Papua Mining

Papua Mining plc

Placing and Admission to AIM

Nominated Adviser and Broker:
Cenkos Securities plc

www.papuamining.com

Papua Mining

London Office
Papua Mining plc
Granville House, 132 Sloane Street
London SW1X 9AX
tel +44 (0) 207 881 7920
email info@papuamining.com
www.papuamining.com

Port Moresby Office
BeMobile Building
Section 28 Lot 2, Waigani Drive, NCD
tel +675 323 1203, +675 323 7172
fax +675 323 8576
email: moresby@papuamining.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor or other independent adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the FSMA if you are resident in the UK, or, if you are not resident in the UK, from another authorised independent adviser. The whole of this document should be read. Your attention is drawn in particular to the section entitled "Risk Factors" in Part III of this document that describes certain risks associated with an investment in the Company.

The Company and its Directors accept collective and individual responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have each taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the proposed Admission. This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the FSA in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the offices of Fasken Martineau LLP, 3rd Floor, 17 Hanover Square, London W1S 1HU, for a period of one month from the date of Admission and is also available on the Company's website at www.papuamining.com.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will take place and that dealings in the Enlarged Issued Share Capital will commence on 2 March 2012. **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 UKLA. 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. In particular, it should be remembered that the price of securities and the income from them can go down as well as up.**

The AIM Rules are less demanding than those of the Official List. **Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.** It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. **Further, neither the London Stock Exchange nor the FSA has examined or approved the contents of this document.**

Papua Mining plc

(Incorporated and registered in England and Wales with Registered Number 7791328)

(ISIN Number: GB00B42TN250)

Placing of 15,938,167 Ordinary Shares of £0.10 each at £0.44 per Ordinary Share

and

Admission to Trading on AIM

Nominated Adviser and Broker

CENKOS

The Placing is conditional, *inter alia*, on Admission taking place on or before 2 March 2012 (or such later date as the Company and Cenkos may agree). The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

Cenkos, which is authorised and regulated in the United Kingdom by the FSA and is advising the Company and no one else (whether or not a recipient of this document) in connection with the Placing and Admission, and is acting exclusively for the Company as nominated adviser and broker for the purpose of the AIM Rules. Cenkos will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Cenkos as to the contents of this document.

No liability whatsoever is accepted by Cenkos for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, the Republic of South Africa or Japan except that the document may be provided in certain limited circumstances to persons in the United States in connection with a placing of Ordinary Shares in private placements exempt from the registration requirements of the United States Securities Act of 1933. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, any state securities laws in the United States or any securities laws of Canada, the Republic of South Africa or Japan or in any country, territory or possession where to offer them without doing do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in the United States, Canada, the Republic of South Africa or Japan or to, or for the account limited or benefit of, any person in, or any national, citizen or resident of the United States, Canada, the Republic of South Africa or Japan. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document.

Forward-looking Statements

This document contains forward looking statements relating to the Company's future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the Risk Factors described in Part III of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Gordon Jolliffe	*Non-Executive Chairman*
	Hugh Martin McCullough	*Chief Executive Officer*
	Kieran Harrington	*Technical Director*
	Gunnar Palm	*Independent Non-Executive Director*
	all of:	
	Granville House 132 Sloane Street London SW1X 9AX	
Company Secretary	Scrip Secretaries Limited 5th Floor 17 Hanover Square London W1S 1HU	
Registered Office	5th Floor 17 Hanover Square London W1S 1HU	
Nominated Adviser and Broker	Cenkos Securities plc 66 Hanover Street Edinburgh EH2 1EL	
	and	
	6.7.8 Tokenhouse Yard London EC2R 7AS	
Solicitors to the Company as to English law	Fasken Martineau LLP 3rd Floor 17 Hanover Street London W1S 1HU	
Reporting Accountants	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB	
Solicitors to the Company as to Papua New Guinea Law	Niugini Legal Practice Units 204, 205, 206 Level 2, Pacific View Apartments Pruth Street 2 Mile Hill National Capital District Papua New Guinea	

Solicitors to the Company as to BVI Law	Maples and Calder Princes Court 7 Princes Street London EC2R 8AQ
Solicitors to the Placing	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ
Competent Person	CSA Global Pty Limited 3 Ord Street West Perth Australia WA 6005
Financial PR	Square1 Consulting Limited 22 Eastcheap London EC3M 1EU
Company Website	www.papuamining.com
Company Telephone Number	+44 (0)20 7881 7920
TIDM Code	PML

PLACING STATISTICS

Issue Price	£0.44
Number of Ordinary Shares in issue prior to the Placing	15,938,167
Number of Placing Shares being placed under the Placing*	15,938,167
Percentage of Enlarged Issued Share Capital being placed under the Placing	50.0%
Enlarged Issued Share Capital following Admission	31,876,334
Estimated gross proceeds of the Placing receivable by the Company	£7.0 million
Estimated net proceeds of the Placing receivable by the Company	£6.2 million
Estimated market capitalisation of the Company at the Issue Price	£14.0 million

The exchange rate used in this Admission Document is as follows:

£1 : $1.6

* Includes 698,467 Ordinary Shares to be issued to Cenkos Securities as part of the Placing. Please see paragraph 10.2 of Part VIII of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2012
Publication of AIM admission document	22 February
Admission effective and dealings in the Enlarged Issued Share Capital commence on AIM	2 March
CREST accounts (where relevant) expected to be credited	2 March
Share certificates (where relevant) expected to be despatched no later than	16 March

Note: if the above dates change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

PART I

INFORMATION RELATING TO THE GROUP

1. Introduction

Papua Mining, a recently incorporated company in England and Wales, is the holding company of PML, a wholly owned BVI incorporated company which in turn wholly owns two subsidiary companies, being Sagittarius and Aries, both incorporated in Papua New Guinea. Sagittarius and Aries each hold mineral Exploration Licences in the West New Britain province on the Papua New Guinea island of New Britain and in Ambunti which is located in the East Sepik province on the mainland of Papua New Guinea.

The Group's strategy is to explore for and, where the Directors believe that it is commercially feasible, develop deposits of gold and/or copper within the territory of PNG. It is the Group's intention to conduct its activities in a professional and responsible manner, for the benefit of the Company's shareholders, its employees and the national and local communities within which it operates.

Through its Subsidiaries, Papua Mining holds Exploration Licences EL 1462 (which is currently subject to a renewal process) and EL 1730 in the province of West New Britain, and EL 1766 in the province of East Sepik. The Group also has eleven Exploration Licence applications, all of which are for areas in the West New Britain province on New Britain Island, and may seek to extend its exploration programme to the areas covered by such applications if and when such applications are granted. Details of the Exploration Licences and Exploration Licence applications are set out in paragraph 3 of this Part I.

The Group has accumulated historic exploration data from its Licence Areas into a comprehensive electronic database, digitised the maps and ground-truthed data points over each of its Licence Areas and has identified targets to further explore. In addition, the two West New Britain Exploration Licences surround three areas currently being explored by Coppermoly in a joint venture with Barrick, the world's largest gold producer. Data released through the Coppermoly website indicates that their projects in West New Britain (Nakru, Simuku, Kulu and Plesyumi) are at a relatively advanced stage of exploration and have indicated some very positive drilling results.

The Ambunti licence in East Sepik Province (EL 1766) has reportedly yielded some high grade gold occurrences and current exploration work is demonstrating good gold and copper anomalism. The Directors are not, however, aware of any diamond drilling having been carried out by any former licencee on EL 1766.

As noted in the executive summary of the Competent Person's Report (which is included in Part IV of this document, and should be read in its entirety), the Group's current assay data is promising and, in the Competent Person's view, there can be little doubt about the potential for discovering an economic mineral deposit within the Group's Exploration Licenses.

The Group's management has extensive and successful exploration experience in West Africa. The Chief Executive Officer, Hugh McCullough, and the Executive Technical Director, Kieran Harrington, have a strong exploration track record. As chief executive of Glencar Mining plc, Hugh McCullough oversaw the discovery of two commercial gold mines in Ghana, West Africa and the discovery of a promising new gold deposit in Mali. As chief geologist then technical director of Glencar Mining plc, Kieran Harrington also had first hand involvement in the discovery of one mine in Ghana as well as the Mali deposit. The Company's Chief Geologist, Chris Muller, was the senior geologist on site responsible for the drilling of the discovery hole on the Golpu West porphyry, the major copper porphyry deposit at Wafi Golpu in Papua New Guinea being operated by Morobe Mining Joint Ventures, which is owned equally by Harmony and Newcrest.

The Group has been funded to date through various private equity fundraisings from its existing shareholder base. To 30 June 2011, the Group has spent approximately £3.7 million on exploration activities including data compilation, trenching, soil and rock sampling, mapping and geophysical reprocessing and interpretation on its Licence Areas.

The Company is now seeking Admission and to raise approximately £7.0 million by way of the Placing, to enable the Group to undertake a systematic exploration and drilling programme with the objective of discovering copper-gold deposits which could be commercially developed.

2. Overview of the Geology of Papua New Guinea

The geology and mineralisation of Papua New Guinea is a result of its location on the boundary between the Pacific and Australian tectonic plates which lie on part of the so-called "Pacific Ring of Fire". Tectonic activity along this plate boundary has led to a large concentration of economic deposits of metals and Papua New Guinea is situated in the western part of a porphyry copper-gold belt which tracks some of the Pacific Ring. The porphyry copper-gold belt stretches across Papua New Guinea and into neighbouring Irian Jaya, Indonesia.

PNG is prospective for porphyry copper-gold and epithermal gold, also volcanogenic massive sulphide deposits, lateritic nickel-cobalt-chromite and bauxite occurrences, and placer deposits of gold, platinum, titaniferous magnetite and chromite.

PNG has a number of mines producing primarily gold and copper including Ok Tedi, Hidden Valley, Porgera, Simberi, Tolukuma, Lihir and Sinivit. Grasberg, in Irian Jaya, the Indonesian half of New Guinea island, is one of the world's largest metal mines and with reported reserves of 32.7 billion pounds of copper and 33.7 million ounces of gold, is the largest gold reserve of any deposit in the world.

The Wafi Golpu discovery in Papua New Guinea is owned by a joint venture between Harmony and Newcrest. It is already one of the highest grade major porphyry copper deposits in the world and, in July 2011, Newcrest reported an updated mineral resource estimate of 9 million tonnes of copper and 26.6 million ounces of gold. More recent announcements on Wafi Golpu point to a target of 15 million tonnes of copper and 40 million ounces of gold, which, if realised, would rank as one of the world's largest copper-gold deposits.

Despite the existing mines and ongoing exploration, much of Papua New Guinea is, however, densely forested and difficult to access. Until the relatively recent rise in mineral prices, the costs of exploring and mining these areas have inhibited exploration activities and parts of Papua New Guinea, including the target areas identified by the Group, have not yet been fully explored. There is, however, now significant exploration activity in PNG with a number of companies active in exploration and production of copper and gold including Harmony, Newcrest, Newmont and Barrick. The Directors believe that there is potential for further significant discoveries in PNG.

3. The Group's Licences and Licence Applications

Through its Subsidiaries, the Group holds Exploration Licences in two areas in Papua New Guinea. Two Exploration Licences (EL 1462 and EL 1730) are located in the West New Britain province on New Britain Island, and a third (EL 1766) is located in the Ambunti area in the East Sepik Province on the mainland.

The Exploration Licences located on New Britain Island cover an area which straddles the so called Kulu-Fulleborn Trend, a NW-SE trending belt of mainly intermediate volcanic rocks and associated, sub-volcanic intrusives which host a number of historically reported porphyry copper mineralisation targets.

The Exploration Licence located in Ambunti covers an area where the existence of gold mineralisation was first reported in the late 1930s. Historical work has located a number of rock samples with high-grade gold along a 16 kilometre geological trend and there has been significant artisanal activity reported within this zone.

A. Summary of the Group's Licences and Licence Applications

As set out above the Group holds the following Exploration Licences:

- EL 1462 (under application for renewal), which is located on New Britain Island;
- EL 1730, which is also located on New Britain Island; and
- EL 1766, which is located at Ambunti, in the East Sepik province on the mainland of PNG.

EL 1462 expired on 17 September 2011. The Group has submitted an application for the renewal of this Exploration Licence and, in accordance with PNG regulation, has shed (relinquished) approximately 50 per cent. of the licence area it held at the time. Under the Mining Act 1992, it is usual for renewal applications to be granted and, in practice, work can proceed whilst the renewal application is being processed.

The Group also has eleven pending Exploration Licence applications for areas on New Britain Island. These are ELAs 1731, 1802, 1803 1804, 2048, 2049, 2050 and 2051, which adjoin or are nearby to the Group's Exploration Licences, and ELAs 2144, 2145 and 2146 which cover almost the entire area recently shed under the current renewal process for EL 1462. In relation to Aries' ELA 1804 (which is an application for an area in New Britain which forms part of areas shed on earlier renewals of EL 1462), there is a competing application by Copper Quest PNG Limited. Copper Quest PNG Limited argue that, *inter alia*, the required advertisement to be published in the Government's National Gazette was not made nor was the application made within a period of 30 days after expiry of EL 1462 as required by the Mining Act 1992. The Group has submitted its responses to the Mineral Resources Authority in relation to the objections which have been made. The Mineral Resources Authority has indicated that it would place this application, the objections and the responses by Aries to the MAC. As at the date of this document no official responses have been received. However the Board believes, based on its discussion with local counsel, that the application for EL 1804 is first in time and should, if the legal principals of "first come first served" (which are set out in paragraph 4 of this Part I) are followed, be considered first.

Table 1 provides a summary of the Group's Exploration Licences and Exploration Licence applications.

Table 1: Summary of Exploration Licences and Applications

Asset	Holder	Interest (%)	Status	Grant or *(application date)*	Expiry date	Licence area (km^2)	Comments
EL 1462*	Sagittarius	100%	Exploration	18/09/2007 *(19/09/2011)*	17/09/2011	625	Application for renewal submitted and is pending approval – 50% of the original area has been shed in accordance with regulations.
EL 1730	Aries	100%	Exploration	16/03/2011	16/03/2013	587	Granted licence in West New Britain area
EL 1766	Aries	100%	Exploration	16/03/2011	16/03/2013	361	Granted licence in Ambunti/East Sepik area
ELA 1731	Aries	100%	Exploration	*(26/05/2009)*		320	Pending application in New Britain
ELA 1802	Aries	100%	Exploration	*(26/03/2010)*		92	Pending application in New Britain
ELA 1803	Aries	100%	Exploration	*(26/03/2010)*		137	Pending application in New Britain
ELA 1804**	Aries	100%	Exploration	*(26/03/2010)*		974	Pending application in New Britain
ELA 2048	Sagittarius	100%	Exploration	*(22/07/2011)*		123	Pending application in New Britain
ELA 2049	Sagittarius	100%	Exploration	*(22/07/2011)*		164	Pending application in New Britain
ELA 2050	Sagittarius	100%	Exploration	*(22/07/2011)*		140	Pending application in New Britain
ELA 2051	Sagittarius	100%	Exploration	*(22/07/2011)*		220	Pending application in New Britain
ELA 2144***	Aries	100%	Exploration	*(15/12/2011)*		113	Pending application in New Britain
ELA 2145***	Aries	100%	Exploration	*(15/12/2011)*		255	Pending application in New Britain
ELA 2146***	Aries	100%	Exploration	*(15/12/2011)*		283	Pending application in New Britain

* An application for the renewal of EL 1462 was made on 19 September 2011.

** There is a competing application in respect of the area covered by ELA 1804 (see above).

*** Represents applications in New Britain for areas shed from EL 1462 under the current renewal process for EL 1462.

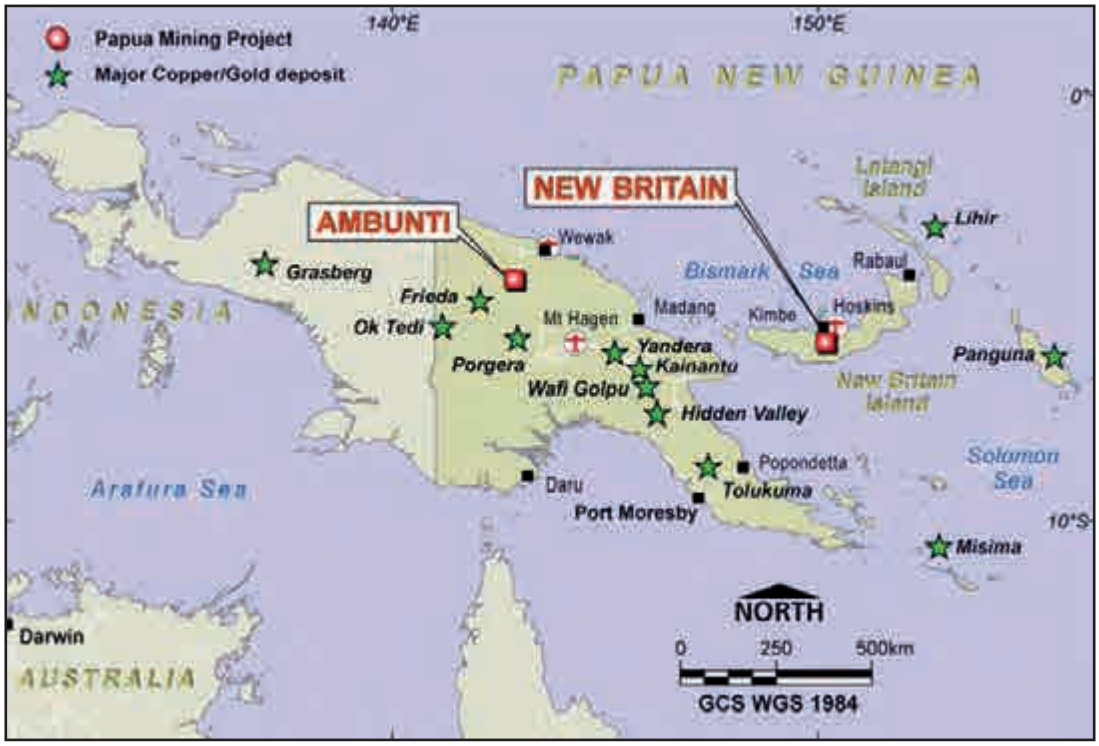
Source: page 4 CSA Global Competent Person's Report, 22 February 2012.

The Group does not currently have any reserves or resources. The purpose of the exploration programme being funded by the net proceeds of the Placing is to explore the Licence Areas set out in Table 1 above in order to try and discover and, if so discovered, develop potentially commercial copper-gold deposits.

B. Location of and access to the Group's Exploration Licences

The locations of the Group's Exploration Licences are set out in Figure 1 below. All the Group's projects under the Exploration Licences are at an early stage and no infrastructure dedicated to the projects to provide access to camp or drill sites has yet been established.

Figure 1: Project Location Map



Source: page 3 CSA Global Competent Person's Report, 22 February 2012

West New Britain

Pages 9, 10 and 11 of the CPR describe the location of the Group's Exploration Licences in West New Britain. The two granted Exploration Licences (EL 1462 and EL 1730) in West New Britain on New Britain Island cover an irregular elongated shape between Kimbe, the capital of the West New Britain province, on the north coast, to Fulleborn on the south coast.

Kimbe has a deep water port that can be used to bring in vehicles and drilling equipment. This area is covered in the most part with oil-palm plantations and has a good road infrastructure. Access to EL 1730, which borders Kimbe, is therefore relatively easy.

The central part of EL 1462 is dominated by the rugged Whiteman Mountain ranges which have altitudes ranging from 200m to 1,830m above sea level at the highest point. Numerous rivers and streams dissect the area and drain to the north and south coasts from the ranges. Access to parts of EL 1462 is generally very difficult and in some instances can only be reached by helicopter or light aircraft or via logging tracks.

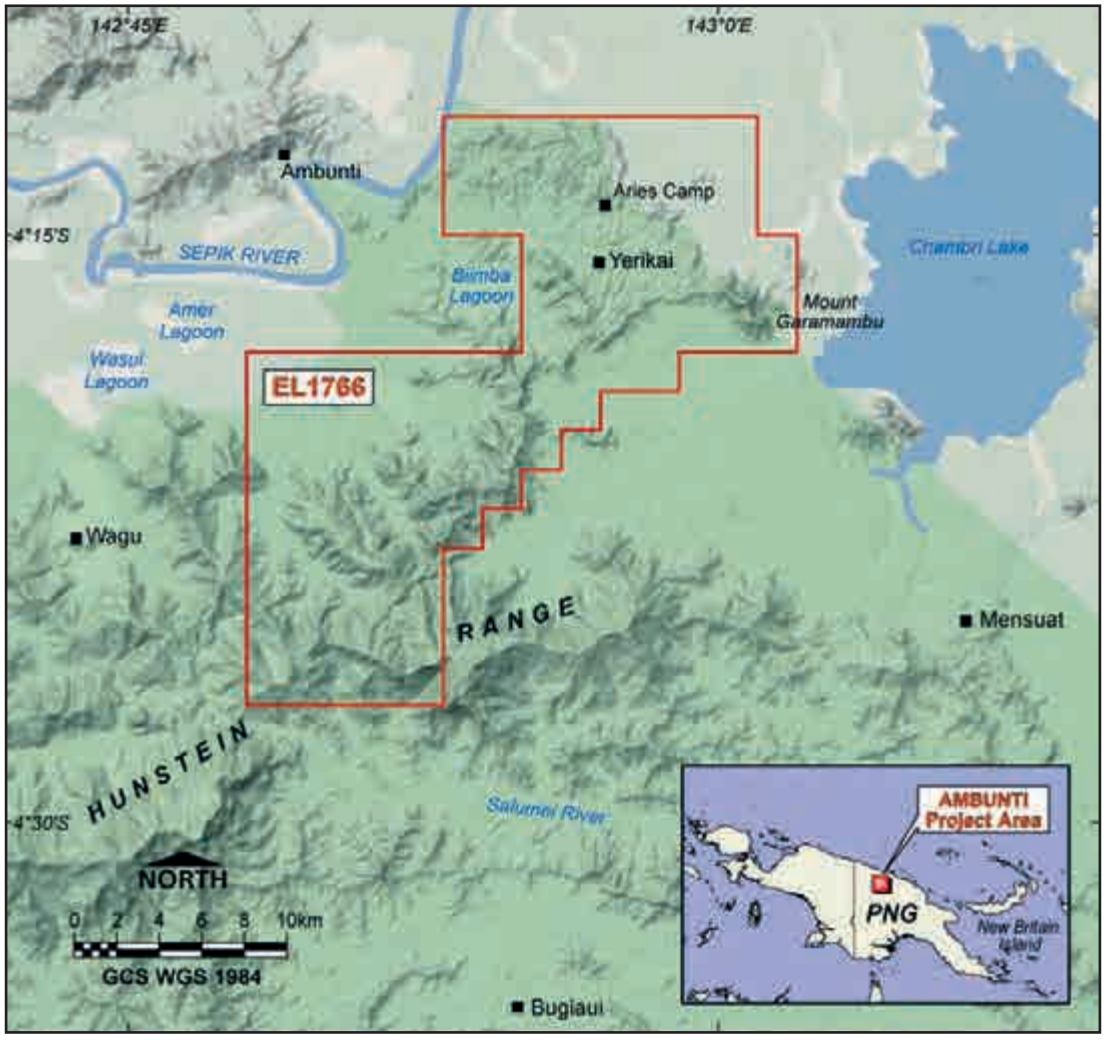
Both of EL1730 and EL 1462 and most of the areas which are the subject of applications for additional Exploration Licences are covered by dense tropical rain forest with patchy areas of secondary growth where logging and subsistence farming has occurred. Large areas of land are cultivated as oil-palm plantations.

The area in which both EL 1730 and EL 1462 are located experiences a typical monsoonal climate with high rainfalls on the south coast from May to October during the southeast trade winds whilst the northern part is relatively sheltered and drier during this time. This situation is frequently reversed during the northwest monsoon between November and April when the north coast experiences heavier rainfalls than the south. The central ranges remain wet and cloudy with cooler temperatures all year round. The frequent rain can affect access by air and can result in delays in the work programme.

Ambunti

Pages 8, 12 and 13 of the CPR describe the location of EL 1766, being the Group's Exploration Licence in Ambunti. EL 1766 covers 361 km^2 of low forested hills surrounded by the Sepik River plains/swamps east of the Ambunti Government Station covering the area from the Nawi and Yerekai Villages to Mount Garamambu, then south west to the western fringes of the Hunstein Range (see Figure 2). The Sepik River valley is a drowned mature river system resulting in large areas being covered by swamps and shallow fresh water lakes.

Figure 2: The Group's Ambunti Exploration Licence Area



Source: page 8 CSA Global Competent Person's Report, 22 February 2012

Ambunti is accessible either by light aircraft or by dugout canoe. No maintained roads exist within the Ambunti area and footpaths are the only land-based access within the Licence Area. The target areas in EL 1766 are surrounded by water and can be accessed by motorised dugout canoe. Barges can be towed to the edge of the EL 1766 Licence Area along the major Sepik River.

One of the earlier exploration companies used a bulldozer on site and constructed a rudimentary road. Although this road is not in use and is overgrown, it would be relatively simple to re-establish if necessary.

As with the West New Britain Licence Areas, the EL 1766 Licence Area experiences typical monsoonal climate with high rainfalls on the south coast from May to October during the southeast trade winds whilst the northern part is relatively sheltered and drier during this time. This situation is typically reversed during the northwest monsoon between November and April when the north coast

experiences heavier rainfalls than the south. The central ranges usually remain wet and cloudy with cooler temperatures all year round.

C. Local Geology

West New Britain

Pages 18 to 23 of the CPR describe the local geology in West New Britain.

Structure

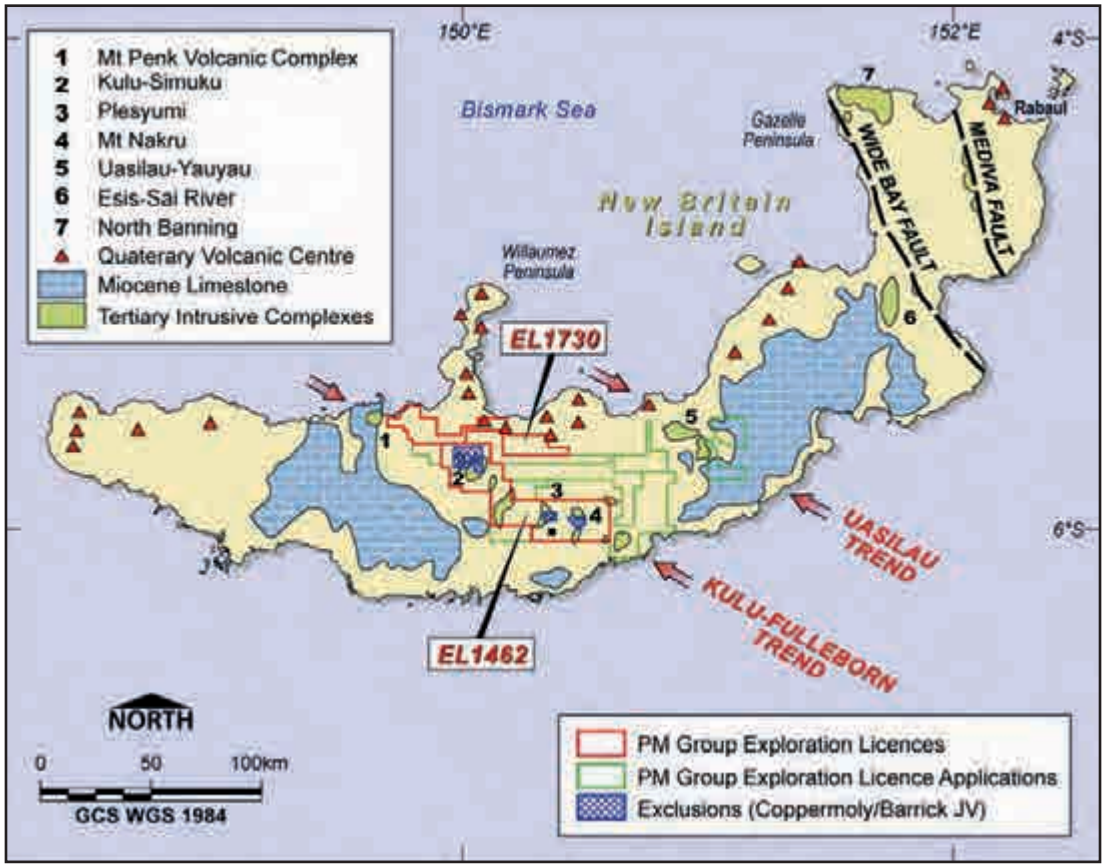
According to a 2011 study, the structural alignment of Tertiary intrusives in New Britain, New Ireland and Manus Island have all localised the emplacement of copper-gold mineralised intrusives, ranging in age from Oligocene to Pliocene. They also have a long movement history, which may range through to the Holocene, and are oblique to existing major morpho-tectonic features, such as the New Britain Trench and structural elements associated with the Middle Pliocene-Recent opening of the Bismark Sea.

Kulu-Fulleborn Trend, West New Britain

The Kulu-Fulleborn Trend is a corridor of Upper Oligocene- Pliocene intrusives and volcanics in West New Britain (see Figure 3). The trend has a strike length of 150 km and a width of 25 km, and passes northwest-southeast across West New Britain, from Eleonora Bay on the north coast to Fulleborn on the south coast. The Sagittarius Mining property is situated in such a way that the boundaries, pre 2011 shed off, encompassed about 80 percent of the trend. The orientation of the clearly defined trend is of particular interest, not only because it is oblique to all major morphotectonic elements of the region but also because it possesses a controlling role in the localisation of igneous activity and is associated with Cu ± Au mineralisation. The trend has a documented long history of igneous activity with significant (>1000 m) vertical movement.

The Kulu-Fulleborn Trend is a fundamental structural boundary of sub-crustal extent. An abrupt thickening of crust from 15-20 km to 40 km depth occurs in a south-western direction across the structure and the trend forms the western boundary of a large free air gravity anomaly that underlies Central New Britain. The Central New Britain anomaly is a major extensional fracture in the crust through which higher density material has risen toward the surface.

Figure 3: Simplified geology map of New Britain



(showing the Kulu-Fulleborn and Uasilau trends and other structures, distribution of Miocene limestone and Quaternary volcanic centres) (after Horne, 2011)

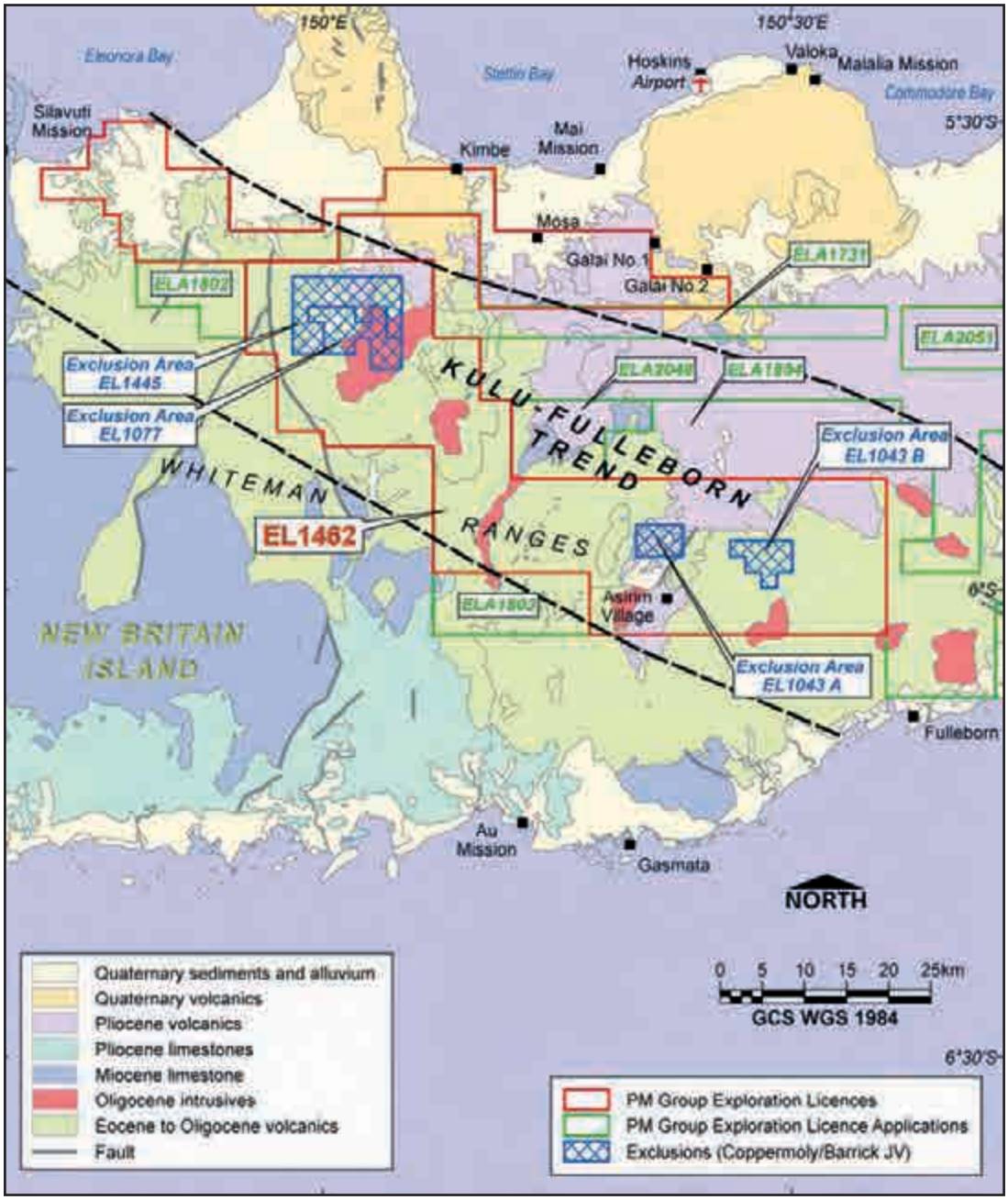
Source: page 19 CSA Global Competent Person's Report, 22 February 2012

Many Upper Oligocene and Pliocene dioritic intrusives are localised in the Kulu-Fulleborn Trend and host porphyry copper, skarn and gold mineralisation. Significant zones of mineralisation (and their ages) include, from the northwest, Kavola East Prospect (Pliocene; epithermal gold), Kulu-Simuku porphyry copper system (Upper Oligocene; copper, gold), Plesyumi porphyry copper (Upper Oligocene; copper), Mt. Nakru Prospect (Lower Miocene; gold, copper). The Upper Oligocene intrusives comprise large sub-batholithic bodies and smaller stocks, with the long axes of many of the bodies trending northeast, orthogonal to the main trend.

Contained within and virtually surrounded by the Group's EL 1462 are three smaller licences which are being explored by Coppermoly. Since the 1960s, regional studies undertaken by a number of companies had identified gold, molybdenum and copper targets within these areas at Plesyumi and Mt Nakru, Simuku and Kulu.

Local structural controls, superimposed on the prominent northwest trend, have clearly controlled Upper Oligocene emplacement. There is a general decrease in age of igneous activity in a northwest direction along the trend. This corresponds with a shallowing in the depth of formation of mineralisation, from the deeper porphyry coppers at Kulu-Simuku and Plesyumi, to relatively shallow epithermal mineralisation at Kavola East.

Figure 4: Kulu-Fulleborn trend (Horne, 2011)



Source: page 20 CSA Global Competent Person's Report, 22 February 2012

Mineralisation

Within the project area several types of mineralisation are reported including: porphyry copper–gold mineralisation at Simuku, Kulu and Plesyumi, copper skarn mineralisation at Dagi and copper–gold mineralisation with an epithermal overprint at Nakru (all of which are Coppermoly projects).

Both of the Group's Exploration Licences, EL 1462 and EL 1730, are situated in the Kulu-Fuleborn trend, a prominent NW-SE belt of mainly intermediate volcanic rocks and associated, sub-volcanic intrusives with potential for precious metal enhanced porphyry copper mineralisation (see Figures 3 and 4).

Ambunti

Pages 24 to 25 of the CPR describe the local geology in Ambunti.

The exploration by the Group in the Ambunti area is still at a relatively early stage and much of the information available to the Group is based on historic reports by earlier explorers, in particular those produced by Australian Anglo American (AAA) which has, to the Directors' knowledge, performed the most detailed work.

Structure

There are four structural sets that define the Guaimes area which lies within EL 1766 in the Ambunti area. The regional NW trend is the dominant set which is offset by the NE trending trans-arc structures. The main bedding trend subsequently follows the shallower dipping north easterly trend. A more steeply dipping foliation roughly trends E-W. This trend seems to align with the prominent E-W fault and the late stage intrusive dykes as observed in the field.

The mineralisation appears to be closely associated with NW and NE structural features. The E-W trend as observed is closely associated with the directional trend of the intrusive dykes. In some instances this trend is linked to bedding trend as observed in certain localities.

Geology

Outcrops in the Ambunti area are very scarce, but the most frequently encountered rocks belong to the Ambunti Metamorphics, consisting of sediments with subordinate metamorphosed basic and intermediate igneous rocks. According to historic reports by Carpentaria Exploration Company Pty Limited (Carpentaria) and others, these metamorphics vary, with increasing grade, from phyllite and sericite schist, through muscovite gneiss, to amphibolite and orthogneiss.

The strike of the metamorphic foliation is roughly parallel to the regional west-north-west to north-westerly strike of major faults in the area.

According to AAA, the metamorphic grade in the area north of Nawi is low. A number of thin sills were noted generally occurring in the lower quartzites. They identified these as lamprophyres and quartz microdiorite. The strike conforms roughly to the regional trend although local variations were recorded and the dip is generally to the south.

AAA observed that the most typical unit outcropping is a grey phyllite, described in the field as a grey micaceous shale/schist. A few quartzite beds occur intermittently within the sequence. In Nalbad Creek volcanically derived sediments are interbedded with the phyllites. These volcanically derived sediments are both of rhyolitic composition and of a more basic sequence. Banded rhyolitic beds interbedded with schists occur in Kwalem Creek and have been observed in the lower Mindabot River.

Alteration and mineralisation

According to the earlier reports by Carpentaria and others, the country rock alteration is dominated by distal chloritic to lesser argillic clay alteration and prograded towards the mineralised envelope. The alteration assemblage is dominated by argillic-sericite to iron-oxide clays to sections of silicification enveloping the mineralisation. Proximal to the source is more pronounced silica-quartz-pyrite assemblage. In some places development of low order kaolinite shows up. Alteration and mineralisation is perhaps two-phase enrichment being that; the first phases of dry steam crackle breccia which was later followed by a single or perhaps a multiphase pulsating of hydrothermal surges. The mineralisation phase is dominated by quartz-arsenopyrite-pyrite+/-Au assemblage.

Based on the AAA reports, numerous quartz lenses and irregular masses generally conforming to the bedding occur throughout the succession although they are generally more common in quartzite units and intervening strata. Larger masses are generally of hard milky quartz although fractured and

more friable quartz in association with brecciated and deformed grey mica schist is also fairly common. Abundant pyrite occurs in a number of lithological units.

AAA noted three types of gold mineralisation:

- in quartz as noted in float pieces in the lower Banang River;
- in fawn coloured rock float, with high gold content in the Limpeling River; and
- in brecciated limonitic quartz mica schist rock float in Bombany Creek.

Rock samples that have been taken from some of the target areas include a brecciated mica schist which returned a value of 210 g/t Au in the Neiman Waterfall in the Limpeling river and a quartz sample yielding a value of 710g/t Au, both from within the Group's Exploration Licence Area in Ambunti.

D. Third party exploration in or around the Licence Areas

West New Britain

Pages 5, 26 and 27 of the CPR describe the third party exploration that has been carried out in West New Britain.

Contained within and surrounded by the Group's EL 1462 are three smaller licences which are being explored by Coppermoly (see Figure 5 and Figure 6). Since the 1960's, regional studies undertaken by a number of companies had identified gold, molybdenum and copper targets within these areas at Plesyumi and Mt Nakru, Simuku and Kulu.

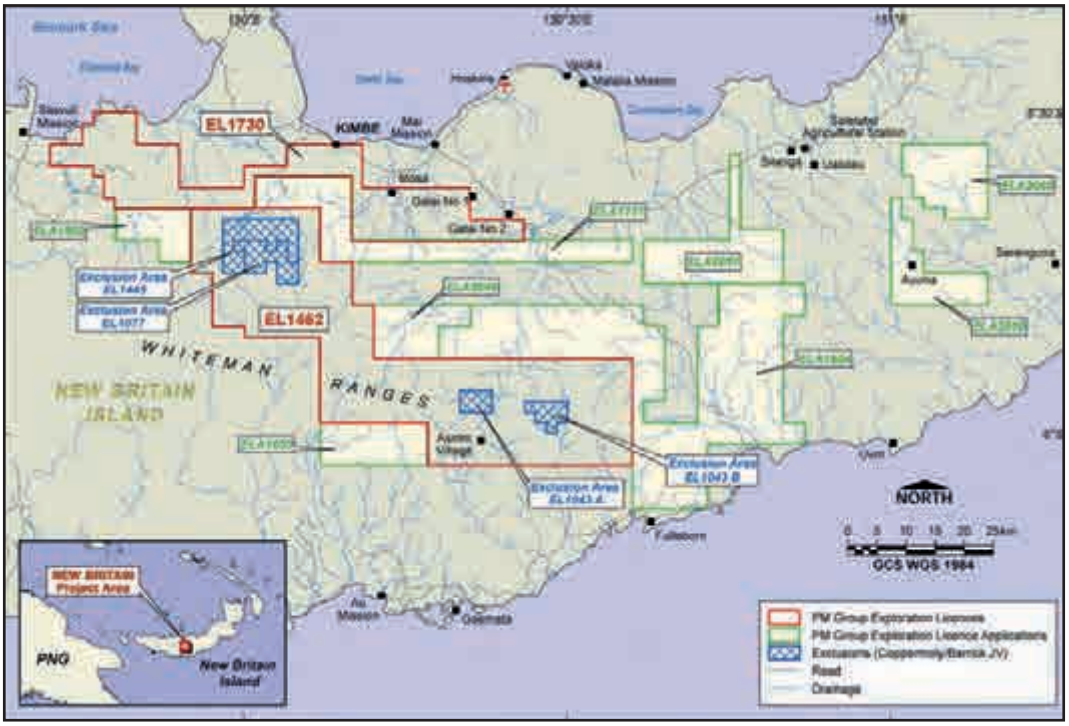
The licences being explored by Coppermoly are now the subject of a joint venture (JV) with Barrick and this JV has achieved significant exploration success and intense exploration activity continues today. Even though these concessions do not belong to the Group, their location within the Group's Licence Area means that the exploration on these concessions is relevant to the Group's current and proposed exploration activities.

- Simuku Project, EL 1077 (approximately 48 km^2): drilling is underway to test the tonnage potential of the Simuku porphyry copper-gold-molybdenum deposit;
- Talelumas project, EL 1045 (approximately 75 km^2): further geochemical sampling is underway to follow up copper, gold, silver, zinc and lead anomalies thought to be associated with porphyry copper and gold mineralisation; and
- Mt Nakru project, EL 1043 (approximately 47 km^2): drilling is being carried out to test the tonnage potential of the Nakru-1 and Nakru-2 breccia and volcanogenic hosted massive sulphide copper-gold (molybdenum) systems. Also contains the Plesyumi prospect.

Barrick has spent almost AUD$20 million on the projects since 2009 and work has included mapping, surface and trench geochemistry, geophysics and drilling. The exploration has had significant success and has resulted in an exploration target at Nakru-1. The information released by the JV is of immense value and relevance to the Group's own exploration programme.

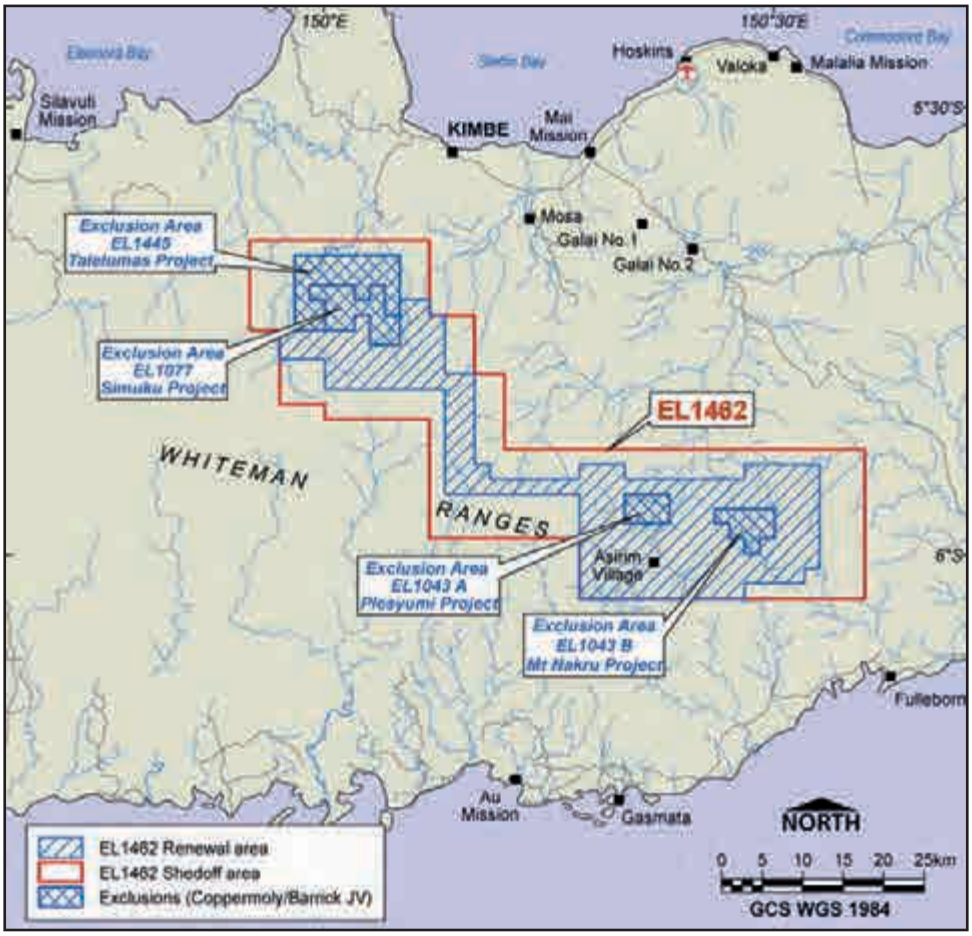
The Coppermoly/Barrick areas are shown in Figures 5 and 6 below, in relation to EL 1462 both before renewal and following the shedding of half the Licence Area.

Figure 5: The Group's Exploration Licences and applications in West New Britain



Source: page 6 CSA Global Competent Person's Report, 22 February 2012.

Figure 6: EL 1462 shed-off area



Source: page 7 CSA Global Competent Person's Report, 22 February 2012.

Ambunti

Pages 28 to 31 of the CPR describe the third party exploration that has been undertaken in Ambunti.

The Ambunti area is considered highly favourable for gold mineralisation. Artisanal miners have sourced large gold nuggets from the rivers within the tenement but historical exploration work failed to determine the source of the gold. Ambunti also has potential for porphyry copper-gold and laterite nickel-cobalt mineralisation. Based on the assessment of the historical exploration data (comprising geological mapping, geophysics, surface, trench and auger sampling) Aries has defined four priority exploration targets for investigation within EL 1766.

The first recorded exploration that the Group has in its database regarding the area was during 1968 – 1970 by International Nickel Southern Exploration Limited, focussing on the nickel and base metal potential of the area. Their work was based on regional geological work by the Bureau of Mineral Resources during 1966. Field work consisted of helicopter supported geological and geochemical surveys and hand auger drilling. The report does not provide a result or draw any conclusions.

From 1971 to 1973 Carpentaria obtained a licence in relation to the Ambunti area and focussed their exploration on the Garamambu and Ambunti areas. They conducted aeromagnetic, reconnaissance mapping and collected approximately 600 geochemical samples. The primary aim during the exploration was to determine the source and possible economic value of an aeromagnetic anomaly near Chambri Island as well as six other aeromagnetic anomalies near Ambunti, identified during an earlier aeromagnetic survey and to assess their economic potential. The anomalies included the area known as Cloud Mountain and Black River. The source of the magnetic anomaly near Chambri Island remained speculative as it was located under water and although anomalous copper and lead was recorded on the islands and gold near Mount Garamambu, Carpentaria decided that no economic deposit was present.

From September 1975, Australian Oil and Gas Corporation Limited (AO&G) explored the ridge system stretching from Ambunti to Garamambu for gold and rutile. They considered the alluvial gold potential to be too small and did not find any quartz veins containing significant gold. They recommended that additional work at Kwalem Creek in the Ambunti area was advisable.

After a site visit in 1975, AAA entered into a joint venture with AO&G to explore the Ambunti prospect. AAA's work programme during 1976 consisted of geological mapping and rock sampling in areas of alluvial gold accumulation. In CSA Global's opinion, the AAA work was the most detailed and comprehensive exploration of all the historic companies. AAA listed four separate areas of interest within the Ambunti Garamambu area (Hall, 1975), identified during a reconnaissance visit to the Ambunti-Garamambu area. The areas were delineated based on the distribution of artisanal workings, but AAA noted that gold was not confined to these target areas.

E. Data capture and field work undertaken by the Group

Page 1 of the CPR describes how the Group has accumulated the historic exploration data from its Licence Areas into a comprehensive electronic database, digitised the maps and ground-truthed data points. Data from earlier geophysical surveys has been re-processed and re-interpreted based on this data analysis. From this, the Group has identified several prospective targets in its Licence Areas for field testing. In 2010, the Group embarked on a major exploration program which comprised extensive geochemical surveys on all three licence areas. Assay data to date is very promising. In the West New Britain area, the data show similar trends, and appear to link up with the work that Coppermoly and Barrick are currently undertaking.

West New Britain

Pages 32 to 36 of the CPR describe the data held and fieldwork undertaken by the Group in West New Britain.

