

5 January 2017

**FinnAust Mining plc ('FinnAust' or the 'Company')**  
**Completion of Acquisition of Avannaa Exploration and New Licence Granted in Greenland**

FinnAust Mining Plc, the AIM and FSE listed company with projects in Greenland & Finland is pleased to announce Greenland Government approval with respect to the acquisition of Avannaa Exploration Limited ('Avannaa' and the 'Acquisition'). Avannaa is an exploration company with advanced projects in southwest Greenland. The Company has also applied for and been granted an additional 28km<sup>2</sup> exploration licence covering the Illukunnguaq area adjacent to the existing Avannaa licence areas.

Completion of the Acquisition and grant of the additional licence significantly increases FinnAust's land position in Greenland and its long-term project pipeline. The Company already holds a majority interest in the Pituffik Titanium Project ('Pituffik'), which has demonstrated the potential to be a top percentile ilmenite project in terms of heavy mineral grade with the maiden resource expected during February. FinnAust's primary focus remains on delivering a bulk sample during 2017 and larger scale production in 2018.

The two newly acquired projects are: the 194sq km Disko-Nuussuaq ('Disko') Magmatic Massive Sulphide ('MMS') nickel-copper-platinum project ('Ni-Cu-PGM') and the 107sq km Kangerluarsuk Sed-Ex lead-zinc-silver project ('Kangerluarsuk').

Disko has been the subject of more than US\$50 million of technical work by blue chip mining houses over multiple decades including Cominco (1980's), Falconbridge (1990's) and Vismant (2000's). The Disko project has 7 anomalies identified for drill testing, the larger of which are up to 5.9km long 1.1km wide and 600m thick. MMS occurrences have been identified in the Disko licence area with the largest being a 28t boulder that assayed 6.9% nickel ('Ni'), 3.7% copper ('Cu'), 0.6% cobalt ('Co') and 2 g/t PGM's. The presence of massive sulphide is significant as it proves sulphide segregation has taken place and provides a direct analogy with Norilsk-Talnakh ('Norilsk'), the world's largest nickel/copper sulphide mine with global resources of >2Bn tonnes containing 14.5mt of nickel, 23.8mt of copper, and 8.1kt (approximately 285moz) of PGM.

Kangerluarsuk was originally discovered and later drilled by Cominco with further work undertaken by RTZ. Historical results include 41% zinc, 9.3% lead and 596 g/t silver. There are currently 4 large-scale drill ready Sed-Ex targets located in favourable topography. The Company is evaluating several low cost options that may lead to testing of these targets during 2017.

Further information on these projects can be found in the RNS released by the Company on 5 September 2016 or on the Company's website.

FinnAust CEO Roderick McIlree said, "Having already proven the success of our exploration model and regional understanding of Greenland through the advancement of the Pituffik Titanium project, we are delighted to have strengthened our footprint within this extremely prospective region. Our newly acquired projects complement our stated strategy of acquiring low cost, high quality assets and we believe all three offer significant upside potential. Whilst Pituffik remains our flagship project and primary exploration/development focus, with a maiden JORC resource and bulk sampling due next year, we look forward to further proving up the resource potential of these new projects in order to build value for shareholders. Disko in particular, we believe, has the potential to become a significant nickel sulphide deposit and we look forward to furthering our understanding of this asset."

### **Disko Massive Ni-Cu-PGM Project Highlights**

More than three decades of exploration have defined Disko as a potentially significant nickel sulphide deposit in one of the world's largest nickel districts, with mineralisation believed to be similar to Norilsk's deposit. Massive magmatic deposits are generally contained in continental rift systems where large magmatic events lead to significant flood basalt accumulations; these magmas interact with crustal material during emplacement becoming contaminated. Assimilation of organic and sulphur rich material can lead to sulphur saturation scavenging Ni, Cu and PGM into the melt from which ore bodies can form.

