

29 September 2014

Papua Mining plc

Interim Results and Exploration Update

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”) announces interim results for the six months ended 30 June 2014 and presents an update in respect of its exploration activities on its licences.

Highlights:

- Drilling programme at Tripela Prospect continuing with signs of increasing proximity to a porphyry target.
- Recent independent consultants’ visit assists significant advance in our geological model for the Tripela area.
- Initial geochemical soil sampling at Mt. Visi on EL2051 completed. Follow up geological mapping and trenching are planned prior to drilling.
- Rock and soil sampling at Ainbul on EL2146 points to extension of mineralized zone eastwards from Mt Nakru area into EL2146.
- Interim Results show US\$4.9 million in cash at 30 June 2014.

Nakru Drilling

Since the commencement of our drilling programme in the Nakru area, we have completed 6,719 metres of drilling (See Table 1).

Hole_ID	Easting	Northing	Elevation	Azimuth	Dip	Length
N62DDH001	225500	9338125	980	315	-60	841.7 m
N62DDH002	224643	9338292	970	75	-70	736.7 m
N62DDH003	223379	9344502	619	57	-55	471.2 m
N62DDH004	228238	9337492	955	356	-45	251.5 m
N62DDH005	228206	9337689	929	0	-60	204.7 m
N62DDH006	228141	9337667	937	270	-45	330.5 m
N62DDH007	227986	9337964	919	90	-45	257.0 m
N62DDH008	228085	9337465	973	0	-60	306.1 m
N62DDH009	228053	9337771	922	125	-60	620.7 m
N62DDH010	228180	9337854	897	0	-75	199.3 m
N62DDH011	228099	9337448	980	0	-70	427.3 m
N62DDH012	228059	9337771	950	180	-70	1069.9 m
N62DDH013	228059	9337771	950	210	-65	1002.2 m

Table 1: Diamond drillhole parameters for Nakru drilling programme.

Background to the drilling programme at Tripela

Geological mapping and sampling in 2011 and 2012 discovered significant copper and molybdenum soil anomalies at Tripela. Float and outcrop sampling and geological mapping delineated numerous occurrences of *in situ* high grade copper and molybdenum mineralization with grades up to 29% copper returned from outcrop assays. Much of the mineralization in outcrop is interpreted as D veins occurring around the alteration halo of a buried porphyry deposit. This geological mapping, rock sampling and the drilling results already obtained confirm the potential for a copper porphyry deposit at depth in this area.

DDH004-DDH010

The initial drilling programme at Tripela completed between January and May 2014 was designed to test for confirmatory evidence of underlying porphyry emplacement. The principal aim was the recognition of the zonation of argillic, phyllic and propylitic alteration at Tripela that would lead us to an inner potassic alteration zone which is in turn believed to be at the core of the porphyry deposit. DDH010, the last of seven drillholes completed during the initial phase of drilling, was completed in May and we then collated and assessed the data obtained from the seven drillholes. Widespread phyllic and argillic alteration was recognized in most of the holes, in particular DDH004, DDH006 and DDH008.

Current drilling programme

The current drilling programme at Tripela, planned for approximately 4,000 metres, commenced on schedule in June and is testing for the deeper porphyry bodies interpreted from the shallower vector drilling programme. Hole DDH011, drilled behind and underneath DDH008, confirmed mineralization and alteration which had previously been intersected in DDH008 at shallower depths. The next hole, DDH012 has intersected a wide zone of intense epidote alteration which we think represents the most significant evidence so far that we are getting closer to a potentially mineralised porphyry. Petrographic work on samples from the hole confirm the host rock as a dioritic intrusion. DDH013, which was designed to test this zone some 120 metres to the west of DDH012, has just been completed and has encountered further evidence of inner propylitic alteration.

Dr. Greg Corbett and Doug Menzies of CMC Consulting Pty Limited ("CMC") visited our project in PNG between 23rd June and 31st June 2014. The visit included some three days of core logging alongside our technical team and proved very helpful in terms of the development of our geological model for the project. The resulting CMC report has informed and validated the thrust of our exploration programme at Tripela and its objectives.

