

Exploration Update and Interim Results **19 September 2013**

Highlights:

- ***Initial drilling programme reveals encouraging indications of nearby porphyry at Junction target***
- ***Initial drilling at Flying Fox target underway***
- ***Latest mapping, trenching and geochemical sampling points to a significant porphyry system at Tripela target where drilling is scheduled to commence shortly***
- ***Independent consultants' verification of prospectivity of Junction-Flying Fox-Tripela area***
- ***Ongoing pipeline of drill targets being generated within the Kulu-Fulleborn Trend***

Papua Mining plc ("Papua" or "the Company") a UK company focused on the exploration for and if commercially feasible, development of gold and copper deposits in Papua New Guinea ("PNG") presents this update in respect of its exploration activities on its licences and announces interim results for the six months ended 30 June 2013.

Drilling of the first two boreholes on our highly prospective exploration licence, EL1462, West New Britain Province, has been successfully completed. The two holes at the Junction target have confirmed an extensive alteration system indicative of a nearby porphyry body although economic grades of copper or gold mineralisation were not intersected. Other features strongly diagnostic of nearby porphyry development were also encountered in the drilling. The results of the first two drillholes to date support our belief that a porphyry body exists in the Junction target area, but possibly deeper than that drilled to date. Meanwhile ground geological and geochemical surveys at the adjacent Tripela prospect continue to point to an additional porphyry centre(s). This is not unusual since the porphyry bodies in these environments tend to occur in clusters.

Background to the drilling programme

When we embarked on the exploration of our Exploration Licences in West New Britain, we believed that the property displayed very clear prospectivity and we embarked on a strategy of systematically collecting and utilising all available data from the project area, including soil and rock geochemistry, alteration mapping, geological and structural mapping and geophysical surveying. We believed that these data, when properly interpreted, would enable us to locate any copper porphyry bodies which may exist within our licence areas. We are pleased to report that, in the Nakru area in particular, the geochemical soil sampling and trench sampling results, the geological and alteration mapping carried out and the

preliminary results of the two drillholes completed to date all indicate that our initial belief in that prospectivity was well founded.

Recent Exploration Work

During the last six months, we have focused our exploration effort increasingly on the targets we have been developing in the Mt Nakru area of EL1462 at Junction, Flying Fox and Tripela. Ongoing positive results at each of the three areas have continued to confirm their prospectivity, in particular the recent drilling at Junction and the alteration and geological mapping at Tripela. We commissioned Corbett and Menzies Consulting Pty Limited ("CMC") to carry out a review of the project within the past month. Greg Corbett, the Principal of CMC is one of the world's leading experts in porphyry copper/gold deposits. The CMC Report confirms our views of that prospectivity. The Report dated September 2013, together with a subsequent Memo dated 13 September 2013 is available on our website at www.papuamining.com Following the review, we are now preparing to commence drilling in the Tripela target area.

Preliminary Drilling Results at Junction Target

Our initial drilling programme at the Junction target comprised two holes, of 841 metres and 736 metres depth respectively. These two diamond drillholes, the collars of which were some 440 metres apart, were targeted at a strong combined chargeability and conductivity geophysical anomaly – a shallower chargeability anomaly which enclosed a deeper conductivity anomaly. While full assay details are still awaited, and although each hole did intersect visible copper mineralization, visual examination of the core suggests that neither hole intersected economic grades or thickness of copper mineralization. However, important positive indicators of proximity to porphyry systems were observed in each hole and have also been verified by CMC. These indicators do point to the presence of a copper porphyry system at Junction, but possibly at depths estimated at up to 1,500 metres. The very extensive and intense silica-sericite-pyrite ("Phyllic") alteration and the exceptionally well developed pebble dykes which are seen in those two holes are diagnostic of such systems. We intend to return and drill the deeper targets at Junction in due course, after we have completed the initial drilling at Flying Fox and Tripela targets.

Flying Fox Target

We are currently drilling a strong geophysical anomaly at the Flying Fox target, some 5 kilometres north of Junction, where we have also mapped extensive clay alteration at surface together with many outcrops showing strong copper mineralization in the order of 2% Cu. The geophysics anomaly here is an 800 metre long chargeability body. Although this anomaly does not have the characteristic porphyry signature observed at Junction, the close spatial relationship of the geophysical anomaly with the extensive surface copper mineralization presents a potentially significant target and this first drillhole in the Flying Fox area will progress our geological model and dictate the future programme there.

