



## ASX ANNOUNCEMENT

22 April 2015

### Notice of Annual General Meeting

In accordance with ASX Listing Rule 3.17, please find attached the Notice of Meeting, Explanatory Statement and a sample Proxy Form for the Annual General Meeting of PanAust Limited to be held on Friday, 22 May 2015 commencing at 10.00 a.m. (Brisbane time). The Annual General Meeting will be held in the Skyroom on Sky Level at the Brisbane Convention and Exhibition Centre, Merivale Street, South Brisbane.

The Notice of Meeting, Explanatory Statement and Proxy Form are being despatched to shareholders today.

For further information contact:

Mr Paul Scarr  
Company Secretary  
PanAust Limited

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Email: [info@panaust.com.au](mailto:info@panaust.com.au)

Website: [www.panaust.com.au](http://www.panaust.com.au)

2013 WINNER  
PROJECT DEVELOPMENT  
OF THE YEAR



2013 WINNER  
SUSTAINABILITY LEADERSHIP  
2010/2011 WINNERS  
BEST COMMUNITY DEVELOPMENT



2011  
LAO PDR LABOUR ORDER CLASS 1  
BEST RURAL DEVELOPMENT



2011 WINNER  
SOCIAL/COMMUNITY PRESENTED BY  
ETHICAL INVESTOR





## **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT**

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### **Details of time and location of the Annual General Meeting**

<b>Date:</b>	Friday 22 May 2015
<b>Time:</b>	10.00am (Brisbane time)
<b>Venue:</b>	Skyroom, Sky Level Brisbane Convention & Exhibition Centre Merivale Street (use entry off Grey Street) South Brisbane Queensland 4101

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of PanAust Limited ABN 17 011 065 160 ("the Company") will be held in the Skyroom on Sky Level at the Brisbane Convention & Exhibition Centre, Merivale Street, South Brisbane, Queensland on Friday 22 May 2015 commencing at 10.00am (Brisbane time).

### **Item 1: Receipt of reports and financial statements**

To receive and consider the Directors' Report and the Financial Report of the Company for the financial year ended 31 December 2014 and the Auditor's Report in relation to the Financial Report.

### **Item 2: Adoption of Remuneration Report (non-binding resolution)**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

***THAT** the Remuneration Report contained in the Directors' Report of the Company for the financial year ended 31 December 2014 be adopted.*

Under the Corporations Act 2001 (Cth), this resolution is advisory only and does not bind the Directors or the Company.

### **Item 3: Re-election of Mr Ken Pickering as a Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

***THAT** Mr Ken Pickering who retires in accordance with the Company's constitution and is eligible for election, be re-elected as a Director of the Company.*

### **Item 4: Re-election of Mr Geoff Handley as a Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

***THAT** Mr Geoff Handley who retires in accordance with the Company's constitution and is eligible for election, be re-elected as a Director of the Company.*

### **Item 5: Approval of issue of shares and advance of loan to the Managing Director under the Executive Long-Term Share Plan**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

***THAT**, for the purposes of rules 7.1 and 10.14 of the Listing Rules of ASX Limited and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the issue to Dr Fred Hess, the Managing Director of the Company, of 2,707,444 ordinary fully paid shares and the advance of a loan in the amount equal to the market price of those 2,707,444 ordinary fully paid shares under the Executive Long-Term Share Plan (in accordance with the terms described in the Explanatory Statement) be approved.*

## **Item 6: Approval for continuation of Long Term Incentives for Mr Robert Usher**

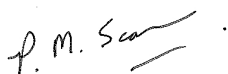
To consider and, if thought fit, pass the following resolution as an ordinary resolution:

***THAT**, for the purposes of sections 200B and 200E of the Corporations Act 2001 (Cth) and for all other purposes, approval be given for the exercise of the Board's discretion for the continuation of previous grants made under the Executive Long-Term Share Plan to Mr Robert Usher (formerly, Executive General Manager - PanAust Asia) who was made redundant and is considered to be a "good leaver" in accordance with the terms described in the Explanatory Statement.*

## **Item 7: Other Business**

To transact any other business that may be brought forward in conformity with the Company's constitution.

By order of the Board

A handwritten signature in dark ink, appearing to read 'P. M. Scarr', with a horizontal line underneath.

P. M. Scarr  
Company Secretary  
Brisbane  
13 April 2015

## NOTES

### Retirement of Directors

Under the constitution of the Company, a Director must retire from office at the conclusion of the third annual general meeting after the Director was last elected or after three years (whichever is longer). As indicated in **items 3 and 4**, Mr Ken Pickering and Mr Geoff Handley are retiring in accordance with the constitution of the Company and are seeking re-election.

