

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or what action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser (being in the case of persons resident in the United Kingdom, an organisation or firm) duly authorised under the Financial Services and Markets Act 2000 (as amended and (being in the case of persons resident in Ireland, an organisation or firm authorised under the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) of Ireland or authorised or exempted pursuant to the Investment Intermediaries Act 1995 (as amended) of Ireland). The whole of this Document should be read, but your attention is in particular drawn to the section entitled "Risk Factors" at Part III of this Document.**

If you have sold or otherwise transferred, or you sell or otherwise transfer, all of your holding of Existing Ordinary Shares held in certificated form please send this Document at once to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was or is effected, for onward delivery to the purchaser or transferee.

Copies of this Document are available, free of charge, at the offices of Cenkos Securities plc and 6.7.8 Tokenhouse Yard, London, EC2R 7AS for the period of one month from 4 December 2015.

**This Document is not a prospectus for the purposes of the Prospectus Rules. Accordingly, this Document has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom (in its capacity as UK Listing Authority or otherwise) pursuant to sections 85 and 87 of FSMA, the London Stock Exchange or any other authority or regulatory body and has not been approved for the purposes of Section 21 FSMA.**

**Your attention is drawn to the letter from the Chairman of Papua Mining PLC in Part I of this Document.**

Application will be made for the Placing Shares and, to the extent taken up, the Offer Shares to be admitted to trading on the AIM market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. **This Document does not comprise an admission document under the AIM Rules and the London Stock Exchange has not itself examined or approved the contents of this Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the New Ordinary Shares to the Official List. Placing Shares and, to the extent taken up, the Offer Shares will not be dealt on any other recognised investment exchange and no other such application will be made.** It is anticipated that Admission will become effective and that dealings (a) in the Placing Shares and (b) in the Offer Shares, will commence on AIM at approximately 8.00 a.m. on 22 December 2015.

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**(incorporated and registered in England and Wales under number 07791328)**

## **Papua Mining PLC**

**Proposed Placing of 26,200,000 Placing Shares  
at a Placing Price of 1 penny per Placing Share to raise £262,000  
and  
Offer for Subscription of up to 26,200,000 Offer Shares  
at an Offer Price of 1 penny per Offer Share to raise up to £262,000  
and  
Share Capital Reorganisation  
and  
Notice of General Meeting**

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Cenkos Securities Plc ("Cenkos") which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Papua Mining PLC and no-one else in connection with the Placing, the Offer for Subscription and Admission. Cenkos will not regard any other person as its customer or be responsible to any other person for providing the protection afforded to customers of Cenkos nor for providing advice in relation to the transactions and arrangements detailed in this Document. Cenkos' responsibilities as nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Papua Mining PLC or to any of its directors or to any other person whether in respect of such person's decision to acquire Ordinary Shares in relation to any part of this Document or otherwise. Cenkos is not making any representation or warranty, express or implied, as to the contents of this Document.

The release, publication or distribution of this Document in jurisdictions other than the United Kingdom may be restricted by applicable laws or regulations and this Document does not form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase New Ordinary Shares in any jurisdiction where such offer, invitation or solicitation is unlawful. Persons in jurisdictions other than the United Kingdom into whose possession this Document comes should inform themselves about and observe any such applicable legal or regulatory requirements in such jurisdiction. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction.

The Placing Shares, the Offer Shares and this Document have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States or any other Restricted Jurisdiction. The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada. No Document in relation to the Fundraising has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing, the Offer for Subscription, this Document or the Placing Shares or the Offer Shares. Accordingly, subject to certain exceptions neither the Placing Shares or the Offer Shares may directly or indirectly be offered, sold, renounced, resold, taken up or delivered in or into the United States, Canada, Australia, Japan or any other Restricted Jurisdiction or offered to, sold to, renounced, taken up or delivered in favour of, or to, a person within the United States or a resident of Canada, Australia, Japan or any other Restricted Jurisdiction.

No person has been authorised to make any representations on behalf of Papua Mining PLC concerning the Placing or the Offer for Subscription which are inconsistent with the statements contained in this Document and any such representations, if made, may not be relied upon as having been authorised. No person should construe the contents of this Document as legal, tax or financial advice and recipients of this Document should consult their own advisers as to the matters described in this Document.

Notice of a General Meeting of Papua Mining PLC to be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London, W1S 1HU at 11.00 a.m. on 21 December 2015 is set out at the end of this Document. Shareholders will find enclosed with this Document a Form of Proxy

for use at the General Meeting. To be valid, the Form of Proxy, completed in accordance with the instructions thereon, should be returned as soon as possible but, in any event, so as to be received by Computershare, Corporate Actions Projects, Bristol, BS99 6AH by 11.00 a.m. on 19 December 2015.

Qualifying Shareholders will find enclosed with this Document an Application Form for use pursuant to the Offer for Subscription. To be valid, the Application Form, completed in accordance with the instructions thereon and set out in this Document, should be returned as soon as possible but, in any event, so as to be received by Computershare, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare, The Pavilions, Bridgwater Road, Bristol, BS13 8AE by no later than 11.00 a.m. on 17 December 2015.

Cautionary note regarding forward-looking statements: This Document contains statements about Papua Mining PLC that are or may be "forward-looking statements". All statements, other than statements of historical facts, included in this Document may be forward-looking statements and are subject to, inter alia, the risk factors described in Part III of this Document. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects and (ii) business and management strategies and the expansion and growth of the operations of Papua Mining PLC. These forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of Papua Mining PLC. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the Disclosure and Transparency Rules and/or the Prospectus Rules), Papua Mining PLC does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to Papua Mining PLC or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this Document are based on information available to the Directors of Papua Mining PLC at the date of this Document, unless some other time is specified in relation to them, and the posting or receipt of this Document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## DEFINITIONS

“Acceptance Date”	11.00 a.m. on 17 December 2015, being the latest date by which Qualifying Shareholders can return the Application Form
“Act”	the Companies Act 2006
“Admission”	means, as the context requires, the admission of the Placing Shares, the Benseman Shares and the Offer Shares (if any) to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange in February 2010 (as amended from time to time) governing the admission to and the operation of AIM
“Application Form”	the application form in respect of the Offer for Subscription accompanying this Document in the case of Qualifying Shareholders
“Articles”	means the articles of association of the Company (as amended from time to time)
“Benseman Shares”	the 2,100,000 New Ordinary Shares to be issued to John Benseman as set out in paragraph 8 of Part I of this Document
“Business Day”	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England
“Cenkos”	Cenkos Securities plc, the Company’s nominated adviser and broker
“Cenkos Warrants”	means warrants to subscribe for 3,000,000 New Ordinary Shares to be issued under the Warrant Deed to Cenkos in lieu of their fees details of which are set out in paragraph 9 of Part of this Document
“City Code”	the City Code on Takeovers and Mergers
“Closing Price”	the closing middle market quotation of a share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange
“Convertible Loan Notes”	means the unsecured convertible loan notes 2020 to be issued to MSL in accordance with the terms of the Convertible Loan Note Instrument, subject to the passing of the Resolutions at the General Meeting, details of which are set out in Part V of this Document
“Convertible Loan Note Instrument”	means the convertible loan note instrument constituting the Convertible Loan Notes details of which are set out in Part V of this Document
“Convertible Loan Note Resolution”	means resolution 2 of the Resolutions set out in the Notice of General Meeting on page 37 of this Document
“Company” or “Papua”	Papua Mining PLC (registered number 07791328)
“Computershare” or “Registrars”	Computershare Investor Services PLC
“Completion”	completion of the Fundraising
“Deferred Shares”	the deferred shares of 9.9 pence each in the capital of the Company arising on the Share Capital Reorganisation and having the rights set out in the (as amended by Resolution 1 in the Notice of General Meeting)
“Directors” or “Board”	the directors of the Company whose names are set out on page 10 of this Document
“Document”	this document, which for the avoidance of doubt does not comprise a prospectus (under the Prospectus Rules) or an admission document (under the AIM Rules)
“Exploration Licence” or “EL”	an exploration licence as granted under the Papua New Guinea Mining Act 1992
“Enlarged Share Capital”	the issued ordinary share capital of the Company following the Share Capital Reorganisation and as enlarged following the Fundraising (and assuming the Offer Shares are taken up in full) and the issue of the Benseman Shares
“Existing Ordinary Share”	means an existing ordinary share of 10 pence each in the share capital of the Company in issue as at the date of this Document
“FCA”	the Financial Conduct Authority

“Financial Promotion Order”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Fundraising”	means together, the Placing, the Offer for Subscription and the subscription for the Convertible Loan Notes
“General Meeting”	the general meeting of the Company to be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London W1S 1HU at 11.00 a.m. on 21 December 2015 (or any adjournment thereof)
“Group”	the Company and its subsidiaries
“Interim Results”	Interim Results of the Company for the six months ended 30 June 2015
“ISIN”	International Securities Identification Number
“Listing Rules”	the Listing Rules of the UKLA made in accordance with section 73A(2) of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to any member account in CREST
“Minimum Subscription”	means a minimum of 200,000 Offer Shares which, at the Offer Price, represents an application for a minimum consideration of £2,000
“MSL”	means Michael Somerset-Leeke
“New Options”	means the new options to subscribe for New Ordinary Shares to be issued to certain Directors and management, details of which are set out in paragraph 3.3 of Part VI of this Document
“New Option Plan”	means the new option plan constituting the New Options details of which are set out in paragraph 3.3 of Part VI of this Document
“New Ordinary Shares”	the new ordinary shares of 0.1 penny each in the share capital of the Company arising out of the Share Capital Reorganisation and having the right and obligations set out in the Articles (as amended by Resolution 1 in the Notice of General Meeting)
“Notice of General Meeting”	means the notice of the General Meeting in the form set out at the end of this Document
“Offer Price”	means 1 penny per Offer Share
“Offer Resolutions”	means resolutions 5 and 6 of the resolutions set out in the Notice of General Meeting on page 37 of this Document
“Offer for Subscription”	the offer of the Offer Shares to Qualifying Shareholders on the terms and conditions set out in this Document and the Application Form accompanying this Document
“Offer Shares”	up to 26,200,000 New Ordinary Shares to be issued under the Offer for Subscription
“Option holders”	means Michael Jolliffe, Hugh McCullough, Kieran Harrington and Chris Muller
“Overseas Shareholders” or “Overseas Holders”	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the UK
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST Participant
“Placees”	means those institutional investors (all of which are current Shareholders) who are participating in the Placing
“Placing”	the proposed issue and allotment at the Placing Price of the Placing Shares to the Placees as further described in this Document
“Placing Price”	1 penny per Placing Share
“Placing Resolutions”	means resolutions 3 and 4 of the resolutions set out in the Notice of General Meeting on page 37 of this Document
“Placing Shares”	26,200,000 New Ordinary Shares to be issued pursuant to the Placing
“PNG”	means Papua New Guinea
“Posting”	the posting of the Circular and form of proxy and, to Qualifying Shareholders, the Application Form
“Prospectus Rules”	the Prospectus Rules made in accordance with EU Prospectus Directive 2003/71/EC