In view of the positive results from the recent deeper drilling, we intend to continue the current drilling programme at Tripela through into 2015.

Previous Drilling Results at Junction Target

Our initial drilling programme at Junction, carried out in mid-2013, 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 directed at a strong combined chargeability and conductivity geophysical anomaly – a shallower chargeability anomaly which enclosed a deeper conductivity anomaly. While neither hole intersected economic grades or thickness of copper mineralization, 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 a depth of 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. However, in view of the positive results from the recent drilling at Tripela, we are concentrating our exploration efforts at Tripela and the deeper drilling warranted at Junction will remain on hold for the time being.

EL2051 Mt. Visi

EL2051 is a prospecting licence covering an area of 229 square kilometres in West New Britain Province, including the area around Mt. Visi. Ridge and spur rock sampling carried out by our regional exploration team in April/May 2014 discovered significant outcrops of high-grade gold and copper. Many of the high-grade samples were from an area close to the eastern boundary of the licence area. Sampled rocks include argillic-altered feldspar porphyry and mineralised vein material consistent with an interpretation of porphyry related D veins. Dickite, a high temperature version of the clay alteration mineral kaolin often found in porphyry systems, was recognised in several samples. A licence application for the ground immediately adjacent to and east of this area was lodged with the licencing authority in Port Moresby in May.

A soil sampling programme on a 400 metre x 200 metre grid over a total area of just over 4 square kilometres was then carried out, wholly within the existing EL2051 area. The soil sampling delineated patchy low-grade gold and copper anomalism. Further infill soil sampling of four lines of 1,300 metres was then carried out, again wholly within EL2051 area to further define the anomalous zone. Results are awaited.

We expect that the newly applied for licence EL2322 will be issued to us in due course and future work is likely to span the border between the two licence areas. At this stage we anticipate extension of the soil geochemistry grid and subsequent trenching prior to any delineation of initial drilling targets.

EL2146 Ainbul

EL2146 is a prospecting licence covering an area of 283 square kilometres in West New Britain which is immediately contiguous with EL1462 and the Tripela target zone which is currently the subject of the exploration drilling programme described above.

In 2013, our regional exploration team carried out an initial reconnaissance ridge and spur soil sampling programme over approximately 45 square kilometres of the southern portion of EL2146. The programme highlighted several anomalous zones between 3.5 kilometres and 7 kilometres northeast of the Tripela target. It is not yet clear whether these zones are connected structurally with the Tripela mineralized zone. Follow up rock sampling focused mainly on a series of north easterly running creeks cutting through the anomalous zone. That fieldwork yielded a significant number of copper bearing *in situ* rock samples in several clusters.

A total of 262 samples were collected during the programme. Of these 50 returned assays greater than 1,000ppm copper of which 8 graded greater than 10,000 ppm (1%) copper. Highest grades occurred in gossanous andesitic outcrop. Just nine samples returned gold grades greater than 0.5 grams per tonne. The highest of these was 3.5 grams per tonne in a gossanous float sample.

Field work is ongoing at the time of writing with a view to delineating the extent of the surface mineralisation within the licence area and determining any structural link between it and the Tripela target area.

Other Licences

Since we have focused the bulk of our human and financial resources on the exploration programmes detailed above, especially at Tripela, we have carried out reduced exploration activity on our other licences. We have recently surrendered Exploration Licence 2048, in West New Britain Province, as our preliminary exploration programmes there did not yield any positive results.

Interim Results

Our Income Statement for the six months ended 30 June 2014 shows a loss of \$881,222 compared to a loss of \$1,189,903 in the same period last year. The loss of \$881,222 includes a gain of \$53,492 relating to exchange rate differences between 31 December 2013 and 30 June 2014. The loss also includes \$177,496 relating to share based payments on share options issued last year and this year. During the six month period to 30 June 2014, the Group expended in excess of \$2,170,000 on its exploration programmes, primarily in West New Britain, compared to \$3,278,000 during the same period last year. This decrease in exploration expenditure primarily reflects a reduction in capital expenditure against the prior period and exploration cost savings resulting from a more focused exploration programme in this period. We have been drilling at Tripela virtually continuously since January of this year and expect to continue drilling there into 2015.