### Voting exclusion

The Company will, in accordance with the Listing Rules of ASX Limited and the Corporations Act 2001 (Cth), disregard any votes cast:

- in respect of **Item 2** by any member of Key Management Personnel of the Company whose remuneration details are contained in the remuneration report or any Closely Related Party of such a member; and
- in respect of **Item 5**, by Dr Fred Hess and any associates of Dr Fred Hess; and
- in respect of **Item 6**, by Mr Robert Usher and any associates of Mr Robert Usher.

However, the Company will not disregard any votes cast on any resolution if:

- it is cast by a person excluded from voting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Voting

The Company has determined that the shareholders who are on the Company's share register at 7.00pm (Sydney time) on 20 May 2015 will be taken, for the purposes of the Annual General Meeting, to be entitled to attend and vote at the meeting.

### Proxies

1. A Member who is entitled to vote at the meeting may appoint:
  - (a) one proxy if the Member is only entitled to one vote; or
  - (b) one or two proxies if the Member is entitled to more than one vote.
2. Where the Member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.
3. If you require an additional proxy form, Computershare Investor Services Pty Ltd will supply it on request.
4. A proxy need not be a Member of the Company.

5. The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company, no later than **10.00am (Brisbane time)** on **20 May 2015**, as follows:
- (a) at Computershare Investor Services Pty Limited GPO Box 242, Melbourne, Victoria 3001 Australia;
  - (b) by fax on: 1800 783 447 (within Australia); or  
+61 3 9473 2555 (outside Australia);
  - (c) online through [www.investorvote.com.au](http://www.investorvote.com.au); or
  - (d) for Intermediary Online subscribers only (custodians), online through [www.intermediaryonline.com](http://www.intermediaryonline.com).
6. If you are unable to attend the meeting and you have a question in relation to the business to be discussed, please do not hesitate to contact the Company Secretary or our Investor Relations team by email ([info@panaust.com.au](mailto:info@panaust.com.au)), by fax (+61(0)7 3846 4899) or by mail (PO Box 2297, Fortitude Valley Business Centre, Brisbane QLD 4006).

#### **Important information concerning proxy votes on Items 2, 5 and 6**

The Corporations Act 2001 (Cth) places certain restrictions on the ability of “Key Management Personnel” (including the Chairman of the Meeting) and their “Closely Related Parties” to vote on Item 2 and also places restrictions on “Key Management Personnel” and their “Closely Related Parties” where they are voting as proxy for another shareholder on resolutions connected with the remuneration of Key Management Personnel (that is, Items 2, 5 and 6). In addition, the Corporations Act 2001 (Cth) places restrictions on the ability of Dr Fred Hess and his associates to vote on item 5 and Mr Robert Usher and his associates to vote on Item 6.

To ensure that your votes are counted on Items 2, 5 and 6, you are encouraged to direct your proxy how to vote on those items by indicating your preference by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form.

#### **Proxy Form**

A proxy form is enclosed with this Notice of Meeting. The Proxy Form is an integral part of this Notice and both documents should be read together.

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the shareholders of PanAust Limited (the “Company”) for the Annual General Meeting (“AGM”) to be held on Friday 22 May 2015 at 10.00am (Brisbane time).

### Item 2: Adoption of the Remuneration Report

Companies listed on the Australian Securities Exchange (“ASX”) are required to put to their shareholders a resolution to adopt the Remuneration Report. The Corporations Act 2001 (“Corporations Act”) provides that the resolution is advisory only.

The Remuneration Report forms part of the Directors’ Report. It is contained in the Annual Report (pages 23 to 48) which is available on the Company’s website. The Remuneration Report contains all of the information required by the Corporations Act. It details the remuneration principles and policies adopted by the Board, the remuneration arrangements for the year, the function of the Remuneration Committee (which is comprised entirely of independent Non-Executive Directors and is chaired by an independent Non-Executive Director of the Company other than the Chairman), the names of remuneration consultants used by the Company and the factors considered in the course of performing the annual remuneration review.

With respect to Non-Executive Directors, 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 which is acceptable to shareholders. In 2014, the Non-Executive Directors (with the exception of the Chairman) were paid a base fee for serving as a Director and an additional fee for membership of a Board Committee. The Chairman is paid an all-inclusive fee which is inclusive of his remuneration for membership of Board committees. The Non-Executive Directors are not paid any short term incentives, long term incentives, equity based remuneration or retirement/termination benefits. The fee structure is detailed in the Remuneration Report on page 25 of the annual report. There has been no increase in the fees paid to Non-Executive Directors since 1 July 2012. There will be no increase in 2015.