“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date other than Shareholders resident in a Restricted Jurisdiction
“Record Date”	the date as set out on page 8 of this Document
“Redemption Date”	20 December 2020
“Resolutions”	means together the Placing Resolutions, the Offer Resolutions, the Share Capital Reorganisation Resolutions and the Convertible Loan Note Resolutions set out in the Notice of General Meeting
“Restricted Jurisdiction”	the United States, Australia, Canada, Japan, New Zealand and the Republic of South Africa and any other jurisdiction in which it would be unlawful to offer the Placing Shares or the Offer Shares or where the Placing or the Offer for Subscription would be required to be approved by a regulatory body in that jurisdiction or would lead to a requirement to prepare a document complying with the laws and/or regulations of that jurisdiction and/or make a filing with a regulatory body in that jurisdiction
“RIS”	a regulatory information service as defined by the AIM Rules for Companies
“Securities Act”	the US Securities Act of 1933, as amended
“Share Capital Reorganisation”	the division of every Existing Ordinary Share into one New Ordinary Share and One Deferred Share and every unissued Existing Ordinary Share into 100 New Ordinary Shares on the basis set out in this Document
“Share Capital Reorganisation Resolutions”	means resolutions 1 and 2 of the resolutions set out in the Notice of General Meeting on page 37 of this Document
“Shareholders”	the holders of Existing Ordinary Shares
“Short Term Loan”	the short term loan of £50,000 to be made by MSL to the Company
“Sterling”	Pounds Sterling, the basic unit of currency in the UK
“Substantial Shareholder”	as defined in the AIM Rules
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the UK Listing Authority, being the FCA acting as competent authority for the purposes of Part VI of FSMA
“US\$”	the United States dollar, the basic unit of currency of the United States of America
“VAT”	value added tax
“Warrant Deed”	means the warrant deed entered into between the Company and Cenkos in relation to Warrants
“£” or “pounds”	Great British pounds, the basic unit of currency in the United Kingdom

### Technical Glossary

“Aeromagnetic data”	data relating to the magnetic characteristics of rocks collected by a survey with an airborne magnetometer
“diamond drilling”	a drilling technique using diamond tipped drill bits to extract cylindrical rock core for analysis
“Geochemical sampling”	means the collection of soil or rock samples at surface, often on a grid basis, and the analysis of those samples for certain mineral elements which might be indicative of the enrichment of the sampled area in potentially economic minerals
“Hypogene”	processes which occur deep below the earth's surface, and tend to form deposits of primary minerals, as opposed to supergene processes that occur at or near the surface, and tend to form secondary minerals
“M and A type veins”	Quartz-sulphide vein types which are particularly associated with copper porphyry deposits as described by Gustafson and Hunt 1975
“Porphyry”	refers to the texture of igneous rocks containing crystals in a fine groundmass
“Potassic alteration”	alteration typical of porphyry copper and lode gold deposits which results in production of micaceous, potassic minerals such as biotite in iron-rich rocks, muscovite mica or sericite in felsic rocks, and orthoclase (adularia) alteration, often quite pervasive and producing distinct salmon-pink alteration vein selvages. Minerals commonly occurring in the Potassic alteration zone include bornite, chalcopyrite, magnetite, biotite and K-Feldspar
“Propylitic alteration”	is the chemical alteration of a rock, caused by iron and magnesium bearing hydrothermal fluids, altering biotite or amphibole within the rock groundmass. It typically results in epidote–chlorite–albite alteration and veining or fracture filling with the mineral assemblage along with pyrite

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date	5.00 p.m. on 3 December 2015
Date of this Document and posting of the Application Form and Form of Proxy	4 December 2015
Latest time and date for receipt of the Application Form	11.00 a.m. on 17 December 2015
Latest time and date for receipt of the Form of Proxy	11.00 a.m. on 19 December 2015
General Meeting	11.00 a.m. on 21 December 2015
Announcement of the results of the Placing	21 December 2015
Announcement of results of Offer for Subscription	21 December 2015
Admission and commencement of dealings of the Placing Shares	8.00 a.m. on 22 December 2015
Admission and commencement of dealings of the Offer Shares	8.00 a.m. on 22 December 2015
Admission and commencement of dealings of the Benseman Shares	8.00 a.m. on 22 December 2015
Placing Shares, Offer Shares and Benseman Shares credited to CREST stock accounts for uncertificated holders	22 December 2015
Despatch of definitive share certificates for Placing Shares, Offer Shares and Benseman Shares for certificated holders	week commencing 28 December 2015

### Notes:

- (1) References to times in this Document are to London time (unless otherwise stated).
- (2) The timing of the events in the above timetable and in the rest of this Document is indicative only and may be subject to change.
- (3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to an RIS.
- (4) In order to subscribe for Offer Shares under the Offer for Subscription, Qualifying Shareholders will need to follow the procedure set out in Part II of this Document and, where relevant, complete the accompanying Application Form. If Qualifying Shareholders have any queries on the procedure for acceptance and payment, or wish to request another Application Form, they should contact Computershare between 9:00 a.m. to 5:00 p.m. Monday to Friday on 0370 703 0032 or, if calling from outside the United Kingdom, +44 370 703 0032.

Calls to the Computershare 0370 number are charged at 8p per minute from a BT landline. Other telephony costs may vary. These prices are for indication purposes only, if in doubt you should check with your phone line provider as to the exact cost involved for you to call this number. Calls may be recorded and monitored randomly for security and training purposes. Computershare cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice.

The Company's SEDOL code is B42TN25 and ISIN code is GB00B42TN250.

## PLACING AND OFFER FOR SUBSCRIPTION STATISTICS

Market price per Existing Ordinary Share <sup>(1)</sup>	2.125 pence
Number of Existing Ordinary Shares in issue <sup>(2)</sup>	51,215,534
Price of each Placing Share and Offer Share <sup>(3)</sup>	1 penny
Number of Placing Shares	26,200,000
Number of Offer Shares to be offered for subscription by the Company	up to 26,200,000
Number of Benseman Shares	2,100,000
Proceeds of the Placing (before expenses)	£262,000
Maximum proceeds of the Offer for Subscription (before expenses)	£262,000
Percentage of Enlarged Share Capital represented by the Placing Shares <sup>(4)</sup>	24.78 per cent.
Percentage of Enlarged Share Capital represented by the Offer Shares <sup>(4)</sup>	24.78 per cent.
Enlarged Share Capital following the Fundraising <sup>(4)</sup>	105,715,534

### Notes:

- (1) Closing Price on AIM on 1 December 2015, being the last practicable date prior to the date of the Document.
- (2) As at 1 December 2015, being the last practicable date prior to the date of the Document.
- (3) After Share Capital Reorganisation.
- (4) Assuming the Offer for Subscription is fully subscribed.

## EXCHANGE RATES

The rate of exchange used throughout this Document, unless otherwise stated, is US\$1.51: £1.00 and £0.66: US\$1.00 being the rate published in the Financial Times at 4:00pm on 1 December 2015, the last practicable date prior to the date of the Document.

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Michael Gordon Jolliffe Hugh Martin McCullough Kieran Harrington Gunnar Palm Keith Lough	Director Director Director Director Director
<b>Company Secretary and Registered Office</b>	Scrip Secretaries Limited Fifth Floor 17 Hanover Square London W1S 1HU United Kingdom	
<b>Nominated Adviser &amp; Broker</b>	Cenkos Securities plc 66 Hanover Street Edinburgh EH2 1EL United Kingdom	
	and	
	6. 7. 8 Tokenhouse Yard London EC2R 7AS United Kingdom	
<b>UK Legal adviser to the Company</b>	Fasken Martineau LLP 17 Hanover Square London W1S 1HU United Kingdom	
<b>Irish Legal adviser to the Company</b>	Whitney Moore Wilton Park House Wilton Place Dublin 2 Ireland	
<b>Auditors</b>	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP United Kingdom	
<b>Registrars and Receiving Agents</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom	

## PART I

### LETTER FROM THE CHAIRMAN OF PAPUA MINING PLC

Fifth Floor  
17 Hanover Square  
London  
W1S 1HU  
United Kingdom  
Registered Number: 07791328

4 December 2015

Dear Shareholder,

**Proposed Placing of 26,200,000 Placing Shares at a Placing Price of 1 penny per Placing Share, Proposed Offer for Subscription of up to 26,200,000 Offer Shares at an Offer Price of 1 penny per Offer Share, Proposed Share Capital Reorganisation and Notice of General Meeting**

#### 1. Introduction

On 4 December 2015, the Company announced that it had conditionally agreed to raise up to £262,000 (before expenses) through the issue of 26,200,000 Placing Shares by way of the Placing at 1 penny per Placing Share to certain current Shareholders. The Placing Price represents a discount of approximately 53.0 per cent. to the Closing Price of 2.125 pence on 1 December 2015, this being the last practicable date prior to the publication of this Document.

On behalf of the Directors, it is my pleasure to offer Qualifying Shareholders an opportunity to participate in an Offer for Subscription of the Company at the Offer Price which is the same as the Placing Price to raise up to £262,000 in addition to the funds raised from the Placing and the subscription for the Convertible Loan Notes.

The Board feels strongly that our existing Shareholders should, where it is practical for them to do so, have the opportunity to participate in the capital raising process at the same price as was offered to those participating in the Placing. On behalf of the Board, I invite you to consider subscribing for Offer Shares in the Offer for Subscription. I also take this opportunity to thank you for your continuing support of the Company.

Detailed information about the Offer for Subscription and the Company's business, as well as some of the risks of investing in the Company, are set out in this Document, which I encourage you to read carefully.

English company law prohibits a public company from issuing its shares at a price that is less than its nominal value. In order to permit the Placing Shares and the Offer Shares to be subscribed for at 1 penny (and for the conversion rights contained in the Convertible Loan Notes to be exercised at the same price), which is lower than the current par value of the Existing Ordinary Shares, the Company is proposing to divide each issued Existing Ordinary Share into one New Ordinary Share and one Deferred Shares and to divide each unissued Existing Ordinary Share into 100 New Ordinary Shares as part of the Share Capital Reorganisation.