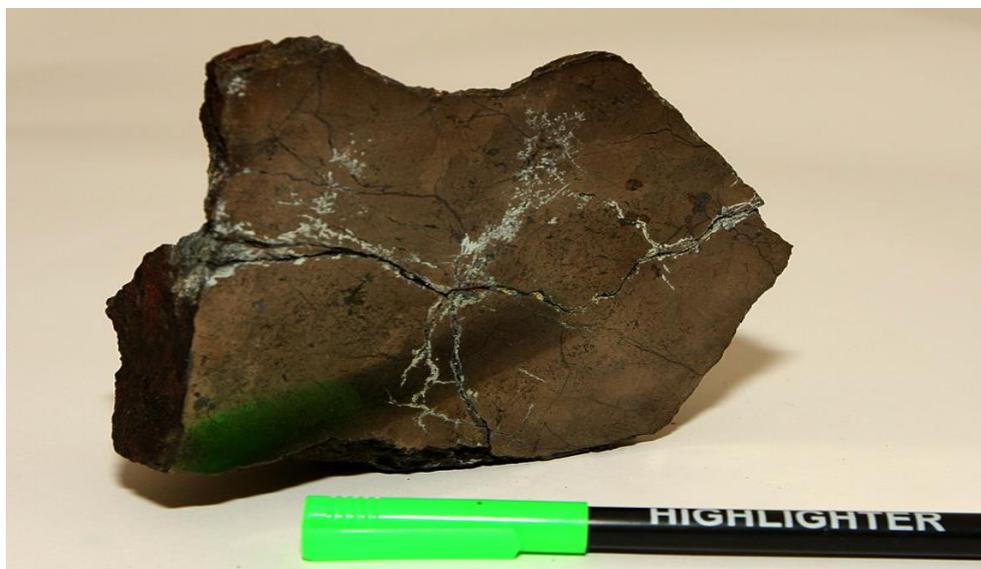


Figure 1: Massive sulphide rubble found on Disko Island, this material provides a direct analogy with Norilsk.

Multiple geophysical methods have identified and refined 7 poly-metallic targets at Disko, three of which are shown below. These large scale targets occur over a strike length of >17km, all targets identified to date are kilometres in length with the two largest being more than 5.9km long & 1.1km wide and 4.8km long & 800m wide and up to 600m thick in each case.

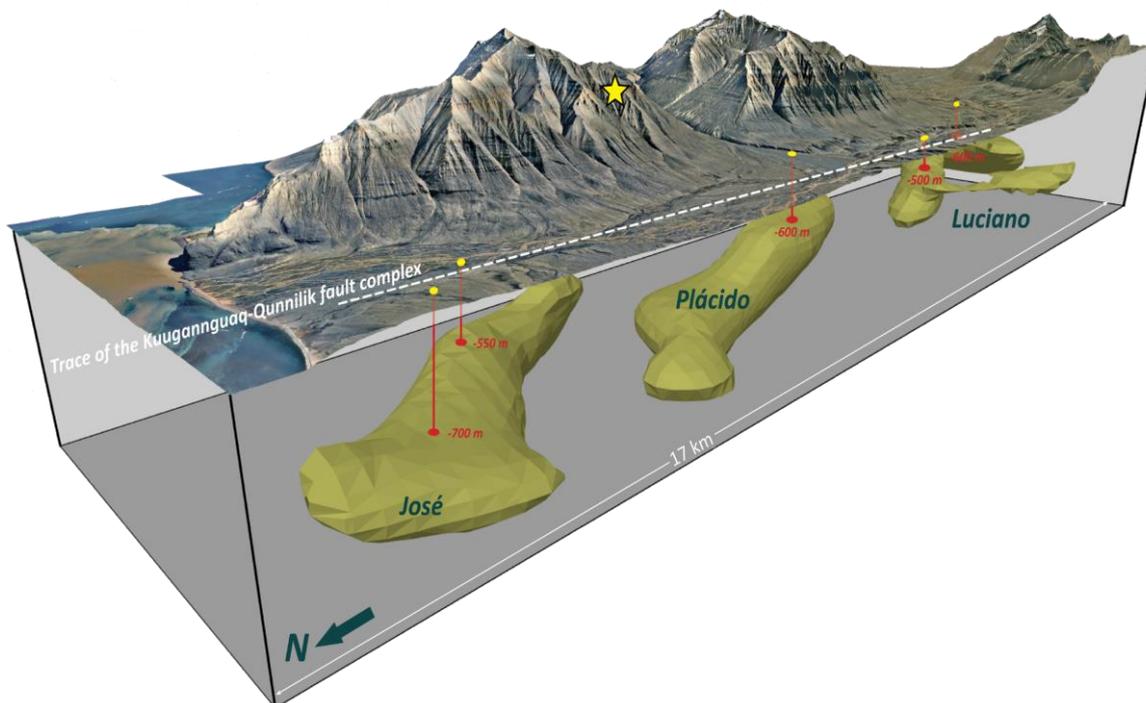


Figure 2: Targets at Disko over a strike length of 17km

### Further Information on the Acquisition

As previously announced, on 2 September 2016, FinnAust entered into an agreement to acquire the entire issued and to be issued share capital of Avannaa Exploration Limited (a company incorporated and registered in England and Wales with company number 06012477) from Capricorn Oil Limited ('Capricorn'), a subsidiary of Cairn Energy PLC for a price of £500,000 (the 'Agreement'). Completion of the Acquisition was conditional upon, *inter alia*, the relevant change of control approvals being received from the Greenland Government. These approvals were received on 3 January 2017.