With respect to the Managing Director and other senior executives, the objective (articulated in the Company’s Employee Policy) is to:

*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.*

*Attract, engage and retain high calibre employees to meet PanAust’s current and future business needs.*

Remuneration consists of the following elements: fixed remuneration, short term incentive (“STI”) and long term incentive (“LTI”). The amount and relevant proportion of fixed remuneration, STI and LTI is determined after consideration of market levels of remuneration. The intention is to encourage the growth of the Company and shareholder value in a sustainable way, optimising return on capital whilst being true to the Company’s vision and values. The Company also seeks to maintain appropriate levels of internal relativity between senior executive positions in the Company.

On 6 March 2014, the Company announced that a succession process had been commenced for the position of Managing Director. This followed entry by the Company and the former Managing

Director, Mr Gary Stafford, into a new service agreement (the “Succession Service Agreement”). This agreement replaced the previous service agreement entered into by the Company and Mr Stafford in 1996. The succession took effect on 11 November 2014 with the resignation of Mr Stafford (who gave three months’ notice in accordance with the terms of the Succession Service Agreement) and the appointment of Dr Fred Hess as the new Managing Director with immediate effect. The Remuneration Report contains a separate section (section H, pages 35 to 38) detailing the remuneration arrangements under the Succession Service Agreement with Mr Gary Stafford and the payments made to him in 2014.

Finally, it is noted that for the reasons stated in the Remuneration Report, the Board implemented a salary freeze across the PanAust Group for 2015.

Recommendation: The Directors unanimously recommend a vote in favour of the resolution.

### **Item 3: Election of Mr Ken Pickering as a Director**

Mr Ken Pickering was appointed as a Non-Executive Director of the Company on 28 October 2011. Mr Pickering is a member of the Sustainability Committee and the Remuneration Committee.

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 Santiago Stock Exchange);
- THEMAC Resources Group Ltd. (listed on the Toronto Stock Exchange (“TSX”));
- Endeavour Silver Corp (listed on the TSX); and
- Northern Dynasty Minerals Ltd (listed on the TSX).

At the time of writing this explanatory statement, Mr Pickering was seeking election as a Non-Executive Director of Teck Resources Ltd (listed on the TSX) at the forthcoming annual general meeting of that company. Mr Pickering retires in accordance with the constitution of the Company and seeks re-election at this AGM.

Recommendation: Mr Pickering has an interest in the resolution and therefore does not make a recommendation. The other Directors unanimously recommend a vote in favour of the resolution.



#### Item 4: Re-election of Mr Geoff Handley as a Director

Mr Geoff Handley was appointed as a Non-Executive Director of the Company on 29 September 2006. Mr Handley is Chairman of the Remuneration Committee and is a member of the Nominations Committee.

Mr Handley is a geologist with over 40 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.

Mr Handley currently serves as a Non-Executive Director on the following listed companies:

- Eldorado Gold Corp. (listed on the TSX and the New York Stock Exchange ("NYSE")); and
- Endeavour Silver Corp. (Chairman) (listed on the TSX and the NYSE)

During the past three years, Mr Handley also served as a Director of Mirabela Nickel Limited (listed on the ASX and TSX).

Mr Handley retires in accordance with the constitution of the Company and seeks re-election at this AGM.

Recommendation: Mr Handley has an interest in the resolution and therefore does not make a recommendation. The other Directors unanimously recommend a vote in favour of the resolution.

#### Item 5: Approval of issue of shares and advance of loan to the Managing Director under the Executive Long-Term Share Plan

##### (a) Background and reasons for the proposal

Dr Fred Hess was appointed Managing Director of the Company on 11 November 2014. Immediately prior to appointment, Dr Hess was the Executive General Manager - Project Development & Operational Improvement. For the 2015 financial year, Dr Hess' s annual remuneration package is as follows:

Total Fixed Remuneration ("TFR") (including superannuation) (fixed)	Short Term Incentive <sup>1</sup> (variable) (55% of TFR)	Long Term Incentive (indicative fair value) <sup>2</sup> (variable) (75% of TFR)	Total remuneration package value <sup>3</sup> (fixed and variable)
A\$850,000	A\$467,500	A\$637,500	A\$1,955,000

<sup>1</sup> The payment of the short term incentive (STI) is subject to satisfaction of nominated performance targets. The proportion of the STI subject to each performance parameter is as follows: sustainability (15%), growth initiatives (20%), Lao operations (55%), overall performance against achievement plan (10%). The Board may apply a "Business Factor" adjustment to the STI of between 80% and 120% taking into account the overall financial performance of the Company.