The Directors will require Shareholder authority to effect the Share Capital Reorganisation and to allot the Placing Shares and Offer Shares (if any). The Offer for Subscription is conditional, *inter alia*, on the Placing proceeding and Admission of the Placing Shares taking place and the Placing itself is conditional, *inter alia*, on the passing of the Placing Resolutions and the Share Capital Reorganisation Resolution at the General Meeting. As such, the Offer for Subscription will not proceed if either the Share Capital Reorganisation is not effected or the Placing is not completed and Admission of the Placing Shares does not become effective. In addition, it is noted that Shareholder authority is also required for the issue of the Convertible Loan Notes and will be subject to the passing of the Convertible Loan Note Resolutions at the General Meeting.

Notice of the General Meeting is set out on pages 37 of this Document.

This letter sets out in more detail the background to the Company's current position, the terms of the Fundraising and the Resolutions to be proposed at the General Meeting in order to implement the Fundraising.

**Your attention is drawn to the Risk Factors and Additional Information set out in Parts III and VI respectively of this Document. Shareholders are advised to read the whole of this Document and not rely solely on the summary information presented in this letter.**

## **2. Background to and reasons for the Placing**

Since the Company's admission to AIM in March 2012, the Group has expended approximately US\$15 million on exploration and related activities with the aim of identifying gold and copper deposits in its licence areas in Papua New Guinea. Most of this expenditure has been on the licences held on New Britain Island.

### **Mount Visi target**

In May 2014, the Company announced discovery of surface samples grading up to 35 grams per tonne gold and 9 per cent. copper in Mount Visi, at the eastern edge of the Group's licence EL2051 which straddles West New Britain and East New Britain provinces. The Group immediately made application for the adjacent ground to the east. The new licence EL2322 was granted in September 2015. The Group's exploration team commenced exploratory work in the new licence area and discovered an extensive area of intensive potassic alteration at surface approximately 1,000 metres east of the initial mineral discovery which also coincides with a circular feature visible in the aeromagnetic data from the area. Such potassic alteration is characteristic of the core zonation of copper porphyry deposits. The Group's geologists have confirmed significant copper mineralisation in several of the potassic alteration outcrops. Petrography work has demonstrated that these samples contain evidence of porphyry-style mineralisation in their alteration and vein assemblages (K-feldspar, quartz, magnetite, hematite, biotite), vein textures (M and A type veins) and hypogene copper and molybdenum minerals (chalcopyrite, bornite and molybdenite). The Group recently completed a soil geochemistry sampling grid over a four square kilometre area in Mount Visi and analysis of the samples is underway. Whilst the target area is already constrained by the mapped circular feature, the soil sampling results will define parts of the mineralised system for priority drilling which will follow immediately on this remote but exciting zone.

### **Tripela and other targets**

Drilling took place throughout 2013, 2014 and the first quarter of 2015 in the Mount Nakru area of licence EL1462, totalling more than 9,000 metres, culminated in the intersection of extensive inner propylitic alteration at depth in each of the last four drill holes at the Tripela target. This alteration is diagnostic of proximity to a mineralised porphyry centre. While the Group believes that it is very close to the discovery of a mineralised porphyry at Tripela, given the target depth it has been decided to postpone further drilling until market conditions improve.

## **3. Use of Proceeds**

The Company intends to use the net proceeds of the Placing (which are expected to be approximately £245,000), any additional funds received by way of the Offer for Subscription and the funds received pursuant to the subscription of the Convertible Loan Notes, to complete the geochemical sampling programme at Mount Visi and to carry out the initial phase of drilling.

The Group will shortly be ready to test the Mount Visi target with a series of shallow drill holes and has secured a suitable light drill rig to commence an initial drilling programme. The target area is remote and inaccessible to vehicles and a light heli-portable drill rig with a depth capability of 250 metres will be utilised. The rig will be helicopter lifted over a distance of ten kilometres from our supply camp to the first drill target. Moves between drill sites will be effected by dismantling the rig and transporting the equipment by man power. The rig is scheduled to arrive at the port of Kimbe in early-December. It is expected that the drilling programme will commence in mid-December and will continue throughout February 2016.

**The Offer for Subscription is conditional, *inter alia*, upon the Shareholders approving completion of the Placing and the Placing Shares being issued and Admission of the Placing Shares taking place and the Share Capital Reorganisation and the subscription of the Convertible Loan Notes. In the event that the Offer Resolutions are not passed but the Placing Resolutions, the Share Capital Reorganisation Resolutions and the Convertible Loan Note Resolutions are passed, then the Share Capital Reorganisation the Placing and the subscription for the Convertible Loan Notes would still proceed but the Offer for Subscription would not. If the Placing Resolutions, the Share Capital Reorganisation Resolutions and the Convertible Loan Note Resolutions are not passed by Shareholders at the General Meeting, the Fundraising (including the Offer for Subscription) would be unable to proceed. In this situation, the Company would not have cash resources to continue with its planned exploration programme and would need to consider alternative strategic options. These options could include raising finance from alternative sources, disposals of assets, further reducing the fixed costs of the Company or a**

**sale of the Company at a price which the Directors believe would not recognise the potential long-term value of the business. Any one, or all, of these remedial actions could have a significant adverse or dilutive effect on the interests of Shareholders and in the valuation of the Company. Your attention is drawn to the risk factors in Part III of this Document.**

#### **4. Summary Financial Position**

The summary financial information set out below is extracted from the audited accounts of the Group for the years ended on 31 December 2013 and 31 December 2014 and from the unaudited interim financial statements of the Group for the period ended 30 June 2015.

	Six months ended 30 June 2015 (\$million) Unaudited	Year ended 31 December 2014 (\$million) Audited	Year ended 31 December 2013 (\$million) Audited
<i>Consolidated income statement</i>			
Administrative expenses	750,838	2,811,864	2,136,348
Loss after tax	747,535	2,792,913	2,089,635
Loss per share	0.01	0.06	0.06
<i>Consolidated balance sheet position</i>			
Capitalised exploration expenses	1,038,762	4,885,679	5,386,020
Cash	600,163	2,513,874	3,626,880
Total assets	18,660,016	19,534,965	16,508,743
Share based payment reserve	1,392,747	1,351,176	1,073,442

The audited consolidated financial statements for the Group for the year ended 31 December 2014 were published on 30 June 2015, in line with statutory requirements.

#### **5. Terms of the Placing and Offer for Subscription**

##### ***Placing***

It was announced today that the Company has conditionally placed 26,200,000 Placing Shares at the Placing Price per Placing Share with certain existing Shareholders to raise £262,000 before expenses. The Placing has not been underwritten and is conditional (among other things) upon the Placing Resolutions being passed at the General Meeting. The Placing Shares will, when issued, rank *pari passu* in all respects with the New Ordinary Shares.

Admission is expected to take place and dealings in the Placing Shares on AIM are expected to commence at 8.00 a.m. on 22 December 2015.

##### ***Offer for Subscription***

The Company considers it important that Shareholders have an opportunity (where their circumstances permit) to participate in the Fundraising on equivalent terms and conditions to the Placing and accordingly, the Company is making the Offer for Subscription to Qualifying Shareholders. Application for Offer Shares pursuant to the Offer for Subscription must be for at least the Minimum Subscription. Applications for less than the Minimum Subscription will be rejected.

Admission is expected to take place and dealings in the Offer Shares on AIM are expected to commence at 8.00 a.m. on 22 December 2015.

The Offer for Subscription is not an open offer or rights issue and Qualifying Shareholders will not have an automatic entitlement to subscribe for a pro rata number of shares. However, each Qualifying Shareholder may apply for such number of Offer Shares as they wish (over the Minimum Subscription) up to the full number of 26,200,000 Offer Shares available in the Offer for Subscription. In the event that one or more Qualifying Shareholders apply for an aggregate amount that is greater than £262,000, the Directors will use their discretion to scale back such applications such that this maximum is not exceeded. The Directors will use this discretion to first scale back any Qualifying Shareholders who are participating in the Placing in the event that they also choose to apply for Offer Shares, so as to ensure that Qualifying Shareholders who are not participating in the Placing are able, to the fullest extent possible, to receive the maximum number of Offer Shares for which they have applied. Further information on the Offer for Subscription is set out in Part II of this Document and the

detailed Terms and Conditions of the Offer for Subscription are set out in Part IV and the Risk Factors detailed in Part III of this Document.

In order to apply for Offer Shares, Qualifying Shareholders should complete the Application Form in accordance with the instructions set out on it and return it and the appropriate remittance, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare The Pavilions, Bridgwater Road, Bristol BS13 8AE, together, in each case, with payment in full, so as to be received no later than 11.00 a.m. on 17 December 2015.

#### ***Overseas Shareholders***

Overseas Shareholders may not be permitted to subscribe for Offer Shares pursuant to the Offer for Subscription and should confirm their individual position first. Shareholders are also directed to the relevant paragraphs in Part IV of this Document including paragraph (e).

If you are a Qualifying Shareholder you will have received an Application Form which gives details of your Qualifying Shareholder's Entitlement under the Offer (as shown by the number of the Offer Entitlements allocated to you). If you wish to apply for Offer Shares under the Offer, you should complete the accompanying Application Form in accordance with the procedure for application set out in paragraph (h) of Part IV of this Document and on the Application Form itself. The completed Application Form, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 17 December 2015.

#### ***Dilutionary Impact of Fundraising***

The proposed issue of Placing Shares pursuant to the Placing and the Benseman Shares will dilute existing shareholdings of Shareholders. Qualifying Shareholders will be able to mitigate the extent of this dilution by applying for Offer Shares in the Offer for Subscription (and assuming all Offer Shares and subscribed for).

The following table outlines the maximum dilution (excluding any potential future conversion of the Convertible Loan Notes) which a Shareholder will be subject to if he/she does not participate in the Placing or the Offer for Subscription:

#### ***Maximum Dilution***

Following the Placing and the issue of the Benseman Shares	35.6%
Following the Fundraising	51.6%

## **6. Substantial Shareholder participation in the Fundraising**

### ***Substantial Shareholders***

MSL is currently, prior to the Placing the Offer for Subscription and the issue of the Benseman Shares, interested in (in aggregate) 11,991,102 Existing Ordinary Shares, representing approximately 23.4 per cent. of the Existing Ordinary Share capital of the Company and is therefore regarded as a Substantial Shareholder under the AIM Rules. He has agreed to invest £112,000 in the Placing to subscribe for 11,200,000 Placing Shares. As a Substantial Shareholder, his participation in the Placing constitutes a related party transaction under Rule 13 of the AIM Rules.

The Directors consider that, having consulted with Cenkos, the terms of MSL's participation in the Placing are fair and reasonable in so far as Shareholders are concerned.

Following completion of the Placing and the issue of the Benseman Shares, and assuming nil take-up by Qualifying Shareholders under the Offer for Subscription, MSL will hold 23,191,102 Ordinary Shares, equivalent to 29.17 per cent. of the Enlarged Share Capital.