Corbett and Menzies Consulting Report

Greg Corbett and Doug Menzies visited our project in PNG between 23rd August and 31 August 2013. They examined, both in outcrop and in core and hand specimens, the rocks and the alteration intensity and type throughout the three target areas of Junction, Flying Fox and Tripela. Many positive indicators of nearby porphyries were observed, including extensive and intense silica-sericite-pyrite alteration in core and rock outcrop, extremely well developed pebble dykes and the significant occurrence of "D" Veins, which are mineralized structures commonly associated with proximal porphyry development. Indeed the areal extent of phyllic alteration mapped at Tripela compares favourably with the equivalent phyllic alteration halo reported from the Golpu Porphyry, the world-class deposit on the mainland of PNG. These very positive vectors, combined with the significant coincident copper and molybdenum anomalism in the soil geochemistry at Tripela and the grades in outcrop there of up to 29% Cu, marks out the Tripela target for priority follow up work.

The Upcoming Drilling Programme

The Corbett-Menzies report recommends the immediate drilling at Tripela with a view to further vectoring towards the inferred porphyry target which, based on field evidence, we believe may be located at shallower depths than the porphyry body inferred at Junction.

The initial phase of that drilling programme is expected to commence in mid-late October. An additional programme of a further 2,000 metres of drilling will then seek to test those vector-defined porphyry targets. That follow-up phase of drilling is planned for March 2014, after the wet season in West New Britain.

This is a very exciting phase in Papua Mining's development and one which will bring a real prospect of intersecting a significant, mineralized copper porphyry in the Mt. Nakru area.

Other Exploration outside EL1462

The Group now has eleven exploration licences in New Britain covering a total land area of approximately 2,464 square kilometres. Two of these licences, EL1462 and EL1730, are under renewal and we are confident that they will be renewed in due course. We hold one licence EL1766 (also under renewal) covering an area of 179 square kilometres in the East Sepik Province of mainland PNG. We have one pending licence application, ELA1804 in West New Britain. This licence application covers an area of 974 square kilometres in what we believe is particularly prospective ground east and northeast of EL1462 and EL2146. This licence application had been the subject of an objection by another company but we have recently been informed by the Mineral Resource Authority ("MRA") in PNG that they have adjudicated on the dispute in our favour and our application is now being processed in the normal way.

While access to some areas is difficult, our reconnaissance team continues to systematically explore targets, identified from our regional interpretative work, with first pass geochemical surveys and mapping.

The reconnaissance sampling carried out on EL1730 in the Mt Du Faure area did not yield any particularly positive gold assay results.

First pass soil and rock chip sampling has been completed in EL 2146 (east of Nakru) over previously untested ground. Assay results from the soils are awaited at the time of writing but rock sampling has already yielded some potentially significant copper occurrences that will be followed up with more detailed sampling.

No fieldwork has been completed at Ambunti (EL 1766) since the first quarter of 2013. Our previously completed geochemical surveys in EL 1766 on the Ambunti-Garamambu Trend have delineated a number of anomalous copper-gold zones on which follow-up exploration work is planned before we finalise drilling targets.

We believe that we currently hold one of the most prospective land portfolios of any exploration company working in Papua New Guinea. Since we started fieldwork on our projects in 2010 our teams have collected some 13,000 soil geochemical samples and almost 5,000 rock grab and trench samples in a systematic approach designed to bring a pipeline of targets to drill ready status.

As described above, work on the most advanced two prospects in our exploration pipeline has already successfully resulted in drill target generation at Junction and Flying Fox, while the next target in the pipeline, at Tripela, is scheduled for two exciting drilling campaigns in the coming months.

Interim Results

Our Income Statement for the six months ended 30 June, 2013 shows a loss of \$1,189,000 compared to \$1,671,296 in the same period last year. The loss of \$1,189,000 includes \$411,000 relating primarily to exchange rate differences on cash balances held between 31 December 2012 and 30 June 2013. Additionally, the loss includes \$262,000 relating to share based payments on share options issued last year and this year. During the six month period to 30 June 2013, the Group expended in excess of \$3,200,000 on its exploration programmes, primarily in West New Britain, compared to \$1,222,862 during the same period last year. This increase in exploration expenditure reflects the increasing pace of exploration, especially on EL 1462, the geophysical surveys completed and the commencement of the diamond drilling programme in April 2013.

A placement of new, publicly traded shares in the Company, carried out in February 2013, raised £2,496,000 in new equity financing and at 30 June 2013, we held US\$6.87 million in cash.

Conclusion

In summary, I can say that our exploration programme is going according to plan and the results of all the work completed to date support our belief in the potential for a mineralized copper porphyry body in the Nakru area. Some very important indicators of nearby porphyry development have been discovered, both at surface and in the cores of the first two drillholes. The Corbett-Menzies report, referred to above, gives strong independent confirmation of the prospectivity of the Nakru area and recommends the immediate drilling of the Tripela target.

We would like to congratulate all our staff in PNG. We do appreciate the effort they are putting in, often under very difficult circumstances. We look forward to sharing with them the excitement of the next phase of our work in West New Britain.

