

# Papua Mining



**Financial Statements**  
for the year ended 31 December 2016

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## Company Information

### **Directors**

Michael Jolliffe  
Hugh McCullough  
Kieran Harrington  
Keith Lough (Resigned 3 November 2016)  
Gunnar Palm (Resigned 9 June 2017)  
Michael Somerset-Leeke (Appointed 3 November 2016)  
John Hutchinson (Appointed 3 November 2016)

### **Secretary**

Cargil Management Services Limited  
27/28 Eastcastle Street  
London W1W 8DH

### **Company registration number**

07791328

### **Registered office**

27/28 Eastcastle Street  
London W1W 8DH

### **Nomad and broker**

Cenkos Securities  
6, 7, 8 Tokenhouse Yard  
London EC2R 7AS

### **Lawyers**

Fladgate LLP  
16 Great Queen Street  
London WC2B 5DG

### **Independent auditor**

Grant Thornton  
Molyneux House  
Bride Street  
Dublin 8  
Ireland

### **Registrars**

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

## Chairman's Statement

I am pleased to present our report for Papua Mining plc ("**Papua**" or "**the Company**") for the financial year ending 31st December 2016. We have completed additional exploration work on our Mt Visi licence in Papua New Guinea while rationalizing our groundholding and relinquishing two additional licences which had not shown sufficient promise in the initial exploration programmes.

Papua now holds six Exploration Licences granted by the Minister for Mining in PNG all of which are located in the central part of New Britain Island. The total area under licence is approximately 1,400 square kilometres.

Greenfields exploration programmes such as ours in PNG have been very much out of favour amongst the investing community in the last few years. Nonetheless, the work we have carried out has confirmed our belief that we are close to discovery of a copper porphyry system near surface at Mt Visi. Notwithstanding the currently depressed view that the market takes of early stage projects such as ours, we firmly believe that this will change in due course as the lack of recent exploration activity globally leads to an inevitable dearth of new projects to take to production. At that time, the technical attractiveness of what we have established at Mt Visi, and also at Tripela, will be recognized, thus presenting an opportunity to realise true value for the shareholders.

This is the objective of your Board. To further prove the existence of a commercially mineralised porphyry at Mt Visi or at Tripela will require significant drilling which in turn will require significant financing. Raising such finance in current market conditions and at the current share price has proven extremely difficult. The Board is examining ways in which the value of the work to date in PNG may be preserved and protected for the benefit of the shareholders until such time as the realisation of that value may be achieved in the way most advantageous to the shareholders.

This year, you will again notice that the audit report for the 2016 financial statements has been qualified with respect to the issue of going concern. Our financial resources are still limited while we consider the matters referred to above. We are in discussions with investors that should they prove successful, may provide additional funds that could assist the company forward. At this stage, we cannot comment on the likely success of these discussions, or that they will fully reflect the value of what we have discovered in PNG. Should we fail in our discussions, we cannot guarantee that the company will be able to continue trading indefinitely.

As was the case last year, we continue to have the support of members of staff and former members of staff, as well as the Board of Directors who are receiving little or no remuneration for their efforts. We are very grateful for this support.

I would like to thank my Board and our people in Papua New Guinea for their loyalty and commitment to the Company's future. I hope that we will be able to demonstrate the value of what we have achieved in PNG to such an extent that the shareholders will see that value reflected in the share price.

**Michael Gordon Jolliffe**

29 June 2017

## Directors' Biographies

### ***Michael Gordon Jolliffe (aged 67) 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 Co-Founder and Vice Chairman of Tsakos Energy Navigation which is currently quoted on the New York Stock Exchange, and today controls 66 tankers with an average age of around 6.5 years.

Mr. Jolliffe is also Chairman of StealthGas Inc., a shipping company which has 52 LPG ships under operation, and four product tankers. This company was listed on the NASDAQ in October 2005.

### ***Hugh Martin McCullough (aged 67)***

Hugh McCullough has over 40 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.

### ***Kieran Harrington (aged 54)***

Kieran Harrington is a geologist with 30 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.