<sup>2</sup> The initial grant of the LTI is to be grossed up for the period 11 November 2014 to 31 December 2014. The vesting of the LTI is subject to performance testing. Refer to discussion below.

<sup>3</sup> The actual value received is variable for the reasons discussed in this explanatory statement.

The LTI is provided to the Managing Director through the issue of shares issued under the Executive Long-Term Share Plan ("LTSP"). The LTSP is a loan backed share plan. The Company issues or a trustee transfers shares to the executive at market value. The purchase price is funded by a loan from the Company. If the resolution is passed, the Company will issue new shares to the Managing Director and/or shares previously forfeited under the scheme, so the loan will not represent cash paid by the Company to acquire the shares.

**(b) Indicative Fair Value of the LTI (grossed up for the period 11 November 2014 to 31 December 2014)**

As detailed above, the value of the LTI for the 2015 year is A\$637,500. For the initial grant to the Managing Director after appointment, this amount is to be grossed up for the period 11 November 2014 to 31 December 2014 by the difference between the Managing Director's entitlement to LTI in his capacity as Managing Director and his entitlement to LTI in his previous capacity as Executive General Manager - Project Development & Operational Improvement. This results in an increase of A\$39,361 to the LTI grant the subject of this resolution.

The indicative fair value of the LTI the subject of this resolution is as follows:

Number of Shares to be issued under the LTSP	*Indicative Fair Value of the LTI
2,707,444	A\$676,861 (being A\$0.25 per share)

\*The indicative fair value of A\$0.25 per Share was calculated by an external advisor in a manner consistent with the principles described by AASB 2 (Share-based Payments). The valuation date was 6 March 2015. The five day volume weighted average price ending on the valuation date was A\$1.31 per share. Valuation assumptions included: volatility of 47.4%, risk free rate of 2.07%, dividend yield of nil and term of 4.97 years.

The Indicative Fair Value of the Shares to be issued to Dr Hess was determined using the Black Scholes valuation model (with reference to AASB2), used to determine the value for grant allocation purposes. The model takes into account the probability PanAust will achieve vesting, assuming that the constituents of the peer group begin on same starting point for Total Shareholder Return (i.e. the beginning of the performance period).

**(c) Changes from the previous issue made under the Long-Term Share Plan**

No issue was made to the former Managing Director under the LTSP in 2014. The last issue was made in 2013. Issues were made under the LTSP to other senior executives in 2014. Apart from the number of shares being offered, the following changes have been made to the terms and conditions of the issue in 2015 from those made in 2014:

- The constituents of the bespoke comparator group used to benchmark the Company's performance (as outlined below) have been changed from the group used in 2014. In considering the constituents of the comparator group, consideration is given to the market capitalisation, production profile and growth profile of potential constituents. Companies with market capitalisation of less than A\$200 million are excluded due to the likelihood of low market liquidity and, therefore, unduly high share price volatility. The following companies have been removed from the comparator group: Perseus Mining, Medusa Mining, Kingsgate Consolidated, Grange Resources, Aditya Birla, St Barbara, and Gindalbie Metals. The following companies have been added to the comparator group: Northern Star, Metals X, Saracen Minerals, Tiger Resources, Panoramic Resources, Silver Lake Resources and Alacer Gold Corporation. A full list of the constituents of the comparator group is included in paragraph 7 of Schedule 1 to this notice.

- The performance period will remain at three years. However, the starting point of the performance period will now be 9 March 2015 (the vesting date will be 8 March 2018, the last day of the performance period). This promotes a better alignment between the valuation date and the performance period (which previously commenced on 1 January). In addition, the period will end following at least one week of trading after the release of the Company's annual report for the year ending 31 December 2017.
- The Company has introduced a clawback standard which provides for both: "clawback" (where the Company demands repayment of a benefit received by an executive to take into account an adverse development) and "malus" (where the Company adjusts all or part of an executive's remuneration for an adverse development prior to payment or vesting of the relevant component of remuneration). Under the standard adopted by the Company (available on the website), the Company may apply clawback or malus where the service agreement for a senior executive has been terminated for cause (dishonesty or fraud) or where there has been a material misstatement or omission in the financial statements of the Company (or a subsidiary) leading to an executive receiving a benefit greater than the amount which would have been due based on the corrected financial statements. The clawback or malus may apply to STIs, unpaid STIs and unvested LTIs (such as the issue proposed under this resolution).

