PanAust Limited
For the year ended 31 December 2013
(Previous corresponding period: Year ended 31 December 2012)
Results for Announcement to the Market

APPENDIX 4E
Preliminary Final Report
31 December 2013

PanAust Limited
ABN 17 011 065 160

				US$'000
Sales revenue from ordinary activities *(Appendix 4E item 2.1)*	Up	2%	to	725,048
Sales revenue, derivative gains and other income	Up	4%	to	733,965
Profit after income tax *(Appendix 4E item 2.2)*	Down	72%	to	43,696
Profit after income tax for the period attributable to members *(Appendix 4E item 2.3)*	Down	74%	to	36,383
Operating result - EBITDA*	Down	18%	to	272,454

Operating result – EBITDA* is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments, exploration costs expensed and the provision for rehabilitation expensed (refer to note 4 of the consolidated financial statements).

Key Ratios	**31 December 2013**	31 December 2012
Basic earnings per share (cents)	**6.12**	23.98
Net tangible assets backing per ordinary share ($)	**1.63**	1.64

The accompanying financial report which has been audited, comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended on that date, a summary of accounting policies, other notes and the Directors' report.

Final Dividend

The Board of Directors resolved today to pay a final dividend for the year of 3.00 cents (Australian) per share (unfranked). The dividend is to be paid on 4 April 2014 to shareholders on the register as at 7:00pm (AEDT) on 6 March 2014 (the Record Date). The final dividend will be paid from conduit foreign income and will be exempt from Australian withholding tax. The financial impact of this final dividend has not been recognised in the financial statements for the year ended 31 December 2013 and will be recognised in subsequent financial statements.

Dividends / distributions *(Appendix 4E item 2.4)*	**Amount per security**	**Franked amount per security**
Interim dividend per share (Australian cents)	**3.00**	**Nil**
Final dividend per share (Australian cents)	**3.00**	**Nil**
Total dividend per share (Australian cents)	**6.00**	**Nil**

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The details in relation to the final dividend are set out below:

Final Dividend

Amount per share (Australian cents)	3.00
Franked amount per share	Nil
Record date for determining entitlement to dividend	7:00pm (AEDT) 6 March 2014
Dividend payment date	4 April 2014

The **Dividend Reinvestment Plan (DRP)** will apply in relation to the final dividend. The DRP provides eligible shareholders with the option of reinvesting all or part of their dividends in additional PanAust shares (Shares) without paying any brokerage or other entry costs. Participation in the DRP is voluntary. The market price for the purposes of the DRP will be the arithmetic average of the daily volume weighted average price of Shares traded on the Australian Securities Exchange during each of the five trading days commencing on 10 March 2014. No discount will apply to shares issued under the DRP with respect to the final dividend. Eligible shareholders who have not previously elected to participate in the DRP have until 7:00pm (AEDT) on 6 March 2014 to elect to participate in the DRP by contacting the Company's Share Registry. The rules of the DRP are detailed on the Company's website at www.panaust.com.au.

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Commentary on results for the period:

Operating results:

- Profit after income tax for the year ended 31 December 2013 was US$43.7 million, which includes impairment of exploration assets and investments totalling US$50.9 million.
- EBITDA for the year ended 31 December 2013 was US$272.5 million and profit before tax was US$69.4 million (for further details, refer to Note 4 of the Annual Report for the year ended 31 December 2013);
- Phu Kham Copper-Gold Operation produced 283,818 tonnes (t) of concentrate containing 64,885t of copper, 71,223 ounces (oz) of gold and 317,754oz of silver, at an average C1[1] cash cost of US$1.36 per pound (lb) of payable copper produced, net of gold and silver by-product credits;
- Ban Houayxai Gold-Silver Operation produced (poured) 112,546oz of gold and 637,603oz of silver. The average C1[1] cash cost was US$611/oz of gold produced, after silver by-product credit.

Significant growth projects and developments:

- The construction of the Phu Kham Increased Recovery Project (Laos) was completed in the June quarter 2013 several months ahead of schedule and approximately US$10 million below the budget of US$45 million;
- In October 2013, the Company announced a new life of mine plan for Phu Kham based on the 2013 Ore Reserve estimate under which annual copper production is scheduled to increase progressively over several years to reach peak copper production in 2018 and 2019 of approximately 90,000 tonnes per annum (tpa);
- In Chile, work continued on the extended Inca de Oro feasibility study to evaluate the potential for existing oxide and additional sulphide resources to make a material contribution to the project;
- In Laos, work continued on the KTL (formerly Phonsavan) Copper-Gold Project pre-feasibility study to evaluate development options for the KTL copper-gold deposit;
- Continuation of exploration and evaluation activities in Laos and Chile. There is a focus on brownfield exploration projects within the Phu Kham district, particularly within the corridor that stretches northwest of Phu Kham for at least 13 kilometres and includes the Long Chieng Track (LCT) deposit;
- In November 2013, PanAust announced that it had entered a share sale and purchase agreement to acquire an 80% interest in the Frieda River Project in Papua New Guinea from Glencore Xstrata plc, subject to certain conditions precedent. At the same time the Company acquired an interest in ASX-listed Highlands Pacific Limited (minority holder of the Frieda River Project) via a share placement of 64,432,990 shares at A$0.0776 per share, which took place on 7 November 2013;
- The Company continues to evaluate potential acquisition opportunities that complement the existing asset portfolio and corporate strategy.

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[1] Brook Hunt convention for the reporting of direct cash costs comprising: mine site, production, transportation and freight, treatment and refining charges and marketing costs, and based on payable metal content after by-product credits.

PanAust Limited

ABN 17 011 065 160

Annual report
for the year ended 31 December 2013

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Directors' report

Your Directors present their report on the consolidated entity of PanAust Limited (referred to hereafter as the 'Company', 'Group' or 'PanAust') consisting of PanAust Limited and the entities it controlled at the end of, or during, the year ended 31 December 2013 (the "reporting period").

Principal activities

PanAust Limited is an Australian-based mining company. The principal activities of the Group during the financial year were:

(a) Production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operation, Laos;
(b) Production and sale of gold-silver doré from the Ban Houayxai Gold-Silver Operation, Laos; and
(c) Exploration and evaluation of projects in Laos and Chile.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year and to the date of this report were as follows:

- The year ended 31 December 2013 captured the first full-year of production and costs from both the Ban Houayxai operation and the expanded operations at Phu Kham following the completion of the Phu Kham Upgrade at the end of October 2012. Implementation of the Upgrade was designed to increase annual ore processing rates from 12 million tonnes to 16 million tonnes and timed to compensate for a scheduled reduction in ore head grade. The process plant has consistently exceeded the design capacity.

- On 22 January 2013, Phu Bia Mining Limited, a subsidiary of the Group, entered into amended facilities agreements for debt facilities totalling US$275 million. The facilities comprise a US$250 million revolving debt facility with a syndicate of seven banks led by ANZ bank, and a US$25 million working capital facility with ANZ (Laos).

- Construction of the Increased Recovery Project at Phu Kham was completed in the June quarter 2013. Following ramp up, recovery rates for copper and gold increased to record levels during the December half of the year. Further increases in recovery are scheduled for 2014 as the quality of ore processed improves.

- New Ore Reserve estimates for Phu Kham and Ban Houayxai were announced in February 2013. The Ban Houayxai Ore Reserve estimate extended the mine life to 10 years and lifted the scheduled near term production rate for gold. A new life-of-mine plan for Phu Kham based on the 2013 Ore Reserve estimate indicated copper production would progressively increase over several years to reach a peak in 2018 and 2019 of approximately 90,000 tonnes per annum (tpa).

- A study is nearing completion on the KTL Copper-Gold Project to evaluate development options for the KTL copper-gold deposit near the town of Phonsavan. The economics favour a low-capital option whereby discrete high-grade copper-gold zones at the KTL deposit are mined, crushed and trucked approximately 100 kilometres south to Phu Kham for processing. Accordingly, no further work is planned on the previously contemplated development of a stand-alone open pit mining and flotation processing operation at the KTL deposit.

Significant changes in the state of affairs (continued)

- On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. The PanAust Glencore Agreement is subject to a condition precedent relating to all applicable regulatory approvals including Glencore satisfying the conditional approval given by the Ministry of Commerce, People's Republic of China to the merger between Glencore International plc and Xstrata plc, and the approval of the Investment Promotion Authority of Papua New Guinea.

- Also on 1 November 2013, PanAust entered into an agreement with Highlands Pacific Limited ("Highlands") which has the minority interest in the Frieda River Project (the "PanAust Highlands Agreement"). Under that agreement, PanAust took an initial placement of ordinary shares in Highlands equating to 7.5% of the issued share capital for consideration of A$5 million. Subject to the completion of the PanAust Glencore Agreement, PanAust will have the option to subscribe for a further 64,432,990 fully paid ordinary shares at a subscription price of A$0.0776 per share in Highlands, with Highlands having the reciprocal option to require PanAust to subscribe for the shares. The PanAust Highlands Agreement provides the framework for the future relationship between PanAust and Highlands in relation to the Frieda River Joint Venture.

Dividends

On 21 February 2013, the PanAust Board of Directors declared an unfranked dividend of A$0.04 per share in respect of the year ended 31 December 2012. The final dividend was paid on 5 April 2013, and the Dividend Reinvestment Plan (DRP) was applied. A total of 1,404,136 ordinary shares were issued at a price of A$2.48 per share.

On 22 August 2013, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share in respect of the half-year ended 30 June 2013. The interim dividend was paid on 25 September 2013, and the Dividend Reinvestment Plan (DRP) was again applied. A total of 680,659 ordinary shares were issued at a price of A$2.25 per share.

On 20 February 2014, the PanAust Board of Directors declared a final unfranked dividend of A$0.03 per share in respect of the year ended 31 December 2013. The dividend amount has not been provided for in the financial report for the year ended 31 December 2013.

Operating and financial review

Key financial data (all figures 100%)	2013 US$000	2012 US$000	Change $	Change %
Sales revenue	725,048	712,696	12,352	2%
Operating results – EBITDA* (i) (iv)	272,454	331,079	(58,625)	-18%
Profit before income tax	69,426	211,947	(142,521)	-67%
Profit after income tax	43,696	158,328	(114,632)	-72%
Profit after income tax attributable to the owners of PanAust	36,383	141,979	(105,596)	-74%
Basic earnings per share US$ cents/share	6.12	23.98	(17.86)	-74%
Operating cash flow	171,541	214,897	(43,356)	-20%
Capital expenditure	(124,629)	(220,279)	95,650	43%
Exploration and evaluation expenditure	(48,373)	(67,872)	19,499	29%
Cash and cash equivalent	130,270	125,029	5,241	4%
Bank loans	(156,327)	(84,269)	(72,058)	-86%
Lease liabilities	(67,688)	(80,473)	12,785	16%
Gearing (%) (ii)	8.2%	3.8%	(N/A)	4.4%
Average price after realised hedging (iv)				
Copper US$/lb	3.34	3.64	(0.30)	-8%
Gold US$/oz (iii)	1,378	1,674	(296)	-18%
Silver US$/oz	22.80	32.11	(9.31)	-29%

(i) Operating results – EBITDA is an adjusted measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis equals net profit before tax excluding the effects of profit or loss items such as depreciation, amortisation, impairment, interest revenue and interest expense. This measurement also excludes the effects of change in fair value of available for sale assets, equity-settled share-based payments, exploration costs expensed and the provision for rehabilitation expensed (refer to note 4 of the consolidated financial statements).*

(ii) Gearing is calculated as net debt to net debt and equity.

(iii) Average gold price excludes the profit and loss impact of gold forwards closed out in 2010 (refer to note 5 in the financial statements).

(iv) This is a non-IFRS financial definition and has not been subject to audit by the Company's external auditor.

Operating and financial review (continued)

Strategic and operating context

PanAust has a focus on copper and the delivery of production goals and sustainable growth. Gold plays an important role in providing a measure of commodity diversity. PanAust has a reputation for delivering capital efficient mine developments with competitive operating cost structures.

A broad cash flow platform to support the Company's growth has been provided by the successful implementation of the Phu Kham Upgrade Project (expansion of capacity) and commencement of production at Ban Houayxai in 2012, together with the completion of the Phu Kham Increased Recovery Project in the June quarter 2013.

The business transitioned to being cash flow positive during the second half of 2013 following completion of a three-year capital development phase of our Lao operations which totalled circa US$350 million. The Ban Houayxai Gold-Silver Operation and expanded Phu Kham Copper-Gold Operation had their first full-year of operation in 2013 and the Phu Kham Increased Recovery Project was commissioned in the June quarter 2013

The Phu Kham Upgrade was required to ensure copper-gold production was maintained as mining operations transitioned from higher grade, transitional ore into lower grade primary ore in 2012. The Upgrade was designed to increase processing rates by 33% from 12 million tonnes per annum (Mtpa) to 16Mtpa while also incorporating a 50% increase in grinding and rougher flotation capacity. The relatively bigger increase in grinding and flotation capacity of the Upgrade coupled with an increase in re-grinding and flotation capacity delivered by the Increased Recovery Project has removed bottlenecks and provided a more flexible plant to optimise the recovery of copper from variable and complex ore-types at Phu Kham.

In 2011, the Company produced 59,897t of copper from 13.1Mt of ore at a grade of 0.65% copper. In 2012, 63,285t of copper was produced from 15.2Mt at 0.58% copper and in 2013, 64,885t copper was produced from 18.1Mt at 0.49% copper.

Over the corresponding years, copper recovery has improved by 5% from 69.9% in 2011 to 73.1% in 2013, while head grade has reduced by 25% and copper production has increased by over 8%.

Looking forward, in 2014 the Phu Kham Operation will have the benefit of a full year contribution from the Increased Recovery Project and copper production is expected to rise to a level between 65,000t and 70,000t copper (up to an 8% increase in production levels) despite head grade falling a further 10% to 0.44% copper. From 2015, head grades are scheduled to progressively increase with copper production expected to rise to peak levels of over 90,000t of copper in 2018 and 2019 as the full benefits of the Upgrade and Increased Recovery Project are realised.

Operational Free Cash Flow[2] (before regional exploration and new project evaluation work) is expected to more than double to approximately US$100 million (at US$3.25/lb copper) during 2014 following the successful completion of the Increased Recovery Project in 2013; a 50% reduction in sustaining capital; and improvements in stores and shared service management.

The increase in Operational Free Cash Flow will fund brownfield and generative exploration in Laos and the acquisition and planned study costs for the Frieda River Project in Papua New Guinea (once all of the conditions for the acquisition of an 80% interest in the Project have been satisfied).

[2] *Net cash flow from operations after tax, sustaining and development capital expenditure, net lease drawdowns and repayments, and corporate costs. The estimate assumes average gold and silver prices of US$1,300/oz and US$22/oz respectively.*

Operating and financial review (continued)

Profit after income tax

Profit after income tax decreased 72% to US$43.7 million despite higher revenue compared to the prior year. Substantial one-off impairments and increased depreciation have impacted this result.

The 2013 results captured a full twelve months of production and operating costs from Ban Houayxai (compared to seven months in 2012) and a full-year of expanded operations at Phu Kham (following the completion of the Phu Kham Upgrade at the end of October 2012). However, copper, gold and silver prices were lower.

Depreciation and amortisation charges increased commensurate with the first full-year of depreciation at Ban Houayxai and the Phu Kham Upgrade, and the commencement of depreciation of the Increased Recovery Project from July 2013.

PanAust Group sales revenue for the year ended 31 December 2013 increased by US$12.4 million (2%) compared to the previous corresponding period (US$712.7 million).

Phu Kham contributed US$557.9 million to Group revenue (before derivative gains/losses) – down 6% compared to the previous year. Tonnes of copper sold increased 5% from the previous year, while the average realised price of copper (before derivative gains/losses) was 10% lower. Ounces of gold sold increased 21% from the previous year, while the average realised price of gold received was 20% lower.

The benefit of a full twelve months of gold-silver doré sales at the Ban Houayxai operation in 2013 (compared with seven months in 2012) more than offset the lower Phu Kham sales revenue. Overall, Ban Houayxai contributed US$171.2 million in sales revenue in the reporting period, representing 24% of Group sales revenue.

Copper derivative gains of US$7.3 million were recognised for the year ended 31 December 2013, partially offsetting the decreased revenue from the fall in copper prices, compared with a US$9.3 million loss in 2012.

Mine site operation costs increased US$50.2 million (23%) to US$266.6 million reflecting a full-year of production from the Ban Houayxai operation in 2013, together with increased material mined and processed at Phu Kham. The increase in absolute costs at Phu Kham was primarily due to a 22% increase in total material mined and a 21% increase in ore processed.

Employee benefits expense increased year-on-year by 19% to US$89.8 million, mainly attributable to a full-year of production at Ban Houayxai in 2013 and the transfer of employees from construction and pre-operating duties (where costs are capitalised) at Ban Houayxai, the Phu Kham Upgrade and Increased Recovery Project to commercial production operational duties (where costs are expensed). Total Group employees increased by 10% to 3,643 over the 12 months to 31 December 2013, primarily due to the additional material movement required at Phu Kham, and the conversion of contractor concentrate haulage drivers and security personnel to permanent employees.

Changes in the value and volume of inventories during 2013 resulted in a year-on-year increase in the value (at cost) of stockpiles on hand at 31 December 2013 of US$14.8 million, comprising gold doré and gold in circuit valued at US$6.8 million, copper-gold concentrate valued at US$8.1 million and stockpiles of ore valued at US$30.1 million; compared to values at 31 December 2012 of US$7.1 million, US$10.8 million and US$12.2 million respectively.

Depreciation and amortisation charges increased year-on-year by US$34.9 million. The increase is attributable to a full-year of depreciation of Ban Houayxai assets, Phu Kham Upgrade plant assets and associated mobile equipment which were all commissioned during 2012, and the Increased Recovery Project commissioned in the June quarter 2013.

Operating and financial review (continued)

Profit after income tax (continued)

Impairment charges totalling US$50.9 million were recognised that comprised US$27.1 million for discontinued exploration and evaluation projects (including KTL Project stand-alone processing studies and capitalised exploration costs at the nearby Tharkek deposit where no further exploration work is currently planned) and US$23.7 million in relation to the Company's joint venture investment in the Puthep Copper Project in Thailand. PanAust commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner during the first half of 2011. With no plans to develop the asset and no purchaser emerging from the sales process the Company has recognised an impairment provision of the total investment in Puthep as at 31 December 2013.

Interest and finance charges, including the put option (copper hedging) premium expense incurred in 2012, increased $2.4 million year-on-year to US$21.9 million, in line with additional debt drawn during 2013. Total debt drawn increased by US$77 million to US$162 million as at 31 December 2013.

EBITDA

EBITDA decreased US$58.6 million (18%) year-on-year to US$272.5 million. Increased sales from a full-year of production at Ban Houayxai, favourable realised gains from copper hedging transactions and favourable non-cash adjustments for deferred waste were negated by lower commodity prices and an increase in total operating costs. The increase in operating costs was commensurate with a full-year of operations at Ban Houayxai and a full-year of expanded operations at Phu Kham following the completion of the Phu Kham Upgrade.

Operating cash flow

Operating cash flow decreased 20% year-on-year to US$171.5 million in 2013. This decrease is largely a reflection of: lower realised copper, gold and silver prices; higher total costs associated with an increase in material mined and processed; and a build-up of stores inventory relating to the first full-year of operations at Ban Houayxai and the increase in material mined and processed at Phu Kham.

Capital expenditures

Overall capital expenditure decreased by US$118.4 million (40%) during the year.

Development costs decreased by US$108.5 million, to US$25.6 million (relating to the Increased Recovery Project), following the completion of the Company's major development phase in Laos which commenced in 2010. This phase of development ended in the 2013 June quarter with the completion of the Increased Recovery Project. In the prior reporting period, funds were being expended on projects associated with the construction of the Ban Houayxai operation and the Phu Kham Upgrade.

Property Plant and Equipment expenditure increased 15% year-on-year to US$99.0 million. This mainly comprised US$20 million spent on road upgrades and regional development, Tailings Storage Facilities (TSF) expenditure of US$27.1 million and US$24.5 million of expenditure on deferred stripping costs (reallocated to Property Plant and Equipment in 2013 due to the change in accounting treatment resulting from IFRIC20). The remaining balance relates to the refurbishment, replacement and purchase of various property, plant and equipment and construction projects.

Exploration and evaluation expenditure in Laos decreased 43% year-on-year to US$24.6 million, predominantly relating to the completion of the resource drilling component of several studies. In Chile, exploration and evaluation expenditure decreased US$1 million year-on-year to US$23.8 million. 2014 expenditure on the Inca de Oro Project and the Carmen deposit will fall significantly with the completion of resource drilling and as the joint venture focuses on engineering and optimisation studies.

Operating and financial review (continued)

To ensure the optimal structure for a geographically diverse business, PanAust is structured into three business units: PanAust Asia, PanAust South America, and Project Development. Corporate functions provide support to the three business units, in particular financial control; strategic direction: management of Group-wide geological activities (including exploration) and the oversight of the corporate governance function.

The following sections report on operations, exploration and project development activity within the PanAust Asia and the PanAust South America business units.

PanAust Asia

Key operational data	Measure	2013	2012	Change	Change %
Phu Kham Copper –Gold Operation					
Ore mined	t	21,018,966	13,909,428	7,109,538	51%
Waste mined	t	21,823,754	21,297,275	526,479	2%
Total material mined	t	42,842,720	35,206,703	7,636,017	22%
Total material milled	t	18,286,148	15,151,624	3,134,524	21%
Concentrate produced	dmt	283,818	267,383	16,435	6%
Copper produced	t	64,885	63,285	1,600	3%
Gold produced	oz	71,223	59,516	11,707	20%
Silver produced	oz	317,754	469,945	(152,191)	-32%
Payable copper in concentrate sold	t	62,611	59,357	3,254	5%
Payable gold in concentrate sold	oz	71,919	59,480	12,439	21%
Payable silver in concentrate sold	oz	304,185	424,001	(119,816)	-28%
Ban Houayxai Gold-Silver Operation (i)					
Ore mined	t	5,243,062	3,932,150	1,310,912	33%
Waste mined	t	2,755,948	2,932,899	(176,951)	-6%
Total material mined	t	7,999,010	6,865,049	1,133,961	17%
Total material milled	t	4,454,449	2,663,737	1,790,712	67%
Gold poured	oz	112,546	76,449	36,097	47%
Silver poured	oz	637,603	146,742	490,861	335%
Payable gold in doré sold	oz	112,418	72,557	39,828	55%
Payable silver in doré sold	oz	618,782	131,178	487,213	370%

(i) The first gold-silver doré was poured at the Ban Houayxai Gold-Silver Operation on 1 May 2012; commercial production was declared from 1 June 2012.

Operating and financial review (continued)

PanAust Asia (continued)

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

Phu Kham finished the year strongly with several production records achieved during the December quarter. During the year a total of 18.3Mt (million tonnes) of ore was processed to produce concentrate containing 64,885t of copper, 71,223oz of gold and 317,754oz of silver. The average C1[3] cash cost was US$1.36/lb copper after precious metal credits. The all-in sustaining cost (including indirect costs; royalties; sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised) for the full-year 2013 was US$2.37/lb after precious metal credits. The benefits of the successful completion of the Increased Recovery Project in the June quarter were reflected in the operational performances for the December half as improved copper and gold recovery rates were sustained with increased processing rates.

Phu Kham Increased Recovery Project

The Phu Kham Increased Recovery Project was completed in the June quarter, several months ahead of schedule and approximately US$10 million below the budget of US$45 million. The Project is designed to increase metallurgical recovery rates for copper and gold.

Improved recovery rates were achieved in the second half of the year following commissioning of the Increased Recovery Project with recovery rates consistent with the mix of transitional ores processed. The average December half copper recovery was 74.9% and gold recovery was over 50%. Further improvements in recovery rates are scheduled for 2014 as ore quality improves.

Tailings Storage Facility

Sustaining capital expenditure at Phu Kham has historically been dominated by development costs associated with progressive construction of the Tailings Storage Facility (TSF) retaining wall. The most recent TSF lift was completed during the June 2013 quarter, and has resulted in a substantial increase in tailings catchment. It is envisaged that future annual expenditures for TSF construction will be significantly reduced.

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

Ban Houayxai performed strongly during the year with ore processing rates well in excess of the design capacity of 4Mtpa achieved on a blend of softer ores. During the year a total of 5.2Mt of ore were processed to produce doré containing 112,546oz of gold and 637,603oz of silver. The silver grade of ore processed has steadily increased with a greater proportion of transitional ore in mill feed.

The Operation has emerged as a low cost gold producer on both a C1[4] cash cost and an all-in sustaining cost basis. The average C1 cash cost was US$611/oz gold after silver credits. The all-in sustaining cost for the year was US$964/oz gold after silver credits.

[3] *Average C1 cash cost is per pound of payable copper produced, net of gold and silver by-product credits (C1, Brook Hunt Convention).*
[4] *Average C1 cash cost is per ounce of gold produced, net of silver by-product credits (C1, Brook Hunt Convention).*

Operating and financial review (continued)

PanAust Asia (continued)

KTL (formerly Phonsavan) Copper-Gold Project, Laos (PanAust 90%)

KTL is the most advanced pre-development project in Laos. The Project is focused on the KTL copper-gold deposit which lies close to the town of Phonsavan and existing road infrastructure.

A study has evaluated development options for the KTL copper-gold deposit including the development of a stand-alone integrated open pit mining and flotation processing operation, and a low-capital alternative under which high-grade zones within the deposit are mined with crushed ore trucked 100 kilometres south to Phu Kham. An options analysis has demonstrated that the economics favour the latter low-capital option.

Under the trucking option, high grade KTL copper mineralisation will augment the feed to the Phu Kham SAG mill which has a nominal capacity of 20Mtpa. Currently, processing rates at Phu Kham are constrained by the primary crusher, which limits the plant capacity to 18 to 18.5Mtpa. Delivery of KTL crushed ore to the SAG mill will bypass the current processing constraint at Phu Kham and provide options for further increases to copper and gold production at Phu Kham from 2017 for a four to seven year period either through additional processing rates and/or deferral of lower grade feed.

The study and an inaugural Ore Reserve estimate will be completed during the March 2014 quarter. The Ore Reserve estimate for the KTL deposit will be reported as a subset of the aggregated Ore Reserves for the Phu Kham Operations. No further work is planned on the development of a stand-alone open pit mining and flotation processing operation at the KTL deposit.

An analysis has been undertaken on the capitalised costs recorded for both the Tharkek and Phu Nhoun copper-gold deposits located in the Phonsavan area. Tharkek and Phu Nhoun may host small economic (high grade zones) for trucking to Phu Kham but none have been identified after several years of evaluation. Thus, an impairment charge for these exploration costs (based on drill metres) totalling $21.4 million has been recognised as at 31 December 2013.

Phu Kham district incorporating Long Chieng Track (LCT), and Nam Ve, Laos (PanAust 90%)

The Phu Kham district is a high priority target for exploration and resource development. Several exploration targets including the LCT deposit have been identified in a corridor, which stretches northwest of Phu Kham for at least 13 kilometres to the Nam Ve prospect.

<u>LCT</u>

The LCT deposit outcrops and extends over a strike length of approximately 450 metres in a northeast-southwest direction, dipping steeply to the northwest and remains open down-dip and along strike.

The deposit comprises two broad zones of poly-metallic mineralisation associated with a silicified breccia complex that hosts a series of porphyritic intrusions. An upper zone is gold and silver rich while the lower zone contains base metals together with gold and silver.

A scoping study has confirmed the need to define additional resources at LCT or the nearby Nam Ve prospect before further studies are warranted.

<u>Nam Ve</u>

Exploration drilling is targeting zones of high-grade gold mineralisation and copper-gold mineralisation. The mineralisation is hosted in quartz veins/lodes and is similar to the quartz veins present at the LCT deposit.

Operating and financial review (continued)

PanAust Asia (continued)

Borrowings

On 22 January 2013, Phu Bia Mining Limited entered into amended and restated facilities agreements for debt facilities totalling US$275 million. The facilities comprise a US$250 million revolving debt facility with a syndicate of seven banks, and a US$25 million working capital facility. The revolving debt facility replaced the previous US$120 million facilities entered into in 2010 which were scheduled to mature in 2013.

The new four-year facility has an interest rate of US LIBOR plus 3.5% (plus political risk insurance) and is also secured by the Group's assets in Laos. Funds will be used for general corporate purposes including the funding of working capital and operating expenses, and to fund capital expenditure on growth projects in Laos. Improved terms include a reduced margin and the absence of the requirement for mandatory long term hedging.

More information on borrowings can be found in note 19 in the financial statements.