In West New Britain, the Group has acquired the data from the aeromagnetic surveys covering approximately 80 per cent. of EL 1462 (before the shed-off of 50 per cent. of the area), plus some additional areas to the north, south and east of the EL 1462 Licence Area (before shedding 50 per cent. of the original Licence Area). The surveys provide good information about the local magnetic and radiometric settings of these mineralised occurrences.

The geophysical data held by the Group was recompiled and processed/filtered to provide a basis for the selection of target areas for further field follow-up. The intent of the geophysical reprocessing was to classify the responses over the known occurrences of mineralisation and identify target areas within EL 1462 with similar geological expressions.

The most useful magnetic processing in terms of correlation with the known mineral occurrences has been the creation of residual Reduced to Pole ("RTP") magnetic images. An immediately obvious feature of the RTP images is the confirmation of the WNW-ESE trending regional strucutral trends previously identified as the Kulu-Fulleborn and Uasilau trends. These trends appear to be zones of several parallel structural features rather than individual ones. Known mineral occurrences are located on or close to these major lineaments. The magnetic images also illustrate the presences of a pervasive orthogonal set of lesser linear structures trending approximately 30 degrees.

The study highlighted that the known porphyry-style occurrences all occur within well-defined magnetic low zones on the residual RTP magnetic image. Such zones are related to the typical high-silica, low-magnetite cores of porphyry systems. These findings are significant in terms of exploration targeting, especially in terms of following known mineralised trends from outside the concession area and identifying new potentially mineralised areas.

Using the compiled historical data and the results of the geophysical study the Group embarked on a field programme to follow up and test the numerous targets. Fieldwork commenced in June 2010. The Group's field teams completed detailed, grid-based, geochemical soil sampling programmes, rock chip sampling, geological mapping and prospecting in areas proximal to Coppermoly's Nakru, Plesyumi, Simuku and Kulu targets.

By November 2011 a total of 2,085 soil samples and 1,517 rock samples had been collected by the Group's field crew in New Britain. At Plesyumi South, in-situ rock sampling south of the Plesyumi area within the Group's EL 1462 Licence Area returned grades of up to 12% Cu and over 2g/t Au. The work to date suggests a minimum target zone strike length of 2km within a NE-SW trending anomalous zone and the target zone remains open to the S and SW. This part of the EL 1462 Licence Area has been retained by the Group as part of the renewal process.

At Nakru East, copper and gold soil geochemistry anomalies were delineated by the Group close to the Nakru prospect which is subject to an intensive drilling campaign by Barrick / Coppermoly. Copper also occurs in highly mineralised outcrops which were sampled by the Group in Nakru Area 11, an area some 5 to 6km northeast of Coppermoly's Nakru gold-copper prospects.

In the Dagi and Kori River drainages, in the northern part of EL 1462, rock-chip sampling was completed during May-June 2011. 265 samples were collected and showings of copper mineralisation were noted by the field crew at a number of locations. Assays reveal that anomalous copper, gold and zinc values occur over a north-south distance of some 5 to 6km. Twenty three samples returned values greater than 1,000ppm Cu, with a maximum value of 3.8% Cu. Twenty one samples returned values greater than 1,000ppm Zn, with a maximum value of 3.6% Zn. Gold assays included a maximum value of 7.87g/t Au. Five samples returned values greater than 0.5g/t and ten samples returned values greater than 0.2g/t Au.

The Board is encouraged by the fact that so many of the targeted magnetic-low areas have positive sample assay values, even though only limited fieldwork has so far been completed. This, and the recent Barrick work, give a clear indication of strong mineralisation occurring throughout the Kulu-Fulleborn trend and highlight the potential for economic deposits of mineralisation existing within

this trend. The Board recognises however, that the terrain and accessibility, and the resulting relatively expensive exploration costs and the short duration of the exploration licences, present a strong challenge.

It is anticipated that further sampling and geological mapping, and where warranted, geophysical surveys, will lead to the delineation of drill targets during the first half of 2012, with drilling expected to commence on some of those targets in the third quarter of 2012.

Ambunti

Pages 44 to 50 of the CPR describe the data held and fieldwork undertaken by the Group in Ambunti.

The initial work programme at Ambunti was similar to that applied to West New Britain; to acquire as much historic data as possible and to integrate this into a comprehensive database before deciding on an exploration programme. The database includes scanned and geo-referenced topography maps and Ikonos imagery which is now being ground truthed via GPS surveys. The current database includes aeromagnetic data for a 3,140 km^2 area that encompasses almost all of EL 1766. Several structural patterns are evident in the aeromagnetic data. A regional NW-SE grain to the data is apparent. On a regional scale this equates to a structural corridor within the New Guinea Thrust Belt which hosts a number of significant gold and gold-copper deposits including the Frieda/Nena, Yandera and Kainantu deposits as well as the Ramu Nickel-Cobalt deposit.

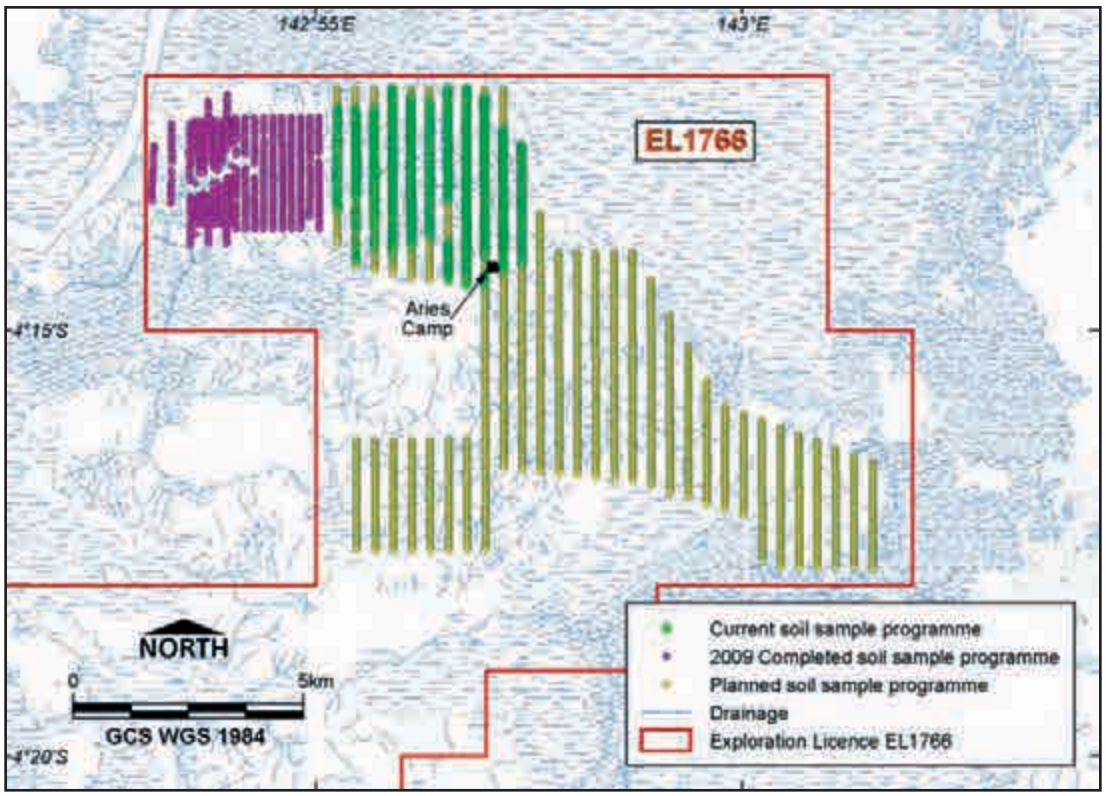
Numerous high grade gold occurrences in rock samples collected within the 16km long Ambunti-Garamambu Trend (AGT) point to a significant gold target area. Examples of gold grades in rocks sampled by previous licencees include 710g/t in the Banang River area and 210g/t in the Limpeling River. Artisanal miners have reportedly found large gold nuggets but historical exploration has failed so far to locate a significant source for the gold. A diorite intrusion in the Mount Garamambu area presents a copper target in the NE of the Licence Area.

To date, the Group's field activities have included geological mapping, soil and rock sampling and trenching. By November 2011 a total of 2,856 soil samples and 971 rock samples had been collected by the Group's field crew at Ambunti.

Copper and gold anomalies have been identified by the Group in the soil sampling in the northwestern part of the EL 1766 Licence Area, and trench sampling confirmed in-situ gold mineralisation. This sampling produced a significant number of ore grade intercepts including 17m at 2.8g/t Au in Trench TR1 and 11m at 2.0g/t Au in Trench TR3, both towards the western end of the trenched area. Trench sampling by previous licencees in the vicinity had produced intersections of 11m at 5.8g/t Au and 8m at 3.6g/t Au, 7m at 2.7g/t Au and 15m at 2.4g/t Au. The soil and trench results display an overall NW-SE trend but may also indicate an orthogonal NE-SW set of structures. Sampling has recently been extended along the entire 16km length of the AGT.

Soil sampling undertaken within EL 1766 is shown in Figure 6.

Figure 7: Soil sampling on the EL 1766 Licence Area (Ambunti)



Source: page 47 CSA Global Competent Person's Report, 22 February 2012.

The planned geochemical surveys are now being completed. Anomalous areas will require follow up with infill surveys and more detailed geological mapping. This may be followed by trenching, remote sensing analysis and geophysics which will hopefully lead to drilling.

The Board is encouraged by the results of the work completed to date on the EL 1766 Licence Area at Ambunti. The work by earlier licencees together with the follow up work carried out by the Group suggests that there is considerable scope for extending the area of gold mineralisation to the NW of the area already examined. The current phase of work on the EL 1766 Licence Area at Ambunti is aimed at further delineating target areas for follow up sampling which will lead to drill target definition. At the time of writing most of the planned soil samples shown in Figure 7 above have been collected and assay results are pending.

Further geochemical and rock sampling and geological mapping will be carried out during the first half of 2012 and followed up where warranted with geophysical surveys. The Group plans to commence drilling on the prioritised targets in the EL 1766 Licence Area at Ambunti during the fourth quarter of 2012.

4. Summary of the Exploration Licencing regime in Papua New Guinea and recent public comments of the Mining Minster and the Prime Minister

Mining Regime

Exploration Licences are granted by the Minister for Mining in accordance with Section 28 of the Mining Act 1992 ("Mining Act"), and the Mining Regulation 1992.

An applicant for an Exploration Licence must submit an application to the Mining Advisory Council for determination. A programme of how it intends to carry out its exploration is required by law and is included in the application. Exploration Licences are granted on a 'first come first served' basis, which means that the first applicant in time for a specific area is given preference over all other

potential applicants. In the event that an application overlaps with an existing licence then the prior existing licence takes precedence.

The Registrar of Tenements receives the application and checks whether it is the first to have been submitted for the relevant area and that all documents and information required have been duly submitted. Once the Registrar of Tenements has ensured that the application is the first received and has been validly made it will publish details of the application in the Government's National Gazette. A Warden's hearing is then scheduled to explain to the landowners the details of the application. After the Warden receives the landowners' views and approval he compiles a report to the MAC with a recommendation that the EL be granted. The report also includes a proposed exploration programme which has been submitted by the applicant.

The Company has been advised that each of the Group's eleven Exploration Licence applications are the "first in time" for the licence area over which they have been applied for (although there is a competing application in the case of ELA 1804, see page 10 for details).

Exploration Licences are valid for a period of two years during which period an agreed work plan must be followed and the licence holder has to spend a minimum amount on exploration. The Group has embarked upon an exploration programme which is funded for a period longer than the length of its Exploration Licences by the net proceeds of the Placing. It is therefore likely that the Group will have to apply for renewal of each of its Exploration Licences during that period. Exploration Licences are reneable for continued exploration, provided that the minimum expenditure commitments have been met and regular reports filed with the appropriate authorities.

Whilst the "first come first served" principle applies on a renewal of an Exploration Licence, as the holder of an Exploration Licence is permitted to apply for such renewal prior to the date of expiry (and a third party is not permitted to apply for a licence over an area already covered by an Exploration Licence) it has an advantage over third parties in relation to the areas covered by its Exploration Licence.

It should be noted that the application for the renewal of EL 1462 was made on 19 September 2011, which whilst it was after the date of expiry, it was the first business day following the expiry of EL 1462. This was confirmed with the Registrar of Tenements prior to expiry of the licence period so as to ensure that filing on this later date would not cause any problems with the renewal and is also confirmed by the PNG Interpretations Act, which states that where the last day of any statutory period falls on a public holiday or a Sunday then the application can be made on the next day which is not a public holiday or a Sunday. The Wardens hearing has been held with regards to this renewal, which gives the Company comfort that the delay between expiry and reapplication has not given any third party the opportunity to seek 'first come first served' advantage for the Licence Area.

Applications for the areas shed-off can only be made after 30 days from the expiry of an Exploration Licence. The Group made three applications for the area shed off from EL 1462 (as part of the current renewal of EL 1462), each of which were confirmed by the MRA as being first in time and have been allocated application numbers ELA 2144, ELA 2145 and ELA 2146.

Subject to any agreement made under Section 17 of the Mining Act, the State of PNG reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase of up to 30 per cent. equitable interest in a mineral discovery (being the minerals that will be mined) arising from the area covered by the relevant Exploration Licence, at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the mining lease on a pro rata basis (up to a maximum of 30 per cent), unless otherwise agreed. As such the State has the right to acquire up to a 30 per cent. interest in the project at the time the mining licence is granted in return for an equivalent contribution to the further exploration and development thereof.

Recent discussions by Minister of Mining and the Prime Minister of PNG

(i) *Mineral ownership*

At present, mineral rights are owned by the State of PNG and it has the sole right to grant Exploration Licences and Mining Licences. Statements by the Papua New Guinea Minister of Mining in August 2011 indicated that the Government was considering a change to mineral ownership regulation which would give land ownership of the country's mineral resources to the landowners. Whilst the Prime Minister of PNG and the Minister of Mining have both since been quoted as saying that no immediate change to mineral ownership policy is considered appropriate, there does remain a risk that any such change would impact on the Group's operations. The Company and the Directors will continue to monitor statements made by the government of PNG, or any enactment or proposed enactment or amendment of mining laws or regulations or land ownership rights, in PNG.

(ii) *Other proposed changes to mining legislation*

During a recent address (in November 2011) at the PNG Mining & Petroleum Seminar the Hon Byron Chan MP (Minister for Mining) confirmed that a review exercise in relation to the Mining laws (including the Mining Act) in PNG was ongoing and that the Ministry of Mines was drafting some proposals for changes to the administration of the mining operations and mining laws in PNG. He stated with confidence that it would be proposed that the period of grant of an Exploration licence may be increased from two years to three or, potentially, five years depending on the nature of the exploration and the circumstances surrounding each application. Such a change would, in the opinion of the Directors, be welcome and would remove some of the risks associated with the current two year Exploration Licence periods.

Your attention is drawn to Part II of this document for a more detailed summary of the Papua New Guinea mining regime including information on Mining Licences and to Part III of this document setting out Risk Factors associated with PNG and its mining regime.

5. Strategy

The Group's strategy is to explore for and, where discovered and deemed commercially feasible, develop deposits of gold and/or copper within the territory of Papua New Guinea. It is the Group's intention to conduct its activities in a professional and responsible manner, for the benefit of the Company's shareholders and also its employees and the national and local communities within which it operates.

To achieve this objective, the Group intends to progress the exploration programmes already underway in the West New Britain province on New Britain Island and Ambunti, in the East Sepik province on the mainland of Papua New Guinea.

In the case of West New Britain, it is intended that exploration work will be progressed on EL 1462 and EL 1730, which will involve soil and rock sampling, geological mapping, trenching, ground geophysical surveys and reverse circulation and diamond drilling. In the case of EL 1462, the Nakru East, Plesyumi South and Kori-Dagi prospects are being developed into advanced targets and it is anticipated they will be drilled during 2012.

In the East Sepik Province, detailed soil sampling programmes are being continued over a prospective 16 km-long strike length within EL 1766. Surface rock sampling has yielded some ore-grade gold values. The Directors intend that soil and rock sampling, trenching and, possibly, ground geophysical surveys will be carried out in this area prior to the drilling of defined targets during the second half of 2012.

Over the two year period of its current exploration programmes in both West New Britain and Ambunti, the Group expects to undertake up to 12,000 metres of drilling.

In addition to its three Exploration Licences (set out in Table 1 on page 11 of this document), the Group also has eleven licence applications which are all for areas in the West New Britain province. If or when granted, exploration may also be extended to those additional areas.

In addition, the Group may seek to expand its existing licence portfolio in Papua New Guinea where Exploration Licence areas of particular merit become available for application.

6. Reasons For Admission and use of proceeds

The Group requires additional funding to continue its exploration programmes and to undertake and complete the initial drilling programmes on the resulting targets. The Directors intend to use the gross proceeds of the Placing (and the existing cash resources and expected investment returns on unexpended cash reserves of the Group) as follows:

Reverse circulation, diamond drilling and associated assays	approximately £2.4 million
Other exploration activities and associated costs including licence fees, ground crews, soil and rock sampling, geological mapping and trenching and geophysical surveys	approximately £2.2 million
Corporate, office and administrative costs (including payroll, accounting, legal, investor relations, office rent and insurance costs)	approximately £1.9 million
IPO costs*	approximately £0.8 million

* this includes approximately £0.3 million in outstanding fees and broking commission which has been netted off against approximately £0.3 million otherwise payable by Cenkos as part of the Placing.

The Directors intend to convert some of the net proceeds of the Placing into US Dollars and Australian Dollars to reduce exchange rate risks.

7. Financial information on Papua Mining Plc

Papua Mining was incorporated in England and Wales on 29 September 2011 as Papua Mining plc. No statutory financial statements have been prepared, audited or filed with the Registrar since incorporation. The Company has not yet commenced operations and has no material assets or liabilities. As at the date of this document, the only transactions of the Company have been the acquisition of PML by way of a share sale agreement dated 20 December 2011 (details of which are set out in paragraph 10.4 of Part VIII of this document). By way of the share sale agreement, the Company acquired the fully paid entire issued share capital of PML from its then shareholders in return for the issue and allotment of 15,938,147 Ordinary Shares in the Company to those shareholders being the current shareholders of the Company prior to Admission. As a result of this acquisition PML (which already held the entire issued share capital of each of Sagittarius and Aries) became a wholly owned subsidiary of the Company.

8. Directors and senior management

A. Directors

The Board currently comprises the Directors outlined below:

Michael Gordon Jolliffe (aged 61) Non-Executive Chairman

Michael Jolliffe holds dual Greek/U.K. citizenship. He is currently Chairman and the largest beneficial shareholder of Wigham-Richardson Shipbrokers Ltd. ("WRS"), one of the oldest established shipbrokers, which was established in 1894 in the U.K. WRS is one of the oldest members and shareholders of the Baltic Exchange. WRS also owns Harion Shipping Services, a shipbroker based in Piraeus. Michael Jolliffe was one of the two founding shareholders of Burren Energy plc (originally known as Sumo Oil Ltd) and was its original President and CEO. Following the involvement of outside private equity investors and its focus on E&P, and the appointment of Finian O'Sullivan (former

Chevron executive) as the CEO of the company, Michael Jolliffe remained as a director of Burren until its flotation on the London Stock Exchange some eleven years later in 2003. The company was sold to ENI the Italian State Oil Company in 2007.

Mr. Jolliffe also has significant experience with maritime companies in accessing the public capital markets in the U.S. He was the former Joint Managing Director and is currently Deputy Chairman of Tsakos Energy Navigation which is currently quoted on the New York Stock Exchange, and today controls 51 tankers with an average age of around six years.

Mr. Jolliffe is also Chairman of StealthGas Inc., a shipping company which has 36 LPG ships under operation, and four product tankers. This company was listed on the NASDAQ in October 2005.

Mr. Jolliffe is a non executive director of InternetQ, a company quoted on the London AIM market and which specialises in telemarketing.

Hugh Martin McCullough (aged 61), Chief Executive Officer

Hugh McCullough has over 39 years' experience in gold and base metal exploration, principally in Ireland, Ghana and Mali. Having previously worked as a project geologist, in 1982 he became chief executive of Glencar Mining plc, a public company listed on the IEX (of the Dublin Stock Exchange) and AIM. Mr. McCullough was responsible for the management, financing and strategy of Glencar for over 27 years until Glencar was taken over by Gold Fields Limited in September 2009. During his time at Glencar, Mr. McCullough was involved in a number of multi million ounce gold discoveries and oversaw the development of certain gold deposits from exploration to production. Mr. McCullough is a Professional Geologist and holds an Honours degree in Geology from University College Dublin and the degree of Barrister-at-Law from the King's Inns, Dublin. In 1994 he was appointed by the then Irish Minister for Energy to the National Minerals Policy Review Group to review Irish Minerals Policy and to make recommendations to the Minister for the reform of the fiscal and regulatory policy for the mining industry in Ireland.

Kieran Harrington (aged 49), Technical Director

Kieran Harrington is a geologist with over 27 years of experience and expertise in gold exploration, mine development, project evaluation and project management, with particular experience and past success in exploration of gold deposits in West Africa and Europe. He joined Glencar Mining plc in 1992 as a senior geologist where he was involved in the discovery of a major commercial mine in Ghana (Wassa) and the more recent discovery of the Komana Deposit in Southern Mali. He left Glencar as Technical Director on its acquisition by Gold Fields Limited in 2009. Prior to joining Glencar, Mr. Harrington worked with Tara Prospecting Ltd and Burmin Exploration and Development Ltd. Mr. Harrington is a Professional Geologist holding an Honours degree in Geology from the National University of Ireland, Galway.

Gunnar Palm (aged 55), Non-executive Director

Gunnar Palm is a partner at Richmond Park Partners LLP, an independent merchant bank providing advisory, capital markets and risk and asset management services. Prior to Richmond Park Partners LLP, Mr. Palm was Co-head of HSBC Global Banking, Coverage and Client Management for EMEA. He has advised on a number of cross border mandates in the Middle East, India, Europe and the US. Prior to HSBC, Mr. Palm was a managing director at Barclays Capital and Credit Suisse First Boston in New York and London. Between 2007 and 2010 Mr Palm was also a Director of Bay Capital Partners (UK) Ltd, an independent India focused investment management firm. Mr. Palm began his career with The Boston Consulting Group in Munich. Mr. Palm received a BA from the Stockholm School of Economics and a MBA from The Wharton School of the University of Pennsylvania.

The Directors are committed to maintaining high standards of corporate governance and the Board has resolved to recruit one further, independent, non-executive director by 31 March 2012. The process of recruitment is underway and several candidates have been identified.

B. Senior management

Christopher Muller (aged 37), Country Manager and Chief Geologist

Chris Muller has over 13 years of experience in exploration and mine geology in a number of developing nations. Prior to joining the Group in November 2011, he held a managerial role with Morobe Mining Joint Ventures, the joint venture between Harmony Gold and Newcrest Mining in PNG where he led the Nambonga Porphyry and Golpu West/Golpu Deeps discovery team. He was responsible for the discovery hole in the Golpu West porphyry deposit. He has specific experience in Borneo, Mongolia and PNG in the design and implementation of geochemical sampling and geophysical programmes. Prior to joining Morobe Mining Joint Ventures he worked as a geologist for Allied Gold Limited in PNG, Ivanhoe Mines Limited in Mongolia, China and Indonesia and Glencar Mining plc in Ghana. Mr. Muller has a PhD in Tectonics/Biogeography of Indo-Pacific using Rhopaloceran genetics, a High First Class honours degree from the Centre of Ore Deposit Research at the University of Tasmania and a Bachelor of Science degree from Macquarie University.

9. Details of the Placing and dealing arrangements

The Placing Shares represent approximately 50.0 per cent. of the Enlarged Issued Share Capital. At the Issue Price, the Company will be valued at approximately £14.0 million at Admission. Net proceeds of the Placing receivable by the Company (after the expenses of the Placing and Admission, which are expected to be approximately £0.8 million) will amount to approximately £6.2 million.

Cenkos Securities has entered into the Placing Agreement with the Company and the Directors. Pursuant to the Placing Agreement Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten. The Placing is conditional upon, *inter alia*, Admission occurring by 2 March 2012 and in any event by no later than 15 March 2012.

Further details of the Placing Agreement are set out in paragraph 10.2 of Part VIII of this document.

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for settlement, will commence on 2 March 2012. The Placing Shares will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Existing Ordinary Shares.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 21 days of the date of Admission.

10. Significant Shareholder arrangements

A. Lock-in and ordinary market arrangements

Directors

In accordance with Rule 7 of the AIM Rules, each of the Directors has undertaken (on his behalf and in relation to any of their connected persons) to the Company and Cenkos that they will not dispose of their Ordinary Shares for a period of 12 months following Admission and that they will only sell through Cenkos (or, if not Cenkos, the Company's broker at the time) for the following 12 months thereafter provided that Cenkos' (or the Company's then broker's) terms are competitive and the disposal can be effected within a reasonable time. The undertakings outlined above do not apply in certain specified circumstances set out in the AIM Rules.

SPML

In accordance with Rule 7 of the AIM Rules, SPML (who, on Admission, will hold Ordinary Shares, equivalent to 31.0 per cent. of the Enlarged Issued Share Capital) has undertaken (on its behalf and in relation to any of its connected persons) to the Company and Cenkos that it will not dispose of its Ordinary Shares for a period of 12 months following Admission and it will only sell through Cenkos (or, if not Cenkos, the Company's broker at the time) for the following 12 months thereafter provided that Cenkos' (or the Company's then broker's) terms are competitive and the disposal can be effected within a reasonable time. The undertakings outlined above do not apply in certain specified circumstances set out in the AIM Rules.

Michael Somerset-Leeke

In accordance with Rule 7 of the AIM Rules, Michael Somerset-Leeke ("MSL") (who, on Admission, will hold Ordinary Shares, equivalent to 20.4 per cent. of the Enlarged Issued Share Capital) has undertaken (on his behalf and in relation to any of his connected persons) to the Company and Cenkos that he will not dispose of his Ordinary Shares for a period of 12 months following Admission and that he will only sell through Cenkos (or, if not Cenkos, the Company's broker at the time) for the following 12 months thereafter provided that Cenkos' (or the Company's then broker's) terms are competitive and the disposal can be effected within a reasonable time. The undertakings outlined above do not apply in certain specified circumstances set out in the AIM Rules.

B. Relationship agreement

The Company has entered into a relationship agreement dated 22 February 2012 with SPML and Cenkos for the purposes of regulating the relationship between the Company and SPML as a significant shareholder of the Company. Further information on the relationship agreement is set out in paragraph 10.4 of Part VIII of this document.

11. Dividend policy

The Board does not currently intend to declare a dividend but will reconsider this as and when the growth and profitability of the Company allows. The declaration and payment of any future dividends by the Company and the quantum thereof will be dependent upon the Group's results, financial position, cash requirements, future prospects, profits available for distribution under the provisions of the Act and all other applicable laws as well as any other factors deemed by the Board to be relevant at the time.

12. Corporate Governance

The Group intends following Admission, so far as is practicable and appropriate for a group of its size and nature, to comply with the provisions of the Corporate Governance Code, as modified by the recommendations of the Quoted Companies Alliance. The Company has appointed two, independent, non-executive Directors to bring an independent view to the Board, and to provide a balance to the executive Directors. The Board has resolved to recruit one further, independent, non-executive director by 31 March 2012. The process of recruitment is underway and several candidates have been identified.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Directors intend to hold meetings of the Board at least four times per annum, and at other times as and when required. Conditional on Admission, the Group has established audit and remuneration committees with formally delegated duties and responsibilities.

Audit Committee

The audit committee will have the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the

interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee will meet not less than twice in each financial year and will have unrestricted access to the Group's external auditors. On Admission, the audit committee shall comprise Michael Jolliffe and Gunnar Palm and be chaired by Michael Jolliffe. The Board intends to appoint a new independent Non-Executive Director by 31 March 2012. On appointment, it is intended that the new Independent Non-Executive Director will chair the Audit Committee (and that Michael Jolliffe will remain on the Audit Committee).

Remuneration Committee

The remuneration committee will review the performance of the executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The remuneration committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The remuneration committee will meet at least twice a year and as and when necessary. In exercising this role, the Directors shall have regard to the recommendations put forward in the Quoted Company Alliance Guidelines and, where appropriate, the Corporate Governance Code guidelines. At Admission, the Remuneration Committee shall be chaired by Michael Jolliffe and shall also comprise Gunnar Palm. Once appointed, the new independent Non-Executive Director will join the Remuneration Committee.

Share Dealing Code

The Board intends to comply, and to procure compliance, with Rule 21 of the AIM Rules for Companies relating to dealings in the Company's securities by the Directors and other applicable employees. To this end, the Company has adopted a code for directors' dealings appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to ensure compliance by the Directors and any applicable employees. The form of this code is based on the Model Code contained in the Listing Rules of the United Kingdom Listing Authority.

13. Bribery legislation

The Bribery Act 2010, which prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices came into force 1 July 2011 and applies to the Group and to the Directors by virtue of the Company being incorporated in the UK. The Directors intend to have regard to the impact of such legislation and intend to establish appropriate procedures in order to comply with the same. To this end the employees of the Group will be trained on the impact of the legislation and procedures will be put in place to allow for reporting and communication by the employees and to the Board of any matters which may or may not be relevant in ensuring that the daily operations are maintained in light of such legislation.

14. The Takeover Code

Mandatory bid provisions

The Takeover Code normally applies to companies whose shares are admitted to trading on AIM if its registered office is in the UK, the Channel Islands or the Isle of Man and it is considered by the Panel on Takeovers and Mergers (the "Panel") to have its place of central management and control in one of these jurisdictions.

The Directors believe and intend to ensure that the Company is subject to the provisions of the Takeover Code. If the circumstances of the Company change such that the Takeover Code and its provisions are deemed not to apply to the Company, the provisions set out in the Articles would apply. The Company's Articles include provisions substantially similar to those contained in Rule 9 of the Takeover Code. Rule 9 of the Takeover Code normally requires any person (or group of persons acting in concert) that acquires shares which, taken together with shares already held, carry 30 per

cent. or more of the voting rights of a company to offer to acquire the rest of the equity share capital of the company which is not already owned.

Rule 9 of the Takeover Code also normally requires any person who, together with persons acting in concert with him, holds between 30 per cent. and 50 per cent. of a company's voting rights and who acquires additional shares which increase his holding of voting rights to make such a mandatory offer. Rule 9 provides that the offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with the offeror for any interest in shares of the relevant class during the 12 months preceding the date of that offer.

The Company's Articles, a full summary of which is set out in paragraph 6 of part VIII of this document, include requirements mirroring those in the Takeover Code in relation to dealings in Ordinary Shares (and dealings with the Company in relation to all other applicable matters) and provide that the Board (in its absolute discretion) has the sole right to determine any matter which would otherwise fall to the Panel to determine under the Takeover Code. The Board are entitled to remove the right to vote attached to the Ordinary Shares of any Shareholder that has failed to make an offer to all shareholders under and in accordance with the provisions of the Articles.

Squeeze-out

Under the Act, an offeror which makes a takeover offer for the Company has the right to buy out minority Shareholders where it has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. It would do so by sending a notice to the outstanding minority Shareholders telling them that it will compulsorily acquire their shares. Such notice must be sent within three months of the last day on which the offer can be accepted in the prescribed manner. The squeeze-out of the minority Shareholders can be completed at the end of six weeks from the date the notice has been given, following which the offeror can execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding minority Shareholders. The consideration offered to the outstanding minority Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer for the Company, provided that at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. A minority Shareholder can exercise this right by a written communication to the offeror at any time until three months after the period within which the offer can be accepted or a later date specified in the notice given by the offeror. An offeror would be required to give the remaining Shareholders notice of their rights to be bought out within one month from the end of the period in which the offer can be accepted. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

15. Share Option Plan

In order to assist in the recruitment and motivation of high quality directors and employees, the Company has adopted the Share Option Plan. Under the terms of the Share Option Plan, the aggregate number of Ordinary Shares under option when aggregated with options previously granted but not yet exercised shall not exceed 10 per cent. of the Enlarged Issued Share Capital (from time to time).

The Company has, conditional on Admission, granted the following Share Options over 2,640,725 Ordinary Shares (in aggregate) to certain Directors and Chris Muller (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:

	No. of Share Options granted upon Admission
Michael Jolliffe	250,000
Hugh McCullough	796,908
Kieran Harrington	796,908
Chris Muller	796,908

Further details of the Share Options granted and the Share Option Plan are set out in paragraph 9 of Part VIII of this document.

16. Taxation

Your attention is drawn to the taxation section contained in paragraph 11 of Part VIII of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

17. Further information

Your attention is drawn to the further information set out in Parts II to VI of this document, including the risk factors set out in Part III.

PART II

SUMMARY OF MINING LEGISLATION IN PAPUA NEW GUINEA

Types of Licences and governing legislation

Exploration for and the development of mining assets and other mining activities in Papua New Guinea is governed by the Mining Act 1992, the Mining (Safety) Act 1977, the Mineral Resources Authority Act 2005, the Mining Development Act and the Environment Act 2000 (together the "**Mining Regime**").

The Mining Act 1992 provides for the various types of licenses which may be granted in PNG in relation to mining activities, including exploration activities. This Part II lists the types of licences which may be granted and sets out brief details in relation to exploration licences and mining licences (which are deemed to be the most relevant to the Group at this stage).

Types of Licences

(a) Exploration Licence – entitles the holder to enter and exclusively occupy the land which comprises the licence, and to remove and dispose of such quantity of rock, earth, soil and minerals as is permitted by the work programme approved by the Mining Advisory Council ("**MAC**");

(b) Mining Licence – a licence that allows the licensee to conduct mining operations for period of up to 20 years and is granted by the Minister for Mining;

(c) Special Mining Licence – is a licence that allows the licensee to conduct mining operations for period of up to 40 years. In order to be granted a special mining licence the applicant must submit to the Mineral Resources Authority evidence (which must include, *inter alia*, details of the extent of (i) the deposits proposed to be mined, (ii) the financing that is required relating to the development of the mine and the clean up thereafter and (iii) the additional infrastructure (and costs) that will be required in relation to the development of the area and the extraction of the minerals). If the applicant can show that, due to the size of the deposits and the additional time and funding required to develop the mine and the infrastructure, 20 years is not a viable time period for the grant of a mining licence (due to these economic or logistical considerations) then the Minister will allow the applicant to apply for and be granted a special mining licence for up to 40 years; and

(d) Easements – granted for easements over lands that are not within the licence area usually relating to, for example, the construction of roads, pipelines or power transmission lines or any other facility ancillary to mining or treatment or other ancillary operations which may be approved by the Minister.

Exploration Licence

Application and conditions of licence

An applicant for an exploration licence ("**EL**") must submit an application to the MAC for determination. The application must include a programme of how the applicant intends to carry out its exploration.

The Registrar of Tenements receives the application and checks whether it is the first to have been submitted for the relevant area and that all documents and information required have been duly submitted. Once the Registrar of Tenements has ensured that the application is the first received and has been validly made it will publish details of the application in the Government's National Gazette. A Warden's hearing is then scheduled to explain to the landowners the details of the application. After

the Warden receives the landowners' views and approval he compiles a report to the MAC with a recommendation that the EL be granted. The report also includes the proposed exploration programme which has been submitted by the applicant.

The MAC will consider the report of the Warden and the programme and, if it agrees with the Registrar of Tenements, will recommend to the Minister of Mining ("**Minister**") that it grants the EL. The Minister has full discretion as whether to or not to grant the EL. If the Minister is happy with the application and agrees with the MAC's recommendation, he will grant the EL and approve the programme which has been submitted with the EL application. The approved programme includes minimum spending obligations on the EL.

On the basis of an outline timetable set by the Mining Regime, the application process should take approximately three months, however, in practice, the process can, and usually does, take longer.

Preferential rights and period of grant of an EL

The Mining Regime operates on a "first come first served" principle such that the first application received by the Registrar of Tenements over a specific area is given preference over all other applicants. In the event that an application overlaps with an existing licence then the prior existing licence takes precedence.

ELs are granted for an initial period of two years, and may be extended for any number of further two year periods, subject to compliance by the EL holder of the conditions attached to such EL. No automatic preference rights apply on a renewal, and as such the "first come first served" principle applies to every application for renewal of an EL, however, as the EL holder is permitted to apply for such renewal prior to the date of expiry it has an advantage over third parties in relation to the areas covered by its EL. Furthermore, the MAC does consider the amount of work put in by the applicant who wishes to renew the EL when deciding if such applicant should be granted the extension being applied for. It also considers the financial capacity of the applicant and the number of qualified personnel it has available to undertake the exploration work.

Area

The exploration area granted under an EL is divided into sub-blocks. A sub-block is equivalent to approximately 3.41 square kilometres. An EL can cover up to a maximum of 750 sub-blocks or a minimum of 30 sub-blocks.

Upon expiry of an EL and an application for renewal of the EL, a total of not less than 50 per cent. of the sub-blocks held under that EL must be relinquished. These relinquished sub-blocks may be reapplied for by the current owner of the EL but any such application will be treated as a new application and the "first come first served" principle will apply.

The minimum area which may be retained is 30 sub-blocks. If the owner of an EL retains less than 75 but more than 30 sub-blocks after relinquishment it can request that any relinquishment requirements are waived on subsequent renewals.

Landowners

Around 97 per cent. of land in PNG is owned by local landowners. The State of PNG owns the minerals in PNG whether they are found on land which is owned by local landowners or otherwise. Whilst most landowners do not have formal title over the land which they occupy or claim ownership over, the laws of PNG recognise their rights to such land. In practice, the lack of formal title showing ownership of the land does not inhibit the landowner's rights to the land. A licence holder (whether EL or otherwise) must ensure that such rights are not infringed.

Before an EL holder is permitted to enter the land covered by the EL, it must first obtain agreement from the landowners as to compensation which is payable to them, and have paid such

compensation. The level of compensation payable depends on the location of the exploration activity and the disturbance and destruction which may be required in order to carry out exploration on that land.

Compensation is payable for destruction to shrubs and trees, deprivation of use of natural surface of land, damage to natural surface of land, severance of land or any part thereof from other land held by the landholder, any loss or restriction of a right of way, loss or damage to improvements, in relation to land under cultivation, loss of earnings, disruption of agricultural activities on land, etc. The compensation is calculated using the Valuer General's Rates. These are rates that are set by the Valuer General to determine the "loss" that will be suffered and which should be compensated.

A compensation agreement is entered into between the EL holder and the landholder before exploration activities are commenced. Once agreed, the compensation agreement must be submitted to the Chief Mining Warden. The Chief Mining Warden then fixes a date and notifies the parties to the proposed agreement to attend a meeting in order to determine the amount of compensation which is payable. The EL holder and the landholder are given an opportunity to present their evidence and arguments concerning compensation. The Chief Mining Warden will then make his determination in writing and provide a copy of the determination to the EL holder and the claimant. A party who wishes to dispute the determination may do so by appeal to the National Court. There is no maximum for such compensation and, should the parties not agree on the proposed levels set by the Warden, then the National Courts will review the suggested levels and, taking in to account previous agreements, the potential damage that may be caused to the land and the Valuer General's rates, will determine the reasonable and appropriate level of fees. Unless disputed, a determination by the Warden is binding on the EL holder and the landholder and becomes part of the conditions of the grant of the EL.

Royalties

The Mining Regime provides for the payment of royalties to the State of PNG through which the landowners benefit. During exploration there is no requirement to pay any royalties as there is no production upon which royalties are payable.

However, it is standard for the State of PNG to be granted an option (such option being set out in the EL) to make a single purchase up to a maximum of 30 per cent. equitable interest in any mineral discovery (being the minerals that will be mined and over which a mining licence ("**ML**") is to be granted) arising from an EL, at a price pro-rata to the "accumulated exploration expenditure" and then for the PNG State to contribute to further exploration and development in relation to the EL on a pro-rata basis unless otherwise agreed in a separate agreement. This option may be exercised (in one tranche for up to 30 per cent.) at any time prior to the commencement of mining activities on the area covered by the EL (which would, by that time, be covered by a ML).

The "accumulated exploration expenditure" for the purposes of the option is the total amount spent by the EL holder on exploration in accordance with the approved programme for the duration of an EL (including any extensions of the EL).

Termination

The Minister may terminate an EL in accordance with the recommendations of the MAC where it is deemed to be in the national interest to do so. Any such decision by the Minister to terminate can be referred by the EL holder to the National Court for determination.

Other than as set out above, an EL will either terminate (i) upon its expiry, (ii) where the licence holder relinquishes the EL or (iii) the EL is cancelled due to a breach of (a) a condition in such licence or (b) any applicable laws.

Mining Licence

A ML authorises the holder, in accordance with the Mining Regime, to enter and occupy the land over which the ML has been granted for the purpose of (i) mining the minerals on that land; (ii) carrying out such other operations and such works as may be necessary or expedient for that purpose; and (iii) doing all other things necessary or expedient for the undertaking of mining or treatment operations on that land.

In carrying out its activities, the ML holder must ensure that the requirements of the Mining (Safety) Act relating to inter alia, public safety, public welfare and public health, are complied with. The holder of the ML is entitled to the exclusive occupancy for mining and mining purposes of the land in respect of which the ML was granted and is granted ownership of all minerals lawfully mined from that land.

Application and conditions of ML

An applicant for a ML, who is usually the holder of the EL which covers the land being applied for, must make an application to the MAC, which must include, amongst other specific matters, evidence that it has the necessary financial and technical resources to undertake the proposed mining activities.

In assessing an application for a ML, the MAC must consider whether:

(a) the proposals submitted by the applicant:

  (i) provide for the development of the mineral deposits situated on the land in accordance with good mining industry practice; and

  (ii) provide adequately for the protection of the environment, in which case evidence that the applicant has complied with the requirements of the department responsible for environmental matters will be conclusive of adequate protection under this section;

(b) the area and term applied for are appropriate for the proposed operations, and may request the applicant to provide further information and proposals, including, without limitation, information and proposals relating to the acquisition by the State of PNG or its nominee and the transfer to it of a participating interest of up to 30 per cent. in the mining project to which the proposals relate in accordance with the State option outlined above; and

(c) to amend the application or proposals.

Where the MAC considers that the applicant has reasonably satisfied the requirements set out above, the MAC recommends to the Minister the grant of the ML.

Preferential rights and period of grant

The "first come first served" principle applies to the application for a new ML and as such the first application received will be considered in priority to other latter applicants. However, no third party can apply for a ML over an area which is currently subject to an EL and therefore most, if not all, applications for MLs are made by current EL holders. As such, whilst there is no official preference written in to the Mining Regime, the fact that only the holder of an EL may apply for a ML over the same area, does in practice create a preference for the EL holder over that particular area.

Furthermore, an applicant for an extension/renewal of its existing ML is, by law, the only person that can apply for an extension over an existing ML area – as such the ML holder has preference over any other applicant in relation to a granted ML that it holds.

Area

The area of land in respect of which a ML may be granted must not be more than 60 km^2; and must be a rectangular or polygonal shape. There is no minimum area requirement for the grant of a ML.

Conduct of mining

The manner in which mining activities are to be conducted after a ML is granted is governed by a Mining Development Contract ("**MDC**") that is negotiated between the State and the ML holder.

The MDC will include (amongst other matters) the mining method, treatment of the minerals extracted, the infrastructure required, the financial or economic considerations and the nature of the operations, etc. The provisions governing the extraction and development of the minerals are to be set out in the MDC. The MDC may be amended by mutual agreement.

Royalties

The State of PNG may opt to take up to 30 per cent. equity in the mining (as set out above in the section on ELs). The terms of this participation are negotiated and set out in a benefits sharing agreement between (i) the State of PNG, (ii) the ML holder, and (iii) the landowners.

Under the Mining Act 1992 landowners have rights to royalties from the revenue of the mining operations carried out on their land under a ML. The current rate of such a royalty is 2 per cent., which is shared between the landowners and the Provincial Government (as agreed between them in accordance with the Mining Regime). This 2 per cent. royalty is payable from revenue of the Mining operations. This is in addition to any equity taken up by the State of up to 30 per cent. The royalty is payable on 100 per cent. of the revenue generated by the project covered by the ML.

Termination

A ML can be terminated by the Minister. The Mining Act 1992 provides for a notice period to be given before the termination of any of the tenement licences.

Where the holder of a ML breaches a provision of the Mining Act 1992 or a condition upon which the ML was granted then the ML holder will be required (upon notice), to provide a case (by setting out the reasons and evidence) as to why the ML should not be terminated. Where the ML holder fails, in the opinion of the Minister, to show valid cause as to why the ML should not be terminated, the Minister may cancel the ML.

Recent discussions by the Minister of Mining and the Prime Minister of PNG

Mineral ownership

At present, mineral rights are owned by the State of PNG and it has the sole right to grant ELs and MLs. Statements by the PNG Minister of Mining in August 2011 indicated that the Government was considering a change to mineral ownership regulation which would give land ownership of the country's mineral resources to the landowners. Whilst the Prime Minister of PNG and the Minister of Mining have both since been quoted as saying that no immediate change to mineral ownership policy is considered appropriate, there does remain a risk that any such change would impact on the Group's operations. The Company and the Directors will continue to monitor statements made by the Government of PNG, or any enactment or proposed enactment or amendment of mining laws or regulations or land ownership rights, in PNG.

Other proposed changes to mining legislation

During a recent address (in November 2011) at the PNG Mining & Petroleum Seminar the Hon. Byron Chan MP (Minister for Mining) confirmed that a review exercise in relation to the mining laws (including the Mining Act) in PNG was ongoing and that the Ministry of Mines was drafting some proposals for changes to the administration of the mining operations and mining laws in PNG. He stated with confidence that it would be proposed that the period of grant of an EL may be increased from two years to three or, potentially, five years depending on the nature of the exploration and the circumstances surrounding each application. Such a change would, in the opinion of the Directors, be welcome and would remove some of the risks associated with the current two year periods Exploration Licence periods.

PART III

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK

Investing in the Company involves a degree of risk. You should carefully consider the risks and the other information contained in this document before you decide to invest in the Company. You should note that the risks described below are not the only risks faced by the Group, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

1. General risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

2. Risks relating to mining and exploration in Papua New Guinea

A. 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. In particular, the Directors note the recent challenge by the previous Prime Minister of PNG to the current Prime Minister. Other risks and uncertainties include, but are not limited to, terrorism, hostage taking, 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.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. 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 assets in Papua New Guinea.

B. Short length of Exploration Licences

The Mining Act 1992 requires Exploration Licence holders to conduct their exploration activities within a two year period. There are currently proposals from the Ministry of Mining and Geo Hazards to amend the Mining Act 1992 including to extend the period of exploration to a longer period, most likely for a period of three to five years. However, as it is, the period of licence for exploration remains at two years. The Group has embarked upon an exploration programme which is funded for a period longer than the length of its Exploration Licences by the net proceeds of the Placing. 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 licences, its current Exploration Licences will have expired and the Group will have to apply for renewal of each of its licences. On renewal, the Mining Act 1992 requires that at least 50 per cent. of the licence area is shed. Customarily, the Minister will grant the renewal of the remaining 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.

Because of the short length of the Exploration Licences, at any one time it is likely that the Group will have one Exploration Licence under renewal. Sagittarius has applied for renewal of licence EL 1462 which expired on 17 September 2011, shedding 50 per cent. of the licence area, as required. The application for renewal is pending. There is no guarantee that either the renewal or the new Exploration Licence application will be successful.

Furthermore, it is the Group's intention to continue its exploration on the renewal part of the Exploration Licence whilst the renewal application is outstanding.

For further details regarding the renewal of licences in Papua New Guinea please see Part II of this document.

C. Potential changes to mining regulations in regard to mineral ownership in Papua New Guinea

At present, mineral rights are owned by the Government of PNG and it has the sole right to grant Exploration Licences and Mining Licences. Statements by the Papua New Guinea Minister of Mining in August 2011 indicated that the Government of PNG was considering a policy change which would hand land ownership of the country's mineral resources to the landowners. 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. On becoming 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.

D. Compulsory work obligations

Exploration Licences are subject to expenditure and work commitments which must be met in order to keep such tenements in good standing. These commitments may be varied on application by the tenement holder but any such variation is at the sole discretion of the Minister administering the relevant PNG mining legislation. If no variation is approved, and there is failure to meet the commitments, this could lead to forfeiture of the licence.

E. Papua New Guinea has challenging terrain and climate extremes and is prone to 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 rain fall 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.

F. Limited infrastructure

Access to EL 1730 West New Britain is relatively easy, as large portions of the licence area are covered by an oil-palm plantation with a good road infrastructure. Access to EL 1462, also in West New Britain, is, however, more difficult and in some areas prospective areas can only be reached by helicopter or light aircraft and on foot. EL 1766 is accessible by light aircraft followed by a short journey in a dugout canoe. There is therefore a risk that the Group's Exploration Licences may be at times difficult to reach and that it may take some time for both personnel and equipment to get to where required.

G. Environmental impact of mining and environmental regulations

The Group's projects are subject to the relevant PNG laws and regulations relating to environmental matters. Should the Group proceed to development of one or more mines, it could be expected that such developments would have numerous environmental impacts which would require various statutory approvals to be put in place. There is no guarantee that such approvals would be granted. The Group intends to conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. However, the Company is unable to predict the effect of future changes to environmental legislation or policy and the cost effect of such changes on its operations and financial position.

H. 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. As a result, the Group's operations may be subject to a higher degree of uncertainty, and legal redress, if needed, may be limited or uncertain.

3. Risks relating to the Group's activities

A. Shortage of funding

The Placing Proceeds 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, the working capital available to the Group is sufficient for its present requirements, that is at least 12 months from Admission, if the Group incurs unexpected costs or is unable to generate sufficient operating income, further funding may be required in the period thereafter. 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's ability to raise further funds may depend on the success of existing or acquired operations.

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 or anticipated expansion. 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.

B. Drilling costs

The drilling costs budgeted for in the Group's exploration programme and working capital projections are based on a number of variables which may change depending on the final drilling programme decided upon by the Board following completion of pre-drilling exploration and interpretation. The principal variables subject to change include (a) the number of metres required to be drilled; (b) the cost per metre drilled; and (c) the need for a greater proportion of diamond drilling which is more expensive than reverse circulation drilling.

C. Joint ventures

The Group may wish to undertake future projects through joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Group could be adversely affected by the failure or default of any of the joint venture participants.

