

ASX ANNOUNCEMENT

15 April 2015

REJECT GRAM's offer of \$1.71 per share

The Board¹ of PanAust has considered the unsolicited offer announced by Guangdong Rising Assets Management ("GRAM Offer") and believes the offer price is **inadequate**.

The Board recommends shareholders reject GRAM's Offer of \$1.71 per share.

The PanAust Board believes there are compelling reasons why GRAM **should pay more** if it wishes to acquire increased ownership of PanAust. With PanAust's share price now trading above the GRAM Offer price, it suggests that the market also agrees with this view.

PanAust Managing Director, Dr Fred Hess, said "*Whilst investor sentiment towards the resources sector remains variable and driven by short-term factors, at PanAust we are confident that we have the right assets in the right commodities to drive long term value for our shareholders. When faced with any takeover offer, PanAust shareholders should expect the offer price to fairly reflect this long-term value potential. We believe GRAM's current offer price falls short of this level*".

The PanAust Board remains focused on pursuing all options available to it to maximise value for shareholders. In this regard, the PanAust Board remains open to engaging with GRAM to determine whether a mutually acceptable offer price can be agreed.

PanAust Chairman, Mr Garry Hounsell, said "*While we believe the current offer is inadequate, we are open to engagement and to considering all proposals which we believe are in the best interests of our shareholders*".

TAKE NO ACTION

The PanAust Board advises that shareholders should **take no action** in response to the offer from GRAM. In particular, as the GRAM Offer is unconditional, PanAust notes that any acceptances are final and cannot be revoked. This means if a party other than GRAM makes a higher offer for PanAust, any shareholder who accepts the GRAM Offer will not benefit from that other offer.

PanAust shareholders should also note the supplementary Bidder's Statement released by GRAM on 7 April 2015, in which GRAM clarified that any attempt to de-list PanAust would be subject to the limitations of the ASX listing rules, which are designed to protect minority shareholders in such circumstances.

¹ The Board's deliberations regarding the GRAM Offer excluded Mr Zezhong Li, the GRAM representative on the PanAust Board.

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



PanAust shareholders will have plenty of time to make a decision on the GRAM Offer after receiving PanAust's Target's Statement. A Shareholder Information Line has been established to address any specific queries in relation to the GRAM Offer. The phone number for the Shareholder Information Line is **1800 990 363** (toll free within Australia) or **+61 1800 990 363** (callers outside Australia). Updates in relation to the GRAM Offer will also be posted on PanAust's website (www.panaust.com.au).

COMPELLING REASONS WHY GRAM SHOULD PAY MORE:

- 1. GRAM has timed its offer at a low point in the commodities price cycle**
 - The GRAM Offer was announced at a time when both the PanAust share price and spot prices for copper and gold were trading at near 5-year lows
 - The reference PanAust share price to which GRAM has compared its offer price is low, and in the Board's view reflected a number of shorter term factors
 - The PanAust share price traded at similar levels to the offer price in late November 2014
 - The offer price is well below the average equity analysts' valuations² and target prices of PanAust prior to the GRAM Offer being announced

- 2. The GRAM Offer fails to recognise the Laos business is performing strongly and is generating robust cash flows**
 - Record quarterly copper and gold production was achieved at PanAust's flagship mine in the March 2015 quarter at highly competitive costs
 - First quarter 2015 results at both the Phu Kham and Ban Houayxai mines demonstrate the strength of the Laos operations and the immediate cash flow benefits from recent cost reduction initiatives
 - PanAust has stated that its production target is to grow annual copper production by approximately 25% to around 90,000tpa in 2018 and 2019, with no further development capital required

- 3. The GRAM Offer does not appear to recognise the attractive medium to long-term fundamental outlook for copper**
 - Significant disruptions in primary mine supply of copper have already occurred in 2015, which are, in the Board's view, yet to be fully factored into the market price for copper
 - Longer term copper market fundamentals are supported by a lack of new world class deposits required to keep pace with forecast global demand growth
 - Spot copper prices today remain below the market consensus long-term copper price and well below the "incentive" price the Board believes is required to generate sufficient new copper supply
 - PanAust's planned increases in copper production of approximately 25% through to 2018 and 2019, together with its 80% ownership interest in Frieda River puts it in a strong position to benefit from this positive longer term outlook for copper

- 4. GRAM's offer does not appear to recognise the long-term strategic value of Frieda River**
 - Considerable work has already been completed on the Frieda River asset and a feasibility study is well progressed

² The average analysts' valuation for PanAust is \$2.03/share and is based on 10 brokers who released research following the full year results on 19 February 2015.

- PanAust has received strong support from government and local communities for the project
- PanAust management are well equipped with the skills and expertise necessary to develop this project
- PanAust has received inbound enquiry from strategic and financial investors expressing an interest in partnering and/or providing financing support to the project
- Frieda River remains one of the largest known undeveloped copper and gold deposits in the world, offering valuable long-term exposure to the copper and gold markets

The full details and reasons for this recommendation will be set out in PanAust's Target's Statement (including the Independent Experts Report) which will be dispatched to PanAust shareholders on or about 30 April 2015.

For further information please contact

Investors:

Dr Fred Hess
Managing Director

Joe Walsh
General Manager Corporate Development

Allan Ryan
Investor Relations Manager

Tel: +61 7 3117 2000

Media:

Garry Nickson or Matthew Gerber
MAGNUS
Tel: +61 2 8999 1010

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.

As noted above, PanAust is currently preparing a Target's Statement that will contain full details of the Board's recommendation and reasons. Shareholders are encouraged to review this document carefully when it is received when considering their options in relation to their PanAust shares.