PanAust South America

Inca de Oro Copper-Gold Project, Chile (60.45% PanAust, joint venture with Codelco and minority interests)

Over the next few months, the joint venture will conduct a review of the extended feasibility study for the Inca de Oro Project in Chile following completion of resource drilling at the Carmen deposit and after identifying the potential for the provision of more competitively priced power and a low-cost solution to the supply of water to site.

The extended feasibility study has been evaluating the potential for existing oxide and additional sulphide resources to make a material contribution to the Project. The joint venture will consider an analysis of different options for project scale from a down-scaled higher grade 9Mtpa processing rate to an expanded 18Mtpa processing rate. Initial evaluations favour the smaller, higher grade approach, which would provide improved operating costs over the first ten years of project life.

With the completion of the resource drilling and commencement of the joint venture review, expenditure on the Project will be significantly reduced during 2014. Once the preferred development option is selected, further evaluation expenditure will be limited to definitive engineering studies and documentation.

Carmen Copper-Gold Deposit, Chile (100% PanAust)

A program of resource definition and infill drilling was undertaken during 2013 at the Carmen deposit which is situated approximately 14 kilometres southwest of Inca de Oro. This drill program was concluded in early 2014.

Interpretation of drill data has identified two phases of mineralisation: an iron oxide copper-gold phase overprinted by later porphyry-style mineralisation. A revised Mineral Resource estimate has been reported to the Australian Securities Exchange (ASX) in February 2014.

Likely developments and expected results of operations

As previously advised, PanAust estimates Group full-year 2014 production of between 65,000t and 70,000t copper in concentrate, 160,000oz to 165,000oz gold and 1,200,000oz of silver in concentrate and doré. EBITDA for the 2014 year is expected to be between US$200 million and US$225 million assuming an average copper price of between US$3.20/lb and US$3.40/lb.

In 2014, the Phu Kham Operation will have the benefit of a full year contribution from the Increased Recovery Project and copper production is expected to rise to a level between 65,000t and 70,000t copper (up to an 8% increase in production levels) despite head grade falling a further 10% to 0.44% copper. The average C1 cash cost is expected to be between US$1.50/lb to US$1.60/lb copper reflecting increased year on year open pit waste strip requirements, higher benchmark TC/RC charges and scheduled lower copper and gold grades. Peak life-of-mine material movements in the open pit are scheduled for 2014 with 52 million tonnes mined (waste to ore ratio 1.7 to 1 versus 1.0 to 1 in 2013). Approximately 30% of total material mined will be capitalised as deferred waste and low grade ore stocks. The mill is scheduled to process 18.5Mt of ore.

From 2015, head grades are scheduled to progressively increase at the Phu Kham Operation with copper production expected to rise to peak levels of over 90,000t of copper in 2018 and 2019 as the full benefits of the Upgrade and Increased Recovery Project are realised.

At Ban Houayxai, gold production is expected to be approximately 100,000oz in 2014 at an average C1 cash cost between US$650/oz and US$700/oz gold. Mill throughput is scheduled to be 4.8Mt in 2014, 20% above design, despite harder transitional ores being scheduled, while the benefits of higher silver head grade should largely offset the effect of the increased power draw on operating costs.

Given the Phu Kham and Ban Houayxai operations have performed consistently to design and plan, the Company considers its exposure to commodity prices as the most significant risk to achieving anticipated financial outcomes.

The preferred development option for the Inca de Oro Project is likely to be determined during 2014. Subject to the conclusion of several commercial negotiations including negotiations in relation to the supply of water and power, then the joint venture will proceed to complete the extended feasibility study to a definitive standard.

It is anticipated that the acquisition of a majority interest in the Frieda River Project in PNG will be concluded during 2014. Under the sale and purchase agreement, the initial consideration comprises US$75 million in two instalments. The first instalment is US$25 million payable on transaction close. The second instalment (which is subject to consumer price index escalation) is US$50 million payable on 31 December 2015. In addition, upon successful completion of a development at Frieda River, the vendor will receive a 2% net smelter return (on PanAust's interest in the project) to a total aggregate amount of US$50 million (again, subject to consumer price index escalation). Lastly, if the acquisition of the majority interest in the Frieda River Project completes, it is anticipated that the Company will invest a further A$5 million in Highlands following its initial A$5 million investment in November 2013.

Risks

PanAust uses risk and incident management systems, combined with auditing and benchmarking processes to proactively identify, evaluate, prioritise and manage risks (as set out by the Enterprise Risk Management (ERM) Policy) applied uniformly across all business processes and projects in development.

The PanAust Group Executive Management Team guides corporate risk strategy and provides senior management oversight of strategic issues. It has responsibility for a high-level risk register that identifies key material business risks relevant to PanAust at the Group level. This methodology cascades through the organisation. Each of the Company's business units as well as each General Manager within these has responsibility for a high-level risk register relevant to the business unit and/or operation/department.

Risks (continued)

The Executive Management Team undertake a workshop each year to identify key material risks based on ERM criteria and review current controls from a change management perspective. The last peer review was undertaken in December 2013.

Seven Group level material risks have been identified. Controls are in place for each risk:

- Business Interruption

Likely Causes: extended unplanned stoppage at Phu Kham caused by interruption to electricity supply; major plant, crusher or mill failure; major pit wall failure; inability to transport concentrate; high rainfall event and uncontrolled discharge that results in regulators suspending operational activities and/or a material security event.

- Failure to deliver board approved development projects within design, budget and schedule

Likely Causes: costs exceed budget; excessive scope changes; schedule is delayed; project fails to achieve performance objectives.

- Loss of Managing Director with Executive General Manager or Chief Financial Officer; or the Managing Director and a majority of of Board members

Likely Causes: accident or security incidents during transit via road, air or boat to projects; major health condition arises for Managing Director and Executive General Managers/CFO; exposure to tropical disease during transit in high risk areas.

- Financing risks associated with a breach in parameters that the Board has endorsed

Likely Causes: oversupply of copper relative to demand regionally or globally; fall in copper price to below a defined threshold; bank liquidity restricted impacting debt market behaviour; change in bank perception of operational fundamentals and/or copper price outlook.

- Skills shortage and the ability to attract and retain people

Likely Causes: highly competitive conditions when recruiting for critical roles; major reputation issues emerge (governance, significant environmental, social or safety issue); uncompetitive remuneration structure; lack of internal development opportunities; project ramp up schedules do not match the timeframe required to recruit suitable candidates.

- Significant safety, environment, or social incident affecting the corporate reputation

Likely Causes – multiple fatality incident; deterioration in regional security; tailings breach or significant acid rock drainage (ARD) or copper laden water incident external to the operating area; significant cyanide incident; local unrest including escalating community grievances.

- Disclosure risks (including continuous disclosure risks)

Likely Causes: failure to give accurate, timely and appropriate disclosure.

Sustainability and safety

PanAust recognises that sustainable development is essential for its ongoing success in Southeast Asia and South America. The Company has prioritised community development and environment protection to ensure it meets the global demand for copper and precious metals in a responsible way. The Company has made a substantial contribution to improving the living standards within its host communities, such that it will provide ongoing benefits to future generations.

PanAust's approach to sustainability is derived from the strong ethical foundation outlined in its Vision and Values and from its high standards of corporate governance. In 2013, the Company published the "PanAust Way", a practical guide to the Company's expectations of employee conduct while at work, including standards of behaviour, employee interaction and external stakeholder engagement.

The Company has a well-established sustainability framework that encourages continual improvement in its sustainability performance. The sustainability framework includes an overarching Sustainability Policy, performance standards and support systems, including an integrated Enterprise Risk Management system to identify material risks and to ensure control measures are in place to reduce the likelihood of those risks occurring and their potential impact.

The Sustainability Committee, a committee of the PanAust Board, provides oversight for the Company's sustainability activities. Measurable objectives form part of the Company's strategy and each executive's critical tasks.

Fourteen Sustainability Standards have been developed to ensure consistent implementation of sustainability principles across the Group. The Standards relate to: leadership; legal requirements; planning; risk; health and hygiene; environment; community; training; communication; supplier management; incident management; crisis and emergency response; auditing; and stakeholder engagement .

PanAust measures its sustainability performance against the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability for operational activities. The Company also applies external standards and principles provided by the ASX, the Minerals Council of Australia, the International Council on Mining and Metals, the Voluntary Principles on Security and Human Rights, and the International Cyanide Management Institute. As a minimum, the Company is committed to complying with applicable legal requirements in host countries as well as voluntary commitments such as the Mineral Council of Australia's Enduring Value Framework.

PanAust is committed to transparent reporting. The Company has adopted the Global Reporting Initiative framework (GRI –G3) and in 2013 achieved an A+ limited assurance against the ISAE 3000 and AA1000 Assurance Standard for its 2012 Annual Sustainability Report. The process assesses the accuracy, materiality, completeness and responsiveness of the information and data contained in the Company's report. Further detail on the Company's sustainability performance is provided in the Company's Annual Sustainability Reports (the 2013 Sustainability Report is due to be released in the second quarter of 2014). In 2013, PanAust also sought feedback from external stakeholders on sustainability issues through an investor roadshow which was well attended by investors and other interested parties including non-government organisations (NGOs).

Each year, the Company publicly reports its carbon emissions data via the Carbon Disclosure Project (CDP). The CDP is an international, not-for-profit organisation that provides a framework for companies to disclose their impacts on the environment and natural resources, along with the actions taken to reduce those impacts.

Sustainability and safety (continued)

Contributions to local communities

PanAust supports community development in villages affected by its mining operations, exploration activities and haulage activities through dedicated community development funds. The programmes funded by the Company are designed to reduce poverty, improve living conditions and promote livelihood improvements that are sustainable beyond the life of the mining operations. Community development activities target five main areas: education, health, agriculture, infrastructure, and microfinance. The programmes are identified, prioritised and implemented with the active participation of local communities and in close coordination with local and national government authorities.

In 2013, approximately US$900,000 was spent on community development projects in Laos. A total of 75 new projects were initiated in 46 rural communities impacted by, or associated with, Company operations at Phu Kham, Ban Houayxai, Phonsavan and remote exploration sites.

The Company continues to promote income generating opportunities for local communities, mainly through supply of fresh produce and small goods to the mine and camps. Local small-holders earned a total cash income of approximately US$644,000 in 2013 through the sale of fruit and vegetables, eggs, fish, and geological sample bags to the Company. This is a significant income boost in a remote and poor area of Laos that until PanAust's arrival was essentially a cashless society dependent on subsistence farming and barter trade. Not only do these programs provide significant cash income for the roughly 200 participating families, they also promote gender empowerment (many of the participants are female) and improve the nutrition and dietary intake in local communities.

In October 2013, PanAust entered into a partnership with the Asian Development Bank (ADB) and the Government of Laos to deliver clean water and improved sanitation facilities to residents of 11 towns in Laos. PanAust will contribute US$6 million to the US$46.5 million six-year project, making it the first private sector donor to partner with the ADB for one of its sovereign projects. Around 160,000 people (more than 2% of the national population) will gain access to clean water, improved sanitation and health. The project will make a significant contribution to the Government of Laos' efforts to achieve the United Nations Millennium Development Goals to improve health and eradicate extreme poverty.

The Company's community programs have been recognised internationally with five sustainability awards since 2010. Most recently, the Company won the 2013 Sustainability Leadership award at the Asia Mining Congress for creating business opportunities for ethnic groups and females in rural mining communities in Laos.

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

There were no significant community incidents during the year ended 31 December 2013 (2012: nil).

Sustainability and safety (continued)

Safety

PanAust's safety performance is a strong focus of the Company.

PanAust's 2013 Total Recordable Injury Frequency Rate (TRIFR) of 1.72 represented a 20% per cent year-on-year improvement from the Company's 2012 TRIFR of 2.15.The Company's 2013 Lost Time Injury Rate (LTIFR) was 0.31 (2012 LTIFR: 0.15).

PanAust's year-end safety results compare favourably with the Citigroup report *Safety in the Spotlight,* published in February 2014, which reports performance on "ASX 100 Companies and More". Based on the rankings of ASX companies for 2013 PanAust is ranked sixth best out of 78 companies reporting on LTIFR and third out of 43 companies reporting TRIFR.

The Company's objective is to continue improving its safety performance through visible safety leadership and targeting "hotspot" areas including contractor management, working at heights, passenger transport and vehicle safety specifications.

Environment

The key environmental risks for PanAust's operations in Laos are water management, erosion and sediment control, ARD at Phu Kham and cyanide management at Ban Houayxai. PanAust's ARD management has been recognised internationally as industry leading practice. In 2013, the Ban Houayxai operation received operational certification to the International Cyanide Management Code.

There were no significant environmental incidents (Level 4 or 5 incidents as detailed in the 2013 Sustainability Report) during the year ended 31 December 2013 (2012: nil).

Water management measures at both the Phu Kham Copper-Gold and the Ban Houayxai Gold-Silver Operations resulted in good performance over the 2013 wet season. Both sites undertook controlled discharges, monitored by the Company and officials from the Government of Laos. The quality of water discharged is measured for compliance with IFC water-quality guidelines, and Lao ambient water-quality.

Under the Corporations Act 2001, the Company is required to report on its performance in relation to Australian environmental regulations. The Company owns a non-controlling interest in the Darlot South Joint Venture in Western Australia. The Darlot South Joint Venture is subject to the environmental laws of Western Australia and the Commonwealth of Australia. Barrick (Darlot) N.L., part of the Barrick Gold Corporation, is the operator of the Darlot South Joint Venture. The Company is not aware of any breach of any environmental laws by the operator and has fully complied with its obligations as a non-controlling holder of tenements.

Group employees

The Group had 3,643 permanent employees, including staff on fixed term contracts, as at 31 December 2013 (2012: 3,317 employees).

Group legal structure

Corporate Structure in Laos

PanAust owns a 90% interest in the Lao registered company, Phu Bia Mining Limited (Phu Bia Mining), through the Company's wholly owned subsidiary, Pan Mekong Exploration Pty Limited. Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates exploration and mining within a 2,600 square kilometres contract area in Laos.

The Government of Laos acquired a 10% interest in Phu Bia Mining in August 2012, with the purchase price to be paid via the Government of Laos forgoing dividends under the terms of the Phu Bia Mining Shareholders Agreement and the Share Transfer Agreement.

Corporate Structure in Thailand

PanAust holds a shareholding interest of 49% in the Thai registered company, Puthep Co., Limited (Puthep) through the Company's wholly owned subsidiary PNA (Puthep) Pty Limited. Padaeng Industry Public Company Limited (Padaeng) owns the other 51% interest in Puthep. Puthep has a concession agreement with the Government of Thailand. The concession covers the two deposits (the PUT1 and PUT2 deposits) that comprise the Puthep Copper Project.

Corporate Structure in Chile

PanAust owns a 100% interest in PanAust Atacama SpA which owns the Carmen deposit and a 60.45% beneficial interest in Inca de Oro S.A., the owner of the Inca de Oro Project in Chile. Codelco has a 34% interest in Inca de Oro S.A., while an independent private company holds a 5.55% beneficial interest.

Information on directors

Garry Hounsell B.Bus. (Accounting) FCA CPA FAICD- Chairman, Non-Executive Director, Age 59
Mr Hounsell is an accountant with significant experience as a director of large listed public companies. He is a Fellow of The Institute of Chartered Accountants in Australia and a Fellow of The Australian Institute of Company Directors. Prior to accepting positions as a public company director, Mr Hounsell was a senior partner of Ernst & Young and Country Managing Partner and Chief Executive Officer of Arthur Andersen. He was the 'signing partner' for the audit of BHP Billiton Limited from 2000 to 2002. From 2005 to 2007, he was an executive of Investec Bank (Australia) Limited.

During the past three years, Mr Hounsell has also been a Director of the following ASX listed companies:

- Qantas Airways Limited*
- Orica Limited
- Dulux Group Limited*
- Nufarm Limited
- Mitchell Communications Group Limited
- Treasury Wine Estates Ltd*

** denotes current directorship*

Appointed Director and Chairman of PanAust on 1 July 2008, Mr Hounsell was also appointed as Chairman of the Nominations Committee. He is also a member of the Audit Committee and the Remuneration Committee.

Interests in shares and options
At the date of this report, Mr Hounsell has a direct interest in 193,000 ordinary shares in PanAust and an indirect interest through the Hounsell Superannuation Fund in 17,000 shares.

Gary Stafford B.Sc. (Hons, Mining Engineering) MAusIMM - Managing Director, Age 53
Mr Stafford is a mining engineer with 31 years' experience in the mining industry, initially in engineering and management positions at coal and gold mines with CRA, BHP and Barrack Mine Management before moving into company management with Saracen Minerals Limited (a subsidiary of Crusader Limited) and then PanAust. Gary Stafford has been Managing Director since 7 March 1996 and has presided over the Company's growth from a junior exploration company to an S&P/ASX 200 mining company.

Mr Stafford is also a member of the Nominations Committee.

Interests in shares and options
At the date of this report, Mr Stafford's interest in PanAust securities comprises: a direct interest in 2,716,506 ordinary shares and 7,604,453 shares issued under the PanAust Long Term Share Plan (held in trust until vesting) of which 1,764,725 have vested at 31 December 2013. Mr Stafford also has an indirect interest in PanAust of 925,723 ordinary shares held by The Spellbrook Superannuation Fund of which Mr Stafford is a beneficiary.

Information on directors (continued)

Nerolie Withnall BA, LLB. FAICD - Non-Executive Director, Age 69
Mrs Withnall is a former commercial lawyer with specialist skills in the areas of corporate advice, capital raisings, takeovers and corporate trusts. Mrs Withnall is a former partner of the national law firm Minter Ellison. Mrs Withnall has previously served as a member of the Takeovers Panel and the Corporations and Markets Advisory Committee. Mrs Withnall is also a former member of the Senate of the University of Queensland and is currently a director of ARU Limited (Australian Rugby Union).

During the past three years, Mrs Withnall has also served as a Director of the following ASX listed companies:

- ALS Limited* (Chairman)
- Alchemia Limited
- Computershare Limited*
- Redcape Property Fund Limited (formerly Hedley Leisure & Gaming Property Partners Limited)

** denotes current directorship*

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

Interests in shares and options
At the date of this report, Mrs Withnall has a direct interest in 78,998 ordinary shares in PanAust.

Geoff Handley BSc (Hons, Geology and Chemistry) MAusIMM FAICD. Acc. Dir - Non-Executive Director, Age 64
Mr Handley is a geologist with over 30 years' experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Ltd., as a chemist and geologist for Placer Exploration Ltd. and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Ltd. as a senior geologist and was responsible for the exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Most recently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development and strategic planning.

During the past three years, Mr Handley has also served as a Director of the following listed companies:

- Eldorado Gold Corp.* (listed on the TSX and NYSE)
- Endeavour Silver Corp.* (Chairman) (listed on the TSX and the NYSE)
- Mirabela Nickel Limited (listed on the ASX and the TSX)

** denotes current directorship*

Appointed Director on 29 September 2006, Mr Handley is also the Chairman of the Remuneration Committee and is a member of the Nominations Committee.

Interests in shares and options
At the date of this report, Mr Handley's spouse, a related party of the Company for the purposes of the Corporations Act 2001, has 54,202 ordinary shares in PanAust.

Information on directors (continued)

Geoff Billard B.Econ, B.Com. (Hons, Economics) FCPA FAICD - Non-Executive Director, Age 69
Mr Billard is an economist who has achieved wide career experience in the mining industry. This included some 20 years with CRA (now Rio Tinto) at Bougainville Copper, Argyle Diamonds and as Managing Director (Group Financial Services), before taking up senior executive positions with Pasminco and M.I.M. Holdings Limited in operational, marketing, finance, new project development and technology roles. From 1998 until 2008, Mr Billard operated his own consulting business providing specialist advisory services on strategic projects for both corporate and government clients. In this capacity, he has previously assisted PanAust in forming and implementing corporate strategy and organisational change.

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

Appointed Director on 1 July 2008, Mr Billard is also a member of the Sustainability and Audit Committees.

Interests in shares and options
At the date of this report, Mr Billard has an indirect interest in 31,417 ordinary shares through an Asgard Capital Management Limited fund.

Zezhong Li M.Laws, M.Public Administration International Development - Non-Executive Director, Age 43
Mr Zezhong Li is the President of Guangdong Rising Assets Management (GRAM), a position which he has held since May 2013 after previously being Vice President from November 2008. Mr Zezhong Li is GRAM's nominee Director on the Board of PanAust. GRAM is a cornerstone investor in PanAust. Mr Zezhong Li joined the Board following the completion of the share placement to GRAM in September 2009.

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

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

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

* *denotes current directorship*

He is also Chairman of Caledon Coal Pty Ltd, a wholly owned subsidiary of GRAM.

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

Interests in shares and options
At the date of this report, Mr Zezhong Li did not have a direct or an indirect interest in PanAust.

Information on directors (continued)

John Crofts B.Bus (Transport, Economics & Accounting) - Non-Executive Director, Age 49
Mr Crofts brings to the Board over 20 years' experience in the resources industry and valuable knowledge of the global copper sector.

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

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

Appointed Director on 17 September 2010, Mr Crofts is also the Chairman of the Sustainability Committee.

Interests in shares and options
At the date of this report, Mr Crofts has an indirect interest in 41,739 ordinary shares through a BT Funds Management Limited fund.

Ken Pickering B.A. Science (Mineral Engineering) - Non-Executive Director, Age 66
Mr Pickering has 40 years' experience in the resources industry in Canada, Chile, Australia, Peru and the United States of America with particular skills in major project development and mine (operations) management.

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

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

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

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

** denotes current directorship*

Appointed Director of PanAust on 28 October 2011, Mr Pickering is also a member of the Sustainability and Remuneration Committees.

Interests in shares and options
At the date of this report, Mr Pickering has a direct interest in 20,000 ordinary shares in PanAust.

Information on directors (continued)

Annabelle Chaplain BA, MBA FAICD - Non-Executive Director, Age 56
Ms Chaplain is a former investment banker with extensive financial services experience having worked with leading international banks in project finance, corporate lending and treasury roles. She currently serves as a member of the board of EFIC, the Australian government's export credit agency. In addition, Ms Chaplain has experience as a non-executive director of companies involved in the provision of critical infrastructure and was recently appointed as chairman of Queensland Airports Ltd effective 1 January 2014.

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

- Downer EDI Limited *
- Coal & Allied Industries Limited

* *denotes current directorship*

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

Interests in shares and options
At the date of this report, Ms Chaplain has an indirect interest in 51,264 shares in PanAust as held by WWSC Pty Ltd as trustee for the Willem A Willink Superannuation Fund of which Ms Chaplain is a beneficiary.

Company secretary

Paul Martin Scarr B.Com, LLB (Hons), Grad. Dip. App. Corp. Gov., ACIS
Mr Scarr is a Chartered Secretary and associate member of the Chartered Secretaries Institute of Australia. He has over 20 years' experience as a lawyer and is admitted to practise in both Australia and Papua New Guinea. Prior to joining PanAust, he worked in private practice with both Allens Arthur Robinson and Mallesons Stephen Jacques. During that period, he advised publicly listed companies in relation to their obligations under the Corporations Act and the ASX Listing Rules. He has particular expertise in advising clients in the mining industry in Australia, Papua New Guinea and Southeast Asia. Mr Scarr is responsible for the company secretarial function, corporate governance issues and the legal function of the Company.

Appointed Company Secretary on 23 February 2007.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 31 December 2013, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees							
			Nominations		Remuneration		Sustainability		Audit	
	A	B	A	B	A	B	A	B	A	B
Garry Hounsell	7	7	1	1	5	5	*	*	4	5
Gary Stafford	7	7	1	1	*	*	*	*	*	*
Nerolie Withnall	7	7	1	1	5	5	*	*	5	5
Geoff Handley	7	7	1	1	5	5	*	*	*	*
Geoff Billard	7	7	*	*	*	*	4	4	5	5
Zezhong Li	7	7	*	*	*	*	3	4	*	*
John Crofts	7	7	*	*	*	*	4	4	*	*
Ken Pickering	7	7	*	*	5	5	4	4	*	*
Annabelle Chaplain	7	7	*	*	*	*	*	*	5	5

A - Number of meetings attended
B - Number of meetings held during the time the Director held office or was a member of the committee during the year
* Not a member of the relevant committee

Remuneration report

The remuneration report outlines the overall remuneration strategy, framework and practices adopted by PanAust. It has been prepared in accordance with section 300A of the Corporations Act 2001. Details of remuneration are disclosed for Directors and for other KMP. In addition to the Directors, the executive KMP had the authority and responsibility for planning, directing and controlling the activities of the PanAust Group, directly or indirectly, during the year ended 31 December 2013.

This section of the remuneration report is set out under the following main headings:

A Remuneration overview
B Role of the Remuneration Committee
C Remuneration by gender
D Non-executive Directors' remuneration
E Managing Director and other executive KMP remuneration
F Relationship of incentives to PanAust operating and financial performance
G Service agreements
H Details of remuneration
I Share-based compensation grants held by Managing Director and other executives
J Additional information

The "question and answer" format which was adopted for the 2012 Remuneration Report was very positively received by shareholders and stakeholders and has been continued for this Report.

Remuneration information for KMP has been reported in A$ and US$ (the Company's reporting currency). Given all but one of the KMP are paid in A$, this comparison is intended to assist shareholders and other stakeholders to analyse remuneration changes from year to year without the need to adjust for currency fluctuations.

A. Remuneration overview

PanAust's remuneration philosophy is articulated in PanAust's Employee Policy (available on the Company's website) which provides that PanAust will:

- *Cultivate a performance based culture whereby competitive remuneration, benefits and rewards are aligned with PanAust's objectives and where merit forms the basis of performance based pay and promotion; and*
- *Attract, engage and retain high-calibre employees to meet PanAust's current and future business needs.*

In implementing this philosophy, PanAust considers such matters as:

- the remuneration paid by the Company's peers (by reference to industry and market capitalisation);
- the Company's performance over the relevant period;
- how to link remuneration to successful implementation of the Company's strategy, including the annual targets which need to be achieved to implement that strategy;
- internal relativities and differentiation of pay based on performance;
- the size, scale, location and complexity of the operations of the Group; and
- market developments in remuneration practices.

PanAust continues to receive strong shareholder support for its approach to remuneration. In the last four years, PanAust has received strong positive results in favour of adoption of its remuneration report.

Key changes to remuneration structure in 2013

There were no material changes made to the remuneration structure in 2013.

B. Role of the Remuneration Committee

The Remuneration Committee of the Board is responsible for reviewing and making recommendations to the Board in relation to a number of remuneration related matters, including the:

- remuneration arrangements and contract terms for the Managing Director and other executive KMP;
- terms and conditions of long term incentives and short term incentives for executive KMP, including performance targets and vesting conditions;
- terms and conditions of employee incentive schemes;
- review and reporting of remuneration by gender (added to the responsibilities of the Remuneration Committee in 2013); and
- remuneration to be paid to non-executive Directors.

The Charter for the Remuneration Committee is available on PanAust's website. In accordance with best practice, the Remuneration Committee is comprised solely of independent non-executive Directors. It is chaired by a non-executive Director other than the Chairman. The membership is detailed on page 22 of the Directors' Report.

Remuneration Consultants

For each annual remuneration review cycle, the Remuneration Committee considers whether to appoint a remuneration consultant and, if so, their scope of work. The table below provides details with respect to the remuneration consultant who provided any remuneration recommendations and other remuneration related advice in relation to the remuneration outcomes detailed in this remuneration report.

Did a remuneration consultant provide a remuneration recommendation in relation to any of the KMP for the financial year?	No. Towers Watson, in their role as the Board appointed remuneration advisor, provided remuneration related advice to the Remuneration Committee in relation to: benchmarking of executive KMP remuneration against the Company's general market and industry peers, benchmarking of NED fees and the maximum aggregate fee pool for non-executive Directors, valuation of long term incentives, and advice on market trends relating to remuneration practices. Towers Watson also assisted with the voluntary disclosures of remuneration actually received for this remuneration report. Towers Watson has advised that there was no undue influence from any KMP on any of their work during the year.
What was the remuneration consultant paid by the Company for remuneration related services?	Towers Watson was paid a total of A$126,500.
Did the remuneration consultant(s) provide any other non-remuneration related advice to the Company?	Yes. Another Towers Watson practice was paid a total of A$121,300 for non-remuneration related services (employee engagement survey) during the period when Towers Watson was providing remuneration related services in relation to KMP for the financial year.
What arrangements does the Company have in place to ensure that the making of any remuneration recommendation(s) would be free from undue influence by the KMP?	• The Company has a protocol in place to govern the procedure for procuring advice relating to KMP remuneration. The protocol contains a summary of the process for the engagement of remuneration consultants, the provision of information to the remuneration consultant, and the communication of remuneration recommendations. • The remuneration consultant has agreed to adhere to the protocol procedures and was required to advise the Remuneration Committee whether or not it had been subjected to undue influence.