A Placing of new shares in the Company and an associated Offer for Subscription, carried out in June and July 2014, raised £3,237,840 before expenses in new equity financing and at 30 June 2014, we held US\$4,939,475 in cash.

Conclusion

Our exploration programmes in Papua New Guinea are progressing satisfactorily. We have established a series of positive indicators in the Tripela drilling area which are consistent with the presence nearby of a porphyry body. In recently completed boreholes N62DDH012 and N62DDH013 the recognition of the inner propylitic alteration mineral assemblage gives the impetus for the ongoing drilling. These

features and the prospectivity of the Tripela area in general have been independently verified by the renowned porphyry experts, CMC Consultants Pty.

We continue to carry out focused exploration programmes on certain selected target areas on our other licences in New Britain and we have had some very promising early results from these areas which we plan to follow up with more detailed exploration with a view to defining drilling targets. Ground with less favourable initial results has been dropped.

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
Interim Results for the six months ended 30 June 2014

Financial Review

Financial Highlights

	6 months to 30 June 2014 US\$ (unaudited)	6 months to 30 June 2013 US\$ (unaudited)	12 months to 31 December 2013 US\$ (audited)
(Loss) attributable to equity owners	(881,222)	(1,189,903)	(2,089,635)
Cash and cash equivalents	4,939,475	6,872,304	3,626,880
Exploration Assets	15,053,023	10,774,040	12,881,863
Net Assets	19,661,267	16,935,111	16,261,988

Papua Mining plc
Condensed Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014

	6 months to 30 June 2014 US\$	6 months to 30 June 2013 US\$	12 months to 31 December 2013 US\$
Note	(unaudited)	(unaudited)	(audited)
Administrative costs	(886,823)	(1,210,984)	(2,136,348)
Finance (charges)/income	5,601	21,081	46,713
(Loss) before tax	(881,222)	(1,189,903)	(2,089,635)
Income tax expense	0	0	0
(Loss) attributable to equity owners for the period	(881,222)	(1,189,903)	(2,089,635)
Other comprehensive (loss)/income for the period	0	0	0
Total comprehensive (loss) attributable to equity owners for the period	(881,222)	(1,189,903)	(2,089,635)
(Loss) per share attributable to equity owners			
Basic & Diluted	(0.02)	(0.04)	(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 2014

		6 months to 30 June 2014 US\$	6 months to 30 June 2013 US\$	12 months to 31 December 2013 US\$
	Note	(unaudited)	(unaudited)	(audited)
ASSETS				
Non-current assets				
Intangible assets	3	15,053,023	10,774,040	12,881,863
Total non-current assets		15,053,023	10,774,040	12,881,863
Current Assets				
Cash and cash equivalents		4,939,475	6,872,304	3,626,880
Total current assets		4,939,475	6,872,304	3,626,880
Total assets		19,992,498	17,646,344	16,508,743
EQUITY				
Equity attributable to owners of the parent:				
Share Capital	4	7,599,413	5,489,648	5,489,648
Share Premium		13,451,740	11,458,500	11,458,500
Other Reserves		3,087,062	3,087,062	3,087,062
Share Based Payment Reserve		1,250,938	846,833	1,073,442
Retained deficit		(5,727,886)	(3,946,932)	(4,846,664)
Total equity		19,661,267	16,935,111	16,261,998
LIABILITIES				
Current liabilities				
Trade and other payables		331,231	711,233	246,755
Total current liabilities		331,231	711,233	246,755
Total liabilities		331,231	711,233	246,755
Total equity and liabilities		19,992,498	17,646,344	16,508,743

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

Papua Mining plc
Condensed Interim Statement of Changes in Equity
For the six months ended 30 June 2014