Hugh McCullough, EurGeol., PGeo, Chief Executive Officer of Papua, is a member of the Institute of Geologists of Ireland. He is a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange. He has reviewed and approved the technical information contained in this announcement.

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Papua Mining plc
For the six months ended 30 June 2013

Financial Review

Financial Highlights

	6 months to 30 June 2013 US\$ (unaudited)	6 months to 30 June 2012 US\$ (unaudited)	12 months to 31 December 2012 US\$ (audited)
(Loss) before attributable to equity owners	(1,189,903)	(1,671,296)	(1,758,120)
Cash and cash equivalents	6,872,304	8,915,306	6,996,182
Exploration Assets	10,774,040	5,914,614	7,495,843
Net Assets	16,935,111	14,453,252	13,964,387

Papua Mining plc
Condensed Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2013

	6 months to 30 June 2013 US\$	6 months to 30 June 2012 US\$	12 months to 31 December 2012 US\$
Note	(unaudited)	(unaudited)	(audited)
Administrative costs	(1,210,984)	(1,667,946)	(1,829,033)
Exceptional Income	0	0	0
Finance (charges)/income	21,081	(3,350)	70,913
(Loss) before tax	(1,189,903)	(1,671,296)	(1,758,120)
Income tax expense	0	0	0
(Loss) attributable to equity owners for the period	(1,189,903)	(1,671,296)	(1,758,120)
Other comprehensive (loss)/income for the period	0	0	0
Total comprehensive (loss) attributable to equity owners for the period	(1,189,903)	(1,671,296)	(1,758,120)
(Loss) per share attributable to equity owners			
Basic & Diluted	(0.04)	(0.05)	(0.06)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Papua Mining plc
Condensed Interim Consolidated Statement of Financial Position
As at 30 June 2013

		6 months to 30 June 2013 US\$ (unaudited)	6 months to 30 June 2012 US\$ (unaudited)	12 months to 31 December 2012 US\$ (audited)
ASSETS				
Non-current assets				
Intangible assets	3	10,774,040	5,914,614	7,495,843
Total non-current assets		10,774,040	5,914,614	7,495,843
Current Assets				
Trade and other receivables		0	0	0
Cash and cash equivalents		6,872,304	8,915,306	6,996,182
Total current assets		6,872,304	8,915,306	6,996,182
Total assets		17,646,344	14,829,920	14,492,025
EQUITY				
Equity attributable to owners of the parent:				
Share Capital	4	5,489,648	5,002,366	5,002,366
Share Premium		11,458,500	8,047,529	8,047,529
Other Reserves		3,087,062	3,087,062	3,087,062
Share Based Payment Reserve		846,833	362,104	584,459
Retained deficit		(3,946,932)	(2,045,809)	(2,757,029)
Total equity		16,935,111	14,453,252	13,964,387
LIABILITIES				
Current liabilities				
Trade and other payables		711,233	376,668	527,638
Total current liabilities		711,233	376,668	527,638
Total liabilities		711,233	376,668	527,638
Total equity and liabilities		17,646,344	14,829,920	14,492,025

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Papua Mining plc
Condensed Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2013

	6 months to 30 June 2013 US\$ (unaudited)	6 months to 30 June 2012 US\$ (unaudited)	12 months to 31 December 2012 US\$ (audited)
Cash flow from operating activities			
(Loss) for the period	(1,189,903)	(1,671,296)	(1,758,120)
Adjustments to reconcile net profit/(loss) before tax to cash flow from operating activities:			
Share Based Payments	262,374	362,104	584,459
Currency adjustments	0	0	(37,732)
Net decrease/(increase) in operating assets -Other receivables	0	0	0
Net (decrease)/increase in operating liabilities -Other liabilities	183,595	(89,095)	44,555
Net cash flow from operating activities	(743,934)	(1,398,287)	(1,166,838)
Cash flow from investing activities			
Purchase of intangible assets	(3,278,197)	(1,222,862)	(2,804,091)
Net cash used in investing activities	(3,278,197)	(1,222,862)	(2,804,091)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	3,898,253	11,211,353	10,484,447
Net cash used in financing activities	3,898,253	11,211,353	10,484,447
Net increase/(decrease) in cash and cash equivalents	(123,878)	8,590,204	6,513,518
Cash and cash equivalents at the beginning of the period	6,996,182	325,102	325,102
Effect of foreign exchange rate changes	0	0	157,562
Cash and cash equivalents at the end of the period	6,872,304	8,915,306	6,996,182

Papua Mining plc
Condensed Interim Statement of Changes in Equity
For the six months ended 30 June 2013

