cent of total roles in this job family – a substantial increase on the 2016 percentage of 18 per cent.

In December 2011, PanAust established a Diversity Committee which identified a number of initiatives to increase female workforce participation. One initiative saw the Company implement an adaptation of the 'Rooney Rule' to actively encourage female applicants during the recruitment and selection process. The objective was to source and interview at least one female applicant who met the minimum criteria, skills and experience required for a role vacancy.

Following implementation of the adapted rule, the Company has seen an increase in the number of women in management and professional/supervisory roles between 2013 and 2017 (a total increase of 29 women).

2017 breakdown of PanAust role categories by gender



Management and professional/supervisory level roles occupied by women: 2012 – 2017 (Lao Operations)





The Phu Kham Copper-Gold Operation's all-female coaster bus driver crew, November 2017

Understanding and improving gender diversity

During 2017, the Company found that female participation in the workforce had plateaued at 17 per cent despite genuine efforts to increase participation. While recognising this percentage is better than the female participation rates across the mining industry in Australia of 13.7 per cent*, PanAust's management felt that more could and should be done. To identify and better understand the barriers that exist to increased female participation, the Company completed a deep dive audit on gender diversity. The audit involved:

- an analysis of all applicable HR, recruitment, individual performance and training data, and current workforce participation
- interviews of male and female employees across the business to compile key themes for focus
- external benchmarking
- reviewing applicable Company policies and procedures
- understanding if there were any functional processes inhibitors to increased participation.

Analysis of recruitment data indicated that there was a lack of female applicants for roles with the Company. However, it also confirmed an unbiased recruitment process was in place, with the proportion of women being shortlisted, interviewed and offered roles being equal to, and in many cases higher than, the proportion of male applicants.

The deep dive confirmed that while PanAust's organisational culture provided a strong foundation for gender diversity, more specific actions could be undertaken. One such action following the deep dive was the introduction of a Company-sponsored, paid parental leave scheme for eligible Australian and expatriate employees.

The deep dive report includes an action plan that was endorsed by the Executive Management Team in December. The action plan includes further targeting women for employment in traditionally male-dominated roles including in logistics teams and as mine shovel operators. A Diversity Strategy is currently

being developed that considers targets and performance measures, alongside the reinvigoration of the Diversity Committee. Pleasingly at year end, female participation in the workforce increased to 18 per cent.

Encouraging women applicants for logistics roles

An area with historically low female workforce participation in Laos is the logistics function which includes concentrate haulage and personnel transport roles. A number of perceived barriers for women have contributed to this low rate, including the perception in Lao culture that driving is traditionally a male role. Women were also concerned about the size of trucks and buses, being alone on the road, a perceived lack of rest stops, and responding to mechanical issues such as a flat tyre.

To address these concerns, the Company reviewed its convoy formations, accommodation facilities and embarked on a recruitment campaign in local communities to attract women to be trained as drivers. Female employees already working in logistics teams were encouraged to develop and deliver the campaign. The Company received an overwhelming number of application from over 200 women interested in joining logistics teams following the completion of the campaign. The Company employed six female forklift drivers and 32 bus drivers (the pre-qualification to becoming a truck driver) as the result of this successful initiative.

Encouraging women to become face shovel equipment operators

At the beginning of 2017, while there were many female haul truck operators, no female shovel operators (the primary production units that load ore and waste into dump trucks) were employed at the Phu Kham Operation.

The mining team recognised an opportunity to increase female employee participation in shovel operations and selected a group of nine women to be trained to use the newly acquired 250t PC3000 face shovel. The women completed their training and started operating the PC3000 with minimal supervision in October 2017.

Given the PC3000 is operated solely by women, it was nicknamed 'Miss Pink' and given a special makeover - a pink shovel.

* Workplace Gender Equality Agency 2016, Fact Sheet - Gender composition of the workforce by industry factsheet, <https://www.wgea.gov.au/>

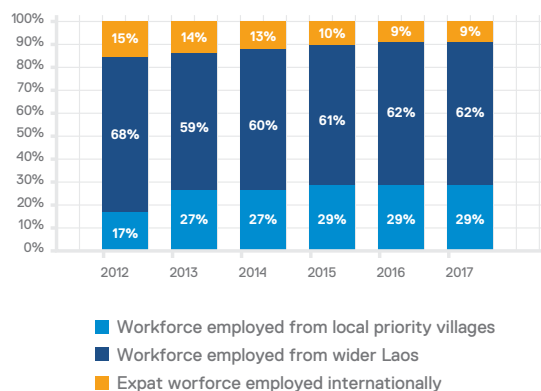
Breakdown of PanAust Group employees by age group

Age group	Total employees	Percentage of workforce
18-20	15	0.5
20-30	1,243	36
30-50	2,004	59
50-60	151	4
Over 60	14	0.5

Targeted recruitment in local priority villages

PanAust focuses on providing employment and career development opportunities to villagers in communities close to where the Company operates. This targeted recruitment strategy has contributed to an increase in the number of local candidates employed with the Company. Pleasingly, from 2012 to 2017, the representation of this group rose from 17 to 29 per cent.