	6 months to 30 June 2014 US\$ (unaudited)	6 months to 30 June 2013 US\$ (unaudited)	12 months to 31 December 2013 US\$ (audited)
Cash flow from operating activities			
(Loss) for the period	(881,222)	(1,189,903)	(2,089,635)
Adjustments to reconcile net profit/(loss) before tax to cash flow from operating activities:			
Share Based Payments	177,496	262,374	488,983
Currency adjustments	0	0	368,553
Net (decrease)/increase in operating liabilities -Other liabilities	84,476	183,595	(266,875)
Net cash flow from operating activities	(619,250)	(743,934)	(1,498,974)
Cash flow from investing activities			
Purchase of intangible assets	(2,171,160)	(3,278,197)	(5,386,020)
Net cash used in investing activities	(2,171,160)	(3,278,197)	(5,386,020)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	4,103,005	3,898,253	3,898,253
Net cash used in financing activities	4,103,005	3,898,253	3,898,253
Net increase/(decrease) in cash and cash equivalents	1,312,595	(123,878)	(2,986,741)
Cash and cash equivalents at the beginning of the period	3,626,880	6,996,182	6,996,182
Exchange difference on cash and cash equivalents	0	0	(382,561)
Cash and cash equivalents at the end of the period	4,939,475	6,872,304	3,626,880

Papua Mining plc
Condensed Interim Statement of Changes in Equity
For the six months ended 30 June 2014

	Share Capital US\$	Share Premium US\$	Other Reserves US\$	Share Based Payment Reserve US\$	Retained Deficit US\$	Total Equity US\$
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)
Shares issued during the period	487,282	3,410,971	0	0	0	3,898,253
Share based payments	0	0	0	262,374	0	262,374
Balance at 30 June 2013 (unaudited)	5,489,648	11,458,500	3,087,062	846,833	(3,946,932)	16,935,111
(Loss) for the period	0	0	0	0	(899,732)	(899,732)
Shares issued during the period	0	0	0	0	0	0
Share based payments	0	0	0	226,609	0	226,609
Balance at 31 December 2013	5,489,648	11,458,500	3,087,062	1,073,442	(4,846,664)	16,261,988
(Loss) for the period	0	0	0	0	(881,222)	(881,222)
Shares issued during the period	2,109,765	1,993,240	0	0	0	4,103,005
Share based payments	0	0	0	177,496	0	177,496
Balance at 30 June 2014 (unaudited)	7,599,413	13,451,740	3,087,062	1,250,938	(5,727,886)	19,661,267

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 2014

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, admitted to trading 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 2014. 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 2013, 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 2013, 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 2014.

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 2013, 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.

3 Accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group’s last annual financial statements for the year ended 31 December 2013.

4 Intangible assets

Group	30 June 2014 US\$	30 June 2013 US\$	31 December 2013 US\$
Exploration costs			
At beginning of period	12,881,863	7,495,843	7,495,843
Additions	2,171,160	3,278,197	5,386,020
At the end of year	<u>15,053,023</u>	<u>10,774,040</u>	<u>12,881,863</u>

The Group's principal subsidiary undertakings at 30 June 2014, 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 undertakings				
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

5 Share capital

Group	30 June 2014 Number	30 June 2013 Number	31 December 2013 Number
Issued share capital			
Ordinary shares of \$0.16 each	<u>47,496,334</u>	<u>34,996,334</u>	<u>34,996,334</u>
Issued share capital			
Fully paid	<u>7,599,413</u>	<u>5,489,648</u>	<u>5,489,648</u>
	<u>7,599,413</u>	<u>5,489,648</u>	<u>5,489,648</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 24th June 2014 Papua Mining plc issued 12,500,000 placing units comprising of one placing share and one placing warrant (the Placing Shares and the Placing Warrants together the "Placing Units") at a price of

£0.20 per Placing Unit. The Placing Warrants are exercisable within 2 years of 27 June 2014 at a price of £0.30 per Placing Warrant.

On the 7th July 2014 Papua Mining plc issued 3,689,200 offer units comprising of one offer share and one offer warrant (the Offer Share and the Offer Warrant together the "**Offer Units**") at a price of £0.20 per Offer Unit. The Offer Warrants are exercisable within 2 years of 7 July 2014 at a price of £0.30 per Offer Warrant.