C. Remuneration by gender

In May 2013, the Board approved an additional responsibility for the Remuneration Committee. The Remuneration Committee is responsible for "reviewing and reporting to the Board in relation to remuneration by gender." This is now included in its Charter. In addition, the Company set as a measurable objective for 2013 to undertake "an analysis of remuneration by gender within position classification groups." The analysis was completed and provided PanAust with a baseline understanding of remuneration by gender across the Company. The baseline is considered to be the starting point against which all future analysis can be measured.

The focus in 2014 will be to further understand PanAust's gender by remuneration performance through benchmarking. The Workplace Gender Equality Agency in 2013-14 will be analysing data collected from public reports and, in consultation with employer groups, will be developing industry benchmarks for educational purposes throughout 2014. PanAust will determine strategies for how PanAust will manage and monitor remuneration by gender through 2014 and beyond.

D. Non-executive Directors' remuneration

Objective
The objective is to set remuneration at a level which attracts and retains non-executive Directors of the requisite expertise and experience at a cost acceptable to shareholders.

Structure
The maximum aggregate remuneration of non-executive Directors is determined by the shareholders at a general meeting. The current cap adopted in 2012 remains at A$1.6 million.

The Chairman is paid an all-inclusive fee which includes remuneration for serving on Board committees. Other non-executive Directors are paid a base fee and an additional fee for serving on Board committees (whether as chairman or member). A greater fee is payable for chairing a committee because the workload is greater.

On appointment to the Board, all non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment which details remuneration arrangements.

Fees
Annualised fees for the relevant period were as follows:

Position	
Chairman	A$360,000
Other non-executive Directors	A$140,000

Committee fees	
Committee chairman	A$25,000
Committee member	A$15,000

These fees have applied since 1 July 2012. There was no increase in 2013. The total remuneration paid to each non-executive Director for the year ended 31 December 2013 is detailed in section H of this report.

The table below provides further information in relation to fees paid to non-executive Directors.

Are the non-executive Directors paid any incentive or equity based payments or termination/retirement benefits?	No. The non-executive Directors are not paid any short term incentives, long term incentives, equity based remuneration or termination/retirement benefits.
If non-executive Directors are paid additional fees, how are these additional fees calculated?	From time to time, non-executive Directors may be requested to provide additional non-executive related Director services. This could include serving on a due diligence committee or on the Board of a Group subsidiary. In any such case, the additional fee paid to the non-executive Director is determined by reference to the Board's committee fee structure. In particular, the Board considers whether the workload is comparable to that of a committee chairman or a committee member. During the year, only one such payment was made to a non-executive Director (Mr John Crofts) for serving as a non-executive resident director on the boards of the Group's Singaporean subsidiaries.

Are non-executive Directors' fees going to increase in 2014?	No. Benchmarking conducted by Towers Watson indicates that current fees are in line with the market.
Will the aggregate fee pool increase in 2014?	No.

E. Managing Director and other executive KMP remuneration

Objective
As indicated on page 23, PanAust's objective in structuring its remuneration for executive KMP is to cultivate a performance based culture where competitive remuneration, benefits and rewards are aligned with PanAust's objectives and where merit forms the basis of performance based pay and promotion. In addition, PanAust seeks to attract, engage and retain high-calibre employees to meet the Company's current and future business needs.

Structure and Review Process
The Company's remuneration structure is unchanged from last year. Total remuneration consists of the following key elements:

I. Fixed Remuneration (FR);
II. Short Term Incentive (STI);and
III. Long Term Incentive (LTI).

Further specifics on each of these components are set out below. The amount and relative proportion of FR (which includes superannuation contributions), STI and LTI is established for each executive following consideration by the Remuneration Committee of market levels of remuneration for comparable executive roles and the internal relativities between executive roles.

For the annual remuneration review which resulted in the outcomes detailed in this remuneration report the Remuneration Committee received expert service from its external remuneration consultant, Towers Watson. The Company also participated in and subscribed to the McDonald Gold & General Mining Industry Remuneration Survey and Supplementary CEO Report.

Remuneration Structure
The following table shows the Board approved remuneration structure for executives. It provides annual FR, and STI opportunity and LTI opportunity as a percentage of FR for the Managing Director and other executive KMP for the year ended 31 December 2013 as compared to the year ended 31 December 2012. It also reports the weighting of fixed remuneration and other components as a percentage of Total Remuneration (TR).

Total Remuneration and Pay-Mix							
Executive KMP	Fixed Remuneration			Short Term Incentive opportunity		Long Term Incentive opportunity	
	Currency	**Amount**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration	**% of Fixed Remuneration**	% of Total Remuneration
Gary Stafford							
2013	AUD$	**1,136,000**	34%	**67%**	23%	**125%**	43%
2012	AUD$	**1,012,000**	33%	**70%**	23%	**136%**	44%
Fred Hess							
2013	AUD$	**566,300**	46%	**55%**	25%	**61%**	28%
2012	AUD$	**505,600**	44%	**60%**	27%	**66%**	29%
Rob Usher							
2013	AUD$	**558,300**	46%	**56%**	26%	**60%**	28%
2012	AUD$	**489,700**	44%	**60%**	27%	**66%**	29%
David Hairsine							
2013	AUD$	**499,300**	49%	**46%**	22%	**59%**	29%
2012	AUD$	**449,800**	48%	**48%**	23%	**60%**	29%
Francisco Tomic							
2013	USD$	**418,500**	46%	**60%**	28%	**58%**	27%
2012	USD$	**400,500**	46%	**60%**	28%	**58%**	27%

I. Fixed Remuneration (FR)

At PanAust, the purpose of FR is to provide a base level of remuneration which is market competitive and appropriate. FR is inclusive of superannuation. Executive KMP are given the opportunity to receive their FR as either base salary (if based overseas) or base salary and superannuation.

The table below contains a summary of key features of FR.

How often is FR reviewed?	Annually.
What is considered when benchmarking FR?	Benchmarking is conducted against relevant peer groups from S&P/ASX companies and depending on the role is compared to General Industry and/or Mining Industry Peers. The benchmarking takes into consideration market capitalisation, revenue and complexity of the business (for example, number of operations, business focus, geographic spread and location of activities).
How are adjustments to FR determined?	Adjustments to fixed remuneration are made following consideration of benchmarking data (including with respect to the proportion of remuneration which should be attributed to each of the fixed and variable remuneration), internal relativities and executive performance. The Managing Director’s service agreement entered into in 1996 provides for a minimum annual increase in total compensation equal to the inflation rate.
Why were FR increases greater than increases in STI and LTI (on a percentage basis)?	Benchmarking indicated that PanAust’s total remuneration was weighted significantly more towards variable pay than its peers. In recognition of this a larger proportion of the salary increase was provided to increase fixed remuneration and a smaller percentage was provided to adjust the STI and LTI components of Total Remuneration. Overall, the total increase averaged 7%.
Why did the Managing Director’s FR increase by 12.25%?	Benchmarking showed that the Managing Director’s total remuneration was weighted significantly more towards variable pay than his peers. Therefore, the overall increase of 7% applied to his Total Remuneration was weighted towards providing a larger increase to FR with lower increases to STI and LTI components.

II. Short Term Incentives (STI)

The table below contains a summary of key features of the STI plan.

What is the STI?	The STI is the annual cash component of the “at-risk” reward opportunity, based predominantly on a mix of Company, business unit, functional, operational and individual targets. The purpose is to link the achievement of the Company’s annual targets with the remuneration received by the responsible executive KMP.
When is the STI paid?	The STI is payable in February 2014 to all eligible participants who satisfy specific performance measures and hurdles set for the 2013 calendar year.
How does the Company’s STI structure support achievement of the Company’s strategy?	At-risk remuneration strengthens the link between pay and performance. Annual targets are established by reference to the Company’s strategy of: growth through discovery, acquisition and development, operations that meet performance targets, optimisation of return on capital and adherence to core sustainability values, including safety.
When was the design and structure of the STI plan last reviewed?	The Remuneration Committee, in consultation with Towers Watson, reviewed the design and structure of the STI plan in 2013 and remain satisfied that the plan is appropriate to manage alignment between performance and incentives paid.
How are the performance conditions determined?	At the beginning of each financial year, a number of critical tasks linked to the Company’s strategy, including financial and non-financial measures of performance, are identified. The extent that those targets are achieved determines the amount of STI paid.

What is the business factor?	The business factor is a multiplier that the Board can apply to an executive's STI award of 80% to 120% based on the financial performance of the Company. In 'normal' conditions the expectation is that the multiplier is set at 100%.
What was the business factor applied to 2013 STI awards?	90%. This outcome recognises the decrease in the share price and earnings in 2013 compared with 2012. This is the first time that the Board has exercised its discretion to apply a business factor other than 100%.
Is a portion of STI deferred? Has the Board reviewed its position on claw back provisions?	Currently no portion of the STI is deferred. The Board will be reviewing its position on deferral and claw back provisions during 2014.
What were the performance conditions under the STI for executive KMP in 2013?	Each performance condition comprises a measure, hurdles and a performance period. The STI performance measures (and weighting %) for 2013 were: **Managing Director** • Sustainability (20%): Total Recordable Injury Frequency Rate (TRIFR), safety and environmental lead indicators focused on identifying and improving performance outcomes of safety and environmental hotspots and environmental incidents; • Growth Initiatives, including the Phu Kham Increased Recovery Project (25%); • PanAust Asia Operations: Phu Kham copper production and operating costs; Ban Houayxai gold production and operating costs (25%); • PanAust EBITDA Guidance (20%): actual EBITDA is adjusted by applying guidance metal prices to actual cost and production performance so that there is no windfall gain (should metal prices rise) or penalty (should metal prices fall); and • Discretionary (10%). **Executive General Manager – Project Development and Operational Improvement** • Sustainability: TRIFR, safety and environmental lead indicators focused on identifying and improving performance outcomes of safety and environmental hotspots and environmental incidents (20%); • Phu Kham Increased Recovery Project (30%); • Performance against Achievement Plan critical tasks (50%), including completion of scoping and feasibility studies. **Executive General Manager – PanAust Asia** • Sustainability: TRIFR, safety and environmental lead indicators focused on identifying and improving performance outcomes of safety and environmental hotspots and environmental incidents (20%); • PanAust Asia performance: Ban Houayxai and Phu Kham production and operating costs as scheduled (70%); and • Discretionary (10%). **Executive General Manager – PanAust South America and Chief Financial Officer** • Sustainability: TRIFR, safety and environmental lead indicators focused on identifying and improving performance outcomes of safety and environmental hotspots and environmental incidents (20%); and • Performance against annual achievement plan critical tasks (80%) (with respect to the EGM PanAust South America, as there are currently no operational activities in PanAust South America, the production and cost targets that apply to other business unit heads are not applicable).
How are results measured against the performance hurdles?	Most measures have three performance hurdles. They are threshold, budget and stretch. For TRIFR there is only one hurdle. This means that the executive must perform better than or equal to the TRIFR hurdle to receive any award for that component. 'Threshold' is the minimum target to trigger a STI payment for that hurdle. The percentage of incentive payable for achieving performance varies between 60% for 'Threshold', 80% for 'Budget' and 100% for 'Stretch. Where achievement was below 'Threshold' no payment will be made. Further information is provided in the tables in Section J.

How is STI treated upon resignation?	If the executive's contract of employment ceases due to resignation before 31 December, the executive is not eligible for an STI payment. If the executive resigns after year-end and before the date of payment, the STI will still be paid.
How do the STI targets promote the sustainable operation of the Company?	The importance of sustainability performance is emphasised by the following: • Any controlled activity incurring a fatality during the year causes the STI attributable to safety to be forfeited; and • Any environmental incident during the year involving a controlled activity, which was categorised under the Company's Risk Consequence Table as a Level 4#(or above) high consequence environmental incident, results in the forfeiture of the STI attributable to the environment KPI. There were no such fatalities or level 4 environmental incidents during 2013.
How is sustainability performance measured?	• Sustainability performance relating to safety is measured by reference to total recordable injuries, lead indicator performance and year on year improvement in identified safety hotspots. • Environmental performance was measured by reference to the number and consequence of Level 3# reportable environmental incidents and year on year improvement in environmental hotspots.

The PanAust Risk Consequence Table is provided in full detail on page 68 of the Sustainability Report 2012 and is available on the Company's website.

III. Long Term Incentives (LTI)

The LTI is the equity component of the at-risk reward opportunity of total remuneration. The objective of the LTI is three-fold. First, the LTI provides an incentive to executive KMP which promotes both the long-term performance and growth of the Company. Second, the LTI aligns the reward of executive KMP with returns to shareholders. Third, the LTI promotes the retention of the Company's executives. PanAust continues to weight executive KMPs' remuneration towards variable pay. For 2013, the Company continued to provide the LTI to executive KMPs through the Long Term Share Plan (LTSP).

The tables in section I provide details of LTI grants to executive KMP. The tables also detail the value, vesting periods and lapses under the LTSP. The table below summarises the key features of the LTI issued to the executive KMP for the year ended 31 December 2013.

What is the LTSP?	Introduced in 2010, the LTSP is a loan share plan where the Company issues shares, or a trustee transfers shares, to the executive at market value. The purchase price of each share is funded by a loan from the Company. The 2013 issue of shares and the advance of a loan to the Managing Director were approved by the shareholders at the 2013 Annual General Meeting.
How does the LTSP align the interests of shareholders and executives?	• Just like a stock option, executives will only receive value from the LTSP equal to the share price growth over the value at grant. As such, the LTSP directly links rewards for executives to the Company's strategy which drives the creation of long term shareholder wealth – the greater the share price and dividends, the greater the return to the executives; • Vesting of shares only occurs if PanAust performs in the top 50 per cent of its peer group by reference to total shareholder return – the more that PanAust outperforms its peers, the more the potential reward for executives; and • If the shares vest, a holding lock on the shares remains in place until the limited recourse loan is repaid. This means the shares will only provide value to the executive if the TSR hurdle is satisfied and the share price is above the offer issue price.
What is the difference between the accounting value given to an LTI grant made under the LTSP and the benefit received by the executive?	Each issue of an LTI under the LTSP will have an accounting value calculated under the accounting standards. This "accounting value" is calculated as at the grant date (prior to vesting) under a Monte Carlo valuation methodology which takes into account a number of factors such as share price volatility, probability of achieving hurdles. The "accounting value" is expensed over the performance period until the test date for vesting. Assuming the shares issued vest, the value to the executive is dependent upon the PanAust share price just as the value to shareholders of holding PanAust shares is dependent upon the share price.

<table>
<tr><td>How does the LTSP support the retention of executives?</td><td>An objective of offering shares under the LTSP is to promote retention. At any one time, an executive KMP will have three unvested issues. If an executive resigns (other than for retirement), they would forfeit the benefit of those unvested rewards. This provides a valuable incentive to stay with the Company so long as the shares are seen by the executive KMP as likely to vest at the end of the performance period with the share price being above the issue price. Refer to table in Section I.</td></tr>
<tr><td>How is the market price of the share determined?</td><td>The market price is determined by reference to the volume weighted average price of shares traded on the ASX over a nominated period (typically five trading days).</td></tr>
<tr><td>What are the principal terms of the issue made under the LTSP in 2013?</td><td>

Subject to the performance conditions, the vesting date for the shares is three years from the commencement of the performance period.
The measure of performance is Total Shareholder Return (“TSR”). TSR is the total return achieved by a shareholder in relation to shares, including any increase in share price and dividends paid. The TSR of the Company is compared to the Comparator Group. The table below provides the matrix of outcomes:

<table>
<tr><th>TSR Ranking</th><th>Percentage of Shares that Vest</th></tr>
<tr><td>Less than or at 50th percentile</td><td>Nil</td></tr>
<tr><td>Between the 51st percentile and the 75th percentile</td><td>50% increasing linearly to 100% at the 75th percentile</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>

If the hurdles are not achieved during the performance period 1 January 2013 to 31 December 2015, then the shares lapse. There is no retesting.
The loan is equal to the market price of each share multiplied by the number of shares. The term of the loan is five years from the commencement of the performance period and the loan is interest free. The loan is limited recourse so in no circumstances will the executive KMP be liable for an amount in excess of the market value of vested shares.
The loan must be repaid within five years or prior to the sale of any shares or arrangements entered into with the Company such that the proceeds of any sale are applied in repayment of the loan.
Shares are held in trust by the trustee of the LTSP until vesting and repayment of the loan.

</td></tr>
<tr><td>What are the performance hurdles?</td><td>There is an express performance hurdle and a second performance hurdle built into the structure of the LTI. The first hurdle is relative TSR performance against the relevant comparator group. The relative TSR hurdle must be satisfied prior to any vesting of LTI. The second hurdle is the share price. The LTI only has a value to the executive if the share price exceeds the outstanding loan amount for a vested share. The Board believes that these two performance hurdles are the most appropriate hurdles and work together to effectively achieve alignment between the LTI and the interests of shareholders.</td></tr>
<tr><td>Does the executive obtain the benefit of dividends paid on shares issued under the LTSP?</td><td>The after tax benefit of any dividend (based on the top Australian marginal tax rate and the Medicare levy) is applied in repayment of the loan.</td></tr>
<tr><td>Which companies form the comparator group?</td><td>The following companies are the constituents of the comparator group for 2013. These companies were selected on the basis that the companies were all mining companies with operating assets:
<table>
<tr><td>Newcrest Mining</td><td>Fortescue Metals Group</td><td>Aditya Birla Minerals</td></tr>
<tr><td>Alumina</td><td>Iluka Resources</td><td>Oz Minerals</td></tr>
<tr><td>Paladin Energy</td><td>Atlas Iron</td><td>Aquarius Platinum</td></tr>
<tr><td>Mount Gibson Iron</td><td>Medusa Mining</td><td>Perseus Mining</td></tr>
<tr><td>Kingsgate Consolidated</td><td>Western Areas</td><td>Sandfire Resources</td></tr>
<tr><td>Independence Group</td><td>Regis Resources</td><td>Gindalbie Metals</td></tr>
<tr><td>Mirabela Nickel</td><td>Grange Resources</td><td>St Barbara</td></tr>
<tr><td>Oceanagold</td><td>Evolution Mining</td><td>Resolute Mining</td></tr>
</table>
</td></tr>
</table>

What were the changes in the comparator group between 2012 and 2013?	Some companies in the 2012 comparator group were delisted or merged with other entities and were not in the ASX200 prior to the 2013 issue so were not included in the 2013 comparator group. These were: Allied Gold Mining, Eldorado Gold and OM Holdings. The following companies were added to the comparator group in 2013: Evolution Mining and Aditya Birla Minerals.
How has PanAust performed against the TSR comparator groups?	The following table summarises TSR performance of share offers made under the Executive Long Term Share Plan:

Year	2010	2011	2012	2013
TSR Performance	81st percentile	59th percentile (as at first test date of 31 December 2013)*	63rd percentile (subject to test on 31 December 2014)**	52nd percentile (subject to test on 31 December 2015)**
Percentage of shares vested	100%	66.7%	Not applicable	Not applicable
Subject to holding lock	Yes	Yes	Yes	Yes

* For the 2011 issue there are four test dates: 31 December 2013, 31 March 2014, 30 June 2014 and 30 September 2014. Issues post-2011 have one test date only.

** Reflects TSR performance as at 31 December 2013.

Why can shares vest when TSR performance is negative?	The TSR measure is based on performance relative to a group of peer companies rather than being an absolute measure. This means that PanAust may outperform its peers even though TSR performance can be negative (e.g. a market downturn). Nevertheless, shares that vest in this situation will have no value to executives until the share price increases above the issue price.
In what circumstances would the LTSP entitlements be forfeited?	Where the employment of the participant is terminated other than for retirement, retrenchment or death, any shares subject to conditions which have not been satisfied (including performance conditions) are forfeited. In the case of retirement, retrenchment, or death, shares which have not vested and are still subject to conditions are forfeited unless the Board exercises its discretion to the contrary.
What happens to LTI entitlements upon a change of control in the Group?	Upon the happening of a "Control Event" (for example, a takeover or demerger), all shares subject to conditions will vest. The loan must still be repaid. The Board is aware of the view of some stakeholders that there should be pro rata vesting in the event of a change in control. Having carefully considered this view, the Board considers that, in a change of control scenario, it is important that the interests of executives and shareholders are fully aligned.
Do unvested shares granted under the LTSP dilute existing shareholders' equity?	The issue of shares can have a minimal dilutionary impact upon other shareholders. However, the number of unvested shares issued under the LTSP must not exceed 5% of the total shares on issue at the time an offer to a participant is made.
Are the shares issued under the LTSP bought on market?	No. The Company issues new shares for the LTSP, it does not buy shares on market. Shares which are forfeited are available for future issues under the LTSP.
What other rights does the holder of the shares have?	Subject to the conditions and restrictions attaching to the shares, the holder of the shares has the same rights as any other holder of shares. This includes voting rights, a right to dividends, bonus shares and capital distributions.

Does the Company have Executive Share Ownership Guidelines?	The Company does not have a formal policy requiring executives to own shares. However, a significant component of each executive's remuneration consists of grants under an employee share plan. Hence, at any given time, after an executive has been with the Company for more than three years, the executive typically has three unvested equity grants which are subject to performance conditions. As at the date of this report, all executives who have been with the Company for longer than three years have shares in the Company which have fully vested.
Can executive KMP hedge to ensure that they obtain a benefit from unvested LTI's?	No. The policy of the Company is that executives who participate in the LTSP are prohibited from hedging unvested grants made under the LTSP.

LTI Cash Bonus:

During 2011 only, executives were invited to participate in the LTI Cash Bonus Plan. The payment of the LTI Cash Bonus was dependent upon the achievement of a number of performance conditions which differ from those applying to the vesting of shares under the LTSP. The following table provides a summary of the key features of the LTI Cash Bonus.

What were the LTI Cash Bonus Conditions?	There are three performance conditions: (a) The Phu Kham Copper Gold Operation is producing at an annualised rate of at least 65,000t of copper (40% of the LTI Bonus); (b) The Phu Kham Copper Gold Operation and the Ban Houayxai Gold Silver Project are producing in aggregate at an annualised rate of at least 170,000oz of gold value in precious metal (gold and silver) (30% of the LTI Bonus); and (c) The Company commits to an increase in production through the Board of the Company approving the development of a further project within the Company's current portfolio of assets or an acquisition of superior value (30% of the LTI Bonus).
When must the performance conditions be satisfied by?	On the first test date for the Executive Long Term Share Plan 2011 offer. The first test date was 31 December 2013.
Were the performance conditions met on 31 December 2013?	Yes, as at 31 December 2013 performance conditions (a), (b) and (c) were met as follows: (a) Following the commissioning of the Increased Recovery Project, copper production rates were running at an annualised rate of approximately 70,000t; (b) The Phu Kham Copper Gold Operation and the Ban Houayxai Gold Silver Project produced in aggregate at an annualised rate of at least 170,000oz of gold value in precious metal; and (c) The Phu Kham Increased Recovery project was achieved ahead of schedule and below budget with improved recoveries and production.
Has the LTI Cash Bonus been used in future issues?	No. It was only used as a mechanism in 2011. It was not used in the grants in 2012 or 2013. It is not proposed to be used in 2014.

Executives Option Plan ('EOP') and the Share Rights Plan ('SRP'):

Prior to 2010 and the implementation of the LTSP, the Managing Director and all other senior executives were offered a choice between options issued under the EOP or share rights issued under the SRP.

Unexercised options granted in 2009 and which vested at 31 December 2011 expired on 31 December 2013. Refer to the table in Section I of this report.

Details of these previous LTI plans can be obtained by referring to previous Annual Reports available on PanAust's website.

F. Relationship of incentives to PanAust's operating and financial performance

The fundamental aim of PanAust is to benefit shareholders by out-performing its peers through growth of production from relatively low capital and operating cost operations. The Company is equally committed to: achieving excellence in sustainability practices; ensuring the safety, health and wellbeing of its employees; and responsibly managing the impacts to the communities and the environment within which it operates. Accordingly, remuneration is linked to sustainability performance at all levels of the organisation to reinforce sustainability as a core value.

In terms of PanAust's performance over the course of 2013, the following is noted:

- Construction of the Increased Recovery Project at Phu Kham was completed in mid-April with ramp-up and optimisation completed by the end of the September quarter. At this time quarterly records for copper and gold recovery exceeded the design recovery model.
- The announcement of a 22 percent increase in the 2013 Ban Houayxai Ore Reserve tonnes and an increase in contained gold and silver of 25 and 26 percent, respectively.
- Achieved the upper end of 2013 production guidance of 62,000t to 65,000t of copper in concentrate and exceeded guidance for gold production in concentrate and dore of 160,000oz to 175,000oz gold.
- Continued work on the extended Inca de Oro feasibility study which incorporates results from the Carmen deposit.
- Announcement that PanAust entered a share sale and purchase agreement with Glencore Xstrata to acquire an 80 percent interest in the Frieda River Copper-Gold Project in Papua New Guinea (subject to outstanding conditions precedent).
- Payment of a full year dividend of A$0.07 per share.
- Continued positive trends in TRIFR performance over the last five years (in 2013 was second best performer in the ASX/S&P100).

Notwithstanding the very positive operational performance, it is recognised that consistent with many of its peers and with a downturn in commodity and precious metal prices, PanAust's share price and earnings decreased in 2013. The Board considered this performance in exercising its discretion to apply a Business Factor of 90% to executive STI awards for 2013.

The table below shows the performance for the Company as measured by its share price and market capitalisation over the last five financial years.

Year	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
A$ per share	2.83	4.45	3.20	3.34	1.80
A$ market capitalisation	1,656,873,935	2,630,107,369	1,900,774,992	2,023,914,155	1,116,622,060
Dividends attributable to the financial year (A$)	-	-	-	0.07	0.06
Basic Earnings Per Share (EPS) (US$)*	0.430	0.245	0.225	0.240	0.061
US$ profit ('000)	23,171	160,097	146,562	158,328	43,696

* Basic EPS is calculated as net profit after tax and non-controlling interests (statutory profit) divided by the weighted average number of ordinary shares (excluding treasury shares).

The consolidation of shares on a 1 for 5 basis was approved by the shareholders at the Annual General Meeting held on 21 May 2011. The comparative value per share has been restated to ensure like for like comparison.

Refer to the question and answer sections in relation to STI's and LTI's for further discussion of alignment between incentives and PanAust's operating and financial performance

G. Service agreements

Remuneration and other key terms of employment for the Managing Director and other executive KMP are formalised in a service agreement. The table below provides a high level overview of conditions relating to the term of the contract, the notice period to terminate and the termination benefit.

Name and Title	Date of Service Agreement	Term of Agreement	Notice Period by Either Party	Termination Benefit
Gary Stafford, Managing Director	7 March 1996	Open	3 months	12 months Total Remuneration*
Fred Hess, EGM Project Development & Operational Improvement	17 October 2005	Open	3 months	6 months Fixed Remuneration**
Rob Usher, EGM PanAust Asia	10 July 2006	Open	3 months	6 months Fixed Remuneration**
David Hairsine, Chief Financial Officer	6 September 2004	Open	3 months	6 months Total Remuneration*
Francisco Tomic, EGM PanAust South America	13 July 2010	Open	3 months	6 months Fixed Remuneration**

Terms of agreement and associated benefits were agreed at the time the executive KMP commenced with PanAust or upon promotion.

* Under the Service Agreements, upon retirement or termination without cause, accrued annual leave and long service leave entitlements are calculated on the basis of the total compensation package.

** Under the Service Agreements, upon retirement or termination without cause, accrued annual leave and long service leave entitlements are calculated on the basis of the total fixed remuneration.

