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FinnAust Mining plc / EPIC: FAM / Market: AIM / Sector: Mining
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FinnAust Mining plc ('FinnAust' or the 'Company')

Acquisition of Avannaa Exploration

FinnAust Mining plc, the AIM and FSE listed company with projects in Greenland, Finland and Austria, is pleased to announce that it has significantly increased its land position in Greenland via the proposed acquisition of 100% of Avannaa Exploration Limited ('Avannaa'), a mineral exploration company with several advanced projects in the south-west of the country. The Company has agreed to acquire the entire issued and to be issued share capital of Avannaa from Capricorn Oil Limited ('Capricorn'), a subsidiary of Cairn Energy PLC (the 'Acquisition').

Highlights

- Two of the projects, which have been the subject of more than US\$50 million of technical work prior to Capricorn's activities by blue chip mining houses, are of particular interest:
 - The 194 sq km Disko-Nuussuaq ('Disko') Magmatic Massive Sulphide ('MMS') nickel-copper-platinum project ('Ni-Cu-PGE')
 - o Detailed sulphide inclusion analysis from the Disko flood basalts show strong sulphide segregation has taken place
 - o The existence of a 28 tonne massive sulphide boulder assaying 7% Ni, 3% Cu & 2ppm PGE in a cross cutting dyke interpreted to have sampled

- an MMS conductor during emplacement, confirms the model
 - o Seven large scale MMS Ni-Cu-PGE conductor targets confirmed, the two largest are 5.9km long & 1.1km wide and 4.8km long & 800m wide
- The 107 sq km Kangerluarsuk SedEx lead-zinc-silver project ('Kangerluarsuk')
 - o Previously drilled by Cominco then RTZ, historical results include 41% Zn, 9.3% Pb and 596 g/t Ag
 - o 2 large scale drill ready SedEx targets located in favourable topography
- Projects complement FinnAust's stated strategy of acquiring low cost, high quality assets - both have minimal exploration commitment and low administrative holding cost due to historical expenditure credits
- Primary focus to remain on delivering production at Pituffik Titanium Project in Greenland ('Pituffik') - bulk sampling targeted to commence in 2017
- Acquisition price of £500,000 to be satisfied through the issue of new ordinary shares in FinnAust
- Acquisition conditional upon, *inter alia*, change of control approval being received from the Greenland Government

FinnAust CEO Roderick McIlree said, "This acquisition further consolidates FinnAust's position in Greenland and sees us add quality acreage to our Greenlandic portfolio, which already includes the unusually pure Pituffik Titanium Project. Having worked in Greenland extensively over the past 10 years, my team and I have an excellent understanding of the resource opportunity in this emerging jurisdiction, the potential of which grows day by day as a result of environmental changes.

"Two of Avannaa's projects, Disko and Kangerluarsuk appear to have high-tonnage and high-grade base metal potential. These are rare geological characteristics not often seen in the Cu-Ni-PGE & Zn-Pb-Ag mineral spaces. These projects have been of interest for some

time, however as with all things, timing was crucial. Prior to Capricorn's involvement, major mining houses such as Falconbridge and Vismand spent more than US\$50 million on these projects over multiple campaigns spanning more than three decades and therefore FinnAust is now ideally positioned in Greenland with multiple, large, high-grade polymetallic targets that are drill ready as well as what we believe to be a revenue stream in the form of Pituffik. There is a long way to go, but the addition of these unique projects further consolidates our dominant position in Greenland's emerging minerals sector.

"In terms of strategy, FinnAust will maintain its immediate focus on advancing Pituffik, which is shaping up to be a globally significant titanium asset. Before announcing details of our work programme plan for these new assets, our team will first absorb the large datasets available to ensure that all future work delivers the success we have seen at Pituffik and maximises shareholder value."

Further Information on the Acquisition

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, a subsidiary of Cairn Energy PLC for a price of £500,000 (the 'Agreement').

Under the terms of the Agreement the acquisition consideration of £500,000 ('Consideration') is to be satisfied by the issue of new ordinary shares of 0.01 pence each in the Company ('Consideration Shares'). The Consideration Shares shall be issued at a price 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 are received from the Greenland Government, less 5 per cent.

In addition, 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 the Capricorn that there is a shortfall.

Furthermore, for a period of nine months from the date of the 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.

Completion of the Acquisition is conditional upon, *inter alia*, the relevant change of control approvals being received from the Greenland Government and admission of the Consideration Shares to trading on AIM.

