

24 September 2012

**Papua Mining plc**

**("Papua Mining")**

**Interim Results for the six months ended 30 June 2012**

Papua Mining, a UK company focussed on the exploration for and if commercially feasible, development of gold and copper deposits in Papua New Guinea, announces interim results for the six months ended 30 June 2012.

**Highlights:**

- **Excellent progress on our exploration programmes in Papua New Guinea**
- **Major geophysical survey currently underway at Nakru**
- **Diamond drilling to commence at Nakru early in 2013**
- **US\$11 million raised in IPO financing in March 2012**

**Commenting on the results, Michael Jolliffe, Chairman of Papua said:**

"Papua Mining plc has three exploration licences and eleven exploration licence applications in Papua New Guinea in the highly prospective "Ring of Fire" region. We are greatly encouraged by the results of the exploration carried out to date, and we look forward to the drilling programme now planned for the early part of next year.

"Intensive exploration has been carried out this year on Exploration Licence EL1462 ("EL1462") in West New Britain Province and on Exploration Licence 1766 ("EL1766") in East Sepik Province. Preliminary exploration has been carried out on Exploration Licence 1730 ("EL1730"). A major geophysical survey is currently underway on EL1462 which will enable the precise determination of drillhole locations and orientations on the two most advanced targets on this licence at Junction and Flying Fox.

"We are pleased to have gained Admission to the AIM market in London in March of this year, concurrently raising US\$11 million in IPO financing for our exploration programmes in Papua New Guinea. We believe that the positive progress we have made to date is reflected in the fact that our share price has traded at or above the issue price since the date of Admission while there has been an overall drop of 18.5% in the AIM All Share Index during the same period."

**Chief Executive Officer's Review**

We are very pleased with the results of our exploration programmes in Papua New Guinea to date. Since January this year, we have collected over 5,800 soil and rock samples and carried out extensive geological mapping and detailed reinterpretation of the aeromagnetic data. We have an important geophysical survey currently underway at Nakru, on EL 1462 in West New Britain and we expect to be drilling on the targets being surveyed in the very early part of 2013.

The commencement of the geophysics programme was slightly later than planned, mainly due to delays in the freighting and customs clearance of the equipment required for the survey. The finalisation of plans for drilling the Junction and Flying Fox targets is dependent on the completion of the geophysical survey and the interpretation of the results. Because of the delayed start to the geophysics survey, it is now envisaged that drilling of these targets will commence in January rather than December, as had originally been planned.

#### **EL 1462 NAKRU**

At Nakru, in the southeast of EL1462, we have delineated four clear targets being Flying Fox, Junction, Bullseye and Eleven. The two most advanced targets at Flying Fox and Junction are currently the subject of a major Induced Polarisation/Electromagnetic ("IP/EM") geophysical survey. Each of the four targets displays a number of prospective attributes which suggest the potential proximity of a mineralised porphyry body or bodies. The Flying Fox target, for instance, shows a very pronounced geochemical anomaly for copper, coincident with significant copper grades in outcrop samples with very extensive and intensive sericitic alteration and mineralized breccias exposed at surface. The target zone also occurs across the intersection of very pronounced NE and NW trending structures, interpreted from the aeromagnetic data.

The Junction target lies to the south of the Flying Fox target. This target displays a distinctive silica-alunite alteration pattern suggestive of proximity to a porphyry body or bodies. Interpretation of the aeromagnetic data indicates a structurally complex zone and sulphide mineralisation at surface is also a positive feature of the target.

The Bullseye target lies to the east of the Junction target and shows a very strong geochemical anomaly for copper together with high grade copper values in outcrop sampling and massive chalcocite in float samples. The Bullseye target also occurs along an inferred Transform Fault evidenced from the aeromagnetic data. It is hoped to carry out a geophysical survey over the Bullseye target after we have evaluated the results of the initial survey, currently underway.

The target at Eleven shows a clear geochemical anomaly in copper together with many outcrop samples showing grades in the region of 2% copper. Further, detailed follow up exploration is planned for this target.

We expect the results of the IP/EM survey currently underway at Nakru to provide the final data required in the target evaluation at Flying Fox and Junction which will allow the precise drillhole locations and orientations there to be determined.