D. 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.

E. Estimates in financial statements

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires the Group to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Group's accounting policies regarding exploration and evaluation require management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves or resources have been found. Such estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors.

In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Group could be required to write down the value of certain assets. On an ongoing basis, the Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

F. 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.

G. Operational targets and delays

The Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. The Group will not generate any material income until mining has successfully commenced and there can be no guarantee that the budgeted work programme will produce positive results. In the meantime the Group will continue to expend its cash reserves.

H. 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. Currency conversion may have an adverse effect on income, expenditure or asset values. Sustained downward movements in gold and

copper market prices and/or the adverse effect of currency exchange rates or controls could render less economic, or uneconomic, some or all of the exploration and/or extraction activities to be undertaken by the Group.

I. Ability to exploit successful discoveries

It is possible that the Group may not be able to exploit commercially viable discoveries in which it acquires an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents may be beyond the Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group may not be able to meet. As a result of such delays, the Group may incur additional costs, losses of revenue or part or all of its equity in a licence. Additionally, should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects natural resources facilities or projects, including in taxes and permit fees, the returns to the Group may be adversely affected.

J. 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.

K. Actions of third parties, including contractors and partners

The Group will be reliant on third parties to provide contracting services. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of the Group. To the extent that the Group cannot engage contractors according to its plans and budgets, its financial and operational performance may be adversely impaired. In certain circumstances, the Group may be liable for the acts or omissions of its partners. If a third party pursues claims against the Group or against a joint venture vehicle as a result of the acts or omissions of the Group's partners, the Group's ability to recover from such partners may be limited. Recovery under such arrangements may involve delay, management time, costs and expenses or may not be possible at all which, in each case, could adversely affect the Group's financial performance and condition.

L. Dependency on key personnel

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.

M. Project development risks

There can be no assurance that the Group will be able to effectively manage the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. This includes, *inter alia*, the Group managing the acquisition of required land tenure, infrastructure development and other related issues affecting local and indigenous populations, their cultures and religions. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on its business, financial

condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Board's strategy will develop as anticipated and that the Group will be profitable.

N. Risks associated with the need to maintain an effective system of internal controls

The Group faces risks frequently encountered by developing companies such as under-capitalisation, cash shortages and limited resources. In particular, its prospects and any future growth will depend on its ability to manage its operations and to continue to maintain and, if necessary, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's requirements could have a material adverse effect on the Group's business, financial condition and results of operations.

O. Labour and staff related issues

Certain of the Group's operations may be carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control or uninsurable. There can be no assurance that the ability of the Group to obtain work permits, visas and other necessary work-related requirements, will not be affected by the introduction of new labour regulation which, in turn, could adversely affect the results of operations or the financial condition of the Group.

P. 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. The occurrences of a significant event against which the Group (which may include injury to employees including key employees) is not fully insured could have a material adverse effect on its operations and financial performance. In addition, in the future some or all of the Group's insurance coverage may become unavailable or prohibitively expensive and therefore, certain liabilities and losses may be incurred which will not be recoverable as the relevant insurance could not be obtained.

Q. 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.

R. 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.

S. 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 consider the information contained in paragraph 11 of Part VIII of this document and 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.

T. 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. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

4. Risk relating to the Ordinary Shares

A. Investment risk in AIM

The 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.

B. There has been no prior market for the Ordinary Shares

Prior to Admission there has been no public market for the Ordinary Shares. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained after Admission, or how the development of such a market might affect the market price of the Ordinary Shares. An illiquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which may adversely affect the value of an investment in the Ordinary Shares.

C. The market price of the 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 Ordinary Shares may be quoted and the price which Shareholders may realise for their 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 Ordinary Shares.

D. Future sale of Ordinary Shares

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. 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 convertible into 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 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 Ordinary Shares, or create further options over 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 Issued 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

COMPETENT PERSON'S REPORT

22 February 2012

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

and

Papua Mining plc
5th Floor
17 Hanover Square
London W1S 1HU

I, Johannes Francois Erasmus certify the following:

I am an Associate Consultant for CSA Global Pty Ltd (CSA), based in Perth, Western Australia.

I am the primary author of the Competent Persons Report (Report) on Papua Mining plc's (PM) mineral assets in Papua New Guinea (PNG). I inspected PM's properties in PNG from the 9th to the 18th of September 2011, accompanied by Mr Harrington, the Technical Director and Mr McCullough, the Chief Executive Officer of PM.

I am a Professional Geologist registered in British Columbia (P.Geo NRL # 162013) and a Registered Natural Scientist (Pr. Sci. Nat. # 400099/03) in South Africa. I have practiced my profession for over 30 years and as a result of my experience and qualifications, I am a Competent Person as defined by the AIM Note for Mining, Oil and Gas Companies June 2009.

This Report has been prepared in accordance with the Competent Person's Report scope and content guidelines set out in the AIM Note for Mining, Oil and Gas Companies – June 2009 published by the London Stock Exchange plc. This Report relates solely to the defined licences and applications and are based on various geologic assumptions as detailed in the report. Therefore, this Report must be read in its entirety.

CSA has reviewed the Admission Document published by Papua Mining plc on 22 February 2012 and confirmed that the information contained in Part I of the Admission Document has been extracted directly from the Report, has been presented in a manner which is not misleading and provides a balanced view of the information contained in the Report and does not omit material information or disclose information selectively if to do so would be misleading to the reader.

I am not aware of any material fact or material change with respect to the subject matter of the Report that is not reflected in the Report, the omission to disclose which makes the Report misleading.

I consent to the filing of the Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Report.

Signed:

Mr Johannes Francois Erasmus
Associate Consultant

22 February 2012

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

and

Papua Mining plc
5th Floor
17 Hanover Square
London W1S 1HU

I, Jeffrey Elliott certify the following:

I am the Managing Director, Principal Consultant and full-time employee of CSA Global Pty Ltd (CSA), based in Perth, Western Australia.

I have completed a peer review of the Competent Persons Report (Report) on Papua Mining plc's (PM) mineral assets in Papua New Guinea (PNG).

I am a qualified geologist who has practiced my profession for 20 years. I am a member of the Australian Institute of Geoscientists (MAIG) and a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). I have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined by the AIM Note for Mining, Oil and Gas Companies June 2009.

This Report has been prepared in accordance with the Competent Person's Report scope and content guidelines set out in the AIM Note for Mining, Oil and Gas Companies – June 2009 published by the London Stock Exchange plc. This Report relates solely to the defined licences and applications and are based on various geologic assumptions as detailed in the report. Therefore, this Report must be read in its entirety.

CSA has reviewed the Admission Document published by Papua Mining plc on 22 February 2012 and confirmed that the information contained in Part I of the Admission Document has been extracted directly from the Report, has been presented in a manner which is not misleading and provides a balanced view of the information contained in the Report and does not omit material information or disclose information selectively if to do so would be misleading to the reader.

I am not aware of any material fact or material change with respect to the subject matter of the Report that is not reflected in the Report, the omission to disclose which makes the Report misleading.

I consent to the filing of the Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Report.

Signed:

Mr Jeff Elliott
Managing Director

Date: 22 February 2012

Report No: R319.2011

Competent Person's Report
on Papua Mining plc's
New Britain & Ambunti Exploration Licences
Papua New Guinea

By

Johannes Erasmus

MSc, PGeo, PrSci Nat

For:

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

and

Papua Mining plc
5th Floor
17 Hanover Square
London W1S 1HU

Approved:

Jeff Elliott
Managing Director

Executive Summary

Cenkos Securities plc and Papua Mining plc (PM, the Company) have requested CSA Global Pty Ltd (CSA Global) to provide a Competent Persons Report (CPR) on PM's exploration stage mineral assets located in the Independent State of Papua New Guinea (PNG). The CPR is to be included in an Admission Document for the purpose of fund raising and admission to trading on AIM.

The CPR has been prepared by Mr Johannes Francois Erasmus, Professional Geologist (PGeo), as an Associate Consultant for CSA Global. Mr Erasmus inspected the Company's mineral assets in PNG from the 9th to the 18th of September 2011, accompanied by Mr Harrington, the Technical Director and Mr McCullough, the Chief Executive Officer of PM.

While a significant amount of reconnaissance exploration data was collected in PNG by a number of companies during the 1960s and 1970s, because of the low gold price, dense forest cover and lack of infrastructure, target areas identified were often not followed up. Recent intensification of exploration activity across PNG by large companies such as Harmony Gold Mining Company (Harmony), Newcrest Mining Limited (Newcrest) and Barrick Gold Corporation (Barrick) has pointed to the great untapped potential of this region which has remained relatively underexplored in recent times. The geological setting of PM's licences is favourable for a variety of mineralisation styles including: porphyry copper-gold-molybdenum, high-sulphidation epithermal gold, high-grade skarn-type, volcanogenic massive sulphide, volcanogenic stockwork, and nickel-cobalt laterite mineralisation.

PM via its wholly owned companies, Sagittarius Mining Limited (Sagittarius Mining) and Aries Mining Limited (Aries Mining), has 100% ownership of three exploration licences; two on New Britain (EL 1462 and EL 1730), and one (EL 1766) on the mainland (see Figure 1, Figure 2, Figure 3 and Figure 4). It also has several pending exploration licence applications in the New Britain area (ELA 1731, 1802-1804 and 2048-2051) which adjoin or are nearby to its granted licences. The original licence in the West New Britain Province (EL 1462) was due for expiry or renewal on the 17 September 2011. PM has submitted application for the renewal and in accordance with PNG regulations has shed (relinquished) ~50% of the licence area. The current EL 1462, after shedding, covers a total area of 625 km^2 (see Figure 3).

The Company's exploration licences in West New Britain Province surround three areas currently held by Coppermoly Limited ("Coppermoly") in a Joint Venture (JV) with Barrick Gold Corporation ("Barrick"). The Coppermoly licences have been subject to intense exploration by the JV partners and considerable exploration success has been reported on the Coppermoly website. The information released including drilling results, exploration models and Mineral Resource estimates, is of immense value and relevance to PM's own exploration programme and further confirms the prospectivity of PM's adjoining tenements.

PM accumulated all the historic exploration data into a comprehensive electronic database, digitised the maps and ground-truthed data points. Data from earlier geophysical surveys was re-processed and re-interpreted and based on the compiled data the Company generated several prospective targets for field testing. In 2010 the Company embarked on a major exploration program which comprised extensive geological and geochemical surveys on all three licences. Assay data received to date are very promising and in the New Britain area the data show similar trends to the work that Coppermoly and Barrick are doing and in some cases it appears probable that the mineralised trends can be traced into the PM ground. Data released through the websites of both Coppermoly and Barrick indicate that their projects in West New Britain (Simuku, Kulu, Plesyumi and Nakru) are at a relatively advanced stage of exploration and continuing to return very good results.

In June 2011, Patric Horne, a postgraduate student in geology (who was sponsored by Sagittarius Mining), completed his Master's thesis on the Simuku and Plesyumi Igneous complexes which are believe to be strongly associated with mineralisation within PM's and Coppermoly's tenements. The

study provides a potentially important new insight into the genesis of the mineralised deposits in New Britain. Much of the geological interpretation in this report is based on Horne's study which confirmed that the two New Britain licences of PM, as well as those of Coppermoly and Barrick fall within the prospective Kulu-Fulleborn trend.

When interpreting the geophysical data over the New Britain project, it is observed that the Coppermoly/Barrick projects are all located on magnetic low signature areas. These areas extend into PM's licences and the geochemical results confirm coincidence of anomalous high copper and gold values. A number of additional magnetic low areas are present on PM's New Britain licences and preliminary soil and rock-chip sample results indicate the presence of geochemically anomalous copper and gold.

In-situ rock sampling by PM south of the Plesyumi area within the PM licence returned grades of up to 12% Cu and over 2g/t Au. Elsewhere copper and gold soil geochemistry anomalies were delineated by PM close to the Nakru prospect which is subject to an intensive drilling campaign by Barrick / Coppermoly. Highly mineralised outcrops were also sampled by PM in an area some 6km north of Coppermoly's Nakru gold-copper deposits.

On the mainland the Ambunti licence (EL 1766) is considered highly prospective for gold mineralisation. Artisanal miners have sourced large gold nuggets from the rivers within the tenement but historical exploration work failed to determine the source of the gold. Ambunti also has potential for porphyry copper-gold and laterite nickel-cobalt mineralisation. Based on the assessment of the significant historical exploration data (comprising geological mapping, geophysics, surface, trench and auger sampling) Aries Mining has defined four priority exploration targets for investigation.

The 2009 initial phase of PM's field program concentrated on the Ambunti–Garamambu trend (includes the Kwalem Creek gold prospect) which is the priority one target area. Building on the accumulated historic database, PM is extending their regional soil geochemical survey. Old trenches were identified, cleaned and re-dug to expose bed rock, then surveyed, mapped and sampled. All the major creeks in the Kwalem Creek prospect area were traversed, mapped and mineralized samples collected for gold assay. During the author's site visit, many rock float samples were seen with visible gold and gold nuggets from the general area were presented by locals.

Based on the review of procedures for sampling, sample preparation and analysis, and from inspection of the exploration data and QA/QC results, CSA Global is satisfied with the integrity of the exploration data gathered by PM. Sufficient QA/QC procedures are in place for the types of work being completed. The fact that some relatively minor sample numbering errors were detected by the QA/QC programme e.g. mislabelling of two of the Certified Reference Materials (CRM) samples highlights the need for constant vigilance in this regard.

During the site visit to the Ambunti property a community meeting was held at Yerakai village to welcome the exploration management team and discuss the objectives of the upcoming work programmes. The local communities appear to be very supportive of PM's program but the village people are easily stirred up and need to be kept informed of a company's activities and plans. Through regular contact and discussions, grievances and concerns of the community are discussed and where possible, PM assist in addressing these issues.

There can be little doubt about the potential for discovering an economic mineral deposit within PM's licences. Right in the centre of EL 1462, Barrick Gold, one of the largest mining companies in the world is spending a large amount of money on proving up what appears to be a number of porphyry systems in the very prospective Kulu-Fulleborn Trend.

What CSA Global find promising is that so many of the targeted magnetic-low areas had positive sample assay values, even though only limited fieldwork has so far been completed. This and the Barrick work, we find as a clear indication that strong mineralisation occurs throughout the Kulu-Fulleborn trend and that economic deposits of mineralisation exist within this trend. The terrain, the

access, the expensive exploration costs and the short duration of the exploration licences, however, present a strong challenge.

PM has announced the appointment of Chris Muller as Country Manager and Chief Geologist. He has extensive experience in this environment and was one of the key personnel that discovered and developed the Wafi Gold deposit. His appointment is seen as a very positive move for the company and will increase the chances of PM in finding an economic deposit.

The two year exploration plan has been reviewed and it is well thought out and appears to be reasonable given the potential of the licences. PM's team has considerable experience in exploration management, both globally and locally in PNG, and CSA Global feels that the budget is suitable to achieve the PM's exploration strategy over the next two years.

Contents

Figures

Tables

1 Introduction

1.1 CPR Preparation

Cenkos Securities plc and Papua Mining plc have requested CSA Global Pty Ltd to provide a Competent Persons Report (CPR) on the Company's mineral assets located in the Independent State of Papua New Guinea. The CPR is to be included in an Admission Document for the purpose of fund raising and admission to trading on AIM. PM's mineral assets comprise three granted exploration licences and several exploration licence applications that are prospective for gold and base metal mineralisation. The mineral assets are all 100% owned by PM and are at the exploration stage of assessment. The mineral assets of PM are defined in Table 1 of this report.

1.2 Basis of Report

The CPR is based on:

- Technical information, documents, and reports supplied by PM, including historical exploration information from previous explorers, as well as geophysical, geological and geochemical data from work carried out by PM and its subsidiaries.
- Via the websites of companies with adjoining properties. Of particular relevance was the considerable information available for exploration completed on the Simuku – Nakru properties which are held by Coppermoly Limited in joint venture with Barrick Gold Corporation. The Simuku – Nakru properties are located within and adjacent to PM's licences in West New Britain and the press releases and websites of these two companies have been an important source of relevant information to guiding the exploration of PM and to the writing of this report.
- A site visit undertaken by the author to the New Britain and Ambunti exploration licences in September 2011.
- Verbal communications with the PM directors and geologists.
- The bulk of the sections discussing the regional and local geology of New Britain were derived from a Masters thesis titled: *The Plesyumi and Simuku Intrusive Complex, New Britain (PNG): Contrasting Magma Sources and Evolution in a Subduction Zone* by Patric Horne (Horne, 2011).
- Published papers and presentations on analogous geological settings and mineral deposits worldwide.
- Previous knowledge and experience of the Author in international gold and copper exploration in a variety of geological settings.

1.3 Qualifications of CSA Global

This CPR has been prepared by Mr Johannes Francois Erasmus, PGeo, as an Associate Consultant for CSA Global, based in Perth, Western Australia. Mr Erasmus is a Professional Geologist registered in British Columbia (P.Geo NRL # 162013) and a Registered Natural Scientist (Pr. Sci. Nat. # 400099/03) in South Africa. Mr Erasmus has practiced his profession for over 30 years. In that time he has been directly involved in review of exploration, geological models, exploration data, sampling, sample preparation, quality assurance-quality control, databases, and mineral resource estimates for a variety of mineral deposits, including porphyry copper deposits. As a result of his experience and qualifications, Mr Erasmus is a Qualified Person as defined in National Instrument 43–101 Standards of Disclosure for Mineral Projects (NI 43–101) and a Competent Person as defined by AIM Note for Mining, Oil and Gas Companies.

Mr Erasmus inspected the Company's mineral assets in PNG from the 9th to the 18th of September 2011, accompanied by Mr Harrington, the Technical Director and Mr McCullough, the Chief Executive Officer of PM.

The CPR has been reviewed by Mr Jeff Elliott, Managing Director and Principal Geologist of CSA Global in Perth. Mr Elliott is a qualified geologist who has practiced his profession for 20 years. Mr Elliott is a member of the Australian Institute of Geoscientists (MAIG) and a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). Mr Elliott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code).

Other than for the purposes of completing the CPR described in this document, neither CSA Global nor Mr Erasmus nor Mr Elliott have any commercial interest in PM or any associated companies. CSA Global will not receive any interest in PM or any associated companies as a result of undertaking the CPR. CSA Global will be paid normal professional rates for completing the CPR for PM.

In preparing this report, subject to normal due diligence, CSA Global has relied upon and assumed the accuracy and fair representation of all technical information provided by PM or other sources, including drill-hole logs, analytical data, tabulated results and comments on exploration history. The management of PM have provided information and opinions freely when requested, and at no time has CSA Global become aware of either the withholding of information or of the changing of records to influence its conclusions of its study. CSA Global is satisfied that sufficient data was acquired to enable a reasonable assessment of prospectivity of the project areas. Information on the validity of exploration permits has been supplied by PM, although legal verification was not undertaken by CSA Global.

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of November 7th, 2011 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2 Asset Description and Location

PM has acquired three exploration licences (EL); two in the western part of the island of New Britain (EL 1462 and EL 1730), and one at Ambunti (EL 1766) on the main island (see Figure 1, Figure 2, Figure 3 and Figure 4).

A number of additional exploration licences have been applied for but have not yet been granted (see Figure 2). Summary information about PM's exploration licences and licence applications are provided in Table 1 and expenditure commitments for the granted licences are listed in Table 2.

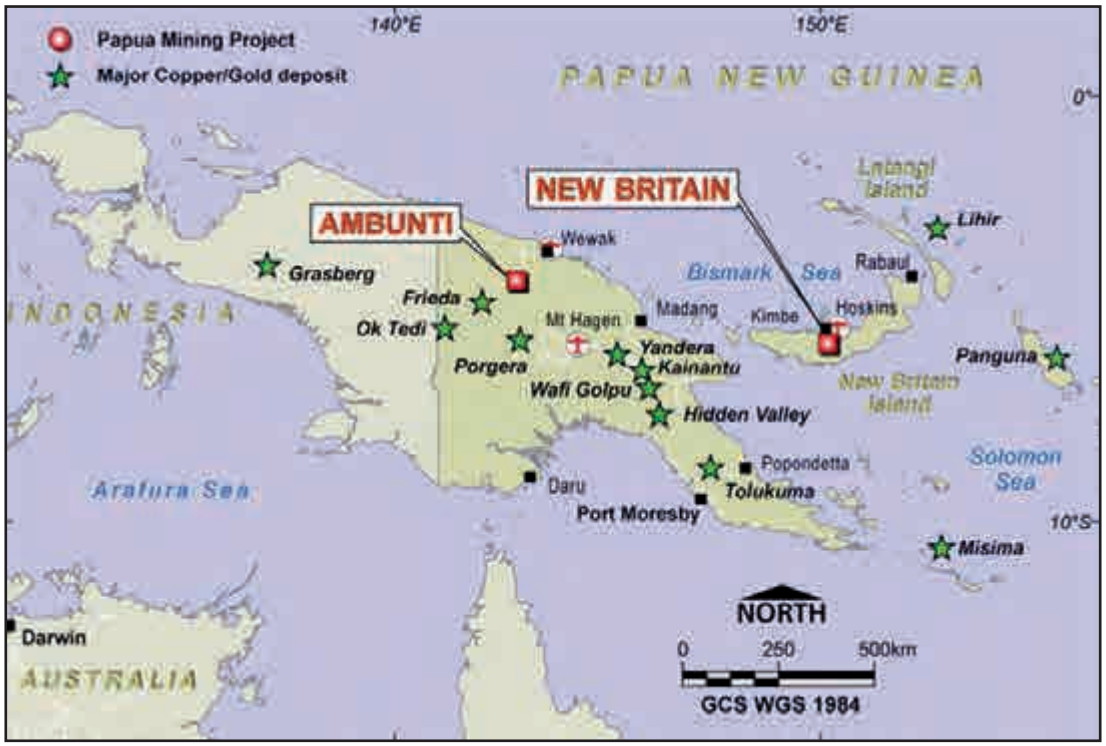


Figure 1. Project location map

Table 1. Summary of Mineral Assets

Asset	Holder	Interest (%)	Status	Grant or *(application date)*	Expiry date	Licence area (km^2)	Comments
EL 1462*	Sagittarius	100%	Exploration	18/09/2007 *(19/09/2011)*	17/09/2011	625	Application for renewal submitted and is pending approval – 50% of the original area has been shed in accordance with regulations.
EL 1730	Aries	100%	Exploration	16/03/2011	16/03/2013	587	Granted licence in West New Britain area
EL 1766	Aries	100%	Exploration	16/03/2011	16/03/2013	361	Granted licence in Ambunti/East Sepik area
ELA 1731	Aries	100%	Exploration	*(26/05/2009)*		320	Pending application in New Britain
ELA 1802	Aries	100%	Exploration	*(26/03/2010)*		92	Pending application in New Britain
ELA 1803	Aries	100%	Exploration	*(26/03/2010)*		137	Pending application in New Britain
ELA 1804**	Aries	100%	Exploration	*(26/03/2010)*		974	Pending application in New Britain
ELA 2048	Sagittarius	100%	Exploration	*(22/07/2011)*		123	Pending application in New Britain
ELA 2049	Sagittarius	100%	Exploration	*(22/07/2011)*		164	Pending application in New Britain
ELA 2050	Sagittarius	100%	Exploration	*(22/07/2011)*		140	Pending application in New Britain
ELA 2051	Sagittarius	100%	Exploration	*(22/07/2011)*		220	Pending application in New Britain
ELA 2144***	Aries	100%	Exploration	*(15/12/2011)*		113	Pending application in New Britain
ELA 2145***	Aries	100%	Exploration	*(15/12/2011)*		255	Pending application in New Britain
ELA 2146***	Aries	100%	Exploration	*(15/12/2011)*		283	Pending application in New Britain

* *An application for the renewal of EL 1462 was made on 19 September 2011.*

** *There is a competing application in respect of the area covered by ELA 1804 (see above).*

*** *Represents applications in New Britain for areas shed from EL 1462 under the current renewal process of EL 1462.*

Table 2. Expenditure Commitments

Licence Number	Area (km^2)	Holder	Location	Expenditure Commitment (kina)	**Expenditure Commitment (USD)
1462	625	Sagittarius Mining	New Britain	1,600,000	752,000
1730	587	Aries Mining	New Britain	809,000	380,230
1766	361	Aries Mining	Mainland (Ambunti)	700,500	329,235

* *Area prior to shedding*

** *Exchange rate at 23 November 2011: 1PGK=USD 0.47)*

2.1 New Britain

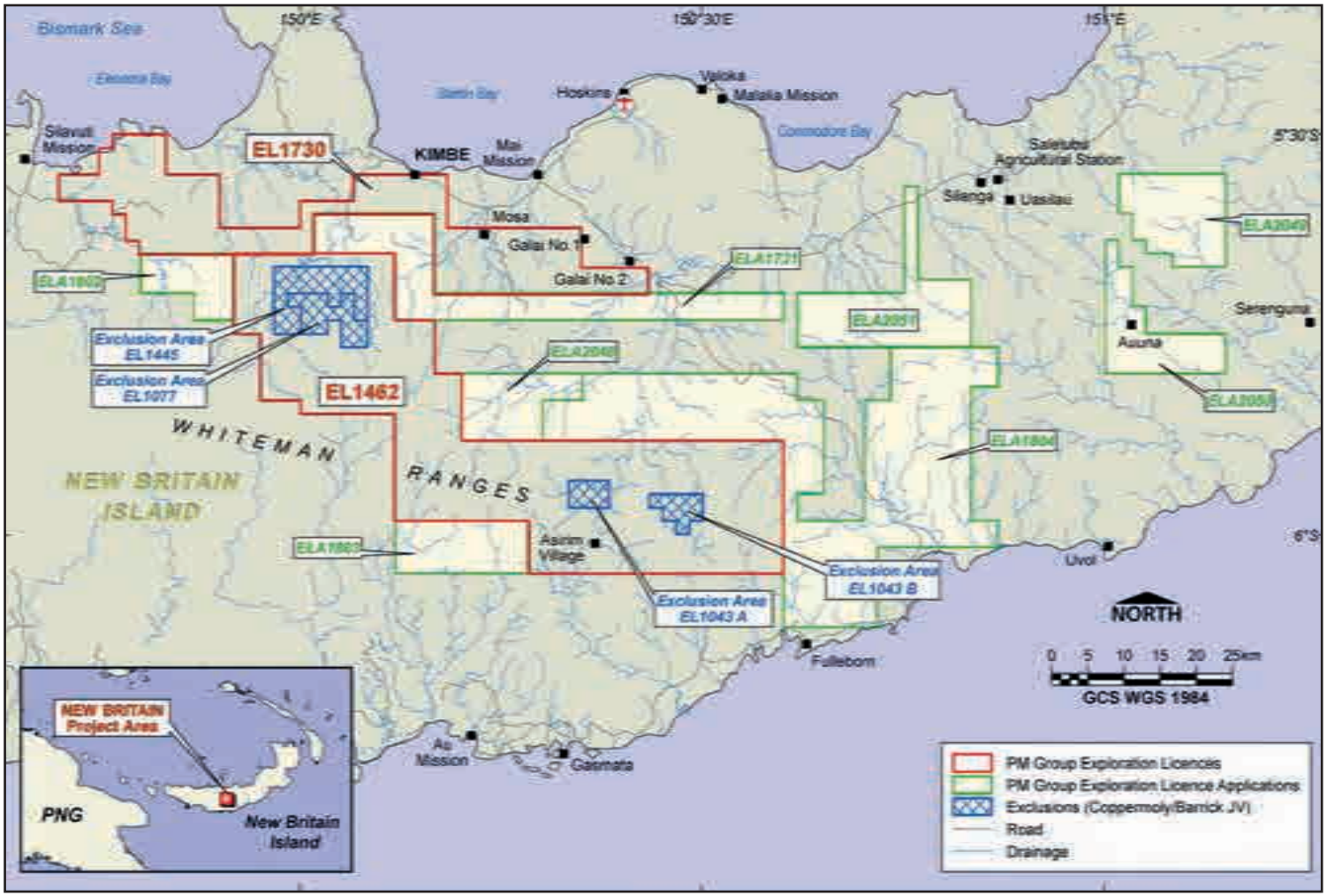
The two granted licences (EL 1462 and EL 1730) in West New Britain Province cover an irregular elongate shape between Kimbe, the provincial capital of West New Britain, on the north coast, to Fulleborn on the south coast (see Figure 2 and Figure 3).

The licence area is covered by parts of 1:100,000 topographic sheets Namo (Sheet #8886), Dagi (Sheet #8986), Gasmata (Sheet #8985), Ania (Sheet #9086) and Fullborn (Sheet #9085). It also occurs on the 1:250,000 published topographic Sheets SB55-8, SB56-5 and SB56-9. The closest towns are Kimbe on the north coast and the Gasmata Government Station which is located on the south coast of New Britain Island.

PM's EL 1462 and EL 1730 surrounds three areas, currently held by Coppermoly in a joint venture with Barrick (see Figure 2and Figure 3) including:

- Simuku Project, EL 1077 (~48 km^2): where drilling is underway to test the tonnage potential of the Simuku porphyry copper-gold-molybdenum deposit (Inferred Mineral Resource of 200Mt @ 0.47% Cu Eq.). Also contains the Kulu prospect.
- Talelumas project, EL 1045 (~75 km^2): where further geochemical sampling is underway to follow up copper, gold, silver, zinc and lead anomalies thought to be associated with porphyry copper and gold mineralisation. Also contains the Isme Creek, Mt. Misusu, South Kulu, Rapisme and Miwayuen prospect.
- Mt Nakru project, EL 1043 (~47 km^2): where drilling is underway to test the tonnage potential of the Nakru-1 and Nakru-2 breccia and volcanogenic hosted massive sulphide copper-gold (molybdenum) systems (Exploration Target at Nakru-1 of 50-60Mt @ 0.7-0.9% Cu). Also contains the Plesyumi prospect.

Figure 2. PM's licences and applications in New Britain



PM has applied for renewal of licence EL 1462 which expired on 17 September 2011 at which time 50% of the area had to be shed. At the time of preparing this report the application for renewal was pending. The original and the remaining area after shedding are shown in Figure 3. The current EL 1462, after shedding, covers a total area of 625 km^2.

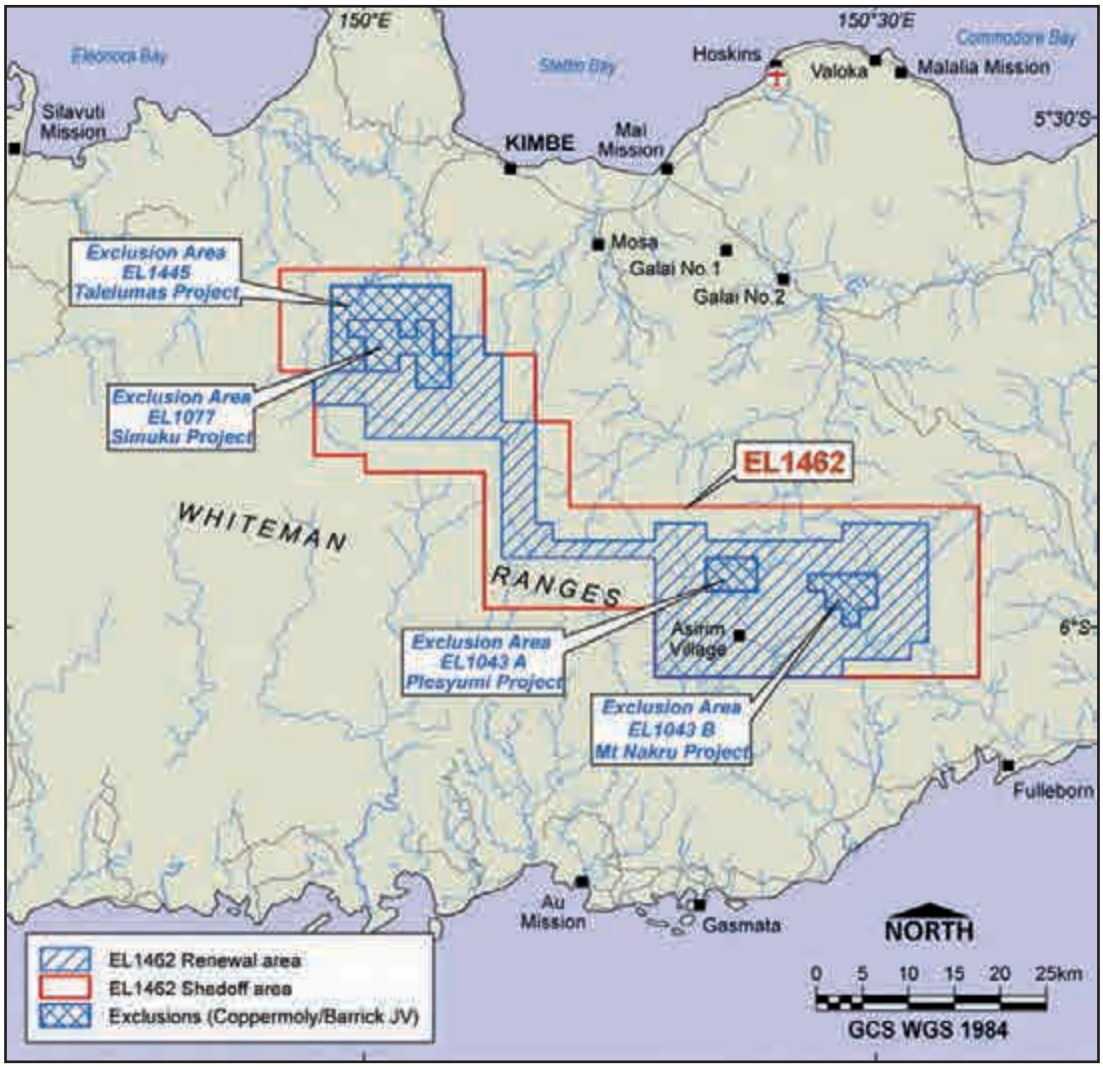


Figure 3. EL 1462 shed-off area

PM has applied for several other exploration licences in New Britain. Application was originally made for ELA 1731 in May 2009 by the PM subsidiary, Aries Mining. An earlier application from Titan Mines Ltd (Titan), however, covered part of the ground applied for by Aries Mining. Titan was granted a licence in June 2010, resulting in the Aries Mining application area being fragmented into five parcels of ground (EL 1731, EL 2048-2051). Aries Mining resubmitted applications over the resulting segments of its original application area (EL 2048-2051) and the applications are currently pending with the Mineral Resource Authority (MRA).

Applications have also been submitted for three additional licences (ELA1802, 1803, 1804) which adjoin EL 1462 (see Figure 2).

In December 2011 application was made for three additional licences (ELA 2144, 2145, 2146) in New Britain over substantially the 625 km^2 of ground which had been shed off EL1462 in September.

2.2 Ambunti

The Ambunti licence (EL 1766) is located in the north west of the main island within the East Sepik Province. AML had originally held EL1461 in the Ambunti area since September 2007, but due to a filing error on application for renewal in September 2009, it had to reapply for the licence which it did in January 2010. EL1766 was granted in March 2011

The licence covers 361 km^2 of low forested hills surrounded by the Sepik River plains/swamps east of the Ambunti Government Station covering the area from Nawi and Yerekai Villages to Mount Garamambu, then south west to the western fringes of the Hunstein Range (see Figure 4). The Sepik River valley is a drowned mature river system resulting in large areas being covered by swamps and shallow fresh water lakes.

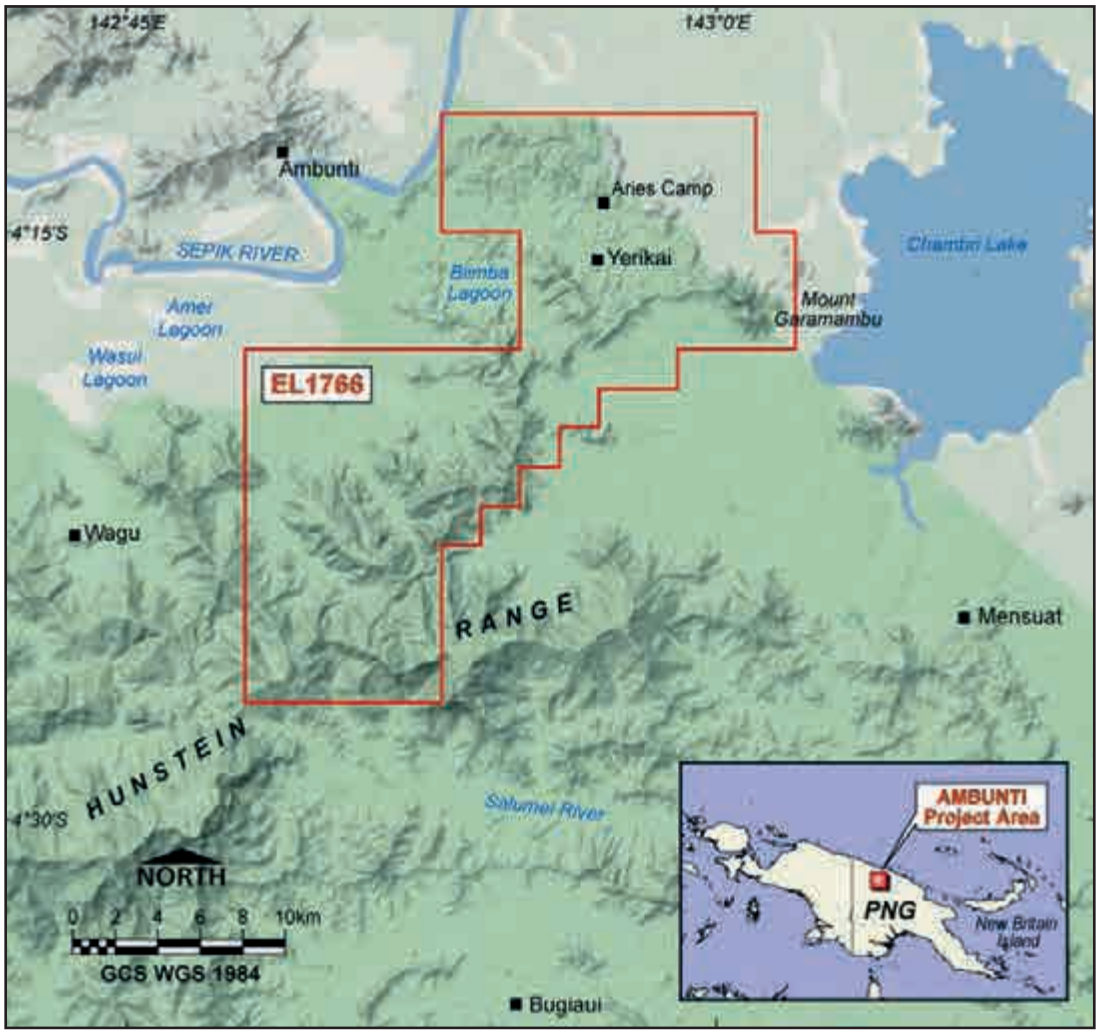


Figure 4. PM's Ambunti licence

2.3 Exploration Licensing in PNG

Exploration licences are granted by the Minister for Mining in accordance with the Mining Act 1992, Section 28 and the Mining Regulation 1992. Licences are valid for a period of two years during which period an agreed work plan must be followed and the licence holders, Sagittarius Mining and Aries Mining, have to spend a minimum amount on exploration on the licences as detailed in Table 2. Licences are renewable for continued exploration, provided that the expenditure commitments have been met, regular reports filed with the appropriate authorities. On renewal, 50% of the licence area is relinquished back to the Government.

Subject to any agreement made under Section 17 of the PNG Mines Act, the State reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase of up to 30% equitable interest in any mining discovery arising from this licence, at a price *pro rata* to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a *pro rata* basis, unless otherwise agreed.

At present the mineral rights are vested in the Government of Papua New Guinea and it has the sole right to grant Exploration and Mining Licences. In August 2011, in a statement on ABC's Radio Australia program, the recently appointed Mining Minister Byron Chan hinted at plans to change this fundamental aspect of existing mining laws. He said that a new Bill, not yet law, proposes amendments to key mining and oil and gas legislation with the word "state" often being replaced by "customary landowners" or "landlords". This would effectively transfer the ownership back to the landowners. Chan further told the radio program the proposed changes would not affect existing licences, but future ones.

There has been strong reaction from the PNG Chamber of Mines and Petroleum and international mining companies has been actively warning the government of the dangers posed by such a fundamental shift in policy, both publicly and behind the scenes, as such legislation would result in logistical nightmares for mining and exploration companies.

Speaking at a recent event in Brisbane, Prime Minister O'Neill clarified the government position. He stated *"In the first few days of coming into office, a number of statements pertaining to the various equity and ownership positions were made by a number of my ministers. Let me reassure you that the goal-posts have not been shifted and relocated. The playing field remains the same and shall be maintained that way for the foreseeable future".*

He went on to say *"the applicable laws have not changed"* and that any future changes to policy *"will have to be driven by a win-win formula for all stakeholders in a predictable manner."*

3 Accessibility, Climate & Local Resources

3.1 New Britain

Air Niugini flies twice daily from Port Moresby to Hoskins Airport on New Britain. Access to EL 1730, which borders onto Kimbe, should be easy for most parts as large portions of the licence area is covered by oil-palm plantation with a good road infrastructure.

The central part of EL 1462 is dominated by the rugged Whiteman Ranges with altitudes ranging from 200m to 1,830m above sea level at the highest point. Numerous rivers and streams dissect the area and drain to the north and south coasts from the ranges.

Access to parts of the EL 1462 licence area is very difficult and in some instances the prospective areas can be reached only by helicopter (Figure 5) or using a light aircraft to the landing strip such as the strip at one of the current PM camps, in Asirim village, and walking and/or traversing logging tracks.

At Nakru, where Coppermoly / Barrick are active, initial access was along the network of logging roads and an extension of one of these to reach their exploration camp. They have since changed to a fully helicopter–supported operation and the road has fallen into disrepair. It would be relatively inexpensive to repair this road for easy access to trucks with drilling equipment and supplies.

Figure 5. Helicopter sample transport

During the site visit this road had been blocked by a fallen tree (see Figure 6) and although the quality of the road was poor, it would be straightforward to improve it again to maintain road access.

Figure 6. Road blocked by fallen tree

At Kimbe a deep water port can be used to bring in vehicles, drilling equipment and should a mine be developed in the future, also mining and processing equipment (see Figure 7).

Most of the ELs are covered by dense tropical rain forest with patchy areas of secondary growth where logging and subsistence farming has occurred. Large areas of land are cultivated as oil palm plantations such as those held by New Britain Palm Oil as well as by numerous smaller palm oil block holders (see Figure 8).

The area experiences typical monsoonal climate with high rainfalls on the south coast from May to October during the southeast (SE) trade winds whilst the northern part is relatively sheltered and drier during this time. This situation is reversed during the northwest (NW) monsoon between November and April when the north coast experiences heavier rainfalls than the south. The central ranges remain wet and cloudy with cooler temperatures all year round. The frequent rain affects access by air and results in delays in the work programme.

The main population centres are along the coasts or the immediate hinterland. Habitation in the central parts of EL 1462 is scarce apart from occasional small villages. Landownership is customary throughout the area and access negotiations and protocols are currently in progress and constantly maintained during field exploration. Observations during the field visit confirmed the current good relationship between PM and the landowners.

Figure 7. Kimbe harbour

Figure 8. Oil palm plantations

3.2 Ambunti

EL 1766 is accessible either by light aircraft from Mt. Hagen or Wewak to Ambunti station, followed by a half-hour trip by dugout canoe along the Sepik River and river channels and across the Biimba Lagoon. The Missionary Aviation Fellowship (see Figure 9) operates two regular flights by light fixed winged aircraft on Tuesdays and Thursdays. The trip by light aircraft from Mt Hagen to Ambunti takes approximately one and a half hours, but by using the combination of road/river canoe transport from Wewak, it takes approximately eight hours travel to the Ambunti station.

Figure 9. MAF light aircraft

Figure 10. Dugout transport

No maintained roads exist within the Ambunti area and footpaths are the only land-based access within the licence. For practical purposes, the target areas are surrounded by water and swamps and exploration areas are accessed via motorised dug-out from Pagwi via Sepik River to the village of Nawei. The Sepik River is navigable to a degree and barges can be towed to the edge of the concession area.

One of the earlier exploration companies brought a bulldozer to site, constructed a rudimentary road over a distance of approximately 2km and prepared drill sites at Kwalem Creek but the holes were never drilled. Although this road is not in use and is overgrown with secondary forest, it would be relatively simple to re-establish this road if necessary.

With the large areas covered by water, good, reliable and safe water transport is essential and PM is investigating the purchase of an air-boat that would be less affected by the fluctuating water levels in the river and lagoon.

Figure 11. Bulldozer landing ramp

As with the New Britain licences, the area experiences typical monsoonal climate with high rainfalls on the south coast from May to October during the SE trade winds whilst the northern part is relatively sheltered and drier during this time. This situation is reversed during the NW monsoon between November and April when the north coast experiences heavier rainfalls than the south. The central ranges remain wet and cloudy with cooler temperatures all year round.

3.3 Project Infrastructure and Local Resources

All the projects are early stage exploration projects and no infrastructure dedicated to the projects to provide access to a camp, drill sites, etc. has been established. Current access is via existing logging roads, regional roads, by rivers or helicopter as discussed above.

Coastal villages provide a good supply of labour for exploration projects. Hiring locally also creates good will that generates local support for renewal of tenements. PNG has a good supply of exploration geologists, geological technicians, miners, and equipment operators that can be called on as the project progresses. The current boom in exploration activities by international mining and exploration companies may put a strain on these resources.

The lack of development in terms of infrastructure and power means that exploration companies must provide all of this, making exploration very slow and expensive.

4 Regional Geological Setting

4.1 New Britain

4.1.1 Regional Geology

According to Horne (Horne, 2011), New Britain is a long (500km), narrow (40-100km), arcuate island that lies between main island New Guinea and the northwest-trending Solomon Islands-New Ireland chain. A complex array of tectonic elements occurs with several microplates currently being created and destroyed where the Pacific, Australian and Caroline plates converge (Figure 12; Gemmell et al., 2004).

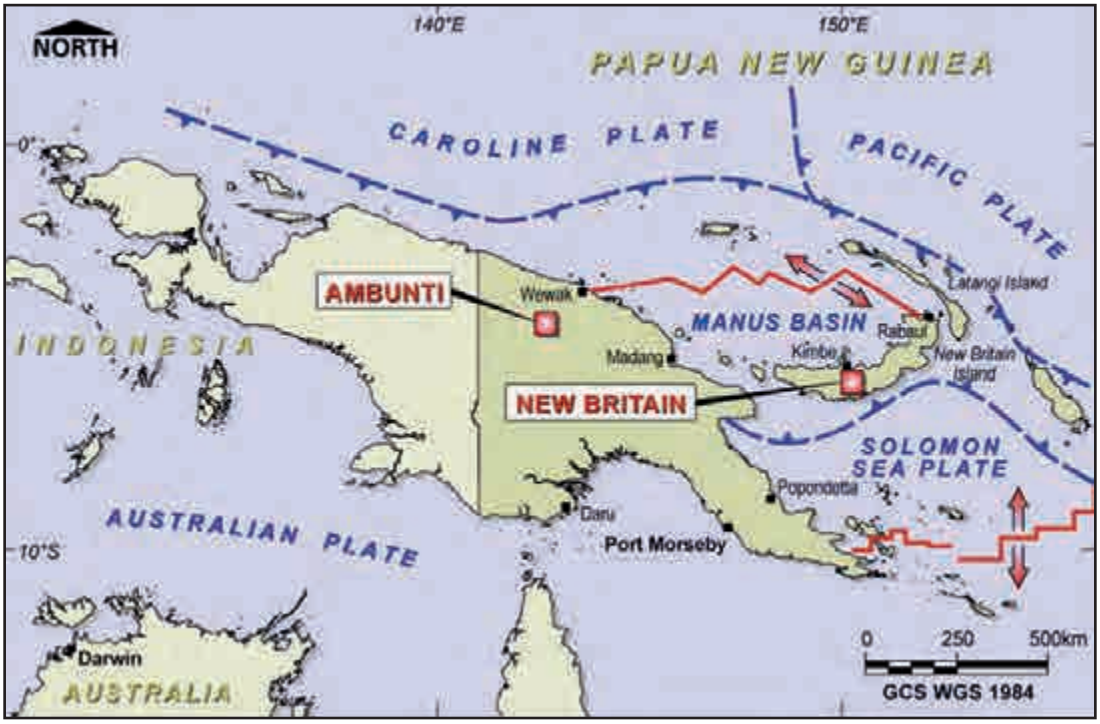


Figure 12. Tectonic elements of Papua New Guinea, Irian Jaya, and the Solomon Islands (after Gemmell et al., 2004).

Many publications have focussed on the plate tectonic history of the western Pacific region and the formation of Papua New Guinea and associated islands. The following summary, however, will focus on the tectonic setting of the northern New Guinea margin and New Britain itself from the Eocene to the present day. Hill and Hall (2003) describe the complex structural and tectonic evolution of the northern Australian margin that includes the island of New Guinea as being largely masked by Miocene to Pliocene orogenesis and the Pleistocene onset of tectonic collapse. In the Palaeozoic, New Guinea contained the boundary between a late Palaeozoic active margin in the east and a region of extension associated with Gondwana breakup along the western margin of Australia. In the Permian and early Triassic, New Guinea was an active margin resulting in widespread middle Triassic granite intrusions. The Mesozoic saw Triassic and Jurassic rifting, followed by Cretaceous passive margin subsidence and renewed rifting in the late Cretaceous and Palaeocene.

In the Eocene about 45 Ma, there was a major plate reorganisation, whereby Australia began to move rapidly northwards. New north-dipping subduction began about 2000 km north of Australia beneath the Philippines-Halmahera Arc. At the same time south-dipping subduction began northeast and east of Australia forming the Melanesian Arc. Between 45 and 25 Ma the Philippines-Halmahera Arc remained in approximately the same position. East of Australia, rolling back of the Subduction hinge led to the formation of the wide back-arc Solomon Sea Basin as the Melanesian Arc rotated north. From about 40 Ma the Caroline Sea opened as a back arc basin by rollback of the Pacific subduction

hinge at the eastern margin of the Philippine Sea plate. The South Caroline Arc basin and was the site of formation of the arc terrains now found in northern New Guinea.

