

Voluntary Principles on Security and Human Rights Annual Report

Update Report for reporting year: 2019



INTRODUCTION

PanAust Limited (PanAust) has been a member of the United Nations Voluntary Principles on Security and Human Rights (the “Voluntary Principles, VPs, VPSHR, VPI’s”) since 2013.

In accordance with the agreed revisions to the VPI’s Governance Rules, this report is the annual update following the full report submission in 2018.

About PanAust

PanAust is a copper and gold producer in Laos with pre-development opportunities in Laos, Papua New Guinea (PNG), Myanmar and Chile.

PanAust’s producing assets are the Phu Kham Copper-Gold Operation and the Ban Houayxai Gold-Silver Operation; both are located in Laos. The Operations are owned and operated by Phu Bia Mining Limited (PBM), a Lao-registered company of which PanAust owns a 90 per cent interest. The Government of Laos owns the remaining 10 per cent.

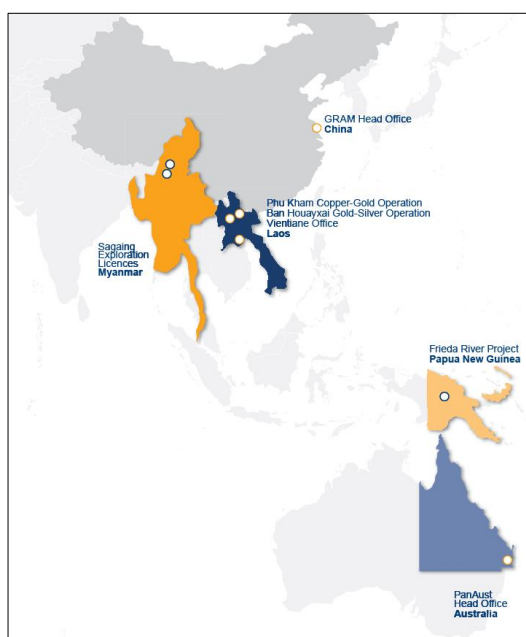
In PNG, PanAust – through its wholly owned subsidiary Frieda River Limited – owns the Frieda River Project.

In Myanmar, PanAust owns a 90 per cent interest in Wuntho Resources Company Limited (WRCL) with joint venture partner Myanmar Energy Resources Group International Company Limited (MERG) holding the remaining 10 per cent interest. WRCL holds tenements covering roughly 775 square-kilometres in the Saigaing region of Myanmar and has applied for additional Exploration Licences in the same region.

PanAust is an Australian incorporated company that is owned by Guangdong Rising H.K. (Holding) Limited which is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd (GRAM). GRAM is a Chinese state-owned company regulated under the State-owned Assets Supervision and Administration Commission, the People’s Government of the Guangdong Province in China.

PanAust’s Operations, Projects and offices

- PanAust’s global footprint



A COMMITMENT TO THE VOLUNTARY PRINCIPLES

A1 Public Statement of commitment or endorsement of the Voluntary Principles, engagement in the Voluntary Principles Initiative, and transparency.

- PanAust's commitment to the Voluntary Principles is transparent and publicly stated within its Sustainability Policy, Business Review and Sustainability Reports¹ and within The PanAust Way (the Company's Code of Conduct)² located on the PanAust website (www.panaust.com.au).
- No significant update since the 2018 report.

A2 Examples of promoting awareness of the Voluntary Principles throughout the organisation, including within the Value Chain

- All services contracts are issued with PanAust's corporate policies including the PanAust Sustainability Policy, The PanAust Way and relevant HR policies outlining our human rights requirements. PanAust's commitment to the Voluntary Principles is communicated to all employees, and contractors as part of mandatory induction training packages for all personnel working on site.
- No significant update since the 2018 report.

A3 Examples of promoting and advancing implementation of the Voluntary Principles internationally

- PanAust has participated in the informal Australian Working Group in preparation of assumption of the Government Pillar and supported the progress of the Myanmar In-Country Working Group.
- No other significant update since the 2018 report.

B POLICIES PROCEDURES AND RELATED MATERIALS

B4 Relevant policies, procedures, and/or guidelines (or any changes thereto from the previous reporting year) to implement the Voluntary Principles.

- All relevant policies, procedures and guidelines reviewed, in place and effective,
- No other significant update since the 2018 report.

B5 Company procedure to conduct security and human rights risk assessments and integrate findings

- PanAust's Enterprise Risk Management (ERM) Policy and associated procedures reviewed, in place and effective.
- No other significant update since the 2018 report.