Breakdown of employees by employment location 2012 – 2017 (Lao Operations)



All unskilled/entry level roles at PBM are filled by people from local villages. Aptitude testing forms part of the recruitment process for these roles. The Company uses a culturally neutral, language-free assessment tool to identify candidates with strong cognitive capacity and 'trainability'.

In using this test, the Company ensures candidates from local communities who have limited education or face language barriers are not excluded from employment opportunities. This approach maximises the Company's ability to source suitable candidates from local villages.

In 2017, PBM engaged 19 per cent of operator/tradesperson and trainee/apprentice roles from local villages. The Company also provided the necessary training for these employees to successfully transition into their roles.

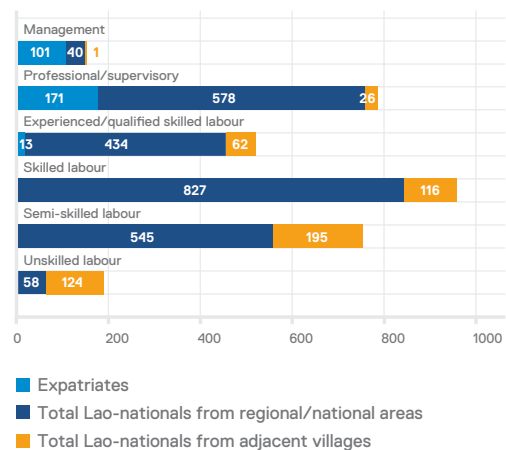
Number of Lao-nationals employed by PBM from local priority villages*

Role type	2015	2016	2017
Unskilled labour**	N/A	182	149
Semi-skilled labour**	N/A	335	344
Skilled labour	115	288	279
Experienced/qualified skilled labour**	N/A	115	130
Supervisory/professional roles	19	48	56
Management	1	1	1

* Local priority villages are those villages which the Company has determined to be most impacted by its operation (either mine site or concentrate haulage routes)

** New categories introduced in 2016 following recommendation by external auditor

Breakdown of employees by locality as at 31 December 2017 (Lao Operations)



Similar to the approach adopted in Laos, at Frieda River a preferential recruitment strategy targets local villagers with requisite skills and experience in the first instance. This is part of a broader strategy documented in the Employment and Training Plan submitted as part of the application for a Special Mining Lease of the Project which PanAust registered with the PNG Mineral Resources Authority in June 2016.

In 2017, 77 per cent of PNG-nationals employed at Frieda River originated from landowning communities or the Sandaun and East Sepik Provinces.

OUR PEOPLE



(Left to right) Senior Administration Officer, Keomany Chanthasith and Administration Officer, Vimon Sengphachanh standing in front of 'Miss Pink', the 250t Komatsu PC3000 face shovel (EX235) that had its bucket painted pink in honour of the all-female operating crew

Workplace Representative Committee

Established in 2011, PBM's Workplace Representative Committee was founded with the aim of promoting harmonious relationships between the Company and its employees, and to provide a mechanism by which both the Company and employees can constructively raise and resolve issues when differences arise. The committee plays an integral role in the Company's engagement strategy with its employees and has been instrumental in aligning workforce performance to the needs of the Company.

The Committee has a charter which defines its roles and responsibilities and reaffirms the relationship between the Company and its employees and is founded on key values and principles, including:

- > Mutual interest in the success, well-being and prosperity of all stakeholders
- > Integrity in dealings with each other and the Union Federation of Lao People's Democratic Republic
- > Respect for each other and all stakeholders that may be influenced by this relationship
- > Fair, honest and transparent communication.

Committee members are nominated by the workforce and ratified by Executive Management Team representatives in Laos. The committee then elects a President and Deputy President, with the President not permitted to serve more than a two-year term. The Committee has grown from an initial six-person group to one that now totals 16, with each department across PBM represented.