As Australia moved north, the residual rifted terrains and marginal basins to the north reached the Philippine-Halmahera-Caroline subduction zone. They were probably incorporated into the Philippine-Halmahera-Caroline subduction complex and accretionary prism, such that they now occur as basement beneath the successor basins in the Weyland terrain. At about 25 Ma there was an arc-continent collision when the Philippines-Halmahera Arc collided with a continental promontory along the Australian margin. Low energy late Oligocene to early Miocene limestones were deposited southwest of the accreted arc, in the Sepik basin.

The Oligocene arc-continental collision, combined with collision of the Java Plateau with the Melanesian Arc, led to the loss of two subduction zones and a major plate reorganisation. After these collisions, throughout the Miocene, the arcs between the Philippines and Melanesia became a single arc system which rotated clockwise at the leading edge of the Pacific plate. The Philippine-South Caroline arc terrains moved along the Australian margin in a complex, regionally extensive strike-slip zone. This extension led to the formation of metamorphic core complexes that cooled rapidly from ± 500ºC to near surface temperatures around 20 Ma. Regionally, the whole New Guinea margin subsided rapidly leading to widespread deposition of 1-2 km of Miocene shallow water limestone in southern New Guinea and a sudden transition into deeper water along the northern margin of the fold belt.

Porphyry intrusions and related mineralization are emplaced during arc-building magmatism. A typical scenario for a southwest Pacific Rim magmatic arc might feature collision between continental and oceanic plates, in which the heavier basaltic oceanic plate is subducted along the Benioff zone, below the lighter continental plate. The subduction zone, marked by an oceanic trench or trough at the plate contact, is commonly concave in the direction of dip and movement, and dips under the magmatic island arc. During subduction, continental rocks and offshore sediments may become metamorphosed and deformed and develop into a mountainous accretionary prism (e.g., the Highlands of Papua New Guinea).

Porphyry intrusions are emplaced at depths of 1-2 km, while differentiated felsic and volatile-rich intrusions may rise to higher crustal levels, and large batholithic bodies occur at greatest depths. Under ideal conditions fluids may evolve from the porphyry environment to form low and high sulphidation gold-copper mineralization outside the porphyry environment.

4.1.2 Orthogonal convergence

In orthogonal convergence two plates collide at angles of roughly 90º to each other. Examples of orthogonal convergence occur within younger active and older possibly dismembered arcs. These include magmatism in the Central Andes of Chile, which has been active over a protracted period of time and some formerly active or now dismembered arcs in Papua New Guinea. From the Eocene to Miocene, southwest subduction of the Pacific plate facilitated the formation of the now dismembered island arcs extending from the islands of Manus to New Ireland, New Britain, and Bougainville in Papua New Guinea, and Guadalcanal the Solomon Islands, but ceased with the jamming of subduction by the Ontgong Java Plateau.

Miocene porphyry mineralization at New Britain and Manus Island developed under conditions of orthogonal convergence. Analyses of vein and fracture patterns formed in association with porphyries emplaced in orthogonal arcs suggest that many intrusions formed during extension regimes. Tectonic relaxation within an overall constructional environment provides one possible mechanism for localized extension in both time and place. Non-planar and high angle structures in orthogonal arcs may also facilitate localized extension. Relaxation may take the form of a reversal of orthogonal convergence, or change to oblique convergence. Molten volatile-rich magma that has been constrained at depth during orthogonal convergence may be induced to rise rapidly to form porphyry intrusions under these changed conditions. Mineral deposition occurs at higher crustal levels under

cooler conditions. Settings of orthogonal convergence are conducive to the formation of porphyry copper-gold deposits in which most mineralization occurs close to, or within, the intrusion. A model for the formation of porphyry mineralisation in the New Britain area was presented by Horne (2011) and is reproduced as Figure 13.

The basement rock in the general vicinity of the PM's licences in New Britain comprises Eocene – Oligocene Baining volcanics mainly consisting of andesitic lava flows and pyroclastic rocks interbedded with conglomerates and sandstones. The second oldest is the Oligocene – Miocene Kapuluk Volcanics similarly of andesitic composition and dacitic lava flows. These rocks are exposed extensively and form the central Whiteman Ranges.

The basement rocks were intruded by a series of gabbroic to dioritic stocks and plugs ranging in age from 29 – 22Ma. The individual stocks are irregular in shape with the smaller dykes and plugs occurring as elongate bodies aligned with regional NW and NE lineaments suggesting a structural control during their emplacement.

The Yalam Limestone (platform carbonate sequence) was deposited around the flanks of the basement during a period of reduced volcanic activity in the Upper Miocence (22 – 10Ma). During a period of uplift and renewed volcanic/plutonic activity in the Pliocene period, the Mungu Volcanics and Kapiura Bed sedimentary sequences were laid down mainly to the north of the Whiteman Ranges. Volcanism continued intermittently since the Pliocene to present times.

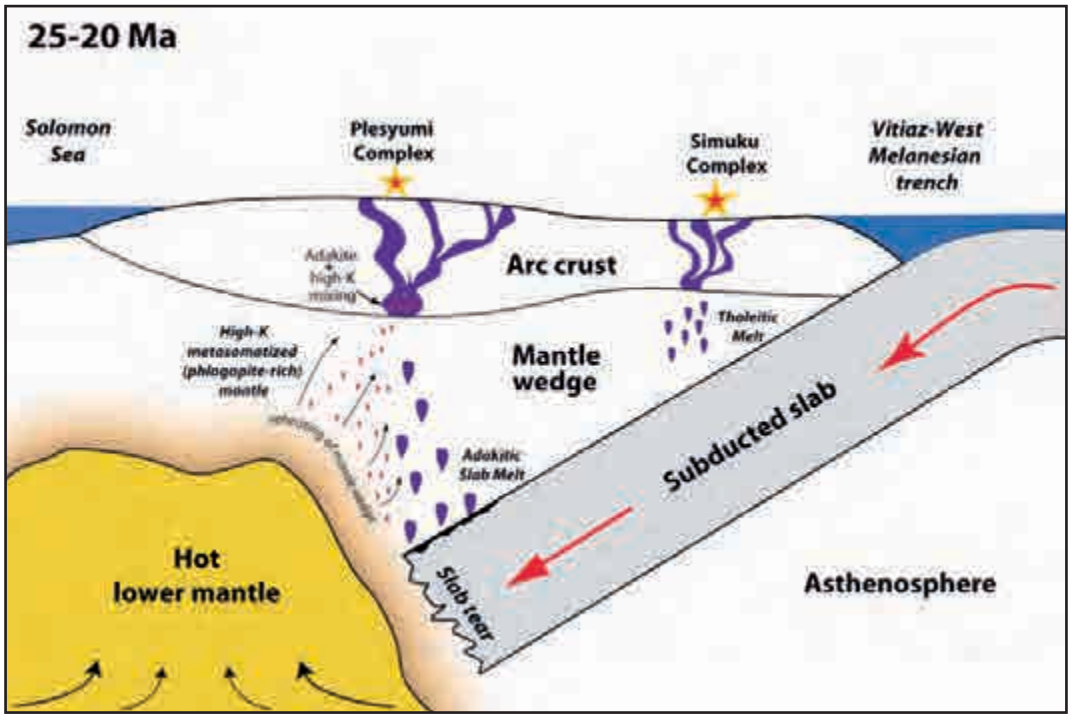


Figure 13. Porphyry model (Horne, 2011)

The Kimbe Volcanics consisting of ash and lapilli tuff were deposited during the Pleistocene to recent times. This material blankets all lithologies including the basement rocks especially on the northern side of the Whiteman Ranges. The ash cover is partially eroded in the upper reaches of the drainage catchments, but the lower areas remain covered by several meters of thick cover which masks and dilutes the geochemical dispersion of potentially mineralised bodies.

4.1.3 Structure

According to Horne (2011), pre-Miocene structural deformation is dominated by the NW to NE trending faults (almost orthogonal sets) as observed in outcrops and noted as lineaments in airborne magnetics, radiometrics, aerial photographs and satellite imagery. The regional alignment of the basement and associated plutonic rocks closely relates to these prevailing trends supporting structural control during igneous emplacement.

It is important to note that the intersection of the NW and NE trending faults could be the focal point of intrusion by small stocks and plugs which themselves are associated with copper – gold ± molybdenum mineralisation (e.g. Plesyumi & Simuku porphyry copper-gold prospects). Post Miocene deformation occurred after a period of quiescence when the Yalam Limestone beds were deposited, followed by a period of uplifting dominated by NW trending high angle horst and graben fault blocks. The pre-Miocene faults seem to have been reactivated in most cases.

4.2 Ambunti

4.2.1 Regional Geology

According to the Carpentaria reports, the Sepik Valley is largely underlain by Ambunti Metamorphics, a suite of variable metamorphic grade comprising predominantly metasediments with subordinate metamorphosed igneous intrusives. These metamorphics vary, with increasing grade, from phyllite and sericite schist, through muscovite gneiss, to amphibolite and orthogneiss.

East of April River, low grade phyllite and sericite schist predominate with higher grade schist, gneisses and amphibolites occurring within or adjacent to intrusives. West of April River, higher grade rocks of the amphibolite facies of regional metamorphism are more extensive. The age of these metamorphics is uncertain but Carpentaria suggests that they formed during a Jurassic orogeny. The strike of the metamorphic foliation is roughly parallel to the regional west-north-west to north-westerly strike of the main faults in the area.

The Ambunti Metamorphics have been intruded by the Chambri Diorite, which occurs between Ambunti and the Chambri Lake area. Australian Oil and Gas describes the Chambri Diorite as an orthoclase microdiorite and porphyritic andesite, with microdiorite showing chloritisation of biotites and zeolitisation of feldspars. A 100m wide and north-striking diorite dyke forms the ridge of Mt Garamambu. A number of tectonically emplaced bodies of April Metamorphics also intrude the Ambunti Metamorphics. Emplacing of these probably coincided with major folding and faulting in the period Eocene to Lower Miocene. In Carpentaria's opinion, the Hunstein Complex, which occurs to the south of the area, is thought to be a non-homogeneous basic pluton. It appears to be affected by the same metamorphism that formed the Ambunti Metamorphics.

4.2.2 Structure

PM has not yet completed structural mapping or drilling that can be used to interpret the structures. The limited structural information that is available is taken from reports by earlier exploration companies. PM has not yet been able to test these interpretations to form their own conclusions.

Carpentaria suggested that the Sepik Plains are bounded by large north-westerly trending faults, notably an extension of the Bismarck Fault Zone which passes to the north-east of Ambunti, and an extension of the Karawari Fault Zone which passes to the north-east of May River Patrol Post. The occurrence, near the southern margin of the Sepik Plains, of unaltered rocks of the Eocene Salumei Formation in faulted contact with Ambunti Metamorphics of amphibole facies, suggests that the southern block has been down-thrown relative to the Ambunti Metamorphics.

5 Local Geology

5.1 New Britain

5.1.1 Structure

According to Horne (2011), the structural alignment of Tertiary intrusives in New Britain, New Ireland and Manus Island have all localized the emplacement of copper-gold mineralized intrusives, ranging in age from Oligocene to Pliocene. They also have a long movement history, which may range through to the Holocene, and are oblique to existing major morpho-tectonic features, such as the New Britain Trench and structural elements associated with the Middle Pliocene-Recent opening of the Bismarck Sea.

The arc-normal alignment of active and extinct Quaternary volcanoes over a distance of 75 km, to the south of and along the Willaumez Peninsula, West New Britain (see Figure 14), may represent a modern analogue for these structural zones. Northerly trending extensional faults along the peninsula were interpreted to represent east-west crustal tension, and he concluded that the peninsula developed in a north-trending rift zone. The Willaumez structure intersects the Kulu-Fulleborn Trend at a 30° angle, and no comparable north-trending structures can be seen south of the intersection.

5.1.1.1 Kulu-Fulleborn Trend, New Britain

The Kulu-Fulleborn Trend is a corridor of Upper Oligocene- Pliocene intrusives and volcanics in New Britain (see Figure 14 and Figure 15). The trend has a strike length of 150 km and a width of 25 km, and passes northwest-southeast across New Britain, from Eleonora Bay on the north coast to Fulleborn on the south coast. The Sagittarius Mining property is situated in such a way that the boundaries, pre 2011 shed off, encompassed about 80 percent of the trend. The orientation of the clearly defined trend is of particular interest, not only because it is oblique to all major morphotectonic elements of the region but also because it possesses a controlling role in the localization of igneous activity and associated with Cu ± Au mineralization. The trend has a documented long history of igneous activity with significant (>1000 m) vertical movement.

The Kulu-Fulleborn Trend is a fundamental structural boundary of sub-crustal extent. An abrupt thickening of crust from 15-20 km to 40 km depth occurs in a south-western direction across the structure and the trend forms the western boundary of a large free air gravity anomaly that underlies Central New Britain. The Central New Britain anomaly is a major extensional fracture in the crust through which higher density material has risen toward the surface.

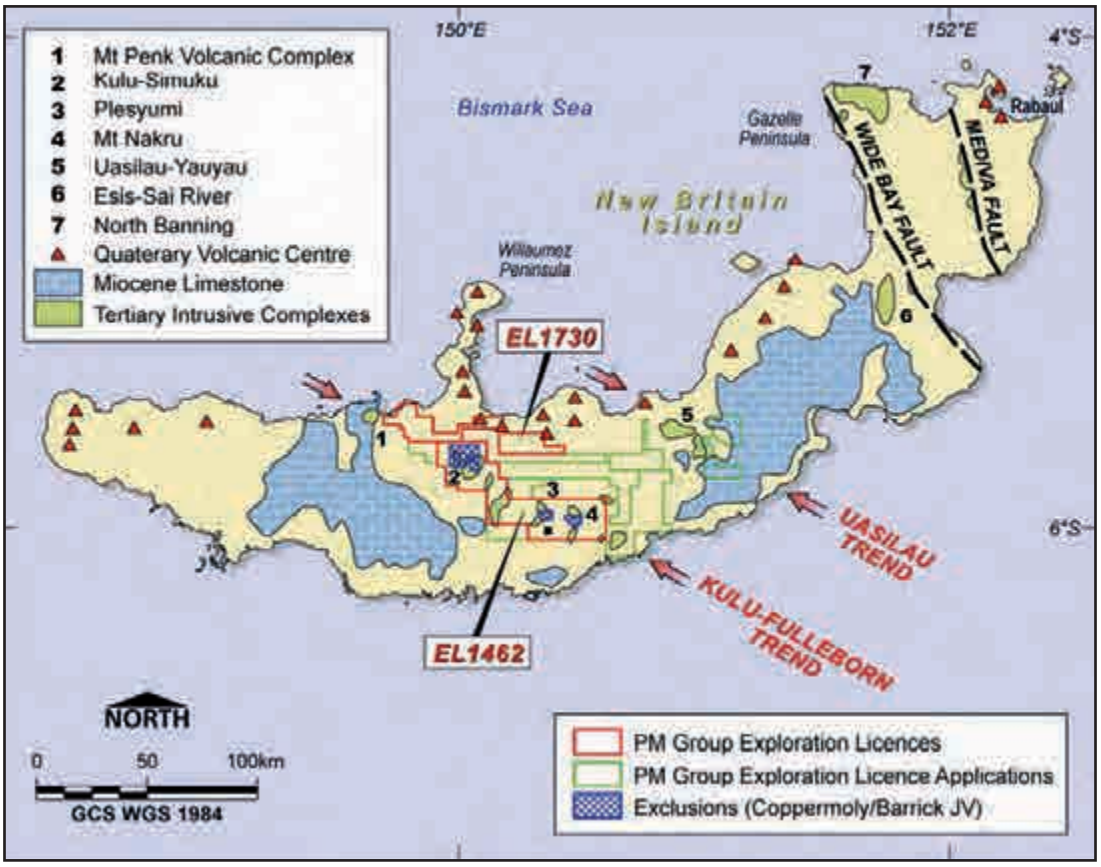


Figure 14. Simplified geology map of New Britain.
(showing the Kulu-Fulleborn and Uasilau trends and other structures, distribution of Miocene limestone and Quaternary volcanic centres) (after Horne, 2011)

Many Upper Oligocene and Pliocene dioritic intrusives are localized in the Kulu-Fulleborn Trend and host porphyry copper, skarn and gold mineralization. Significant zones of mineralization (and their ages) include, from the northwest, Kavola East Prospect (Pliocene; epithermal gold), Kulu-Simuku porphyry copper system (Upper Oligocene; copper, gold), Plesyumi porphyry copper (Upper Oligocene; copper), Mt. Nakru Prospect (Lower Miocene; gold, copper). The Upper Oligocene intrusives comprise large sub-batholithic bodies and smaller stocks, with the long axes of many of the bodies trending northeast, orthogonal to the main trend.

Local structural controls, superimposed on the prominent northwest trend, have clearly controlled Upper Oligocene emplacement. There is a general decrease in age of igneous activity in a northwest direction along the trend. This corresponds with a shallowing in the depth of formation of mineralization, from the deeper porphyry coppers at Kulu-Simuku and Plesyumi, to relatively shallow epithermal mineralization at Kavola East.

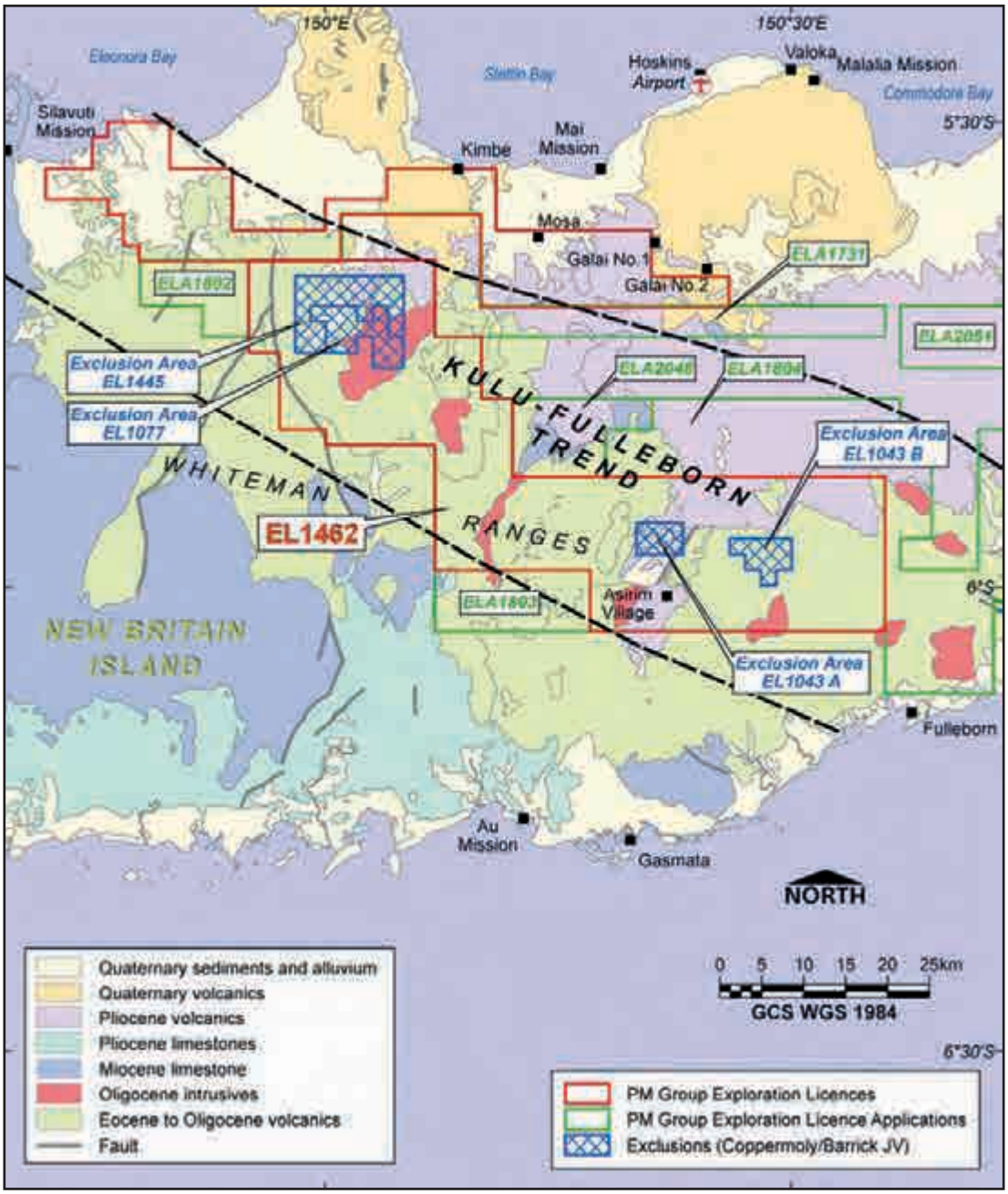


Figure 15. Kulu-Fulleborn trend (Horne, 2011)

5.1.2 Mineralisation

In this part of New Britain several types of mineralisation are reported including: porphyry copper–gold mineralisation at Simuku, Kulu and Plesyumi, copper skarn mineralisation at Dagi and copper–gold mineralisation with an epithermal overprint at Nakru (Coppermoly's Nakru 1 and Nakru 2 prospects).

Both of PM's exploration licences, EL 1462 and EL 1730, are situated in the Kulu-Fulleborn trend, a prominent WNW belt of mainly intermediate volcanic rocks and associated, sub-volcanic intrusives with potential for precious metal enhanced porphyry copper mineralization (see Figures 14 and 15).

The **Simuku** property is mainly underlain by andesitic to basaltic volcanic and volcanoclastic rocks of the Kapuluk Volcanics and felsic andesitic to dacitic intrusive dykes, sills and stocks belonging to the Upper Oligocene intrusive suite related to the Kapuluk Volcanics.

The main exploration target on the Simuku property is a gold-enhanced porphyry copper deposit with enrichment resulting from generation of a supergene, chalcocite-rich blanket or secondary enriched zone. Skarn mineralization occurs when dacite porphyry intrusive intrude limey volcanoclastic or sedimentary rocks, and may be a target on the Simuku property. Structurally-controlled zinc mineralization and auriferous quartz veins occur peripheral to the porphyry system. The presence of auriferous (single grab sample grading 210 g/t Au) phyllic altered crystal lithic tuff, along Misauguran Creek, suggest the possible of epithermal gold deposition in porous volcanic rocks.

The **Simuku** prospects comprise a mineralized zone about 3km long and 300 to 500m wide within a mineralized area of about 12km^2. Three 400m hills (i.e. Wokayalae in south Simuku and Misilli and Tobarum in central Simuku) have hematitic, siliceous, leached caps within the zone.

Mineralization at the Simuku prospects appears to be associated with porphyritic microdiorite which has estimated sulphide content ranging from 5 – 7% comprised of pyrite and chalcocite in the enriched zone; and pyrite, chalcopyrite, sphalerite and molybdenite in the primary zone. Hydrothermal breccias, associated with the microdiorite, have intrusive clasts with sulphide content up to 15%, comprised of pyrite, chalcopyrite, chalcocite, bornite and minor molybdenite (four high chargeability IP anomalies obtained by Placer were interpreted to contain up to 15% disseminated sulphides). Propylitic altered volcanics are also generally pyritic but with only minor chalcopyrite.

Four holes drilled by Esso at the Simuku prospects in 1983 have demonstrated the presence of a secondary enriched, chalcocite blanket in a zone above significant primary porphyry copper mineralization. Drill hole SM-4 intersected 40.7m grading 0.64% Cu in a secondary blanket above 84.6m of primary mineralization grading 0.28% Cu. Hole SM-3 ended in primary mineralization with 50.2m. (100-150.2m) grading 0.50% Cu and ended in primary mineralization grading 0.66% Cu. Only 12 holes have been drilled in a mineralized zone from 300 to 500m wide and over 3km long with further drilling justified by previous encouraging results.

Results of previous exploration surveys suggest that excellent exploration potential exists for both an economic supergene copper blanket overlying primary porphyry copper-gold mineralization, and for an economic, precious metal enhanced, primary porphyry copper system. Since phyllic altered crystal lithic tuff along Misasuguran Creek has produced a grab sample that returned an assay of 210 g/t Au, and a nearby 1.5m wide clay silica altered fault zone returned 7.2% Zn, the Misasuguran Creek area represents a possible low cost prospecting target with possible bonanza grade gold or base metal vein potential. Low cost assessment programs, consisting of geological and geochemical prospecting, and hand-trenching, can be used for follow-up of previously defined anomalous targets.

The **Kulu** prospects, also known as the Mawaiyuen, Rapisme, and Rapilli prospects, have been explored in the past by CRA, BHP and Esso as supergene porphyry copper targets. Drilling on the Rapilli and Rapisme prospects, by CRA and BHP respectively, intersected mainly primary mineralization grading less than 0.2% copper with no gold analyses conducted. Esso obtained anomalous gold (from 0.02 to 0.09 g/t Au) from five creeks that drain the drill area.

The **Talelumas** prospect was located in 1984 by Esso following up anomalous arsenic in silt samples and pyritic float in creeks draining an airport circular feature. Gold mineralization discovered to date consists of narrow shear zones with quartz, sphalerite, chalcopyrite and pyrite. A grab sample from a 20cm. wide sphalerite-quartz vein in the Misek creek area assayed 26.65 g/t Au, 24.0 g/t Ag, 2.14 Cu and 22.4% Zn. A 5m channel taken across the structure averaged 5.0 g/t Au.

5.1.3 Alteration

There are five main granitic intrusive complexes distributed throughout New Britain (Hine & Mason, 1978). Each of these bodies is composed of equiangular, medium to fine grained granitic rocks, ranging in composition from diorite to granite. Tonalites are the most common rock types and minor gabbros, gabbroic diorites and late stage plagioclase-hornblende-quartz porphyries are also present. Hine & Mason (1978) provide some chemical data on the compositions of these intrusive suites,

although the range of elements reported is not as extensive as those typically reported in more modern studies. The intrusives represent the culmination of igneous activity following the second of two extended periods of volcanism that produced much of the thick crust in the New Britain region. In all instances, the dominant granitic rocks are pre-mineralization, whereas associated porphyries are syn- or post-mineralization (Hine & Mason, 1978).

5.1.3.1 Esis-Sai Complex

According to Horne, the Esis-Sai complex covers an area of approximately 70 to 80 km^2. The southern portion occupies a slight topographic depression that is surrounded by younger Pliocene (1.8 to 3.6 My) ash cover and volcanics. The rocks from the southern part of the complex form a coherent suite of I-type granite intrusions ranging from quartz diorite to granite. Dykes of pyroxene gabbro are rare.

Country rocks of the Esis deposit are partially affected by hydrothermal alteration. Areas that are unaffected by hydrothermal alteration consist of thermally metamorphosed basalt and andesite flows interlayered with massive agglomerates.

Contacts between intrusives and volcanics are sharp and near vertical. Here, hornfels consist essentially of hornblende and plagioclase with subordinate magnetite and haematite. Clinopyroxene and biotite are present in rocks of higher metamorphic grade adjacent to the contact.

The intrusive rocks at Esis include granitic rocks, plagioclase-quartz porphyries and intrusive breccias and are notably poor in orthoclase. The larger quartz diorite, tonalite and granodiorite bodies form stocks, whereas smaller bodies of gabbro, diorite, granite and aplite form dykes or dike swarms. In general, the long axes of the larger stocks are orientated north-south, parallel to the direction of elongation of the complex.

Contacts between different phases are sharp. Intrusive activity commenced with the emplacement of minor gabbros, followed by calc alkaline, quartz diorites, tonalites and granodiorites which form the bulk of the complex. Activity ended with the emplacement of the mineralized breccias and the plagioclase-quartz porphyries.

The diorites, quartz diorites, tonalites and granodiorites are equigranular and medium to coarse grained with typical granitic textures. They consist of varying proportions of augite, hornblende, biotite, plagioclase, quartz and alkali feldspars with accessory magnetite, ilmenite, apatite, zircon and sphene. Traces of pyrite and chalcopyrite are present in some instances. Augite is restricted to the diorites and quartz diorites. Brown to olive green hornblende is the most abundant mafic constituent.

5.1.3.2 Alteration of Volcanics

There is typically a transition between the two types of alteration for the volcanic rocks, which form a rough elliptical zone around the breccia complex. At the Esis complex a zone of potassic alteration has not yet been recognised in the volcanics.

Chloritic alteration in the volcanics is characterised by pervasive chloritization and by the development of 1 to 2 mm, light coloured envelopes about fractures occupied by pyrite ± chalcopyrite veinlets. The envelopes contain chlorite, kaolinite, sericite and locally quartz, calcite and epidote. Sericite alteration is characterized by a higher degree of pervasive alteration with extensive development of pyrite, quartz, sericite, kaolinite and chlorite; sericite exceeds chlorite. In general, primary copper grades increase with the increasing intensity in alteration. Alteration within the volcanics is accompanied by changes in chemistry that can be related to the progressive mineralogical changes shown in Table 3. Chloritized volcanics generally have higher SiO_2, S, H_2O, P, Zr, Y, Ni, Pb, and Zn and lower Al_2O_3, FeO, MgO, CaO, Sr and V than altered volcanics. Sericitized volcanics have higher SiO_2, S, H_2O, Cu and Zr and lower Al_2O_3, total Fe, CaO, MgO, Sr, V, Pb and Zn.

5.1.3.3 Alteration of Granitoids

Although granitic rocks of the area have locally been hydrothermally altered in areas of sulphide mineralization, the samples of this study are relatively fresh. Alteration intensity and assemblage types zone broadly outward in the breccia complex and increases progressively through chlorite-dominated to sericite dominated assemblages in irregular distributions. Pervasive alteration is more common in the granitic rocks in contrast to the fracture envelope-style of alteration developed in the volcanic. Given that the granitic intrusives are coarser grained and more fractured, they may have provided a more uniform medium for the penetration of hydrothermal fluids.

Intense chloritic alteration is marked by the replacement of primary biotite and hornblende by chlorite with minor epidote and calcite. Cores and margins of plagioclase are replaced by sericite, kaolinite and epidote. Alteration features and mineralization of granitoids are summarised in Table 3. Sericitic alteration of granitic rocks is characterised by the extensive replacement of calcic plagioclase and previously chloritized mafics by sericite. Secondary quartz and pyrite are common. Biotitic alteration of the granitic intrusives is not widespread but is recognised by fine red-brown and green biotite replacing primary mafics.

Table 3. Alteration of volcanic rocks

Basalt-Andesite		**Alteration type**		
		Chlorite dominated		**Sericite dominated**
Primary phases	**Contact metamorphic**	**Weak**	**Strong**	
Hornblende	Largely recrystallised or altered to actinolite	Most stable; some alteration to secondary amphibolite	Most altered to chlorite, complete chloritization in veinlet envelopes	Unstable, near complete replacement by chlorite and sericite
Calcic plagioclase	Most unaltered except for albitization I high-grade rocks	In part replaced albite + sericite + kaolinite in veinlet envelopes	Most replaced by albite and rarely sericite, kaolinite and quartz	Mostly replaced by sericite-kaolinite; albite in part replaced by sericite-kaolinite and quartz
Clinopyroxene	Nearly all replaced by hornblende except at higher grades where diopside-augite is stable	Mostly replaced by amphibole and chlorite	Absent	Absent
Magnetite/ ilmenite	Stable; ilmenite in part replaced by rutile and sphene	Stable except in veinlets envelopes, replaced by pyrite and rutile	Magnetite is augmented in veinlets, ilmenite to rutile	
Pyrite	Most as fracture coatings	Veinlets >> disseminated	Veinlets > disseminated	Veinlets ~ disseminated
Chalcopyrite	Absent	Most disseminated in veinlet envelopes	With pyrite in veinlets	
Total sulfide (est. vol %)	Trace – 1	1 – 2	5 – 10 (up to 15)	Average 10
Pyrite: Chalcopyrite est.		20:1	15:1 to 20:1	Very wide variation 15:1

5.2 Ambunti

The exploration of PM in the Ambunti area is still at an early stage and much of the following sections are based on historic reports by earlier explorers, in particular that of Australian Anglo American (AAA) which has performed the most detailed work.

5.2.1 Structure

Fieldwork by AAA identified two faults in the northern part of the concession. A fault zone has been observed intersecting Bristol Creek and the Banang River. The fault strikes at 60^0 and movement along the fault is interpreted to be vertical.

There are basically four structural sets that define the Guaimes area. The regional NW (300-345) trend is the dominant set which is offset by the NNE-NE (020-075) trending trans-arc structures. The main bedding trend subsequently follows the shallower dipping north easterly trend. A more steeply dipping foliation roughly trends E-W-E. This trend seems to align with the prominent E-W fault and the late stage intrusive dykes as observed in the field.

Also observed in Nembelang (Limpeling) creek, the dominant bedding set follows an east west trend and north east trend. The mineralised structures tend to follow the trans-arc north easterly trend as observed in the field.

In Walngam creek two sets of bedding trend were observed, the north easterly and the E-W trend. The dominant structural set is the E-W fault trend and north east being the subsidiary trend. Occasionally an N-S and a NW fracture sets splays off from the main trend.

In Kovi creek the dominant bedding trend observed is the regional trending north westerly structural set that is offset by the E-W fault set.

Towards the eastern corner of the EL, the dominant set observed in the field is the east west trending orientation. This can be seen in the Yubukuf-Mindanbot drainages and are offset by the NE trending structural sets. Splaying off from the main orientation is a lesser NW and NNE trending tensional fractures.

The mineralisation appears to be closely associated with NW and NE structural features. The E-W trend as observed is closely associated with the directional trend of the intrusive dykes. In some instances this trend is link to bedding trend as observed in certain localities.

5.2.2 Geology

Outcrops in the Ambunti area is very scarce, but the most frequently encountered rocks belong to the Ambunti Metamorphics, consisting of sediments with subordinate metamorphosed basic and intermediate igneous rocks. According to historic reports by Carpentaria and others, these metamorphics vary, with increasing grade, from phyllite and sericite schist, through muscovite gneiss, to amphibolite and orthogneiss.

The strike of the metamorphic foliation is roughly parallel to the regional west-north-west to north-westerly strike of major faults in the area.

According to AAA, the metamorphic grade in the area north of Nawi is low. A number of thin sills were noted generally occurring in the lower quartzites. They identified these as lamprophyres and quartz microdiorite. The strike conforms roughly to the regional trend of 130 – 140^0 although local variations were recorded and the dip is generally to the south at 25 – 35^0.

AAA observed that the most typical unit outcropping is a grey phyllite, described in the field as a grey micaceous shale/schist. A few quartzite beds occur intermittently within the sequence. In Nalbad Creek volcanically derived sediments are interbedded with the phyllites. These volcanically derived

sediments are both of rhyolitic composition and of a more basic sequence. Banded rhyolitic beds interbedded with schists occur in Kwalem Creek and have been observed in the lower Mindabot River.

AAA observed large quartz boulders in Nalbad Creek and to a lesser extent in Dukguan. Quartz wash is common in rivers having gold workings. In Kwalem Creek area mapping has established the existence of a number of prallel dykes or sills striking west-north-west to east-south-east.

5.2.3 Alteration and Mineralisation

According to the earlier reports by Carpentaria Exploration Company Pty. Limited (Carpentaria) and others, the country rock alteration is dominated by distal chloritic to lesser argillic clay alteration and prograded towards the mineralised envelope. The alteration assemblage is dominated by argillic-sericite to Fe-oxide clays to sections of silicification enveloping the mineralisation. Proximal to the source is more pronounced silica-quartz-pyrite assemblage. In some places development of low order kaolinite shows up. Alteration and mineralisation is perhaps two-phase enrichment being that; the first phases of dry steam crackle breccia which was later followed by a single or perhaps a multiphase pulsating of hydrothermal surges. The mineralisation phase is dominated by quartz-arsenopyrite-pyrite+/-Au assemblage.

Based on the AAA reports, numerous quartz lenses and irregular masses generally conforming to the bedding occur throughout the succession although they are generally more common in quartzite units and intervening strata. Larger masses are generally of hard milky quartz although fractured and more friable quartz in association with brecciated and deformed grey mica schist is also fairly common. Abundant pyrite occurs in a number of lithological units.

AAA noted three types of gold mineralisation:

- In quartz as noted in float pieces in the lower Banang River
- In fawn coloured rock float, with high gold content in the Limpeling River
- In brecciated limonitic quartz mica schist rock float in Bombany Creek

AAA has concluded that the Ambunti Metamorphics consist principally of a polymetamorposed sequence of phyllites, quartzites and quartz mica schists intruded by sills and dykes of andesitic composition. The most notable regional differences relate to the higher grade of metamorphism in the southern area, the presence of basic to intermediate metavolcanics in the north as compared to the more acidic varieties in the south and the presence of the lamprophyres in the north. Quartz veins and masses generally concordant with foliation are common in a variety of lithologies.

Much of the quartz in the form of veins and irregular masses appears to have been ‘sweated’ out of the schists during regional metamorphism. An apparently later phase of hydrothermal mineralisation introduced quartz, pyrite and minor chalcopyrite but does not appear to have carried gold. This phase is often but not inevitably well developed in proximity to folding.

The gold arsenopyrite mineralisation probably reflects late stage hydrothermal deposition in fracture zones. According to AAA there was no clear indication at that stage of the orientation of these fractures. The areal distribution of the gold suggests that if these are the source, the fractures are either persistent along strike or, if cross cutting, fairly numerous. A number of north-east trending fractures can be inferred, but there was no clear evidence either way.

AAA concluded that the prospects for disseminated mineralisation appeared to have been largely eliminated but potential for fracture-fill or vein-style mineralisation remained. They considered it likely that gold was introduced into fracture zones during a late stage hydrothermal phase. The widespread distribution of gold suggested that fractures were persistent or numerous. Whilst it was not possible to predict the tonnage potential of this type of mineralisation from the work completed, the order of grade indicated by some of the rock float suggested underground mining could be an option.

6 Historic Exploration

PNG has a long history of mineral exploration and development and it has attracted many major international mining companies to the area, in particular from Australia. Due to the lack of infrastructure and the very dense forest vegetation, many potentially good exploration projects were not taken through to a logical conclusion with the result that potentially, many world class deposits still remain undiscovered.

PM has spent a considerable time collecting historic exploration data for the areas and combining this into an extensive electronic database. In CSA Global's opinion, this was an essential task and allowed PM to combine all the historic knowledge to gain a better understanding of the geology, structure and mineralisation before formulating their exploration plan. The reports quoted in the following section indicate various levels of success by a large number of exploration companies in the approximate areas or areas joining onto the PM licences.

6.1 New Britain

Contained within and surrounded by PM's EL 1462 are three smaller licences (EL 1043, EL 1445 and EL 1077) which are held by Coppermoly Limited (see Figure 2 and Figure 3). Since the 1960's, regional studies undertaken by a number of companies had identified gold, molybdenum and copper targets within these areas at Plesyumi and Mt Nakru (within EL 1043), Simuku (EL 1445) and Kulu (EL 1077).

Coppermoly's licences are now the subject of a joint venture with Barrick, and as described in the previous chapters, significant exploration success has been achieved by the JV partners and intense exploration activity continues today. Even though these concessions do not belong to PM, their location within PM's tenure means that the exploration on these concessions is relevant to PM's exploration activities.

After discovery of the large Bougainville copper deposit, CRA of Australia investigated New Britain Island with a regional stream-sediment sampling program in 1965. Four areas of anomalous copper in stream sediments were detected within tributaries of the Kulu River. The stream sediments led to location of the Simuku, Kulu, Talelumas, Rapisme and Rapilli prospects. CRA used ridge and spur auger soil sampling and limited rock-chip sampling for follow-up. A copper in soil geochemical anomaly, in the Rapilli prospect area, was tested with three diamond drill holes totalling 916.1m. Only primary copper mineralization, with generally less than 0.2% Cu, was encountered. Soil sampling in the Central Simuku area revealed a zone 400m by 800m of more than 10ppm molybdenum associated with weakly anomalous and patchy copper values. In the early 1970's BHP used rock-chip sampling to outline the Rapisme prospect. Four diamond drill holes totalling 607.3m were reported by Bateman Kinhill (1993) to have intersected comparable results to those from the Rapilli anomaly.

In 1979 Nord Resources conducted regional surveys that included the Simuku area. Esso worked the area between 1981 and 1986 with programmes directed toward evaluation of identified porphyry copper systems. Four diamond drill holes, totalling 624.7m, were drilled at the Simuku prospect in 1983. The drill holes confirmed the presence of a chalcocite enriched zone overlying primary copper mineralization. A gold enriched system was also suggested with a best intersection of 0.12 g/t Au.

City Resources acquired the Simuku property in 1987 and conducted further basic geochemical sampling and mapping for definition of the Talelumus prospect before financial problems lead to termination of City's interest.

In 1993 Macmin conducted a data compilation of the Kulu River in order to select an appropriate EL application area. The Simuku tenement was granted to Macmin in November 1993. In September 1994 Placer (PNG) Exploration Pty Ltd. (Placer) optioned the Simuku property. Placer's work program consisted of IP and magnetic surveys, detailed mapping, geochemical sampling, pitting and bulldozer

trenching on the Simuku prospect. Although Placer's property report contained a positive recommendation for further work, Placer terminated its option in late 1995 without completing the recommended work program.

In 1996/1997 a Macmin joint venture with New Guinea Gold Corporation (NGG Canada) completed 3,200m of bulldozer trenching with large intervals grading 0.2 to 0.5% Cu, and completed eight drill holes totalling 857m (RC 584m; Diamond Core 73m). In four of the holes, results, similar to that of the trenching was encountered as tabulated below:

Table 4. Macmin drill results (Source: Macmin)

HOLE NO.	DEPTH (m)	INTERVAL (m)	Cu (%)	Au (g/t)
SMH-7	63.0	0 – 63.0	0.52	0.12
SMH-10	82.0	24 – 82.0	0.53	0.10
SMH-11	77.0	0 – 77.0	0.49	0.11
SMH-12	276.6	0 – 276.6	0.33	0.06
Including		0 – 91.3	0.43	0.06

In February 1999, Cyprus Amax PNG Holdings Inc. finalised a farm in agreement with Macmin (on EL 1077 only) to earn up to 80% in three exploration licences covering more than 4,000km^2. After spending over US $300,000, a November 1999 merger of Cyprus Amax with Phelps Dodge resulted in restructuring and withdrawal from the joint venture.

Creek mapping and prospecting by Cyprus Amex was conducted on the Simuku tenement and supported by 91 rock-chip samples. The best rock sample results were from an outcrop of phyllic altered crystal lithic tuffs along Misasuguran Creek where a single grab sample returned a high-grade gold assay of 210 g/t Au. A nearby chip channel sample returned 20m @ 0.2% Zn, and a 1.5m wide clay-silica altered fault zone returned 7.2% Zn.

Through an agreement dated 12 June 2002 between Macmin NL, Macmin (PNG) Limited and New Guinea Gold Corporation, NGG Canada indirectly acquired all rights, title and interests held by Macmin NL in respect of EL 1043, Nakru and EL 1077, Simuku through the purchase of all of the issued capital Macmin (PNG) Limited (being a wholly owned subsidiary of Macmin NL).

Being primarily a gold-focussed explorer, the directors of NGG Canada decided in late 2006 to undergo a reorganisation, including moving its copper properties into a separate, listed company to enable funds to be raised to realise the full value of these assets. The reorganisation involved NGG Canada setting up a new PNG subsidiary company, Copper Quest PNG Limited (Copper Quest), to hold title to the copper tenements. The companies have entered into an agreement for Coppermoly to acquire all of the issued share capital of Copper Quest from NGG Canada and for Copper Quest, in turn, to acquire ownership of the two exploration tenements (Simuku and Nakru) from NGG PNG and its joint venture partner, Kanon Canada. As part of the acquisition, Kanon Canada has agreed to terminate the Nakru joint venture in return for equity.

Coppermoly was incorporated on 27 July 2007 to explore for, evaluate, develop and mine copper, gold and molybdenum mineral resources in PNG on properties acquired from Canadian-listed NGG Canada. After completing initial exploration work and drilling Coppermoly announced a JV with Barrick (PNG) Exploration Ltd on 12th October 2009 to advance the projects further. Under the terms of the JV Barrick agreed to sole fund up to AUD$20 million to earn up to 72% interest in Coppermoly's three tenements on New Britain Island. Barrick have spent over AUD$10 million on the Coppermoly projects since 2009 and work has included mapping, surface and trench

geochemistry, geophysics and drilling. The exploration has had significant success and resulted in a large Inferred Mineral Resource at Simuku and an Exploration Target at Nakru-1.

It is worth noting that the recent blanket of volcanic ash cover over most parts of the exploration licence may have partly or wholly masked geochemical signatures thereby hindering the early efforts of these companies. The ash may at times dilute geochemical signatures or reduce the resolution of potential anomalous results, and also may obscure mineralised outcrops and structures which are essential to understand the geological and structural controls on mineralisation.

6.2 Ambunti

The Ambunti area is especially favourable for gold mineralisation and was first explored in the late 1930s when the presence of gold was first established in the Mount Garamambu area. Subsequent work in the area confirmed evidence of significant gold mineralisation in the area as well as the potential for nickel and chrome to the south.

The first recorded exploration in the PM database was during 1968 – 1970 by International Nickel Southern Exploration Limited, focussing on the nickel and base metal potential of the area. Their work was based on regional geological work by the Bureau of Mineral Resources during 1966. Field work consisted of helicopter supported geological and geochemical surveys and hand auger drilling. The report does not provide a result or draw any conclusions.

From 1971 – 1973 Carpentaria Exploration Company Pty. Limited obtained the licence and focussed their exploration on the Garamambu and Ambunti areas. They conducted aeromagnetic, reconnaissance mapping and collected approximately 600 geochemical samples. The primary aim during the exploration was to determine the source and possible economic value of an aeromagnetic anomaly near Chambri Island as well as six other aeromagnetic anomalies near Ambunti, identified during an earlier aeromagnetic survey and to assess their economic potential. The anomalies included the area known as Cloud Mountain and Black River. The source of the magnetic anomaly near Chambri Island remained speculative as it was located under water and although anomalous copper and lead was recorded on the islands and gold near Mount Garamambu, the company decided that no economic deposit was present.

From September 1975, Australian Oil and Gas Corporation Limited (AO&G) explored the ridge system stretching from Ambunti to Garamambu for gold and rutile. They considered the alluvial gold potential to be too small and did not find any quartz veins containing significant gold. They recommended that additional work at Kwalem Creek was advisable.

After a site visit in 1975, Australian Anglo American (AAA) entered into a joint venture with AO&G to explore the Ambunti prospect. AAA's work programme during 1976 consisted of geological mapping and rock sampling in areas of alluvial gold accumulation. In CSA Global's opinion, the AAA work was the most detailed and comprehensive exploration of all the historic companies. AAA listed four separate areas of interest within the Ambunti Garamambu area (Hall, 1975), identified during a reconnaissance visit to the Ambunti-Garamambu area. The areas were delineated based on the distribution of artisanal workings, but AAA noted that gold was not confined to these areas. The four areas are outlined on Figure 16 and discussed further below. Further description of AAA's assessment of the geology and mineralisation of the Ambunti area is provided in the previous chapter.

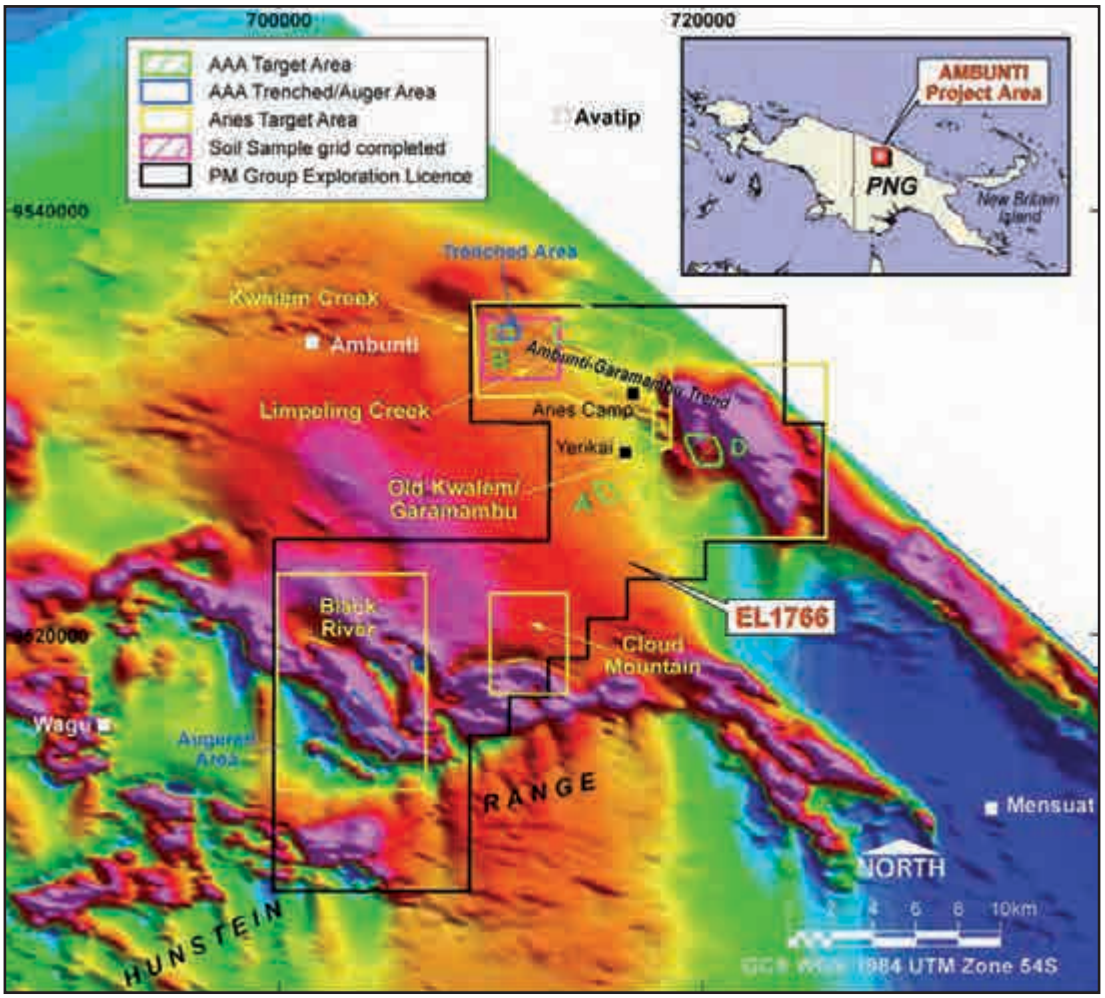


Figure 16. Exploration targets within the Ambunti licence

Figure 17. Seven gram nugget from the Ambunti area

Area A

This small area of approximately 1 km^2 lies just east of the village of Yerekai within the drainage of the Guwi and Bumpalong Rivers. Stream sediment samples in the Guwi gave consistently high values up to a maximum of 1.08 ppm Au. The Guwi stream has hosted numerous artisanal workings. Minor artisanal workings have been recorded along the Bumpalong River. Quartz float was recorded as being significantly more abundant in the Guwi than in the Bumpalong creek.