	Share Capital	Share Premium	Other Reserves	Share Based Payment Reserve	Retained Deficit	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2011	2,462,938	0	1,087,062	0	(1,054,498)	2,495,502
(Loss) for the period	0	0	0	0	(74,559)	(74,559)
Arising on group reorganization	0	0	0	0	0	0
Balance at 30 June 2011	2,462,938	0	1,087,062	0	(1,129,057)	2,420,943
(Loss) for the period	0	0	0	0	130,148	130,148
Arising on group reorganization	0	0	2,000,000	0	0	2,000,000
Balance at 31 December 2011	2,462,938	0	3,087,062	0	(998,909)	4,551,091
(Loss) for the period	0	0	0	0	(1,046,900)	(1,046,900)
Issue of share capital	2,539,428	8,047,529	0	0	0	10,586,957
Share Based Payment	0	0	0	362,104	0	362,104
Balance at 30 June 2012	5,002,366	8,047,529	3,087,062	362,104	(2,045,809)	14,453,252
(Loss) for the period	0	0	0	0	(711,220)	(711,220)
Issue of share capital	0	0	0	0	0	0
Share Based Payment	0	0	0	222,355	0	222,355
Balance at 31 December 2012	5,002,366	8,047,529	3,087,062	584,459	(2,757,029)	13,964,387
(Loss) for the period	0	0	0	0	(1,189,903)	(1,189,903)
Issue of share capital	487,282	3,410,971	0	0	0	3,898,253
Share Based Payment	0	0	0	262,374	0	262,374
Balance at 30 June 2013	5,489,648	11,458,500	3,087,062	846,833	(3,946,932)	16,935,111

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Papua Mining plc
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 30 June 2013

1 Group and Principal activities

For the purposes of these financial statements, the term "PM plc Group" is defined as the companies Papua Mining plc (the "Company"), Papua Mining Limited, Aries Mining Limited and Sagittarius Mining Limited.

Papua Mining plc is a public limited company, quoted on AIM, and is incorporated and domiciled in England and Wales.

Papua Mining plc acquired 100% of the share capital of Papua Mining Limited on 20 December 2011, however each of the companies of the PM plc Group have effectively operated as a group under common management for a number of years although they did not comprise a statutory group for the entire duration of the comparative period ended 31 December 2011 as defined by International Accounting Standards.

The PM plc Group's main activity is the exploration for gold and copper resources in Papua New Guinea, as set out in the Directors' Report.

2 Basis of preparation

This interim report on the unaudited consolidated financial statements is for the six month period ended 30 June 2013. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2012, which were prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements have been prepared under the historical cost convention except for share based payments which are valued at the date of grant.

These unaudited consolidated half-year financial statements have been prepared in accordance with accounting policies consistent with those set out in the Group's financial statements for the year ended 31 December 2012, which were prepared in accordance with IFRS as adopted by the EU.

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company as at 30 June 2013.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2012, prepared under IFRS as adopted by the EU, have been filed with the Registrar of Companies. Those accounts have received an unqualified audit report and did not contain statements or matters to which the auditors drew attention under the Act.

The Group's consolidated financial statements are presented in US dollars.

Papua Mining plc
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended 30 June 2013

3 Intangible assets

Group	30 June 2013 US\$	30 June 2012 US\$	31 December 2012 US\$
Exploration costs			
At beginning of period	7,495,843	4,691,752	4,691,752
Additions	3,278,197	1,222,862	2,804,091
At the end of year	<u>10,774,040</u>	<u>5,914,614</u>	<u>7,495,843</u>

The Group's principal subsidiary undertakings at 30 June 2013, all of which are included in the consolidation, were as follows:

Name of Company	Proportion held	Class of shareholding	Nature of business	Country of incorporation
Subsidiary				
Papua Mining Limited	100%	Ordinary	Exploration	British Virgin Islands
Aries Mining Limited	100%	Ordinary	Exploration	Papua New Guinea
Sagittarius Mining Limited	100%	Ordinary	Exploration	Papua New Guinea

4 Share capital

Group	30 June 2013 Number	30 June 2012 Number	31 December 2012 Number
Authorised			
Ordinary shares of \$0.16 each	40,078,190	40,078,190	40,078,190
Issued share capital			
Ordinary shares of \$0.16 each	<u>34,996,334</u>	<u>31,876,334</u>	<u>31,876,334</u>
	30 June 2013 US\$	30 June 2012 US\$	31 December 2012 US\$
Issued share capital			
Fully paid	<u>5,489,648</u>	<u>5,002,366</u>	<u>5,002,366</u>
	<u>5,489,648</u>	<u>5,002,366</u>	<u>5,002,366</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no shares held by the entity or its subsidiaries or associates. There are no shares reserved for issue under options and contracts for the sale of shares at the year end.

On the 14th February 2013 Papua Mining plc issued 3,120,000 ordinary shares of £0.10 each at a price of £0.80 per share.