#### **EL 1462 KORI DAGI**

At Kori Dagi, to the northwest of EL 1462, nearly 1,600 soil and rock samples were collected and detailed rock sampling and geological mapping have also been carried out. High grade gold and copper values have been returned from rock outcrop sampling and further work is planned to select a target area which might be further defined by an IP/EM geophysical survey. It is expected that the targets thus defined will be followed up by drilling in 2013.

#### **EL1462 PLESYUMI**

At Plesyumi to the south of EL 1462, an extension to the existing soil grid is planned for this year. High grade copper and gold in outcrop has already been found over a strike length of over two kilometres. The Plesyumi area is one of high potential based on geochemical sampling completed to date together with geophysical interpretation of the aeromagnetic data and high grade copper and gold values in surface outcrops. Extensive further exploration work is planned for this area.

## **EL 1766 AMBUNTI**

The Ambunti Prospect is contained within EL 1766, in the East Sepik Province on the mainland of Papua New Guinea. We have reinterpreted the aeromagnetic data and carried out geological mapping. We have collected approximately 4,300 soil and rock samples across a 16 kilometre long zone in the northern part of the Ambunti Licence since January of this year. Broad areas of gold and/or copper anomalism were delineated. There are two potential targets on EL 1766, one an epithermal gold target towards the centre and northwest of the 16 kilometre long zone and the other a copper porphyry target at Mount Garamambu to the southeast of the zone. Infill soil geochemistry on the strongest anomalies is ongoing. On the completion of the infill sampling, more detailed follow up work in this area will include trenching and possible geophysical surveying before drilling might be expected to be commenced.

## **EL1730 MT. DU FAURE**

A total of 318 rock samples and 41 panned concentrate samples were collected at Kandoka prospect on EL 1766. The assay results were not particularly significant. Further exploration work will be carried out on other targets within the licence area.

## **LICENCE APPLICATIONS**

In addition to our three current licences, we have eleven exploration licence applications pending on the island of New Britain and exploration work will be commenced on any Exploration Licences which may be issued arising from those applications.

## **FINANCE**

We were very pleased to gain Admission to the AIM market of the London Stock Exchange in March of this year. In the process, we also raised a total of US\$11,000,000 in IPO financing which will provide for the proposed exploration programme during the coming year.

Our Income Statement for the six months ended 30 June, 2012 shows a loss of \$1,671,296 compared to \$74,559 in the same period last year. The expenditure of \$1,671,296 includes costs of \$656,614 incurred in gaining Admission to the AIM market, and also a cost of \$362,104 regarding share based payments arising from the issue of share options in the period.

Additionally, exploration expenditure of \$1,222,862 was incurred in the six months ended 30 June 2012 compared to \$440,020 in the same period last year. This reflects the increase in the number of field crews, the intensification of the work programmes and the purchase of equipment for our operations at Nakru.

In summary, we are very encouraged by the results of our exploration to date. We are excited at the prospects for our diamond drilling programme early next year. We believe that through our detailed and targeted exploration to date, we have eliminated as many of the uncertainties and risks as possible and we look forward to the drilling with the confidence that we have a good chance of intersecting a mineralized body.

I would like to pay tribute to the work being done by our team in Papua New Guinea, under the expert guidance and supervision of our Country Manager and Chief Geologist, Dr. Chris Muller. The work is often arduous and the conditions tough, but in a relatively short space of time we have achieved very significant progress towards what we hope will be the discovery of the first commercial copper deposit in New Britain.

Plans showing the locations of the targets referred to above will be available on the Company's website at [www.papuamining.com](http://www.papuamining.com)

*Hugh McCullough, EurGeol., PGeo, Chief Executive Officer of Papua, is a member of the Institute of Geologists of Ireland. He is a qualified person as defined in the Guidance Note for*

*Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange. He has reviewed and approved the technical information contained in this announcement.*

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**Papua Mining plc**  
**For the six months ended 30 June 2012**

**Financial Review**

**Financial Highlights**

	<b>6 months to 30 June 2012 US\$ (unaudited)</b>	<b>6 months to 30 June 2011 US\$ (unaudited)</b>	<b>12 months to 31 December 2011 US\$ (audited)</b>
Profit/(Loss) before tax attributable to equity owners	(1,671,296)	(74,559)	55,589
Cash and cash equivalents	8,915,306	95,851	325,102
Exploration Assets	5,914,614	3,743,871	4,691,752
Net Assets	14,453,252	2,420,943	4,551,091

**Business highlights**

A review of the Group's business, current activities and future prospects is given in the Chief Executive's Review.