Area B

This area covered about 2 km^2 in the Kwalem Creek and the Aefeiter-Mindabot Drainage approximately 3 km northwest of Mount Garamambu. Kwalem Creek was described by AAA to be the only gold bearing stream not to flow westwards. (This is probably not the Kwalem Creek stream referred to by the Aries Mining geologists). A stream sediment concentrate and a soil sample, both in the vicinity of the Kwalem Creek returned 1.71g/t and 1.78g/t Au respectively. In Aefeiter Creek, a maximum value of 2.94g/t Au was returned, again close to artisanal workings which in the Aefeiter are noted as the most extensive in the area.

Area C

Area C spans the headwaters of the southerly draining Banang, Ambangat and Limpeling Creeks. Abundant gold workings were reported by AAA as was the existence of gold nuggets (see Figure 17). Coarse gold was observed in panning at several locations within this area. A brecciated mica schist rock sample (H20820) which returned a value of 210g/t Au was reported from the Neiman Waterfall in the Limpeling River. It is noted that this locality lies some 2.5 km east of the current easterly extent of the Aries Mining grid sampling.

Area D

Area D covers a 1 km^2 area over a southward draining tributary of the Banang River. The tributary drains the Aries Mining trenching area which occupies the northeastern corner of Area D (see

Figure 16). A quartz sample yielding a value of 710g/t Au was reported by AAA from within this area. The length of the tributary within the AAA outlined area is approximately 700m. Coarse angular gold was noted in samples H20622 and H20625 from this tributary.

The distribution of alluvial gold was seen to be much wider than previously believed. AAA speculated that an earlier opinion, that the alluvial distribution may have been the result of an earlier erosional and depositional cycle, was unlikely. The gold is generally coarse and almost inevitably water-worn but often not to a great degree. Gold flakes and nodules are coarse and very irregular in form suggesting proximity to source which would be consistent to the abundance of alluvial float.

AAA completed 14 shallow auger drill holes on an alluvial target. Whilst they did not locate any economical gold deposits they recommended that work continue on the project. The new work plan suggested geophysics, geochemical sampling and detailed mapping. Overall, AAA concluded that the grades and potential tonnages of gold at Ambunti were not likely to be economic but they also said that it was not clear that the predominant style of mineralisation had yet been identified. The field exploration team recommended further work to establish this. On the basis of results obtained, however, AAA decided not to participate in any further exploration of the area.

During 1984 and 1985, CRA Exploration of Australia conducted exploration in the Ambunti area, but very little information of their efforts is available.

Indo Pacific lodged work reports for 1994 to 1997 and copies of two of their reports have been obtained. They do not provide much useful information but a third report, which has not yet been obtained by PM, is believed to contain useful data. Some information is also available from their press releases.

An Indo Pacific press release dated 27 November 1995 discusses work at Salumei where gold was found in quartz stockwork veining in porphyritic intrusive rocks and silicified low grade metamorphic country rocks, although specific grades were not given.

A release dated 21 January 1997 refers to the Banang Prospect (formerly known as the Yerikai Prospect). Bulldozer trenching along a 600m strike length yielded a best intersection of 5m at 6.6g/t Au. Another trench yielded a best intersection of 5m at 2.5g/t Au in a 10m wide mineralised zone of strongly brecciated schists.

A release dated 16 January 1998 reported that some hand-dug, short trenches on the Banang Prospect returned inconsistent gold grades although grades of up to 34.5g/t Au were reported. Work thereafter seems to have tapered off.

7 Data Capture, Research and Targeting by PM

7.1 New Britain

7.1.1 Data Acquisition

One of the first tasks undertaken by the Company was a programme of historic data review and capture. CSA Global completed this work via the review of historical exploration reports and geo-referencing of exploration maps to identify data occurring within the EL 1462 licence boundary. The relevant data, sample locations and attribute data were then captured from the geo-referenced maps (see Figure 18). Any additional attributes e.g. sample ID, assay, geology and other relevant information was captured from tables within the reports for future reference and ground-truthing in the field. The captured data was then uploaded into the Company's DataShed database to be used with other datasets for exploration planning and targeting.

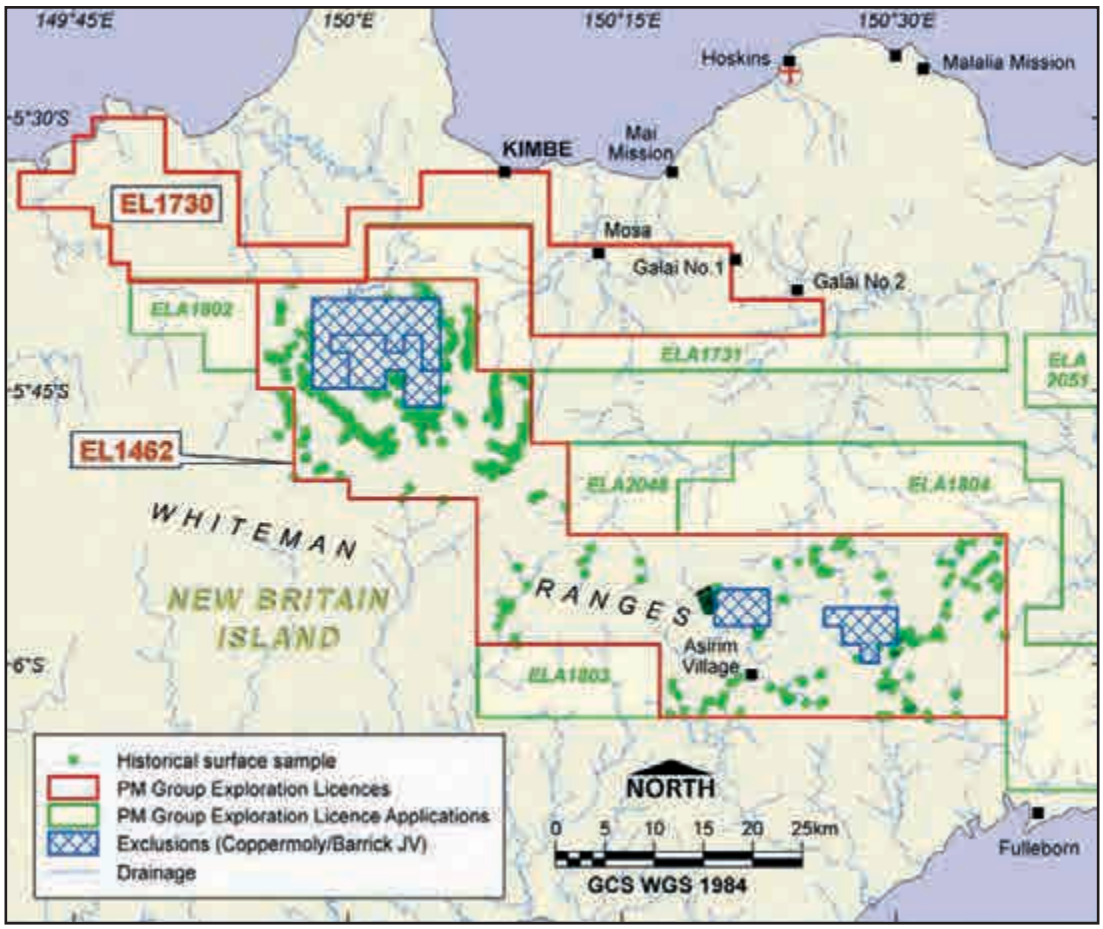


Figure 18. Data capture over EL1462 conducted by CSA Global.

7.1.2 Geological Research

A key strategy in PM's early exploration plans was to gain more insight into the geological evolution of the New Britain project. In this regard PM sponsored Mr. Patric Horne during his Master's Degree in Geology at The University of Sydney, Australia. In June 2011 Mr. Horne completed his thesis "*The Plesyumi and Simuku Intrusive Complex, New Britain (PNG): Contrasting Magma Sources and Evolution in a Subduction Zone*" (Horne, 2011). This 'partnership' has benefited both parties in particular it has allowed the Company access to information through Sydney University and other Universities globally. The Company is currently looking at sponsoring a student locally at the University of PNG.

Horne's study examined the geodynamic relationships between arc magma genesis and tectonic setting around the early Oligocene to late Miocene time periods though sampling of igneous rocks at Simuku and Plesyumi. Trace element and Sr-Nd-Pb isotope data for representative samples, provide new insights into the processes and mantle dynamics that were once active along the Melanesian Arc at 30-25 Ma The Simuku rocks possess arc tholeiite characteristics- possessing low-K values and typical major and trace element fractional crystallization patterns. In contrast, the Plesyumi samples range from mafic, high-K gabbros to felsic, medium to low-K granodiorites. Further discussion of the work was provided in preceding chapters in this report.

7.1.3 Re-processing of Airborne Geophysical Data

PM's historical data review revealed coverage of most of the tenement area with aeromagnetic data and partial coverage with radiometric data from surveys flown by previous operations. The primary geophysical data set covering most of EL 1462 is a semi-regional compilation of previous airborne aeromagnetic surveys to form a mosaic which covers approximately 80% of EL 1462, plus some additional areas to the north, south and east. This mosaic comprises several individual surveys of unknown origin and age, flown predominantly on north-south flight-lines but with some surveys (western part) flown NE-SW or (eastern part) flown NW-SE). Line spacing varies from nominal 500 metres to 1000 metres. Additionally, there were three small detailed magnetic-radiometric surveys flown over the Simuku, Plesyumi and Nakru areas in 1982 at 100-metre line spacing. The surveys provide good information about the local magnetic and radiometric settings of these mineralised occurrences.

The geophysical data was recompiled and processed/filtered to provide a basis for the selection of target areas for further field follow-up. The intent of the geophysical reprocessing was to classify the responses over the known occurrences of mineralisation and identify target areas within EL 1462 with similar geophysical expressions. The historical total magnetic intensity (TMI) data required quite a bit of work to clean it up before it was suitable for further processing. However this work allowed production of reduction-to-the-pole (RTP), regional/residual separation and various derivative-images (e.g. first-vertical derivative (1VD)) to assist in identifying the mineral occurrence signatures and associated structural setting.

Three subsets of data were extracted from the regional dataset covering areas of historically known mineralisation at Plesyumi, Nakru and Simuku. Three-dimensional (3D) inversions were completed on each of the three subsets and models were generated for each area and integrated with other GIS data. The windowing of the regional dataset and the 3D inversions have provided much additional definition for geological interpretation. An example is provided as Figure 19.

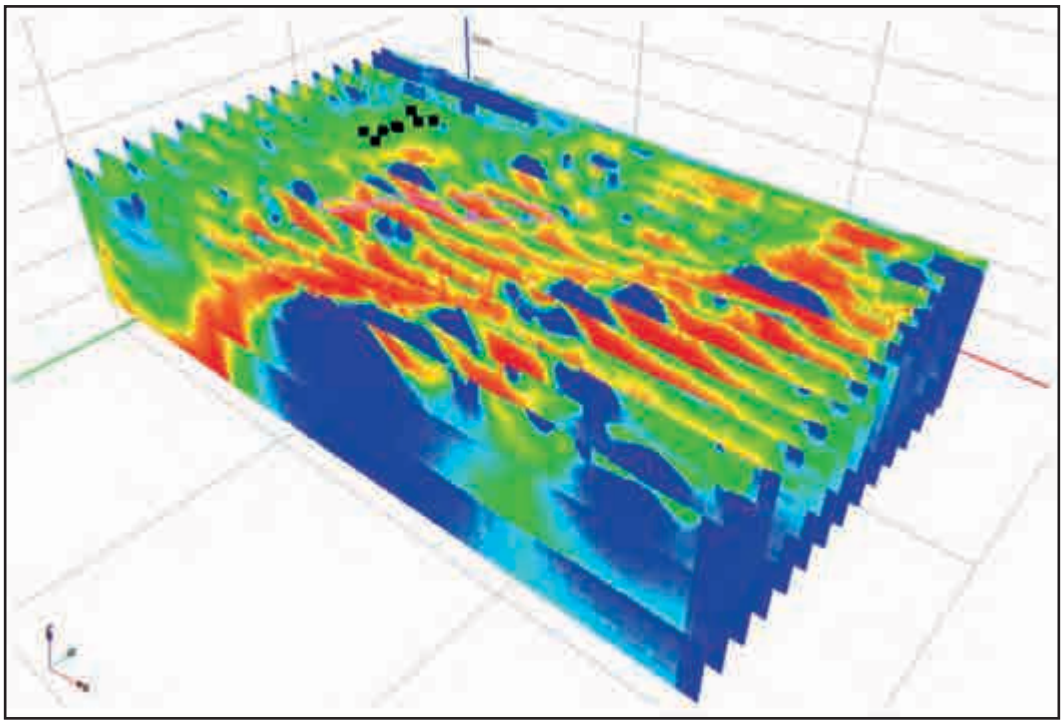


Figure 19. 3D inversion modelling of magnetics in PM's ground south of Simuku deposit

Landsat satellite images were also inspected, and some reprocessing of the data was attempted, but little additional information relating to the known mineralisation could be gleaned. This was at least partially due to the pervasive vegetation cover throughout the area, plus the presence of ash cover from recent volcanic activity. It was also noted that the mosaiced Landsat images (prepared to eliminate as much cloud cover as possible) were prone to differential responses to the various filtered channel-combination images, and more consistent results may be achieved by processing and viewing individual scenes.

7.1.4 Geophysical Interpretation and Results

The most useful magnetic processing in terms of correlation with the known mineral occurrences has been the creation of residual RTP magnetic images. An immediately obvious feature of the RTP images is the confirmation of the WNW-ESE trending regional structural trends previously identified as the Kulu-Fulleborn and Uasilau trends (see Figure 20). These trends appear to be zones of several parallel structural features rather than individual ones. Known mineral occurrences are located on or close to these major lineaments. The magnetic images also illustrate the presence of a pervasive orthogonal set of lesser linear structures trending approximately 030 degrees.

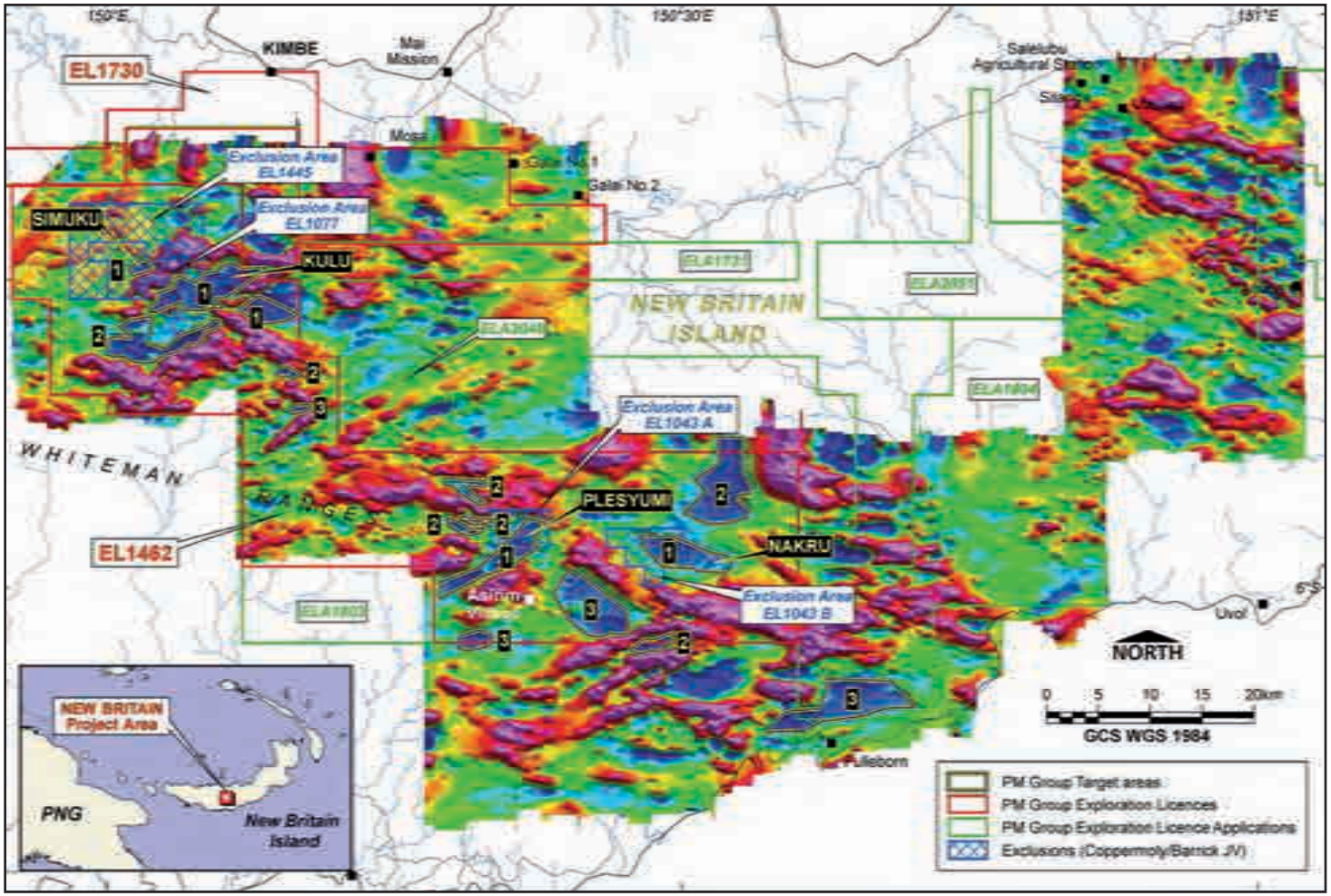


Figure 20. PM's ranked geophysical targets

The study highlighted that the known porphyry-style occurrences all occur within well-defined magnetic low zones on the residual RTP magnetic image (see Figure 20). Such zones are related to the typical high-silica, low-magnetite cores of porphyry systems. These findings are significant in terms of exploration targeting, specifically in terms of following known mineralised trends from outside the concession area and identifying new potentially mineralised areas.

The major magnetic lows were contoured and merged with other GIS data. The lows were identified as targets worthy of further field follow-up and given a rating of 1 to 3 depending on other considerations (see Table 5 and Figure 20). The targets are predominantly located within the Baining and Kapuluk Volcanics where the positive magnetic expressions might be interpreted to be expressions of the more basic intrusive rocks (+/- skarn as at Lae River).

The radiometric data available for the detailed surveys over Simuku, Plesyumi and Nakru indicates areas of elevated potassium (K) response, but the thorium and uranium channel data are generally of low response. At Simuku, a strong K-response zone is evident to the west of the mapped magnetic low; at Plesyumi there are strong K-responses coincident with the mapped magnetic low; at Nakru there are elevated K-responses within the magnetic low, but these appear to be enhanced along possible structures.

Table 5. Exploration targets from interpretation of aeromagnetic data

Target ID	Target Rating	Comment
1	1	Plesyumi Trend – mag low containing existing drilling at NE extent within other EL; this trend extends well into EL 1462 – SW direction, probable structurally controlled
2	2	Includes Lae River skarn prospect at E end; mag response is stronger towards W end. Lies adjacent to mag low (Target 14)
3	1	Nakru Trend – mag low containing existing drilling in W part within other EL; 50% of this low lies within EL 1462
4	1	Kulu Trend – mag low containing existing drilling & Kulu Cu prospect in adjacent EL to west; 50% of this low within EL 1462, plus further lows to NE outside EL 1462
5	2	Kulu South – extension of Simuku mag low lying within EL 1462
6	1	Simuku Trend – mag low coincides with Simuku; entirely within competitor EL
7	1	Kulu East – Intense mag low to E of Kulu prospect
8	2	Discrete mag low coinciding with interpreted argillic alteration & on major WNW structural trend
9	3	Discrete mag low adjacent to NE structure
10	2	Discrete mag low coinciding with interpreted argillic alteration & on major WNW structural trend
11	2	Nakru North – extensive mag low with anomalous Au-Cu stream sediment sampling
12	3	south of Plesyumi; on NE cross-fault
13	2	Well defined mag low coinciding with mapped intrusive breccias to south of Nakru
14	2	Lae River south – tight discrete linear mag low immediately south of Lae River skarn
15	3	Large mag low adjacent to major WNW structure two intense local mag lows within this; Mickeyek occurrence at west end
16	3	Large mag low adjacent to major WNW structure

7.2 Ambunti

7.2.1 Data Acquisition

The initial work programme at Ambunti was similar to that applied to New Britain; to acquire as much historic data as possible, to integrate this into a comprehensive database before deciding on an exploration plan.

Ambunti and Chambri RASC topography maps at a scale of 1:100,000 (reprinted by the National Mapping Bureau in 1985) were scanned and geo-referenced to serve as base maps for exploration.

Ikonos imagery captured during August-September 2008 was purchased. But the data has not been fully geo-referenced and there are discrepancies between the 100,000 topography maps and the Ikonos imagery. These discrepancies are being resolved through the ground truthing via GPS surveys. The ground truthing is carried out on an ongoing basis during field operations.

7.2.2 Geophysical Processing

The current database includes aeromagnetic data for a 3,140 km^2 area that encompasses almost all of the EL 1766 area. All but 10 km^2 in the extreme northeast of EL 1766 is covered by the data. This data represents the northwestern extent of a Fugro survey which covered an area extending some 335 km further to the south east covering Mount Hagen and Chimbu areas.

Raw aeromagnetic data had been acquired and the database has processed images for TMI, RTP, 1VD, analytical signal (AnSig) and digital terrain model (DTM). The data also included a very low resolution radiometric ternary image.

7.2.3 Geophysical Interpretation and Results

Several structural patterns are evident in the aeromagnetic data. A regional NW-SE (135-315 degrees) grain to the data is apparent. On a regional scale this equates to a structural corridor within the New Guinea Thrust Belt which hosts a number of significant gold and gold-copper deposits including the Frieda/Nena, Yandera and Kainantu deposits as well as the Ramu Nickel-Cobalt deposit.

Within the Ambunti-Mt. Garamambu area the dominant grain in the data has turned to closer to 110 degrees. This change appears to be related to a series of structural breaks across the regional trend evident in the aeromagnetic data. The lineaments trend approximately 050 to 230 degrees. On the regional dataset the lineaments can be traced for some 200 km to the southwest of the Ambunti area illustrating a possible structural link between the Ambunti area and the very significant Frieda/Nena and Ok Tedi deposits.

The review of the available aeromagnetic data for the area suggests that some refining of the four target areas described above might be warranted as the Ambunti-Garamambu NW-SE corridor may extend a little further (c. 1km) to the SE.

8 Field Activities by PM

8.1 New Britain

Using the compiled historical data and the results of the geophysical study the Company embarked on a major field program to follow up and test the numerous targets. Fieldwork commenced in June 2010 focusing on the high-priority areas adjacent to Coppermoly's Nakru, Plesyumi, Simuku and Kulu projects.

PM's field teams completed detailed, grid-based, geochemical soil sampling programmes (1,617 samples collected and assayed), rock-chip sampling (911 samples collected and assayed), geological mapping and prospecting in areas proximal to Nakru, Plesyumi, Simuku and Kulu.

8.1.1 Soil Sampling

During 2010 three separate grids were sampled at Nakru East, Plesyumi South and Lae River (Plesyumi West). In each case the line spacing was 400m and sample points were at 50m intervals. A total of 1284 sample points was initially planned. All the sample lines had an east-west orientation. A summary of the 2010 soil sampling programme is presented in Table 6.

Table 6. 2010 Soil samples

Target Area	Line Orientation	Spacing/ Interval	Planned Samples	Actual Samples
Plesyumi South	090-180	400m x 50m	615	625
Plesyumi West	090-180	400m x 50m	385	358
Nakru East	090-180	400m x 50m	284	353

Soil samples were collected by manually excavating a hole at the sample station to a depth of between 30cm and 100cm depending on the soil profile. The samples were collected from "B-C" soil horizon, avoiding soil "A" horizon, which is the humic layer containing all the near surface roots and decomposing plant material.

Soil sample numbers from the Plesyumi area have a prefix P62SL. Soil samples from the Nakru area have a prefix N62SL. After completion of the grid all samples collected were transported to a field base in Kimbe for sample preparation (further details provided Chapter 9).

While there is some evidence of volcanic ash cover in this part of New Britain there does not appear to be a widespread significant coverage over the sampled areas. Vigilance is maintained by the sampling teams who look out for significant ash coverage as this can impact significantly of the effectiveness of soil geochemistry.

8.1.2 Rock Chip sampling

During gridding and soil sampling, the geological team conducted traverses along creeks in search of rock exposure and float. Any rocks of interest encountered were sampled and mapped. When possible, channel samples were taken across outcrops.

The rock-chip samples gathered in the field are photographed, GPS marked and then bagged. A quarter weight piece of the sample is taken as a hand specimen for latter geological description. The retained sample is kept at project site as reference material or for latter submission as a check sample.

8.1.3 Geological Mapping

Geological mapping was completed along all soil sample line traverses. Traverses were also made along all significant creeks within the sample grid areas. Compilation of the mapping data is currently underway.

A large amount of GPS data has been collected during the current field campaign. Tracks and footpaths have been mapped wherever encountered. GPS locations of other notable landmarks have been recorded. These data are very valuable for planning future work and ensuring that existing maps are accurately registered in the database.

8.1.4 Plesyumi area

Exploration activities by Coppermoly / Barrick and its predecessors identified a major porphyry copper system which was reflected at surface by a NE-SW trending anomalous copper zone which extended to the current EL 1462 tenement boundary. In the early 1970s Placer and its partners completed a total of 21 boreholes and some 300m of adit excavation. The best drilling intersection reported was 44m at 0.85% Cu.

PM carried out first pass soil geochemistry and rock outcrop sampling immediately south of the Coppermoly area. Soil sample assays show a distinct zone with anomalous gold and copper values. This anomalous zone within the PM licence is clearly the continuation southwards of the same zone from Coppermoly's Plesyumi project (see Figure 21). Rock outcrop sampling confirmed the prospectivity of the anomalous zone returning grades of up to 12% Cu in outcrop (see Figure 22) and up to 2.7 g/t Au.

Further detailed follow up sampling and detailed geological and structural mapping were suggested for these anomalous zones to delineate drilling targets. The work to date suggests a minimum target zone strike length of 2km but the zone remains open to the south and SW.

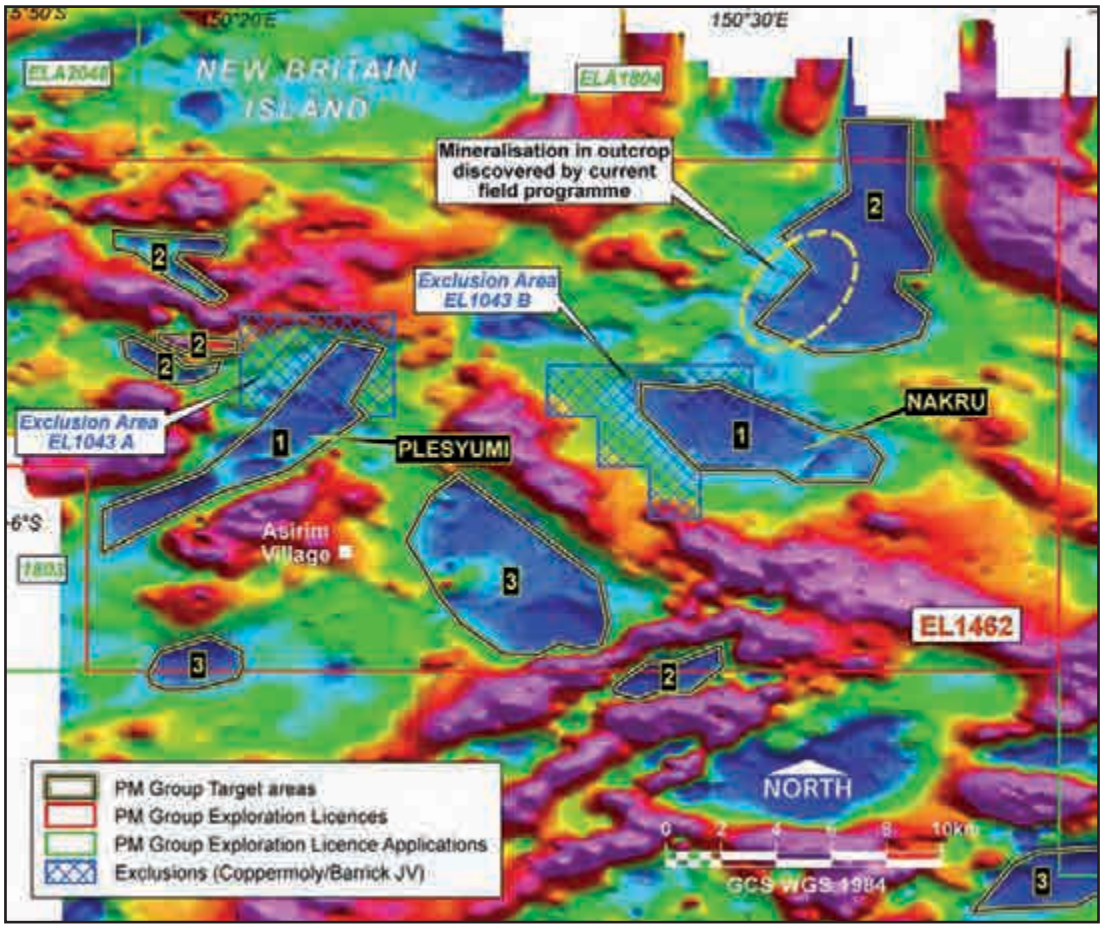


Figure 21. Plesyumi – Nakru targets

Figure 22. Sample from Yoki Creek in the Plesyumi area (~12% Cu)

8.1.4.1 Plesyumi South

Significant copper anomalies were delineated by the Plesyumi South sampling. Copper values ranged up to 1,150 ppm and gold values ranged up to 592 ppb. The central part of the grid exhibits a NE-SW anomalism over a strike length of some 2 km and the anomalous envelop is approximately 1.5 km wide. Within the NE-SW envelope there are three parallel northwest–southeast linear anomalous trends in the contoured data.

A total of 160 rock samples were collected and of these 25 samples returned gold values of >0.1g/t (100ppb) and six samples gave values >1.0g/t. An area of mineralization was delineated over a total NE-SW strike extent of more than 2 km along a zone approximately coincident with a prominent regional NE-SW fault line inferred from the geophysics data.

Previous operators on the Coppermoly ground north of the concession boundary have reported copper mineralisation associated where porphyry dykes intrude into the Metelen granodiorite and volcanics. The current work discovered a significant number of copper showings and numerous areas where abundant pyrite was evident.

8.1.4.2 Plesyumi West

In the NW corner of the Plesyumi West soil sample grid a NNE trending copper in soil anomaly has been delineated over a length of approximately 2.2 km. In the SE corner of the grid a similar trend is observed with anomalous copper over a length of some 1.5 km.

A total of 18 rock samples were collected at Plesyumi West, with five samples returning gold values of >0.1g/t and a maximum value was 0.28g/t Au from a sheared diorite.

Previous operators in the area have identified mineralisation in the Lae River area where the Baining volcanics are intruded by quartz diorite. An area of skarn was identified where volcanic had intruded interbedded limestone. The skarn exhibits irregular isolated lenses of magnetite, pyrite and base metals.

8.1.5 Nakru area

Drilling in the Nakru-1 prospect by Coppermoly / Barrick and its predecessors intersected numerous ore grade intersections. The drilling, along with an extensive surface trenching programme, confirmed significant gold mineralisation is associated with the copper. Barrick began its drilling programme in the Mount Nakru area in early 2010. The first hole drilled by Barrick at the Nakru-1 prospect, intersected 213.75m at 0.92% Cu and 0.33 g/t Au. This hole is less than 1 km from the PM concession boundary (see Figure 23 and 24).

The Nakru-2 Prospect is located 1.5km to the west of Nakru-1. Drilling at Nakru-2 by Coppermoly in 2008 intersected 54m grading 1.22% Cu from 30m depth and included a 7m thick lens of massive sulphide grading 3% to 4% Cu.

PM conducted first pass soil surveys east and south of Coppermoly's Nakru targets during May – August 2010 to investigate if the mineralized systems continuation into EL 1462. Results from the geochemical sampling clearly show that the zone does extend into PM's licence (see Figure 21). PM also carried out rock-chip sampling along the projected north-easterly extension of the Barrick drill targets at Nakru-1 and this work also returned positive results.

8.1.5.1 Nakru East

At Nakru East a total of 70 rock-chip samples were collected in the first phase of sampling in the area. Five samples returned values of >1,000ppm Cu with a best result of 6,221ppm Cu from a gossanous outcrop exposed in the road cutting some 3.4 km NE of the field camp. Gold results were insignificant with just one sample returning a value of >0.1g/t Au.

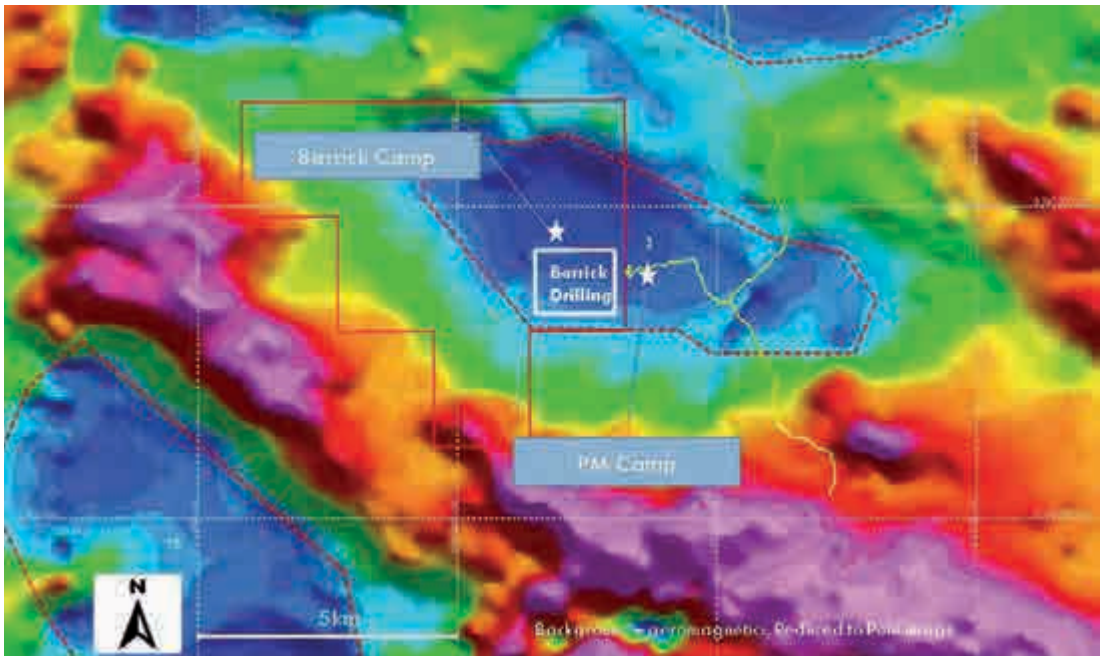


Figure 23. Proximity of PM activity to Barrick's drilling at Nakru project

Reconnaissance soil sampling identified a number of potentially anomalous zones along the logging road which connects the Mount Nakru area to a tarred road to Kimbe. Initial rock sampling here located several mineralised outcrops. Two rock samples some 75m apart collected from along the track returned values of 0.86% and 0.2% Cu respectively from an area some 6.5km NE of Coppermoly's Nakru target. At the time of writing this area is being extensively investigated by PM's field crew.

At Area 11 (target # 11, Table 5), rock and soil sampling along the Nakru access road identified two areas of anomalous gold and copper that fall within the geophysically delineated zone of alteration. Follow up rock outcrop sampling located copper mineralisation in a number of locations and extensive pyrite mineralisation. A total of 307 rock samples were collected and a significant mineralised zone outlined. 16 samples returned values greater than 1,000 ppm Cu and 41 samples >200ppm Cu. Most of the significant copper values were from samples from an area some 5 km NE of the historically explored Nakru deposits. This area will be the subject of a soil sampling grid during the coming exploration programme.

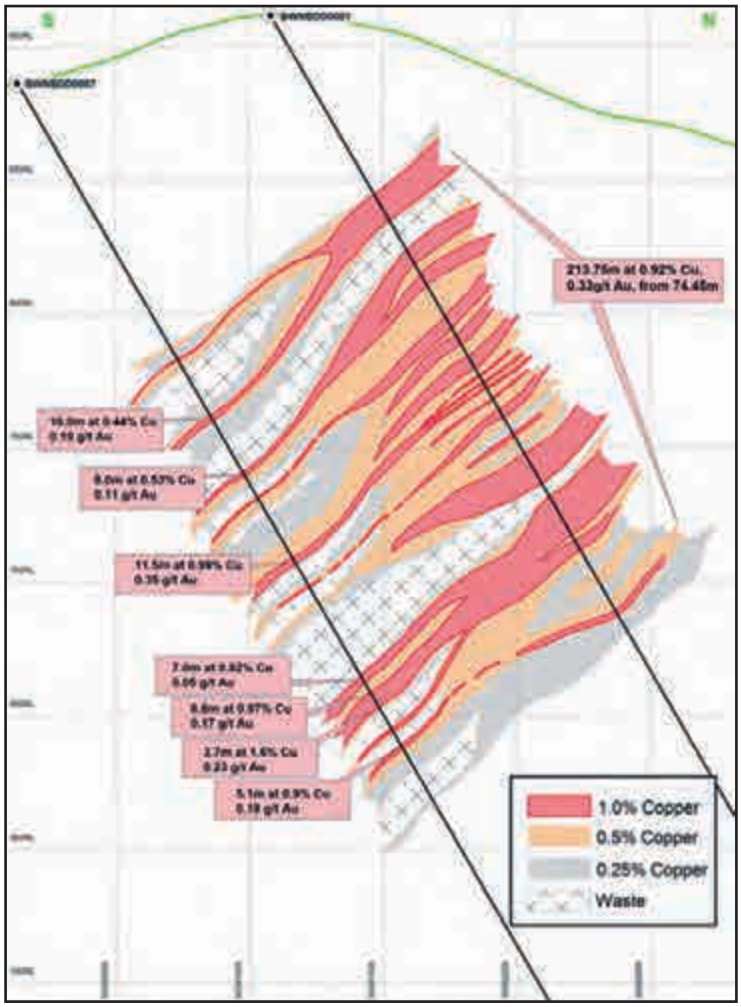


Figure 24. Coppermoly drill results (source: Coppermoly website)

Compared with the anomalous samples from the Plesyumi South soil grid, the copper and gold values from the Nakru grid were relatively muted. This may well be a function of ash cover that has been observed in the Nakru area. Nonetheless the Company's sampling does show clear anomalous patterns for both copper and gold in soil.

The copper values display a circular pattern that may reflect the Mount Nakru caldera rim as defined by the work being completed by Barrick. The gold in soil values display a much more linear anomalism apparently reflecting an underlying NE-SW mineralised structure stretching from the NE corner of the sample grid to close to the SW corner of the grid.

8.1.5.2 Nakru South

A short programme of sampling was carried out on two further aeromagnetic anomalies some 4 to 5km south of Mt. Nakru. Of 42 rock samples collected two samples returned >1000ppm Cu, seven samples had > 200ppm Cu and a maximum result of 1650 ppm Cu.

8.1.6 Simuku/Kulu area

Coppermoly's Simuku deposit and Kulu targets are surrounded within the northern part of PM's EL 1462. Coppermoly has published an Inferred Mineral Resource for Simuku of 200 million tonnes grading 0.47% Cu equivalent (0.3% Cu.Eq. cut-off). These areas occur in only one third of the known Simuku mineralised system. Barrick commenced drilling on the Simuku prospect in mid-2010 and is continuing this programme during 2011 to assess the tonnage potential of the porphyry copper-gold-molybdenum system.

PM has collected 389 rock-chip samples in the general area of Kulu/Simuku and assay results were received recently.

8.1.7 Dagi-Kori River Systems

In the Dagi and Kori River drainages in northeast to central part of the EL 1462 area rock-chip sampling was completed during May-June 2011. 265 samples were collected and showings of copper mineralization were noted by the field crew at a number of locations. Assays reveal anomalous copper gold and zinc values over a north to south distance of some 6km. 23 samples returned values >1,000ppm Cu with a maximum value of 3.8% Cu and 21 samples returned values >1,000ppm Zn with a maximum value of 3.6% Zn. Gold assays returned included a maximum value of 7.87g/t Au from a gossan. Five samples returned values greater than 0.5g/t and 10 samples returned values greater than 0.2g/t Au.

8.1.8 Sample statistics

Table 7 list values for the selected elements for the ten samples with the highest copper grades from the Phase 1 rock sampling programme in the Plesyumi and Nakru areas.

A statistical analysis by PM of the multi-element analyses reveals strong positive correlations between copper and silver and bismuth and similar patterns for gold with arsenic, nickel and zinc.

Table 7. Highest copper samples (Source: PM)

SAMPLE ID	Cu %	Fe %	Au Ppm	Ag ppm	As ppm	K ppm	Mo ppm	Pb ppm	Zn ppm
P62RX10027	12.00	34.36	0.11	52.30	74	117	91	23	240
P62RX10009	10.10	15.67	0.08	185.50	17	28,151	17	87	69
P62RX10178	7.00	21.99	0.11	40.10	41	2,060	46	36	223
P62RX10023	4.00	26.75	0.10	26.20	26	121	33	61	210
P62RX10003	3.70	26.37	0.03	31.50	23	10,031	382	154	765
P62RX10024	3.30	15.91	0.01	40.00	0	4,821	36	28	325
P62RX10025	2.80	11.79	0.05	19.20	13	4,095	8	23	330
P62RX10026	2.80	19.74	0.01	11.50	0	6,823	66	8	227
P62RX10169	2.20	18.05	0.03	68.20	35	3,349	16	492	7,266

8.2 Ambunti

8.2.1 Grid Soil Sampling

During 2009 and 2010 PM carried out 57 line km of grid-based soil sampling in the north western corner of the Ambunti concession. The sampling was conducted on a 400m x 50m grid and a total of 745 samples were collected. Significant copper and gold anomalies were partially delineated, the anomalies remaining open to the east and southeast. Subsequently, for the easternmost 9 north-south grid lines, the line spacing was reduced to 200 metres and 879 samples were collected. XRF analysis was carried out on these samples (for a suite of elements) but no wet geochemical or fire assay for gold has yet been completed.

The available assay data from the soil sampling has been gridded and contoured for a number of elements and some interesting patterns have been observed in the data. These are displayed in Figures 25 to 27.

A well-defined arsenic anomaly, coincident with the trenched area at the Banang River area (referred to by Aries Mining geologists as Kwalem Creek), can be tracked for 1km from the NW corner of the grid with a SE trend. The southern end of the anomaly is determined by a lack of sample data presumably because of the presence of alluvium cover in the Banang river valley.

EL1766 2011 Soil Geochemistry Provisional Results
2009 Grid - Arsenic & 2011 Grid - Arsenic

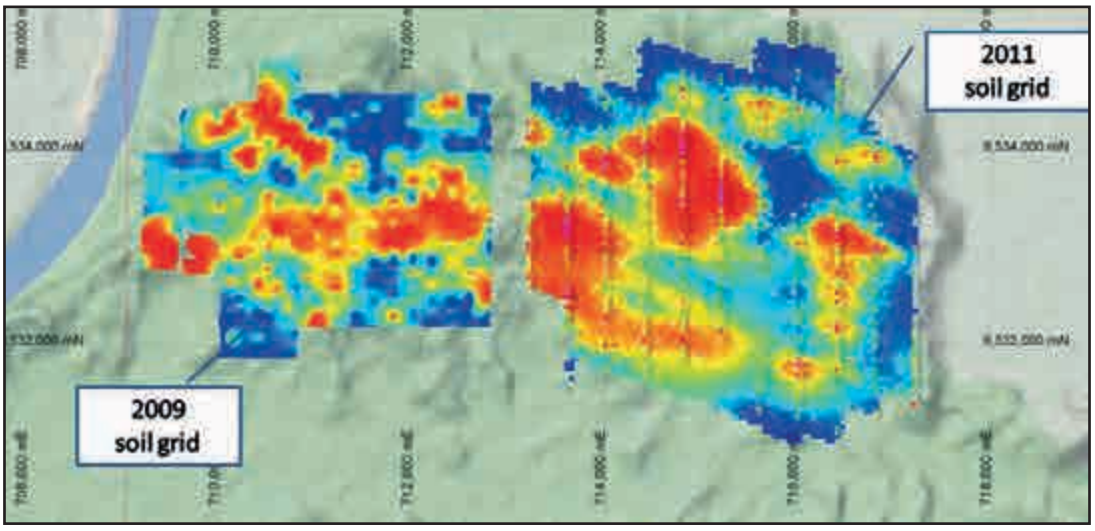


Figure 25. Arsenic trend in soil

EL1766 2011 Soil Geochemistry Provisional Results
2009 Grid - Arsenic & 2011 Grid - Gold

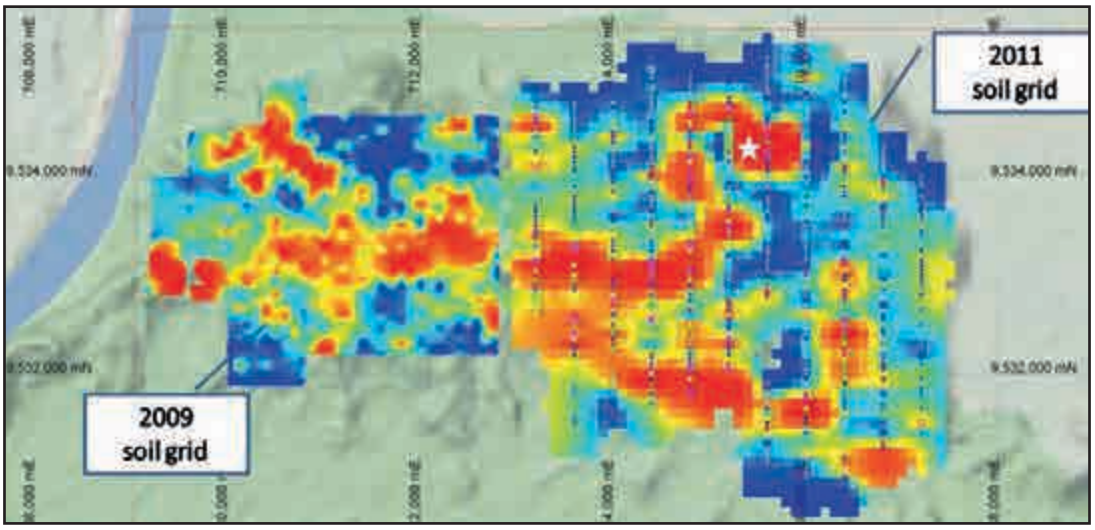


Figure 26. Arsenic and gold trend in soil

Copper results showed a more east west anomaly trend, intersecting the arsenic anomaly towards the southeast end of the trenched area perhaps indicating a significant structural intersection at that point. Across the high ground south of the Banang River valley base metal values are generally higher than north of the valley.

EL1766 2011 Soil Geochemistry Provisional Results
2009 Grid - Copper & 2011 Grid - Copper

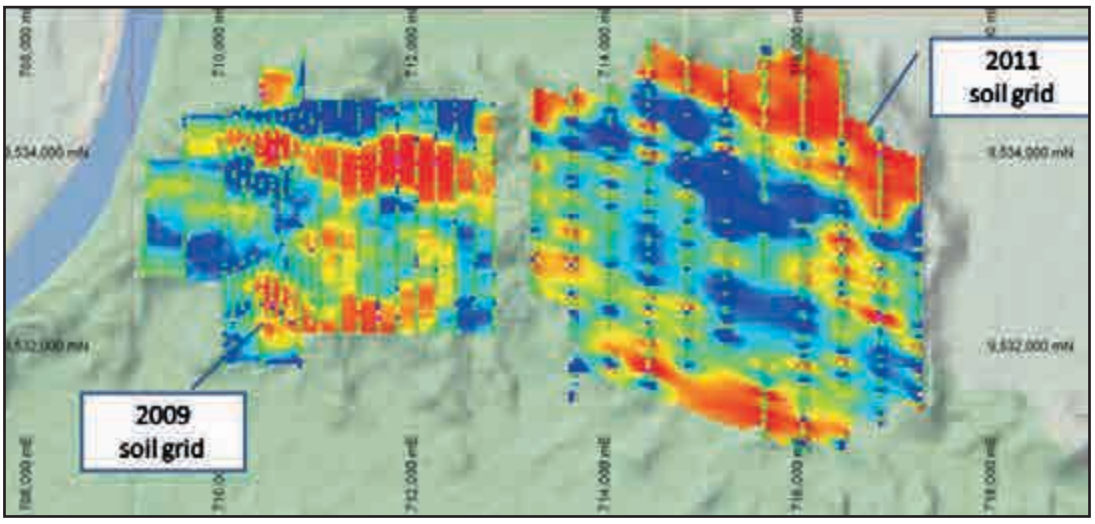


Figure 27. Copper trend in soil

Continuing the soil geochemistry grid eastwards and south-eastwards was a priority for the programme.

