

ASX ANNOUNCEMENT

14 January 2015

PanAust Business Efficiency Review

As a result of a recently implemented business efficiency review, PanAust today committed to organisational changes that have resulted in a near 5% (182 people) reduction in the work force across the whole business. The changes are expected to result in an annual operating cost reduction of approximately US\$15.5 million. Further reductions in employee numbers are expected to occur during the course of the year through natural attrition and as a number of employment contracts expire.

The aim of the review, which remains on-going, is to streamline the business process and systems, and ensure the Company is appropriately resourced for sustainable operations over the envisaged mine lives. The Lao business has now entered its tenth year of operation and the success of the Company's various personnel training programs over this period has afforded the opportunity to replace a number of expatriate positions with Lao nationals.

PanAust Managing Director, Dr Fred Hess, said: "PanAust's operations are well established and globally competitive. The Company is now in an even stronger position to meet the challenges associated with a weaker commodity price environment with all-in sustaining costs at our operations allowing for healthy margins at prevailing prices.

"It is always a difficult decision to reduce staff numbers. These organisational changes are necessary to ensure our operations continue to remain competitive, and reflect the Company's priorities in 2015 of efficiency optimisation at existing operations and advancing the Frieda River Project towards a development decision.

"By focusing on improving efficiencies we will maximise the value of our existing operations through enhanced margins and cash flow generation.

"Annual copper in concentrate production at Phu Kham is scheduled to increase by approximately 30% over the next several years with no further project capital required, while the Frieda River Project is expected to sustain PanAust's copper business well beyond the next decade."

Business improvement initiatives continue and further details will be provided on these in the Company's December quarter 2014 report which is scheduled for release to the market on 29 January 2015.

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



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Forward-Looking Statements

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