Committee meetings are held every quarter and all committee members are required to attend. The Company is represented at the meetings by the Human Resources Manager. All meetings are minuted and recorded. Minutes are distributed to the Executive Management Team representatives in Laos and Committee members – with the understanding that committee members will discuss meeting outcomes with their work teams and departments.

Since its establishment, the Committee has been instrumental in assisting the Company to engage with the broader employee group, more readily understand issues important to its employees, and develop strategies and programs to address these issues. Programs that have been implemented as a direct result of the committee's activities include: the establishment of a travel allowance for eligible Lao employees, a service award program that recognises the contribution long-serving employees make to the Company, and greater flexibility with regards working hours for employees in the Vientiane office.

The committee is also an avenue for the Company to engage with the Government of Laos when various government officials are invited to attend meetings on an ad-hoc basis.



Employee of the Year - Khampheuy Thammachan

Khampheuy Thammachan is a Dispatch and Training Supervisor whose drive, eagerness and motivation to excel delivers outstanding results and was the very worthy winner of the 2016 Employee of the Year Award.

Khampheuy challenged himself and others to go above and beyond what was expected of them in their day-to-day roles.

Examples of programs that benefited from Khampheuy's direct involvement, which subsequently improved the productivity and efficiency of the Ban Houayxai mining team, include:

- > PC1250 excavator and 777D haul truck efficiency programs
- > Reducing fleet delays to allow the Ban Houayxai haulage fleet to move from <78 per cent in 2014 through to >85 per cent productive operating time in 2016
- > Actively seeking out opportunities for infield supervision of crews and development works during a shortage of supervisory staff over a two-month period.

Exemplifying PanAust's Values, Khampheuy pushes himself to succeed. He actively seeks opportunities to lead safety and production outcomes and learn more about the business. He contributes to his team and aims for continuous improvement. Perhaps most importantly, he motivates and influences people across large cross-functional areas.

Annual Employee Awards Program

PanAust's Annual Employee Awards Program rewards outstanding contributions to safety, sustainability and production on a team and individual basis. The purpose of the awards is to promote a clear link to business goals and the Company's Vision and Values. The program fosters a culture of continuous business, professional and individual improvement and promotes activities critical to the Company's success.

Four individual and five team award categories are recognised. Within the individual award categories, the Company formally recognises an employee of the year, an outstanding leader, an individual who has contributed the most to the training and development of employees, and an employee who has contributed the most to sustainable business outcomes. Nominations for these awards are open to all employees and winners and runner up are selected by a voting committee.

The team awards recognise work groups for their outstanding achievements in the areas of safety, innovation, sustainability and cost and production. A team that is recognised to have contributed significantly to the overall success of the Company that year is presented with the Team of the Year award.

Nominations in the team categories are made by members of the Executive Management Team in consultation with department managers across the business. Like individual awards, winners and runner up in each category are selected by a voting committee made up of a panel of executives based on written submissions that address the award criteria.

In 2017, PanAust celebrated its 8th Annual Employee Awards in Vientiane. PanAust Managing Director, Dr Fred Hess reflected on the special event.

“Since its inception in 2009, PanAust's Employee Awards Program has been very successful in showcasing individuals and teams across the Group who have made outstanding contributions to our business. The awards reinforce the importance of our Vision and Values and promote both individual initiative and collective teamwork as complementary pathways towards achieving superior business outcomes,” Dr Fred Hess, PanAust Managing Director.

The Annual Employee Awards Program has become a vital component of PanAust's engagement with its workforce, and reinforces PanAust's commitment to celebrating and recognising the contribution its employees make to the ongoing success of the business.

ASSURANCE STATEMENT

Materiality Counts

Materiality Counts Independent Assurance Report to PanAust

Scope of Work

Materiality Counts was engaged by PanAust to provide independent limited assurance of its 2017 Business Review and Sustainability Report (the Report) to the scope of work outlined below. The Report covers PanAust's operations for the 12 months to 31 December 2017, unless stated otherwise in the text. The work was performed using Materiality Counts' assurance methodology to ISAE 3000, the *International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information*. Material issues and related datasets are assured on a five-year rolling program, which was used as a basis to determine this year's scope. Materiality Counts interviewed a number of personnel and reviewed relevant data and documentation at PanAust's offices in Brisbane, Vientiane and Frieda River and the majority of PanAust's operations, namely the Phu Kham and Ban Houayxai operations in Laos. Data collation processes were reviewed, original records sighted, spreadsheets interrogated and calculations re-performed.