### ***Michael Somerset-Leeke (aged 73),***

Michael Somerset-Leeke was formerly Chairman of Winchmore PLC, a quoted investment trust which developed a significant presence in the leisure sector. Prior to this Mr Somerset-Leeke was Senior Partner at Coni & Covington Stockbrokers.

Mr Somerset-Leeke has been a substantial shareholder in Papua since before the Company's admission to AIM in March 2012 and currently is interested in 37,991,102 ordinary shares, representing 25.37 per cent of the Company's issued share capital.



## Directors' Biographies (continued)

### ***John Hutchinson (aged 54),***

John Hutchinson has been managing partner at Epi-V LLP, a private equity fund specialising in oil and gas technology investments, since 2012 having joined at its inception in 2006. During his time at Epi-V his responsibilities have included transaction management, business development and fundraising and he currently has overall responsibility for Epi-V's own business. Prior to this John was head of the corporate team at law firm Pitmans LLP for 7 years and in 2015 he was appointed as its Managing Partner.

Mr Hutchinson's appointment to the Board was proposed by Thalassa Holdings Ltd ("Thalassa") in accordance with the terms of the Subscription Agreement under which Thalassa subscribed for £400,000 of new shares in the Company and which was approved by shareholders on 7 October 2016.

### ***Keith Geddes Lough (aged 58),***

Keith Lough has over 30 years' experience in the natural resources sector in both senior finance and general management roles.

Keith held a number of senior finance and operational positions at LASMO PLC before joining British Energy PLC as Finance Director, a post he held from 2001 to 2004. During his tenure at British Energy, Keith led the complex restructuring negotiations with the Government and its creditors.

Keith went on to become a Founder Shareholder and Chief Executive of Composite Energy Ltd from 2004 until 2011, when Composite was divested to Dart Energy. Composite was a privately owned business which successfully took coal-bed methane from exploration to early production, acquiring coal-bed methane licences and establishing drilling operations in both the UK and Europe in a JV with BG Group.

Keith is currently non-executive Chairman of Gulf Keystone Petroleum plc, the Senior Independent Director and chairman of the audit committee of Rockhopper Exploration PLC, and a non-executive director of Cairn Energy PLC and Rock Solid Images PLC. He is also a non-executive director and chairman of the audit committee of the UK Gas and Electricity Markets Authority, which has supervisory responsibility for Ofgem.

Keith has an Honours Degree in Economics from Edinburgh University, an MSc in Finance from London Business School and is a Fellow of the Chartered Association of Certified Accountants.

### ***Gunnar Palm (aged 60),***

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.

# Review of Operations

## Review of Operations

Papua Mining plc, (“**PML**”) through its two PNG – incorporated subsidiaries, holds six exploration licences (“**ELs**”) with a total area of 1,400 square kilometres in the central part of New Britain island. Details of the ELs currently held are given on the project pages of our Company website [www.papuamining.com](http://www.papuamining.com)

### Mt Visi target

The Mt. Visi area was identified as a porphyry copper gold target through remote sensing studies and follow-up reconnaissance fieldwork in May 2014. The initial prospecting discovered significant copper and gold mineralisation in surface outcrop and significantly the mineralization is associated with potassic alteration at surface. Follow up, grid – based soil sampling confirmed extensive copper gold mineralization and a porphyry alteration zonation around the potassic alteration. The first drill targets were delineated at the Kanavuli prospect in this remote, inaccessible area and between December 2015 and March 2016 five diamond core drillholes were drilled using a small heli-portable drill rig for a total metreage of 776 metres, with the deepest hole being drilled to a downhole depth of 211 metres.

Details of the holes completed are given in Table 1 below.

| HoleID    | Easting | Northing | Elevation | Azimuth | Dip | Length |
|-----------|---------|----------|-----------|---------|-----|--------|
| V22DDH001 | 260885  | 9363807  | 1165      | 35      | -55 | 191 m  |
| V22DDH002 | 260885  | 9363807  | 1165      | 215     | -55 | 68 m   |
| V22DDH003 | 260753  | 9363886  | 1187      | 115     | -55 | 211 m  |
| V22DDH004 | 260878  | 9363871  | 1165      | 120     | -70 | 133 m  |
| V22DDH005 | 260885  | 9363807  | 1165      | 22      | -75 | 173 m  |

Table 1: Diamond drill hole parameters for the Mt. Visi Prospect drilling programme

Results of the drilling programme were reported in the 2015 Annual Report. Potassic alteration and anomalous copper mineralization within a dioritic intrusion were confirmed by the drilling but no ore-grade mineralization was intersected. We believe the intersected diorite could well represent a narrow finger stemming from a much larger, and more intensely mineralised, porphyry apophysis and infer a large porphyry target at depth around and below the drilled area. Given the relatively depressed state of the resource investment market in the region during 2016 only limited funds were directed at further fieldwork in the area and follow-up drilling was postponed.