8.2.2 Trenching

Seventeen trenches originally dug by AAA and/or Indo-Pacific gold were located in the north-western part of EL 1766, approximately 8km east of the town of Ambunti (see Figure 16). A number of the trenches were sampled over a strike length of some 600m. It is not yet clear the extent to which there is overlap between the Indo Pacific work in the 1990's and the previous trenching by AOG. The prospect name of Kwalem Creek was adopted by the Aries Mining team for the trench target area

during the first phases of field work. The trenches re-sampled actually lie just a few hundred metres north of the Banang River and some 8km west of the Kwalambat River.

Over 1,168m of trenches were cleaned and re-dug by hand where possible. The re-excavated trenches were mapped and sampled and a total of 787 samples collected. Trench survey data and assay results were plotted against data captured from the AOG/AAA maps.

Sampling produced a significant number of ore grade intercepts including 17m at 2.8g/t Au in Trench TR1 and 11m at 2.0g/t Au in Trench TR3, both towards the western end of the trenched area. Previous trench sampling in the vicinity had produced intersections of 11m at 5.8g/t Au and 8m at 3.6g/t Au, 7m at 2.7g/t Au and 15m at 2.4g/t Au.

There is a general correlation between the trench results and the positive NW-SE trending arsenic anomaly. There is also good general agreement (given the conditions) with the trench sampling data reported by the previous licensees.

The results display an overall NW-SE trend but may also indicate an orthogonal NE-SW set of structures. The trenches should be closely examined in the light of the assay data and, so far as possible, the source lithologies and or structures defined and mapped for continuity from trench to trench. Alteration patterns should be noted as these may prove to be diagnostic of the different mineralised structures.

Results from the trenching confirm that Kwalem Creek trench area is a significant mineralized zone but further work is required to establish continuity of mineralisation. Best intersects from the trench sampling are summarised in Table 8.

Table 8. Significant results from trench sampling at Kwalem Creek

TRENCH ID	SAMPLE INTERVAL	AVERAGE GRADE Au g/t
KCTR#01	350008-350025	23m @ 2.87 g/t
KCTR#03	350090-350105	17m @ 1.73 g/t
KCTR#03	350118-350124	7m @ 0.76 g/t
KCTR#05	350225-350240	24m @ 0.31 g/t
KCTR#06	350251-350259	18m @ 0.61 g/t

It is noted that the arsenic anomaly as currently delineated runs for approximately 250m to the SE beyond the most south-easterly trench. However it is lack of data because of the stream valley which determines the delineation of the anomaly here. Proving the existence of similar mineralised zones along the structural strike to the SE would enhance significantly our view of the potential of the area. A similarly positive step would be the extension of the delineation of the mineralized zone immediately to the northwest of the already trenched area where the two best intersections were returned and which appears to be open to the NW. The distance along strike from here to the tenement boundary is ~1.5km.

8.2.3 Creeks & Tracks Traverses

In addition to the grid sampling, several of the bigger creeks were traversed, mapped and sampled between the western tenement boundary and the eastern boundary in the Mount Garamambu area. A total of 29.3 km of traversing was completed and 71 rock-chip samples collected. Rock chip samples of 8.9g/t and 1.3g/t Au some 130m north and 150m north of trench TR1 respectively further confirm the prospectivity north and northwest of the already trenched area which has previously been referred to as the Kwalem Creek area by Aries Mining geologists, but the area is actually drained by a tributary of the Banang River (see the note on Australian Anglo American Area D above).

8.2.4 Southern Part of Licence EL 1766

No field work has yet been completed by PM in the southern part of EL 1766 (including the Cloud Mountain and Black River target areas). The geology of the southern part of the tenement is dominated by the Hunstein Range ultramafics. A limited amount of interpretative work has been done on the aeromagnetic data and this work will be continued on the radiometric data and Aster & Landsat imagery.

8.2.5 Current Work

The main component of the current work programme at Ambunti is a soil geochemistry grid with N-S lines at a spacing of 400m and sample interval of 50m (see Figure 28). The objective is to cover as much of the northern part of the licence area as is accessible (due to areas of swamp) with first-pass blanket soil geochemistry. This would generate second-phase targets.

8.2.5.1 Grid Soil Sampling

The first phase seven-week program ended on the 8th of July 2011. Work accomplished included 17 km^2 of grid sampling and 15 line km of drainage traversing. A total of 867 soil samples and 37 rock-chip samples were collected (see Figures 28 to 31). The geochemical sampling is continuing and is currently progressing towards Mount Garamambu.

The rock-chip samples were dispatched to ITS PNG Laboratory based in Lae, PNG and at the same time 806 soil samples including blanks were shipped to Port Moresby, for analysis via PM's field portable XRF instrument.

The soil grid layout involved surveying north – south lines at 400m spacing and soil sample points marked out at every 50m. N-S cross lines on average of about 4km length were surveyed and sampled across densely forested, steep sided, hilly terrain and swampy areas. An E-W baseline of about the same length was cut through the centre of the grid and was recently extended to cover the new area now being sampled.

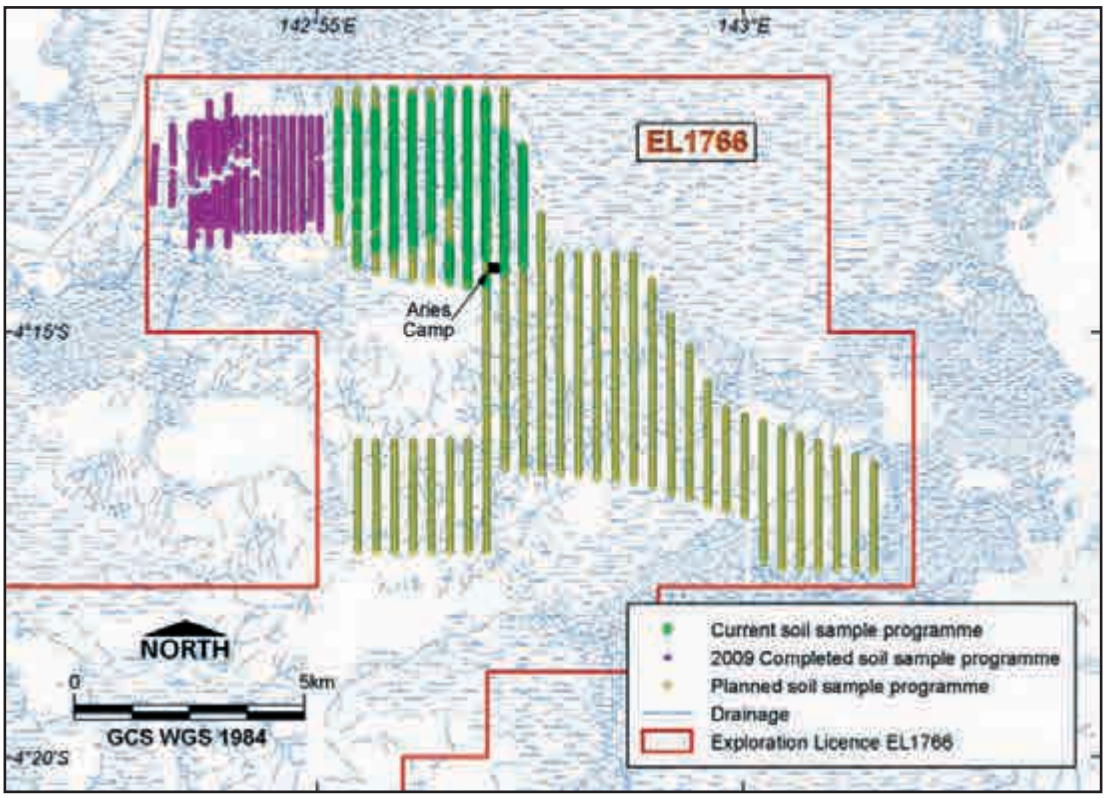


Figure 28. Soil sampling within the Ambunti licence

Each sample position is located with a GPS from the pre-determined position. Using the averaging function on the GPS, the position is determined as close to the planned position as possible. Spot checks are done on sample positions and during the site visit, the actual positions were found to be well inside allowable variances, despite the dense forest canopy and steep ravines (see Figure 29).

8.2.5.2 Prospecting and Mapping

In conjunction with the grid geochemical sampling, the main creeks were traversed, mapped and sampled, as well as prominent tracks within the prospect area. This work is ongoing as new areas are explored. More than 20 line kilometres of creek and track traversing have been completed up to July 2011 with 37 samples collected.

The samples were field-photographed and GPS marked. Where it is considered necessary, a second photograph is taken at camp. The rock samples are re-bagged in 25kg poly-weaved bags with no more than 20kg per bag. These are then despatched to Lae, to the Intertek Sample Preparation Laboratory. The Figure 31 below indicates the rock sample positions.

Only preliminary rock sample results for gold have been received but they are providing encouragement. This first batch of assays for rock samples included vales of 4.93 g/t Au, 5.34g/t Au and 1.73g/t Au.

Figure 29. Checking sample positions

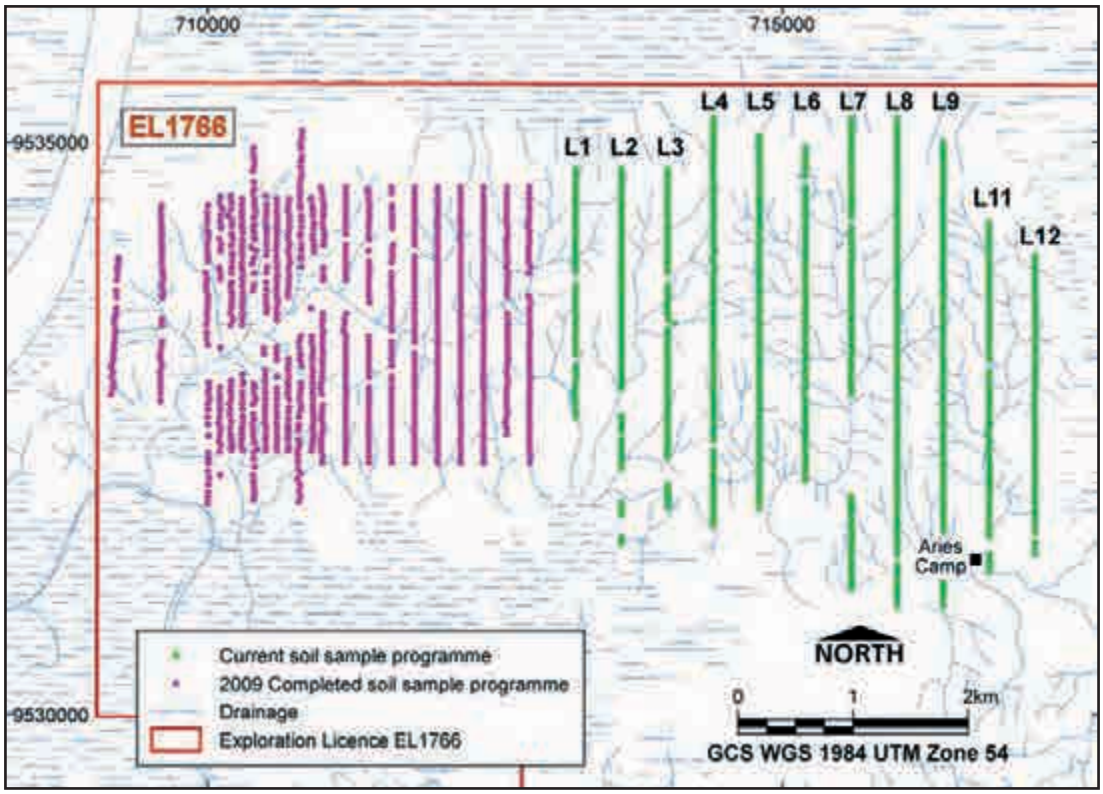


Figure 30. Completed grid soil sampling in Ambunti licence

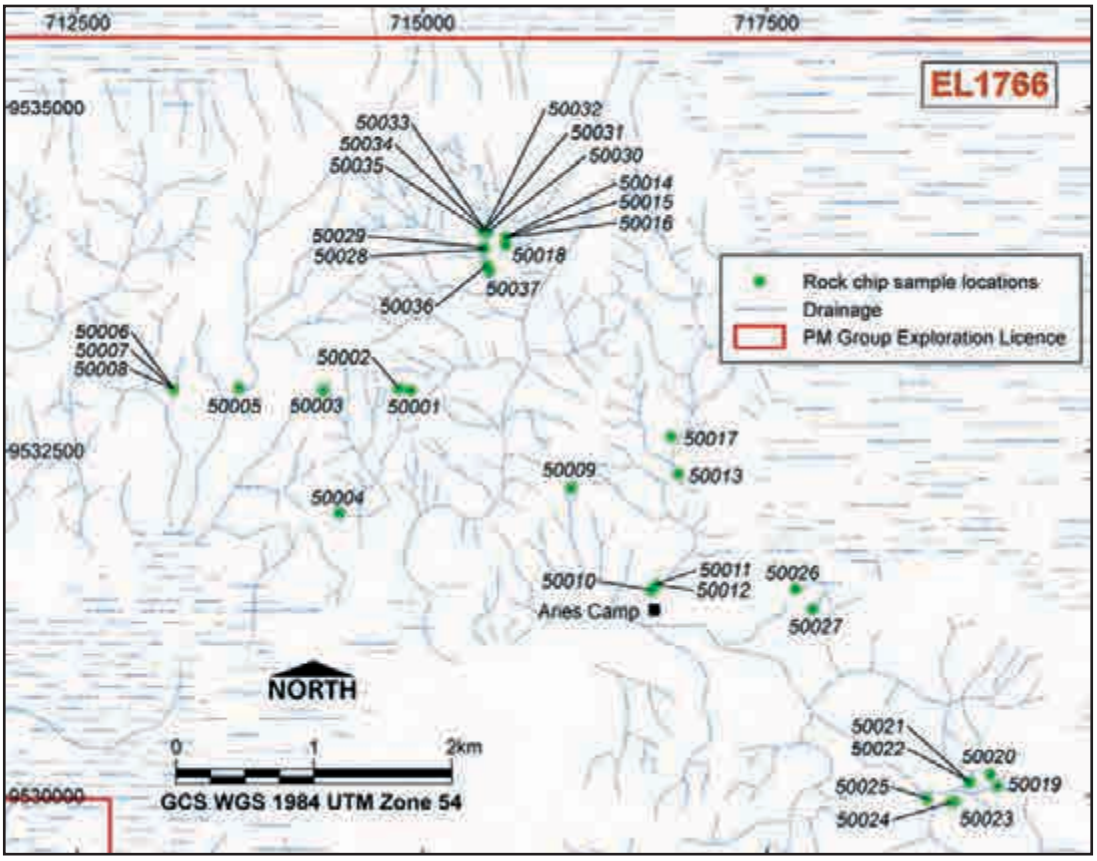


Figure 31. Rock sample positions

8.2.6 Discussion of Results

On the regional scale, geophysically inferred structures can be traced for some 200km to the SW of the Ambunti area illustrating a possible structural link between the Ambunti area and the major copper/gold Frieda-Nena and Ok Tedi deposits. The work by earlier licensees together with the follow up work carried out by PM, suggests that there is considerable scope for extending the area of gold mineralisation to the NW of the area already examined. Positive results for gold were returned as far to the NW as tested to date.

The next phase of work at Ambunti, currently underway, includes completion of the grid based soil sampling programme over the entire 16km length of the Ambunti-Garamambu Trend (see Figure 16).

PM's field team believes that, as in Kwalem Creek prospect, the Guaimes is also a structurally controlled and probably multiphase system which may be deeply seated and reflect a hypogene-mesothermal style of mineralisation.

The mineralisation appears to be controlled by set of north westerly and north easterly structures. Both of these sets are highly siliceous and mineralised as seen in the Kwalem trenches. A third set, which may prove to play a vital role, is the E-W orientation which is the observed trend of most of the intrusive dykes.

The alteration and mineralisation is discrete and discontinuous on surface but this may change at depth. PM is convinced that the mineralisation is intrusive-related and is structurally controlled.

Overall the geochemistry seems to be working out well and should achieve the desired result of delineating target areas for follow up sampling and on to drill target definition.

8.3 Summary of sampling by Papua Mining to date

Summary of geochemistry samples collected by Papua Mining on the New Britain and Ambunti Projects to November 2011

	Date	*Soils*	*Rocks*
New Britain			
Plesyumi/Nakru Phase 1	Jul-10	1,336	215
Nakru East	Jan-11	281	—
Simuku/Kulu	Feb-11	—	125
Area 11/SE Nakru	May-11	—	307
Dagi River/Kori River	Jul-11	—	264
Plesyumi South	Sep-11	—	481
Nakru	Oct-11	468	125
New Britain Total to November 2011		**2,085**	**1,517**
Ambunti			
Kwalem Creek	Sep-09	879	71
Kwalem Creek Trenching (1,168m)	Sep-09	—	787
Kwalem Creek	Jul-11	745	37
Nawi-Yerakai-Garamambu	Sep-11	1,232	76
Ambunti Total to October 2011		**2,856**	**971**
New Britain & Ambunti to November 2011		**4,941**	**2,488**

9 Sample Preparation, Analysis and QAQC

9.1 Sampling

In 2008 guidelines for the exploration programme procedures were set out by CSA Global personnel (see Figure 32). The recommended procedures are in line with industry best practice and during the field visit it was observed that the procedures are diligently followed and in some aspects exceeded.

As described above soil samples are collected from "B-C" soil horizon, avoiding soil "A" horizon. Soil samples were partly prepared by PM in the field via sun drying and sieving to -2mm (Figure 33, Figure 34 and Figure 35). The -2mm fraction usually weighs between 1-2kg. Following sieving approximately 100g subsample is taken for in-house XRF analysis. The remainder of the fine portion is bagged and despatched to Intertek lab in Lae for low level gold and multi element ICP analysis.

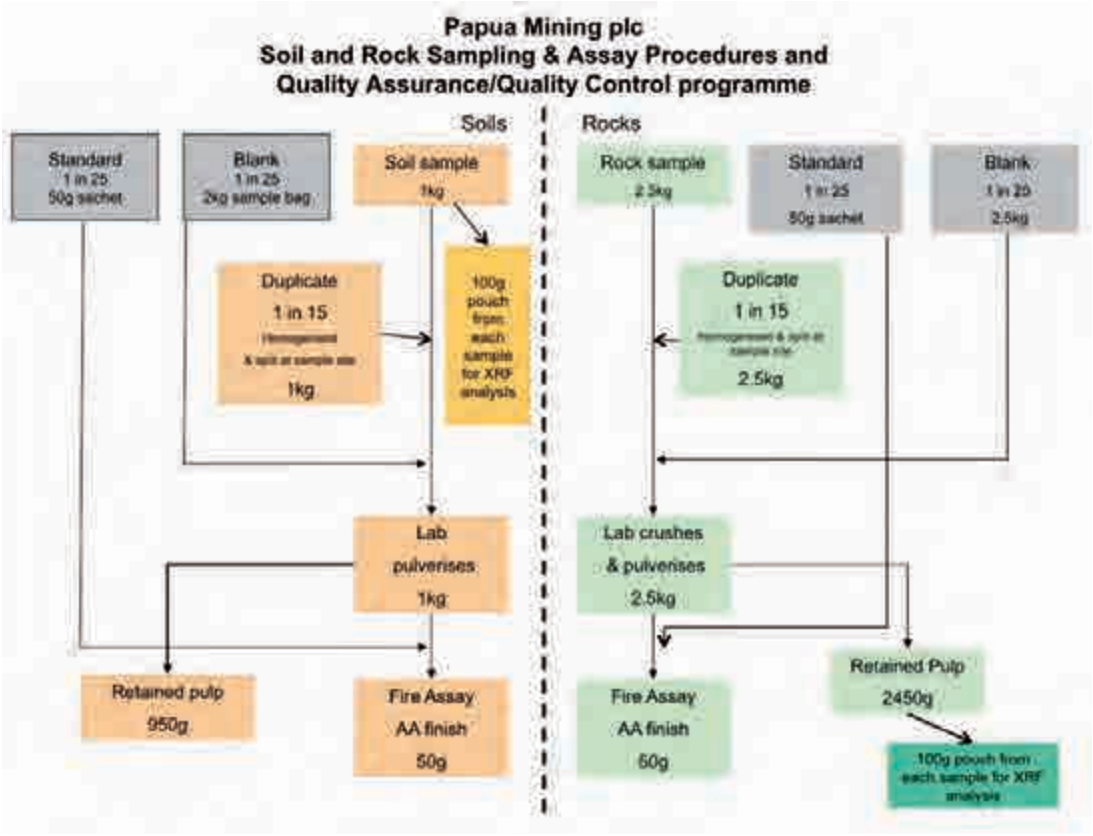


Figure 32. Geochemical sampling procedures

Figure 33. Dried samples prepared for sieving

Figure 34. Bags and sample tags prepared.

Figure 35. Sieved sample put in new bag – note small zip-bag for XRF.

9.2 Blanks Standards and Duplicates

Blank material was collected at separate locations for the Ambunti and New Britain projects. In each case approximately 100kg of oxidised material was collected from a road cutting in an area where little gold mineralisation would be expected.

Standards are made up from Certified Reference Material (CRMs) purchased from Geostats Pty Ltd in Australia. To date three different gold CRMs and two base metals CRMs have been used. Certificates for each of the CRMs were inspected.

A field duplicate is taken every 15th sample via homogenisation of sample from one sample site and splitting it into two separate samples. A sample of blank material and a standard samples are inserted every 16th and 17th sample.

The whole process of inserting blank sample, standard and duplicates is done in repeated cycles, throughout the entire soil sampling exercise and occurs at greater frequency than the proposed procedures suggest.

9.3 Analytical Method

PM uses the Intertek Laboratory in Lae, Papua New Guinea. Where the Lae lab does not offer the complete range of services required, the samples are prepared in Lae and pulps are forwarded to either the Intertek Jakarta or Intertek Townsville laboratory.

9.3.1 Soil Samples

Papua Mining Limited commenced a soil sampling grid across the northern part of EL 1766 in May 2011. The first consignment of samples was shipped to Intertek laboratory in Lae in August 2011. The 867 samples were received at the laboratory in Lae on 24th August 2011. The consignment comprised 745 soil samples (includes duplicates), 61 blank samples and 61 standards.

Gold was determined via the Intertek FA25 analysis which is a 25g lead collection fire assay technique with solvent extraction of the prill and AAS finish. In addition to the gold analysis the laboratory also completed a "base metals four acid digest with 35 element OES scan" on all samples. This is a multi-acid digestion with ICP-OES finish and is suitable for dissolving silica based samples requiring low levels of detection. The digestion is said to approache total dissolution for most minerals.

Results were received from Intertek in four separate laboratory reports between 20th September and 29th September 2011. Analysis results were received for all samples listed on the field despatch forms. There were no missing samples nor no ambiguously labelled samples reported. No samples were reported with insufficient sample for the gold and multi element analysis.

9.3.2 Rock Samples

For rock samples PM keeps a small representative hand specimen for each rock sample collected. The entire sample is also photographed before despatching to the laboratory. Samples are sent to Intertek laboratory in Lae. The entire rock sample is pulverised and a fire assay is done on a 50g sample using the FA50/AAS method. The detection limit is 0.01ppm Au.

9.4 Analysis of QA/QC Data

9.4.1 Gold Assays

In general the QA/QC results have indicated satisfactory performance from the laboratory and satisfactory performance from field sampling and sample preparation procedures. PM had one instance where the QA/QC programme identified a problem with a particular batch of rock sample assays received from the laboratory. Table 9 lists the assays.

Table 9. Assays from batch PG101490

Sample ID	Sample type	Au g/t
N6RX 10210	Rock chip	2.9
N6RX 10211	Standard (3.22 g/t)	0.04
N6RX 10212	blank	0.59
N6RX 10213	Standard (0.6 g/t)	0.03
N6RX 10214	Rock chip	0.06

PM's investigation indicated that this was a result of a laboratory labelling error. This was confirmed by comparing the reported sample weights. As with most laboratories, errors occur from time to time however this is why QA/QC procedures must be maintained and results reviewed for potential issues. CSA Global was impressed with PM's efforts to monitor the results and to liaise with the laboratory to resolve any problems.

PM also identified a problem with some of the results of the analyses of the gold standard samples inserted into the sample train. Of the 37 gold standards samples (CRMs), 33 samples (89% of the total) reported Au grades within +/-10% of the expected grade. For these 33 samples, the mean of the ratio of lab gold grade over the expected gold grade is 99%.

One of the remaining four samples, sample no. 21082 was CRM G999-2 with a certified Au grade of 0.63g/t Au. This sample returned a value of 0.59g/t Au, 89% of the reference grade. The remaining three CRM samples returned grades as follows:

Table 10. Anomalous results for gold CRMs

Sample ID	CRM type	CRM Au g/t	Lab Au g/t	Comment
20227	G900-7	3.22	1.07	Likely a CRM mislabelling error with G300-8
20602	G900-7	3.22	0.73	Likely a CRM mislabelling error with G999-2
20722	G300-8	1.07	0.64	Likely a CRM mislabelling error with G999-2

Because of the laboratory reported grades for samples 20227 and 20722 match the certified grades for CRMs G300-8 and G999-2 nearly exactly, it is likely that these two samples were assigned the wrong CRM label in the PM database.

In CSA Global's opinion, the lab performance is satisfactory on gold analysis. Overall the quality of the data collation in the field database is good but the apparent mislabelling of two of the CRM samples highlights the need for constant vigilance in this regard.

9.4.1.1 Copper Assays

PM inserted 24 base metal CRMs into the sample train. Two different CRMs were used for this programme, GBM307-11 and GBM904-15.

There were 12 instances of CRM GBM307-11 which has a certified Cu grade of 464ppm. In all 12 instances the Intertek grade was less than the certified grade. The minimum Intertek grade was 394ppm and the maximum Intertek grade was 439. Average grade was 418ppm or 90% of the certified grade. This is considered within an acceptable range.

There were 12 instances of CRM GBM904-15 which has a certified Cu grade of 90ppm. In 10 instances the Intertek grade was less than the certified grade. Of these 10 samples the minimum Intertek grade was 47ppm and the maximum Intertek grade was 53. Average grade for these 10 samples was 49ppm or 54% of the certified copper grade. Two samples did not follow this pattern.

With the exception of one CRM there was a consistent under reporting of copper grades. The problem was relatively consistent across the four batches but as could be expected it appears significantly worse in percentage terms for the lower grade CRM, GBM904-15 versus the higher copper grade GBM307-11.

This underreporting of copper may be an issue in areas where low levels of anomalism are being investigated. However given the tenor of results to date this does not seem to be an issue that will have a material impact on exploration. Overall the quality of the data collation and use of QA/QC procedures is acceptable.

9.4.1.2 Blanks

At this early stage of the exploration programme PM's approach of rather randomly collecting a bulk sample in an area of expected low gold and copper mineralisation is regarded as an adequate, although not ideal, way of highlighting instances of significant laboratory contamination that might occur. When the exploration programme advances to drilling it is strongly advised that CRM blank material is obtained and routinely used.

For this programme 61 Blanks were inserted into the sample train. For gold assays, 43 samples returned a below detection result, <5ppb. The remaining 18 samples returned values between 5ppb and 10ppb Au with an average of 7ppb Au. Given the nature of the blank sample and the possibility of some minor gold occurrence in the sample, this result is satisfactory and indicative of the absence of a laboratory contamination issue.

The stated detection limit for copper for the Intertek ICP method was 1ppm. All 61 Blank samples returned some low level copper values, but the maximum value was 11ppm and the average was only 6.2ppm copper. Again, given the nature of our blank sample and the inevitability of some minor copper occurrence in the sample, this result is satisfactory and indicative of the absence of a laboratory contamination issue.

9.4.2 Check Assays

Up until recently PM did not have a lot of check assay data i.e. check assays on samples from more than one laboratory. With the recent acquisition of the XRF instrument they are generating a lot of multi-element data from XRF and can from now compare these data with ICP multi-element data received for Ambunti soil samples. Additional check sampling via umpire analyses at external laboratories is recommended.

9.5 Laboratory Inspection

No laboratory inspection was carried out during the field trip due to a time constraint but the laboratories used are all accredited and copies of their assay reports and certificates were inspected.

10 Community Relations

Mineral exploration globally and particularly in PNG is becoming increasingly sensitive to community and environmental issues and therefore must involve landowners as stakeholders at every stage of exploration and evaluation. In any field program community consultation must be undertaken prior to the start-up of activities and maintained during the life of the project. Community development programs are also an essential part of the exploration business and need to be tailored to the types of issues faced by local communities.

The management of PM has a long track record of very positive community relations on exploration, development and mining stage projects. Through regular contact and discussions, grievances and concerns of the community are discussed and where possible, PM assist in addressing these issues. CSA Global is not aware of any community or environmental issues with respect to PM's licences.

During the site visit to the Ambunti property a community meeting was held at Yerakai, the main village within the licence area. The purpose of the meeting was to welcome the exploration management team and discuss the objectives of the upcoming work programmes (see Figure 36 and Figure 37).

The local communities appear to be very supportive of PM's program. However the local people can be easily stirred up and therefore it is crucial that the Company maintain this position of active community engagement and keeps the local people informed of their activities and plans.

Figure 36. Welcome reception

Figure 37. Community meeting

11 Proposed Exploration and Budget

The primary focus of PM's exploration programme will be on the New Britain projects in the Kulu-Fulleborn trend. Porphyry style copper-gold-molybdenum and volcanogenic-hosted massive sulphide deposits have been and continue to be discovered on adjacent licences and PM has also already had considerable success with its early stage exploration programs.

Specific exploration techniques will include expanding the extensive grid of geochemical sampling and analysis (soils, rock-chip), ongoing stream sampling, prospecting and trenching. Further and more detailed geophysical surveys (e.g. airborne mag, VTEM, IP) over the priority prospect areas of Nakru East, Plesyumi South, Area 11 and Kori-Dagi will likely be completed to aid in target definition and complemented by detailed geologically mapping.

This should identify many drill targets that can be tested in planned phases of RC and diamond drilling. PM plans to have their first drilling targets on EL 1462 delineated during the first half of 2012 and are well advanced in this regard.

Elsewhere in New Britain PM plan to continue with collation of all available data to allow target generation in EL 1730 and its many exploration licence applications. Reconnaissance sampling and mapping of the high priority targets delineated by assessment of historic exploration or newly acquired geophysical data will continue.

On the Ambunti Project, the planned geochemical surveys are being completed, anomalous areas will require follow up with infill surveys and more detailed geological mapping. This may be followed by trenching, remote sensing analysis and geophysics which will hopefully lead to drilling.

Table 11. Proposed Exploration Budget (2 year)

Activity	**Amount (USD)**
Drilling and Analysis costs	3,775,000
Other exploration costs	3,484,000
Ad min Costs	3,084,000
TOTAL	**10,343,000**

11.1 Proposed Exploration Budgets

PM's exploration program has been planned according to the particular geological environments and exploration methodologies applied in PNG to develop mineral deposits. The exploration program, drilling and proposed expenditures include a wide range of technical activities to follow-up on existing data as well as to help define new additional targets. It is expected that the information from the planned investigations and systematic project exploration will provide targets for additional drill testing.

Field expenditures are currently relatively low with two field crews carrying out the geochemical surveys. However as the project gathers momentum and moves towards drilling considerably higher expenditure will be required on logistics and infrastructure as well as on health, safety, environment and community relations. These factors have all been taken into account in the proposed exploration budget.

The two year exploration plan has been reviewed and it is well thought out and appears to be reasonable given the potential of the licences and the activities being undertaken. PM's team has considerable experience in exploration management, both globally and locally in PNG, and CSA Global feels that the budget is suitable to achieve the PM's exploration strategy over the next two years.

12 Conclusions

12.1 New Britain

CSA Global agrees with the opinion of PM that the licence areas in New Britain are very prospective, confirmed by the significant results of the nearby Coppermoly / Barrick drilling and geophysics. The structural setting in the PM ground shows continuity with that of the Coppermoly / Barrick targets, and surface soil and rock-chip sampling by PM confirms the existence of ore grade copper and gold mineralisation in the immediate strike extents.

Based on the highly positive results of PM's initial work there can be little doubt about the potential for discovering an economic mineral deposit within PM's New Britain licences. Right in the centre of EL 1462, Barrick Gold, one of the largest mining companies in the world is spending a large amount of money on proving up what appears to be a number of porphyry systems and exhalative systems in the very prospective Kulu-Fulleborn trend.

It is clear that the geophysical profile of the Nakru system extends well into the PM ground. Coppermoly suggest that drilling indicates an Exploration Target for Nakru-1 of 50 to 60 million tonnes at 0.7% to 0.9% Cu. The geological model for the Nakru system is presented in Figure 38. With the core zone (Nakru-1) possibly depicted by the dark blue magnetic low on Figure 21, exhalative massive sulphide lenses could have developed on the PM ground. It is also common in porphyry environments, that more than one plume has developed, as depicted by Figure 38 and may be what could be discovered under any of PM's many analogous targets.

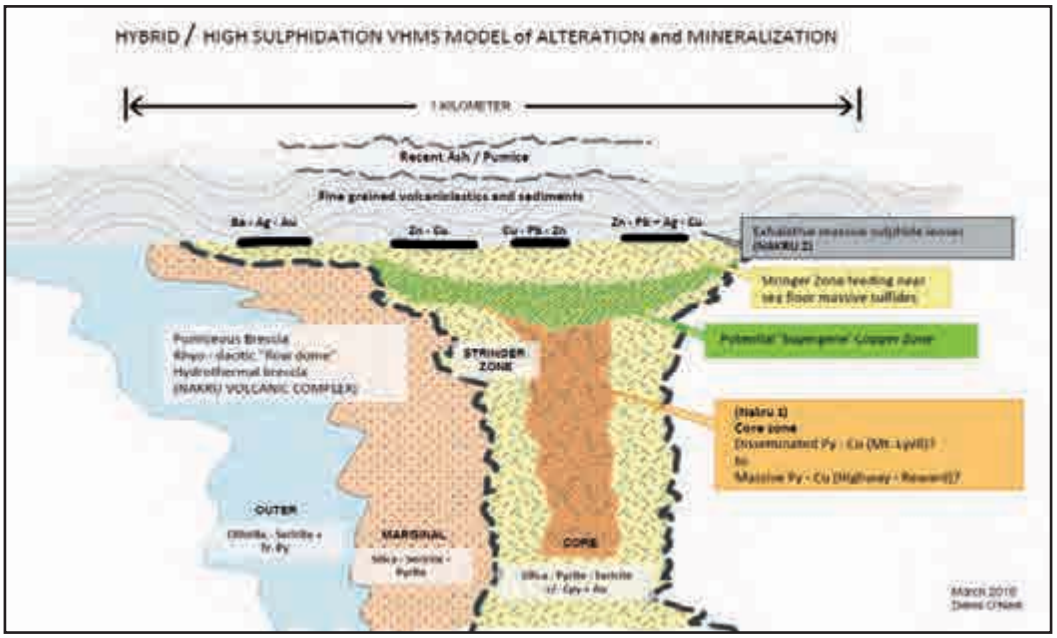


Figure 38. Nakru geological model (source: Coppermoly website)

It is not suggested that the Nakru model will prove to be similar to the Wafi deposit depicted in Figure 39 rather it is shown only to demonstrate that more than one mineralised zone may exist.

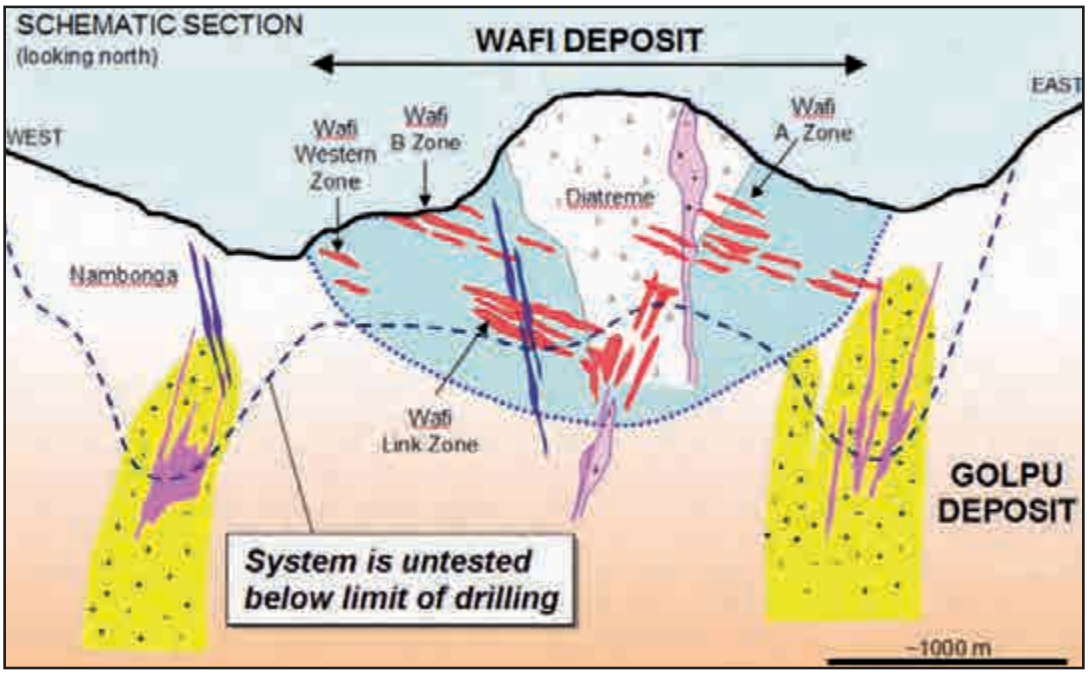


Figure 39. Wafi geological model
(source: Harmony Gold Mining Co. website January 2011)

12.2 Ambunti

Exploration at Ambunti is at an early stage and whilst the company has defined four priority exploration targets within EL 1766 most of the preliminary work has focused on the gold targets. The targets are:

- Target 1 – Ambunti –Garamambu trend gold prospects;
- Target 2 – Mt. Garamambu copper-gold prospects; and
- Targets 3 and 4 – Black River and Cloud Mountain nickel-cobalt targets.

The current work in the Ambunti – Garamambu trend is producing some interesting geochemical anomalies, particularly for gold and arsenic. There may be three distinct anomalies in the northern, central and southern parts of the grid respectively. Interestingly, the northern anomaly lie to the north of the area where high grade mineralisation was historically reported from the Limpeling Creek.

The new grid doesn't show much continuity of the main east-west trending copper anomaly from the northern half of the 2009 sampling. However there are indications that a copper anomaly is opening up in the northern part of the current grid.

13 References

Aries Mining Limited. 2011. EL 1766 Mt Garamambu – Guaimes Soil Grid: May-July 2011 Program.

Aries Mining Limited, 2011. Interim Report on Historical and Current Exploration Work at Ambunti Licence.

Bennet, E.M. 1972. Prospecting Authority No. 273 (NG) 'Garamambu', Final Report, Carpentaria Exploration Company Pty. Ltd.

Bennet, E.M. 1973. Prospecting Authority No. 135 (NG) 'Ambunti', Final Report. Carpentaria Exploration Company Pty. Ltd.

Berkman D.A. 1975. First Quarterly Report, PA 385 (NG) – Ambunti Area, Quarter to 30th September, 1975. Australian Oil & Gas Corporation Limited.

Briggs G. 2011. Wafi-Golpu Media Brief 20 April 2011.

Christopher P.A. 2002. Technical Report on the Mt. Nakru, Simuku, Sinivit, Normanby and Feni Properties, Papua New Guinea.

Cuthbertson A.S. 1984. Ambunti P.A. 510 (N.G.), Papua New Gunea, Annual Report January – December 1984.CRA Exploration Pty Limited.

Hall D.N. 1975. Report on Reconnaissance Visit to A.O.G. Minerals Pty. Ltd., PA385 (NG), Ambunti, P.N.G. Australian Anglo American.

Hall, R.J. 1972. Final Report on P.A. 273 N.G. Carpentaria Exploration Company Pty. Ltd.

Harrington K. 2010. West New Britain Province, Papua New Guinea, Exploration & Expenditure Reports for the 6 month period ending 17th September 2010. Sagittarius Mining Limited.

Harrington K. 2011. EL 1462 – West New Britain Province, Papua New Guinea, Exploration & Expenditure Reports for the 2-year period ending 17th September 2011. Sagittarius Mining Limited.

Holmes K.D. 1975. P.A. 134 (NG) Uasilau Rock Geochemistry. Carpentaria Exploration Company Pty. Ltd.

Horne P. 2011. The Plesyumi and Simuku Intrusive Complex, New Britain (PNG): Contrasting Magma Sources and Evolution in a Subduction Zone. The University of Sydney School of Geosciences.

International Nickel Southern Exploration Limited, June 1969. Prospecting Authority No. 62 (N.G.), Korosami River Area, East Sepic District, New Guinea. Quarterly Report to 18 June 1969.

Intersuisse. 2009. Intersuisse Research Report on Coppermoly Limited.

Kernick R.J. 1976. Quarterly Report to Department of Mines P.N.G. for Period Ended 31st March 1976, Prospecting Authority 385 – Ambunti. Australian Anglo American Searches Limited.

Kernick R.J. 1976. Report to the P.N.G. Department of Mines for the Quarter Ended 30th June 1976, Prospecting Authority 385 – Ambunti. Australian Anglo American Limited.

Kernick R.J. 1976. Quarterly Report to Department of Mines Papua New Guinea for Period Ended 30th September 1976, Ambunti Gold Project. Australian Anglo American Searches Limited.

Kernick R.J. 1977. Report to Department of Mines Papua New Guinea for the Quarter Ended 31 December 1976, Ambunti Gold Project. Australian Anglo American Searches Limited.

Kernick R.J. 1977. Report to Department of Mines Papua New Guinea for the Quarter Ended 31 December 1976, Ambunti Gold Project. Australian Anglo American Searches Limited.

Kernick R.J. 1977. Report to Department of Mines Papua New Guinea for the Quarter Ended 30th June 1977, Ambunti Gold Project. Australian Anglo American Searches Limited.

Mackee G. 2010. Memo: Geophysical Processing and Targets in Sagittarius EL 1462. Geodiscovery Group.

Papua Mining Limited, 2011. Copper – Gold in Papua New Guinea. PowerPoint Presentation.

Papua Mining Limited. 2011. EL 1766 2011 Soil Geochemistry Provisional Results 2009 Grid.

Papua Mining Limited, 2011. A Review of QA/QC data for Phase 1 of the Soil Sampling programme on EL 1766, Ambunti, East Sepik Province, Papua New Guinea.

Papua Mining Limited. 2011. PM Work Programme 2011-2014.

Rowe R. 2010. Presentation at PNG Mining & Petroleum Seminar, Sydney -December 8, 2010.

Sagitarius Mining Limited. 2010. EL 1462 – West New Britain, West New Britain Province, Papua New Guinea, Biannual Exploration & Expenditure Reports for the 6 month Period ending 17th March 2010.

Sweet, L.M. 1972. Prospecting Authority No. 135 (NG) 'Ambunti', Quarterly Report for Period Ending 28.4.72. Carpentaria Exploration Company Pty. Ltd.

Sweet, L.M. 1972. Prospecting Authority No. 135 (NG) 'Ambunti', Statement of Expenditure for 6 Months ended 12.6.72. Carpentaria Exploration Company Pty. Ltd.

Sweet, L.M. 1972. Prospecting Authority No. 135 (NG) 'Ambunti', Quarterly Report for Period Ending 28th October, 1972. Carpentaria Exploration Company Pty. Ltd.

Sweet, L.M. 1972. Prospecting Authority No. 135 (NG) 'Ambunti', Quarterly Report for Period Ending 28.7.72. Carpentaria Exploration Company Pty. Ltd.

Sweet, L.M. 1972. Prospecting Authority No. 135 (NG) 'Ambunti', Progress Report for Period Ended 28th October, 1972. Carpentaria Exploration Company Pty. Ltd.

Sweet, L.M. 1973. Prospecting Authority No. 158 (NG) "New Britain"Progress Report for Quarter Ended 24 July, 1973. Carpentaria Exploration Company Pty. Ltd.

Taaka Investments Ltd. 2010. Aries Mining, EL 1461 Mt Garamambu, Kwalem Creek Gold Prospect – 2009 Program, Summary Field Report.

World Gold Council. 2011. Gold Demand Trends, Second Quarter 2011.

14 Glossary of Terms

Aeromagnetic survey	An airborne geophysical survey to detect magnetic rocks.
Alteration	A physical or chemical change to original rock minerals.
Andesitic	An intermediate variety of lava.
Argillic	Refers to alteration of original rock to clay minerals.
As	The chemical symbol for arsenic.
Au	Chemical symbol for gold.
Batholith	A large igneous intrusion >100sq km in area.
Bornite	A copper ore mineral composed of copper, iron and sulphur.
Breccia	A rock type composed mainly of broken angular fragments.
Chalcocite	A copper ore mineral composed of copper and sulphur.
Chalcopyrite	A copper ore mineral composed of copper, iron and sulphur.
Clast	A fragment of rock or mineral forming part of another rock.
Covellite	A copper ore mineral composed of copper and sulphur.
Crust	Outermost layer of the earth.
Crustal plate	A large, rigid segment of the earth's crust.
Cu	The chemical symbol for copper.
Diamond drilling	A drilling technique using diamond tipped drill bits to extract cylindrical rock core for analysis.
Diatreme	A vertical, pipe or funnel shaped body of intrusive breccia.
Diorite	A dark coloured variety of intermediate intrusive rock.
Dyke	A narrow, tabular, near vertical igneous intrusion.
Epithermal	Refers to geologic processes taking place at low temperature near the earth's surface.
Felsic	An intermediate or acid igneous rock containing feldspar and/or quartz.
Gabbro	A coarse grained basic intrusive rock.
Geochemical sample	A sample collected for geochemical analysis to determine metal or mineral content.
Geophysical	Refers to the physical properties of the earth.
Granodiorite	A variety of coarse grained light coloured acidic intrusive rock.
g/t	Grams per tonne.

Hydrothermal	Refers to geologic processes related to hot fluids.
Hypabyssal	Refers to intrusive igneous rocks solidified near the surface.
Igneous	Rock types formed from the cooling and solidification of molten magma.
Intermediate	A type of igneous rock containing 45-55% silica and less than 10% free quartz.
Intrusive	An igneous rock solidified from magma beneath the earth's surface.
Intrusive complex	An area containing a number of intrusive bodies.
IP	Induced polarisation, an electrical geophysical surveying technique.
Lava	A volcanic rock solidified from magma extruded onto the earth's surface.
Limestone	A sedimentary rock composed mainly of calcium carbonate.
Limonite	A variety of hydrated iron oxide formed during weathering.
Magma	Molten rock composed of mineral crystals and dissolved gases.
Magnetic	Refers to rocks or minerals with magnetic properties.
Magnetite	A magnetic iron oxide mineral.
Mesothermal	Refers to geologic processes taking place at moderate temperatures and depths, commonly 350-1500m below surface.
Miocene	A geological time period ranging from 23.3 to 5.2 million years ago.
Mo	The chemical symbol for molybdenum.
Molybdenite	The main molybdenum ore mineral, composed of molybdenum and sulphur.
Phenocryst	A relatively large mineral crystal set in a finer grained groundmass.
Porphyry	Refers to the texture of hypabyssal igneous rocks containing phenocrysts in a fine groundmass.
Porphyry copper	Refers to a large, generally low grade copper deposit related to intrusive rocks.
Pyrite	A common iron mineral composed of iron and sulphur.
ppm	Parts per million.
Propylitic	A type of rock alteration commonly associated with mineral deposits.
Pyrite	A common iron mineral composed of iron and sulphur.

Pyroclastic	A type of fragmental volcanic rock formed by violent volcanic eruptions.
Quartz	A common rock forming mineral composed of silica and oxygen.
Resistivity	A geophysical surveying technique to compare bulk rock electrical resistivity.
Rock-chip	A technique of sampling rock outcrops for quantitative assaying.
Shear	A narrow, linear zone of rock deformation or faulting.
Silicified	Alteration of a rock to silica.
Skarn	A rock type formed by alteration of limestone by heat from an intrusive body.
Stock	A relatively small intrusive body with generally circular or elliptical outline.
Stockwork	A closely spaced network of intersecting veins.
Sulphide	A type of mineral composed of a metal or metals combined with sulphur.
Tectonic	A term relating to major structures of the earth.
Vein	A narrow, tabular, or sheet-like body of rock or minerals.

PART V

ACCOUNTANTS' REPORT AND HISTORICAL FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION

The following is the full text of a report on PML and its subsidiaries from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Papua Mining.