**(d) Shareholder approval and the proposal**

Approval is sought under Listing Rule 10.14 and Chapter 2E of the Corporations Act for the issue to Dr Fred Hess, the Managing Director, of 2,707,444 ordinary fully paid shares (the "Shares") and the advance of a loan in the amount equal to the market price of the Shares (the "Loan") on the terms and conditions detailed in this explanatory statement. If approval is given under Listing Rule 10.14, then separate approval is not required for the purposes of Listing Rule 7.1.

The issue price for the Shares to be issued to Dr Hess will be calculated based on the volume weighted average price of the Company's shares on ASX in the five trading day period ending on the date immediately prior to the date of the AGM (that is, the five trading day period ending on Thursday 21 May 2015).

A summary of the principal terms of issue of the Shares and the advance of the Loan is as follows:

- Subject to the performance conditions, the vesting date for the Shares is 8 March 2018 (the "Vesting Date"). The measure of performance is Total Shareholder Return ("TSR"). TSR is the total return achieved by a shareholder in relation to shares, including through any increase in share price and dividends. The TSR of the Company is compared to the comparator group. The performance period commences on 9 March 2015 and ends on 8 March 2018. There is no retesting.

The table below provides the proposed matrix of outcomes:

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

- The Loan is advanced to the Managing Director. The Loan is equal to the market price of each Share (as calculated above) multiplied by the number of Shares. The term of the Loan is five years. The Loan is interest free. The Loan is limited recourse so in no circumstances will the Managing Director be liable for an amount in excess of the market value of vested Shares.
- If the resolution is passed, it is proposed that the Shares will be allotted and issued by 31 May 2015 and, in any event, within three months after the annual general meeting. The Shares will be held in trust by the trustee of the LTSP until vesting and repayment of the Loan.
- Other terms and conditions are summarised in Schedule 1 to this notice.

**(e) Approval to give a financial benefit to a related party**

Chapter 2E of the Corporations Act requires shareholder approval for a public company (such as the Company) to give a financial benefit to a related party in certain circumstances. Dr Fred Hess, being the Managing Director of the Company, is a related party of the Company. The issue of the Shares and the advance of a loan under the LTSP on the terms and conditions detailed in this explanatory statement constitute the giving of a financial benefit to a related party.

Section 219 of the Corporations Act requires certain information to be given to shareholders about the proposed financial benefit. The following sets out, or refers to, such information:

- **The related party to whom approval is sought under Item 5 to permit the financial benefit to be given** – Dr Fred Hess, the Managing Director of the Company.

As at 1 April 2015, Dr Hess had a direct interest in 323,680 ordinary shares. Dr Hess also has an indirect interest in the Company of 410,753 ordinary shares held by Hess Family Super Pty Limited as trustee for The Hess Family Super Fund of which Dr Hess is a beneficiary. Dr Hess has 813,086 vested shares issued under the LTSP which are held in trust until the outstanding loan amount is paid (the aggregate loan amount is A\$2,409,006) and 2,056,250 unvested shares issued under the LTSP which are subject to outstanding performance conditions (with an aggregate loan amount of A\$4,746,454 due to the Company).

- **The nature of the financial benefit to be given to Dr Hess** – the issue of the Shares and the advance of the Loan on the terms and conditions detailed in this explanatory statement.
- **Recommendations of each Director of the Company** – as set out below, each of the Directors (other than Dr Hess) recommends that shareholders vote in favour of the resolution in Item 5. Dr Hess has not made a recommendation as he has an interest in the resolution in Item 5.
- **The reasons for making the recommendation** – each of the Directors (other than Dr Hess) recommends that shareholders vote in favour of the resolution as it rewards the Managing Director in a manner which promotes both the long term performance and growth of the Company and the retention of the services of the Managing Director. The LTI offer to the Managing Director is consistent with the value of long-term incentives issued to chief executive officers of companies of a comparable size. The objective is to provide an incentive to the Managing Director which promotes both the long term performance and growth of the Company and retention.
- **The interest of each Director of the Company in Item 5** – Dr Hess has an interest in the resolution as he will receive the Shares and the Loan on the terms and conditions detailed in this explanatory statement if the resolution is approved. No other Director has an interest.

- **Other information reasonably required by shareholders to assist them in deciding whether or not it is in the Company's interests to vote in favour of the resolution in Item 5** – other information relevant to the shareholders' decision is set out in Schedule 1 to this notice.

**(f) Effect of the proposal**

On the basis of the total securities in the Company on issue as at 1 April 2015, Dr Hess holds approximately 0.57% of the total issued ordinary shares in the Company on a fully diluted basis. If the Shares were issued and Dr Hess satisfied the performance conditions, his holding would increase to 0.98%.<sup>1</sup> Accordingly, the issue of the Shares could have a small dilutionary impact upon other shareholders and this impact must be balanced against providing an appropriate LTI to the Managing Director.