In order to regulate the continued relationship between the Company and MSL, as a significant shareholder of the Company, on 3 December 2015 the Company entered into a relationship agreement with MSL. Further details are set out in Part VI of this Document.

## **7. Short Term Loan from Substantial Shareholder and the Convertible Loan Note Instrument**

In addition to his participation in the Placing, as set out in paragraph 6 above, MSL has also agreed to provide the Short Term Loan amounting to £50,000 to the Company on the condition that the funds provided shall be used to complete the geochemical sampling programme at Mount Visi and to carry out the initial phase of drilling there following completion of the geochemical survey and as working capital for the Company ahead of Completion. There is no interest payable on the Short Term Loan.

In addition, MSL has also agreed to make available a further £88,000 by way of the subscription for Convertible Loan Notes by the Company to MSL. The issue of the Convertible Loan Notes is subject to shareholder approval at the General Meeting and, subject to approval, the Short Term Loan will also be repaid by the Company and replaced by Convertible Loan Notes of the same amount so that an aggregate of £138,000 Convertible Loan Notes will be issued by the Company to MSL.

As a Substantial Shareholder, the issue of Convertible Loan Notes to MSL constitutes a related party transaction under Rule 13 of the AIM Rules. The Directors consider that, having consulted with Cenkos, the issue of Convertible Loan Notes to MSL is fair and reasonable in so far as Shareholders are concerned.

The Convertible Loan Note Instrument constitutes unsecured Convertible Loan Notes which are repayable on the Redemption Date unless previously converted into New Ordinary Shares (subject to the satisfaction of certain conditions) at the Conversion Price (being the same as the Placing Price). The New Ordinary Shares into which the Convertible Loan Notes can be converted will rank *pari passu* in all respects with the New Ordinary Shares then in issue, and application will be made for such New Ordinary Shares to be admitted to trading on AIM. However, the Convertible Loan Notes will not be admitted to trading on AIM or on any other recognised investment exchange.

Save as set out in the paragraph below, the Convertible Loan Notes are convertible into New Ordinary Shares at any time at the election of the MSL having given 10 Business Days' notice in writing. Until the Redemption Date, the price at which New Ordinary Shares will be issued on conversion of the Convertible Loan Notes will be the Conversion Price.

MSL may only convert his Loan Notes if the Board is satisfied that:

- the consent of the FCA is not required for such conversion or, if the consent of the FCA is required for such conversion, such consent has been obtained; and
- such conversion will not result in MSL being required under Rule 9 of the City Code (together with any person(s) acting in concert (as defined in the City Code) with such noteholder) to make a mandatory cash offer for all the shares in the Company that he and those acting in concert with him do not already own.

Save as set out below, any or all of the Convertible Loan Notes may be converted at the Company's election at any time having given 10 Business Days' notice in writing. In the event of such election, the Convertible Loan Notes will be converted into New Ordinary Shares at the Conversion Price.

The Company will not be entitled to elect for automatic conversion if:

- the consent of the FCA would be required for such conversion or, if the consent of the FCA is required for such conversion, such consent has not been obtained; or
- such conversion will result in MSL being required under Rule 9 of the City Code (together with any person(s) acting in concert (as defined in the City Code) with MSL to make a mandatory cash offer for all the shares in the Company that he and those acting in concert with him do not already own.

The Convertible Loan Notes are not transferrable.

## **8. Further Issue of New Ordinary Shares**

The Company has agreed to issue the Benseman Shares at the Placing Price, in lieu of £21,000 of rent invoiced and now payable for the period from October 2015 to March 2016 due to John Benseman, from whom the Group rents offices in Papua New Guinea, The Benseman Shares will, when issued, rank *pari passu* in all respects with the New Ordinary Shares.

Admission is expected to take place and dealings in the Benseman Shares on AIM are expected to commence at 8.00 a.m. on 22 December 2015.

## **9. Issue of Cenkos Warrants**

In settlement of fees due to Cenkos, Papua will grant the Cenkos Warrants exercisable at the Placing Price immediately and for a period up to 5 years following the date of the Warrant Deed. The Warrants are transferable but will not be admitted to trading to AIM or on any of the recognised investment exchange.

The Company has at the date of this Document granted 4,622,536 warrants over Existing Ordinary Shares and shall issue the Cenkos Warrants to Cenkos on such terms as set out in the Warrant Deed.

## **10. Issue of Options to certain Directors and Management**

The Company proposes to adopt a new unapproved share option plan incorporating the provisions set out in paragraph 3.3 of Part V but otherwise on the same terms as the Papua Mining 2011 Share Option Plan (which shall remain in place).

As set out in paragraph 4.1 of Part VI of this Document, and as stated in its Interim Results, the employment contracts for the Company's two Directors and management executives, Hugh McCullough and Kieran Harrington, and its Chief Geologist, Chris Muller, have not been renewed. Each of these individuals has been providing their services to the Group without payment. In addition, each of the Non-Executive Directors of the Company has waived the receipt of his fee until further notice. Therefore, in recognition of this and as an incentive for the Non-Executive Chairman and the management executives continuing to provide their services to the Company, the Company proposes to grant Michael Jolliffe, Hugh McCullough, Kieran Harrington and Chris Muller the New Options on such terms as set out in paragraph 3.3 in Part VI of this Document.

On 3 December 2015 each of Michael Jolliffe, Hugh McCullough, Kieran Harrington and Chris Muller agreed to surrender their existing options so that the New Options will subject to the passing of Resolutions set out in the Notice of General Meeting be the only options they hold in the Company.

## **11. Share Capital Reorganisation**

The current issued capital of the Company is £5,121,553.4 divided into 51,215,534 Existing Ordinary Shares of a nominal value of 10 pence each. No other shares of the Company are in issue. In addition there are outstanding options and warrants over 19,069,924 Existing Ordinary Shares. The exercise price of these options and warrants ranges from 26.5 pence (the lowest) to 76.5 pence (the highest) (for the options) and 20 pence (for the warrants) and, as a result, the Company believes that, for the time being, exercise by the holders is unlikely.

English company law prohibits a public company from issuing a new share at a price less than its nominal value. In order to permit the Placing Shares and the Offer Shares to be subscribed for at 1 penny (and for the conversion rights contained in the Convertible Loan Notes to be exercised at the same price), which is lower than the current par value of the Existing Ordinary Shares, the Company is proposing to divide each issued Existing Ordinary Share into one New Ordinary Share and one Deferred Share, and to divide each unissued Existing Ordinary Share into 100 New Ordinary Shares. The Company proposes to implement the Share Capital Reorganisation, in respect of which it will require Shareholders' approval.

New share certificates will not be issued and the existing share certificates will continue to be valid following the Share Capital Reorganisation. Shareholders who hold their shares in the Company through CREST should note that the Company's ISIN number (GB 00B42TN250) will continue to be valid.

The Deferred Shares will have no income or voting rights. The only right attaching to the Deferred Shares will be to receive the amount paid up above on a winding-up of the Company once the holders of New Ordinary Shares have received £1,000,000 per New Ordinary Share held. The Deferred Shares will not be transferable and will be held by the secretary of the Company as trustee for the holders.

Resolutions to approve the Share Capital Reorganisation, amend the Articles, to grant to the Directors authorities to issue the New Ordinary Shares and securities in connection with the Fundraising and additional shares in the future without applying pre-emption rights in accordance with the Act will be proposed at the General Meeting to be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London W1S 1HU at 11.00 a.m. on 21 December 2015.

The New Ordinary Shares will have the same rights and benefits as the Existing Ordinary Shares from which they are derived. Following the Share Capital Reorganisation, the number of New Ordinary Shares held by each

Shareholder will be the same as the number of Existing Ordinary Shares held by them immediately before the Share Capital Reorganisation, but the Share Capital Reorganisation will allow the Fundraising and future fundraisings to take place, assuming that the share price of the Company does not fall below the new nominal value.

The Deferred Shares will not be admitted to trading on AIM, will have only very limited rights on a return of capital and will be effectively valueless and non-transferable. The Directors consider that the Deferred Shares will have no effect on the respective economic interests of the Shareholders.

Following the Share Capital Reorganisation and completion of the Fundraising (assuming full subscription for the Offer Shares) and the issue of the Benseman Shares, the issued share capital of the Company will be:

105,715,534 New Ordinary Shares	aggregate nominal value of £105,715.53
51,215,534 Deferred Shares	aggregate nominal value of £5,070,337.87
	total nominal value of £5,176,053.40

Application will, assuming the passing of the Share Capital Reorganisation Resolution, be made for the New Ordinary Shares to be admitted to trading on AIM. Dealings in the Existing Ordinary Shares will cease at the close of business on the date of the General Meeting and dealings in the New Ordinary Shares are expected to commence on the following day. The ISIN and SEDOL number of the New Ordinary Shares will be the same as the Existing Ordinary Shares and any share certificates for the Existing Ordinary Shares will remain valid for the New Ordinary Shares.

The Share Capital Reorganisation will necessitate certain alterations to the Articles. Amendment of the Articles forms part of the proposed Resolution numbered 1 in the Notice and the alterations, including the limited rights proposed for the Deferred Shares to be created, are reflected in the amended Articles. The amended Articles proposed, along with a set highlighting the alterations and comparing the amended draft with the existing Articles, are available for inspection by Shareholders until the conclusion of the General Meeting on the Company's website, [www.papuamining.com](http://www.papuamining.com).

## **12. General Meeting**

You will find set out at the end of this Document a notice convening the General Meeting to consider the proposals in relation to the Fundraising and Share Capital Reorganisation to be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London, W1S 1HU at 11.00 am on 21 December 2015.

## **13. Action to be taken**

Shareholders will find enclosed with this Document a Form of Proxy for use in connection with the General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions thereon so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event not later than 11.00 a.m. on 19 December 2015. Completion and return of the Form of Proxy will not prevent a Shareholder from attending and voting at the meeting should he/she so wish.

Qualifying Shareholders wishing to participate in the Offer for Subscription should carefully read the Application Form and accompanying instructions and send completed Application Forms along with the appropriate remittance to Computershare at the address specified in the instructions.

## **14. Settlement and dealings**

Application will be made to the London Stock Exchange for the Placing Shares, the Offer Shares and the Benseman Shares to be admitted to trading on AIM. It is expected that Admission of the Placing Shares and the Benseman Shares will become effective and that dealings will commence at 8.00 a.m. on 22 December 2015 and that Admission of the Offer Shares will become effective and that dealings will commence at 8.00 a.m. on 22 December 2015. The Company has agreed that one of the participants in the Placing can settle its investment of £50,000 on a trade date plus fifteen day basis. Further information in respect of settlement and dealings in the Offer Shares is set out in Part IV of this Document.