25 Farringdon Street
London EC4A 4AB
www.bakertilly.co.uk

The Directors
Papua Mining plc
5th Floor
17 Hanover Square
London
W1S 1HU

22 February 2012

Dear Sirs

Papua Mining Limited and its subsidiaries (together the "PML Group")

We report on the financial information set out Section B of this Part V. This financial information has been prepared for inclusion in the Admission Document dated 22 February 2012 ("Admission Document") of Papua Mining plc (the "Company") on the basis of the accounting policies set out in note 3 (the "Historical Financial Information"). This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Responsibilities

As described in note 1 the directors of the Company (the "Directors") are responsible for preparing the financial information on the basis of preparation set out in note 3 to the Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union, except that certain accounting conventions, commonly used for the preparation of

historical financial information for inclusion in investment circulars, as described in the Annexure to Standard for Investment Reporting 2000 issued by the Auditing Practices Board in the United Kingdom, have been applied.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the PML Group as at the dates stated and of its consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the periods then ended in accordance with the basis of preparation set out in note 3 and in accordance with International Financial Reporting Standards as adopted by the European Union as described therein.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: CONSOLIDATED HISTORICAL FINANCIAL INFORMATION ON THE PML GROUP

Consolidated statement of comprehensive income for the three years ended 31 December 2010

	Note	2010 US$	2009 US$	2008 US$
Administrative expenses	5	(212,734)	(88,264)	(285,760)
Operating Loss		(212,734)	(88,264)	(285,760)
Finance (charges) / income		(161)	84	6,694
Loss for the year and total comprehensive income for the year attributable to shareholders		(212,895)	(88,180)	(279,066)

Consolidated statements of financial position as at 31 December 2008, 31 December 2009 and 31 December 2010

	Note	2010 US$	2009 US$	2008 US$
Assets				
Non-current assets				
Intangible assets	6	3,303,851	2,460,967	1,932,472
		3,303,851	2,460,967	1,932,472
Current Assets				
Trade and other receivables	8	236,657	25,000	250,000
Cash and cash equivalents	9	367,286	26,729	183,126
		603,943	51,729	433,126
Total assets		3,907,794	2,512,696	2,365,598
Equity and liabilities				
Capital and reserves attributable to equity shareholders				
Share Capital	10	3,300,000	2,000,000	2,000,000
Other reserve		250,000	250,000	250,000
Retained deficit		(1,054,498)	(841,603)	(753,423)
Total equity		2,495,502	1,408,397	1,496,577
Current liabilities				
Trade and other payables	11	158,124	52,333	—
Shareholder borrowings	11	1,254,168	1,051,966	869,021
		1,412,292	1,104,299	869,021
Total equity and liabilities		3,907,794	2,512,696	2,365,598

Consolidated statements of changes in equity for the three years ended 31 December 2010

	Share Capital Note 10 US$	Other Reserves US$	Retained Deficit US$	Total Equity US$
At 1 January 2008	2,000,000	250,000	(474,357)	1,775,643
Comprehensive income				
Loss for the year	—	—	(279,066)	(279,066)
At 1 January 2009	2,000,000	250,000	(753,423)	1,496,577
Comprehensive income				
Loss for the year	—	—	(88,180)	(88,180)
At 1 January 2010	2,000,000	250,000	(841,603)	1,408,397
Comprehensive income				
Loss for the year	—	—	(212,895)	(212,895)
Shares issued at par	1,300,000	—	—	1,300,000
At 31 December 2010	3,300,000	250,000	(1,054,498)	2,495,502

Other reserves arise as a result of the method of accounting for the acquisition of Aries Mining Limited and Sagittarius Mining Limited.

Consolidated statements of cash flows for the three years ended 31 December 2010

	Note	2010 US$	2009 US$	2008 US$
Cash flow from operating activities				
Total comprehensive income for the year before tax		(212,895)	(88,180)	(279,066)
Adjustments to reconcile net loss before income tax to cash flow from operating activities:				
Net (increase)/decrease in operating assets				
– Other financial assets	14	(211,657)	225,000	500,000
Net increase in operating liabilities				
– Other liabilities		307,993	235,278	503,535
Net cash flow from operating activities		(116,559)	372,089	724,469
Cash flow from investing activities				
Purchases of intangible assets		(842,884)	(528,495)	(542,049)
Net cash used in investing activities		(842,884)	(528,495)	(542,049)
Cash flow from financing activities				
Proceeds from issuance of ordinary shares		1,300,000	—	—
Net cash used in financing activities		1,300,000	—	—
Net increase/(decrease) in cash and cash equivalents		340,557	(156,397)	182,420
Cash and cash equivalents at the beginning of year		26,729	183,126	706
Cash and cash equivalents at the end of the year		367,286	26,729	183,126
Cash flow from operating activities includes:				
Interest received		—	84	6,694
Interest paid		161	—	—

Notes to the consolidated historical financial information for the three years ended 31 December 2010

1 Group and Principal activities

For the purposes of the historical financial information ("Historical Financial Information"), the term "PML Group" is defined as the companies Papua Mining Limited ("PML"), Aries Mining Limited, Sagittarius Mining Limited, Mined Games Limited and Samui 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, PML, a company incorporated in the British Virgin Islands, acquired 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.

The immediate parent company of PML (during the period covered by this report) is South Pacific Mining Holdings Limited, a company incorporated in St. Kitts and Nevis. The parent company of South Pacific Mining Holdings Limited is the JHC Trust, the trustee of which, and the ultimate controlling party of the PML Group, is AA Trust Company Limited, a company incorporated in St. Kitts and Nevis.

Each of the companies of the PML Group was under the common control of the same ultimate beneficial owner 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.

PML is incorporated and domiciled in the British Virgin Islands. The address of its registered office is Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands.

The historical financial information has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as Endorsed by the EU ("Endorsed IFRSs").

The PML Group's main activity is the exploration for gold and copper resources in Papua New Guinea.

2 Adoption of new and revised standards

The statements, standards and interpretations, effective for reporting periods beginning on or before 1 January 2011 have been applied, being those standards that will be applied to PML Group's financial statements for the year ending 31 December 2011.

Standards affecting presentation and disclosure

The following statements, amendments and interpretations are effective for reporting periods beginning after 1 January 2011, which have not been adopted early:

IAS 1 – Presentation of Financial Statements – Amendments; Revision of presentation of Other Comprehensive Income (effective 01/07/2012)
IAS 12 – Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets (effective 01/01/2012)
IFRS 7 – Financial Instruments Disclosures – Amendments; Disclosures – Transfers of Financial Assets (effective 01/07/2011)
IFRS 9 – Financial Instruments – Classification and Measurement (effective 01/01/2013).
IFRS 10 – Consolidated Financial Statements (effective 01/01/2013)
IFRS 11 – Joint Arrangements (effective 01/01/2013)
IFRS 12 – Disclosure of Interest in other entities (effective 01/01/2013)
IFRS 13 – Fair Value Measurement (effective 01/01/2013)
IAS 27 – Separate Financial Statements – Amendment (effective 01/01/2013)

The Directors anticipate that the adoption of these standards and interpretations will not have a material impact on the PML Group's financial statements in the period of initial adoption.

3 Basis of preparation and significant accounting policies

a) Basis of preparation

The consolidated historical financial information includes the results of PML, Aries Mining Limited, Sagittarius Mining Limited, Mined Games Limited and Samui Mining Limited. As described in note 1 above, the PML Group is comprised of a number of companies under common management and ultimate ownership but not linked by a formal ownership structure or a single common parent throughout the review period. In order to assist readers of this report understand the trading performance of the PML Group the assets, liabilities and losses of the underlying business have been presented in accordance with the principles of merger accounting to present the results and balances that would have been shown had the PML Group been under the control of a single common parent for the entire review period.

The historical financial information has been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards, except as described below.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information and accordingly in preparing the Historical Financial Information certain accounting conventions commonly used for the preparation of consolidated historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in a material departure from IFRSs as adopted by the EU. In other respects IFRSs as adopted by the EU have been applied.

This basis of preparation has resulted in certain entities being consolidated while others have been combined. For simplicity, the Historical Financial Information throughout is referred to as consolidated.

b) Intangible assets – exploration and evaluation costs

Exploration and evaluation expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration and are capitalised as intangible assets pending the feasibility of the project. They also include certain administrative costs that are allocated to the extent that those costs can be related directly to operational activities.

If an exploration project is deemed successful based on feasibility studies, the related expenditures are transferred to development and production assets and amortised over the estimated useful life of the ore reserves on a unit of production basis. Where a project is abandoned or considered to be no longer economically viable, the related costs are written off in the income statement.

To date the PML Group has not progressed to the development and production stage in any areas of operation.

c) Impairment of non-financial assets

The PML Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the PML Group estimates the asset's recoverable amount. An asset's recoverable

amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the PML Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

d) Financial instruments

Financial assets

The PML Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and bank overdrafts.

Financial liabilities

The PML Group classifies its financial liabilities as:

Trade and other payables: These are initially recognised at fair-value and then carried at amortised cost. They arise principally from the receipt of goods and services.

Shareholder borrowings: These are initially recognised at fair-value and then carried at amortised cost. They relate to interest free loans from shareholders.

e) Provisions

A provision is recognised in the balance sheet when the PML Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

f) Foreign currency

The functional and presentational currency of the entities of the PML Group is United States Dollars. The presentational currency of the PML Group is United States Dollars. In preparing

these financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the statement of comprehensive income for the period.

4 Segmental reporting

The Directors are of the opinion that under IFRS 8 'Operating Segments' there is only one business activity, the exploration of gold and copper resources, and consider there to be therefore only one material operating segment, being the exploration licences in Papua New Guinea.

5 Auditor's remuneration

	2010 US$	2009 US$	2008 US$
Fees payable to the PML Group's auditor for the audit of PML Group's financial statements	43,920	—	—

6 Intangible assets

	2010 US$	2009 US$	2008 US$
Exploration costs			
At beginning of period	2,460,967	1,932,472	1,390,423
Additions	842,884	528,495	542,049
At the end of year	3,303,851	2,460,967	1,932,472

7 Subsidiaries

PML has investments in the following direct subsidiary undertakings as at 31 December 2010, which principally affected the losses and net assets of the PML Group:

Name	Country of incorporation and operation	Proportion of voting interest %	Activity
Aries Mining Limited	Papua New Guinea	100	Exploration
Sagittarius Mining Limited	Papua New Guinea	100	Exploration

8 Trade and other receivables

	2010 US$	2009 US$	2008 US$
Other receivables	236,657	25,000	250,000

Other receivables principally relate to unpaid share capital. There were no trade and other receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

9 Cash and cash equivalents

	2010 US$	2009 US$	2008 US$
Cash at bank	367,286	26,729	183,126

Cash and cash equivalents comprise cash.

There is no significant difference between the fair value of the cash and cash equivalents and the values stated above.

10 Share capital

	2010	2009	2008
Amount available for issue			
Ordinary shares of $1,000 each	5,000	5,000	5,000
Issued share capital			
Ordinary shares of $1,000 each	3,300	2,000	2,000

	2010	2009	2008
Issued share capital	**US$**	**US$**	**US$**
Fully paid	3,070,000	1,975,000	1,750,000
Unpaid	230,000	25,000	250,000
	3,300,000	2,000,000	2,000,000

At 31 December 2008 and 31 December 2009 the share capital of the PML Group represented the share capital of PML's subsidiaries, Aries Mining Limited and Sagittarius Mining Limited, expressed in the share capital of PML. On 10 November 2010, PML acquired 100 per cent. of both Aries Mining Limited and Sagittarius Mining Limited in a share for share exchange. Both Aries Mining Limited and Sagittarius Mining Limited each have share capital of 100 shares with a par value of 1 Kina; each share in Aries Mining Limited and Sagittarius Mining Limited was exchanged for 10 shares in PML each with a par value of $1,000. During the year ended 31 December 2010, PML issued 1,300 ordinary shares at par.

11 Current liabilities

Trade and other payables

	2010	2009	2008
	US$	**US$**	**US$**
Trade and other payables	48,110	34,333	—
Accruals	110,014	18,000	—
	158,124	52,333	—

There is no material difference between the fair value and book value of trade and other payables.

Shareholder borrowings

	2010	2009	2008
	US$	**US$**	**US$**
Shareholder borrowings	1,254,168	1,051,966	869,021

Shareholder borrowings relate to interest free loans from related parties (see note 17).

12 Financial instruments

In common with other businesses, the PML Group is exposed to risks that arise from its use of financial instruments. This note describes the PML Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 3.

The PML Group is not exposed to interest-bearing indebtedness. The exploration activities of the PML Group were financed by proceeds of issue of shares and interest-free loans from other parties.

Principal financial instruments

The principal financial instruments used by the PML Group, from which financial instrument risk arises, are as follows:

	2010 US$	2009 US$	2008 US$
Financial Assets			
Cash and cash equivalents	367,286	26,729	183,126
Other receivables	236,657	25,000	250,000
	603,943	51,729	433,126
Financial Liabilities			
Trade payables	48,110	34,333	—
Shareholder borrowings	1,254,168	1,051,966	869,021
	1,302,278	1,086,299	869,021

The fair value of the above financial instruments is equal to the book values.

General objectives, policies and processes

The directors have overall responsibility for the determination of the PML Group's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the PML Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the directors is to set policies that seek to reduce risk as far as possible without unduly affecting the PML Group's competitiveness and flexibility. The directors consider that the risk components detailed below apply to the PML Group and is managed at group level.

Credit risk

Credit risk refers to the risk that the PML Group's financial assets will be impaired by the default of a third party. The PML Group is exposed to this risk primarily on its cash and cash equivalents as set out in notes 6. Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high quality credit standing.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The PML Group operates primarily in Papua New Guinea. All transactions are denominated in Sterling, PNG Kina and US Dollars (its reporting currency). As such the PML Group is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade with its suppliers are such that the directors believe that the PML Group's exposure is minimal and consequently they do not specifically seek to hedge that exposure. Most of the PML Group's funds are in US Dollars with only sufficient funds held overseas to meet local costs. Funds are periodically transferred overseas to meet local costs when required.

Commodity price risk

Commodity price risk is the risk that the PML Group's future earnings will be adversely impacted by changes in the market prices of commodities. The PML Group is exposed to commodity price risk as its future revenues may be determined by reference to market prices of copper and gold.

Liquidity risk

Liquidity risk relates to the ability of the PML Group to meet future obligations and financial liabilities. To date the PML Group has relied upon shareholder funding of its activities. Future exploration and development activities may be dependent upon the PML Group's ability to obtain further financing through equity financing or other means. Although the PML Group has been successful in the past in obtaining equity finance there can be no assurance that the PML Group will be able to obtain adequate financing in the future or that the terms of the financing will be favorable.

The financial statements have been prepared on a going concern basis.

Capital management

The PML Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, and develop its activities to provide returns for shareholders and benefits for other stakeholders.

The PML Group's capital structure comprises all components of equity and debt. When considering the future capital requirements of the Group and the potential to fund specific project development via debt the directors consider the risk characteristics of all of the underlying assets in assessing the optimal capital structure.

13 Taxation

	2010 US$	2009 US$	2008 US$
Reconciliation of effective tax rate			
Loss before income tax	212,895	88,180	279,066
Income tax on loss before tax at 28%	59,611	24,690	78,138
Tax effect of expenses that are not deductible in determining taxable profit	—	—	—
Deferred tax asset not recognised	(59,611)	(24,690)	(78,138)
Total tax expense for the period	—	—	—

The PML Group has not recognised a deferred tax asset on any losses carried forward or exploration costs due to the uncertainty of future profits and the relatively unsettled legal and tax codes of Papua New Guinea.

14 Other financial assets

The movements in other financial assets relates to cash payments for ordinary shares issued.

15 Post-balance sheet events

On 13 April 2011, a resolution was passed pursuant to which every ordinary share of $1,000 of PML's share capital was sub-divided into 1,000 new ordinary shares of $1 each. On 10 October 2011, PML issued 400,000 ordinary $1 shares at par and 370,286 ordinary $1 shares at $2.20. On 7 November 2011, a further 356,983 ordinary $1 shares were issued at $2.20.

One of the PML Group's licences held at 31 December 2010 expired on the 17 September 2011. The PML Group has submitted an application for the renewal of this licence and, in accordance with PNG regulation, has relinquished approximately 50 per cent. of the licence area held at the time. Under

the Mining Law 1992, it is usual for renewal applications to be granted and, in practice, work can proceed whilst the renewal application is being processed. Since 31 December 2010, the PML Group has submitted 10 further applications for exploration licences in Papua New Guinea.

On 10 January 2012 the amount due to South Pacific Mining Holdings Limited, a related party (note 17), of $1,254,168 as at 31 December 2010 was waived in full.

Papua Mining plc ("Papua Mining") was incorporated on 29 September 2011. By way of a share sale agreement dated 20 December 2011, Papua Mining acquired the entire issued share capital of PML from its shareholders in return for the issue and allotment of 15,938,147 ordinary shares in Papua Mining fully paid up as to £0.63 per share. As a result of this acquisition PML became a wholly owned subsidiary of Papua Mining.

On 9 February 2012, Papua Mining granted, conditional on Admission, share options 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.

16 Capital commitments

The PML Group's capital commitments relate to licence expenditure and related exploration activities, the cost of which will be met by funds received from the issue of shares. As at 31 December 2010 there was approximately $370,000 of expenditure committed in relation to one of the PML Group's existing exploration licences.

17 Related-party transactions

		2010 US$	2009 US$	2008 US$
Fees paid to directors				
Hugh McCullough	(1)	114,632	8,766	—
Kieran Harrington	(1)	140,581	9,387	—
		255,213	15,153	—
Administrative charges				
AA Corporate Management	(2)	33,328	20,980	6,272
Balances due to related parties				
South Pacific Mining Holdings Limited	(3)	(1,254,168)	(1,051,966)	(869,021)

(1) Hugh McCullough and Kieran Harrington were appointed as directors in 2010 and the fees were charged to the PML Group by companies in which they have an interest in, Ghalu Limited and Hybreasal Limited respectively.

(2) These represent fees from AA Corporate Management in respect of accounting and company secretarial services. AA Corporate Management is controlled by Antoine Awad, a director of the Group.

(3) South Pacific Mining Holdings Limited was the beneficial owner of PML as at 31 December 2008, 2009 and 2010. There are no terms of repayments or interest in respect of these balances. The balance was waived in full on 10 January 2012 (note 15).

PART VI

ACCOUNTANTS' REPORT AND UNAUDITED INTERIM FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT

The following is the full text of a report on PML and its subsidiaries from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Papua Mining.

25 Farringdon Street
London EC4A 4AB
www.bakertilly.co.uk

The Directors
Papua Mining plc
5th Floor
17 Hanover Square
London
W1S 1HU

22 February 2012

Dear Sirs

Papua Mining Limited and its subsidiaries (together the "PML Group")

We have been instructed by the Company to review the unaudited consolidated interim financial information relating to the PML Group for the six month period ended 30 June 2011 ("Unaudited Interim Financial Information") set out in Section B of Part VI of the Admission Document dated 22 February 2012 ("Admission Document"). We have read the other information in the Admission Document and considered whether it contains any apparent misstatements or material inconsistencies with the Unaudited Interim Financial Information.

This report is has been prepared in accordance with the requirements of International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board in the United Kingdom ("ISRE 2410"), as if it applied to the Company's auditor and for no other purpose. This report, including the conclusion, has been prepared solely for the Company for the purposes of the Admission Document and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than a person as and to the extent provided by ISRE 2410, for our work, for this report, or for the opinions we have formed or consenting to its inclusion in the Admission Document.

Responsibilities

The Unaudited Interim Financial Information is the responsibility of, and have been approved by, the directors of the Company ("Directors") and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union and applying the accounting policies and presentation consistent with those that will be adopted in the Company's annual financial statements and the requirements of paragraph 20.6 of Annex I to the Prospectus Rules as if those rules applied. The Unaudited Interim Financial Information has been

prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union, except that certain accounting conventions, commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to Standard for Investment Reporting 2000 issued by the Auditing Practices Board in the United Kingdom, have been applied.

Our responsibility is to express to the Company a conclusion on the Unaudited Interim Financial Information, for the purposes of the Admission Document, based on our review.

Scope of review

We conducted our review in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and ISRE 2410 as if it applied to the Company's auditor. A review of Unaudited Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Unaudited Interim Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, for the purposes of the Admission Document, the Unaudited Interim Financial Information has not been prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of AIM Rules for Companies.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

SECTION B: UNAUDITED INTERIM FINANCIAL INFORMATION ON THE PML GROUP

Unaudited consolidated statement of comprehensive income for the six months ended 30 June 2011

	Unaudited six months to 30 June 2011 US$	Unaudited six months to 30 June 2010 US$
Administrative expenses	(74,534)	(70,284)
Operating loss	(74,534)	(70,284)
Finance charges	(25)	(162)
Loss for the period and total comprehensive income for the period attributable to shareholder	(74,559)	(70,446)

Unaudited consolidated statements of financial position as at 30 June 2011

	Note	30 June 2011 Unaudited US$	31 December 2010 Audited US$
Assets			
Non-current assets			
Intangible assets	3	3,743,871	3,303,851
		3,743,871	3,303,851
Current assets			
Trade and other receivables	4	1,030	236,657
Cash and cash equivalents		95,851	367,286
		96,881	603,943
Total assets		3,840,752	3,907,794
Equity and liabilities			
Capital and reserves attributable to equity shareholders			
Share capital	5	3,300,000	3,300,000
Other reserves		250,000	250,000
Retained deficit		(1,129,057)	(1,054,498)
Total equity		2,420,943	2,495,502
Current liabilities			
Trade and other payables	6	110,014	158,124
Shareholder borrowings	6	1,309,795	1,254,168
		1,419,809	1,412,292
Total equity and liabilities		3,840,752	3,907,794

Unaudited consolidated statement of changes in equity for the period ended 30 June 2011

	Share Capital Note 5 US$	Other Reserves US$	Retained Deficit US$	Total Equity US$
At 31 December 2010	3,300,000	250,000	(1,054,498)	2,495,502
Comprehensive income				
Loss for the period	—	—	(74,559)	(74,559)
At 30 June 2011	3,300,000	250,000	(1,129,057)	2,420,943

Other reserves arise as a result of the method of accounting for the acquisition of Aries Mining Limited and Sagittarius Mining Limited.

Unaudited consolidated statement of cash flows for the period ended 30 June 2011

	Six months to 30 June 2011 Unaudited US$	Six months to 30 June 2010 Unaudited US$
Cash flow from operating activities		
Total comprehensive income for the period before tax	(74,559)	(70,446)
Adjustments to reconcile net loss before income tax to cashflows from operating activities:		
Net increase in operating assets		
– Other financial assets	235,627	—
Net increase in operating liabilities		
– Other liabilities	7,517	580,498
Net cash inflow generated from operating activities	168,585	510,052
Investing activities		
Cash flow from investing activities		
Purchase of intangible assets	(440,020)	(393,861)
Net cash used in investing activities	(440,020)	(393,861)
Cash flow from financing activities		
Proceeds from the issuance of ordinary shares	—	—
Net cash used in financing activities	—	—
Net (decrease)/increase in cash & cash equivalents in the period	(271,435)	116,191
Cash & cash equivalents at the beginning of the period	367,286	26,729
Cash & cash equivalents at the end of the period	95,851	142,920

Notes to the unaudited consolidated interim financial statements for the period ended 30 June 2011

1 Group and Principal activities

For the purposes of the unaudited consolidated interim financial information, the term "PML Group" is defined as the companies Papua Mining Limited ("PML"), Aries Mining Limited, Sagittarius Mining Limited, Mined Games Limited and Samui 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, PML, a company incorporated in the British Virgin Islands, acquired 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.

The immediate parent company of PML (for the period covered by these financial statements) is South Pacific Mining Holdings Limited, a company incorporated in St. Kitts and Nevis. The parent company of South Pacific Mining Holdings Limited is the JHC Trust, the trustee of which, and the ultimate controlling party of the PML Group, is AA Trust Company Limited, a company incorporated in St. Kitts and Nevis.

Each of the companies of the PML Group was under the common control of the same ultimate beneficial owner 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.

PML is incorporated and domiciled in the British Virgin Islands. The address of its registered office is Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands.

The historical financial information has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as Endorsed by the EU ("Endorsed IFRSs").

The PML Group's main activity is the exploration for gold and copper resources in Papua New Guinea.

2 Basis of preparation and significant accounting policies

a) Basis of preparation

The unaudited consolidated interim financial statements include the results of PML, Aries Mining Limited, Sagittarius Mining Limited, Mined Games Limited and Samui Mining Limited. As described in note 1 above, the PML Group is comprised of a number of companies under common management and ultimate ownership but not linked by a formal ownership structure or a single common parent throughout the review period. In order to assist readers of this report understand the trading performance of the PML Group the assets, liabilities and losses of the underlying business have been presented in accordance with the principles of merger accounting to present the results and balances that would have been shown had the PML Group been under the control of a single common parent for the entire review period.

The unaudited consolidated interim financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards, except as described below.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information and accordingly in preparing the unaudited consolidated interim financial statements certain accounting conventions commonly used for the preparation of consolidated historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board

have been applied. The application of these conventions results in a material departure from IFRSs as adopted by the EU. In other respects IFRSs as adopted by the EU have been applied.

This basis of preparation has resulted in certain entities being consolidated while others have been combined. For simplicity, the interim financial information throughout is referred to as consolidated.

b) Intangible assets – exploration and evaluation costs

Exploration and evaluation expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration and are capitalised as intangible assets pending the feasibility of the project. They also include certain administrative costs that are allocated to the extent that those costs can be related directly to operational activities.

If an exploration project is deemed successful based on feasibility studies, the related expenditures are transferred to development and production assets and amortised over the estimated useful life of the ore reserves on a unit of production basis. Where a project is abandoned or considered to be no longer economically viable, the related costs are written off in the income statement.

To date the PML Group has not progressed to the development and production stage in any areas of operation.

c) Impairment of non-financial assets

The PML Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the PML Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the PML Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

3 Intangible assets

	30 June 2011 US$	31 December 2010 US$
Exploration costs		
At beginning of period	3,303,851	2,460,967
Additions	440,020	842,884
At the end of the period	3,743,871	3,303,851

4 Trade and other receivables

	30 June 2011 US$	31 December 2010 US$
Other receivables	1,030	236,657

Other receivables relate principally to unpaid share capital. There were no trade and other receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

5 Share capital

	30 June 2011	31 December 2010
Amount available for issue		
Ordinary shares of $1,000 each	—	5,000
Ordinary shares of $1 each	5,000,000	—
Issued share capital		
Ordinary shares of $1,000 each	—	3,300
Ordinary shares of $1each	3,300,000	—

	30 June 2011 US$	31 December 2010 US$
Issued share capital		
Fully paid	3,300,000	3,070,000
Unpaid	—	230,000
	3,300,000	3,300,000

On 13 April 2011, a resolution was passed, pursuant to which every share of $1,000 of PML's share capital was sub-divided into 1,000 new ordinary shares of $1 each.

6 Current liabilities

Trade and other payables

	30 June 2011 US$	31 December 2010 US$
Trade and other payables	66,094	48,110
Accruals	43,920	110,014
	110,014	158,124

There is no material difference between the fair value and book value of trade and other payables.

Shareholder borrowings

	30 June 2011	31 December 2010
	US$	US$
Shareholder borrowings	1,309,795	1,254,168

Shareholder borrowings relate to interest free loans from related parties (see note 8).

7 Post balance sheet events

One of the PML Group's licences held at 30 June 2011 expired on the 17 September 2011. The PML Group has submitted an application for the renewal of this licence and, in accordance with PNG regulation, has relinquished approximately 50 per cent. of the licence area held at the time. Under the Mining Law 1992, it is usual for renewal applications to be granted and, in practice, work can proceed whilst the renewal application is being processed. Since 30 June 2011, the PML Group has submitted 10 further applications for exploration licences in Papua New Guinea.

On 10 October 2011, PML issued 400,000 ordinary $1 shares at par and 370,286 ordinary $1 shares at $2.20. On 7 November 2011, a further 356,983 ordinary $1 shares were issued at $2.20.

On 10 January 2012 the amount due to South Pacific Mining Holdings Limited, a related party (note 8), of $1,254,168 as at 30 June 2011 was waived in full.

Papua Mining plc ("Papua Mining") was incorporated on 29 September 2011. By way of a share sale agreement dated 20 December 2011, Papua Mining acquired the entire issued share capital of PML from its shareholders in return for the issue and allotment of 15,938,147 ordinary shares in Papua Mining fully paid up as to £0.63 per share. As a result of this acquisition PML became a wholly owned subsidiary of Papua Mining.

On 9 February 2012, Papua Mining granted, conditional on Admission, share options 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.

8 Related party transactions

		30 June 2011	31 December 2010
		US$	US$
Fees paid to directors			
Hugh McCullough	(1)	75,150	114,632
Kieran Harrington	(1)	115,227	140,581
		190,377	255,213
Administrative charges			
AA Corporate management	(2)	19,413	33,328
Balances due to related parties			
South Pacific Mining Holdings Limited	(3)	(1,254,168)	(1,254,168)
Other shareholders		(55,627)	—
		(1,309,795)	(1,254,168)

(1) Hugh McCullough and Kieran Harrington were appointed as directors in 2010 and the fees were charged to the group by companies in which they have an interest in, Ghalu Limited and Hybreasal Limited respectively.

(2) These represent fees from AA Corporate Management in respect of accounting and company secretarial services. AA Corporate Management is controlled by Antoine Awad, a director of the Group.

(3) South Pacific Mining Holdings Limited was the beneficial owner of PML as at 31 December 2010 and 30 June 2011. There are no terms of repayments or interest in respect of these balances. The balance was waived in full on 10 January 2012 (note 7).

PART VII

ACCOUNTANTS' REPORT AND UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF NET ASSETS

SECTION A: ACCOUNTANTS' REPORT ON THE PRO-FORMA STATEMENT OF NET ASSETS

The following is the full text of a report on Papua Mining from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Papua Mining.

25 Farringdon Street
London EC4A 4AB
www.bakertilly.co.uk

The Directors
Papua Mining plc
5th Floor
17 Hanover Square
London
W1S 1HU

22 February 2012

Dear Sirs

PAPUA MINING PLC ("the Company")

We report on the unaudited pro-forma consolidated statement of net assets (the "Pro-Forma Statement of Net Assets") set out in Section B Part VII of the Admission Document dated 22 February 2012 ("Admission Document") of Papua Mining plc, which has been prepared on the basis described in Section B, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the unaudited consolidated interim financial information for the period ending 30 June 2011. This report is has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro-Forma Statement of Net Assets in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, as to the proper compilation of the Pro-Forma Statement of Net Assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro-Forma Statement of Net Assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro-Forma Statement of Net Assets with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro-Forma Statement of Net Assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion:

(a) the Pro-Forma Statement of Net Assets has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: PRO-FORMA STATEMENT OF NET ASSETS

UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF NET ASSETS OF PAPUA MINING PLC

Set out below is an unaudited pro-forma consolidated statement of net assets of Papua Mining plc (the "Company"), which has been prepared by the Directors on the basis of the notes set out below, to show the effects of the acquisition of PML and its subsidiaries (the "PML Group") by the Company and the Placing on the net assets of the Company as at 30 June 2011 as if these transactions had occurred on that date.

It is the sole responsibility of the Directors to prepare the pro-forma statement of net assets. The pro-forma statement of net assets has been prepared by the Directors for illustrative purposes only and, because it addresses a hypothetical situation, does not represent the Group's actual financial position either prior to or following the Placing.

	Net assets of the Company on incorporation (note 1) $	Net assets of PML Group as at 30 June 2011 (note 2) $	Adjustments (note 3) $	Unaudited pro-forma net assets of the Group as at 30 June 2011 (note 4) $
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	—	3,743,871	—	3,743,871
TOTAL NON-CURRENT ASSETS	—	3,743,871	—	3,743,871
CURRENT ASSETS				
Trade and other receivables	—	1,030	—	1,030
Cash and cash equivalents	—	95,851	9,924,331	10,020,182
TOTAL CURRENT ASSETS	—	96,881	9,924,331	10,021,212
TOTAL ASSETS	—	3,840,752	9,924,331	13,765,083
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	—	110,014	—	110,014
Shareholder borrowings	—	1,309,795	—	1,309,795
TOTAL LIABILITIES	—	1,419,809	—	1,419,809
NET ASSETS	—	2,420,943	9,924,331	12,345,274

Notes

1. The Company was incorporated on 29 September 2011. The Company has no material assets or liabilities and has not yet commenced operations, other than for the transactions disclosed in paragraph 7 of Part I of the Admission Document.

2. The net assets of the PML Group have been extracted without material adjustment from the unaudited interim financial information set out in Section B of Part VI of the Admission Document.

3. The adjustment assumes the net proceeds of the Placing, receivable by the Company, will amount to $9,924,331 (£6,202,707) being the gross proceeds of $11,220,469 (£7,012,793) less issue costs amounting to $1,296,138 (£810,086).

4. No account has been taken of any movement in net assets of the Company or the PML Group since 29 September 2011 or 30 June 2011 respectively, nor of any other event save as disclosed above.

PART VIII

ADDITIONAL INFORMATION

1. Responsibility Statement

1.1 The Company and its Directors accept collective and individual responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have each taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

1.2 CSA Global Pty Ltd, having its business address at 3 Ord Street, West Perth, Australia, WA 6005, has prepared the Competent Persons Report at the request of the Company. The individuals who prepared and are responsible for the Competent Persons Report are qualified to do so for the purposes of AIM. CSA has given and not withdrawn its consent to the inclusion in this document of its report in the form and context in which it is included. CSA has no material interest in the Company.

2. The Company

2.1 The Company was incorporated in England and Wales under the Companies Act 2006 (the "Act") with registered number 07791328 on 29 September 2011 as a public company limited by shares with the name Papua Mining plc. The Company was issued with a certificate to commence business under section 761 of the Act by the Registrar of Companies on 21 December 2011.

2.2 The principal legislation under which the Company operates is the Act.

2.3 The Company's registered office is in England and is located at Fifth Floor, 17 Hanover Square, London, W1S 1HU. The Company is domiciled in England. The Company's principal place of business is Granville House, 132 Sloane Street, London SW1X 9AX, telephone number 020 7917 8500.

2.4 Details of the Subsidiaries are set out in paragraph 5 below.

2.5 The liability of the members of the Company is limited.

2.6 As at the date of this document, the Company has no administrator, management or supervisory bodies other than the Audit and Remuneration Committees (set out in Part I of this document), all of whose members are Directors.

3. Securities being admitted

3.1. The Ordinary Shares are ordinary shares of £0.10 each in the capital of the Company and are to be issued in British Pounds Sterling. The ISIN of the Shares is GB00B42TN250.

3.2. The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Company's registrars, Computershare Investor Services plc, are responsible for keeping the Company's register of members.

3.3. The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 6.2 of this Part VIII.

3.4. The Shareholders have no right to share in the profits of the Company other than through a dividend, distribution or return of capital. Further details of such rights are set out in paragraph 6 of this Part VIII.

3.5. Each Placing Share carries the right, on a *pari passu* basis with all other issued Ordinary Shares, to share in any surplus on a liquidation of the Company.

3.6. The Ordinary Shares have no redemption or conversion provisions.

3.7. It is anticipated that the Placing Shares will be issued on 2 March 2012, subject to Admission.

3.8. The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of share.

3.9. No person has made a public takeover bid for the Company's issued share capital in the financial period since incorporation.

4. Share Capital

4.1. The Company was incorporated with an issued share capital of £1.00 divided into one ordinary share of £1.00, which was issued to the subscriber, Hugh McCullough.

4.2. Pursuant to a Board meeting held on 11 October 2011, the Company's share capital was increased to £2.00 divided into two ordinary shares of £1.00 each by way of the issue and allotment to Kieran Harrington of one new ordinary share fully paid up to par.

4.3. On 28 November 2011, the following resolutions were passed at a duly convened general meeting of the Company (the resolutions at paragraphs 4.3.1 to 4.3.3 (inclusive) being passed as ordinary resolutions and the resolutions at paragraphs 4.3.4 to 4.3.6 (inclusive) being passed as special resolutions):

4.3.1 that each of the issued ordinary shares of £1.00 each in the capital of the Company be subdivided into 10 Ordinary Shares of £0.10 each in the capital of the Company, such shares having the rights and being subject to the obligations set out in the Articles adopted pursuant to the special resolution at paragraph 4.3.6 below;

4.3.2 that the Directors be and are hereby generally and unconditionally authorised in substitute for all previous powers granted to them, pursuant to section 551 of the Act to allot equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £4,007,819 and such authority shall expire on 31 December 2012 or (if earlier) the conclusion of the 2012 annual general meeting of the Company save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired;

4.3.3 that the acquisition by the Company of the entire issued share capital of PML from its current shareholders (the "**Sellers**") for a total consideration of £10,041,032.61 is to be satisfied by the allotment to the Sellers of an aggregate 15,938,147 Ordinary Shares (credited as fully paid up at £0.63 per share) in accordance with the terms of a share sale agreement proposed to be entered into between the Company, PML and the Sellers, be and is hereby authorised and approved for the purposes of Section 190 of the Act subject to such amendments as the directors of the Company shall consider necessary or appropriate (but not constituting a material change from the terms set out in this notice);

4.3.4 that the Share Option Plan and the rules of the Share Option Plan, copies of which were presented to the Meeting and initialled by the Chairman for the purpose of identification only, be and are hereby approved and adopted by the Company subject to such amendments as the Directors of the Company (other than Hugh McCullough and Kieran Harrington) shall consider necessary or appropriate prior to the grant of any options under the Share Option Plan;

4.3.5 that the Directors of the Company be and are hereby authorised and empowered pursuant to Section 571 of the Act (in substitution for all powers previously granted thereunder) to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the Section 551(1) authority referred to in paragraph 4.3.2 above, as if Section 561(1) of the Act did not apply to any such allotment, such power to expire on 31 December 2012 or (if earlier) the conclusion of the 2012 annual general meeting of the Company, and such power to be limited to the allotment of equity securities:

(i) in connection with an offer of such securities by way of a rights issue or other *pro rata* offer to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

(ii) in connection with the grant of options over Ordinary Shares under and in accordance with the Share Option Plan and subject to the maximum limit set out in the Share Option Plan being for the avoidance of doubt such number of Ordinary Shares as will be equal to no more than 10% of the issued share capital (from time to time); and

(iii) otherwise than pursuant to sub-paragraphs (a) to (b) above, up to a maximum aggregate nominal amount of £2,080,017.

4.3.6 that the draft articles of association presented to the meeting and initialled by the Chairman for the purposes of identification only be adopted in substitution for, and to the exclusion of, the existing articles of the Company.

4.4. On 20 December 2011, the Company allotted and issued 15,938,147 Ordinary Shares to the then holders of the entire issued share capital of PML at a price of £0.63 per Ordinary Share in exchange for their shares in PML pursuant to the Share Sale Agreement as more fully described in paragraph 10.1 below.

4.5. The issued share capital of the Company as at the date of this document is, and immediately following Admission will be:

	Issued and fully paid up share capital	
	Number of Ordinary Shares of £0.10 each	**Nominal Value**
At the date of this document	15,938,167	£1,593,816.70
On Admission	31,876,334	£3,187,633.40

4.6. No Ordinary Shares are currently held in treasury by the Company or by any other person on its behalf.

4.7. Save for the Share Options, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible, exchangeable or redeemable securities or securities with warrants issued by the Company.

4.8. Save as disclosed in paragraphs 6 and 9 below, there are no acquisition rights or obligations over authorised but unissued capital or undertakings to increase the capital.

4.9. No persons have any voting rights in respect of the share capital of the Company which differ from any other shareholder.

4.10. The Placing will result in the allotment of 15,938,167 Placing Shares, diluting existing holders of Ordinary Shares who do not participate in the Placing by approximately 50.0 per cent.

4.11. Save as set out in this document, as at Admission, there will be no person(s) who directly or indirectly control the Company, where control means owning 30% or more of the voting rights attaching to the share capital of the Company.

4.12. The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

5. Subsidiaries

The Company's subsidiaries and the jurisdictions in which they are registered are set out below:

Name	Jurisdiction	Percentage held	Direct/Indirect
PML	BVI	100%	Direct
Aries	PNG	100%	Indirect
Sagittarius	PNG	100%	Indirect

5.1 *PML*

5.1.1 PML is a company limited by shares registered under the BVI Business Companies Act 2004. PML was incorporated on 3 March 2010 with registered number 1573663.

5.1.2 The registered office of PML is PO Box 146, Road Town, Tortola, British Virgin Islands.

5.1.3 PML is of good standing at the Registry of Corporate Affairs and exists validly under the laws of BVI. To maintain good standing under the laws of BVI annual filing fees must be paid to the Registry of Corporate Affairs.

5.1.4 PML has 3 Directors, being each of Hugh McCullough, Kieran Harrington and Antoine Awad.

5.1.5 PML's sole shareholder is the Company, which owns 4,427,269 shares.

5.1.6 PML in turn holds 100% of the shares in both Aries and Sagittarius.

5.2. *Aries*

5.2.1. Aries was incorporated in PNG with the Investment Promotion Authority on 13 October 2006. The company number is 1-57881. The current status of the company is "operating".

5.2.2. The registered office of Aries is located at Flat 2, Section 72, Allotment 32, Korobosea, National Capital District, PNG. Aries' postal address is, P. O. Box 3920, BOROKO 111, National Capital District, PNG.

5.2.3. Aries has 3 Directors, being each of Ray Vito William, Hugh McCullough and Kieran Harrington.

5.2.4. A total of 100 Ordinary Shares were issued on 10 November 2010 and are held by PML.

5.2.5. Aries has complied with its statutory obligations to lodge its annual returns.

5.2.6. Aries has no registered charges, liens or mortgages and, is therefore free from any third party rights.

5.2.7. Aries has no outstanding option or other incentive scheme and is of good standing in PNG.

5.3. *Sagittarius*

5.3.1. Sagittarius was incorporated in PNG with the Investment Promotion Authority on 13 October 2006. The company number is 1-57221. The current status of the company is "operating".

5.3.2. The registered office of Sagittarius is located at Flat 2, Section 72, Allotment 32, Korobosea, National Capital District, PNG. Sagittarius' postal address is, P. O. Box 3920, BOROKO 111, National Capital District, PNG.

5.3.3. Sagittarius has 3 Directors, being each of Ray Vito William, Hugh McCullough and Kieran Harrington.

5.3.4. A total of 100 Ordinary Shares were issued on 10 November 2010 and are held by PML.

5.3.5. Sagittarius has complied with its statutory obligations to lodge its annual returns.

5.3.6. Sagittarius has no registered charges, liens or mortgages and, is therefore free from any third party rights.

5.3.7. Sagittarius has no outstanding option or other incentive scheme and is of good standing in PNG.

6. Memorandum and Articles of Association

6.1. The memorandum of association of the Company does not restrict the activities of the Company and thus the Company has unlimited legal capacity.

At the same general meeting as detailed in paragraph 4.3, it was resolved by way of special resolution that the current Articles be adopted as the new Articles of the Company in substitution for, and to the exclusion of, the then existing Articles of the Company.

6.2. The Articles contain provisions, *inter alia*, to the following effect:

a) Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member present (who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member) or each proxy present shall have one vote and on a poll every member who is present in person or each proxy present shall have one vote for every share of which he is the holder. On a poll votes may be given either personally or by proxy.

The rights conferred on any class of shares shall not be deemed altered by the creation or issue of further shares ranking *pari passu* or a purchase by the Company of its own shares.

A poll may be demanded by (i) the chairman of the meeting; (ii) at least three members present in person or by proxy and entitled to vote; (iii) any member or members present in person or

by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or (iv) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all shares conferring that right.

b) General Meetings of Shareholders

An annual general meeting shall be held in each year at such time (within a period of not more than six months after the accounting reference date of the Company) and place as may be determined by the Directors. Such general meetings shall be called annual general meetings. All general meetings other than annual general meetings shall be called general meetings.

The Directors may convene a general meeting whenever they think fit. On the requisition of members in accordance with the Act, the Directors shall convene a general meeting. Whenever the Directors convene a general meeting on the requisition of members, they shall within 21 days of the date the requisition is deposited at the office, convene it for a date not more than 28 days after the date of the notice convening the general meeting (unless the requisitionists consent in writing to a later date being fixed). If there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors. Each Director shall be entitled to attend and speak at any general meeting of the Company even if not a member.

In the case of the annual general meeting at least 21 clear days' notice and in the case of all other general meetings at least 14 clear days' notice convening the meeting must be given (exclusive in each case of the day on which the notice is served or deemed to be served and of the day for which the notice is given). The notice shall specify the place, the day and the hour of meeting (and in the case of an annual general meeting shall specify the meeting as such) and state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies (provided that, in the case of multiple proxies, each proxy is appointed to exercise the rights attached to a different share or shares held by such member), who need not also be a member, to attend and vote instead of him. In the case of a meeting convened for passing a special resolution, the notice must specify the intention to propose the resolution as a special resolution. The notice shall be given to the Auditors and the Directors and to such members as are, under the Articles, entitled to receive notices from the Company. With the consent in writing of all, or such less number as is required by the Act, of the members entitled to attend and vote, a meeting may be convened by a shorter notice and in such manner as those members think fit. The Company shall comply with the provisions of the Act as to giving notice of resolutions and circulating statements on the requisition of members.

c) Dividends

Dividends must be declared and paid according to the amounts paid on the shares in respect of which the dividends are paid. No amount paid on a share in advance of calls shall be treated as paid on the share. Dividends shall be apportioned and paid *pro rata* according to the amounts paid on the shares during any portions of the period in respect of which the dividend is paid but, if any share is issued on terms providing that it ranks for dividend as from a particular date, the share shall rank for dividend accordingly.

No unpaid dividend, bonus or interest shall bear interest as against the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Dividends unclaimed for 12 years after the date they

were declared or they became due for payment shall, unless the Directors otherwise resolve, be forfeited and revert to the Company.

d) Distribution of assets on a winding up

On a winding up of the Company, the balance of the assets available for distribution, after deduction of any provision made under section 719 of the Act and subject to any special rights attaching to any class of shares, shall be applied in repaying to the members of the Company the amounts paid up on the shares held by them together with any premium paid up or credited as paid up on the issue of such shares. Any surplus assets will belong to the holders of any Ordinary Shares then in issue according to the numbers of shares held by them in proportion to the amounts paid up on the shares held by them together with any premium paid up or credited as paid up on the issue of such shares or, if no Ordinary Shares are then in issue, to the holders of any unclassified shares then in issue according to the numbers of shares held by them.

e) Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form, or in any other form approved by the Directors. The instrument of transfer of a share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it. Subject to the provisions of the Articles, transfers of shares and other documents relating to or affecting the title to any shares shall be registered without payment of any fee. All instruments of transfer which are registered shall be retained by the Company. Notwithstanding anything to the contrary contained in the Articles, the shares of the Company (or any class thereof) may be held in uncertificated form and title to the shares of the Company (or any class thereof) may be transferred by means of a relevant system within the meaning of the Uncertificated Securities Regulations.

The Directors may, subject to compliance with section 771 of the Act, in their absolute discretion, decline to register the transfer of a share (not being a fully paid share) to a person of whom they shall not approve, and they may also decline to register the transfer of a share (not being a fully paid share) on which the Company has a lien, provided that, where any such shares are admitted to the Official List or are admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. Subject to the foregoing, the Directors may also decline to register any instrument of transfer unless (i) the instrument of transfer, duly stamped, is deposited at the Office or such other place as the Directors may appoint accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share; and (iii) in the case of a transfer to joint holders, they do not exceed four in number. The register of transfers may be closed at such times and for such periods (not exceeding 30 days in any year) as the Directors determine.

f) Purchase of own shares

Subject to, and in accordance with, the provisions of the Act and every other act or statutory instrument concerning limited companies and affecting the Company and the requirements of the Nominated Adviser (where the Company's shares are admitted to trading on AIM) or (as the case may be) the UK Listing Authority (where the Company's shares are admitted to the Official List), the Company may purchase its own shares (including any redeemable shares).

The Company may not purchase its own shares, except for shares to be held in treasury in accordance with the provisions of the Act and every other act or statutory instrument concerning limited companies and affecting the Company, if at the time of purchase there are

outstanding any convertible securities of the Company, unless either there are provisions in the relevant trust deed or terms of issue permitting the purchase or the purchase has been sanctioned by an special resolution passed at a separate class meeting of the holders of the convertible securities.

g) Issue and allotment of Shares

Subject to the provisions of the Act and every other act or statutory instrument concerning limited companies and affecting the Company and any restrictions contained in the Articles and to any direction to the contrary given by the Company in general meeting, the Directors may allot, grant options over, or otherwise dispose of shares or rights to subscribe for, or to convert any security into, shares to such persons (including a Director) and on such terms as they think fit, but no share shall be issued at a discount.

h) Disclosure of Interests

At all times when the Company's shares are admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, the provisions of DTR 5 (three per cent holding to be notified in specific manner and in specified times) in respect of vote holder and issuer notification rules shall apply to the Company and each shareholder.

If any person fails to make a notification as required by the Articles and the Directors have served notice on that person asking them to make such a notification, and that person has not responded to the Directors' notice with the information required above within 48 hours of such notice (excluding non-working days), the Directors may in their absolute discretion serve a direction notice on such person in relation to restrictions on the relevant shares.

If a member, or a person appearing to be interested in shares held by a member, has been served with a notice under section 793 of the Act ("statutory notice") and is in default for the prescribed period in supplying to the Company the required information or makes a statement which in the opinion of the Board is false or misleading in any material particular, then not earlier than 14 days or such other number of days as may be permitted from time to time by the Statutes after service of the statutory notice, the Directors may at any time, by notice (a "direction notice") to the member, direct that in respect of the shares in relation to which the default occurred (the "default shares") the member is not entitled to vote or attend, either personally or by proxy, at a general meeting or a meeting of the holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the holders of any class of shares of the Company.

i) Variation of rights

Whenever the capital of the Company is divided into different classes of shares or groups and either whilst the Company is a going concern or during or in contemplation of a winding up, the special rights attached to any class or group may be modified or abrogated, subject to the provisions of the Company's Memorandum of Association and unless otherwise provided by the terms of issue of the shares of that class or group, either with the consent in writing of the holders of three-quarters of the issued shares of the class or group, or with the sanction of any special resolution passed at a separate general meeting of the holders (but not otherwise). The consent or resolution shall be binding upon all the holders of shares of the class or group.

j) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the Act, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

k) Alteration of capital

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the nominal amount of the shares cancelled, subject to the provisions of sections 662 to 667 of the Act and sub-divide all or any of its shares into shares of smaller amount than is fixed by the Memorandum of Association and the resolution may determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares. The Company may also, by special resolution, reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and consents required by law.

l) Remuneration of Directors

The executive Directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as the Board may determine. The remuneration shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or committees of the Directors or general meetings of the Company or in connection with the business of the Company.

The ordinary aggregate fees of all of the non-executive Directors of the Company from time to time for their services (excluding any amounts payable under any other provision of the Articles) shall not exceed £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as the Board determines.

m) Pensions and gratuities for Directors

The Directors may procure the establishment and maintenance of or participation in or contribution to any non-contributory or contributory pension or superannuation fund, scheme or arrangement or life assurance scheme or arrangement for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, bonuses, benefits or emoluments to, any person (including directors and other officers whether of the Company or of any other company referred to in the relevant provision of the Articles) who is or has been in the employment of the Company, or of any company which is a subsidiary of the Company or a predecessor in business of the Company or a subsidiary, or of any allied or associated companies of the Company or any such companies and the spouses, widows, widowers, families, dependants or connections of any such persons. No pension, annuity or other allowance or benefit (except as provided for by or in accordance with any other provision set out in the Articles) shall be granted to a Director or former Director who has not been an executive Director or held any other office or place of profit under the Company or any of its subsidiaries or to a person who has no claim on the Company except as a relation, connection or dependant of a Director or former Director, without the approval of an ordinary resolution of the Company.

n) Directors' conflicts of interest

For the purposes of Section 175 of the Act, the Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may

conflict, with the interests of the Company. Any such authorisation will be effective only if (i) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director and (ii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorisation at any time.

