



ASX ANNOUNCEMENT

25 August 2014

PanAust completes acquisition of 80% of the Frieda River Project

PanAust is pleased to announce that the acquisition of an 80% interest in the Frieda River Copper-Gold Project in Papua New Guinea (PNG) from Glencore plc has been completed. Joint venture partner Highlands Pacific Limited holds the other 20%.

Commenting on the acquisition, PanAust Managing Director, Mr Gary Stafford said "Conclusion of the acquisition adds significant value to PanAust's existing portfolio of producing and pre-development assets. The Frieda River copper-gold deposit is one of the largest known undeveloped copper deposits in the world and offers excellent potential for the establishment of a long-life operation."

Since the initial acquisition announcement in November 2013, PanAust has continued to refine its development concept and plans to provide a Project update to the market following the inaugural joint venture meeting which is scheduled for early September.

Given the extensive database that is already available for the Project, it is anticipated that the feasibility study will be completed by the end of 2015 at an estimated cost of US\$25 million.

The Company will leverage off its experience of working in Laos both in terms of construction management in high rainfall, remote and topographically similar terrain in Laos and in maintaining a high standard of community and government engagement.

Details of the transaction

Under the share sale and purchase agreement with Glencore (the "agreement", dated 31 October 2013):

- An initial acquisition payment of US\$25 million has been paid to Glencore together with approximately US\$4 million to reimburse Glencore for costs incurred by Glencore since the date of the agreement. Costs comprise camp maintenance, PanAust feasibility study work and community assistance costs.
- A further payment of US\$50 million¹ is scheduled to be paid to Glencore on 31 December 2015.
- On successful commencement of a mining operation at Frieda River, Glencore will receive a 2% net smelter return royalty (on PanAust's interest in the Project) to a total aggregate amount of US\$50 million¹.

¹ Subject to consumer price index escalation between the date of the agreement (31 October 2013) and on a quarterly basis each year prior to payment.

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



Upon grant of a Special Mining Licence the Government of PNG has a right to acquire, at cost, up to a 30% interest in the Frieda River Project.

In the event that the Government of PNG exercises its right, then PanAust will sell down the first 20% of any shares acquired by the Government and, thereafter, the joint venture parties will each sell an equal number of shares to the Government up to the maximum level of 30%, i.e. should the Government of PNG exercise its full entitlement to 30% of the Project, then PanAust will sell down to a 55% controlling share and Highlands will sell down to a 15% share.

Background

The Frieda River deposit is located on the border of the Sandaun and East Sepik provinces in PNG (Figure 1), in the foothills of the Schattenberg Range at elevations ranging from 300mRL to 800mRL. PanAust notes that the area has similar terrain to that in Laos where the Company's existing operations are situated.

The Frieda River Project comprises four copper-gold deposits and several prospects along a 10 kilometre trend. The initial development project is focussed on the large Horse-Ivaal-Tukai (HIT) porphyry deposit.

On 1 November 2013, PanAust announced the agreement and the results of a due diligence scoping study which outlined a development concept for Frieda River based on the extensive database compiled under an earlier feasibility study completed by Xstrata plc (before that company merged with Glencore). The scoping study concept was based on a more modest scale approach than that contemplated by Xstrata with a substantially lower initial capital requirement which enhanced returns while retaining flexibility of design to allow for potential subsequent expansions. The initial development proposal assumed that just 20% of the HIT mineral resources were mined.

Figure 1: Location of the Frieda River Project



For further information contact:

Investors:

Mr Gary Stafford
Managing Director
PanAust Limited

Mr Allan Ryan
Investor Relations Manager

Tel: +61 7 3117 2000

Email: info@panaust.com.au

Website: www.panaust.com.au

Media:

Matthew Gerber or Garry Nickson

MAGNUS

Tel: +61 2 8999 1010