¹ The PanAust Sustainability Policy dated 6 April 2018, 2017 & 2018 Business Review and Sustainability Report can be found at: <http://www.panaust.com.au/sustainability>.

² The PanAust Way, dated April 2017 can be found at: http://www.panaust.com.au/sites/default/files/ThePanAustWay_April%202018_FINAL_web.pdf

B6 Company procedure or mechanism to report security-related incidents with human rights implications by public/private security forces relating to the Company's activities

- PanAust's reporting mechanisms reviewed, in place and effective.
- No human rights breaches related to the provision of security services by proprietary, private or public security providers supporting PanAust activities were recorded for 2019.
- No significant update since the 2018 report.

B7 Company procedure to consider the Voluntary Principles in entering into relations with private security providers

- A small contingent of private security contractors were engaged in Myanmar during 2019 (refer to section C9).
- VPI recommendations, including training, maintained through existing contractual arrangements.
- No significant update since 2018 report.

B8 Company procedure or mechanism to investigate and remediate security related incidents with human rights implications by public/private security forces relating to the Company's activities

- PanAust's investigation and reporting mechanisms in place and effective.
- No human rights breaches related to the provision of security services by proprietary, private or public security providers supporting PanAust activities were recorded for 2019.
- No significant update since 2018 report.

C COUNTRY IMPLEMENTATION

C9 Overview of country operations selected for 2019 reporting

PAPUA NEW GUINEA

- The Frieda River Project in Papua New Guinea is undergoing permitting phase.
- Minimal private security presence (four persons).
- No significant update since 2018 report.

MYANMAR

- In country security risk assessment conducted in 2019 ahead of seasonal exploration activities in the Sagaing region.
- A private security contractor was engaged in accordance with VPI recommendations to provide minimal personnel to protect camp facilities established at Mansi village.
- On-going engagement conducted with local communities and public security forces.
- Continued engagement with the Myanmar In-Country Working Group.
- No significant update since the 2018 report.

LAOS

- The Phu Kham and Ban Houayxai Operations continued during 2019 without any significant security interruptions.
- Assessment of the regional (provincial) security profile has seen an improvement in stability and peace.
- Existing Memorandum of Understanding, policies, standards and procedures pertaining to proprietary, private and public security forces have been reviewed, in place and effective.
- Human Rights and VPI training prior to all rotational deployments of members of the Lao People's Army continued at both sites.
- Ongoing engagement, both formally and informally, with public security and government continued.
- No significant update since the 2018 report.

C10 Engagements with stakeholders on country implementation

- Established engagement protocols and mechanism remains in place and is effective.
- No significant update since the 2018 report.

C11 Voluntary Principles considerations in selection of private security providers and formulation of contractual agreement with private security providers, and arrangement with public security forces

Private security

- PanAust's contractual processes continue to include assessment, selection and implementation criteria in accordance with Annex J of the VPs Implementation Guidance Tools.
- No significant update since the 2018 report.

Public security

The MoU which exists between PBM and the Lao People's Army (LPA) outlines the Company's expected standard of behaviour and use of force expectations, induction requirements and the right of removal of personnel from Operations that do not abide by the MoU remains in place and is effective.

- In 2019, combined VPs and use of force training statistics for the LPA are as follows:

LPA	LPD & Private Security	Total
Voluntary Principles and Use of force – No. of members trained		
859	199	1058

C12 Examples of supporting outreach, education, and/or training of (i) relevant personnel, (ii) private security, (iii) public security, and/or (iv) civil society

- Outreach activities outlined in the 2018 Business Review and Sustainability Report continue without significant change.

C13 Company procedure to review progress on implementing the Voluntary Principles at local facilities

- PanAust maintains a rotating schedule of external and internal audits of its Operations and Projects to assess and address the Company's implementation of appropriate security practices to inform updates of risk assessments and confirming that VPs obligations are being progressed.
- No significant update since the 2018 report.

D LESSONS AND ISSUES

D14 Lessons and issues from this reporting year, as well as plans or opportunities to advance the Voluntary Principles for the organisation.

- PanAust practically implements and adheres to the VPs in the areas in which it operates.
- PanAust is focussed on the permitting of the Frieda River Project in Papua New Guinea, continuing exploration activities in Laos and Myanmar and has recently commenced owner-operated logistics operations in Thailand and Vietnam.
- The Company's geographically sparse workforce uniquely positions it to broaden and influence the VPs Initiative into jurisdictions currently not significantly represented in the coming years.
- PanAust is committed to the implementation of the VPs within its future growth strategy.



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