**Papua Mining plc**  
**Condensed Interim Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2012**

	6 months to 30 June 2012 US\$ (unaudited)	6 months to 30 June 2011 US\$ (unaudited)	12 months to 31 December 2011 US\$ (audited)
Note			
Administrative costs	(1,667,946)	(74,559)	(1,044,911)
Exceptional Income	0	0	1,100,500
Finance (charges)/income	(3,350)	0	0
<b>(Loss)/income before tax</b>	<b>(1,671,296)</b>	<b>(74,559)</b>	<b>55,589</b>
Income tax expense	0	0	0
<b>(Loss)/income attributable to equity owners for the period</b>	<b>(1,671,296)</b>	<b>(74,559)</b>	<b>55,589</b>
<b>Other comprehensive (loss)/income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive (loss)/income attributable to equity owners for the period</b>	<b>(1,671,296)</b>	<b>(74,559)</b>	<b>55,589</b>
<b>Earnings/(loss) per share attributable to equity owners</b>			
Basic	3	(0.05)	(0.01)
Diluted	3	(0.05)	(0.01)

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

**Papua Mining plc**  
**Condensed Interim Consolidated Statement of Financial Position**  
**As at 30 June 2012**

	Note	6 months to 30 June 2012 US\$ (unaudited)	6 months to 30 June 2011 US\$ (unaudited)	12 months to 31 December 2011 US\$ (audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4	5,914,614	3,743,871	4,691,752
<b>Total non-current assets</b>		<b>5,914,614</b>	<b>3,743,871</b>	<b>4,691,752</b>
<b>Current Assets</b>				
Trade and other receivables		0	2,296,030	0
Cash and cash equivalents		8,915,306	95,851	325,102
<b>Total current assets</b>		<b>8,915,306</b>	<b>2,391,881</b>	<b>325,102</b>
<b>Total assets</b>		<b>14,829,920</b>	<b>6,135,752</b>	<b>5,016,854</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent:</b>				
Share Capital	5	5,010,973	2,462,938	2,462,938
Share Premium		21,716,888	0	0
Other Reserves		(9,966,508)	1,087,062	3,087,062
Share Based Payment Reserve	6	362,104	0	0
Retained deficit		(2,670,205)	(1,129,057)	(998,909)
<b>Total equity</b>		<b>14,453,252</b>	<b>2,420,943</b>	<b>4,551,091</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		376,668	3,714,809	465,763
<b>Total current liabilities</b>		<b>376,668</b>	<b>3,714,809</b>	<b>465,763</b>
<b>Total liabilities</b>		<b>376,668</b>	<b>3,714,809</b>	<b>465,763</b>
<b>Total equity and liabilities</b>		<b>14,829,920</b>	<b>6,135,752</b>	<b>5,016,854</b>

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

**Papua Mining plc**  
**Condensed Interim Consolidated Statement of Cash Flows**  
**For the six months ended 30 June 2012**

	<b>6 months to 30 June 2012 US\$ (unaudited)</b>	<b>6 months to 30 June 2011 US\$ (unaudited)</b>	<b>12 months to 31 December 2011 US\$ (audited)</b>
<b>Cash flow from operating activities</b>			
Profit/(loss) for the period	(1,671,296)	(74,559)	55,589
Adjustments to reconcile net profit/(loss) before tax to cash flow from operating activities:			
Share Based Payments	362,104	0	0
Net decrease/(increase) in operating assets -Other receivables	0	0	65,000
Net (decrease)/increase in operating liabilities -Other liabilities	(89,095)	243,144	(774,872)
<b>Net cash flow from operating activities</b>	<b>(1,398,287)</b>	<b>168,585</b>	<b>(654,283)</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets	(1,222,862)	(440,020)	(1,387,901)
<b>Net cash used in investing activities</b>	<b>(1,222,862)</b>	<b>(440,020)</b>	<b>(1,387,901)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of ordinary shares	11,211,353	0	2,000,000
<b>Net cash used in financing activities</b>	<b>11,211,353</b>	<b>0</b>	<b>2,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,590,204</b>	<b>(271,435)</b>	<b>(42,184)</b>
Cash and cash equivalents at the beginning of the period	325,102	367,286	367,286
<b>Cash and cash equivalents at the end of the period</b>	<b>8,915,306</b>	<b>95,851</b>	<b>325,102</b>