H. Details of remuneration

Details of the nature and amount of each major element of the remuneration of each KMP stated in US$ is as follows:

Name		Short-term employee benefits			Sub-total	Non-cash benefits accrued		
		Directors' Fees / Base Salary US$ (1)	Short Term Incentive US$ (1)	Retirement benefits/ Superannuation US$ (1)	Cash benefits received US$ (1)	Long service leave / Termination benefits US$ (1)/(2)	Long Term Incentive US$ (1)/(3)	Total remuneration US$ (1)
Non-executive Directors								
Garry Hounsell	**2013**	**327,619**	**-**	**16,332**	**343,951**	**-**	**-**	**343,951**
	2012	302,260	-	19,622	321,882	-	-	321,882
Nerolie Withnall	**2013**	**170,737**	**-**	**15,570**	**186,307**	**-**	**-**	**186,307**
	2012	164,258	-	14,783	179,041	-	-	179,041
Andrew Daley	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 18 May 2012)	2012	61,376	-	-	61,376	-	-	61,376
Geoff Handley	**2013**	**157,603**	**-**	**14,372**	**171,975**	**-**	**-**	**171,975**
	2012	128,451	-	24,620	153,071	-	-	153,071
Geoff Billard	**2013**	**146,283**	**-**	**16,138**	**162,421**	**-**	**-**	**162,421**
	2012	135,724	-	19,970	155,694	-	-	155,694
Zezhong Li	**2013**	**148,090**	**-**	**-**	**148,090**	**-**	**-**	**148,090**
	2012	142,708	-	-	142,708	-	-	142,708
John Crofts *	**2013**	**177,356**	**-**	**-**	**177,356**	**-**	**-**	**177,356**
	2012	171,303	-	-	171,303	-	-	171,303
Ken Pickering	**2013**	**162,421**	**-**	**-**	**162,421**	**-**	**-**	**162,421**
	2012	155,694	-	-	155,694	-	-	155,694
Annabelle Chaplain	**2013**	**142,093**	**-**	**5,997**	**148,090**	**-**	**-**	**148,090**
(appointed 1Jul 2012)	2012	81,332	-	-	81,332	-	-	81,332
Sub-total	**2013**	**1,432,202**	**-**	**68,409**	**1,500,611**	**-**	**-**	**1,500,611**
	2012	1,343,106	-	78,995	1,422,101	-	-	1,422,101
Managing Director								
Gary Stafford	**2013**	**1,075,154**	**631,117**	**24,316**	**1,730,587**	**82,965**	**1,211,010**	**3,024,562**
	2012	1,007,732	641,640	38,730	1,688,102	137,074	1,102,387	2,927,563
Other executive KMP								
Fred Hess	**2013**	**524,057**	**257,864**	**24,316**	**806,237**	**8,812**	**378,883**	**1,193,932**
	2012	484,086	286,647	38,731	809,464	19,615	325,322	1,154,401
Rob Usher **	**2013**	**603,521**	**253,933**	**-**	**857,454**	**-**	**367,013**	**1,224,467**
	2012	507,834	260,005	-	767,839	-	300,433	1,068,272
David Hairsine	**2013**	**459,393**	**178,550**	**24,316**	**662,259**	**6,367**	**314,634**	**983,260**
	2012	425,063	227,378	40,047	692,488	20,598	273,691	986,777
Francisco Tomic	**2013**	**410,422**	**194,351**	**8,078**	**612,851**	**-**	**322,718**	**935,569**
	2012	392,422	173,016	8,078	573,516	-	246,360	819,876
Total	**2013**	**4,504,749**	**1,515,815**	**149,435**	**6,169,999**	**98,144**	**2,594,258**	**8,862,401**
	2012	4,160,243	1,588,686	204,581	5,953,510	177,287	2,248,193	8,378,990

*Mr John Crofts' remuneration included a fee for providing non-executive director services for the Company's Singaporean subsidiaries.

**Mr Rob Usher's remuneration for 2013 included an excess annual leave payout of US$63,687 (2012:US$27,443).

Details of the nature and amount of each major element of the remuneration of each KMP stated in AUD is as follows:

		Short-term employee benefits			Sub-total	Non-cash benefits accrued		
Name		Directors' Fees / Base Salary AUD (1)	Short Term Incentive AUD (1)	Retirement benefits/ Superannuation AUD (1)	Cash benefits received AUD (1)	Long service leave / Termination benefits AUD (1)/(2)	Long Term Incentive AUD (1)/(3)	Total remuneration AUD (1)
Non-executive Directors								
Garry Hounsell	**2013**	**342,878**	**-**	**17,122**	**360,000**	**-**	**-**	**360,000**
	2012	291,031	-	18,969	310,000	-	-	310,000
Nerolie Withnall	**2013**	**178,695**	**-**	**16,305**	**195,000**	**-**	**-**	**195,000**
	2012	158,257	-	14,243	172,500	-	-	172,500
Andrew Daley	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 18 May 2012)	2012	60,000	-	-	60,000	-	-	60,000
Geoff Handley	**2013**	**164,949**	**-**	**15,051**	**180,000**	**-**	**-**	**180,000**
	2012	123,688	-	23,812	147,500	-	-	147,500
Geoff Billard	**2013**	**153,094**	**-**	**16,906**	**170,000**	**-**	**-**	**170,000**
	2012	130,867	-	19,133	150,000	-	-	150,000
Zezhong Li	**2013**	**155,000**	**-**	**-**	**155,000**	**-**	**-**	**155,000**
	2012	137,500	-	-	137,500	-	-	137,500
John Crofts *	**2013**	**190,000**	**-**	**-**	**190,000**	**-**	**-**	**190,000**
	2012	165,000	-	-	165,000	-	-	165,000
Ken Pickering	**2013**	**170,000**	**-**	**-**	**170,000**	**-**	**-**	**170,000**
	2012	150,000	-	-	150,000	-	-	150,000
Annabelle Chaplain	**2013**	**148,438**	**-**	**6,562**	**155,000**	**-**	**-**	**155,000**
(appointed 1Jul 2012)	2012	77,500	-	-	77,500	-	-	77,500
Sub-total	**2013**	**1,503,054**	**-**	**71,946**	**1,575,000**	**-**	**-**	**1,575,000**
	2012	1,293,843	-	76,157	1,370,000	-	-	1,370,000
Managing Director								
Gary Stafford	**2013**	**1,111,000**	**651,066**	**25,000**	**1,787,066**	**206,442**	**1,260,080**	**3,253,588**
	2012	974,501	611,226	37,499	1,623,226	107,438	1,077,586	2,808,250
Other executive KMP								-
Fred Hess	**2013**	**541,300**	**266,015**	**25,000**	**832,315**	**25,684**	**391,458**	**1,249,457**
	2012	468,100	273,060	37,500	778,660	17,513	318,253	1,114,426
Rob Usher **	**2013**	**620,415**	**261,959**	**-**	**882,374**	**-**	**379,180**	**1,261,554**
	2012	489,700	247,681	-	737,381	-	293,968	1,031,349
David Hairsine	**2013**	**474,300**	**184,194**	**25,000**	**683,494**	**23,239**	**325,027**	**1,031,760**
	2012	410,939	216,600	38,861	666,400	18,444	267,795	952,639
Francisco Tomic	**2013**	**437,065**	**200,494**	**8,333**	**645,892**	**-**	**332,334**	**978,226**
	2012	375,297	164,815	7,725	547,837	-	241,902	789,739
Total	**2013**	**4,687,134**	**1,563,728**	**155,279**	**6,406,141**	**255,365**	**2,688,079**	**9,349,585**
	2012	4,012,380	1,513,382	197,742	5,723,504	143,395	2,199,504	8,066,403

*Mr John Crofts' remuneration included a fee for providing non-executive director services for the Company's Singaporean subsidiaries.
**Mr Rob Usher's remuneration for 2013 included an excess annual leave payout of AUD62,115 (2012: AUD27,003).

Notes to previous tables:

(1) Payments to the non-executive Directors, the Managing Director and other senior executives are paid in Australian dollars, other than Francisco Tomic who is paid in United States dollars. The Australian values are converted using the exchange rate closest to date of payment.

(2) Long service leave and termination benefits represent amounts provided for long service leave and termination entitlements during the year ended 31 December 2013.Termination benefits are those referred to under Section G Service Agreements of this Remuneration Report. Termination benefits payable when an executive KMP leaves the employment of the Company (other than for gross misconduct) are included in the table.

(3) The value for Long Term Incentives presented in the tables above is calculated in accordance with AASB2 Share Based Payments and represents securities issued under the LTI equity plans that have been expensed during the current year. Refer to the table on the pervious page for full details of the fair A$ value at the grant date for long term incentive securities issued by the Company to the executive KMP in this, previous or future reporting periods and the number of securities issued to those senior executives during the reporting period. The fair values of long term incentives have been calculated by an independent third party. More information can be found in section H of this report. The value for Long Term Incentives also includes the accounting expense recognised for the LTI Cash Bonus during the relevant financial year. Refer to page 32 for further details on the LTI Cash Bonus.

The table below shows the proportion of the total actual remuneration that is linked to performance and the proportion that is fixed:

	Fixed Remuneration		**At risk - STI**		**LTI and accrued benefits**	
Name	**2013**	2012	**2013**	2012	**2013**	2012
Managing Director						
Gary Stafford	**36%**	36%	**21%**	22%	**43%**	42%
Other executive KMP						
Fred Hess	**46%**	45%	**22%**	25%	**32%**	30%
Rob Usher	**49%**	48%	**21%**	24%	**30%**	28%
David Hairsine	**49%**	47%	**18%**	23%	**33%**	30%
Francisco Tomic	**45%**	49%	**21%**	21%	**34%**	30%

I. Share-based compensation grants held by Managing Director and other executives

The table below highlights the movement in rights for the Managing Director and other executives in 2013.

			Movement during the year					As at 31 December 2013		
	Grant Date	Type	Balance at 1 January 2013	Shares granted (ii)/(v)	Options exercised (i)/(iii)	Options expired (iv)	Balance at 31 December 2013	Vested and Exercisable	Unvested	Loan Amount $A
Gary Stafford	17-May-13	LTSP	-	3,552,500	-	-	3,552,500	-	3,552,500	8,486,745
	21-May-12	LTSP	2,120,141	-	-	-	2,120,141	-	2,120,141	5,777,808
	23-May-11	LTSP	501,312	-	-	-	501,312	334,225	167,087	621,814
	21-May-10	LTSP	1,430,500	-	-	-	1,430,500	1,430,500	-	3,566,237
	22-May-09	EOP	2,640,000	-	(100,000)	(2,540,000)	-	-	-	-
Total number			**6,691,953**	**3,552,500**	**(100,000)**	**(2,540,000)**	**7,604,453**	**1,764,725**	**5,839,728**	**18,452,604**
Total value				**1,644,947**	**(27,593)**					
Fred Hess	25-Feb-13	LTSP	-	870,250	-	-	870,250	-	870,250	2,438,919
	2-Mar-12	LTSP	514,211	-	-	-	514,211	-	514,211	1,823,649
	18-Feb-11	LTSP	109,306	-	-	-	109,306	72,874	36,432	154,144
	21-May-10	LTSP	298,020	-	-	-	298,020	298,020	-	742,964
Total number			**921,537**	**870,250**	**-**	**-**	**1,791,787**	**370,894**	**1,420,893**	**5,159,676**
Total value				**449,179**						
Rob Usher	25-Feb-13	LTSP	-	843,000	-	-	843,000	-	843,000	2,362,550
	2-Mar-12	LTSP	498,080	-	-	-	498,080	-	498,080	1,766,441
	18-Feb-11	LTSP	105,872	-	-	-	105,872	70,585	35,287	270,416
	21-May-10	LTSP	226,500	-	-	-	226,500	226,500	-	564,665
	27-Apr-09	EOP	580,000	-	(580,000)	-	-	-	-	-
Total number			**1,410,452**	**843,000**	**(580,000)**	**-**	**1,673,452**	**297,085**	**1,376,367**	**4,964,072**
Total value				**435,114**	**(77,192)**					
David Hairsine	25-Feb-13	LTSP	-	730,250	-	-	730,250	-	730,250	2,046,562
	2-Mar-12	LTSP	411,738	-	-	-	411,738	-	411,738	1,460,229
	18-Feb-11	LTSP	94,558	-	-	-	94,558	63,042	31,516	133,344
	21-May-10	LTSP	262,260	-	-	-	262,260	262,260	-	653,814
Total number			**768,556**	**730,250**	**-**	**-**	**1,498,806**	**325,302**	**1,173,504**	**4,293,949**
Total Value				**376,918**						
Francisco Tomic	25-Feb-13	LTSP	-	607,000	-	-	607,000	-	607,000	1,701,148
	2-Mar-12	LTSP	356,890	-	-	-	356,890	-	356,890	1,265,710
	18-Feb-11	LTSP	139,932	-	-	-	139,932	93,293	46,639	240,091
Total number			**496,822**	**607,000**	**-**	**-**	**1,103,822**	**93,293**	**1,010,529**	**3,206,949**
Total value				**313,303**						
Herman Dittmar *	25-Feb-13	LTSP	-	645,500	-	-	645,500	-	645,500	1,809,046
	2-Mar-12	LTSP	377,785	-	-	-	377,785	-	377,785	1,339,815
	17-Jan-12	LTSP	61,278	-	-	-	61,278	40,854	20,424	76,008
Total number			**439,063**	**645,500**	**-**	**-**	**1,084,563**	**40,854**	**1,043,709**	**3,224,869**

* Section 300(1) of the Corporations Act 2001 (Cth) requires additional disclosure for the five most highly remunerated executives. Herman Dittmar is not a KMP but is part of the five most highly remunerated executives.

(i) The value at grant date reflects the fair value of the right multiplied by the number of rights granted during the period converted using the rate at the date of grant.

(ii) The value at exercise date of the securities that were granted as part of remuneration and were exercised during the year, being the value of the share at the date of exercise less the exercise price and less the fair value of the right at grant date multiplied by the number of rights exercised converted using the rate at the date of exercise.

(iii) The value at lapse date of the securities that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied.

(iv) The fair values of long term incentives have been calculated by an independent third party. This table summarises the details of the grants and assumptions that were used in determining the fair value of LTSP, options and rights on the grant date.

Type	LTSP	LTSP	LTSP	LTSP	LTSP	LTSP	LTSP	EOP	EOP
Grant date	17 May 2013	25 Feb 2013	21 May 2012	2 Mar 2012	23 May 2011	18 Feb 2011	21 May 2010	22 May 2009	27 Apr 2009
Date vested and exercisable	31-Dec-15	31-Dec-15	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-11
Expiry date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31-Dec-13	31-Dec-13
Loan expiry date	31-Dec-17	31-Dec-17	31-Dec-16	31-Dec-16	31-Dec-15	31-Dec-15	21-May-15	N/A	N/A
Fair value per share at grant date A$	0.470	0.500	0.614	0.878	1.124	1.375	0.600	0.470	0.425
Share price at grant date A$	2.220	2.780	2.760	3.570	3.750	4.200	2.175	1.800	1.475
Exercise price A$/ Loan value per share A$	2.405	2.840	2.779	3.600	3.775	4.285	2.547	2.106	1.525
% Vested	nil	nil	nil	nil	66.67%	66.67%	100%	100% *	100% *
Dividend yield	2.50%	2.50%	1.25%	1.25%	nil	nil	nil	nil	nil
Risk-free interest rate	2.60%	2.90%	2.40%	3.80%	5.10%	5.40%	5.03%	3.80% - 4.40%	
Estimated volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%
Staff turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* In relation to securities issued under the EOP and SRP in 2009, PanAust performed at the 94th percentile in comparison to the comparator group for the relevant performance period. Accordingly, 100% of the securities vested.

J. Additional information

This section of the remuneration report details matters required to be reported by the Corporations Act 2011 which have not been dealt with elsewhere in this report and provides further disclosure in the interests of transparency.

Name	Year granted	STI Opportunity - % Paid	LTSP Securities		
			Financial years in which securities may vest	Minimum total value of grant yet to vest US$ (1)	Maximum total value of grant yet to vest as at 31 December 2013 US$ (2)
Managing Director					
Gary Stafford	**2013**	**86%**	**2015**	Nil	**1,284,861**
	2012	86%	2014	Nil	502,891
	2011	67%	2013	Nil	Nil
Other executive KMP					
Fred Hess	**2013**	**86%**	**2015**	Nil	**308,737**
	2012	90%	2014	Nil	160,926
	2011	79%	2013	Nil	Nil
Rob Usher	**2013**	**84%**	**2015**	Nil	**299,069**
	2012	84%	2014	Nil	155,877
	2011	75%	2013	Nil	Nil
David Hairsine	**2013**	**81%**	**2015**	Nil	**259,069**
	2012	100%	2014	Nil	128,856
	2011	87%	2013	Nil	Nil
Francisco Tomic	**2013**	**77%**	**2015**	Nil	**215,344**
	2012	72%	2014	Nil	111,691
	2011	66%	2013	Nil	Nil

1) The LTSP securities vest after three years provided the vesting conditions are met. No LTSP securities will vest if the conditions are not satisfied, hence the minimum value of the LTSP securities yet to vest is nil. Upon vesting a holding lock remains in place pending repayment of the non-recourse loan.

2) The maximum value of the LTSP securities yet to vest is calculated by taking the fair value of the securities as at the grant date and deducting that component of the fair value of the LTSP securities which has already been expensed.

The following two tables provide additional commentary on the STI outcomes for executive KMP for the year ended 31 December 2013.

Gary Stafford's (Managing Director) STI targets and highlights of results as at 31 December 2013 (STI opportunity paid was 85.67%):

Targets	Weighting	FY2013 assessment highlights
Sustainability	20%	TRIFR was better than the target. Positive improvement was made in relation to identified hotspots: • Reduction in the number of high potential heavy and light vehicle incidents for controlled and influenced activities; • Successful implementation of random drug testing program across mine sites; and • Improved sediment control across the organisation. Zero environmental incidents categorised as Level 4 or above.
Financial Performance	20%	Achieved upper end of guidance in relation to EBITDA.
PanAust Asia Performance	25%	Phu Kham copper production achieved between budget and stretch as a direct result of the Increased Recovery Project. By the end of the September quarter quarterly records for copper and gold recovery which exceeded the design recovery model was achieved. Early in 2013, a 22 percent increase in the 2013 Ban Houayxai Ore Reserve tonnes and an increase in gold and silver of 25 and 26 percent, respectively, was announced. Gold production at Ban Houayxai was better (higher) than the stretch target.
Growth	25%	The Phu Kham Increased Recovery Project achieved better than stretch performance targets with: • Project completion achieved in April against a revised June target: • Design production performance being achieved in June; and • Capital expenditure being under budget with no contingency used. In line with PanAust's corporate growth strategy, it was announced that PanAust had entered a share sale and purchase agreement with Glencore Xstrata to acquire an 80 percent interest in the Frieda River Copper-Gold Project in Papua New Guinea subject to outstanding conditions precedent.
Board Discretion	10%	Assessment based on individual performance against achievement plan.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.

* Refer to page 28 for an explanation of the Business Factor.

STI targets and highlights of results for other executive KMP:

Executive / Targets	Weighting	FY2013 assessment against KPIs (highlights only)
Fred Hess (EGM, Project Development & Opportunity Improvement): STI opportunity paid was 85.95%		
Sustainability	20%	As per Managing Director's above.
Phu Kham Increased Recovery Project	30%	As per Managing Director's above.
Performance against annual achievement plan	50%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.
Rob Usher (EGM, PanAust Asia): STI opportunity paid was 84.12%		
Sustainability	20%	TRIFR was better than the target. Positive improvement was made in relation to identified hotspots: • Reduction in the number of high potential heavy and light vehicle incidents for controlled and influenced activities; • Successful implementation of random drug testing program across mine sites; and • Improved sediment control across the organisation. Zero environmental incidents categorised as Level 3 or above.
PanAust Asia Performance	70%	As per Managing Director's above.
Board Discretion	10%	Assessment based on individual performance against achievement plan.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.
Francisco Tomic (EGM, PanAust South America): STI opportunity paid was 77.40%		
Sustainability	20%	As per Managing Director's above.
Performance against annual achievement plan	80%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.
David Hairsine (Chief Financial Officer): STI opportunity paid was 81%		
Sustainability	20%	As per Managing Director's above.
Performance against annual achievement plan	80%	Expected performance was achieved.
Business Factor*	80 – 120%	90% adjustment applied by the Board to the actual STI award.

* Refer to page 28 for an explanation of the Business Factor.

Indemnity and insurance of officers

The Company's constitution provides, to the extent permitted by law, a general indemnity for officers of the Company against any liability incurred in their capacity as an officer of the Company to a third party (unrelated to the Company) unless the liability arises out of conduct by the officer which involves a lack of good faith or is contrary to the Company's express instructions. The Company's indemnity extends to any costs and expenses incurred by the officer in his or her capacity as an officer of the Company in defending proceedings in which judgement is given in favour of the officer or in which the officer is acquitted. "Officers" is defined in the Company's constitution to include Directors, the company secretary, executive officers and full time employees as determined by the Directors.

Deeds of access, insurance and indemnity have been executed by the Company, consistent with the Company's constitution, in favour of each Director. The Company has agreed to indemnify each Director against any liability incurred by the Director as an officer of the Company other than a liability for a pecuniary penalty order or compensation order under the Corporations Act 2001, a liability owed to a Group company or a liability specifically excluded by the Company's constitution as noted in the above paragraph. Consistent with the Company's constitution the indemnity extends to legal costs subject to certain exclusions.

During the financial year, the Company paid an annual premium of US$337,860 (2012: US$291,451) to insure the Directors, company secretary, and other officers of the Company and its subsidiaries (each an "Insured Party"). The liabilities insured are the loss suffered by the Insured Party and any amount payable by the Company in accordance with the indemnity together with defence costs in respect of a claim. The insurance policy does not cover liability arising out of conduct by an Insured Party referred to in section 199B of the Corporations Act 2001 and other customary exclusions including personal injury, fines and penalties and property damage. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor independence and non-audit services

The Company has employed the auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company were considered to be important.

The Board of Directors considered the issue of auditor independence and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor (refer to Note 29 Remuneration of auditors in the financial statements) did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they did not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached on page 45.

Risk management products

The Company's securities trading policy applies to shares and also to debt securities and financial products issued or created over its share rights or options by third parties and associated products which executives or directors or employees may procure to limit the risk of a holding in the Company. Under section 206J of the Corporations Act 2001, PanAust's key management personnel are not permitted to enter into arrangements which would have the effect of limiting the exposure of the person to risk relating to unvested remuneration or vested remuneration subject to a holding lock. The Company has adopted a policy that executives participating in the PanAust Long Term Share Plan must not enter into hedging arrangements in relation to unvested shares.

Corporate governance statement

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of PanAust support, and have adhered to, principles of corporate governance appropriate for a company such as PanAust. The Company's corporate governance statement is contained after the auditor's independence declaration in this financial report.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

Garry Hounsell
Director

Gary Stafford
Director

Brisbane
20 February 2014

Auditor's Independence Declaration

As lead auditor for the audit of PanAust Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PanAust Limited and the entities it controlled during the period.

D.G. Smith

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
20 February 2014

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Corporate governance statement

PanAust is committed to best practice corporate governance practices appropriate for a company of its size and type. This commitment is founded on a culture of integrity rather than a "tick a box" mentality.

The Company fully complied with the recommendations made by the ASX Corporate Governance Council (the “Recommendations”) for the full period of this report. Further details are provided in this corporate governance statement.

Principle 1: Lay solid foundations for management and oversight

In accordance with the Recommendations, the Company has adopted a Board Charter setting out the functions reserved to the Board. This Board Charter is available on the Company’s website.

The Company has in place a Financial Delegated Authorities Manual which clearly sets out the authorities delegated to each level of management and staff. This Financial Delegated Authorities Manual is approved by the Board and promulgated throughout the PanAust Group and makes clear to every employee what is or is not within the scope of their authority. This is supplemented with a Projects Delegated Authorities Manual which deals with specific issues arising in the context of major projects. The manuals are reviewed by the Board on an annual basis.

Each Director of the Company has entered into a formal letter of appointment. The letter of appointment deals with all of the matters recommended by the Council. It clearly sets out what is expected of each Director.

The performance of senior executives is evaluated on an annual basis. Senior executives prepare annual achievement plans which reflect their role and the strategy of the Company. Senior executives are also expected to meet a number of “key behavioural indicators”. Performance against these annual achievement plans and key behavioural indicators is assessed by the Managing Director with oversight provided by the Remuneration Committee. The process has been completed for the 2013 year.

The Chairman and the Remuneration Committee consider the performance of the Managing Director. Again, the assessment of performance is made against an annual plan prepared in the context of the Company’s strategy. This review has also been completed for the 2013 year.

The outcomes of the performance reviews of the Managing Director and the other senior executives are considered in the annual remuneration review process. The Remuneration Committee makes recommendations for the consideration of the Board. Further information is contained in the Remuneration Report.

Principle 2: Structure the board to add value

The structure and membership of the Board fully complies with the Recommendations. A majority of the Board are independent non-executive Directors. The Chairman is an independent non-executive Director. The roles of the Chairman and the Managing Director are not exercised by the same person.

The Board has adopted specific principles with respect to assessing the independence of directors. In order to be considered “independent”, the relevant Director must be independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their independent judgment. Materiality is considered from the perspective of both the Company and the Director. Both quantitative and qualitative elements are considered. An item is presumed to be immaterial from a quantitative perspective if it is equal to or less than 5% of the relevant base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors include the competitive landscape and the nature of a relationship, including its strategic importance.

Principle 2: Structure the board to add value (continued)

On the basis of these principles, the following Directors are considered to be independent: Garry Hounsell (Chairman), Nerolie Withnall, Geoff Handley, Geoff Billard, John Crofts, Ken Pickering and Annabelle Chaplain. The only two Directors who are not considered independent are Gary Stafford, the Managing Director of the Company, and Zezhong Li who is the non-executive Director nominated by Guangdong Rising Assets Management (GRAM) (a cornerstone investor in the Company). The placement agreement entered into with GRAM provides that the Board of the Company must have a majority of independent non-executive Directors and an independent Chairman.

In accordance with the Recommendations, the Company has a Nominations Committee with a majority of independent non-executive Directors; namely, Garry Hounsell as Chairman, Nerolie Withnall and Geoff Handley. The Managing Director is also a member of the Nominations Committee. The charter for the Nominations Committee is available on the Company's website. Its responsibilities include the duties listed in the Recommendations. Details of the number of meetings of the Nominations Committee (and other Committees) and attendance by members are provided in the Directors' report.

The Board has adopted a skills matrix to identify the desirable mix of skills and competencies to be held by members of the Board as a whole. The relevant skills identified are as follows: financial qualifications (experience as a chief financial officer, in accounting, audit or economics); operational mining industry experience; finance or banking experience; engineering or geology expertise; in-depth recent international/global experience; former chief executive officer or equivalent experience; experience managing large capital projects; mergers and acquisitions experience; mid/large company non-executive director experience; and corporate governance expertise. The skills, expertise and date of appointment of all Directors are detailed in the Directors' report.

The Board has also considered the issue of diversity at a Board level. In 2011, the Board adopted a measurable objective of increasing the number of women serving as non-executive Directors from one to two by 31 December 2014. The Company met that objective in 2012 and has continued to meet the objective through 2013.

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

The Company has an induction kit to assist new Directors to familiarise themselves with the Company. This is updated on a regular basis. Feedback is obtained from each new Director as to whether or not the induction kit has met its purpose and whether or not it can be improved.

There is a procedure in place for Directors to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but will not be unreasonably withheld.

Principle 3: Promote ethical and responsible decision making

PanAust has a "Vision and Values" statement which provides that PanAust's business affairs are to be conducted legally and ethically with integrity. The statement is available on the Company's website. In addition, the Company is a signatory to:

- the Minerals Council of Australia's "Enduring Value" (which incorporates global industrial sustainability initiatives and provides guidance on the International Council on Mining and Metals' Sustainable Development Framework Principles); and
- the Voluntary Principles of Security and Human Rights, an internationally recognised industry initiative.

In 2013, the Company completed a review of the Company's Code of Conduct and published a user friendly handbook entitled "The PanAust Way" which supersedes the previous version of the Company's Code of Conduct. It meets all of the requirements for a code of conduct under the Recommendations. The PanAust Way further enunciates the position of the Company with respect to the issue of bribery and corruption. It states that the Company's policy is not to make "facilitation payments". A user friendly "question and answer" format is included in each section to provide guidance to employees as to what to do in particular situations. The PanAust Way is available on the Company's website.

Principle 3: Promote ethical and responsible decision making (continued)

The Company has a Whistleblower Standard and an externally facilitated whistleblower service that was set up in 2012. To facilitate access, special arrangements were put in place to ensure that issues could be raised in Lao or Spanish language in addition to English.

The Company has adopted a Sustainability Policy. A copy of the Policy is available on the Company's website. The Company has a Sustainability Committee. The charter of the Sustainability Committee is also available on the Company's website. Its purpose is to satisfy itself that the Company has in place effective measures, systems and controls in relation to the environment, community, occupational health and safety, and other sustainability matters. It monitors the reporting of the Company in relation to the Global Reporting Initiative sustainability reporting guidelines.

PanAust externally assured its 2012 Annual Sustainability Report to the Global Reporting Initiative (GRI-G3) Sustainability Reporting Guidelines. PanAust achieved an A+ limited assurance rating against the ISAE 3000 and AA1000 Assurance Standard. The process assessed the accuracy, materiality, completeness and responsiveness of the information and data contained in the PanAust Sustainability Report 2012. The 2012 external assurance statement can be found on the Company's website at www.panaust.com.au/reports.

The Company has an Employee Policy which provides that PanAust will implement diversity strategies to maximise the talent pool available to the PanAust Group and the retention of a diverse workforce free from discrimination. Merit is the basis of performance based pay and remuneration.