Avannaa is the holder of the following licences in Greenland:

Exploration licence number 2010/05 (Karratt REE);

Exploration licence number 2011/31 (Kangerluarsuk);

Exploration licence number 2012/29 (Disko-Nuussuaq); and

Prospecting licence number 2012/42.

Further Information on DISKO and Kangerluarsuk

DISKO

The magmatic Cu, Ni & PGE project at Disko & Nuussuaq in West Greenland has been the subject of more than three decades of exploration with Cominco in the 1980s, Falconbridge in the 1990s and Vismant Exploration in the 2000s all making the positive decision to invest in these discoveries.

Initial exploration identified strong similarities to Noril'sk in Siberia and this model was confirmed when a large boulder of Ni, Cu and PGE bearing massive sulphide was identified on the licence area.

This 28 tonne pod of massive sulphide assayed at 7% Ni, 3% Cu, 2ppm PGE was discovered by Falconbridge in 1994 as an inclusion in a dyke interpreted to intersect the mineralisation at depth. The boulder of massive sulphide can be seen in the foyer of the Danish Geological Museum in Copenhagen and is the centerpiece of its mineralogical collection.

Picrite lavas are hot melts derived directly from the Earth's mantle and constitute the main source for nickel and PGE's globally as well as an important source of copper. West Greenland Igneous Province, comprising Disko & Nuussuaq, contains onshore accumulations of picrite lavas of a similar scale to the Siberian flood basalts that house the super-giant Noril'sk Ni-Cu-PGE. Similar to Noril'sk,

analysis demonstrates that sulphide segregation has occurred at Disko where enormous volumes of melt have interacted with sedimentary sequences high in sulphur en-route to surface and have precipitated all contained Ni, Cu and PGM within the conduit system. These metal accumulations form the Ni, Cu and PGM exploration targets at Disko.

Figure 1: Drill ready Ni, Cu & PGE MMS targets on the Nuussuaq Peninsular mainland Greenland. (Please view PDF)

Figure 2: Additional drill ready large scale MMS targets on Disko Island. Targets in the above are Jussi N and Jussi S, Enrico which cannot be seen in the above is behind and underneath the valley floor. (Please view PDF)

Figure 3: Massive sulphide rubble taken from the same location as the 28t massive sulphide boulder discovery. (Please view PDF)

Kangerluarsuk SedEx Pb-Zn project

Kangerluarsuk is located in a major Palaeo-Proterozoic sedimentary basin with abundant Pb-Zn showings including the historic Black Angel Pb-Zn mine and distinctive SedEx style mineralisation (Pb-Zn) exposed around the basin margin.

The area comprises the strongest zinc stream sediment anomaly cluster in Greenland in a geologically favourable, starved sub-basin. Geological and structural mapping of the basin with uninterrupted rock exposure allowed the creation of accurate structural models including growth faults likely to provide a conduit for mineralising fluids. This model, coupled with conductors defined by ZTEM and soil geochemistry, has defined three targets for drilling.

Figure 4: ZN, Pb & Ag Sedex targets at Kangerluarsuk (Kangerlewar-sook). **Anomaly A** sits coincident to a major growth fault and displays several anomalous signatures. **Anomaly B** is associated with a smaller growth fault, a deep conducting zone and stratigraphic bounding. **Anomaly C** is a geochemical anomaly on a growth fault and deep conducting zone.

****ENDS****

For further information please visit www.finnaust.com, follow us on Twitter @FinnaustMining or contact:

Roderick McIlree	FinnAust Mining plc	44 (0) 20 7907 9326
Graham Marshall	FinnAust Mining plc	44 (0) 20 7907 9326
Ewan Leggat	SP Angel Corporate Finance LLP	44 (0) 20 3470 0470
Laura Harrison	SP Angel Corporate Finance LLP	44 (0) 20 3470 0470
Elisabeth Cowell	St Brides Partners Ltd	44 (0) 20 7236 1177
Charlotte Heap	St Brides Partners Ltd	44 (0) 20 7236 1177

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 Managing Director and a member of the Australasian Institute of Mining and Metallurgy.

Roderick McIlree 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, Finland and Austria. 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 holds a 100% interest in a portfolio of copper, zinc and nickel projects in Finland and an 80% interest in the previously producing 33 km sq Mitterberg Copper Project in Austria. 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.

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