The subject matter for the assurance consisted of the following material issues and related datasets:

- **Social performance:** *Community relations* (grievances); *Gender* (community programs).
- **Environmental performance:** *Energy and carbon management* (energy use for Scope 1 and 2 GHG emissions - reasonable assurance); *Cyanide management* (detox performance, cyanide levels in discharges to/from TSF).
- **Health and safety:** *Security management* (UN VPSHR security personnel, training, incidents, compliance); *Contractor management* (contractor safety management standard, engagement, HSE training, HSE audits).
- **Our people:** *Training and development* (training hours, participants, Trades Training Program case study); *Gender* (case study, deep dive audit, programs, strategies).

The criteria for the assurance consisted of the following three elements:

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance data and statements in the Report.
- Validity of the self-declared Global Reporting Initiative (GRI) G4 Core reporting.

Materiality Counts' Independence

PanAust was responsible for preparing the Report. Materiality Counts was responsible for expressing assurance conclusions regarding the material issues detailed above in line with the scope of work agreed with PanAust. During the reporting period, Materiality Counts did not work with PanAust on other consulting work. Materiality Counts is an independent consultancy specialising in report development and assurance, materiality determination, stakeholder partnerships and strategy development.

Our Conclusion

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, PanAust's 2017 Sustainability Report provides a balanced representation of the material issues concerning PanAust, reports accurate performance information and satisfies the requirements of GRI G4 Core reporting for the 12 months to 31 December 2017. In addition, Materiality Counts has provided a management report to PanAust.

Key Observations

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

- **Gender diversity:** Reporting on gender diversity programs in the workplace and the community is both holistic and leading, demonstrating efforts to understand how further progress can be made through a deep dive audit.
- **Training:** The breakdown of training hours provided, alongside insights into the Trades Training Program and its contribution to PanAust's post-closure legacy, represents in-depth reporting on training and development.

Materiality Counts identified areas for improvement in relation to ensuring a balanced Report including reporting of challenges as well as the achievements for completeness and transparency (addressed during the assurance process); and an opportunity for more robust waste data collation.

Materiality Counts congratulates PanAust on its continued commitment to sustainability reporting.



Materiality Counts, 28 February 2018, Melbourne, Australia

Materiality Counts has prepared this statement for PanAust in accordance with the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Materiality Counts as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Materiality Counts will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Materiality Counts' express written permission.

COMPANY OWNERSHIP PROFILE

Subsidiaries and transactions with non-controlling interests					
Name of entity	Place of incorporation	Class of shares	Equity holding* (%)		Principal activities
			2017	2016	
PanAust IDO SpA (a)	Chile	Ordinary	100	100	Investment holding
PanAust Minera IDO Limitada (a)	Chile	Ordinary	100	100	Investment holding
Inca de Oro S.A. (a)	Chile	Ordinary	66	66.2	Exploration
PanAust Atacama SpA	Chile	Ordinary	100	100	Investment holding
PanAust South America Services SpA	Chile	Ordinary	100	100	Services
Phu Bia Mining Limited	Laos	Ordinary	90	90	Exploration and mining
Wuntho Resources Limited	Myanmar	Ordinary	80	80	Exploration
PanAust Services (Myanmar) Company Limited	Myanmar	Ordinary	100	100	Exploration
Frieda River Limited (b)	PNG	Ordinary and Redeemable Preference Shares	100	100	Exploration
Pan Mekong Exploration Pty Ltd	QLD	Ordinary	100	100	Investment holding
PanAust Exploration Pty Ltd	QLD	Ordinary	100	100	Dormant for the period
PanAust Services Pty Ltd	QLD	Ordinary	100	100	Services
PNA (Puthep) Pty Ltd	QLD	Ordinary	100	100	Investment holding
PanAust Holdings Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust Chile Holdings Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust IDO Holdings Pte Ltd (a)	Singapore	Ordinary	100	100	Investment holding
PanAust SPV1 Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust SPV2 Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust Myanmar Pte Ltd	Singapore	Ordinary	100	100	Investment holding
PanAust Services (Thailand) Company Limited	Thailand	Ordinary	100	100	Services
Masons Hill Gold NL	WA	Ordinary	90	90	Dormant for the period

* Beneficial interest

(a) During the year ended 31 December 2017, Inca de Oro S.A made calls upon shareholders. As a result of the responses to the calls and following the issue of shares, PanAust holds a 66% (2016: 66.2%) beneficial interest in Inca de Oro S.A.

(b) This subsidiary holds an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. The remaining 20% interest is held by Highlands Frieda Limited.