**(g) Use of funds raised**

Funds will only be raised from repayment of the Loan if the performance conditions are met and Shares vest. If the performance conditions are not met, then no Shares will vest and no funds will be received. If the performance conditions are met, the funds received will be used by the Company for working capital.

**(h) Issue of securities since the last approval**

At the annual general meeting of the Company on 17 May 2013, shareholders approved the issue of shares and the advance of a loan to Mr Stafford under the LTSP. These are the only securities issued to a Director under an employee incentive scheme since that date. Non-executive Directors are not eligible to receive securities under an employee incentive scheme and, at the time of the issue in 2013, Mr Stafford was the only executive Director. Details of the securities issued to Mr Stafford are as follows:

<b>Date of Issue<sup>‡</sup></b>	<b>Issue Price</b>	<b>No. of Shares</b>	<b>Loan advanced*</b>	<b>Vesting Date</b>
17 May 2013	A\$2.405	3,552,500	A\$8,543,763	31 December 2015

<sup>‡</sup>The indicative fair value of the issue was A\$1.421 million. \*As is the case this year, new shares were issued under the LTSP so the Company was not required to outlay cash to acquire the shares awarded to the Managing Director.

**(i) Voting exclusion**

In accordance with ASX Listing Rule 14.11.1 and section 224(1) of the Corporations Act, the Company will disregard any votes cast by Dr Fred Hess and his associates in respect of the resolution for the issue of Shares and the advance of the Loan to the Managing Director under the LTSP.

**Recommendation:** Dr Hess has an interest in the resolution and therefore does not make a recommendation. The other Directors unanimously recommend that shareholders vote in favour of the resolution.

<sup>1</sup> Assuming that no further shares are issued between 1 April 2015 and the date the Shares vest.

## Item 6: Approval for continuation of Long Term Incentives for Mr Robert Usher

### (a) Background and reasons for the proposal

On 14 January 2015, the Company announced that it had undertaken an efficiency review resulting in a near 5% reduction in its work force. As part of this review, three senior executives were made redundant, including Mr Robert Usher who held the position of Executive General Manager - PanAust Asia. Mr Usher had given outstanding service to the Company over a number of years.

Mr Usher had been issued shares and advanced loans under the Executive Long-Term Share Plan (the "LTSP"), which is the long term incentive plan for senior executives. The grants made in 2013 and 2014 have not vested. They are still subject to outstanding performance conditions similar to those the subject of the resolution under Item 5 (total shareholder return over a three year period measured against a comparator group of mining companies).

Under the LTSP, in the case of retirement, retrenchment or death, shares which have not vested and are still subject to performance conditions will be immediately forfeited unless the Board exercises its discretion to the contrary.

In the case of Mr Usher, who was a member of Key Management Personnel, there is a cap on the amount of termination benefits which may be paid or otherwise provided to Mr Usher under Part 2D.2 of the Corporations Act without shareholder approval. As the exercise by the Board of its discretion under the LTSP constitutes the giving of a "benefit" for the purposes of section 200AB of the Corporations Act, approval is therefore sought under sections 200B and 200E of the Corporations Act for the "benefit" proposed to be given to Mr Usher.

In accordance with the terms of his Service Agreement with the Company, upon termination Mr Usher was paid 12 months' base salary (six months' base salary in lieu of notice and an additional one month for each year of service up to the cap of six months). This amount was adjusted so that it did not exceed the statutory cap for termination benefits paid to holders of "managerial or executive office" of 12 months' average base salary over Mr Usher's last three years of employment. The giving of an additional "benefit" over and above the 12 months' average base salary requires shareholder approval. The purpose of this resolution is to seek such approval.

### (b) Details of the "benefit"

As outlined above, the benefit proposed to be given to Mr Usher is the exercise of the Board's discretion such that his unvested shares under the LTSP (and associated loans) remain on foot in accordance with the terms and conditions of the individual grants and the LTSP.

Details of the unvested grants made to Mr Usher are provided in the table below:

Date of Issue	Issue Price	No. of Shares	Outstanding Loan	Vesting Date
24 February 2014	A\$2.00	1,148,667	A\$2,261,323 (A\$1.9686 per share)	31 December 2016
25 February 2013	A\$2.84	843,000	A\$2,336,122 (A\$2.7712 per share)	31 December 2015

Since the date of grant, the outstanding loan amounts have been reduced by the after-tax amount of dividends paid to Mr Usher in connection with the relevant shareholdings.