**Papua Mining plc**  
**Condensed Interim Statement of Changes in Equity**  
**For the six months ended 30 June 2012**

	Share Capital	Share Premium	Other Reserves	Share Based Payment Reserve	Retained Deficit	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 January 2011</b>	<b>2,462,938</b>	<b>0</b>	<b>1,087,062</b>	<b>0</b>	<b>(1,054,498)</b>	<b>2,495,502</b>
Profit/(Loss) for the period					(74,559)	(74,559)
Arising on group reorganisation						0
<b>Balance at 30 June 2011</b>	<b>2,462,938</b>	<b>0</b>	<b>1,087,062</b>	<b>0</b>	<b>(1,129,057)</b>	<b>2,420,943</b>
Profit/(Loss) for the period					130,148	130,148
Arising on group reorganisation			2,000,000			2,000,000
<b>Balance at 31 December 2011</b>	<b>2,462,938</b>	<b>0</b>	<b>3,087,062</b>	<b>0</b>	<b>(998,909)</b>	<b>4,551,091</b>
Profit/(Loss) for the period					(1,671,296)	(1,671,296)
Issue of share capital	2,548,035	8,663,318				11,211,353
Share Based Payment				362,104		362,104
<b>Balance at 30 June 2012</b>	<b>5,010,973</b>	<b>8,663,318</b>	<b>3,087,062</b>	<b>362,104</b>	<b>(2,670,205)</b>	<b>14,453,252</b>

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

**Papua Mining plc**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six months ended 30 June 2012**

**1 Group and Principal activities**

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

Mined Games Limited and Samui Mining Limited, companies registered in the British Virgin Islands, were the holding companies of Aries Mining Limited and Sagittarius Mining Limited, companies registered in Papua New Guinea, for the years ended 31 December 2008 and 31 December 2009. During the year ended 31 December 2010, Papua Mining Limited, a company incorporated in the British Virgin Islands, became the holding company of Aries Mining Limited and Sagittarius Mining Limited. Mined Games Limited and Samui Mining Limited are now dormant companies and do not form part of the legal group.

Each of the companies of the PM plc Group was under the common control of the same ultimate beneficial owners during the period under review and have effectively operated as a group under common management for a number of years although they did not comprise a statutory group as defined by International Accounting Standards.

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

**2 Basis of preparation and significant accounting policies**

**a) Basis of preparation**

Papua Mining plc was incorporated on 29 September 2011 and on 20 December 2011 acquired 100% of the share capital of Papua Mining Limited.

As this transaction is outside the scope of IFRS 3 and in the absence of any relevant guidance under International Financial Reporting Standards, the acquisition was accounted for as a Group reconstruction as permitted under UK Financial Reporting Standard 6,. Under merger accounting the acquisition has been accounted for as though the Group, as currently constituted, has been in place for the whole of the period covered by these financial statements. In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company in consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves. In order to assist readers of this report understand the trading performance of the PM plc Group the assets, liabilities and losses of the underlying business have been consolidated to present the combined results and balances that would have been shown had the PM plc Group been under the control of a single common parent legal entity for the entire review period.

This interim report on the unaudited consolidated financial statements is for the six month period ended 30 June 2012. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2011, which were prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Except as noted below, these consolidated financial statements have been prepared in accordance with accounting policies consistent with those set out in the Group's financial statements for the year ended 31 December 2011.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2011, prepared under IFRS as adopted by the EU, have been filed with the Registrar of Companies. Those accounts have received an unqualified audit report and did not contain statements or matters to which the auditors drew attention under the Act.