## **15. Directors' Recommendation**

**The Board of Directors unanimously recommend Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their beneficial shareholdings which amount in aggregate to 1,017,967 Existing Ordinary Shares, representing approximately 1.99 per cent. of the Existing Ordinary Shares in issue.**

Yours faithfully

Michael Jolliffe,  
Chairman

## **PART II**

### **Details of the Offer for Subscription**

#### **The Offer for Subscription**

The Offer for Subscription comprises an offer of up to 26,200,000 Offer Shares with the aggregate consideration to be received by the Company limited to £262,000. The Directors reserve the right to exercise their discretion in the allocation of successful applications, including, without limitation, to ensure the maximum number of Offer Shares issued does not exceed 26,200,000.

The Offer for Subscription is only open to Qualifying Shareholders. The Minimum Subscription represents the minimum Subscription per application being £2,000 (equivalent to 200,000 Offer Shares). Any application for less than the Minimum Subscription will be rejected. No Qualifying Shareholder may subscribe for Offer Shares in excess of the £262,000 maximum. Multiple applications may be submitted. Qualifying Shareholders who are joint Shareholders may only apply for Offer Shares as joint applicants.

The Offer for Subscription is not an open offer or rights issue and Qualifying Shareholders will not have an automatic entitlement to subscribe for a pro rata number of Ordinary Shares. Nor will there be any nil-paid rights to the Offer Shares, so there will be no opportunity for Qualifying Shareholders to trade in nil-paid rights to the Offer Shares. However, each Shareholder may apply for such number of Offer Shares as they wish (over the Minimum Subscription) up to the full number of Offer Shares available in the Offer for Subscription. In the event that Shareholders apply to subscribe for an aggregate amount that is greater than £262,000, the Directors will use their discretion to scale back such applications such that this maximum is not exceeded. The Directors will use this discretion to first scale back any Qualifying Shareholders who are participating in the Placing in the event that they choose to apply for Offer Shares, so as to ensure that Qualifying Shareholders who are not participating in the Placing are able, to the fullest extent possible, to receive the maximum number of Offer Shares which they have applied for.

The Offer for Subscription is conditional on, *inter alia*, the passing of the Resolutions, Admission of the Placing Shares occurring by 22 December 2015 and Admission of the Offer Shares occurring by 22 December 2015 (or in the case of Admission of either the Placing Shares or Offer Shares, such later date, being not later than 31 December 2015, as the Company may decide). If Admission has not occurred by such time and date, applications are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post as soon as practicable. Any interest earned on the application monies will be retained for the benefit of the Company.

The Offer for Subscription will close in London at 11.00 a.m. on 17 December 2015 unless previously closed or extended. The Offer for Subscription is not being underwritten. The Application Form and accompanying procedure for application sets out, in detail, how Qualifying Shareholders may participate under the Offer for Subscription. Applications must be made on the terms and conditions set out in Part IV of this Document and in the Application Form and by duly completing and returning the Application Form and appropriate remittance.

#### **Dealings and Settlement on AIM of the Offer Shares**

The Offer Shares will be allotted and issued fully paid and will, on issue, rank *pari passu* with the New Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of issue together with all rights attaching to them and free from all liens, charges and encumbrances of any kind. Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Admission of the Offer Shares is expected to take place at 8.00 a.m. on 22 December 2015.

## PART III

### RISK FACTORS

**Investors should be aware that an investment in the Company involves significant risks and should only be made by those with the necessary expertise to appraise the investment and have sufficient resources to be able to bear losses which may result from such an investment. The following are considered by the Board to be the key risk factors which could have a material adverse effect on the Company's business, financial condition, prospects and share price. In addition to the other information in this Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. If in any doubt, prospective investors should immediately seek their own personal financial advice from their independent professional adviser from their independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in the acquisition of shares and other securities or other advisers such as legal advisers and accountants.**

**If any of the following occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected.**

#### **Approval and completion of the Fundraising**

The Offer for Subscription is conditional, *inter alia*, upon completion of the Placing and the Placing Shares being issued and Admission of the Placing Shares taking place. In the event that the Offer Resolutions are not passed but the Placing Resolutions are passed, then the Placing would still proceed but the Offer for Subscription would not. If the Placing Resolutions are not passed by Shareholders at the General Meeting, the Fundraising would be unable to proceed. In this situation, the Company would not have sufficient cash resources to continue with its planned exploration programme and would need to consider alternative strategic options. These options could include raising finance from alternative sources, disposals of assets, further reducing the fixed costs of the Company or a sale of the Company at a price which the Directors believe would not recognise the potential long-term value of the business. Any one, or all, of these remedial actions could have a significant adverse or dilutive effect on the interests of Shareholders and in the valuation of the Company.

#### **Additional capital requirements to fund ongoing operations**

The proceeds of the Fundraising will be used to carry out work on the Group's projects as detailed in this Document. Whilst the Directors are satisfied that, taking into account the net proceeds of the Placing (not including any proceeds from the Offer for Subscription), the working capital available to the Group is sufficient to undertake the geochemical and drilling programme set out in paragraph 3 of Part 1 of this Document. Further funding may be required to increase the scope of the exploration activity undertaken by the Company should this be deemed appropriate, at any time. For example, the Company may need to raise additional funds in the future in order to fund further drilling (in addition to the drilling funded by the Placing) or, ultimately, to develop a mine in order to be in a position to successfully extract gold or copper.

The Group may in the future raise additional funds through public or private financing or through bringing in joint venture partners. The availability of this capital is subject to general economic conditions and lender and investor interest in the Group's projects and cannot be guaranteed.

The Group may not be successful in procuring the requisite funds and, if such funding is unavailable, the Group may be required to reduce the scope of its operations. In the event that an equity financing is successful, such equity financing will be dilutive of existing Shareholders and could contain rights and preferences superior to the Ordinary Shares. Debt financing may involve restrictions on the Group's financing and operating activities. In either case, additional financing may not be available to the Company on acceptable terms. If the Company is unable to raise additional funds as needed, the scope of its operations may be reduced and, as a result the Group may be unable to fulfil its long-term expansion programme.

#### **Lack of revenue**

The Group expects to continue to incur losses unless and until such time as its projects enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Group's projects will require the commitment of substantial additional resources to conduct exploration and development of projects. There can be no assurance that the Group will generate any revenues or achieve profitability.

## **Exploration in Papua New Guinea**

The Group's Exploration Licences and applications are located in Papua New Guinea and the Group is subject to the risks associated with operating in that country, including various levels of political, economic and other risks and uncertainties such as terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Group. The Group has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in Papua New Guinea, the Directors may reassess investment decisions and commitments to the Group's assets in Papua New Guinea.

### **Short length of Exploration Licences**

The Mining Act 1992 requires Exploration Licence holders to conduct their exploration activities within a two year period. After this period the licence holder must relinquish 50 per cent. of the licence area and apply for renewal of the 50 per cent. of the licence area to be retained. There are currently proposals from the Ministry of Mining and Geo Hazards to amend the Mining Act 1992, including extending the period of exploration to a longer period, most likely for a period of three to five years but they have not yet been implemented. It is likely, therefore, that to complete its exploration programme and to reach a level of resources at which it could undertake feasibility studies and apply for a mining licence, its current Exploration Licences will have expired and the Group will have to apply for renewal of each of its licences. Customarily, the Minister will grant the renewal of the retained 50 per cent. if he is satisfied with the work proposals and that the tenement holder has met the conditions of the licence such as expenditure and work proposals but there is no guarantee that this will be the case. It is possible to apply for a new Exploration Licence over the 50 per cent. area that has been shed although there is no guarantee that any such new Exploration Licence application will be successful.

### **Potential changes to mining regulations in regard to mineral ownership in Papua New Guinea**

At present, mineral rights are owned by the State of PNG and the State has the sole right to grant Exploration Licences and Mining Licences. Historic statements by the Papua New Guinea Minister of Mining have indicated that the Government of PNG was considering a policy change which would hand ownership of the country's mineral resources to the local landowners. This potential change of policy has not yet been rejected although the Prime Minister of PNG and the Minister of Mining have both since been quoted as committing to no immediate policy change and have acknowledged the importance of the exploitation of PNG's natural resources to the Country. Nevertheless, there remains a risk that changes to PNG mining legislation or related rules or regulations may adversely affect the operations or financial performance of the Group. The Company and the Directors will continue to monitor statements made by the Government of Papua New Guinea, or any enactment or proposed enactment or amendment of mining laws or regulations or land ownership rights, in Papua New Guinea. If the Directors become aware of the same, the Company and the Directors, having consulted with Cenkos, will consider an appropriate course of action and will update the Company's shareholders as considered appropriate.

### **Challenging terrain, climate extremes and natural disasters**

Papua New Guinea is prone to natural disasters, and has experienced multiple incidences of earthquakes, tsunamis, volcanic eruptions and floods that have resulted in loss of lives, destruction of crops, property and land. Papua New Guinea's climate is tropical and it can have significant rainfall which may lead to the suspension of the Group's activities at certain times of the year. It also has very difficult terrain. Rainforest covers much of the land of Papua New Guinea, including the areas in which the Group holds its licences and access to the Group's Licence Areas may be difficult. As a result of such a geographically and climatically challenging environment mineral exploration can be more expensive and take longer than in other countries.

## **Legal system in Papua New Guinea**

In the event of a dispute arising in connection with its operations in PNG, the Group may be subject to the exclusive jurisdiction of the courts of PNG or may not be successful in subjecting a PNG person to the jurisdiction of the courts or enforcing judgements obtained in the UK or Ireland.

In addition, Papua New Guinea has a relatively less developed legal system than in more established economies. Local business, judicial or regulatory customs and practice may not favour strict adherence to legal requirements or the negotiated terms of contractual agreements.

## **Exploration risks**

The business of exploration for minerals is highly speculative in nature, involves a high degree of risk and is frequently unsuccessful. Few properties that are explored are ultimately developed into producing mines. There can be no assurance that any mineralisation discovered by the Group will result in proven and probable reserves nor that any mineral deposits discovered by the Group will contain economically recoverable volumes of resources. Should the mineral deposits contain economically recoverable resources then delays in the construction and commissioning of mining projects or other technical difficulties may result in the Group's current or future projected target dates for production being delayed or further capital expenditure being required or the resource becoming uneconomic.

The operations of the Group may be disrupted by a variety of risks and hazards which may be beyond the control of the Group, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards, disease, technical failures, labour disputes, unusual or unexpected rock formations, explosions, flooding and extended interruptions due to inclement or hazardous weather conditions and other acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of any of these hazards can delay activities of the Group and may result in liability. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

## **Volatility of price of gold and copper**

The market price of gold and copper is volatile and is affected by numerous factors which are beyond the Group's control and which could cause the market price of the Ordinary Shares to be subject to significant fluctuations. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Purchases and sales of bullion holdings by central banks or other large holders or dealers may also have an impact on the market for, and price of gold. The aggregate effect of these factors is impossible to predict. Consequently as a result of the above, price forecasting can be difficult to predict or imprecise.