For the purposes of the Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.

Subject to Section 177(5) and Section 177(6) of the Act, provided that he has disclosed to the Board the nature and extent of his interest, a Director notwithstanding his office may (i) be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested; (ii) act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; and (iii) be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested.

The restrictions in paragraph 28.1(a) as to voting and quorum will not apply if the Director's interest or duty arises only because the case falls within one or more of the following paragraphs:-

(i) the resolution relates to the giving him or a person connected with him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him or such a person at the request of or for the benefit of, the Company or any subsidiary undertaking;

(ii) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any subsidiary undertaking for which the Director or a person connected with him has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) his interest arises by virtue of him or a person connected with him subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any subsidiary undertaking or by virtue of him or a person connected with him being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any subsidiary undertaking for subscription, purchase or exchange;

(iv) the resolution relates in any way to any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Part 22 of the Act) representing one per cent or more of any class of the equity share capital of such company or of the voting rights available to members of such company (excluding any shares in the company held as treasury shares and any voting rights attaching thereto);

(v) the resolution relates in any way to an arrangement in whole or in part for the benefit of the employees of the Company or any subsidiary undertaking which does not award him as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates; or

(vi) the resolution relates in any way to the purchase or maintenance for the Directors of insurance against any liability which by virtue of any rule of law would otherwise attach to all or any of them in respect of any negligence, default, breach of duty or breach of trust in relation to the Company or any subsidiary undertaking.

o) Number of Directors and rotation of Directors

Unless and until otherwise determined by ordinary resolution of the Company in general meeting, the number of Directors (other than the alternate directors) shall not be less than two nor more than eight. At every annual general meeting, one third of all Directors then serving on the Board shall retire by rotation and stand for re-election. The Directors to retire on each occasion shall be those who have been longest in office since their last election.

p) Untraced Shareholders

The Company may sell (in such manner and for such price as the Directors think fit) the shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy if:

i) during the period of 12 years prior to the date of the publication of the advertisements referred to in paragraph (ii) below (or, if published on different dates, the first date), being a period during which at least three dividends have been payable, all warrants and cheques in respect of the shares in question sent in the manner authorised by the Articles have remained uncashed; and

ii) the Company on expiry of the period of 12 years has given notice, by advertisement in both a national newspaper and a newspaper circulating in the area in which the last known address of the member or the address at which service of notices may be effected in the manner authorised by the Articles is located, of its intention to sell the shares; and

iii) during the period of 12 years and the period of three months following the publication of the advertisements, or following the later publication if the two advertisements are published on different dates, the Company has received no indication either of the whereabouts or of the existence of the member or person; and

iv) notice has been given to the Nominated Adviser (where the Company's shares have been admitted to trading on AIM) or (as the case may be) the UK Listing Authority (where the Company's shares are admitted to the Official List) of its intention to make the sale.

q) Non-United Kingdom Shareholders

There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom Shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

r) CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

s) City Code on Takeovers and Mergers

The following provisions apply unless the Takeover Panel or a professional adviser to the Company has advised the Company or its financial adviser that the Company is subject to the Takeover Code.

Except with the consent of an ordinary resolution of independent Shareholders on a poll, when (i) any Shareholder (or person acting in concert with such Shareholder) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in shares in the Company which (taken together with shares in which such Shareholder or persons acting in concert with such Shareholder are interested) carry 30 per cent. or more of the voting rights of the Company; or (ii) any Shareholder, together with persons acting in concert with such Shareholder, is interested in shares in the Company which in aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold shares carrying more than 50 per cent. of such voting rights and such Shareholder, or any person acting in concert with such Shareholder, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such Shareholder shall extend an offer to the holders of all the issued (and to be issued) shares in the Company.

An offer must be conditional only upon the Shareholder having received acceptances in respect of shares which, together with shares acquired or agreed to be acquired before or during the offer, will result in the Shareholder and any person acting in concert with it holding shares carrying more than 50 per cent. of the voting rights of the Company.

Such offer must be in cash or be accompanied with a cash alternative at not less than the highest price paid by the offeror (or any person acting in concert with it) for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. The cash offer or the cash alternative must remain open after the offer has become or been declared unconditional as to acceptances for not less than 14 days after the date on which it would otherwise have expired.

An offer must be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. Any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the board to make such determination.

Except with the consent of an ordinary resolution of independent Shareholders on a poll, Shareholders shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any shares in the Company and in relation to their dealings with the Company in relation to all matters.

At all times when the Company is in an offer period (as defined by the Takeover Code) each Shareholder shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.

If at any time the Board is satisfied that any Shareholder, having incurred an obligation to extend an offer to the holders of all the issued shares (and any convertible securities of the Company), shall have failed so to do, or if any Shareholder is otherwise in default of any other obligations imposed on a Shareholder in the Articles relating to takeovers, then the Board shall by a direction notice to such Shareholder (and any other Shareholder acting in concert with such Shareholder) direct that (i) in respect of the shares held by those Shareholders, the Shareholders shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company; (ii) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on such shares, whether in respect of capital or dividend or otherwise, and the

Company shall not meet any liability to pay interest on any such payment when it is finally paid to such Shareholder; and (iii) no other distribution shall be made on such shares.

Any decision to be made, or discretion to be exercised, by the Board shall be made or exercised by the Board excluding any Director who is (or may be) obliged to make an offer pursuant to the Articles or who is acting in concert with any person who is (or may be) obliged to make such an offer.

7. Interests of Directors and connected persons

7.1. The interests of the Directors and their connected persons (all of which are, unless otherwise stated, beneficial), in the share capital of the Company on the date of this document and in the Enlarged Issued Share Capital following Admission are as follows and include such interests which could with reasonable diligence be ascertained by that Director, whether or not held through a third party:

Name	Number of Ordinary shares at the date of this document	Percentage of Existing Ordinary Shares (%)	Number of Ordinary Shares at Admission	Number of Share Options held at Admission	Percentage of Enlarged Issued Share Capital (%)
Michael Jolliffe	185,004	1.16	185,004	250,000	0.58
Hugh McCullough[1]	446,209	2.80	446,209	796,908	1.40
Kieran Harrington	328,392	2.06	328,392	796,908	1.03
Gunnar Palm	—	—	—	—	—

1. Includes 91,638 Ordinary Shares legally and beneficially owned by Ronan McCullough, the adult son of Hugh McCullough.

7.2. Save as disclosed in paragraph 7.1 above and as set out below, as at the close of business on 21 February 2012 (the latest practicable date prior to the publication of this document), the Directors are not aware of any person who, immediately following Admission, will, directly or indirectly, be interested in three per cent, or more of the Enlarged Issued Share Capital, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Name	Number of Ordinary Shares at the date of this document	Percentage of Issued Ordinary Share Capital at the date of this document (%)	Number of Ordinary Shares immediately following Admission	Percentage of the Enlarged Issued Share Capital (%)
South Pacific Mining Holdings Limited	9,884,621	62.02	9,884,621*	31.01
Michael Somerset-Leeke	3,101,026	19.46	6,501,026	20.39
JP Morgan Asset Management UK Limited	–	–	2,550,000	8.00
Hargreave Hale Limited	–	–	2,035,000	6.38
Salida Capital (Europe) Limited	–	–	1,700,000	5.33

*Note: 63,756 Ordinary Shares comprised in this holding are registered in the name of Helmsley Holdings Limited.

7.3. No loan or guarantee has been granted or provided by the Company to any Director or any person connected with them.

7.4. None of the Directors or any member of a Director's family has any related financial product (as defined in the AIM Rules) whose value is determined in whole or in part directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet.

7.5. The Directors have been appointed to the offices set out against their respective names on page 4 of this document. Details relating to the executive Directors', service contracts and the non-executive Directors' letters of appointment are summarised below:

7.6 Mr McCullough has entered into a service agreement with the Company dated 22 February 2012 pursuant to which he will provide his services full time as Chief Executive Officer of the Company. Mr. McCullough's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr. McCullough shall receive a salary of US$200,000 per annum. Mr. McCullough is also eligible to be considered for a bonus (subject to the recommendation of such bonus by the Remuneration Committee and Board approval). Under the terms of the service agreement, Mr. McCullough is entitled to participate in the Company's private medical insurance scheme and shall, in addition, receive travel and accident insurance cover, death in service benefits, life and permanent health insurance policies or reimbursement of premiums in respect of the cost of privately purchasing such insurance, and a contribution to the cost of purchasing a permanent health insurance policy and a pension contribution from the Company equivalent to 15 per cent. of his basic salary entitlement. Mr. McCullough is not permitted to hold any interests which may conflict with his position with the Company. The service agreement contains provision for early termination in the event of a fundamental breach by Mr. McCullough in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr. McCullough on garden leave. The service agreement imposes certain restrictions on Mr. McCullough including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of twelve months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non compete provisions, the solicitation of key staff and the ability to work for a competing business. The service agreement is governed by English law.

7.7 Mr. Harrington has entered into a service agreement with the Company dated 22 February 2012 pursuant to which he will provide his services full time as Technical Director of the Company. Mr. Harrington's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr. Harrington shall receive a salary of US$200,000 per annum. Mr. Harrington is also eligible to be considered for a bonus (subject to the recommendation of such bonus by the Remuneration Committee and Board approval). Under the terms of the service agreement, Mr. Harrington is entitled to participate in the Company's private medical insurance scheme and shall, in addition, receive travel and accident insurance cover, death in service benefits, life and permanent health insurance policies or reimbursement of premiums in respect of the cost of privately purchasing such insurance, and a contribution to the cost of purchasing a permanent health insurance policy and a pension contribution from the Company equivalent to 15 per cent. of his basic salary entitlement. Mr. Harrington is not permitted to hold any interests which may conflict with his position with the Company. The service agreement contains provision for early termination in the event of a fundamental breach by Mr. Flarrington in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr. Harrington on garden leave. The service agreement imposes certain restrictions on Mr. Harrington including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of twelve months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non compete provisions, the solicitation of key staff and the ability to work for a competing business. The service agreement is governed by the English law.

7.8 Subject to and conditional upon Admission, Mr. Michael Jolliffe has entered into a letter of appointment with the Company dated 22 February 2012 pursuant to which Mr. Jolliffe shall

serve as a non-executive 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 shall be 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 non-executive Director. 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.

7.9 Subject to and conditional upon Admission, Mr. Gunnar Palm has entered into a letter of appointment with the Company dated 22 February 2012 pursuant to which Mr. Palm shall serve as a non-executive 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 shall be 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 non- executive Director, 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.

7.10 Christopher Muller entered into a service agreement with the Company on 22 February 2012 pursuant to which he will provide services full time as Country Manager and Chief Geologist of the Company. Mr. Muller is not currently a director of the Company. Mr. Muller's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr. Muller shall receive a net salary of A$ 138,000 (one hundred and thirty eight thousand Australian dollars) per annum for the provision of his executive services to the Company, with the Company agreeing to pay Mr. Muller such gross amount as will, after the deduction of all taxes in any jurisdiction result in such net payment. Under the terms of the service agreement, Mr. Muller is entitled to participate in the Company's private medical insurance and travel insurance Schemes and to participate in the future in death in service benefits and a permanent health insurance policy or to receive reimbursement of premiums in respect of the cost of privately purchasing such insurance. It is acknowledged in the agreement that Mr. Muller may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors however, Mr. Muller is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. Such permission has been given in respect of Mr. Muller's involvement in biodiversity research programmes. He is not permitted to hold any interests which may conflict with his position with the Company The service agreement contains provision for early termination in the event of a fundamental breach of contract or gross misconduct by Mr. Muller in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr. Muller on garden leave. The service agreement imposes certain restrictions on Mr. Muller including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period.

7.11. It is estimated that, under the arrangements in force at the date hereof the aggregate emoluments (including remuneration paid and benefits in kind) of the Directors for the financial year ending 31 December 2012 will amount to approximately £0.5 million, assuming Admission takes place.

7.12. Save in respect of the holdings of Share Options disclosed in paragraphs 7.1 and 9.1, no Director (nor any member of a Director's family) has a related financial product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

7.13. Save as disclosed in this document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

7.14. The Directors of the Company may, from time to time, hold directorships, or otherwise be interested in, other companies operating in similar business sectors to the Company. The Board will put in place procedures to ensure, so far as is practicable, that in the event of any conflict of interest arising, it will be resolved fairly in the interests of the Company and to ensure that the Company can at all times operate independently.

7.15. The names of all companies and partnerships of which each Director has been a director or partner at any time in the five years preceeding the date of this document are as follows:

Name	Current directorships/partnerships	Past directorships/partnerships
Michael Jolliffe	InternetQ plc Hanjin Eurobank Limited Navigation Limited Shipbrokers Limited StealthGas Inc Tasakos Energy Wigham-Richardson	Klonatex Group Lannet SA
Hugh McCullough	Aries Mining Limited Papua Mining Limited Papua Mining plc Sagittarius Mining Limited Ghalu Limited	Ensign Resources Limited Glencar International (BVI) Limited Glencar Mining plc Glencar (Uganda) Limited Satellite Goldfields Limited Wassa Holdings Limited
Kieran Harrington	Aries Mining Limited Hybreasal Limited Papua Mining Limited Papua Mining plc Sagittarius Mining Limited	Glencar Mining plc
Gunnar Palm	Richmond Park Partners LLP	Barclays Capital BayCapital (UK) Limited Credit Suisse First Boston HSBC plc

7.16. No Director has any previous names.

7.17. No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any voluntary arrangement.

7.18. Save as disclosed below, none of the Directors has been a director of any company at the time of or within 12 months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any

composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within 12 months preceding the date of any partnership voluntary arrangement, compulsory liquidation or administration of such partnership or has been a partner of a partnership at the time of or within 12 months preceding the date of the receivership of any asset of such partnership and neither of the Directors has had any of his assets subject to any receivership.

7.19. None of the Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

7.20. Hugh McCullough was Managing Director of Glencar Mining plc from 1982 until July 2009. Glencar Mining plc is an Irish registered company which, until its takeover in September 2009 by Gold Fields Limited, was trading on the AIM market in London. Glencar had a Ghana-incorporated subsidiary company, Satellite Goldfields Limited ("Satellite"), which operated a gold mine at Wassa in Ghana. Due to the collapse of the gold price in 1999, the mine encountered financial difficulties, and went into Receivership with a deficit of approximately US$5 million in November 2001. The Receivers, KPMG, were discharged in September 2002 following the sale of the mine to Golden Star of Denver. The senior and subordinated banks who had provided the debt finance for mine construction were satisfied and signed agreements which relieved Glencar of the parent company guarantee it had given to the banks on foot of the loan documentation. The Board of Satellite then proceeded to petition for liquidation of Satellite. Although Gold Fields have been the owners of Glencar and hence Satellite since September 2009, Mr McCullough understands that Satellite has not yet been finally liquidated.

Mr McCullough was a Director of Satellite at the time of the Receivership and when the Company petitioned for liquidation. He resigned as a Director of Satellite on 24 March 2010.

7.21. Michael Jolliffe was an executive director of Global Ocean Carriers Ltd, a company quoted on the AMEX which went into Administration under Chapter 11 of the United States Bankruptcy Code in Wilmington Delaware in 1999. The company was restructured with the agreement of the creditors and the Court, and in 2001 became a subsidiary of the Tsakos Group.

Mr Jolliffe was also a non executive director of Stenoak Fencing plc, which went into liquidation on 2003 but resigned prior to it going into liquidation.

Mr Jolliffe was also a non executive director of Royal Olympic Cruise Lines Inc, a company quoted on the NASDAQ in New York which went into liquidation in 2004. Mr Jolliffe resigned some time before it went into liquidation.

8. Employees

8.1. The Group will, on Admission, have 26 employees (including Executive Directors but excluding Non-Executive Directors). The following table shows how many employees will be working for each Group company as at Admission:

Name of Company	Jurisdiction	Number of Employees
The Company	England & Wales	3
PML	BVI	3
Sagittarius	PNG	0
Aries	PNG	20

8.2. The Group will not have, on Admission, any temporary workers or contractors.

9. Share Option Plan and Grant of Options

9.1. As part of and subject to Admission the following Share Options have been granted by the Company to certain Directors and Chris Muller (a key employee) all of which are exercisable between the vesting date and the final exercise date:

Name	Number of Ordinary Shares under the Option	Vesting	Final Exercise Date	Exercise Price
Michael Jolliffe	50,000	12 months from Admission	10 years from Admission	Issue Price
	100,000	24 months from Admission	10 years from Admission	Issue Price
	100,000	36 months from Admission	10 years from Admission	Issue Price
Hugh McCullough	265,636	12 months from Admission	10 years from Admission	Issue Price
	265,636	24 months from Admission	10 years from Admission	Issue Price
	265,636	36 months from Admission	10 years from Admission	Issue Price
Kieran Harrington	265,636	12 months from Admission	10 years from Admission	Issue Price
	265,636	24 months from Admission	10 years from Admission	Issue Price
	265,636	36 months from Admission	10 years from Admission	Issue Price
Chris Muller	265,636	12 months from Admission	10 years from Admission	Issue Price
	265,636	24 months from Admission	10 years from Admission	Issue Price
	265,636	36 months from Admission	10 years from Admission	Issue Price

9.2. *Principal Terms of the Share Option Plan*

9.2.1. Introduction

The Share Option Plan is an unapproved share option scheme. The Share Option Plan does not benefit from the same tax treatment as an Enterprise Management Incentives (EMI) scheme. The exercise of an Option may be conditional upon such objective performance criteria as shall be determined by the Board, in its absolute discretion. The price per share payable on the exercise of an Option shall be the market value of a Share on the date of grant or shall be such greater price as the Directors shall determine in their discretion provided that in the case of an option to subscribe for new Shares, such price shall be not less than the nominal value of the Share.

9.2.2. Eligibility

Options may only be granted to *bona fide* employees (including executive Directors) of any members of the Group. An option shall not be granted to any person within the period of two years ending on a date on which that person is bound to retire in accordance with the terms of his contract of employment. No option shall be granted to a Director unless such grant has been previously approved in writing by a majority of the other Directors.

9.2.3. Timing of awards

An option may be granted at any time on or after the date on which the Share Option Plan was adopted by the Board. No option may be granted under the Share Option Plan later than 10 years after the date of grant of the option (the "**Date of Gran**t").

9.2.4. Performance-related conditions of exercise

The exercise of an option may be conditional upon the performance of the person who has been granted an option (the "Optionholder") and/or the performance of the Company or any other Group Company over such period and measured against such objective criteria as shall be determined by the Board and notified to the Optionholder at the Date of Grant. The Board may, in appropriate circumstances, amend any performance related condition of exercise following the grant of an option.

9.2.5. Exercise of Options and lapse of Options

An option may not be exercised later than the tenth anniversary of the Date of Grant or such earlier time as the Company ("**Grantor**") shall determine and notify to the optionholder at the Date of Grant. Save as provided in the Share Option Plan, an option may not be exercised earlier than three years from the Date of Grant or such earlier or later time as the Directors shall specify at the relevant Date of Grant.

If an Optionholder dies in service or during the term of his services agreement after an option vests in respect of any number of ordinary shares, then such option may be exercised by his personal representatives in respect of such ordinary shares within 12 months from the date of his death and if not exercised shall lapse at the end of that period.

If an Optionholder dies in service before an option granted to him has become vested in respect of any Shares such option may, within the period of 12 months beginning with the date of death, be exercised by his personal representatives in respect of such proportion of the Shares in respect of which it subsists as the Directors shall determine and if not then exercised shall lapse and cease to be exercisable at the end of that period of 12 months.

If an Optionholder dies after ceasing to hold office or employment within the Group an option granted to him may, within the period of 12 months beginning with the date of his death, be exercised by his personal representatives in respect of such of the Shares as were vested and in respect of which the option could have been exercised at the time of his death and if not then exercised shall lapse and cease to be exercisable at the end of that 12 month period.

If an Optionholder ceases to hold office or employment within the Group by reason of injury, ill-health or disability (evidenced to the satisfaction of the Board); dismissal by reason of redundancy (within the meaning of the Employment Rights Act 1996); retirement on or after reaching such age as agreed with the Group; the company with which he holds office or employment by virtue of which he is eligible to participate in the Share Option Plan ceasing to be an associated company or a Group Company; or the fact that the office or employment by virtue of which he is eligible to participate in the Share Option Plan relates to a business or part of a business which is transferred to a company which is neither an associated company nor a member of the Group, then an option granted to him may only be exercised within the period of six months beginning with the date on which the optionholder so ceases and in respect of either such number of Shares in respect of which it had become vested at that date or, if less, such proportion of Shares in respect of which it subsists as corresponds to such proportion of the performance period as has elapsed at the date on which the optionholder so ceases to hold office or employment and if not then exercised within the period of six months then such option shall lapse and cease to be exercisable.

If an Optionholder ceases to hold office or employment for any reason other than those described above then an option granted to him may only be exercised (if at all) in relation to such proportion of the Shares over which the option subsists, and within such period, as the Directors shall determine and notify to the optionholder and shall otherwise lapse and cease to be exercisable. If no such determinations are made by the Directors within the period of three months beginning with the date on which the optionholder so ceases then such option shall lapse and cease to be exercisable at the end of that period of three months.

9.2.6. Tax Treatment

If a person who is resident or ordinarily resident in the UK (so as to be chargeable to income tax on his general earnings) is granted an option over ordinary shares no charge to income tax will arise on the grant of the option.

9.2.7. Overall limit on the granting of options

The number of ordinary shares in respect of which options may be granted on any given day in any year when added to the number of ordinary shares in respect of which options have previously been granted (and, if not exercised, have not ceased to be exercised) in that year and the nine preceding years, shall not exceed 10 per cent, of the ordinary share capital on that day.

9.2.8. Variation of share capital

In the event of any alteration of the ordinary share capital by way of capitalisation or rights issue, or sub-division, consolidation or reduction or any other variation in the share capital of the Company, the Grantor may make such adjustments as it considers appropriate, including: (a) to the aggregate number or amount of ordinary shares subject to any option; and/or (b) to the exercise price per Share upon the exercise of that option.

9.2.9. Alteration of the Share Option Plan

The Directors may at any time alter or add to any of the provisions of the Share Option Plan in any respect save that no amendments may detrimentally affect an optionholder as regards an option granted prior to the amendment being made. In addition, no amendment may be made to the scheme which would make the terms on which options may be granted materially more generous without the prior approval of the Company in general meeting.

9.2.10. Relationship with contract of employment

The grant of an option does not form part of the optionholder's entitlement to remuneration or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Company or any Group Company give such person any right or entitlement to have an option granted to him in respect of any number of Shares or any expectation that an option might be granted to him whether subject to any conditions or at all.

The above summary of the principal terms of the Share Option Plan does not form part of the rules of the Share Option Plan and should not be taken as affecting the interpretation of the detailed terms and conditions. The Board reserves the right to make amendments and any additions to the rules of the Share Option Plan that they consider necessary or appropriate, provided that any amendment may not conflict in any material respect with the above summary.

10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since incorporation and are, or may be, material:

10.1. *Share Sale Agreement*

A share sale agreement has been entered into between (i) the Shareholders of PML (the "**Sellers**"), (ii) the Company and (iii) PML dated 20 December 2011 (the "**Share Sale Agreement**") pursuant to which the Sellers agreed to sell and the Company agreed to purchase the entire issued share capital of PML. Under the terms of the Share Sale Agreement, the consideration payable by the Company was satisfied by the Company allotting an aggregate of 15,938,147 ordinary shares fully paid up at £0.63 per share to the Sellers in return for all of the shares in PML such that the issued share capital of the Company immediately after completion of the acquisition replicated the issued share capital of PML, in percentage holding terms. Each of the Sellers of PML gave certain warranties to the Company.

10.2. *Placing Agreement*

A Placing agreement dated 22 February 2012 made between the (i) Company, (ii) the Directors and (iii) Cenkos pursuant to which Cenkos has agreed (conditionally, among other things, on Admission occurring not later than 8.00 a.m. on 2 March 2012 or such later date as the Company and Cenkos may agree) to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price.

The Company has agreed to pay to Cenkos a corporate finance fee of £175,000 (of which £125,000 has already been paid and £50,000 is outstanding) and a commission of £257,325. The total sum owing to Cenkos being £307,325, which will be satisfied by the issue of 698,467 Ordinary Shares to Cenkos at the Issue Price. The Company has agreed to pay all other reasonably and properly incurred costs, charges and expenses of, and incidental to, the Placing and Admission, including all expenses of Cenkos, the fees and expenses of Cenkos' legal advisers, all fees and expenses in connection with Placing and Admission including registrars' fees, printing, advertising and distribution expenses and all related irrecoverable value added tax, if applicable.

The Company and the Directors have given certain warranties and (in the case of the Company) indemnities to Cenkos as to the accuracy of information in this document and other matters in relation to the Company and its business. Cenkos may terminate the Placing Agreement in certain circumstances prior to Admission.

Each Director has agreed not to dispose (and to procure that persons connected with him do not dispose) of any Ordinary Shares held by him (or them as the case may be) for a period of 12 months from Admission (subject to certain exceptions as permitted by Rule 7 of the AIM Rules) and for a further period of 12 months, to only dispose of Ordinary Shares through Cenkos, subject to certain exceptions.

10.3. *Nominated Adviser and Broker Agreement*

A nominated adviser and broker agreement dated 22 February 2012 (the "**Nomad and Broker Agreement**") made between the (i) Company and (ii) Cenkos pursuant to which the Company has appointed Cenkos to act as nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay Cenkos an annual fee of £50,000 plus VAT for its services as nominated adviser and broker. The Nomad and Broker Agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations. The Nomad and Broker Agreement is subject to termination on three months' notice by either party thereafter.

10.4. *Relationship Agreement with SPML*

The Company has entered into a relationship agreement dated 22 February 2012 with SPML and Cenkos for the purposes of regulating the relationship between the Company and SPML as a significant shareholder of the Company. The parties agreed that while SPML and its

Associates (as defined in the agreement) hold 20% or more of the voting rights attaching to the Ordinary Shares, (i) all transactions between SPML and the Company shall be at arms length and on normal commercial terms; (ii) SPML shall not exercise any of its voting rights as a shareholder of the Company in such a manner as would compromise the independence of the Group from SPML; (iii) any disputes between SPML and the Company shall be dealt with by a committee of independent directors; (iv) SPML shall not requisition a general meeting of the Company to appoint or remove a director; (v) SPML shall exercise its voting rights as a shareholder in accordance with the reasonable recommendations of the independent directors; and (vi) SPML 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). The Company has undertaken to consult Cenkos in the event that any conflict of interest arises between the Group and SPML.

10.5. *Lock-in Agreement with Michael Somerset-Leeke*

A lock in Agreement dated 22 February 2012 between (i) Michael Somerset Leeke ("MSL"), (ii) Cenkos and (iii) the Company pursuant to which MSL has undertaken (on his behalf and in relation to any of his connected persons) to the Company and Cenkos that he will not dispose of his Ordinary Shares for a period of 12 months following Admission and that he will only sell through Cenkos (or, if not Cenkos, the Company's broker at the time) for the following 12 months thereafter provided that Cenkos' (or the Company's then broker's) terms are competitive and the disposal can be effected within a reasonable time. The undertakings outlined above do not apply in certain specified circumstances set out in the AIM Rules or in relation to the disposal by a nominee of MSL to another nominee of MSL (or to MSL) of the registered title of Ordinary Shares.

10.6. *Lock in Agreement with SPML*

A lock in Agreement dated 22 February 2012 between (i) SPML, (ii) Cenkos and (iii) the Company pursuant to which SPML has undertaken (on its behalf and in relation to any of its connected persons) to the Company and Cenkos that it will not dispose of its Ordinary Shares for a period of 12 months following Admission and that it will only sell through Cenkos (or, if not Cenkos, the Company's broker at the time) for the following 12 months thereafter provided that Cenkos' (or the Company's then broker's) terms are competitive and the disposal can be effected within a reasonable time. The undertakings outlined above do not apply in certain specified circumstances set out in the AIM Rules or in relation to the disposal by a nominee of SPML to another nominee of SPML (or to SPML) of the registered title of Ordinary Shares.

10.7. *Alexander David Engagement Letter*

An engagement letter (Engagement Letter) between (i) PML (or its successor company) (the Company) and (ii) Alexander David Securities Limited (Alexander David) dated 10 August 2011 sets out the terms on which Alexander David provides ongoing financial advisory services to the Company. The engagement consists of ad-hoc advice and guidance as well as providing specific project based services from time to time. The Engagement Letter is subject to terms and conditions and indemnity provisions, the latter of which is to continue upon the termination or expiry of the Engagement Letter. All services provided by Alexander David are subject to the Financial Services Authority rules and regulations and the Engagement Letter can be terminated by either party upon one months' written notice.

As part of the fees, the Company has paid an initial engagement fee of £10,000.

10.8. *Registrar Agreement*

The Company has entered into an agreement for the provision of registry and associated services (Registrars Agreement) with Computershare Investor Services plc (Computershare)

dated 22 February 2012, whereby Computershare will act as the Company's registrar with effect from the date of Admission. The appointment is to continue for a fixed term of 3 years and thereafter until terminated by either party giving the other 6 months' notice, such notice not to expire prior to the third anniversary of Admission.

10.9. *Baker Tilly Engagement Letter*

An engagement letter (Engagement Letter) between (i) Baker Tilly Corporate Finance LLP (BT); (ii) Cenkos and (iii) PML and its subsidiary undertakings (the Group) setting out the terms and conditions upon which BT will provide reporting accountant services to the Group in connection with the Placing and Admission.

11. Taxation

11.1. The following information is intended only as a general guide to the position under current UK taxation law and H M Revenue and Customs practice as at the date of this document. It is intended for Shareholders who are beneficial owners of shares, who are resident or ordinarily resident in the UK for UK tax purposes and who hold Shares as an investment and not as securities to be realised as an asset in the course of a financial trade. The guidance is not exhaustive and does not consider reliefs or exemptions. This is not a substitute for professional advice. Its applicability will depend upon the particular circumstances of Shareholders and in particular may not apply to Shareholders who are also employees of the Company or persons who may be subject to taxation in a jurisdiction other than the UK. Any person who is in any doubt as to their tax position should consult their own professional adviser immediately.

11.1.1. *Dividends*

Under current UK taxation legislation, no tax is withheld at source from dividend payments made by the Company.

An individual Shareholder who is resident (for tax purposes) in the UK and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 1/9th of the cash dividend. The individual will be taxable upon the sum of the dividend and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's taxable income. An individual Shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will pay tax on the gross dividend at the dividend ordinary rate (currently 10 per cent.). Accordingly, the tax credit will be treated as satisfying the individual's liability to income tax in respect of the dividend and there will be no further tax to pay.

To the extent that the gross dividend (taken together with other taxable income) exceeds the individual's threshold for the higher rate of income tax, the individual will, to that extent, pay tax on the gross dividend at the dividend upper rate (currently 32.5 per cent.). After taking into account the 10 per cent. tax credit, a higher rate tax payer will have further income tax to pay at the rate of 22.5 per cent. on the gross dividend (equivalent to 25 per cent. of the net dividend received).

To the extent that the gross dividend (taken together with other taxable income) exceeds an individual's annual threshold of £150,000, the individual will, to that extent, pay tax at the additional rate of 42.5 per cent. After taking into account the 10 per cent. tax credit, such an individual will have further income tax to pay at the rate of 32.5 per cent. on the gross dividend (equivalent to 36.1 per cent. of the dividend received).

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a Shareholder which is a company resident (for tax purposes)

in the UK and which receives a dividend paid by the Company, will not in most circumstances, be liable to corporation tax or income tax on the dividend.

Shareholders who are resident in countries other than the UK may be entitled to repayment of all or a proportion of the tax credit in respect of the dividends paid to them. This will depend upon the provisions of the double tax treaty (if any), between the country in which the Shareholder is resident and the UK. In addition, a Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming any available relief.

Tax credits are not repayable to Shareholders resident in the UK with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

11.1.2. *Chargeable gains*

To the extent that a Shareholder acquires ordinary shares allotted to him, the ordinary shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the ordinary shares will generally constitute the base cost of a Shareholder's holding.

A disposal or deemed disposal of ordinary shares by a UK resident Shareholder may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax ("CGT") where the Shareholder is an individual, or UK corporation tax on chargeable gains where the Shareholder is within the charge to UK corporation tax (depending on their circumstances and subject to any available exemption or relief).

As regards an individual Shareholder, the principal factors that will determine the extent to which a gain will be subject to CGT are (i) the extent to which they realise any other capital gains in the tax year of assessment in which the gain arises; (ii) the extent to which they have incurred capital losses in that or any earlier tax year or assessment; and (iii) the level of annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place.

Subject to the availability of any such exemptions, reliefs and/or allowable losses, a disposal of ordinary shares by UK resident (or ordinarily resident) individuals, trustees and personal representatives will generally be subject to CGT at the rate of 28 per cent.

Individuals whose taxable income for the year in question is less than the upper limit of the basic rate income tax band are subject to CGT at the rate of 18 per cent, except to the extent that the aggregate of their total taxable income and gains (less allowable deductions) in that year exceeds the upper limit of the basic rate income tax band. Any such excess over the upper limit is subject to CGT at the rate of 28 per cent.

Subject to the availability of any exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by companies subject to UK corporation tax will generally be subject to UK corporation tax at the prevailing rate of up to 26 per cent. Indexation allowance may be available to reduce any chargeable gain arising on such disposal but cannot create or increase a loss. Where a UK resident corporate shareholder holds more than ten per cent. of the ordinary shares, subject to meeting certain other conditions, any gain on the disposal of the ordinary shares will be exempt, and any capital loss will not be allowable.

11.1.3. *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No liability to stamp duty or SDRT should arise on the allotment of Placing Shares by the Company under the Placing.

Subsequent sales of Placing Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. (calculated to the nearest penny) of the amount or value of the consideration (rounded to the nearest £5). The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

An exemption from stamp duty will be available on an instrument transferring the shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Subsequent sale of Placing Shares outside of CREST will generally be liable to *ad valorem* stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. An obligation to account for stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Placing Shares is not completed by a duly stamped instrument or transfer before the "accountable date" for SDRT purposes, as described above. Where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Placing Shares.

Where Placing Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Placing Shares or, in the case of an issue to such persons, the Issue Price. Following the decision of *HSBC Holdings Plc & Vidacos Nominees Limited v CRC (Case C-569/0),* the 1.5 per cent. charge no longer applies to issues of shares to a depositary receipt issuer or clearance service which is located within the European Union.

Special rules apply to market intermediaries, dealers and certain other persons. Transfers of ordinary shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

11.1.4. *Inheritance Tax*

Individual Shareholders domiciled or deemed to be domiciled in the UK should note that transfers of Ordinary Shares (including on death) may, subject to certain exemptions and reliefs, give rise to a liability to UK inheritance tax.

12. Related Party Transactions

During the period from incorporation of the Company until the date of this document, neither the Company nor any other member of the Group has entered into any related party transactions (being those set out in the standards adopted pursuant to Regulation (EC) No. 1606/2002).

13. Working capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the estimated net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from Admission.

14. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which have had or may have a significant effect on the Group's financial position or profitability during the twelve months preceding the date of this document and so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

15. No Significant Change

15.1. Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Group since the financial period ended 30 June 2011.

15.2. Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Company since the date of incorporation of the Company.

16. General

16.1. The accounting reference date of the Group is 31 December.

16.2. The legal and commercial name of the Company is Papua Mining plc.

16.3. Cenkos has been appointed as nominated adviser and broker to the Company. Cenkos is registered in England and Wales with registered number 05210733 and its registered office is at 6.7.8 Tokenhouse Yard, London, EC2R 7AS. Cenkos is regulated and authorised by the Financial Services Authority in the conduct of investment business and is a member of the London Stock Exchange. Cenkos has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear in this document.

16.4. Baker Tilly Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name and the reports set out at Parts IV and V of this document in the form and context in which they appear.

16.5. CSA Global has given and not withdrawn its written consent to the inclusion in this document of references to its name and the competent persons report in the form and context in which they appear. The information contained in Parts I and IV of this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by CSA Global, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16.6. The gross proceeds of the Placing are expected to be approximately £7.0 million. The total costs and expenses payable by the Company in connection with Admission are estimated to amount to approximately £0.8 million (exclusive of any irrecoverable VAT). The net proceeds of the Placing are expected to be approximately £6.2 million.

16.7. The Issue Price represents a premium of £0.34 over nominal value of £0.10 per Ordinary Share.

16.8. The Placing represents dilution of 50.0 per cent. to existing Shareholders.

16.9. It is expected that definitive share certificates will be dispatched by hand or first class post by 16 March 2012. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 2 March 2012.

16.10. Save as otherwise disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company, on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.

16.11. Save as otherwise disclosed in this document, no payments aggregating over £10,000 have been incurred by the Company, or on its behalf, to any government, regulatory authority or similar body with regard to the acquisition of, or maintenance of its assets.

16.12. There are no investments in progress and there are no future investments in respect of which the Directors have already made firm commitments which are significant to the Company.

16.13. The Directors are unaware of any exceptional factors which have influenced the Company's activities.

16.14. The Company is engaged in the business of exploration of copper and gold via its Subsidiaries.

16.15. Save as disclosed in this document, there are no trademarks, patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

16.16. Save as disclosed in this document, Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

16.17. Save for the matters disclosed at paragraph 7.2 of Part VIII, the Company is not aware of any person (or legal entity) who, directly or indirectly, jointly or severally, exercises or could exercise control of the Company.

16.18. The Company and the Directors are not aware of any arrangements, the operation of which may, at a subsequent date, result in a Change of Control of the Company.

16.19. The Company is not aware of the existence of any takeover bid pursuant to the City Code or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.

17. Copies of this document

Copies of this document will be available, free of charge, to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the offices of Fasken Martineau LLP, 3rd Floor, 17 Hanover Square, London W1S 1HU from the date of this document until the date being one month after the date of Admission.

Dated: 22 February 2012

PART IX

DEFINITIONS

"Act"	the Companies Act 2006 (as amended)
"Admission"	admission to AIM of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM admission document"	this document dated 22 February 2012
"AIM Mining, Oil & Gas Companies Note"	the 'Note for Mining and Oil & Gas Companies' published by the London Stock Exchange setting out specific requirements, rule interpretation and guidance relating to resource companies, as may be amended from time to time
"AIM Rules for Companies"	the rules for AIM companies, as issued by the London Stock Exchange, as amended from time to time
"AIM Rules for Nomads"	the rules for nominated advisers to AIM companies, as issued by the London Stock Exchange, as amended from time to time
"Aries"	Aries Mining Limited (a wholly owned subsidiary of PML), a company incorporated in PNG with number 1-57881 and which holds each of EL 1730 and EL 1766 and has made the applications set out in paragraph 3A of Part I of this document
"Articles"	the Company's articles of association
"Barrick"	Barrick Gold Corporation
"Board" or "Directors"	the directors of the Company, or a duly authorised committee thereof, whose names are set out on page 4 of this document
"Cenkos" or "Cenkos Securities"	Cenkos Securities plc, a company registered in England and Wales with company number 5210733
"Company" or "Papua Mining"	Papua Mining plc, a company incorporated in England and Wales with registered number 7791328
"Competent Person" or "CSA"	CSA Global Pty Ltd
"Competent Person's Report"	the report of CSA set out in Part IV of this document
"Coppermoly"	Coppermoly Limited
"Corporate Governance Code"	the Corporate Governance Code published by the Financial Reporting Council
"CREST"	the electronic share settlement system operated by CRESTCo

"CRESTCo"	CRESTCo Limited, the operator (as defined in the CREST Regulations) of the system for trading shares in uncertificated form known as CREST
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
"Enlarged Issued Share Capital"	means the Existing Ordinary Shares and the Placing Shares
"Existing Ordinary Shares"	the 15,938,167 Ordinary Shares in issue immediately prior to the Placing
"Exploration Licence" or "EL"	an exploration licence as granted under the Mining Act 1992 further details of which are set out in Part II of this document
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and its Subsidiaries
"Group Company"	any member of the Group
"Harmony"	Harmony Gold Mining Company Limited
"Issue Price"	£0.44 per Placing Share
"Licence Areas"	the areas over which the Group holds Exploration Licences as set out in Table 1 in paragraph 3 (Part A) of Part I of this document
"London Stock Exchange"	London Stock Exchange plc
"MRA"	the Mining Resource Authority of PNG
"Newcrest"	Newcrest Mining Limited
"Newmont"	Newmont Mining Corporation
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of £0.10 each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"PML"	Papua Mining Limited, a company incorporated in the British Virgin Islands with number 1573663, being a wholly owned subsidiary of the Company
"Placing"	the conditional placing by Cenkos Securities of the Placing Shares at the Issue Price, pursuant to the Placing Agreement (and also including the 698,467 Ordinary Shares to be issued to Cenkos Securities as described in paragraph 10.2 of Part VIII of this document)
"Placing Agreement"	the conditional agreement relating to the Placing dated 22 February 2012 between the Company, Cenkos Securities and the Directors providing, *inter alia*, for the placing of the Placing Shares, details of which are set out in paragraph 10.1 of Part VIII of this document

"Placing Proceeds"	the gross proceeds of the Placing
"Placing Shares"	the 15,938,167 new Ordinary Shares to be issued pursuant to the Placing
"PNG" or "Papua New Guinea"	the Independent State of Papua New Guinea
"Prospectus Directive"	the Prospectus Directive (2003/71/EC)
"Prospectus Rules"	the prospectus rules of the UK Listing Authority made in accordance with Section 73A of FSMA as amended from time to time brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the Prospectus Regulations 2005 (SI 2005/1433)
"Sagittarius"	Sagittarius Mining Limited (a wholly owned subsidiary of PML), a company incorporated in PNG with number 1-57221, and which holds the application for renewal of EL 1462 covering approximately 625km^2 and the applications listed in paragraph 3A of Part I of this document
"Shareholders"	the holders of Ordinary Shares from time to time
"Share Option Plan"	the share option plan 2011 operated by the Group, further details of which are set out in paragraph 9 of Part VIII of this document
"Share Options"	options to acquire Ordinary Shares granted pursuant to the Share Option Plan
"Subsidiaries"	means each of PML, Sagittarius and Aries
"SPML"	South Pacific Mining Holdings Limited
"takeover Code"	the City Code on Takeovers and Mergers
"£" or "Sterling"	Pounds sterling, the legal currency of the United Kingdom

PART X

GLOSSARY

"Aeromagnetic survey"	an airborne geophysical survey to detect magnetic rocks.
"Alteration"	a physical or chemical change to original rock minerals.
"Amphibolite"	a crystalloblastic rock consisting mainly of amphibole and plagioclase.
"Andesitic"	an intermediate variety of lava.
"Argillic"	refers to alteration of original rock to clay minerals.
"Arsenopyrite"	a tin-white or silver-white to steel-gray orthorhombic mineral with the chemical formula: FeAsS.
"As"	the chemical symbol for arsenic.
"Au"	chemical symbol for gold.
"Batholith"	a large igneous intrusion >100sq km in area.
"Bornite"	a copper ore mineral composed of copper, iron and sulphur.
"Breccia"	a rock type composed mainly of broken angular fragments.
"Chalcocite"	a copper ore mineral composed of copper and sulphur.
"Chalcopyrite"	a copper ore mineral composed of copper, iron and sulphur.
"Clast"	a fragment of rock or mineral forming part of another rock.
"Covellite"	a copper ore mineral composed of copper and sulphur.
"Crust"	outermost layer of the earth.
"Crustal plate"	a large, rigid segment of the earth's crust.
"Cu"	the chemical symbol for copper.
"Diamond drilling"	a drilling technique using diamond tipped drill bits to extract cylindrical rock core for analysis.
"Diatreme"	a vertical, pipe or funnel shaped body of intrusive breccia.
"Diorite"	a dark coloured variety of intermediate intrusive rock.
"Distal chloritic"	type of hydrothermal alteration associated with porphyry intrusions where chlorite is the dominant alteration mineral.
"Dyke"	a narrow, tabular, near vertical igneous intrusion.
"Epithermal"	refers to geologic processes taking place at low temperature near the earth's surface.
"Felsic"	an intermediate or acid igneous rock containing feldspar and/or quartz.

"Foliation"	a general term for a planar arrangement of textural or structural features in any type of rock.
"Gabbro"	a coarse grained basic intrusive rock.
"Geochemical sample"	a sample collected for geochemical analysis to determine metal or mineral content.
"Geophysical"	refers to the physical properties of the earth.
"Granodiorite"	a variety of coarse grained light coloured acidic intrusive rock.
"g/t"	grams per tonne.
"Holocene"	the upper series of the Quaternary System of the Standard Global Chronostratigraphic Scale, above Pleistocene.
"Hydrothermal"	refers to geologic processes related to hot fluids.
"Hypabyssal"	refers to intrusive igneous rocks solidified near the surface.
"Igneous"	rock types formed from the cooling and solidification of molten magma.
"Ikonos imagery"	high-resolution multispectral and panchromatic imagery from the Ikonos (commercial) earth observation satellite.
"Intermediate"	a type of igneous rock containing 45-55% silica and less than 10% free quartz.
"Intrusive"	an igneous rock solidified from magma beneath the earth's surface.
"Intrusive complex"	an area containing a number of intrusive bodies.
"IP"	induced polarisation, an electrical geophysical surveying technique.
"Kaolinite"	a common earthy white, grayish, yellowish triclinic clay mineral of the kaolin group.
"Lamprophyres"	a group of porphyritic igneous rocks in which mafic minerals form the phenocrysts; feldspars, if present, are restricted to the groundmass.
"Lava"	a volcanic rock solidified from magma extruded onto the earth's surface.
"Limestone"	a sedimentary rock composed mainly of calcium carbonate.
"Limonite"	a variety of hydrated iron oxide formed during weathering.
"Magma"	molten rock composed of mineral crystals and dissolved gases.
"Magnetic"	refers to rocks or minerals with magnetic properties.
"Magnetite"	a magnetic iron oxide mineral.

"Mesothermal"	refers to geologic processes taking place at moderate temperatures and depths, commonly 350-1500m below surface.
"Metamorphic"	pertaining to the process of metamorphism or to its results.
"Micaceous"	Consisting of, containing, or pertaining to mica.
"Mica schist"	a rock composed essentially of mica and quartz, and having a thin parallel-banded or foliated structure, with lamellae rich in mica alternating with others which are principally quartz.
"Miocene"	a geological time period ranging from 23.3 to 5.2 million years ago.
"Mineral Resource"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction.
"Mo"	the chemical symbol for molybdenum.
"Molybdenum"	a silvery-white metal with the chemical symbol Mo and atomic number 42.
"Molybdenite"	the main molybdenum ore mineral, composed of molybdenum and sulphur.
"Morphotectonic"	tectonic geomorphology.
"Muscovite gneiss"	a coarse-grained, grey-coloured rock, consisting very largely of alternating bands of muscovite and quartz.
"Oligocene"	the upper series of the Paleogene Subsystem of the Tertiary System of the Standard Global Chronostratigraphic Scale, above the Eocene and below the Miocene Series of the Neogene Subsystem.
"Orthogneiss"	a gneiss formed from igneous rocks.
"Orthogonal"	intersecting or lying at right angles.
"Phenocryst"	a relatively large mineral crystal set in a finer grained groundmass.
"Phyllite"	a metamorphosed rock, intermediate in grade between slate and mica schist.
"Pliocene"	the uppermost subdivision (5.4 – 2.4 million years ago) of the Tertiary period which began 64 million years ago.
"Porphyry"	refers to the texture of hypabyssal igneous rocks containing phenocrysts in a fine groundmass.
"Porphyry copper"	refers to a large, generally low grade copper deposit related to intrusive rocks.
"Pyrite"	a common iron mineral composed of iron and sulphur.

“Ppm”	parts per million.
“Prograded”	metamorphic change resulting from an increase in temperature or pressure.
“Propylitic”	a type of rock alteration commonly associated with mineral deposits.
“Pyrite”	a common iron mineral composed of iron and sulphur.
“Pyroclastic”	a type of fragmental volcanic rock formed by violent volcanic eruptions.
“Quartz”	a common rock forming mineral composed of silica and oxygen.
“Quarternary”	the upper system of the Cenozoic Erathem of the Standard Global Chronostratigraphic Scale, above the Tertiary System.
“Resistivity”	a geophysical surveying technique to compare bulk rock electrical resistivity.
“Rhyolitic”	a group of igneous rocks, typically porphyritic and commonly exhibiting flow texture, with phenocrysts of quarts and alkali feldspar in a glassy to cryptocrystalline groundmass.
“Rock-chip”	a technique of sampling rock outcrops for quantitative assaying.
“Sericite”	a white, fine-grained potassium mica occurring in small scales and flakes as an alteration product of various aluminosilicate minerals, having a silky luster, and found in various metamorphic rocks.
“Schist”	a strongly foliated crystalline rock, formed by dynamic metamorphism, that can be readily split into thin flakes or slabs.
“Shear”	a narrow, linear zone of rock deformation or faulting.
“Silica”	the chemically resistant dioxide of silicon, it occurs naturally in several crystalline polymorphs.
“Silicified”	alteration of a rock to silica.
“Skarn”	a rock type formed by alteration of limestone by heat from an intrusive body.
“Stock”	a relatively small intrusive body with generally circular or elliptical outline.
“Stockwork”	a closely spaced network of intersecting veins.
“Strata”	plural of stratum – a tabular or sheet-like body or layer of sedimentary rock, visually separable from other layers above and below.

"Sulphide"	a type of mineral composed of a metal or metals combined with sulphur.
"Tectonic"	a term relating to major structures of the earth.
"Tertiary"	the lower system of the Cenozoic Erathem of the Standard Global Chronostratigraphic Scale, above the Cretaceous System and below the Quarternary.
"Vein"	a narrow, tabular, or sheet-like body of rock or minerals.
"Volcanogenic"	formed by processes directly connected with volcanism – mineral deposits considered to have been produced through volcanic agencies and demonstrably associated with volcanic phenomena.