**b) Basis of consolidation**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The directors consider that at the point of the reorganisation the business combination falls outside the scope of IFRS 3. Accordingly, the consolidated financial statements have been prepared using the pooling of interests method which the directors consider best reflects the economic substance of the transaction, which was to form a Group with exploration licences in Papua New Guinea in preparation for an Initial Public Offering on AIM.

The difference between the nominal value of the shares issued by Papua Mining plc to the shareholders of Papua Mining Limited and the nominal value of the shares of Papua Mining Limited taken in exchange has been credited to a merger reserve on consolidation. The equity structure of the Group reflects the equity structure of the legal parent, Papua Mining plc, including the equity instruments issued by the legal parent to effect the transaction and is deemed to be the same in comparative periods. The assets and liabilities of the subsidiaries are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts and retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of Papua Mining Limited immediately before the reorganisation.

**3 Earnings/(loss) per share**

<b>Group</b>	<b>30 June 2012 US\$</b>	<b>30 June 2011 US\$</b>	<b>31 December 2011 US\$</b>
Earnings/(loss) for the purpose of basic and diluted earnings per share	<u>(1,671,296)</u>	<u>(74559)</u>	<u>55,589</u>
<b>Numbers</b>			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>31,876,334</u>	<u>15,938,167</u>	<u>15,938,167</u>
	US\$	US\$	US\$
Earnings/(loss) per share – basic	<u>(0.05)</u>	<u>(0.01)</u>	<u>0.01</u>
Earnings/(loss) per share – diluted	<u>(0.05)</u>	<u>(0.01)</u>	<u>0.01</u>

Earnings/(loss) per share has been calculated by dividing earnings/(loss) for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings/(loss) per share has been calculated by dividing earnings/(loss) for the year by the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all dilutive potential options/warrants. Losses are not subject to dilution.

#### 4 Intangible assets

Group	30 June 2012 US\$	30 June 2011 US\$	31 December 2011 US\$
<b>Exploration costs</b>			
At beginning of period	4,691,752	3,303,851	3,303,851
Additions	1,222,862	440,020	1,387,901
At the end of year	<u>5,914,614</u>	<u>3,743,871</u>	<u>4,691,752</u>

The Group's principal subsidiary undertakings at 30 June 2012, all of which are included in the consolidation, were as follows:

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

#### 5 Share capital

Group	30 June 2012 Number	30 June 2011 Number	31 December 2011 Number
<b>Authorised</b>			
Ordinary shares of \$0.16 each	40,078,190	-	-
<b>Issued share capital</b>			
Ordinary shares of \$0.16 each	31,876,334	-	-
<b>Deemed notional share capital (see note 3b)</b>			
Ordinary shares of \$0.16 each	-	15,938,167	15,938,167

	30 June 2012 US\$	30 June 2011 US\$	31 December 2011 US\$
<b>Issued share capital</b>			
Fully paid	5,010,973	-	-
Deemed issued share capital (see note 3b)	-	2,462,938	2,462,938
	<u>5,010,973</u>	<u>2,462,938</u>	<u>2,462,938</u>

Prior to the Group's reorganisation which took place on 20 December 2011, the share capital of Papua Mining Limited was \$4,427,269 of \$1 nominal value each, and the share premium was \$1,122,731.

The share for share issue which took place on 20 December 2011 was 3.6 shares in Papua Mining plc for each share in Papua Mining Limited whereby 100% of the issued share capital was acquired. Papua Mining plc issued 15,938,147 shares with a nominal value of \$0.16 each.

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

## **6 Share Based Payment Reserve**

Papua Mining plc was admitted to AIM on March 2, 2012 and raised just over \$10.8 million through the issue of 15,938,167 ordinary shares at a price of \$0.68 per share.

On 9 February 2012, conditional on Admission, which was achieved, share options were granted over 2,640,724 ordinary shares to certain Directors and a key employee, such share options being exercisable at the Issue Price and subject to certain limits and all of which will expire on the tenth anniversary of the date of Admission.

The share based payment reserve represents a reserve arising on the grant of share options to certain Directors and a key employee.

Ends