Whether the Group can identify commercially viable deposits will depend, *inter alia*, on the price of gold and copper. Any future income from the Group's product sales and the Group's expenditure could become subject to exchange controls or similar restrictions.

## **Availability of drilling, exploration and mining equipment**

The mining industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development may adversely impact upon the Group's ability to purchase or hire equipment, supplies and services or to do so at competitive rates. In addition, the availability of drilling and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside of Papua New Guinea or in other areas of Papua New Guinea may reduce the availability of equipment and services to the Group. Similarly, the Group may have difficulty sourcing the exploration and

mining equipment it requires in the timeframe envisaged by the Group's plans due to high global demand for such equipment. The reduced availability of equipment and services may delay its ability to exploit the licence areas and adversely affect the Group's operations and finances.

### **Dependency on key personnel**

The Company stated in its Interim Results notification, *inter alia*, that the employment contracts for its two Executive Directors, Hugh McCullough and Kieran Harrington and its Chief Geologist, Chris Muller had not been renewed. Each of these individuals is committed to providing as much time and effort as possible to deliver the Company's exploration programme at Mount Visi, on a consultancy basis initially, but also in the expectation that a renewal of their contracts of employment may be possible after a future successful refinancing.

There is no guarantee that any of Messrs McCullough, Harrington and Muller will have their contracts renewed and it is possible that should the Company continue to be unable to pay their salaries that they may have to look for employment elsewhere.

The loss of any key individuals in the Group's management team or the inability to attract or retain appropriate personnel could adversely impact the Group's performance.

### **Other directorships**

Shareholders should note that none of the Directors is limited, by way of their involvement with the Company, from acting in the management or conduct of the affairs of any other company. Each of them is free to continue to acquire and hold interests in other businesses and companies and other directorships.

### **Insurance coverage**

There are significant exploration and operating risks associated with exploring for copper and gold, including adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of the extraction plant, equipment, production facilities and other property. In addition, the Group will be subject to liability for environmental risks such as pollution and abuse of the environment. Although the Group intends to exercise due care in the conduct of its business and intends to maintain what it believes to be customary insurance coverage for companies engaged in similar operations (including, where available at a commercial rate, key man insurance), the Group will not be fully insured against all possible risk in its business.

### **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and acquisition of exploration and development rights on attractive mineral properties. The Group's ability to acquire exploration and development rights on further properties or prospects in the future may depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on new suitable properties. There is no assurance that the Group will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties.

### **Exchange rate fluctuations**

Currency fluctuations may affect the Group's operating cash flow since certain of its costs and revenues are likely to be denominated in a number of different currencies other than Sterling such as US Dollars, Australian Dollars and Papua New Guinea Kina and any potential income may become subject to exchange control or similar restrictions. Increased restraints on the ability of the Group to repatriate funds may limit its ability to distribute future profits or pay intermediaries for equipment and supplies. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations.

The Group has a treasury policy, the objective of which is to minimise foreign currency risk however, does not currently have any foreign currency hedges in place. If and when appropriate, the adoption of such a hedging policy may be considered by the Board.

## **Taxation**

There is a risk of adverse changes in the Group's tax position, including changes in applicable tax legislation and the interpretation of double tax treaties. Prospective investors should take professional advice about the consequences for them of investing in the Company. Prospective investors should also note that the funds available to the Company, if any, to make dividends or distributions to Shareholders may be affected by changes in tax law and practice. The structure which the Group proposes to adopt to hold its investments is based on the Directors' understanding of the current tax law, tax treaty interpretation, and the practice of the tax authorities of Papua New Guinea (where all of the Group's assets are held), BVI (where PML is incorporated and based) and the UK (where the Company is incorporated). Such law, treaty interpretation, or tax authority practice is subject to change, and any such change could affect the value of investments held by the Company, and the Company's ability to achieve its investment objective, and may reduce the post-tax return to Shareholders.

## **Litigation**

While the Group currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Group will not result in litigation or arbitration proceedings since there have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation and the mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation or arbitration proceedings may be brought against the Group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material adverse effect on the Group's financial position, results or operations.

## **Investment risk on AIM**

The New Ordinary Shares will be traded on AIM and no application is being made for the admission of the Ordinary Shares to the Official List. AIM has been in existence since June 1995 but admission to AIM should not be taken to imply that there is or will be a liquid market in the Ordinary Shares. AIM is a market designed for small and growing companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may not therefore recover their original investment. The Ordinary Shares may, therefore, not be suitable as a short term investment.

### **The market price of the New Ordinary Shares may fluctuate significantly in response to a number of factors, many of which may be out of the Company's control**

The share price of publicly traded companies can be highly volatile. The price at which the New Ordinary Shares may be quoted and the price which Shareholders may realise for their New Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the industry as a whole or quoted companies generally. These factors include those referred to in this Part III, as well as the Group's financial performance, the impact of Shareholders being released from lock-in restrictions, stock market fluctuations and general economic conditions.

Share price volatility arising from such factors may adversely affect the value of an investment in the New Ordinary Shares.

## **Future sale of New Ordinary Shares**

The Company is unable to predict when and if substantial numbers of New Ordinary Shares will be sold in the open market following the Fundraising. Any such sales, or the perception that such sales might occur, could result in a material fall in the market price of the Ordinary Shares. The Group may require additional capital in the future which may not be available to it. If available, future financings to provide this capital may dilute shareholders' proportionate ownership in the Company. The Company may raise capital in the future through public or private equity financings or by raising debt securities (such as warrants, options and/or convertible loan notes) convertible into New Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing shareholders.

Moreover, the further issue of New Ordinary Shares could have a negative impact on and/or increase the volatility of the market price of the Ordinary Shares. The Company may also issue further New Ordinary Shares, or create further options over New Ordinary Shares (limited so that the aggregate number of Ordinary Shares under option but not yet exercised shall not exceed 10 per cent. of the Enlarged Share Capital (from time to time)), as part of its employee remuneration policy, which could in aggregate create a dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

**The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.**

**Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the FSMA who specialises in investments of this nature before making any decision to invest.**

## PART IV

### Terms and Conditions of the Offer for Subscription

- (a) The contract created by the acceptance by the Company (at the discretion of the Directors) of applications from Qualifying Shareholders under the Offer for Subscription is conditional upon, *inter alia*, Admission occurring on 22 December 2015 (or such later date, being not later than 31 December 2015, as the Company may decide). In the event that the Resolutions are not all passed or the Placing does not complete for any other reason, then the Offer for Subscription will not proceed and the application monies will be returned by crossed cheque in favour of the applicant(s), through the post at the sole risk of the person entitled thereto on which no interest will be payable, with seven days of the date of the General Meeting.
- (b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt on which no interest will be payable to the applicant(s) and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof, will be returned by crossed cheque in favour of the applicant(s), through the post at the sole risk of the person entitled thereto on which no interest will be payable, within seven days of the closing of the Offer for Subscription.
- (c) By completing and delivering an Application Form by the Acceptance Date each Qualifying Shareholder who applies for Offer Shares:
- (i) offers to subscribe for the amount of Offer Shares specified in such applicant's Application Form (or such lesser amount for which such applicant's application is accepted) on the terms of, and subject to, this Document, including (without limitation) these terms and conditions, and the constitution of the Company and the terms and conditions set out in the Application Form;
  - (ii) represents and agrees that, in consideration of the Company agreeing that it will not prior to the closing date of the Offer for Subscription issue any Offer Shares to any person other than by means of the procedures referred to in this Document, such applicant's application shall not be revoked and this paragraph shall constitute a collateral contract between such applicant and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, Computershare of such applicant's Application Form;
  - (iii) represents and warrants that such applicant's remittance will be honoured on first presentation and agrees that, if it is not so honoured, such applicant will not be entitled to receive the Offer Shares applied for unless and until such applicant makes payment in cleared funds for such Offer Shares and such payment is accepted by the Company in its absolute discretion (which acceptance may be on the basis that such applicant indemnifies the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection, with the failure of such applicant's remittance to be honoured on first presentation) and such applicant agrees that, at any time prior to the unconditional acceptances by the Company, the Company may (without prejudice to any other right(s)) avoid the agreement to issue such Offer Shares and may issue such Offer Shares to some other person, in which case such applicant will not be entitled to any payment in respect of such Offer Shares;
  - (iv) agrees that, in respect of those Offer Shares for which such applicant's application has been received and is not rejected, acceptance of such applicant's application shall be constituted, at the election of the Company by notification of acceptance thereof to Computershare;
  - (v) agrees that any monies returnable to such applicant may be retained by Computershare pending clearance of such applicant's remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 and/or any amendment, modification, and/or re-enactment of the same (the "**Regulations**") and that such monies will not bear interest;

- (vi) authorises Computershare to credit the appropriate CREST account, as the case may be, in respect of the number of Offer Shares for which such applicant's application for Offer Shares is accepted and/or to send a crossed cheque for any monies returnable, by post, at the sole risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
- (vii) represents and warrants that, if such applicant signs an Application Form on behalf of somebody else, such applicant has due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose such applicant's power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (viii) agrees that all applications, acceptances of applications and contracts resulting there from under the Offer for Subscription shall be governed by and construed in accordance with English law, and that such applicant submits to the jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (ix) confirms that, in making such application, such applicant is not relying on any information, representation and/or warranty in relation to the Company other than the information contained in this Document and accordingly such applicant agrees that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any such other information, representation and/or warranty;
- (x) agrees that, having had the opportunity to read this Document, such applicant shall be deemed to have had notice of all information and representations concerning the Company contained herein;
- (xi) in the case of any Qualifying Shareholder who is a joint Shareholder, agrees that such joint Shareholder applicants may only apply for Offer Shares as joint applicants;
- (xii) confirms, represents and warrants that such applicant has read and complied with paragraph (d) below;
- (xiii) represents and warrants that such applicant is not a person who, by virtue of being resident in, or a citizen of, any country outside the United Kingdom, is prevented by the law of any relevant jurisdiction from lawfully applying for Offer Shares;
- (xiv) represents and warrants that such applicant is applying for Offer Shares on his/her/its own account and that he/she/it will not resell or otherwise transfer the Offer Shares in such a way so as to breach any applicable securities law, whether in the UK or otherwise;
- (xv) represents and warrants that such applicant is a Qualifying Shareholder and that such applicant is not (and is not applying as a nominee or agent of) a person liable to pay higher rate stamp duty under section 93 or section 96 of the Finance Act 1986 and/or tax under the Stamp Duty Reserve Tax Regulations 1986;
- (xvi) confirms, represents and warrants that such applicant has read the restrictions contained in paragraph (e) below and represents and warrants as provided therein;
- (xvii) represents and warrants that such applicant is not under the age of 18;
- (xviii) represents and warrants that such applicant (or, if relevant, the person on whose behalf this Application Form is signed as referred to in paragraph (vii) above) is a person of the kind described in Article 43 of the Financial Promotion Order, being a Qualifying Shareholder; and
- (xix) agrees that all documents and cheques sent by post, by or on behalf of the Company or Computershare, will be sent at the risk of the person(s) entitled thereto.