If approval is granted under this resolution, then the unvested grants will remain on foot. In relation to the terms and conditions of the unvested grants:

- **Performance conditions** - The performance conditions are the same as those applying to the proposed issue to the Managing Director under Item 5; namely, TSR performance testing against a comparator group of mining companies, the same matrix of outcomes as under Item 5 (no securities vest if the Company ranks at the 50<sup>th</sup> percentile or lower, all securities vest if the Company ranks at the 75<sup>th</sup> percentile or higher, and pro rata vesting in between) and a three year performance testing period with no retests.
- **Non-recourse loan** - The terms and conditions of the loans are materially the same as those applying under the proposed issue to the Managing Director under Item 5; namely: a five year loan term, the loan is limited recourse so in no circumstances is Mr Usher liable for an amount in excess of the market value of his vested Shares, and the loan is interest free. The after-tax benefit of any dividends received in relation to the shares must be applied in repayment of the loan.
- **Other terms and conditions** - The other terms and conditions which apply under the LTSP are detailed in Schedule 1 to this explanatory statement (there are small differences in the comparator group for each issue which have been previously commented upon in the Remuneration Report issued by the Company for the years ended 31 December 2013 and 31 December 2014).

**(c) Value of the “benefit”**

The value of the benefit has been assessed as at the date that Mr Usher was made redundant; namely 31 January 2015. The indicative fair value of the LTI the subject of this resolution is as follows:

Year of grant	Number of shares	*Indicative Fair Value of the LTI
2014	1,148,667	A\$416,966.12 (being A\$0.363 per share)
2013	843,000	A\$148,368 (being A\$0.176 per share)

\*The indicative fair values of A\$0.363 per Share in relation to the 2014 grant and A\$0.176 per Share in relation to the 2013 grant were calculated by an external advisor in a manner consistent with the principles described by AASB 2 (Share-based Payments). The valuation date was 31 January 2015. The five day volume weighted average price ending on the valuation date was A\$1.21 per share. Valuation assumptions included: volatility of 60%, risk free rate of 1.9%, dividend yield of nil and term of 4.063 years in relation to the 2014 grant and 3.0658 years for the 2013 grant.

The Indicative Fair Value of Mr Usher’s unvested Shares was determined using a Monte Carlo valuation model (not for AASB2 purposes) designed to take into account performance from the date of grant to the date of valuation, and the likelihood of PanAust achieving vesting (and the participant subsequently exercising the award) over the remaining time frame. This model takes into account actual performance of the constituents of the peer group and PanAust itself as at the valuation date.

**(d) Effect of the proposal**

On the basis of the total securities in the Company on issue as at 1 April 2015, Mr Usher holds less than 0.2% of the total issued ordinary shares in the Company on a fully diluted basis. If the performance conditions for the Shares are satisfied, Mr Usher's holding would increase by approximately 0.3%.<sup>2</sup> Accordingly, the issue of the Shares could have a small dilutionary impact upon other shareholders.

**(e) Reasons for making the recommendation**

The Directors unanimously recommend that the shareholders approve this resolution for the following reasons:

- **“Good Leaver”** – Mr Usher is a “Good Leaver”. Mr Usher discharged his duties to the Company with the utmost integrity during the business efficiency review. Mr Usher's service in this regard assisted the Company to successfully implement the findings of the business efficiency review to the benefit of shareholders. Mr Usher has provided diligent service to the Company for nearly eight and a half years, including in his last position of Executive General Manager - PanAust Asia. For the year ended 31 December 2014, PanAust achieved record annual copper and silver production and sales with the output of copper, gold and silver and cost performance at Phu Kham exceeding annual guidance. Mr Usher's service will contribute to the performance of the Company over the next few years. Hence, it is appropriate that Mr Usher receive some benefit from the positive performance of the Company in the future; especially given that Mr Usher was only made redundant for reasons of business efficiency in difficult market conditions.
- **Unvested grants subject to Performance Conditions** – If the resolution is passed, the grants would continue to remain subject to the satisfaction of performance conditions. Mr Usher only benefits if the Company outperforms at least 50% of the comparator group of companies. The performance conditions are rigorous. There is no acceleration of vesting as a result of this resolution. The loan must still be repaid. Unless there is appreciation of the share price above the outstanding loan for each share (currently A\$1.9686 per share for the 2014 grant and A\$2.7712 per share for the 2013 grant), Mr Usher will not yield any benefit from any Shares that vest.
- **Shares liable to forfeiture** – Under the terms and conditions of the LTSP, the unvested shares are subject to forfeiture in certain conditions where something comes to the attention of the Board of Directors which indicates that Mr Usher was not (or is no longer) a “Good Leaver”. This could include fraud, dishonesty, a wrongful or negligent act or omission causing the Company substantial liability. Whilst nothing has come to light (or is expected to come to light), this condition provides comfort to shareholders that it is only if Mr Usher maintains his status as a “Good Leaver” that he would continue to have the benefit of the unvested grants.
- **Value of benefit is proportionate** – In all of the circumstances, the Board considers that the value of the benefit proposed to be provided to Mr Usher is proportionate given the service he has provided to the Company and all of the circumstances in which his service has come to an end.