The Company has a Diversity Standard that sets out the processes to ensure equal opportunity and non-discrimination according to gender, age, religion and ethnicity. The Diversity Standard complies in all respects with the Recommendations. Both the Employee Policy and the Diversity Standard are available on the Company's website.

In accordance with the Diversity Standard, the Board adopted a number of measurable objectives, including objectives for the year ended 31 December 2013. All of these objectives have been substantially achieved, including:

- Incorporated a Diversity Education Programme into the induction programme for all new employees.
- In 95% of recruitment actions, PanAust interviewed at least one woman candidate (the goal is to interview at least one woman candidate who meets the key minimum selection criteria for the position).
- Maintained two women non-executive Directors on the Board of PanAust.
- Undertook its first analysis of "remuneration by gender", based on position classification levels. This will be discussed further in the Sustainability Report for 2013. It provides valuable benchmark information.
- In the Lao context:
  - implemented a formal mentoring program for future Lao senior company leaders with 19 employees participating in the pilot program;
  - all Lao women employees at stratum level 1F (senior officers, superintendents or senior advisers) have completed or are in the process of completing the PanAust Asia leadership programmes (the target for 2013 was 50%);
  - completed a review of all expatriate roles and identification of localisation opportunities and formulated development plans; and
  - continued provision of technical trades training, scholarship and graduate programmes and the Company has entered into an arrangement with an external education provider to offer a new entry-level programme targeting career pathways for Lao women school leavers in 2014.

The following measurable objectives have been set for the 2014 year:

- Continue with the objective from 2013 to interview at least one woman applicant who meets the requisite key minimum selection criteria for all recruitment assignments.
- Develop a strategy paper that considers research undertaken on policy and practice of flexible working arrangements in the mining industry.
- Introduce initiatives to raise diversity awareness throughout the organisation, including through internal communications.
- Maintain at least two women non-executive Directors on the Board of PanAust.
- Continue to monitor, capture and externally report diversity information.

Principle 3: Promote ethical and responsible decision making (continued)

- Implement a monitoring and reporting dashboard which tracks specific diversity metrics.
- Develop appropriate strategies to manage and monitor remuneration by gender.
- In the Lao context:
  - Ensure at least three senior Lao women employees are involved in the PanAust Mentoring Program.
  - Ensure at least 50% of employees who are Lao women at 1E Stratum (being employees at Supervisor level) or above have completed the PanAust Asia leadership programs which are targeted for Lao employees.
  - Provide an additional 30 opportunities for Lao nationals to participate in technical training, scholarship and graduate programmes.
  - Increase the number of Lao employees at Supervisor level or above who come from ethnic groups other than Lao Loum.

The current proportion (and number) of women at various levels in the organisation is as follows: Board level: 22.22% (two), senior executive team: nil, manager/principal/superintendent/senior advisor: 15% (thirty four) and throughout the entire Company: 16% (six hundred). In relation to ethnicity, 88% of the workforce of the Company's Lao operating subsidiary, Phu Bia Mining, are Lao (up from 85% in 2012).This includes representation from each of the three Lao ethnic groups (Lao Loum, Hmong and Khmu). Further information will be provided in the Company's Sustainability Report for 2013.

The Company has a policy relating to the trading of securities by Directors, senior executives, employees, consultants and contractors which fully complies with ASX Listing Rule 12.12. A copy of the policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

The Company has an Audit Committee comprising four independent non-executive Directors Nerolie Withnall (Chairman), Geoff Billard, Annabelle Chaplain and Garry Hounsell). The qualifications of the members of the Audit Committee are contained in the Directors' Report. There is a different chairman for the Audit Committee and the Company. Accordingly, the Audit Committee is constituted in accordance with the ASX Listing Rules and the Recommendations. The Audit Committee has a formal charter which is available on the Company's website. The number of meetings of the Audit Committee is detailed in the Directors' Report.

Principle 5: Make timely and balanced disclosure

PanAust complies with its continuous disclosure obligations in accordance with the requirements of the ASX Listing Rules and the Corporations Act. The Managing Director has primary responsibility for ensuring the market is properly informed. The Company has a Continuous Disclosure Policy which complies with the Recommendations. The policy provides details of the information required to be disclosed, the policy of the Company with respect to disclosure and the procedures in place to ensure compliance with the Company's continuous disclosure obligations. A copy of the policy is available on the Company's website.

In accordance with the JORC Code, PanAust has in place procedures to ensure it obtains relevant "form and context" consent from relevant experts in relation to the disclosure of exploration results, mineral resource and ore reserve information.

Principle 6: Respect the rights of shareholders

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

The Company has a Shareholders' Communication Policy which complies with the Recommendations. The policy provides that the Company will be fair, honest and transparent in its dealings with shareholders. The policy details the arrangements to maximise the participation of shareholders at the annual general meeting. It also specifies the information to be made available on the Company's website, including presentations given by PanAust to meetings of shareholders, investors and at conferences over the previous three years. A copy of the policy is available on the Company's website.

Principle 7: Recognise and manage risk

The Recommendations provide that companies should establish policies for the oversight and management of material business risks. In addition, the Recommendations provide that the Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks.

PanAust has an Enterprise Risk Management Policy which provides details of the Company's policy, procedures, responsibilities and authorities. A copy of the policy is available on the Company's website. This policy is supported by a detailed internal procedure.

PanAust deploys a risk management system based on ISO - AS/NZS 31000. The scope of the system addresses both financial and non-financial risk issues. The system integrates risk management principles into PanAust's policies, standards, procedures, organisational culture, governance, management and reporting processes. Risk assessments are used to inform decision making processes at both a corporate and operational level. PanAust utilises the ALARP ("as low as reasonably practical") method of appropriately treating risk. PanAust has risk registers in place across the business which have been developed utilising common tools. Identification of risk utilises a risk evaluation process which incorporates the application of a common consequence and likelihood table and evaluation matrix. Further information is provided in PanAust's Sustainability Report for 2012 which is available on the Company's website.

Under its Charter, the Board has responsibility to review, ratify and monitor systems of risk management and internal control. The Board, the Audit Committee and the Sustainability Committee receive reports from management with respect to the effectiveness of management of the Company's material business risks with presentations being regularly made by senior management. Once a year, the Board has a meeting with a particular focus on the issue of risk management.

In 2013 the Company adopted an Internal Control Management Charter and related work program in relation to the internal control function. The Company's internal control function is designed to systematically review the internal controls and key financial risks of the Company and provide recommendations for improvements/ enhancements to those controls.

The Board has received assurance from its Managing Director and Chief Financial Officer that the declaration as to the financial records and statements made under section 295A of the Corporations Act 2001 has been founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

PanAust has a Remuneration Committee which comprises four independent non-executive Directors; namely, Geoff Handley as Chairman, Nerolie Withnall, Garry Hounsell and Ken Pickering. The Chairman of the Remuneration Committee is different from the Chairman of the Board of Directors. The structure of the Remuneration Committee fully complies with the Recommendations and the ASX Listing Rules. The charter of the Remuneration Committee is available on the Company's website. The Remuneration Report provides details with respect to the Company's remuneration policies and practices.

The Employee Policy of the Company prohibits any difference in remuneration based on gender.

There is a clear distinction made between the structure of remuneration paid to non-executive Directors and the structure of remuneration paid to the Managing Director and other senior executives. The non-executive Directors do not receive short term or long term incentives, equity based remuneration or retirement benefits (other than superannuation).

At the last annual general meeting of the Company, the Company's Remuneration Report for 2012 was strongly supported by the Company's shareholders both at the meeting and through lodged proxies (98.23% of all lodged proxies were in favour of adopting the report).

PanAust Limited ABN 17 011 065 160
Annual report - 31 December 2013

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of PanAust Limited and its subsidiaries collectively referred to as the "Group". The financial statements are presented in United States dollars, which is the parent entity's functional and presentation currency.

PanAust Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

PanAust Limited
Level 1
15 James Street
Fortitude Valley, Queensland, AUSTRALIA 4006

Telephone: +61 (0) 7 3117 2000

Postal Address is:
PO Box 2297
Fortitude Valley Business Centre, Queensland, AUSTRALIA 4006

Through the use of the internet, the Company has ensured that the Company's corporate reporting is timely and complete. All press releases, financial reports and other information are available at its Investor Centre on its website: www.panaust.com.au

PanAust Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2013

	Notes	**31 December 2013 $'000**	31 December 2012* $'000
Sales revenue	5	**725,048**	712,696
Derivative gains/(losses)	5	**7,302**	(9,271)
Other income	5	**1,615**	2,895
Changes in inventories of finished goods and work in progress		**14,837**	21,205
Mining operations costs		**(266,614)**	(216,438)
Employee benefits expense		**(89,803)**	(75,487)
Royalties		**(40,065)**	(40,206)
Treatment and refining charges		**(29,206)**	(19,992)
Copper concentrate haulage		**(27,048)**	(26,063)
Marketing, realisation and freight costs		**(14,297)**	(14,327)
Other expenses	6	**(20,070)**	(15,091)
		261,699	319,921
Interest and finance charges	6	**(21,905)**	(17,654)
Depreciation and amortisation expense	6	**(118,336)**	(83,409)
Impairment expense	6	**(50,850)**	(5,047)
Change in the fair value of available-for-sale financial asset		**(1,182)**	-
Put option premium expense		**-**	(1,864)
Profit before income tax		**69,426**	211,947
Income tax expense	7	**(25,730)**	(53,619)
Profit after income tax		**43,696**	158,328
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges, net of tax		**4,142**	4,341
Total comprehensive income for the year		**47,838**	162,669
Profit after income tax is attributable to:			
Owners of PanAust Limited		**36,383**	141,979
Non-controlling interests		**7,313**	16,349
		43,696	158,328
Total comprehensive income for the year is attributable to:			
Owners of PanAust Limited		**40,111**	146,404
Non-controlling interests		**7,727**	16,265
		47,838	162,669
		Cents	**Cents**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	24	**6.12**	23.98
Diluted earnings per share	24	**6.11**	23.87

* See note 32 for details regarding the restatement as a result of a change in accounting policy

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated balance sheet
As at 31 December 2013

	Notes	**31 December 2013 $'000**	**31 December 2012 $'000 ***	**1 January 2012 $'000 ***
ASSETS				
Current assets				
Cash and cash equivalents	8	**130,270**	125,029	155,525
Receivables and other assets	10	**28,469**	24,963	15,672
Inventories	11	**117,062**	111,917	56,279
Derivative financial instruments	12	**1**	486	4,248
Total current assets		**275,802**	262,395	231,724
Non-current assets				
Receivables and other assets	10	**13,205**	16,677	53,449
Inventories	11	**19,200**	-	-
Investments accounted for using the equity method	13	**-**	23,414	23,151
Available-for-sale financial assets	14	**3,488**	-	-
Property, plant and equipment	15	**904,586**	885,575	507,392
Exploration, evaluation, and mine development	16	**205,276**	183,333	342,871
Intangible assets	17	**13,965**	13,965	13,965
Derivative financial instruments	12	**-**	158	2,431
Total non-current assets		**1,159,720**	1,123,122	943,259
Total assets		**1,435,522**	1,385,517	1,174,983
LIABILITIES				
Current liabilities				
Trade and other payables	18	**76,904**	87,958	84,495
Borrowings	19	**29,313**	113,130	14,961
Current tax liabilities	7	**6,005**	23,591	30,418
Provisions	20	**16,211**	14,651	13,564
Derivative financial instruments	12	**2,215**	-	-
Total current liabilities		**130,648**	239,330	143,438
Non-current liabilities				
Trade and other payables	18	**-**	1,466	3,334
Borrowings	19	**194,702**	51,612	92,019
Deferred tax liabilities	7	**25,299**	27,472	21,181
Provisions	20	**60,534**	52,700	34,426
Derivative financial instruments	12	**-**	2,590	-
Total non-current liabilities		**280,535**	135,840	150,960
Total liabilities		**411,183**	375,170	294,398
Net assets		**1,024,339**	1,010,347	880,585
EQUITY				
Contributed equity	21	**554,642**	548,029	542,617
Reserves	22(a)	**40,237**	30,738	21,941
Retained earnings	22(c)	**318,388**	324,395	201,055
Capital and reserves attributable to owners of PanAust Limited		**913,267**	903,162	765,613
Non-controlling interests	23	**111,072**	107,185	114,972
Total equity		**1,024,339**	1,010,347	880,585

* See note 32 for details regarding the restatement as a result of a change in accounting policy

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of changes in equity
For the period ended 31 December 2013

Consolidated entity	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of PanAust Limited					
Balance at 1 January 2012		**542,617**	**21,941**	**213,119**	**777,677**	**116,312**	**893,989**
Adjustment relating to change in accounting policy (net of tax)	32	-	-	(12,064)	(12,064)	(1,340)	(13,404)
Restated total equity at the beginning of the financial period		**542,617**	**21,941**	**201,055**	**765,613**	**114,972**	**880,585**
Profit after income tax		-	-	141,979	141,979	16,349	158,328
Changes in fair value of cash flow hedges, net of tax		-	4,425	-	4,425	(84)	4,341
Total comprehensive income for the period		**-**	**4,425**	**141,979**	**146,404**	**16,265**	**162,669**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		5,412	-	-	5,412	-	5,412
Total changes in non-controlling interests		-	-	-	-	(19,904)	(19,904)
Dividends provided for or paid		-	-	(18,639)	(18,639)	(4,148)	(22,787)
Employee share based payments		-	4,372	-	4,372	-	4,372
		5,412	**4,372**	**(18,639)**	**(8,855)**	**(24,052)**	**(32,907)**
Balance at 31 December 2012		**548,029**	**30,738**	**324,395**	**903,162**	**107,185**	**1,010,347**
Balance at 1 January 2013		**548,029**	**30,738**	**324,395**	**903,162**	**107,185**	**1,010,347**
Profit after income tax		-	-	36,383	36,383	7,313	43,696
Changes in fair value of cash flow hedges, net of tax		-	3,728	-	3,728	414	4,142
Total comprehensive income for the period		**-**	**3,728**	**36,383**	**40,111**	**7,727**	**47,838**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	21	6,613	-	-	6,613	-	6,613
Total changes in non-controlling interests		-	-	-	-	310	310
Dividends provided for or paid		-	-	(42,390)	(42,390)	(4,150)	(46,540)
Employee share based payments	25	-	5,771	-	5,771	-	5,771
		6,613	**5,771**	**(42,390)**	**(30,006)**	**(3,840)**	**(33,846)**
Balance at 31 December 2013		**554,642**	**40,237**	**318,388**	**913,267**	**111,072**	**1,024,339**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

PanAust Limited
Consolidated statement of cash flows
For the period ended 31 December 2013

	Notes	**31 December 2013 $'000**	31 December 2012 $'000
Cash flows from operating activities			
Receipts from customers		**720,966**	707,047
Payments to suppliers and employees (inclusive of goods and services tax)		**(494,823)**	(419,593)
Receipts (payments) for derivatives		**7,570**	(646)
Payments for income tax		**(45,489)**	(53,906)
		188,224	232,902
Interest and fees paid		**(13,474)**	(12,825)
Put option premium paid		**(3,608)**	(6,240)
Interest received		**399**	1,060
Net cash inflow from operating activities	9	**171,541**	214,897
Cash flows from investing activities			
Payments for property, plant and equipment		**(99,003)**	(86,157)
Payments for brownfield development costs		**(25,626)**	(71,343)
Payments for greenfield development costs		**-**	(62,779)
Payments for exploration and evaluation costs		**(48,373)**	(67,872)
Payments for acquisition of tenements		**-**	(8,000)
Payments for investments in associates		**(315)**	(263)
Payment for financial assets		**(4,670)**	-
Net cash outflow from investing activities		**(177,987)**	(296,414)
Cash flows from financing activities			
Proceeds from issues of shares		**1,331**	3,710
Proceeds from issues of shares to non-controlling interest		**1,547**	7,175
Proceeds from borrowings		**70,660**	75,716
Repayment of borrowings		**(23,553)**	(19,188)
Dividends paid to Company's shareholders		**(37,108)**	(16,937)
Net cash inflow from financing activities		**12,877**	50,476
Net increase/(decrease) in cash and cash equivalents		**6,431**	(31,041)
Cash and cash equivalents at the beginning of the financial year		**125,029**	155,525
Effects of exchange rate changes on cash and cash equivalents		**(1,190)**	545
Cash and cash equivalents at end of year		**130,270**	125,029

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report pertains to the consolidated entity of PanAust Limited (Parent entity) and its subsidiaries (the “Company”, “Group” or “PanAust”).

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001.* PanAust Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial report of PanAust complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments measured at fair value.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2013 and the results of all subsidiaries for the reporting period then ended.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposal are also recorded in equity.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet respectively.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity. Such investments include both investments in shares issued by the subsidiaries and other parent entity interests that in substance form part of the parent entity's investment in the subsidiaries. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Other amounts advanced on commercial terms and conditions are included in receivables.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to associates as an additional source of long term capital.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(iii) Employee Share Trust

The Group has formed a trust to administer the Group's Executive Long Term Share Plan (LTSP). This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held on trust are disclosed as treasury shares and deducted from contributed equity.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the parent entity's functional and presentation currency. All companies in the Group have a United States dollar functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for-sale financial assets, are included in the fair value reserve in equity.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the Company, the quantity and quality of the goods have been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable.

(i) Copper, gold and silver in concentrate revenue

PanAust delivers concentrate to customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price or a pre-determined fixed price.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement is based on the average LME copper price over a subsequent pricing period specified by the terms of the sales contract or the pre-determined fixed price.

The period from the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP often reflects the average time to elapse between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

For amounts at balance date still subject to price adjustments due to the quotational period remaining open, a final settlement price is estimated based on the closing LME copper price on the final day of the month. This revaluation is performed up until the final invoice is received. The actual settlement price may vary from this estimate.

(ii) Gold and silver in doré revenue

Revenue from gold and silver sales is recognised when the significant risks and rewards of ownership have transferred to the refinery and the quantity of gold and silver, as well as selling prices are known or can be reasonably estimated.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the relevant entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Receivables

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(ii) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Cash flows relating to other receivables are discounted if the effect of discounting is material.

(h) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Company designate certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- derivatives that do not qualify for hedge accounting.

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

1 Summary of significant accounting policies (continued)

(h) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are recycled in profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within ‘finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(i) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Investments and other financial assets

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets comprising principally marketable equity securities are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months at the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold then for the medium to long term.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables (note 10) in the consolidated balance sheet.

(k) Exploration and evaluation expenditure

Costs arising from exploration, and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(l) Mine development expenditure

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure having a specific nexus with the development property.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as “mine development”.

A development property is reclassified to “property, plant and equipment” at the end of the commissioning phase, when the production reaches a previously determined capacity.

When further development expenditure is incurred in respect of mining plant and equipment after the commencement of production, such expenditure is capitalised only when it is probable that the additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is recognised as part of the cost of production.

No amortisation is provided in respect of development expenditure until they are reclassified as "property, plant and equipment”, from which date they are amortised on the units-of-production method with separate calculations being made for each mineral resource. Amortisation is based on assessments of proven and probable reserves to be mined.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment

All property, plant and equipment is shown at historical cost, less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Economic life assets' depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Mining plant and equipment	3 - 10 years *
- Mine properties	units-of-production
- Motor vehicles	3 - 5 years
- Office equipment	3 - 5 years

* Except for life-of-mine assets which are depreciated on the units-of-production method. Depreciation is based on assessments of proven and probable reserves to be mined by the current production equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(o)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(i) Deferred stripping costs

The stripping costs are accounted for as variable production costs to be included in the costs of inventory produced during the period in which they are incurred. Stripping costs are capitalised in 'Mine Properties' as a stripping activity asset when the stripping activity has future economic benefit by providing improved access to an identified ore body and when the costs associated with the activity can be measured reliably.

Refer to note 32 for the impact of the change in the accounting policy applied retrospectively.

(n) Intangible assets

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1 Summary of significant accounting policies (continued)

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Restoration costs that are expected to be incurred are provided for as part of the cost of exploration, evaluation, development, construction or production phases that give rise to the need for restoration. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs.

Mine closure and restoration costs are provided for at the present value of future expected expenditure required to settle the Group's obligations discounted using a rate adjusted for risks specific to the liability. When the provision is recognised a corresponding asset is also recognised as part of the development costs of the mine to the extent that it is considered that the provision gives access to future economic benefits. On an ongoing basis, the closure liability is remeasured at each reporting period in line with the changes in time value of money (recognised as a finance expense in profit or loss and an increase in provision), and changes in estimates of future costs or methods of rehabilitation. Changes in the closure liability are recognised prospectively as additions or changes to the corresponding asset and liability. Additional restoration or other environmental costs arising from mine production activities are expensed. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant national or regional (Australian or overseas) legislation in relation to restoration of such sites in the future. The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

Under Amendment No.3 to the MEPA entered into on 9 April 2007 with the Government of Laos, Phu Bia Mining Ltd agreed to the establishment of an Environmental Protection Fund to be funded by Phu Bia Mining at the rate of US$1/ounce of gold sold and US$1/tonne of copper sold. The establishment of this fund does not limit the obligations of Phu Bia Mining Ltd under its environmental Social Management and Monitoring Plan (ESMMP) as approved by the Government of Laos. Phu Bia Mining Ltd must provide any additional funds required to complete the approved rehabilitation plan under the ESMMP. Amounts payable to the fund are provided for as sales are made, and are expensed in profit or loss.

(r) Borrowings and borrowing costs

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

1 Summary of significant accounting policies (continued)

(s) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 15). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables and represent employees' services up to the reporting date which are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave and annual leave expected to be settled within 12 months of the reporting date are recognised in the current provision for employee benefits and represent employees' services up to the reporting date which are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on debt instruments with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The Managing Director is entitled to one month termination benefit for each year of service or a maximum of 12 months which is also included in the provision for employee benefits.

(iii) Share-based payments

Share based compensation benefits are provided to the Managing Director and other senior executives through the Company's Executive Long Term Share Plan (LTSP). Share based compensation benefits are provided to a wider cross section of employees through the Share Right Plan (SRP). Information relating to these plans, including the Executive Option Plan (EOP) which was replaced in 2010 by the LTSP, is set out in note 25.

The fair value of grants issued are recognised as an employee benefit expense with a corresponding entry to the share based payment reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the relevant securities.

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iii) Share-based payments (continued)

The fair value of the options granted under the EOP is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity. Upon the exercise of options, the cash payment is recognised as share capital.

The market value of shares issued to employees for no cash consideration under the SRP is recognised over the period during which the employees become unconditionally entitled to the shares. The expense is recognised as employee benefits expense with a corresponding entry to the share based payments reserve.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(u) Contributed equity

Ordinary shares are classified as equity (note 21).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1 Summary of significant accounting policies (continued)

(x) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the theoretical cash flows arising if each subsidiary were to source each guarantee on market terms as an arm's length transaction.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(y) Segment reporting

The Company has adopted AASB 8 Operating Segments. This requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

(z) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(aa) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB9 Financial Instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014 and will not have any impact on the Group’s financial statement.

1 Summary of significant accounting policies (continued)

(ab) New accounting standards and interpretations (continued)

(iii) AASB Interpretation 21 Levies (effective 1 January 2014)

Interpretation 21 was issued by the AASB in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The group has reviewed the levies it is currently paying and determined that the accounting for these levies will not be affected by the interpretation. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements. The group will apply the interpretation from 1 January 2014.

(iv) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 January 2014.

(v) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014)

The AASB has made small amendments to AASB 139 Financial Instruments:
Recognition and measurement. The amendments will allow entities to continue hedge accounting, where a derivative contract that was designated as a hedge has been novated to a central counterparty as a consequence of laws or regulations. The group intends to apply the amendments from 1 January 2014. Since the group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(b) Critical judgements in applying accounting policies

(i) Determination of Ore Reserves, Mineral Resources, and units of Production Method of Depreciation and Amortisation

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for estimating the timing of the payment of close down and restoration costs.

When a change in estimated recoverable copper or gold contained in proved and probable ore reserves is made, the change in amortisation and depreciation is accounted for prospectively.

The Group applies the units-of-production method for depreciation and amortisation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves, resources and production capacity are the Group's history of converting resources to reserves and the relevant timeframes, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets.

(ii) Mine restoration provisions estimates

The calculation of rehabilitation and closure provisions rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances. Restoration provisions are disclosed in Note 20.

Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. During 2012, an independent consulting firm was engaged to assist with the calculation of the provision estimates. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

(iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying accounting policies (continued)

(iii) Income taxes (continued)

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply, deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the taxable profit or loss of the periods in which the temporary differences are expected to reverse.

Income tax returns in Laos are reviewed in detail by the relevant authorities on a regular basis with reference to both the tax legislation and the Mineral Exploration and Production Agreement (MEPA), held with the Government of Laos, which supersedes the tax legislation of Laos on various matters. Such reviews could potentially result in additional tax payments or potential refunds being necessary. This would result in the payment or refund being recognised as income tax expense, in profit or loss, in the period in which the transaction is completed.

(iv) Fair values of derivative financial instruments

The Group assesses the fair value of its gold and copper put options and forward contracts, currency options and interest rate swaps in accordance with the accounting policy stated in note 1(h). Fair values have been determined based on well-established option pricing models and market conditions existing at the balance date, or using discounted cash flows. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, copper prices, gold prices and volatilities and the period to maturity could have a significant impact on the fair valuation attributed to the Group's derivatives. When these assumptions change in the future, such differences will impact asset carrying values and the hedging reserve and / or profit or loss in the period in which they change or become known.

(v) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, units operating costs, future capital requirements and future operating performance.

Impairment of mining assets and goodwill
The recoverable amount of mining assets and goodwill is generally determined utilising discounted future cash flows. Other considerations also include the ore reserves and life of mine, market risk and asset specific risks in determining the fair value.

Impairment of exploration and evaluation assets
The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. Significant judgment is required as to whether an area of activity is to be carried forward on the balance sheet, or written off through the identification of areas of activity which have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, where there is no continuing significant activity plan in relation to the area.

Impairment of investment in associates
The investments in associates are evaluated annually for impairment by comparing the entire carrying value of the investment to the recoverable amount, which is the higher of value in use or fair value less costs to sell. During the first half of 2011, the Company commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner. This process has been unsuccessful to date, therefore a provision for the impairment of the full value of the investment in Puthep has been recognised. (Refer to note 13 for further detail).

2 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying accounting policies (continued)

(vi) Quotational period price adjustments

For amounts at balance date still subject to price adjustments due to the quotational period remaining open, a final settlement price is estimated based on the relevant forward price curve. The actual settlement price may vary from this estimate. The extent of the variation due to the quotational period price adjustment is disclosed in the accounts. (Refer to note 5 for further detail).

3 Financial risk management

PanAust's activities, and the debt required to fund these activities, exposes it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

Company Hedging Policy

The primary objective of the Company Hedging Policy (approved by the PanAust Board of Directors) is to provide a framework to investigate, recommend and (upon approval) execute appropriate strategies, namely:

- Hedging positions will only be entered into if the Company is confident with the ability to be able to deliver under the contracts and the resulting cash position;
- The overall aim of any hedging entered into will be to ensure that PanAust remains in a position to meet its financial obligations in an orderly and timely manner and to achieve an acceptable return on its investments; and
- Management of cash flow risk will be undertaken through the forecasting of cash inflows and outflows using internally produced cash flow forecasts. Whilst there is a debt facility in place, forecasts will be in a form pursuant to the debt facility “waterfall requirements” (the order in which operating cash flow is applied) outlined in those facility agreements.

Mandatory Hedging Program

Consistent with the Company Hedging Policy, the banks which provided the project finance for the Phu Kham Copper-Gold Operation in 2007 required a hedging program to be implemented by the Company as a condition of the project debt financing (Mandatory Hedging Program). This program incorporated currency, interest rate and gold hedging with a view to minimise potential adverse effects on the ability of the Group to service its debt obligations. The remnant gold hedging from the original 2007 project finally matured in December 2013 (refer to note 5 (b)). Copper hedging (via options) under the 2010 bank facility runs off during 2014.

The hedging protocol under the current bank facility requires the Company to hedge at least 50% of the copper in every shipment as the provisional copper price invoiced on the date of the shipment.

(a) Market risk

(i) Foreign exchange risk

Sensitivity of pre-tax profit and equity to movements in US$ exchange rates by -/+15%, with all other variables held constant, are shown in the table below. The exposure is mainly as a result of foreign exchange gains/losses on translation of Australian dollar denominated cash and cash equivalents and payables.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

PanAust operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar. Foreign exchange risk arises from both future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured using sensitivity analysis and cash flow forecasting.