- (d) No person receiving a copy of this Document and/or any Application Form in any territory may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including (without limitation) obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (e) The Offer Shares have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorised passed upon or endorsed the merit of the Offer for Subscription or the accuracy or adequacy of this Document. Any representation to the contrary is a criminal offence in the United States. The Offer Shares have not been and will not be registered under the 'Securities Act or under the securities laws of any state or other jurisdiction in the United States, neither do they qualify for distribution under any of the relevant securities laws of Canada, Australia, South Africa, New Zealand or Japan, nor has any prospectus in relation to the Offer Shares been lodged with or registered by the Australian Securities and Investments Commission. Persons subscribing for Offer Shares shall be deemed, and (unless the Company is satisfied that Offer Shares can be issued without breach of security laws, including (without limitation) those of the United States, Canada, Australia, South Africa, New Zealand and/or Japan) shall be required, to represent and warrant to the Company that they are not a person in the United States and that they are not subscribing for such Offer Shares for the account of any such person and will not offer, sell, renounce, take up, transfer or deliver, directly or indirectly, such Offer Shares in the United States or to any such person or in or into Canada, Australia, South Africa, New Zealand and/or Japan or any other Restricted Jurisdiction.
- (f) Applicants are encouraged to submit their Application Forms early. In the event that applications are received for an amount in excess of the £262,000 maximum, the Directors reserve the right to exercise their discretion in the allocation of successful applications. The right is also reserved to reject in whole or in part any application or any part thereof for any reason whatsoever, including (without limitation) a breach of any of the terms, conditions, representations and/or warranties set out in this Document and/or the Application Form and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.
- (g) Save where the context otherwise requires, words and expressions defined in this Document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.
- (h) Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bear a UK bank sort code number in the top right hand corner. Cheques, which must be drawn on your personal account where you have sole or joint title to the funds, should be made payable to CIS PLC re: Papua Mining PLC A/C. Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by writing this on the back of the cheque/bankers' draft and by adding the branch stamp. The account name should be the same as that shown on this Application Form.

## PART V

### SUMMARY OF THE PRINCIPAL PROVISIONS OF THE CONVERTIBLE LOAN NOTES

1. *Name of Loan Notes*

The Convertible Loan Notes will be known as the Papua Mining PLC unsecured Convertible Loan Notes 2020.
2. *Date for repayment*
  - 2.1 The Convertible Loan Notes will be repayable on the Redemption Date unless previously converted into New Ordinary Shares.
  - 2.2 Subject to mutual consent by the Noteholder and the Company, the Company shall have the ability to redeem or purchase Convertible Loan Notes before the Redemption Date provided it does so pro rata in respect of all the Convertible Loan Notes.
3. *Security*

The Convertible Loan Notes will be unsecured.
4. *Use of Proceeds*

The proceeds of the Convertible Loan Notes are to be used to provide working capital to the Company.
5. *Interest Rate*

Interest on the Convertible Loan Notes will be paid at a rate of two per cent per annum.
6. *Admission to trading*
  - 6.1 The Convertible Loan Notes will not be admitted to trading on AIM or on any other recognised investment exchange.
  - 6.2 The New Ordinary Shares into which the Convertible Loan Notes can be converted will rank *pari passu* in all respects with the New Ordinary Shares then in issue and application will be made for such New Ordinary Shares to admitted to trading on AIM.
7. *Voluntary Conversion by the Noteholder*
  - 7.1 Save as set out in paragraph 7.2, the Convertible Loan Notes are convertible into New Ordinary Shares at any time at the option of the Noteholder having given 10 Business Days' notice in writing. Until the Redemption Date, the price at which New Ordinary Shares will be issued on conversion of the Convertible Loan Notes will be the Placing Price.
  - 7.2 A noteholder may only convert his Convertible Loan Notes if that the Board is satisfied that:
    - 7.2.1 if the consent of the FCA is required for such conversion, such consent has been obtained; and
    - 7.2.2 such conversion will not result in the noteholder which is seeking to convert the Convertible Loan Notes being required under Rule 9 of the City Code (together with any person(s) acting in concert (as defined in the City Code) with such noteholder to make a mandatory cash offer for all the shares in the Company that it/they does/do not already own.
  - 7.3 The conversion price will also be subject to customary anti-dilution adjustments for share splits, scrip dividends, etc.
8. *Automatic Conversion by the Company*

- 8.1 Save as set out in paragraph 8.2, any or all of the Convertible Loan Notes may be converted at the Company's election at any time having given 10 Business Days' notice in writing. In the event of such election, the Convertible Loan Notes will be converted into New Ordinary Shares at the Placing Price.
- 8.2 The Company will not be entitled to elect for automatic conversion if:
- 8.2.1 if the consent of the FCA is required for such conversion, such consent has not been obtained; or
- 8.2.2 such conversion will result in all or some of the noteholders being required under Rule 9 of the City Code (together with any person(s) acting in concert (as defined in the City Code) with such noteholder to make a mandatory cash offer for all the shares in the Company that it/they does/do not already own.
9. *Events of Default*
- 9.1 The events of default under the terms of the Convertible Loan Notes are (subject to customary notice and cure periods and exceptions):
- 9.1.1 the failure to pay to a noteholder any amount of principal, interest, or other amounts when and as due under the Convertible Loan Notes if the Company fails to remedy such failure within 10 Business Days of being required to do so by a noteholder;
- 9.1.2 the Company is for the purposes of section 123 of the Insolvency Act 1986 deemed to be unable to pay its debts (albeit without the need of having a court order to prove this) or is dissolved or enters into liquidation, administration, administrative receivership, receivership, a voluntary arrangement, a scheme of arrangement with all its creditors, or any step is taken by any person with a view to any of those things (otherwise than for the purposes of a reconstruction, merger or consolidation on terms previously approved by a special resolution as such is defined in section 283 of the Companies Act 2006); or
- 9.1.3 (otherwise than for the purposes of a reconstruction, merger or consolidation on terms previously approved by a special resolution as such is defined in section 283 of the Companies Act 2006) the Company stops payment of its debts generally or ceases to carry on its business or a substantial part of its business; or
- 9.1.4 any representation, warranty or statement made by the Company in the Convertible Loan Note Instrument is (or proves to have been) incomplete, untrue, incorrect or misleading in any material respect when made; or
- 9.1.5 an encumbrancer takes possession or a receiver, administrative receiver or similar official is appointed of the whole or the major part of the assets or undertaking of the Company or a distress, attachment, execution or other legal process is levied, enforced or sued out on, or against, the assets of the Company and is not discharged or stayed within 21 days.
- 9.1.6 Following an event of default, the Convertible Loan Notes will automatically become due and payable.

## PART VI

### ADDITIONAL INFORMATION

#### 1 RESPONSIBILITY

The Directors, whose names appear in paragraph 2.2(a) below, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and there is no omission likely to affect the import of such information.

#### 2 SHARE CAPITAL, INTERESTS AND DEALINGS

##### 2.1 Share Capital

The following table shows the issued ordinary share capital as it is now and as it will be following the Fundraising:

	Current Issued Ordinary Shares		Enlarged Share Capital following Placing and issue of Benseman Shares		Enlarged Share Capital following Offer for Subscription*	
	£	Number of Shares	£	Number of Shares	£	Number of Shares
Ordinary Shares	5,121,553.40	51,215,534	795,155.34,	79,515,534	1,057,155.34	105,715,534

\*Assuming the Offer for Subscription is fully subscribed.

##### 2.2 Directors

- (a) At the close of business on 1 December 2015 (being the last practicable date prior to the publication of this Document) the interests of the Directors (all of which are beneficial) and their families and the interests of persons connected with them (within the meaning of section 346 of the Act) in relevant securities (whether by interests, rights to subscribe or short positions) of the Company are as follows:-

Director	Before Placing		After Placing and issue of Benseman Shares	
	Number of Existing Ordinary Shares	% of Issued Share Capital	Number of New Ordinary Shares	% of Issued Share Capital
Michael Gordon Jolliffe	185,004	0.36%	185,004	0.23%
Hugh Martin McCullough	504,571	0.99%	504,571	0.63%
Kieran Harrington	328,392	0.64%	328,392	0.41%
Gunnar Palm	0	0%	0	0%
Keith Lough	0	0%	0	0%

- (b) During the period of 12 months preceding the date of this Document, there have been no dealings made by the Directors and their connected persons in the Company's securities.

##### 2.3 Options

- (a) At the close of business on 1 December 2015 (being the last practicable date prior to the publication of this Document), the Directors were interested in the following options over Ordinary Shares in the Company pursuant to the Papua Mining 2011 Share Option Plan:

Director	Number of options held	Price per share (p)	Date from which exercisable	Expiry date
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Hugh Martin		265,636	44	2 March 2013	2 March 2022
McCullough		265,636	44	2 March 2014	2 March 2022
		265,636	44	2 March 2015	2 March 2022
Kieran Harrington		265,636	44	2 March 2013	2 March 2022
		265,636	44	2 March 2014	2 March 2022
		265,636	44	2 March 2015	2 March 2022
Michael Gordon		50,000	44	2 March 2013	2 March 2022
Jolliffe		100,000	44	2 March 2014	2 March 2022
		100,000	44	2 March 2015	2 March 2022

Pursuant to the conditional deeds of surrender, all of the above options will be surrendered upon the grant of the New Options (details of which are set out below).

- (b) At the close of business on 1 December 2015 (being the last practicable date prior to the publication of this Document), the outstanding options, which exclude the share options granted to Directors, were as follows:

	Date of grant	Exercise price (p)	Number of shares	Date from which exercisable
<b>Papua Mining 2011 Share Option Plan</b>				
Chris Muller	2 March 2012	44	796,908	2 March 2013]
Lindsay Bandy	18 September 2012	53.75	20,000	18 March 2013
Ahulo Otio	18 September 2012	53.75	20,000	18 March 2013
Frank William	18 September 2012	53.75	20,000	18 March 2013
Bennett Nami	16 May 2013	76.5	20,000	16 May 2014
Lindsay Bandy	16 May 2013	76.5	20,000	16 May 2014
Jonah Soma	26 September 2014	26.5	20,000	26 September 2015

Pursuant to the terms of a conditional deed of surrender, Chris Muller's options will be surrendered upon the grant to him of the New Options.