Under the terms of the Agreement the acquisition consideration of £500,000 ('Consideration') is to be satisfied by the issue of 7,584,238 new ordinary shares of 0.01 pence each ('Ordinary Shares') in the Company ('Consideration Shares'). The Consideration Shares have been issued at a price of 6.59262 pence per share, which is equal to the volume weighted average price of the Company's Ordinary Shares on AIM for the trading days for the period from the date of the Agreement up to and including the date on which the necessary approvals were received from the Greenland Government, less 5 per cent.

Under the terms of the Agreement, the Company has provided Capricorn with a consideration guarantee in respect of the Consideration. In the event that there is a shortfall in realising the Consideration once Capricorn sells the Consideration Shares, FinnAust has undertaken to indemnify Capricorn by settling any shortfall in cash to Capricorn's account as soon as reasonably practicable following notification from Capricorn that there is a shortfall.

If Cairn should decide to sell shares within nine months from the date of admission of the Consideration Shares to trading on AIM, any disposals of the Consideration Shares by

Capricorn shall be made through the Company's broker, with the aim of maintaining an orderly market in the Company's shares.

### **Issue of Equity**

The Consideration Shares were issued by the Company on 4 January 2017 and rank pari passu with the existing Ordinary Shares. Application has been made for the Consideration Shares to be admitted to trading on AIM ('Admission'). It is expected that Admission will become effective and dealings in the new Ordinary Shares will commence on or around 11 January 2017.

### **Voting Rights**

Following the issue of the Consideration Shares described above, the issued share capital of the Company consists of 614,169,499 Ordinary Shares. No shares are held in treasury at the date of this announcement. The total current voting rights in the Company are therefore 614,169,499.

The above total current voting rights number is the figure which may be used by shareholders as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a change to their interest in the Company.

**\*\*ENDS\*\***

For further information please visit [www.finnaust.com](http://www.finnaust.com), follow us on Twitter @FinnaustMining or contact:

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### **Competent Person Statement**

The information in this announcement that relates to historical exploration results is based on information reviewed by Roderick McIlree, who is the Chief Executive and a member of the Australasian Institute of Mining and Metallurgy.

Roderick 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 qualified person as defined by the AIM Rules. Roderick has reviewed the historic exploration results included in this announcement.

## Notes

FinnAust has a number of highly prospective licences at various stages of development in Greenland and Finland. The Company is dual listed on the London AIM market and Frankfurt Stock Exchange.

The Company is currently focussed on advancing the Pituffik project in Greenland, an area that has only recently revealed its mineral potential following changes in the climate. Pituffik, which FinnAust conditionally acquired in December 2015, has demonstrated the potential to be in the top percentile of projects worldwide in terms of heavy mineral grade. Pituffik comprises three main target areas along an >80km coastline historically proven to contain large and high-grade accumulations of primary ilmenite occurring as placer deposits in the following environments:

- Raised beaches; containing ilmenite accumulations over widths of more than 1km, of unknown depths, along more than 20km of coastline;
- Active beaches; which refer to the area seaward of the frontal dunes, including the beach, tidal zones and surf zone - historically samples from this area have achieved 70% ilmenite by weight; and
- Drowned beaches; refers to the areas seaward of active beaches.

The Company's strategy is focused on the production of a bulk sample "proof of concept" from the Pituffik project in 2017 with the aim of ultimately generating cash flow to create a company capable of self-funding exploration on future acquisitions. FinnAust has an interest in 60% of Bluejay Mining Limited the holder of the Pituffik exploration licence and has an option to acquire the remaining 40%.

Within the wider Nordic region, FinnAust also holds a 100% interest in a portfolio of copper, zinc and nickel projects in Finland. This multi-commodity portfolio remains a strategic asset of importance and has been restructured to be cost-sustainable whilst determining the best plan for future development.