	2013 Profit before tax		2012 Profit before tax	
	15 % weaker US$'000	15 % stronger US$'000	15 % weaker US$'000	15 % stronger US$'000
Cash and cash equivalents	4,140	(3,060)	1,439	(1,064)
Trade and other payables	(2,022)	1,495	(3,243)	2,397
	2,118	(1,565)	(1,804)	1,333

PanAust has a functional currency of United States dollars. Due to the nature of its business and the location of its operations, the company deals in a number of currencies. The principal currencies dealt with are United States dollars, Australian dollars, Thai Baht, Lao Kip, and Chilean Peso. The above analysis has used a common sensitivity of -/+15% (2012: -/+15%).

(ii) Cash flow and fair value interest rate risk

PanAust's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

Sensitivity of pre-tax profit and equity to changes in interest rates by -0.25%/+0.5% (2012: -0.25%/+0.5%) from the 31 December 2013 rates of 1.05% for cash and a floating rate of 0.19% for borrowings with all other variables held constant, are shown in the table below. The exposure is mainly as a result of borrowings and cash at bank at floating rates.

	Profit before tax		Equity	
2013	0.25% decrease US$'000	0.5% increase US$'000	0.25% decrease US$'000	0.5% increase US$'000
Cash and cash equivalents	(326)	651	-	-
Receivable from the Government of Laos	-	-	(41)	81
Put option premium payable	3	(6)	-	-
Borrowings	560	(1,120)	-	-
	237	(475)	(41)	81

	Profit before tax		Equity	
2012	0.25 % decrease US$'000	0.5 % increase US$'000	0.25 % decrease US$'000	0.5 % increase US$'000
Cash and cash equivalents	(313)	625	-	-
Receivable from the Government of Laos	-	-	(46)	92
Put option premium payable	12	(24)	-	-
Borrowings	412	(824)	-	-
	111	(223)	(46)	92

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk

PanAust is exposed to commodity price risk. This arises from the sale of copper, gold and silver that is priced on, or benchmarked to, open market exchanges.

To manage this risk the company undertakes various derivatives transactions (refer to note 5 and 12).

Copper price sensitivity

At 31 December 2013, had the copper price changed by -/+10% from the 31 December 2013 LME three month price of US$7,360/t (US$3.34/lb) (2012: -/+20% from the 31 December 2012 price of US$7,907/t (US$3.59/lb)), pre-tax profit and equity for the year would have been impacted due to the 9,832t of provisionally priced copper sales; 14,850t of copper swap derivatives; and 4,692t of copper put options, as per the table below:

	2013 Profit before tax		2012 Profit before tax	
	10% decrease US$'000	10% increase US$'000	20 % decrease US$'000	20 % increase US$'000
Financial assets				
Accounts receivable	(7,236)	7,236	(8,340)	8,340
Derivatives - put options	9	-	909	(121)
Derivatives - copper swaps	10,930	(10,930)	8,151	(8,215)
	3,703	(3,694)	720	4

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high-credit-quality counterparties are accepted, and the Group utilises ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and payable to individual counterparties. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Due to the immediate payment terms and nature of invoicing for the copper concentrate sales, the credit risk exposure is considered to be low.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset.

PanAust also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness, and is spread across a number of financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims at flexibility in funding by maintaining committed credit lines available at a prudent level.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2013	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
Bank loans (i)	12,000	-	150,000
Trade and other payables	75,711	-	-
Put option premium payable	1,193	-	-
Finance lease liabilities (ii)	17,313	17,313	33,062
	106,217	17,313	183,062

As at 31 December 2012	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
Bank loans	85,000	-	-
Trade and other payables	84,624	-	-
Put option premium payable	3,334	1,465	-
Finance lease liabilities	28,861	13,738	37,874
	201,819	15,203	37,874

(i) On 22 January 2013, Phu Bia Mining Limited entered into amended and restated facilities agreements for debt facilities totalling US$275 million. Refer to note 19 for further details. As at 31 December 2013, US$150 million has been drawn from the debt facility (2012: US$85 million). The interest rate, including margin, on this facility was 3.67% as at 31 December 2013 (2012: 4.716%).

An additional US$12 million has been drawn on the working capital facility as at 31 December 2013 at an interest rate of 4%.

(ii) The equipment lease facilities have variable interest rates and are repayable in quarterly installments. The average interest rate, as at 31 December 2013, on funds drawn from the facilities was 3.87% (2012: 4.00%).

As at 31 December 2013, the lease facility from 2007 has matured, therefore it is no longer required for the parent entity to provide a guarantee with respect to the obligations of Phu Bia Mining Limited under this lease (2012: US$15.1 million).

(d) Fair value hierarchy

The Group has adopted the amendment to AASB7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level following a fair value measurement hierarchy as detailed below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments measured at fair value use Level 2 valuation techniques. There has not been any transfer between fair value hierarchy levels during the periods reported.

4 Segment information

(a) Description of segments

(i) Business segments

The consolidated entity operates solely in the mining and mineral exploration industry.

(ii) Operating segments

Operating segments have been determined based on the analysis provided in the reports reviewed by the Chief Operating Decision Maker (CODM), being the Managing Director, in assessing performance and determining strategy. The CODM considers the business from a geographic basis represented by: PanAust Asia; PanAust South America; and Corporate, which includes Project Development and Operational Improvement. The corporate head office in Brisbane provides the business units with support in relation to finance, commercial and technical services, risk management, human resources, governance and public reporting. The Corporate and PanAust South America segments are currently disclosed as "Other".

(b) Segment information

(i) Segment revenue

The revenue from external parties reported to the CODM is measured in a manner consistent with that of the statement of comprehensive income.

Revenues from external customers are derived from the sale of copper-gold concentrate and gold doré from production sites in Laos, and as such, all of the revenue generated is attributable to the PanAust Asia segment.

The copper-gold concentrate revenue arises from sales to customers in various countries. Over half of the product was sent to China for processing (65%), a portion was sent to India (28%) and the remainder was sent to Philippines and Indonesia. During 2013, over a third of the sales revenue was attributable to one major customer (34%), less than a third was split between two customers (14% and 13%), while all other customers accounted for the remaining third (averaging less than 10% each).

The revenue from gold doré sales is attributable to one single gold refinery customer based in Hong Kong.

4 Segment information (continued)

(b) Segment information (continued)

(ii) Segment assets and liabilities

The amounts provided to CODM with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	Other 2013 US$'000	**PanAust Asia 2013 US$'000**	**Consolidated 2013 US$'000**	**Other 2012 US$'000**	**PanAust Asia 2012 US$'000**	**Consolidated 2012 US$'000**
Sales revenue	-	725,048	725,048	-	712,696	712,696
Derivative gains/(losses)	-	7,302	7,302	-	(9,271)	(9,271)
Interest income	312	87	399	930	130	1,060
Other income	-	1,216	1,216	749	1,086	1,835
Changes in inventories	-	14,837	14,837	-	21,205	21,205
Change in the fair value of available-for-sale financial asset	(1,182)	-	(1,182)	-	-	-
Mining operations costs	-	(266,614)	(266,614)	-	(216,438)	(216,438)
Employee benefits expense	(20,895)	(68,908)	(89,803)	(17,089)	(58,398)	(75,487)
Royalties	-	(40,065)	(40,065)	-	(40,206)	(40,206)
Realisation costs	-	(70,551)	(70,551)	-	(60,382)	(60,382)
Other expenses	(7,560)	(12,510)	(20,070)	(5,598)	(9,493)	(15,091)
Interest and finance charges	(59)	(21,846)	(21,905)	(10)	(17,644)	(17,654)
Impairment expense	(23,729)	(27,121)	(50,850)	-	(5,047)	(5,047)
Depreciation & amortisation expense	(1,157)	(117,179)	(118,336)	(1,093)	(82,316)	(83,409)
Put option premium expense	-	-	-	-	(1,864)	(1,864)
Inter-segment interest	16,212	(16,212)	-	9,730	(9,730)	-
Inter-segment management fees	7,496	(7,496)	-	7,566	(7,566)	-
Profit/(loss) before tax	(30,562)	99,988	69,426	(4,815)	216,762	211,947
Income tax	-	(25,730)	(25,730)	544	(54,163)	(53,619)
Profit/(loss) after tax	(30,562)	74,258	43,696	(4,271)	162,599	158,328
Segment result - EBITDA * (iii)	**(17,048)**	**289,502**	**272,454**	**(11,515)**	**342,594**	**331,079**
Segment assets (ii)	**525,033**	**910,489**	**1,435,522**	**544,778**	**840,739**	**1,385,517**
Segment liabilities (ii)	**10,158**	**401,025**	**411,183**	**7,536**	**367,634**	**375,170**
Other segment information						
Investments in associates and joint venture partnership	-	-	-	23,414	-	23,414
Acquisitions of property, plant and equipment	2,277	135,105	137,382	2,929	165,963	168,892
Increase in exploration, evaluation and development costs	23,827	25,237	49,064	32,608	106,106	138,714
Income tax expense	-	25,730	25,730	(544)	54,163	53,619

4 Segment information (continued)

(b) Segment information (continued)

*(iii) EBITDA**

The CODM assesses the performance of the operating segments based on an adjusted measure of earnings before interest, taxes, depreciation and amortisation ('EBITDA'). This measurement basis excludes the effects of non-recurring expenditure from the operating segments. This measurement also excludes the effects of equity-settled share-based payments, exploration costs expensed, the provision for rehabilitation expensed and change in fair value of available-for-sale financial assets.

A reconciliation of EBITDA* to operating profit before income tax is provided as follows:

31 December 2013	Notes	**Other US$'000**	**PanAust Asia US$'000**	**Consolidated US$'000**
EBITDA*		(17,048)	289,502	272,454
Interest income	5	312	87	399
Interest expense and finance charges	6	(59)	(21,846)	(21,905)
Depreciation and amortisation expense	6	(1,157)	(117,179)	(118,336)
Impairment expense	6	(23,729)	(27,121)	(50,850)
Share-based payments	25	(3,911)	(1,860)	(5,771)
Exploration costs expensed	6	-	(1,869)	(1,869)
Provision for rehabilitation expensed	20	-	(3,514)	(3,514)
Change in the fair value of available-for-sale financial asset		(1,182)	-	(1,182)
Inter-segment interest		16,212	(16,212)	-
Profit/(loss) before income tax		**(30,562)**	**99,988**	**69,426**

31 December 2012	Notes	**Other US$'000**	**PanAust Asia US$'000**	**Consolidated US$'000**
EBITDA*		(11,515)	342,594	331,079
Interest income	5	930	130	1,060
Interest expense and finance charges	6	(10)	(17,644)	(17,654)
Put option premium expense	6	-	(1,864)	(1,864)
Depreciation and amortisation expense	6	(1,093)	(82,316)	(83,409)
Exploration impairment	6		(5,047)	(5,047)
Share-based payments	25	(2,857)	(1,515)	(4,372)
Exploration costs expensed	6	-	(1,848)	(1,848)
Provision for rehabilitation expensed	20	-	(5,998)	(5,998)
Inter-segment interest		9,730	(9,730)	-
Profit/(loss) before income tax		**(4,815)**	**216,762**	**211,947**

5 Sales revenue, derivative gains/(losses) and other income

	31 December 2013 $'000	31 December 2012 $'000
From continuing operations		
Sales revenue		
Copper in concentrate (a)	**454,080**	477,733
Gold in concentrate	**96,880**	99,968
Realised losses on gold hedges (b)	**(4,142)**	(4,341)
Silver in concentrate	**6,992**	13,390
Gold doré	**157,113**	121,818
Silver in doré	**14,125**	4,128
	725,048	712,696
Derivative gains/(losses)		
Copper sales realised derivative gains/(losses) (c)	**7,570**	(209)
Copper sales unrealised derivative losses (c)	**(102)**	(3,672)
Gold and silver sales derivative losses	**-**	(2,307)
Copper and gold put options unrealised net derivative losses	**(166)**	(3,083)
	7,302	(9,271)
	732,350	703,425
Other income		
Interest income	**399**	1,060
Sundry income	**915**	612
Net gain on disposal of property, plant and equipment	**301**	-
Foreign exchange gains (net)	**-**	1,223
	1,615	2,895

(a) Copper in concentrate

PanAust delivers concentrate to customers on the industry standard basis using the prevailing London Metal Exchange (LME) copper price or a pre-determined fixed price.

For those sales based on the prevailing LME copper price, the customer makes a provisional payment to PanAust against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME copper price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (usually 3 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

The Company hedges between 50% to 90% (but no less than 50%) of the copper price exposure based on the provisional invoice pricing to minimise any potential for a liability (refund of proceeds to the customer) resulting from a lower price being realised during the QP (compared to the prevailing price applied to determine the provisional payment). Accordingly, a lower copper price at the end of the QP compared to the provisional invoice will result in a hedging gain, which will be offset by any decrease in the revenue recognised on final invoice. A higher copper price at the end of the QP compared to the provisional invoice will result in a hedging loss, which will be offset by any increase in the revenue recognised on final invoice.

5 Sales revenue, derivative gains/(losses) and other income (continued)

(a) Copper in concentrate (continued)

At balance date, provisional invoices issued with an open QP have been revalued at rates which provide an estimate of the average settlement price and resulted as follows:

2013			2012		
Tonnes	**US$/t**	**US$/lb**	**Tonnes**	**US$/t**	**US$/lb**
9,832	7,360	3.34	5,274	7,907	3.59

The aforementioned have resulted in a favourable US$2.2 million (2012: US$0.5 million favourable) mark-to-market adjustment to profit or loss for outstanding provisional pricing of sales at balance date.

(b) Realised losses on gold hedges

In 2010, the project financing was renegotiated and, as a result, the gold forward contracts were closed out in August 2010 at an average rate of US$1,244 per ounce. The unrealised losses recognised in the hedging reserve at the time of the close out of these gold forwards remain in the hedging reserve to be recognised as realised hedge losses in line with the original gold forward maturity profile, which expired on 31 December 2013. In the year ended 31 December 2013, a final loss of US$4.1 million (2012: US$4.3 million loss) was recognised as realised on these gold forwards.

(c) Copper sales derivative gains/(losses)

The table below summarises the realised gains and losses from settlement of copper derivatives in 2013 and 2012, as well as unrealised gains and losses on outstanding transactions at balance date.

	2013				2012			
		US$	Average hedge price			US$	Average hedge price	
	Tonnes	**million**	**US$/t**	**US$/lb**	**Tonnes**	**million**	**US$/t**	**US$/lb**
Realised gains/(losses)	28,405	7.6	7,472	3.39	30,375	(0.2)	8,009	3.63
Unrealised gains/(losses) on outstanding QP copper derivatives	4,650	(1.4)	7,077	3.21	1,750	0.3	8,078	3.66
Unrealised losses on strategic copper derivatives over future production	10,200	(0.8)	7,261	3.29	5,180	(2.4)	7,513	3.41

6 Expenses

Profit before income tax includes the following specific expenses:	31 December 2013 $'000	31 December 2012 $'000
Employee benefits expenses		
Superannuation expense	**996**	932
Other expenses		
Laos administration expenses	**7,839**	6,664
Professional and consulting fees	**3,463**	3,470
Travel expenses	**2,111**	2,250
Legal Expenses	**1,950**	694
Exploration costs expensed	**1,869**	1,848
Asia Development Bank co-funding expense	**1,000**	-
Other	**1,838**	165
	20,070	15,091
Interest and finance charges		
Debt interest	**5,287**	3,293
Amortisation of prepaid finance charge	**3,404**	1,925
Lease interest	**3,016**	2,940
Political risk insurance	**2,920**	2,818
Fees and charges	**2,905**	2,626
Unwinding of discount on restoration provision	**2,889**	2,910
Trade finance	**1,484**	1,142
	21,905	17,654
Impairment expense		
Impairment in associates	**23,729**	-
Exploration impairment	**27,121**	5,047
	50,850	5,047
Depreciation and amortisation expense		
Mining plant and equipment	**81,518**	58,191
Mine properties	**29,052**	20,883
Deferred stripping costs	**2,208**	43
Motor vehicles	**3,048**	2,314
Office equipment	**2,510**	1,978
Total depreciation and amortisation	**118,336**	83,409
Rental expense relating to operating leases		
Minimum lease payments	**794**	438

(a) Impairment of investment in associates

As at 31 December 2013, an impairment provision for the full value of the investment in the Puthep Copper Project has been recognised. Refer to note 13 for further details.

(b) Exploration impairment

The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. The impairment expense recognised represents the accumulated costs incurred in exploration of areas where there is no continuing significant activity planned in relation to the area. Given that no further work is planned on the development of a stand-alone open pit mining and flotation processing operation at the KTL deposit, an impairment expense of US$27.1 million has been recognised for the costs associated with studies relating to the process plant; exploration costs associated with other deposits in the Phonsavan area, such as Tharkek; and exploration costs for other areas within the contract area where there is currently no planned future activity.

7 Income tax

Refer to note 32 for explanations of a change in accounting policy made in the accounting for deferred stripping costs in previous financial periods and retrospective adjustments recognised on 1 January 2012 and 31 December 2012. The amounts disclosed in this note are after these adjustments.

(a) Income tax expense

	31 December 2013 $'000	31 December 2012 $'000
Current tax	**26,695**	45,566
Deferred tax	**(2,173)**	6,291
Adjustments for current tax of prior periods	**1,208**	1,762
	25,730	53,619
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets	**(16)**	7,650
Increase (decrease) in deferred tax liabilities	**(2,157)**	(1,359)
	(2,173)	6,291

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	31 December 2013 $'000	31 December 2012 $'000
Profit from continuing operations before income tax expense	**69,426**	211,947
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	**20,828**	63,584
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other permanent differences	**(374)**	3,429
Tax losses not recognised	**9,168**	639
	8,794	4,068
International tax rate differential	**(5,100)**	(10,761)
Temporary differences not recognised	**-**	(1,812)
Adjustments for deferred tax of prior periods	**-**	(3,222)
Adjustments for current tax of prior periods	**1,208**	1,762
Income tax expense	**25,730**	53,619

(c) Tax losses

	31 December 2013 $'000	31 December 2012 $'000
Unused tax losses for which no deferred tax asset has been recognised	**21,398**	21,908
Potential tax benefit @ 30.0%	**6,419**	6,572

All unused tax losses relate to the Australian tax consolidated group. Effective 1 January 2004, for the purposes of Australian income taxation, PanAust Limited and its 100% Australian owned subsidiaries have formed a tax consolidated Group. The head of the Group is PanAust Limited.

7 Income tax (continued)

(d) Deferred tax assets and liabilities

	Note	**31 December 2013 $'000**	31 December 2012 * $'000	1 January 2012 * $'000
Non-current deferred tax assets				
The balance comprises temporary differences attributable to:				
Property, plant & equipment, and mine pre-production		**3,909**	9	7,284
Payables		**298**	1,200	2,493
Cash flow hedges		**554**	648	-
Provisions		**2,964**	2,602	2,332
		7,725	4,459	12,109
Other				
Set-off of deferred tax liabilities pursuant to set-off provisions		**(7,725)**	(4,459)	(12,109)
Net deferred tax assets		**-**	-	-
Non-current deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Exploration and evaluation		**17,173**	18,645	30,509
Property, plant and equipment		**15,851**	17,702	5,580
Adjustment relating to change in accounting policy	32	**-**	(4,577)	(4,468)
Cash flow hedges		**-**	161	1,669
		33,024	31,931	33,290
Other				
Set-off of deferred tax assets pursuant to set-off provisions		**(7,725)**	(4,459)	(12,109)
Net deferred tax liabilities		**25,299**	27,472	21,181
Movements:				
Opening balance at start of year		**27,472**	21,181	
Charged to the income statement		**(2,173)**	6,291	
Closing balance at end of year		**25,299**	27,472	21,181

* See note 32 for details regarding the restatement as a result of a change in accounting policy.

(e) Current tax liabilities

Income tax payable	**6,005**	23,591	30,418

8 Cash and cash equivalents

	31 December 2013 $'000	31 December 2012 $'000
Cash at bank and in hand	**94,065**	119,784
Deposits at call (a)	**36,205**	5,245
	130,270	125,029

(a) These are interest bearing with floating interest rates between nil% to 4.51% (2012: nil% to 4.00%).

9 Reconciliation of profit after income tax to net cash inflow

Refer to note 32 for explanations of a change in accounting policy made in the accounting for deferred stripping costs in previous financial periods and retrospective adjustments recognised on 1 January 2012 and 31 December 2012. The amounts disclosed in this note are after these adjustments.

	31 December 2013 $'000	31 December 2012 $'000
Profit for the period	**43,696**	158,328
Depreciation and amortisation	**118,336**	83,409
Impairment	**50,850**	5,047
Executive and employee long term incentives	**5,771**	4,372
Deferred hedge losses	**4,142**	4,341
Fair value (gains) losses on derivatives through profit or loss	**268**	8,625
Unwinding of discount on restoration provision	**2,889**	2,910
Provision for rehabilitation expensed	**3,514**	5,998
Amortisation of prepaid borrowing costs	**1,923**	1,919
Disposals of assets	**35**	505
Net exchange differences	**1,190**	(545)
Change in the fair value of available-for sale financial asset	**1,182**	-
Increase in receivables	**(8,712)**	(6,829)
Decrease in prepayments	**2,766**	2,398
Increase in inventories	**(24,345)**	(55,638)
Increase (decrease) in trade and other payables	**(12,520)**	1,595
Decrease in current tax liabilities	**(17,586)**	(6,827)
Increase (decrease) in deferred tax liabilities	**(2,173)**	6,291
Increase (decrease) in provisions	**315**	(1,002)
Net cash inflow from operating activities	**171,541**	214,897

10 Receivables and other assets

	31 December 2013 $'000	31 December 2012 $'000
Current assets		
Trade receivables (a)	**18,358**	10,131
Other receivables (a)	**1,606**	1,120
Prepayments	**6,085**	8,852
Government of Laos receivable (b)	**2,420**	4,860
Total current assets	**28,469**	24,963
Non-current assets		
Prepayments	**596**	1,121
Government of Laos receivable (b)	**12,609**	15,556
Total non-current assets (c)	**13,205**	16,677

(a) As at 31 December 2013, no trade receivables or other receivables were past due or impaired (31 December 2012: nil). It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

(b) PanAust owns a 90% interest (2012: 90%) in the Lao registered company, Phu Bia Mining Limited (Phu Bia Mining), through the Company's wholly owned subsidiary, Pan Mekong Exploration Pty Limited. Phu Bia Mining has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. This agreement regulates exploration and mining within a contract area in Laos.

The Government of Laos exercised its option to acquire a 10% interest in Phu Bia Mining Limited. A Shareholders Agreement was executed in May 2011, and the Share Transfer Agreement ('STA') was signed by the Government of Laos and Pan Mekong Exploration Pty Limited on 2 August 2012. Under the agreement, the Government of Laos acquired its 10% shareholding interest in Phu Bia Mining. A purchase price amounting to US$29 million for the transfer of shares to the Government of Laos was agreed. The amount receivable is discounted to factor the passage of time.

In February 2013, Phu Bia Mining Limited declared a dividend, with 10% of that dividend, amounting to US$4.15 million, being payable to the Government of Laos. In accordance with the STA, the amount was applied against the receivable.

(c) The value of non-current assets approximates their fair value.

11 Inventories

Refer to note 32 for explanations of a change in accounting policy made in the accounting for deferred stripping costs in previous financial periods and retrospective adjustments recognised on 1 January 2012 and 31 December 2012. The amounts disclosed in this note are after these adjustments.

	31 December 2013 $'000	31 December 2012 $'000
Current		
Raw materials and store inventory		
Raw materials and consumables - at cost	**92,192**	82,037
Provision for obsolete stores	**(949)**	(301)
Total	**91,243**	81,736
Work in progress		
Work in progress - at cost	**10,868**	12,242
Gold in circuit - at cost	**2,439**	3,409
Total	**13,307**	15,651
Finished goods		
Copper-gold concentrate - at cost	**8,101**	10,843
Gold bullion - at cost	**4,411**	3,687
Total	**12,512**	14,530
Total current inventories	**117,062**	111,917
Non-current		
Work in progress - lower cost or Net Realisable Value (i)	**19,200**	-
Total non-current inventories	**19,200**	-
Total inventories	**136,262**	111,917

(i) As at 31 December 2013, Ban Houayxai Gold-Silver operation had a stockpile of lower grade ore of 1.8 million tonnes. This stockpile which represents US$9.8 million of the balance for work in progress has been valued at Net Realised value, with US$4.5 million of the cost for this stockpile expensed during the year ended.

12 Derivative financial instruments

	31 December 2013 $'000	31 December 2012 $'000
Current assets		
Copper forward contracts	**-**	478
Copper put options	**1**	8
Total current derivative financial instrument assets	**1**	486
Non-current assets		
Copper put options	**-**	158
Total non-current derivative financial instrument	**-**	158
Current liabilities		
Copper forward contracts	**2,215**	-
Total current derivative financial instrument liabilities	**2,215**	-
Non-current liabilities		
Copper forward contracts	**-**	2,590
Total non-current derivative financial instrument liabilities	**-**	2,590
Net derivative financial instrument liabilities	**(2,214)**	(1,946)

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the copper price and gold price in accordance with the Company Hedging Policy and the hedging protocol as required under the Phu Bia Mining loan agreement. Refer to note 3.

(i) Copper price risk hedging

The Company manages the copper provisional price risk on sales contracts (over the quotational period) and short term production (6 to 12 months) with a combination of bank hedging facilities and negotiated fixed price terms with customers.

As at 31 December 2013, the Company had entered into several copper swap contracts and fixed price agreements as part of its short term hedging program for copper concentrate sales which are subject to quotational period price adjustments as per table below:

	2013			**2012**		
		Average hedge price			**Average hedge price**	
	Tonnes	**US$/t**	**US$/lb**	**Tonnes**	**US$/t**	**US$/lb**
Copper swap contracts	4,650	7,077	3.21	1,750	8,078	3.66
Fixed price agreements	8,075	7,229	3.28	7,800	8,020	3.64
Total	**12,725**	**7,174**	**3.25**	**9,550**	**8,031**	**3.64**

To protect the Company against the downside copper price risk on future production, as at 31 December 2013, put options have been established to cover 4,692t of copper, deliverable through to July 2014, at an average strike price of US$4,960/t (US$2.25/lb), in addition to copper swaps over 10,200t, deliverable through to December 2014, at an average price of US$7,261/t (US$3.29/lb).

The mark-to-market movement of these copper swap contracts and put options is recognised in profit or loss immediately - refer to note 5 for further details.

13 Investments accounted for using the equity method

	31 December 2013 $'000	31 December 2012 $'000
Shares in associates	**6,021**	6,021
Advances to equity accounted investment (a)	**17,707**	17,393
Provision for impairment	**(23,728)**	-
Total investment accounted for using the equity method	**-**	23,414

(a) Investment in Puthep

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

PanAust holds a shareholding interest of 49% (2012: 49%) in the Thai registered company Puthep Co., Limited (Puthep) through the Company's wholly owned subsidiary, PNA (Puthep) Pty Limited. Padaeng Industry Public Company Limited (Padaeng) owns the other 51% (2012: 51%) interest in Puthep. Puthep has a concession agreement with the Government of Thailand. The concession covers the two deposits (the PUT1 and PUT2 deposits) that comprise the Puthep Copper Project.

During the first half of 2011, the Company commenced a trade sale process for the Puthep Copper Project in conjunction with its joint venture partner. This process has been unsuccessful to date, therefore a provision for the impairment of the full value of the investment in Puthep has been recognised.

14 Available-for-sale financial assets

	31 December 2013 $'000	**31 December 2012 $'000**
Investment in Highlands Pacific Limited	**3,488**	-
Total available-for-sale financial assets	**3,488**	-

Investment in Frieda River Copper-Gold Project

On 1 November 2013, PanAust announced that it had entered into a share sale and purchase agreement with a subsidiary of Glencore Xstrata plc ('Glencore') for PanAust to acquire an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea. This agreement is between PanAust SPV1 Pte. Ltd. and Glencore. The fair value of the loan to the equity accounted investment and of loans to subsidiaries approximates their fair value.

The 20% remaining interest in the Frieda River Copper-Gold Project is held by Highlands Pacific Limited. On 7 November 2013, PanAust SPV2 Pte. Ltd. paid a total of A$5 million (US$4.67 million) for a share placement of 64,432,990 shares at A$0.0776 per share in Highlands Pacific Limited. The value of the share placement has been revalued to US$3.5 million based on the share price of A$0.061 per share and USD/AUD exchange rate of A$1.1268 as at 31 December 2013.

Refer to note 31 for further details.

15 Property, plant and equipment

Property, plant and equipment movements

Refer to note 32 for explanations of a change in accounting policy made in the accounting for deferred stripping costs in previous financial periods and retrospective adjustments recognised on 1 January 2012 and 31 December 2012. The amounts disclosed in this note are after these adjustments.