#### 2.4 Warrants

- (a) At the close of business on 1 December 2015 (being the last practicable date prior to the publication of this Document), the Directors were interested in the following warrants over Ordinary Shares in the Company pursuant to Deed Poll dated 10 June 2014:

Director	Number of warrants held	Price per share (p)	Date from which exercisable	Expiry date
Hugh Martin McCullough	150,000	30	27 June 2014	27 June 2016

- (b) At the close of business on 1 December 2015 (being the last practicable date prior to the publication of this Document), the outstanding warrants, which exclude the warrants granted to Directors, were as follows:

Date of grant of warrant	Exercise price (p)	Number of shares	Date from which exercisable
30 June 2014	30	16,159,200	30 June 2014

### 3 MATERIAL CONTRACTS

Save as described below, no contracts have been entered into by the Company or any of its subsidiaries, other than in the ordinary course of business, within the two years prior to the publication of this Document which are or may be material.

### 3.1 Relationship Agreement with MSL

On 3 December 2015 the Company entered into a relationship agreement with MSL for the purposes of regulating the relationship between the Company and MSL as a significant shareholder of the Company.

The parties agreed that while MSL and his “Associates” (as defined in the agreement) hold 20% or more of the voting rights attaching to the Ordinary Shares, (i) all transactions between MSL and the Company shall be at arms’ length and on normal commercial terms; (ii) the Group shall at all times carry on business independently of MSL and his Associates (as defined in the agreement); (iii) any disputes between MSL and the Company shall be dealt with by a committee of Independent Directors (as defined in the agreement); (iv) MSL shall not requisition a general meeting of the Company to appoint or remove a director; and (v) MSL shall not otherwise seek to appoint or remove any director or officer of the Company other than in accordance with a resolution or recommendation of the board from time to time (supported by a majority of Independent Directors (as defined in the agreement)). The Company has undertaken to consult Cenkos in the event that any conflict of interest arises between the Group and MSL.

### 3.2 2014 Placing Agreement

On 10 June 2014, the Company and Cenkos entered into a placing agreement pursuant to the proposed placing and offer for subscription, which was announced by Papua in July 2014 and completed in July 2014, raising £3,237,840 for the Company. Under the placing agreement, Cenkos was required to, *inter alia*, procure subscribers to the placing and provide certain advice to the Company.

Cenkos was paid a commission of 5 per cent. of the proceeds of the placing and offer for subscription in 2014. It is not expected that any further fees are due to be paid to Cenkos under the 2014 Placing Agreement.

### 3.3 New Options

As set out in paragraph 4.1 of Part V of this Document certain directors and management executives have been providing their services to the Company without payment. Therefore, in recognition of this and as an incentive for the management executives continuing to provide their services to the Company, the Company proposes to adopt a new unapproved share option plan incorporating the provisions set out below but otherwise in the same term as the Papua Mining 2011 Share Option Plan and grant Michael Jolliffe, Hugh McCullough, Kieran Harrington and Chris Muller the New Options on such terms as set out in further details set out below.

Pursuant to the terms of grant of the New Options, the New Options will vest upon the following events/at the following times:

- a) a third in number of the New Options (which have been granted to each of the persons set out below) shall vest on the date of completion of the next fundraising by the Company with such fundraising being undertaken for the expressed purpose of continuing the Group’s exploration in PNG (“Future Fundraising”);
- b) a further third in number of the New Options (which have been granted to each of the persons set out below) shall vest on the date which is 12 months following the date of completion of the Future Fundraising; and
- c) a remaining third in number of the New Options (which have been granted to each of the persons set out below) shall vest on the date which is 24 months following the date of completion of the Future Fundraising.

If the Company is subject to the takeover by a third party prior to any Future Fundraising but during such time as the Company is continuing to carry out its exploration activities then the New Options shall continue to have effect. If the Company has carried out a Future Fundraising then, subject to the passing of time, all New Options will vest and will continue to have effect notwithstanding a takeover of the Company after the Future Fundraising but before the relevant time periods of the vesting of the remaining New Options has elapsed.

If the Company, prior to the vesting of the New Options, ceases to pursue its exploration in PNG, is subject to a takeover (whether for cash or by reverse takeover or any other form) then the New Options shall lapse.

### 3.4 Short Term Loan

On 3 December 2015 MSL agreed to provide the Short Term Loan amounting to £50,000 to the Company on the condition that the funds provided shall be used as working capital for the Company ahead of Completion. There is no interest payable on the Short Term Loan.

### 3.5 Warrant Instrument

Pursuant to a Board resolution on 10th June 2014 the Company adopted the warrant instrument pursuant to which, and in connection with the placing described at paragraph 3.2 above, the Company issued warrants to subscribe for Existing Ordinary Shares at 30 pence per Existing Ordinary Share. Those warrants continue to be exercisable at 30 pence per Existing Ordinary Share until 30 June 2016 (being the second anniversary of admission of the relevant Existing Ordinary Shares pursuant to the placing set out at paragraph 3.2 above)

## 4 SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

### 4.1 Service Contracts

Hugh McCullough, Kieran Harrington and Chris Muller

The Company stated in its Interim Results notification, inter alia, that the employment contracts for its two Directors and management executives, Hugh McCullough and Kieran Harrington and its Chief Geologist, Chris Muller had not been renewed. Each of these individuals is committed to providing as much time and effort as possible to deliver the Company's exploration programme at Mount Visi, in the expectation that a renewal of their contracts of employment may be possible after future successful refinancing.

Hugh McCullough has not received a salary since July 2015 and, Kieran Harrington and Chris Muller have not received a salary since September 2015. Kieran Harrington and Chris Muller have an arrangement whereby they may be paid a fee for specific tasks undertaken, including for example, for time spent in the field in PNG.

In addition, there is an intention to, when possible and not prior to the Company completing a capital raising, compensate each of Hugh McCullough, Kieran Harrington and Chris Muller in cash or through the issue of shares in lieu of cash for services provided to the Company (and for which fees as described above have not been received) during the period when they have not been drawing a salary.

Hugh McCullough and Kieran Harrington continue to serve as directors of the Company.

The following number of New Options to subscribe for New Ordinary Shares at an exercise price of 2.125 pence (being the Closing Price on 1 December 2015, being the last practicable date prior to the publication of this Document) have been, subject to the passing of the Resolutions, been granted to the following Directors and management pursuant to the New Option Plan:

Name	Effective Date of Grant	Exercise Price (p)	Number of New Shares
Hugh Martin McCullough	Admission	2.125	1,997,886
Kieran Harrington	Admission	2.125	1,997,886
Michael Gordon Jolliffe	Admission	2.125	626,763
Chris Muller	Admission	2.125	1,997,886

### 4.2 Letters of Appointment

Michael Jolliffe

Mr. Michael Jolliffe entered into a letter of appointment with the Company on 22 February 2012 pursuant to which Mr. Jolliffe serves as a Director of the Company. Mr. Jolliffe's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing.

The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Mr. Jolliffe. Under the terms of the letter of appointment, Mr. Jolliffe is paid a fee of £40,000 per annum and is expected to devote approximately 24 days per annum to the Company in satisfaction of his duties as a Director. As referred to above, Mr Jolliffe has waived the receipt of his fee until further notice. It is acknowledged in the agreement that Mr. Jolliffe may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Mr. Jolliffe is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. He is not permitted to hold any interests which may conflict with his position with the Company. The letter of appointment is governed by English law.

#### Gunnar Palm

Mr. Gunnar Palm entered into a letter of appointment with the Company on 22 February 2012 pursuant to which Mr. Palm serves as a Director of the Company. Mr. Palm's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing. The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Mr. Palm. Under the terms of the letter of appointment, Mr. Palm is paid a fee of £30,000 per annum and is expected to devote approximately 24 days per annum to the Company in satisfaction of his duties as a Director. As referred to above, Mr Palm has waived the receipt of his fee until further notice. It is acknowledged in the agreement that Mr. Palm may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Mr. Palm is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. He is not permitted to hold any interests which may conflict with his position with the Company. The letter of appointment is governed by English law.

#### Keith Lough

Mr. Keith Lough entered into a letter of appointment with the Company on 29 March 2012 pursuant to which Mr. Lough serves as a Director of the Company. Mr. Lough's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing. The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Mr. Lough. Under the terms of the letter of appointment, Mr. Lough is paid a fee of £30,000 per annum and is expected to devote approximately 24 days per annum to the Company in satisfaction of his duties as a Director. As referred to above, Mr Lough has waived the receipt of his fee until further notice. It is acknowledged in the agreement that Mr. Lough may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Mr. Lough is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. He is not permitted to hold any interests which may conflict with his position with the Company. The letter of appointment is governed by English law.

None of Michael Jolliffe, Gunnar Palm and Keith Lough is receiving a salary or fees at the present time. There is an intention to, when possible and not prior to the Company completing a capital raising during 2016, compensate Michael Jolliffe, Gunnar Palm and Keith Lough in cash for services provided to the Company during the period when they have not been paid a salary or fees.

## **5 OTHER INFORMATION**

- 5.1 Cenkos has given and has not withdrawn its written consent to the inclusion in this Document or references to its name in the form and context in which they appear.
- 5.2 There are no agreements, arrangements or understandings (including any compensation arrangement) existing with the Placees and any of the Directors, recent directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the approval by Shareholders of the proposals set out in this Document.
- 5.3 The Directors are not aware of any agreement or arrangement or understanding by which beneficial ownership of any New Ordinary Shares acquired pursuant to the Fundraising will be transferred to any other person.
- 5.4 The Directors' intentions regarding the continuance of the Company's business and their intentions regarding the continued employment of its employees and those of its subsidiaries will not be altered by the Placing.

- 5.5 The total costs, charges and expenses payable by the Company in respect of the Placing are estimated to amount to approximately £16,800 (including irrecoverable VAT), which also includes £3,000 (being 6 per cent of the amount subscribed for by a participant in the Placing).

## **6 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of the Company's solicitors, Fasken Martineau LLP, Third Floor, 17 Hanover Square, London, W1S 1HU from the date of this Document up to the date of the General Meeting and for 15 minutes prior to the meeting and during the meeting:

- 6.1 the memorandum and articles of association of the Company;
- 6.2 the audited report and financial statements of the Company for the year ended 2014;
- 6.3 the material contracts referred to in paragraph 3 above;
- 6.4 the written consent referred to in paragraph 5.1 above; and
- 6.5 this Document.