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<sup>2</sup> Assuming that no further shares are issued between 1 April 2015 and the date the Shares vest.



**(f) Voting exclusion**

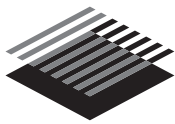
In accordance with section 200E(2A) of the Corporations Act, the Company will disregard any votes cast by Mr Usher and his associates in respect of the resolution.

Recommendation: The Directors unanimously recommend that shareholders vote in favour of the resolution.

## SCHEDULE 1

### Summary of the Executive Long-Term Share Plan ("LTSP")

1. The Board may invite a person who is an executive with the Company or an associated company (the "Group") to participate. Participation is voluntary. Participation is not open to Non-Executive Directors. Participation in the LTSP does not confer any right upon the participant to future issues of shares. A participant may nominate an associate (such as a family trust) to hold the securities.
2. The Board has the discretion to determine: (a) the number of shares to be issued under the LTSP (provided that the total number of unvested shares under the LTSP does not exceed 5% of the total shares on issue at the time an offer to participate is made); (b) the price of the shares (being the amount of the cash or loan required to acquire the shares); (c) the amount of any loan to be extended to the participant to acquire the shares and the terms and conditions of such loan; and (d) any conditions attaching to the shares, including performance hurdles which must be satisfied before the shares vest and are able to be sold by the participant.
3. The amount of the loan advanced by the Company to the participant may not exceed the price of the shares acquired and any transaction costs. The loan is non-recourse. Accordingly, the participant is not required to pay any amount in excess of the value of the shares acquired through provision of the loan. The loan must be repaid 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. 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.
4. Where the employment of a 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 will be immediately forfeited unless the Board exercises its discretion to the contrary.
5. 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. However, if the shares are subject to a loan, the after tax benefit of any monetary proceeds must first be applied in repayment of the loan.
6. Upon the happening of a "Control Event" (for example, a takeover or a demerger), all shares subject to conditions will immediately vest. "Control Event" is defined as meaning: (a) an offer is made by a person for the whole of the issued ordinary share capital of the Company (or any part not owned by the offeror) and after the announcement of the offer, the offeror acquires "Control" of the Company, (b) any other event which results in a change in "Control" of the Company; or (c) any other event which the Board reasonably considers should be regarded as a change in "Control". An entity acquires "Control" of the Company where it acquires the right to 50% or more of the votes to appoint or remove a director or has 50% or more of the votes exercisable by all directors or has a right to 50% or more of the profits or distributions of the Company.
7. For the 2015 issue under the LTSP, the Company's TSR performance will be compared to the TSR performance of the following companies (collectively, the "Comparator Group"): Newcrest Mining, Fortescue Metals Group, Iluka Resources, Oz Minerals, Alumina, Atlas Iron, Regis Resources, Paladin Energy, Mount Gibson Iron, Evolution Mining, Sandfire Resources, Resolute Mining, Independence Group, Western Areas, Aquarius Platinum, Oceana Gold, Beadell Resources, Alacer Gold, Metals X, Northern Star, Panoramic Resources, Saracen Minerals, Silver Lake Resources, Tiger Resources.



**PANAUST**

PANAUST LIMITED  
ABN 17 011 065 160

000001 000 PNA  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number: 999999**

**SRN/HIN: I999999999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 10:00am (Brisbane time) Wednesday 20 May 2015**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of PanAust Limited hereby appoint

☐

the Chairman  
of the Meeting OR



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of PanAust Limited to be held at **Skyroom, Sky Level, Brisbane Convention & Exhibition Centre, Grey Street, South Brisbane QLD 4101 on Friday, 22 May 2015 at 10:00am (Brisbane time)** and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 2, 5 & 6** (except where I/we have indicated a different voting intention below) even though **Items 2, 5 & 6** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 2, 5 & 6** by marking the appropriate box in step 2 below.

### STEP 2

#### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2 Adoption of Remuneration Report (non-binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Ken Pickering as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-election of Mr Geoff Handley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issue of shares and advance of loan to the Managing Director under the Executive Long-Term Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval for continuation of Long Term Incentives for Mr Robert Usher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / /

Date

P N A

1 2 3 4 5 6 A

Computershare +