	Note	Office equipment US$'000	Deferred stripping costs $'000	Mining properties US$'000	Mining plant and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2012							
Cost or fair value		7,629	23,414	224,223	448,830	9,772	713,868
Accumulated depreciation		(2,985)	-	(67,437)	(114,665)	(3,517)	(188,604)
Adjustment relating to change in accounting policy	32	-	(17,872)	-	-	-	(17,872)
Net book amount		**4,644**	**5,542**	**156,786**	**334,165**	**6,255**	**507,392**
Year ended 31 December 2012							
Opening net book amount		4,644	5,542	156,786	334,165	6,255	507,392
Additions		4,258	16,509	17,394	122,834	7,897	168,892
Transfer in	16	805	-	99,269	193,131	-	293,205
Depreciation charge		(1,978)	(43)	(20,883)	(58,191)	(2,314)	(83,409)
Disposals net		-	-	-	(505)	-	(505)
Closing net book amount		**7,729**	**22,008**	**252,566**	**591,434**	**11,838**	**885,575**
At 31 December 2012							
Cost or fair value		12,536	22,008	342,561	760,426	17,669	1,155,200
Accumulated depreciation		(4,807)	-	(89,995)	(168,992)	(5,831)	(269,625)
Net book amount		**7,729**	**22,008**	**252,566**	**591,434**	**11,838**	**885,575**
Year ended 31 December 2013							
Opening net book amount		7,729	22,008	252,566	591,434	11,838	885,575
Additions		2,278	24,342	21,802	86,301	2,659	137,382
Transfer in/(out)		2,081	-	18,294	(17,823)	(2,552)	-
Depreciation charge		(2,510)	(2,208)	(29,052)	(81,518)	(3,048)	(118,336)
Disposals net		-	-	-	(35)	-	(35)
Closing net book amount		**9,578**	**44,142**	**263,610**	**578,359**	**8,897**	**904,586**
At 31 December 2013							
Cost or fair value		16,836	46,476	382,657	828,311	17,707	1,291,987
Accumulated depreciation		(7,258)	(2,334)	(119,047)	(249,952)	(8,810)	(387,401)
Net book amount		**9,578**	**44,142**	**263,610**	**578,359**	**8,897**	**904,586**

15 Property, plant and equipment (continued)

Leased assets

Mining plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	31 December 2013 $'000	31 December 2012 $'000
Opening net book amount	**69,276**	46,736
Additions	**12,026**	38,914
Depreciation charge	**(18,306)**	(16,374)
Net book amount	**62,996**	69,276

Security

Phu Bia Mining Limited's property, plant and equipment has been pledged as security under the finance facilities held by Phu Bia Mining, refer to note 19.

16 Exploration, evaluation, and mine development

	Note	**Preproduction exploration & evaluation US$'000**	**Mine pre-production US$'000**	**Mine development US$'000**	**Total US$'000**
Year ended 31 December 2012					
Carrying amount at start of year		132,710	29,010	181,151	342,871
Additions		71,444	4,491	62,779	138,714
Impairment charge		(5,047)	-	-	(5,047)
Transfers out	15	(15,774)	(33,501)	(243,930)	(293,205)
		183,333	-	-	183,333

	Preproduction exploration & evaluation US$'000	**Mine pre-production US$'000**	**Mine development US$'000**	**Total US$'000**
Year ended 31 December 2013				
Carrying amount at start of year	183,333	-	-	183,333
Additions	49,064	-	-	49,064
Impairment charge (a)	(27,121)	-	-	(27,121)
Carrying amount at year end	205,276	-	-	205,276

(a) The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The impairment expense recognised represents the accumulated costs incurred in exploration of areas where there is no continuing significant activity planned in relation to the area, refer to note 6 for further details.

17 Intangible assets

	Goodwill $'000
Period ended 31 December 2012	
Opening net book amount	13,965
At 31 December 2012	
Cost	13,965
Accumulation amortisation and impairment	-
Net book amount	13,965
Period ended 31 December 2013	
Opening net book amount	13,965
Closing net book amount	13,965
At 31 December 2013	
Cost	13,965
Accumulation amortisation and impairment	-
Net book amount	13,965

Goodwill of US$5,380,000 has been allocated to the PanAust Asia segment and US$8,585,000 to PanAust South America, currently disclosed as "Other". As at 31 December 2013 the recoverable amount exceeds the carrying value. In determining the recoverable amount, the goodwill balances have been tested at segment level on a value in use basis for the PanAust Asia segment, and Fair Value Less Cost to Sell for PanAust South America.

The goodwill allocated to the PanAust Asia segment represents the excess of the cost of the acquisition of the 20% non-controlling interest held by Newmont SEA in Phu Bia Mining Limited over the book value of the non-controlling interest at the date of acquisition on 14 November 2005.The goodwill allocated to the PanAust South America represents the excess of the cost of the acquisition of the 66% interest in Inca de Oro S.A. held by PanAust Minera IDO Limitada over the book value of the net assets acquired, that was approved by Presidential Decree on 22 February 2011.

The value in use has been determined by estimating the cash flows for the current life of mine based on current reserves assessments. The cash flow projections are based on long term mine plans for the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation, reflecting estimated reserves and production profiles. The value in use does not include the value which is attributable to mine-life extensions and exploration projects/ potential which exists in the MEPA area.

A key assumption to which the calculation of value in use of the two Laos operations is sensitive is a change to operating margins as a result of movements in the long term copper and gold price. A range of long term average copper and gold prices have been adopted in the calculation with reference to independent analyst forecasts, spot prices and 200 week moving average prices.

Under all of these pricing scenarios the value in use for the Laos operations exceeds the carrying value, applying a post-tax discount rate of 10% to cash flows expressed in real terms.

In applying sensitivities to the calculation, long term average copper and gold prices would need to fall below a level that the Company believes is realistic, given the current average industry and analyst price forecasts, before the value in use is equal to the carrying value.

It also important to note that the sensitivities above assumes that the commodity price moves in isolation, while all other assumptions are held constant. In reality, should the commodity prices vary materially from the long term estimate then a change would be made to the life of mine plan with corresponding impacts on production levels and associated operating cost structures.

Fair Value Less Cost to Sell for PanAust South America has been determined by applying the mean Enterprise Value per pound of in-situ copper equivalent in mineral resource of a number of listed companies with assets at various stages of development, feasibility study and exploration.

17 Intangible assets (continued)

The PanAust South America segment's value is contingent on outcomes of a definitive feasibility study scheduled for 2014. If the definitive feasibility study does not result in positive outcomes in overcoming certain risk conditions, this could potentially have an impact on fair value and result in an impairment charge.

18 Trade and other payables

	31 December 2013 $'000	31 December 2012 $'000
Current		
Trade payables	**50,716**	57,634
Accrued capital and operating expense	**24,995**	26,990
Put option premium payable	**1,193**	3,334
Total current trade and other payables	**76,904**	87,958
Non-current		
Put option premium payable	**-**	1,466
Total non-current trade and other payables	**-**	1,466

19 Borrowings

	Note	**31 December 2013 $'000**	**31 December 2012 $'000**
Current (Secured)			
Bank loans (a)		**12,000**	84,269
Lease liabilities (b)	30	**17,313**	28,861
Total current borrowings		**29,313**	113,130
Non-current (Secured)			
Bank loans (a)		**144,327**	-
Lease liabilities (b)	30	**50,375**	51,612
Total non-current borrowings		**194,702**	51,612

The fair values of non-current borrowings approximate their book values because the interest rates applicable to the borrowings are not materially different to market rates.

(a) Bank loans

On 22 January 2013, the Company entered into amended and restated facilities agreements for debt facilities totalling US$275 million. The facilities comprise a US$250 million revolving debt facility with a syndicate of seven banks, and a US$25 million working capital facility offered by ANZ Bank (Lao) Limited. The revolving debt facility replaces the previous facility entered into in 2010 and described above which was scheduled to mature in 2013.

The key terms for the debt facilities are as follows:

- Amortisation of loan over two years from 2015 via maximum repayments totalling US$130 million;
- Repayment of remaining balance in full at expiry of the four year term;

19 Borrowings (continued)

(a) Bank loans (continued)

- An interest rate of US LIBOR plus a fixed margin of 3.5% p.a. on the revolving facility (plus political risk insurance);
- Secured by shares held by PanAust Limited in Pan Mekong Exploration Pty Ltd and shares held by Pan Mekong Exploration Pty Ltd in Phu Bia Mining Limited;
- Secured by charges over Phu Bia Mining Limited production assets in Laos and key contractual rights, except for mobile plant which is subject to equipment leasing arrangements;
- There are no requirements for mandatory long term copper or gold hedging.

The facilities will be used for general corporate purposes including funding of working capital and operating expenses and to fund capital expenditure on growth projects in Laos.

Financial close under the amended and restated facilities occurred on 31 January 2013. As at 31 December 2013, US$150 million (2012: US$85 million) had been drawn from the Revolving Facility, and US$12 million had been drawdown from the working capital facility

(b) Lease liabilities

The Company has entered into three equipment lease facilities to finance the acquisition of a variety of mining and miscellaneous equipment for the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation as follows:

Equipment lease facility	Date	Facility limit	Amount drawn	Balance outstanding	Expiring date
1	26-Jun-2007	US$48.5 million	Fully drawn	-	31-Dec-2013
2	21-Jan-2011	US$24.8 million	Fully drawn	US$13.7 million	25-Jan-2016
3	16-Dec-2011	US$65 million	Fully drawn	US$47.0 million	21-Dec-2016
4	31-Dec-2013	US$23.5 million	US$7 million	US$7.0 million	23-Dec-2018

The equipment lease facilities have variable interest rates and are repayable in quarterly installments. The all in average interest rate at reporting date on funds drawn from the facilities is 3.87% (2012: 4.00%).

20 Provisions

	31 December 2013 $'000	31 December 2012 $'000
Current		
Employee benefits	**13,239**	11,657
Restoration	**1,993**	2,343
Environmental protection fund	**891**	651
Other provisions	**88**	-
Total current provisions	**16,211**	14,651
Non-current		
Restoration	**58,388**	50,696
Employee benefits - long service leave	**2,122**	1,995
Other provisions	**24**	9
Total non-current provisions	**60,534**	52,700

20 Provisions (continued)

(a) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

	Environmental protection fund US$'000	Restoration US$'000
2013		
Carrying amount at start of year	**651**	**53,039**
additional provision charged to profit or loss	**240**	**3,514**
unwinding of discount	**-**	**3,587**
amount used during the year	**-**	**(2,435)**
impact of the change in discount rate		**2,676**
Carrying amount at end of year	**891**	**60,381**
Current	**891**	**1,993**
Non-current	**-**	**58,388**
Total	**891**	**60,381**

21 Contributed equity

(a) Share capital

	31 December 2013 Shares	31 December 2012 Shares	31 December 2013 $'000	31 December 2012 $'000
Ordinary shares - fully paid (c)	**620,345,589**	605,962,322	**554,642**	548,029
Treasury shares	**(23,802,060)**	(12,578,995)	**-**	-
	596,543,529	593,383,327	**554,642**	548,029

(b) Movements in ordinary share capital

Date	Details	Note	Number of shares	Issued price	US$'000
1 January 2013	Opening balance		605,962,322		548,029
	Dividend reinvestment plan	(e)	1,404,136	2.580	3,622
	Dividend reinvestment plan	(e)	680,659	2.130	1,450
	Executive Long Term Share Plan	(f)	11,223,065	-	-
	Executive Long Term Share Plan exercised	(f)	202,660	2.650	537
	Executive options exercised	(g)	100,000	2.190	219
	Executive options exercised	(g)	580,000	1.353	785
	Employees share rights exercised	(h)	192,747	-	-
31 December 2013	Balance		620,345,589		554,642
	Treasury shares		(23,802,060)		-
31 December 2013	Balance excluding treasury shares		596,543,529		554,642

21 Contributed equity (continued)

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

(d) Cornerstone Investment Agreement

Under the Placement Agreement and consistent with the status of Gaungdong Rising Assets Management Co. Ltd (GRAM) as a strategic cornerstone investor, GRAM has a right to participate in future issues of shares in order to enable it to maintain its percentage interest in the Company (the “Top Up Right”). The Top Up Right does not apply to: the issue of shares under any employee incentive schemes; if GRAM and its related bodies corporate hold less than 10% of the shares in PanAust; the issue of shares or options by the Company in the context of a takeover or scheme of arrangement; or an issue of new shares to GRAM that requires the approval of shareholders under applicable law or the ASX Listing Rules and where such approval is not obtained.

(e) Dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with the option of reinvesting all or part of their dividends in additional PanAust shares without paying any brokerage or other entry costs. Participating in the DRP is voluntary.

On 21 February 2013, the PanAust Board of Directors declared a final unfranked dividend of A$0.04 per share. PanAust advised that the market price to be used for the purpose of issuing shares under the DRP was A$2.48 per share. In accordance with the rules of the DRP, the market price was the arithmetic average of the daily volume weighted average price of PanAust shares sold on the Australian Securities Exchange during each of the five trading days commencing on 18 March 2013, excluding trades not in the ordinary course of business.

On 22 August 2013, the PanAust Board of Directors declared an interim unfranked dividend of A$0.03 per share. PanAust advised that the market price to be used for the purpose of issuing shares under the DRP was A$2.25 per share. In accordance with the rules of the DRP, the market price was the arithmetic average of the daily volume weighted average price of PanAust shares sold on the Australian Securities Exchange during each of the five trading days commencing on 9 September 2013, excluding trades not in the ordinary course of business.

(f) Long Term Share Plan (LTSP)

Information relating to the PanAust employee Long Term Share Plan (LTSP), including details of shares issued under the plan is set out in note 25. The LTSP is a loan backed share plan where the Group issues shares, or a trustee transfers shares, to the executive at market value. The purchase price of each share is funded by a loan from the Group.

The Group has formed a trust to administer the Group's LTSP. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held on trust are disclosed as treasury shares and deducted from contributed equity.

The Company issues new shares for the LTSP. It does not buy shares on market. Shares which are forfeited by the senior executive are available for future issues under the LTSP.

The after tax benefit of any dividends (based on the top Australian marginal tax rate and the Medicare levy) must be applied in repayment of the loan granted to the employees.

(g) Share Options

Information relating to the PanAust Executives’ Options Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 25.

21 Contributed equity (continued)

(h) Share Rights Plan

Information relating to the PanAust Share Rights Plan, including details of shares issued under the plan is set out in note 25.

(i) Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, PanAust monitors capital on the basis of the gearing ratio. This ratio is calculated as debt (total borrowings) divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet (including non-controlling interest) plus debt.

The Company has complied with the covenant requirements on the loan facilities agreements throughout the periods reported.

The gearing ratios were as follows:

	31 December 2013 US$'000	31 December 2012 US$'000
Total borrowings	**224,015**	164,742
Total equity	**1,024,339**	1,010,347
Total capital	**1,248,354**	1,175,089
Gearing ratio	**18%**	14%

22 Reserves and retained earnings

(a) Reserves

	31 December 2013 $'000	31 December 2012 $'000
Hedging reserve - cash flow hedges	**-**	(3,728)
Share-based payments reserve	**40,237**	34,466
	40,237	30,738

Movements in reserves were as follow:

Hedging reserve - cash flow hedges		
Opening balance	**(3,728)**	(8,153)
Transfer to net profit	**3,728**	4,425
Balance 31 December	**-**	(3,728)
Share-based payments reserve		
Opening balance	**34,466**	30,094
Employee share based payments	**5,771**	4,372
Balance 31 December	**40,237**	34,466

22 Reserves and retained earnings (continued)

(b) Nature and purpose of other reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of executive options, other unlisted options and employee share rights issued.

(ii) Hedge reserve

The hedging reserve is used to record gains or losses on hedging instruments accounted for as cash flow hedges that are recognised directly in equity, as described in notes 1(h) and 12. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

(c) Retained earnings

Refer to note 32 for explanations of a change in accounting policy made in the accounting for deferred stripping costs in previous financial periods and retrospective adjustments recognised on 1 January 2012 and 31 December 2012. The amounts disclosed in this note are after these adjustments.

Movements in retained earnings were as follows:

	Note	**31 December 2013 $'000**	**31 December 2012 $'000**
Balance 1 January	32	**324,395**	201,055
Net profit for the period		**36,383**	141,979
Dividends (i)		**(42,390)**	(18,639)
Balance 31 December		**318,388**	324,395

(i) On 21 February 2013, the PanAust Board of Directors declared an unfranked dividend of A$0.04 per share for a total amount of A$24,135,000 (US$25,133,000). The dividend was paid on 5 April 2013.

On 22 August 2013, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share for a total amount of A$18,191,000 (US$17,257,000). The dividend was paid on 25 September 2013.

23 Non-controlling interests

	31 December 2013 $'000	31 December 2012 $'000
Interest in:		
Share capital	**61,683**	61,373
Cash flow hedge reserves	**-**	(414)
Retained earnings	**49,389**	46,226
	111,072	107,185

24 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	Note	**31 December 2013 $'000**	31 December 2012 $'000
The following reflects the income used in the calculations of basic and diluted earnings per share:			
Profit attributable to ordinary equity holders of the Company	32	**36,383**	141,979

(b) Weighted average number of shares used as denominator

	31 December 2013 Number of shares	31 December 2012 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**594,860,516**	592,181,313
Adjustments for calculation of diluted earnings per share:		
Unlisted securities	**902,105**	2,739,563
Adjusted weighted average number of ordinary shares used in calculating diluted profit per share	**595,762,621**	594,920,876

25 Share-based payments

Share-based compensation benefits are provided to the Managing Director and other senior executives through the Executive Long Term Share Plan (LTSP). Share based compensation benefits are provided to a wider cross section of employees through the Share Right Plan (SRP). Since 2010, the senior executives have been awarded the long term incentive component of their remuneration under the LTSP, rather than the Executives' Option plan or the SRP.

As at 31 December 2013

Grant date	Loan expiry date / Expiry date	Fair value at grant A$	Purchase price / Exercise price A$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
(a) Executive Long Term Share Plan									
17-May-13	31-Dec-17	0.470	2.405	-	3,552,500	-		3,552,500	-
25-Feb-13	31-Dec-17	0.500	2.840	-	8,252,000	-		8,252,000	-
21-May-12	31-Dec-16	0.614	2.779	2,120,141	-	-	-	2,120,141	-
02-Mar-12	31-Dec-16	0.878	3.600	5,100,784	-	-	(304,811)	4,795,973	-
17-Jan-12	31-Dec-15	1.375	3.775	61,278	-	-	-	61,278	40,854
23-May-11	31-Dec-15	1.124	3.775	501,312	-	-	-	501,312	334,225
18-Feb-11	31-Dec-15	1.375	4.285	1,147,660	-	-	(73,966)	1,073,694	715,832
21-May-10	21-May-15	0.600	2.547	3,647,820	-	(202,660)	-	3,445,160	3,445,160
				12,578,995	11,804,500	(202,660)	(378,777)	23,802,058	4,536,071
Weighted average purchase price A$				3.217	2.709			2.968	2.922
Weighted average remaining contractual life in years				3.4				3.2	
(b) Executives' Option Plan									
22-May-09	31-Dec-13	0.470	2.106	2,640,000	-	(100,000)	(2,540,000)	-	-
27-Apr-09	31-Dec-13	0.425	1.525	580,000	-	(580,000)	-	-	-
				3,220,000	-	(680,000)	(2,540,000)	-	-
Weighted average exercise price A$				2.001	-	1.610	-	-	-
Weighted average remaining contractual life in years				-				-	
(c) Share Rights Plan									
12-Mar-13	31-Mar-15	2.480	nil	-	667,480	-	(68,413)	599,067	-
07-June-12	31-Mar-14	3.188	nil	12,177	-	-	(3,173)	9,004	9,004
15-May-12	31-Mar-14	3.188	nil	442,578	-	-	(72,520)	370,058	370,058
03-Mar-11	31-Jan-13	4.200	nil	192,747	-	(192,747)	-	-	-
				647,502	667,480	(192,747)	(144,106)	978,129	379,062

25 Share-based payments (continued)

(a) Executive Long Term Share Plan

The LTSP is a loan backed share plan. Under the LTSP the company issues shares or a trustee transfers shares to the executive at market value. The purchase price of the share is funded by a loan from the Company. The issue of shares and the advance of a loan to the Managing Director was approved by shareholders at the Annual General Meeting held on 17 May 2013. The fair value attributed to LTSP at grant date was calculated using a Monte Carlo simulation model that takes into account the following:

Variable input	2013	2012
Dividend yield	2.50%	1.25%
Expected volatility	40%	40%
Risk-free interest rate	2.6%-2.9%	2.4%-3.8%
Staff turnover	0.00%	0.00%

Subject to the performance conditions, the vesting date for the shares is three years from the commencement of the performance period.

LTI Cash Bonus

In 2011, executives were invited to participate in the LTI Cash Bonus Plan. The payment of the LTI Cash Bonus was dependent upon the achievement of a number of performance conditions referred to on page 32. As at 31 December 2013, these performance conditions were met, the LTI Cash Bonus is not payable until after 31 December 2013. This was the only year the LTI Cash Bonus was offered.

(b) Executives' Option Plan

The establishment of the Company's Executives' Option Plan (EOP) was approved by shareholders at the 1996 annual general meeting. There have been no options granted since 2009.

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2013 was A$1.88.

(c) Share Rights Plan

Under the SRP established in 2007, eligible employees (other than the Managing Director, senior executives and senior managers) may be offered rights to acquire fully-paid ordinary shares in the Company annually for no cash consideration and no performance hurdles. The share rights vest based on terms of employment of up to three years. Vested share rights are exercisable for a period of 10 years from the grant date.

The number of share rights issued to participants in the SRP is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the date of the offer.

Set out below are the variable model inputs.

Grant date	Vesting date	Share price at grant date A$
12-Mar-13	31-Dec-14	2.56
07-Jun-12	31-Dec-13	2.83
15-May-12	31-Dec-13	2.68

25 Share-based payments (continued)

As at December 2012

Grant date	Loan expiry date / Expiry date	Fair value at grant A$	Purchase price / Exercise price A$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited / Lapsed during the year * Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
(a) Executive Long Term Share Plan									
21-May-12	31-Dec-16	0.614	2.779	-	2,120,141	-	-	2,120,141	-
02-Mar-12	31-Dec-16	0.878	3.600	-	5,100,784	-	-	5,100,784	-
17-Jan-12	31-Dec-15	1.375	3.775	-	61,278	-	-	61,278	-
23-May-11	31-Dec-15	1.124	3.775	501,312	-	-	-	501,312	-
18-Feb-11	31-Dec-15	1.375	4.285	1,147,660	-	-	-	1,147,660	-
21-May-10	21-May-15	0.600	2.547	3,647,820	-	-	-	3,647,820	3,647,820
				5,296,792	7,282,203	-	-	12,578,995	3,647,820
Weighted average purchase price A$				3.039	3.362			3.226	2.547
Weighted average remaining contractual life in years				3.6				3.4	
(b) Executives' Option Plan									
22-May-09	31-Dec-13	0.470	2.106	3,440,000	-	(800,000)	-	2,640,000	2,640,000
27-Apr-09	31-Dec-13	0.425	1.525	840,000	-	(260,000)	-	580,000	580,000
23-May-08	31-Dec-12	1.490	4.400	788,480	-	-	(788,480)	-	-
22-Feb-08	31-Dec-12	1.290	4.400	354,816	-	-	(354,816)	-	-
05-Jul-07	07-Oct-12	0.825	4.050	142,500	-	-	(142,500)	-	-
29-May-07	29-Feb-12	0.405	1.900	490,000	-	(490,000)	-	-	-
23-Mar-07	29-Feb-12	0.405	1.900	260,000	-	(260,000)	-	-	-
				6,315,796	-	(1,810,000)	(1,285,796)	3,220,000	3,220,000
Weighted average exercise price A$				2.463	-	1.937	4.361	2.001	2.001
Weighted average remaining contractual life in years				1.6				1.0	
(c) Share Rights Plan									
07-June-12	31-Mar-14	3.188	nil	-	15,350	-	(3,173)	12,177	-
15-May-12	31-Mar-14	3.188	nil	-	480,494	-	(37,916)	442,578	-
03-Mar-11	31-Jan-13	4.200	nil	236,804	-	-	(44,057)	192,747	192,747
03-Mar-11	31-Jan-12	4.200	nil	1,837	-	(1,837)	-	-	-
21-Dec-10	31-Dec-11	2.500	nil	1,912	-	(1,912)	-	-	-
04-Oct-10	31-Dec-11	2.500	nil	1,912	-	(1,912)	-	-	-
03-Sep-10	31-Dec-11	2.500	nil	2,305	-	(2,305)	-	-	-
29-Mar-10	31-Dec-11	2.500	nil	265,863	-	(265,863)	-	-	-
27-Oct-09	01-Sep-19	1.775	nil	43,690	-	(43,690)	-	-	-
27-Apr-09	31-Dec-18	1.020	nil	2,012,000	-	(2,012,000)	-	-	-
25-Mar-09	28-Feb-19	0.607	nil	39,354	-	(29,778)	(9,576)	-	-
				2,605,677	495,844	(2,359,297)	(94,722)	647,502	192,747

* Executives' options lapsed during the period.

25 Share-based payments (continued)

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 December 2013 $'000	31 December 2012 $'000
Share rights issued under the SRP	**1,351**	1,043
Shares issued under the LTSP	**4,420**	3,329
	5,771	4,372

26 Key management personnel disclosures

(a) Directors

The following persons were Directors of PanAust during the financial year:

Non-executive Directors:	Garry Hounsell
	Nerolie Withnall
	Geoff Handley
	Geoff Billard
	Zezhong Li
	John Crofts
	Ken Pickering
	Annabelle Chaplain
Executive Director:	Gary Stafford

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 42.

Name	*Position*
Fred Hess	Executive General Manager Project Development & Operational Improvement
Rob Usher	Executive General Manager PanAust Asia
David Hairsine	Chief Financial Officer
Francisco Tomic	Executive General Manager PanAust South America

The key management personnel of the Group are the Directors of PanAust Limited and those executives that have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly.

26 Key management personnel disclosures (continued)

(c) Compensation

	31 December 2013 US$	31 December 2012 US$
Short-term employee benefits	**6,020,564**	5,748,929
Post-employment benefits	**149,435**	204,581
Long-term benefits	**98,144**	177,287
Share-based payments	**2,594,258**	2,248,193
	8,862,401	8,378,990

(d) Equity instrument disclosures

(i) Securities provided as remuneration and shares issued on the exercise of such securities

Details of long term incentives (LTIs) securities granted as remuneration and shares issued on the exercise of these securities, together with terms and conditions of the options and share rights detailed in the Remuneration Report and note 25.

(ii) Long term incentives

The numbers of securities issued as LTIs granted by the Company under the LTSP, EOP and SRP held during the year by the Managing Director and other key management personnel of the Company, including their personally related parties, are set out below.

Name		Balance at start of the year	Granted as compensation (a)	Exercised during the year (b)	Lapsed during the year (c)	Balance at the end of the year	Vested and exercisable (d)	Unvested (e)
Managing Director								
Gary Stafford	**2013**	**6,691,953**	**3,552,500**	**(100,000)**	**(2,540,000)**	**7,604,453**	**1,764,725**	**5,839,728**
	2012	6,650,292	2,120,141	(1,290,000)	(788,480)	6,691,953	4,070,500	2,621,453
Other executives								
Fred Hess	**2013**	**921,537**	**870,250**	**-**	**-**	**1,791,787**	**370,894**	**1,420,893**
	2012	807,326	514,211	(400,000)	-	921,537	298,020	623,517
Rob Usher	**2013**	**1,410,452**	**843,000**	**(580,000)**	**-**	**1,673,452**	**297,085**	**1,376,367**
	2012	912,372	498,080	-	-	1,410,452	806,500	603,952
David Hairsine	**2013**	**768,556**	**730,250**	**-**	**-**	**1,498,806**	**325,302**	**1,173,504**
	2012	676,818	411,738	(320,000)	-	768,556	262,260	506,296
Francisco Tomic	**2013**	**496,822**	**607,000**	**-**	**-**	**1,103,822**	**93,293**	**1,010,529**
	2012	139,932	356,890	-	-	496,822	-	496,822

(a) Securities granted as compensation relate to the LTSP, after the introduction of the plan in 2010;
(b) Securities which were exercised relate to the EOP and SRP;
(c) Securities which lapsed during the periods relate to the EOP;
(d) Securities which have vested and are exercisable relate to the LTSP; and
(e) Unvested securities as at 31 December 2013 relate to the LTSP.

26 Key management personnel disclosures (continued)

(d) Equity instrument disclosures (continued)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of PanAust, the Managing Director and other key management personnel of the Company, including their personally related parties, are set out below.

