



PANAUST

ASX ANNOUNCEMENT

2 September 2014

Frieda River Project Update

We attach an announcement in relation to the Frieda River Project from the joint venturers, PanAust Limited and Highlands Pacific Limited (ASX:HIG).

Yours faithfully

Paul Scarr
Company Secretary & General Counsel

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





2 September 2014

Frieda River Project feasibility study development concept

The Frieda River joint partners, PanAust (80%) and Highlands Pacific (20%), are pleased to provide a progress update on the development concept for the Frieda River Copper-Gold Project in Papua New Guinea (Figure 1).

The due diligence project parameters reported by PanAust on 1 November 2013 (“due diligence evaluation”), have been superseded through further data analysis and the development of a definitive scope for the feasibility study and a base case development concept.

The base case demonstrates a higher value outcome than previous studies with a development concept comprising an open pit and a single process plant module incorporating a SAG mill and two ball mills. This development concept leverages off the experience gained at PanAust’s Phu Kham Copper-Gold Operation in Laos which has a similar process plant configuration and compact footprint, and is located in very similar terrain.

The preliminary capital cost estimate for the base case is approximately US\$1.7 billion (2013 dollars including 15% contingency on direct development costs), excluding mining fleet and power station (leased costs included in all-in sustaining costs) and assumes power is supplied by intermediate fuel oil (IFO) generators.

Preliminary analysis indicates that the base case development concept would be robust at a copper price of US\$2.80/lb (and gold price of US\$1,300/oz). The following table summarises the key life-of-mine parameters for the base case development case:

Total mill feed (Measured and Indicated Resources: see Appendix I)	600Mt @ 0.50% Cu, 0.30g/t Au
Processing rate	30Mtpa +/- 20%
Waste:ore strip ratio	0.7:1
Average annual copper in concentrate production (tonnes)	125,000
Average annual gold in concentrate production (ounces)	200,000
C1 cash cost ¹ (US\$/lb copper)	1.30 – 1.40
All-in sustaining cost (US\$/lb copper)	1.60 – 1.70
Project development capital cost (US\$Bn)	circa 1.7

¹ Assumes US\$1,300/oz gold price

Figure 1: Location of the Frieda River Project



Life-of-mine mill feed is estimated to be approximately 600 million tonnes, a 36% increase over that contemplated in the due diligence evaluation, with an average processing rate of 30Mtpa over a 20-year mine life to produce average annual copper and gold in concentrate of 125,000t and 200,000oz respectively. Relatively soft ores are expected to be processed in the first five years of operation allowing mill throughput rates of more than 20% above the life-of-mine average. Thereafter the ore is scheduled to become progressively harder leading to throughput rates of approximately 20% below the life-of-mine average in the final years of operation.

A staged development approach will be considered which would require lower initial capital expenditure with a deferred capital expansion of the processing facilities in years three to five.

In addition, the feasibility study will also evaluate a hydro-power option with renewable power generated by utilising the positive water balance within the tailings storage facility (TSF) catchment, thereby augmenting IFO generated power. The lower cost of hydro-power compared to IFO generated power will be weighed against the capital expenditure required to install turbines and the accelerate construction of the TSF (to store water for hydro-power generation).

Given the extensive database that is already available for the Project, it is anticipated that the feasibility study will be completed and application for a Special Mining License lodged before November 2015.

Potential to reduce strip ratio

There are 50 million tonnes of Inferred Mineral Resources within the pit design used for the base case development concept. In the event that in-fill drilling improves the confidence of this material and elevates its classification to either Measured or Indicated, then the estimated life-of-mine strip ratio would fall to approximately 0.5:1 and the Project economics would be materially enhanced.

Additional identified porphyry Mineral Resources at the Horse-Ivaal-Tukai (HIT) deposit and the nearby Koki and Ekwai deposits, coupled with the high-grade epithermal Nena deposit offer further potential for expanding production and extending mine life.

About Frieda River

The Frieda River Copper-Gold Project is located on the border of the Sandaun and East Sepik provinces in Papua New Guinea (Figure 1), in the foothills of the Schattenberg Range at elevations ranging from 300mRL to 800mRL. The Project comprises four copper-gold deposits and several prospects along a 10 kilometre trend and is one of the largest known undeveloped copper deposits in the world. The joint venture feasibility study will focus on the HIT porphyry deposit.

Project ownership

On 25 August 2014, PanAust announced that its acquisition of an 80% interest in the Frieda River Copper-Gold Project had been completed.

The joint venture companies also announced that PanAust had exercised its option under a Share Placement Agreement with Highlands Pacific, to acquire approximately 64.5 million fully paid ordinary shares in Highlands Pacific. The share placement completed on 1 September 2014, bringing PanAust's cornerstone shareholding in Highlands Pacific to approximately 14% (128,865,980 shares) of the issued share capital.

Upon grant of a Special Mining Licence, the Government of Papua New Guinea 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 Pacific will sell down to a 15% share.

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

Cautionary Statement

The above production and cost data are based on a scoping study level evaluation completed as part of the PanAust's due diligence and incorporates only Measured and Indicated Mineral Resources for the HIT deposit. There is no guarantee that the future outcome of a feasibility study will provide the same results.

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 the Frieda River joint venture 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.

Mineral Resource estimates (100% equity basis)

MINERAL RESOURCES	Category	Tonnes (Mt)	Copper Grade (%)	Gold Grade (g/t)
Horse-Ivaal-Tukai (0.2% copper cut-off)	Measured	780	0.51	0.28
	Indicated	410	0.44	0.20
	Measured and Indicated	1,190	0.49	0.25
	Inferred	900	0.4	0.2
Nena (0.3% copper cut-off)	Measured	-	-	-
	Indicated	33	2.81	0.65
	Measured and Indicated	33	2.81	0.65
	Inferred	12	1.84	0.45

Competent Person Statements

The data in this report that relate to the Horse-Ivaal-Tukai and Nena 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).

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 2004 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 Horse-Ivaal-Tukai and Nena Mineral Resources in the form and context in which they appear.