Name		Balance at start of the year	Received during the year on the exercise of options and share rights	Other changes during the year	Balance at the end of the year
Directors of PanAust Limited					
Garry Hounsell	**2013**	**190,535**	**-**	**2,465**	**193,000**
	2012	160,535	-	30,000	190,535
Garry Hounsell (indirect) (i)	**2013**	**-**	**-**	**17,000**	**17,000**
	2012	-	-	-	-
Gary Stafford	**2013**	**2,316,506**	**100,000**	**300,000**	**2,716,506**
	2012	1,236,506	1,290,000	(210,000)	2,316,506
Gary Stafford (indirect) (ii)	**2013**	**925,723**	**-**	**-**	**925,723**
	2012	925,723		-	925,723
Nerolie Withnall	**2013**	**76,720**	**-**	**2,278**	**78,998**
	2012	76,000	-	720	76,720
Geoff Handley (indirect) (iii)	**2013**	**54,202**	**-**	**-**	**54,202**
	2012	54,202	-	-	54,202
Geoff Billard (indirect) (iv)	**2013**	**25,027**	**-**	**6,390**	**31,417**
	2012	25,027	-	-	25,027
Ken Pickering	**2013**	**5,000**	**-**	**15,000**	**20,000**
	2012	-	-	5,000	5,000
Annabelle Chaplain (indirect) (v)	**2013**	**18,250**	**-**	**33,014**	**51,264**
	2012	-	-	18,250	18,250
John Crofts (indirect) (vi)	**2013**	**31,739**	**-**	**10,000**	**41,739**
	2012	-	-	31,739	31,739
Other executives					
Fred Hess	**2013**	**473,680**	**-**	**(150,000)**	**323,680**
	2012	534,433	400,000	(460,753)	473,680
Fred Hess (indirect) (vii)	**2013**	**410,753**	**-**		**410,753**
	2012	-	-	410,753	410,753
Rob Usher	**2013**	**6,514**	**580,000**	**26,000**	**612,514**
	2012	206,514	-	(200,000)	6,514
David Hairsine	**2013**	**600,960**	**-**	**17,839**	**618,799**
	2012	499,826	320,000	(218,866)	600,960

(i) Garry Hounsell has an indirect interest in 17,000 ordinary shares options in PanAust held by The Hounsell Superannuation Fund of which Mr Hounsell is a beneficiary.

(ii) Gary Stafford has an indirect interest in 925,723 ordinary shares options in PanAust held by The Spellbrook Superannuation Fund of which Mr Stafford is a beneficiary.

(iii) Geoff Handley has an indirect interest in 54,202 ordinary shares in PanAust held by his spouse.

(iv) Geoff Billard has an indirect interest in 31,417 ordinary shares in PanAust through Asgard Capital Management Limited, of which Mr Billard is a beneficiary.

(v) Annabelle Chaplain has an indirect interest in 51,264 ordinary shares in PanAust held by WWSC Pty Ltd as trustee for the Willem A Willink Superannuation Fund of which Ms Chaplain is a beneficiary.

(vi) John Crofts has an indirect interest in 41,739 ordinary shares in PanAust held by BT Funds Management Limited.

26 Key management personnel disclosures (continued)

(d) Equity instrument disclosures (continued)

(vii) Fred Hess has an indirect interest in 410,753 ordinary shares in PanAust held by The Hess Family Super Fund.

During the periods reported, Zezhong Li did not have a direct or an indirect interest in PanAust.

(e) Other transactions with key management personnel

(i) Assaying fees of US$3,003,123 (2012: US$3,080,914) paid to Australian Laboratory Services Pty Ltd (ALS) and subsidiaries on normal commercial terms. ALS is a wholly owned subsidiary of ALS Limited of which Nerolie Withnall is Chairman.

(ii) PanAust's long-term share service provider is Computershare Limited, of which Nerolie Withnall is a Director. Service fees of US$443,268 (2012: US$521,501), have been paid to Computershare during the year on normal commercial terms.

27 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is PanAust Limited.

(b) Directors and specified executives

Disclosures relating to Directors and specified executives are set out in note 26.

(c) Subsidiaries

Interests in subsidiaries are set out in note 28.

(d) Transactions with other related parties

As at 31 December 2013, the Company had advanced loans to the Managing Director and other senior executives for the purchase price of shares issued to the Managing Director and other senior executives under the Long Term Share Plan (LTSP). The shares are held on trust and will be released to the Managing Director and other senior executives if the vesting conditions are met and the shares have vested, the loans to the Company have been paid or appropriate arrangements entered into for repayment of the loans upon the sale of the related shares. Further details with regards to the LTSP are included in the Remuneration Report and note 25.

28 Subsidiaries and transactions with non-controlling interests

Name of entity	Place of incorporation	Class of shares	Equity holding *	
			2013	2012
			%	%
PanAust Canada Ltd	Canada	Ordinary	**100**	100
PanAust IDO SpA	Chile	Ordinary	**91.6**	91.2
PanAust Minera IDO Limitada	Chile	Ordinary	**91.6**	91.2
Inca de Oro S.A. (a)	Chile	Ordinary	**60.5**	60.2
PanAust Atacama SpA	Chile	Ordinary	**100**	100
PanAust South America Services SpA	Chile	Ordinary	**100**	100
Phu Bia Mining Limited	Laos	Ordinary	**90**	90
Pan Mekong Exploration Pty Ltd	QLD	Ordinary	**100**	100
PanAust Exploration Pty Ltd	QLD	Ordinary	**100**	100
PanAust Services Pty Ltd	QLD	Ordinary	**100**	100
PNA (Puthep) Pty Ltd	QLD	Ordinary	**100**	100
Terra Firma Resources NL	QLD	Ordinary	**100**	100
PanAust Executive Long Term Share Plan Trust	QLD	n/a	**n/a**	n/a
PanAust Holdings Pte Ltd	Singapore	Ordinary	**100**	100
PanAust Chile Holdings Pte Ltd	Singapore	Ordinary	**100**	100
PanAust IDO Holdings Pte Ltd	Singapore	Ordinary	**91.6**	91.2
PanAust SPV1 Pte Ltd	Singapore	Ordinary	**100**	-
PanAust SPV2 Pte Ltd	Singapore	Ordinary	**100**	-
PanAust Services (Thailand) Company Limited	Thailand	Ordinary	**100**	100
Masons Hill Gold NL	W/A	Ordinary	**90**	90

** Beneficial interest*

(a) During the year ended 31 December 2013, 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 60.5% (2012: 60.2%) beneficial interest in Inca de Oro S.A.

29 Remuneration of auditors

During the period the following fees were paid or payable for services provided by PricewaterhouseCoopers ('PwC'), auditor of the Parent entity and its related practices:

	31 December 2013 US$	31 December 2012 US$
1. Audit services		
PwC Australia		
Audit and review of financial reports and other audit work	**342,000**	315,837
Related practices of PwC Australia		
Audit and review of financial reports and other audit work		
PwC Laos	**184,950**	158,110
PwC Chile	**21,316**	25,231
PwC Singapore	**20,160**	17,000
Total remuneration for audit services	**568,426**	516,178
2. Other services - PwC Australia		
Human resources matters	**30,306**	94,851
Other services	**104,159**	55,766
Total remuneration for other services	**134,465**	150,617
3. Taxation services - PwC Chile		
Tax advice	**14,335**	-

30 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	31 December 2013 $'000	31 December 2012 $'000
(i) Mine Property, plant and equipment		
Within one year	**7,838**	22,226
	7,838	22,226

The capital expenditure commitment for mine property, plant and equipment represents the equipment purchased for the Phu Kham Copper-Gold Operations.

(b) Contribution in the local Community commitments

In October 2013, PanAust entered into a partnership with the Asia Development Bank (ADB) to deliver clean water and better sanitation facilities to residents of 11 towns in Lao PDR. The project is valued at US$46.5 million, of which PanAust is contributing US$6 million as part of the Company's ongoing sustainability activities in Laos. The six year project represents the first private sector donor to partner with the ADB for one of its sovereign projects.

30 Commitments (continued)

(c) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	31 December 2013 $'000	31 December 2012 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**680**	718
Later than one year but not later than five years	**1,305**	1,966
Charged to profit or loss	**1,985**	2,684
Representing:		
Non-cancellable operating leases	**1,985**	2,684
	1,985	2,684

The Group leases various business premises, computer equipment and other plant and equipment under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(ii) Finance leases

The Group leases various plant and equipment with a written down value of US$63 million (2012: US$69.3 million) under finance leases expiring between 25 January 2016 and 23 December 2018.

	31 December 2013 $'000	31 December 2012 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**19,714**	31,722
Later than one year but not later than five years	**53,167**	55,531
Minimum lease payments	**72,881**	87,253
Future finance charges	**(5,193)**	(6,780)
Total lease liabilities	**(5,193)**	(6,780)
Representing lease liabilities:		
Current	**17,313**	28,861
Non-current	**50,375**	51,612
	67,688	80,473

The weighted average interest rate implicit in the leases is 3.87% (2012: 4.00%).

31 Contingencies

Contingent liabilities

(a) Inca de Oro Copper-Gold Project

Included in the net assets of Inca de Oro S.A. is a contingent liability related to future royalties payable to Codelco as part of the sales agreement. At the time of acquisition, and at balance date, the Inca de Oro Copper-Gold Project was in the exploration and evaluation phase.

(b) Frieda River Joint Venture arrangements

	31 December 2013 US$'000	31 December 2012 US$'000
Capital commitments		
Within 1 year	**29,437**	-
Between 1 and 3 years	**50,000**	-
Total	**79,437**	-

The above table relates to possible capital commitments incurred by PanAust Group relating to the purchase of all shares in Xstrata Frieda River Limited, payable to Mount Isa Mines Limited in two installments prior to 30 September 2014 (US$25 million) and on 31 December 2015 (US$50 million, subject to consumer price index escalation). The purchase price also includes vendor group aggregate expenses to be paid to Mount Isa Limited on 30 September 2014 and 2% Net Sales Revenue royalty payments (capped at US$50 million, subject to consumer price index escalation) to be paid from the commencement of commercial production. These amounts have been excluded from the above table; given sufficiently reliable estimates of these amounts of the obligation cannot be made as at this point in time.

Subject to the completion of the PanAust Glencore Agreement, PanAust will have the option to subscribe for a further 64,432,990 fully paid ordinary shares at a subscription price of A$0.0776 per share in Highlands Pacific Limited, with Highlands having the reciprocal option to require PanAust to subscribe for the shares. The PanAust Highlands Agreement provides the framework for the future relationship between PanAust and Highlands in relation to the Frieda River Joint Venture.

32 Impacts of the change in the accounting policy – IFRIC 20

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (the Interpretation) is effective for annual periods beginning on or after 1 January 2013. The Interpretation is applied to production stripping costs incurred on or after the beginning of the earliest period presented. The opening balance of any capitalised stripping asset must be assessed to determine if it relates to a component that will give rise to future improved access. If not, the balance is written off through opening retained earnings. The tables below present the impact of the Company's results due to the change of the above accounting policy.

32 Impacts of the change in the accounting policy – IFRIC 20 (continued)

	31 December 2012 US$'000	Increase / (Decrease) US$'000	31 December 2012 (restated) US$'000	01 January 2012 US$'000	Increase / (Decrease) US$'000	01 January 2012 (restated) US$'000
Balance sheet (extract)						
Inventory	111,890	27	**111,917**	56,279	-	**56,279**
Property, plant and equipment	903,910	(18,335)	**885,575**	525,264	(17,872)	**507,392**
Deferred tax liabilities	(32,049)	4,577	**(27,472)**	(25,649)	4,468	**(21,181)**
Net assets	1,024,078	(13,731)	**1,010,347**	893,989	(13,404)	**880,585**
Retained earnings	336,753	(12,358)	**324,395**	213,119	(12,064)	**201,055**
Non-controlling interest	108,558	(1,373)	**107,185**	116,312	(1,340)	**114,972**
Total Equity	1,024,078	(13,731)	**1,010,347**	893,989	(13,404)	**880,585**

	31 December 2012 US$'000	Increase / (Decrease) US$'000	31 December 2012 (restated) US$'000
Statement of comprehensive income (extract)			
Change in inventories of finished goods and work in progress	21,178	27	**21,205**
Mining operations costs *	(216,018)	(420)	**(216,438)**
Depreciation and amortisation	(83,366)	(43)	**(83,409)**
Profit before income tax	212,383	(436)	**211,947**
Income tax expense	(53,728)	109	**(53,619)**
Profit after income tax	158,655	(327)	**158,328**
Profit after income tax attributable to			
Owners of PanAust Limited	142,273	(294)	**141,979**
Non-controlling interest	16,382	(33)	**16,349**
	158,655	(327)	**158,328**
Total comprehensive income is attributable to:			
Owners of PanAust Limited	146,698	(294)	**146,404**
Non-controlling interests	16,298	(33)	**16,265**
	162,996	(327)	**162,669**

* Mining cost for 2012 comparatives had been adjusted for the rehabilitation expense that was previously included in other expenses.

Basic and diluted earnings per share for the prior year have also been restated. The amounts of the changes for basic and diluted earnings per share were decreased by 0.05 and 0.04 cent per share respectively.

Note 11 Inventories and Note 15 Property, plant and equipment were also impacted with an increase to inventory of US$27,000 and a reduction by US$18,335,000 to deferred stripping costs.

33 Events occurring after the reporting period

(a) Dividends

On 20 February 2014, the PanAust Board of Directors declared an unfranked dividend of A$0.03 per share in respect of the year ended 31 December 2013. The dividend amount has not been provided for in the financial report for the year ended 31 December 2013.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

34 Parent entity financial information

(a) Summary financial information

	31 December 2013 $'000	31 December 2012 $'000
Balance sheet		
Current assets	**87,938**	64,811
Non-current assets	**422,949**	461,752
Total assets	**510,887**	526,563
Current liabilities	**20**	-
Non-current liabilities	**205**	205
Total liabilities	**225**	205
Net assets	**510,662**	526,358
Shareholders' equity		
Issued capital	**554,642**	548,029
Reserves		
Share-based payments reserve	**40,000**	34,466
Retained earnings	**(83,980)**	(56,137)
	510,662	526,358
Profit or loss for the period	**14,549**	20,601
Total comprehensive income	**14,549**	20,601

(b) Contingent liabilities of the parent entity

As at 31 December 2013, the lease facility from 2007 has matured, therefore it is no longer required for the parent entity to provide a guarantee with respect to the obligations of Phu Bia Mining Limited under this lease (2012: US$15.1 million).

No material losses are anticipated in respect of any of the above contingent liabilities.

PanAust Limited
Directors' declaration
31 December 2013

In the Directors' opinion:

(a) the financial statements and notes set out on pages 56 to 110 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements as detailed above; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial period on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Garry Hounsell
Director

Gary Stafford
Director

Brisbane
20 February 2014

Independent auditor's report to the members of PanAust Limited

Report on the financial report

We have audited the accompanying financial report of PanAust Limited (the company), which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for PanAust group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
123 Eagle Street, Brisbane, QLD 4000
DX 77, Brisbane, QLD 4000
T +61 7 3257 5000, F +61 7 3257 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

- the financial report of PanAust Limited is in accordance with the *Corporations Act 2001,* including:

  a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

  b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

- the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 42 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of PanAust Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Brisbane

D. G. Smith

Debbie Smith
Partner

20 February 2014

PanAust Limited
Shareholder information
31 December 2013

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows, and is current as at 14 February 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares		Redeemable preference shares	% Issued Capital
Holding	Total Holders	Units		
1 - 1,000	4,521	2,033,118	-	0.33%
1,001 - 5,000	6,456	17,493,490	-	2.82%
5,001 - 10,000	2,590	19,628,083	-	3.16%
10,001 - 100,000	2,947	74,829,848	-	12.06%
100,001 - and over	178	506,740,112	-	81.63%
	16,692	620,724,651	-	100.00%

There were 1,834 holders of less than a marketable parcel of 306 ordinary shares totalling 234,662 shares.

B. Shareholders

Twenty largest quoted shareholders

	Ordinary shares	
Name	Number held	Percentage of issued shares
Guangdong Rising H.K. (Holding) Limited	145,154,849	23.38%
JP Morgan Nominees Australia Limited	98,254,857	15.83%
HSBC Custody Nominees (Australia) Limited	73,376,743	11.82%
National Nominees Limited	51,026,912	8.22%
Citicorp Nominees Pty Limited	22,142,853	3.57%
BNP Paribas Noms Pty Ltd <DRP>	9,142,568	1.47%
Mr Robert Bryan	7,622,431	1.23%
UBS Nominees Pty Ltd	6,359,361	1.02%
RBC Investor Services Australia Nominees Pty Limited <GSAM A/C>	6,125,011	0.99%
UBS Wealth Management Australia Nominees Pty Ltd	5,301,141	0.85%
RBC Investor Services Australia Nominees Pty Limited <Pipooled A/C>	4,498,217	0.72%
AMP Life Limited	3,310,969	0.53%
Mr Gary Stafford	2,716,506	0.44%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,586,795	0.42%
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,796,800	0.29%
QIC Limited	1,613,548	0.26%
Goldman Sachs Australia Pty Ltd <SLF A/C>	1,610,249	0.26%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,016,239	0.16%
Julian Pearce Walsh	930,171	0.15%
Invia Custodian Pty Limited <The Spellbrook Super FD A/C>	925,723	0.15%
	445,511,943	71.50%

A number of these shareholders are nominee companies which hold the legal interest in shares where others hold the relevant interest. For the purposes of the Corporations Act, Guangdong Rising Assets Management Co Ltd, being the ultimate holding company of Guangdong Rising H.K. (Holding) Limited, is a substantial holder of equity in the Company.

C. Voting rights

All ordinary shares issued by PanAust carry one vote per share without restriction.

D. Holders of other equity securities

There are the following holders of unlisted equity securities issued by the Company:

Equity securities

	Total holders	Number of securities
Share rights under the Share Rights Plan, not subject to performance conditions	109	599,067

None of these equity securities have voting rights

E. On-market buy back

There is no current on-market buy back.

MINERAL RESOURCES AND ORE RESERVES

LAOS

MINERAL RESOURCES								
COPPER-GOLD								
Phu Kham (0.2% copper cut-off)	**31 December 2013**				**31 December 2012**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	118	0.53	0.23	1.9	138	0.51	0.23	1.9
Measured (stockpiles)	3	0.31	0.17	1.2	0.3	0.50	0.24	2.2
Indicated	72	0.46	0.21	2.3	75	0.45	0.21	2.3
Sub-total (M+I)	**192**	**0.50**	**0.22**	**2.0**	**214**	**0.49**	**0.22**	**2.0**
Inferred	12	0.37	0.21	1.9	14	0.36	0.21	1.8
TOTAL	**204**	**0.49**	**0.22**	**2.0**	**227**	**0.48**	**0.22**	**2.0**
KTL	**KTL (0.50% copper cut-off)**				**KTL (0.25% copper cut-off)**			
Measured	9	1.13	0.57	3.4	22	0.65	0.36	2.3
Indicated	10	0.78	0.27	3.9	62	0.40	0.15	2.3
Sub-total (M+I)	**19**	**0.94**	**0.41**	**3.7**	**83**	**0.47**	**0.21**	**2.3**
Inferred	0	0.52	0.02	0.3	9	0.33	0.05	1.5
Total	**19**	**0.94**	**0.41**	**3.7**	**92**	**0.45**	**0.19**	**2.3**

GOLD-SILVER								
Ban Houayxai	**31 December 2013**				**31 December 2012**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Oxide (0.25g/t gold cut-off)								
Measured	0	-	0.57	3.1	2	-	0.83	3.3
Indicated	7	-	0.70	3.7	8	-	0.70	3.7
Sub-total (M+I)	**7**	**-**	**0.70**	**3.7**	**9**	**-**	**0.73**	**3.6**
Inferred	1	-	0.38	1.7	1	-	0.38	1.7
Sub-total (Oxide)	**8**	**-**	**0.66**	**3.5**	**10**	**-**	**0.70**	**3.4**
Transitional	**0.30g/t gold cut-off**				**0.35g/t gold cut-off**			
Measured	3	-	0.83	10.6	4	-	1.00	10.4
Indicated	14	-	0.83	9.0	12	-	0.92	9.3
Sub-total (M+I)	**16**	**-**	**0.83**	**9.3**	**16**	**-**	**0.94**	**9.6**
Inferred	0	-	0.45	3.4	0	-	0.51	3.7
Sub-total (Transitional)	**17**	**-**	**0.82**	**9.1**	**16**	**-**	**0.93**	**9.5**
Primary (0.40g/t gold cut-off)								
Measured	1	-	1.10	10.3	1	-	1.10	10.3
Indicated	30	-	1.04	7.6	30	-	1.04	7.6
Sub-total (M+I)	**31**	**-**	**1.04**	**7.7**	**31**	**-**	**1.04**	**7.7**
Inferred	7	-	0.87	5.9	7	-	0.87	5.9
Sub-total (Primary)	**37**	**-**	**1.01**	**7.4**	**37**	**-**	**1.01**	**7.4**
Combined Oxide, Transitional, Primary								
Measured	4	-	0.85	9.8	7	-	0.97	8.7
Measured (stockpiles)	2	-	0.38	2.4	1	-	0.41	1.5
Indicated	50	-	0.94	7.4	49	-	0.96	7.4
Sub-total (M+I)	**56**	**-**	**0.91**	**7.4**	**57**	**-**	**0.95**	**7.4**
Inferred	8	-	0.80	5.4	8	-	0.81	5.4
TOTAL	**64**	**-**	**0.90**	**7.1**	**65**	**-**	**0.93**	**7.2**
Long Chieng Track (LCT) (0.30g/t gold cut-off)								
Measured	7	0.02	0.72	4.0	3	0.02	0.72	2.3
Indicated	12	0.05	0.81	5.2	5	0.05	0.65	4.7
Sub-total (M+I)	**19**	**0.04**	**0.78**	**4.7**	**8**	**0.04**	**0.67**	**3.8**
Inferred	11	0.15	0.72	2.4	25	0.15	0.80	5.3
TOTAL	**31**	**0.08**	**0.76**	**3.9**	**32**	**0.08**	**0.72**	**4.3**

MINERAL RESOURCES AND ORE RESERVES (cont.)

LAOS

ORE RESERVES								
COPPER-GOLD								
Phu Kham	**31 December 2013**				**31 December 2012**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Proved	102	0.52	0.23	1.9	124	0.51	0.23	1.8
Proved (stockpiles)	3	0.31	0.17	1.2	-	-	-	-
Probable	52	0.46	0.22	2.1	52	0.46	0.23	2.1
Sub-total	**157**	**0.50**	**0.22**	**1.9**	**176**	**0.50**	**0.23**	**1.9**
KTL								
Proved	7	1.09	0.70	3.2	-	-	-	-
Probable	1	0.94	0.46	5.2	-	-	-	-
Sub-total	**8**	**1.06**	**0.66**	**3.5**	**-**	**-**	**-**	**-**
Total Phu Kham Operations								
Proved	112	0.55	0.26	2.0	124	0.51	0.23	1.8
Probable	53	0.47	0.22	2.2	52	0.46	0.23	2.1
TOTAL	**165**	**0.52**	**0.25**	**2.0**	**176**	**0.50**	**0.23**	**1.9**

GOLD-SILVER								
Ban Houayxai	**31 December 2013**				**31 December 2012**			
Class	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**
Proved	4	-	0.79	9.5	8	-	0.82	8.4
Proved (stockpiles)	2	-	0.36	2.3	1	-	0.41	1.5
Probable	30	-	0.85	8.3	33	-	0.82	8.1
TOTAL	**36**	**-**	**0.81**	**8.0**	**41**	**-**	**0.81**	**7.9**

CHILE

MINERAL RESOURCES (heap leach)				
	31 December 2013		**31 December 2012**	
Inca de Oro Oxide and Mixed (0.25% copper cut- off)				
Class	**Tonnes (Mt)**	**Cu Soluble (%)**	**Tonnes (Mt)**	**Cu Soluble (%)**
Measured	11	0.22	11	0.22
Indicated	54	0.23	54	0.23
Sub-total (M+I)	**64**	**0.22**	**64**	**0.22**
Inferred	7	0.14	7	0.14
TOTAL	**71**	**0.20**	**71**	**0.20**

MINERAL RESOURCES (flotation)								
	31 December 2013				**31 December 2012**			
Inca de Oro Supergene and Primary (0.25g/t copper cut-off)								
Class	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	186	0.44	0.1	2.0	186	0.44	0.13	2.0
Indicated	126	0.35	0.0	1.7	126	0.35	0.08	1.7
Sub-total (M+I)	**312**	**0.41**	**0.1**	**1.8**	**312**	**0.41**	**0.11**	**1.8**
Inferred	77	0.30	0.0	1.4	77	0.30	0.06	1.4
TOTAL	**389**	**0.39**	**0.1**	**1.7**	**389**	**0.39**	**0.10**	**1.7**
Carmen Transitional and Primary (0.25% copper cut-off)								
Class	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**	**Tonnes (Mt)**	**Cu Total (%)**	**Au (g/t)**	**Ag (g/t)**
Measured	5	0.33	0.4	1.1	5	0.33	0.42	1.1
Indicated	7	0.35	0.4	1.3	7	0.35	0.43	1.3
Sub-total (M+I)	**12**	**0.34**	**0.4**	**1.2**	**12**	**0.34**	**0.43**	**1.2**
Inferred	34	0.34	0.3	1.0	34	0.34	0.31	1.0
TOTAL	**46**	**0.34**	**0.3**	**1.0**	**46**	**0.34**	**0.34**	**1.0**

MINERAL RESOURCES AND ORE RESERVES (cont.)

Notes

- This summary of the Ore Reserves and Mineral Resources as at 31 December 2013 should be read in conjunction with the comprehensive report '2014 Mineral Resource and Ore Reserve Statements' which was lodged by PanAust Limited with the Australian Securities Exchange on 20 February 2014.
- PanAust confirms that at the date of this report it is not aware of any new information or data that materially affects the information included in the 20 February 2014 report and that all material assumptions and technical parameters underpinning the estimates in the 20 February 2014 report continue to apply and have not materially changed.
- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- The Mineral Resources and Ore Reserves estimates are reported on a 100% ownership basis. PanAust has a 90% beneficial interest in Phu Kham, Ban Houayxai, KTL and LCT; a 60.45% interest in Inca de Oro; and a 100% interest in Carmen.
- The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
- The Phu Kham Ore Reserve is estimated at commodity prices of US$3.20/lb copper and US$1,300/oz gold and reflects the non-mining break-even value of US$8.73/t processed subject to a minimum cut-off grade of 0.20% Cu.
- The KTL Ore Reserve is estimated at commodity prices of US$3.20/lb copper and US$1,300/oz gold and reflects the non-mining break-even value of US$29.30/t processed.
- The Ban Houayxai Ore Reserve is estimated at a gold price of US$1,300/oz and is reported at cut-off above grades of 0.32 g/t Au for oxide material, 0.40 g/t Au for transitional material and 0.44 g/t Au for primary material.
- The Inca de Oro oxide and mixed Mineral Resource estimate was based on a total copper cut-off. The likely process route for this mineralisation is heap leach and as such only the soluble copper component of the estimate has been included in the Inca de Oro oxide and mixed Mineral Resource data.

Material differences between the 2014 (as at 31 December 2013) and 2013 (as at 31 December 2012) estimates

- Phu Kham Copper-Gold Ore Reserves and Mineral Resources: depletion relative to the 2013 data due to mining during 2013.
- KTL Copper-Gold Ore Reserves: inaugural Ore Reserve for 2014 derived from pre-feasibility study work.
- KTL Copper-Gold Mineral Resources: The 2014 estimate utilised a 0.5% copper cut-off (2013 estimate 0.25% copper cut-off) to reflect the economics of the pre-feasibility study mining strategy which resulted in a reduction in overall Mineral Resource tonnes and an increase in average grades.
- Ban Houayxai Ore Reserve and Mineral Resources: depletion relative to the 2013 data due to mining during 2013, lower revenue assumptions and reduced unit operating cost.
- LCT Gold-Silver Mineral Resources: substantial increase in Measured and Indicated resources reflects the increased confidence in the estimate following inclusion in the geological database of results from resource definition drilling during 2013.

Competent Person Statements

- Mineral Resources

The data in this report that relate to Mineral Resources are based on information reviewed by Mr Daniel Brost who is a Member and Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy (MAusIMM CP) and a Registered Member of the Society for Mining, Metallurgy & Exploration (SME).

Mr Brost is a full time employee of PanAust Limited. Mr Brost has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Brost consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

- Ore Reserves

The data in this report that relate to Ore Reserves are based on information reviewed by Dr Peter Trout who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM).

Dr Trout is a full time employee of PanAust Limited. Dr Trout has sufficient experience relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Dr Trout consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.