During the third quarter of the year in review, ridge & spur geochemical sampling was completed over a northwest-southeast trending corridor centered on the Kanavuli target with the surveys spanning the eastern margin of EL2051, the western half of EL2322 and the northern margin of EL1804.

The programme comprised of three elements:

- An infill grid over the Southeast soil anomaly;
- Ridge & Spur sampling over the Mt. Visi Corridor; and
- Float and outcrop sampling over the Mt. Visi Corridor.

### **Infill soil grid on the Southeast anomaly**

Some 99 soil samples were collected from the southeastern portion of the previously completed soil grid at Mt. Visi. This southeastern zone had shown some elevated copper values and it was determined that those results warranted follow up sampling. The results so far obtained have confirmed the anomalous nature of this area. Highest copper values of 697ppm and 408ppm are generally coincident with the originally defined anomaly. Overall, the work confirms that the Southeast Anomaly is indeed anomalous in terms of copper in soil and is worthy of further evaluation. This evaluation will enable the Company to establish the next phase of activity at Mt. Visi and the associated cost.

## Review of Operations (continued)

### ***Ridge & Spur Sampling***

The purpose of ridge and spur sampling is to quickly and cost-effectively delineate any broadly anomalous zones which may occur in the selected target area. In theory the soil profile along ridgelines is suitable for soil sampling and should produce results that essentially reflect significant underlying bedrock mineralisation. The sampling interval was 50 metres along ridgelines.

In general, the copper in soil values are more consistently anomalous some distance (2-3 kilometres) from the already drilled target at Mt. Visi than they are in the immediate proximity of that target itself or indeed around the Southeast Anomaly zone. In addition to following up the encouraging results from the drilling previously completed at Mt. Visi, these results point to the necessity to carry out further exploration in the area east and south east of Mt. Visi to confirm the source of the anomalism, as these may reflect additional porphyry centres. Some support for this view comes from the rock sampling results given below.

### ***Rock sample results***

The rock sampling was carried on a reconnaissance basis to see if any in situ float hosted mineralisation could be identified whilst completing the ridge and spur soil sampling. The key points arising from the analysis of the rock samples are:

Copper: 8 values greater than 800ppm, with a maximum value of 36,063ppm; almost all of the significant values occur in a zone between 3,000 and 4,000 metres east of the drilled area at Mt. Visi.

Molybdenum: 5 values greater than 15ppm, with a maximum of 1,253ppm; the highest values occur 3,900 metres east of the drilled area.

Zinc: 12 values greater than 800ppm, with a maximum value of 8,238ppm; the anomalous values fall within the same zone as the copper mineralisation.

Silver: 3 values greater than 15ppm, with a maximum value of 100ppm; the peak value occurs 3,000 metres east of the drilled area.

Although most of the rock samples were collected in creek valleys, as this is where the outcrop is exposed, the soil sampling does seem to pick up the anomalism south and west of the copper in rock mineralization. In summary, the zone 3,000 to 4,000 metres east of the drilled area at Mt Visi appears prospective in terms of hosting a mineralisation centre and warrants follow up work. Another anomalous zone 1,700 metres north of the drilled target with copper values up to 405ppm may also warrant follow up work once the data have been fully assessed.

The infill sampling on the Southeast Anomaly has added definition to that anomaly while not yet producing a clearcut, standalone drilling target.

Intriguingly, the ridge and spur sampling suggests that an area 2-3 kilometres southeast of the drilled area at Mt. Visi is more strongly anomalous for copper than the drilled target itself. The rock sampling confirms this area as worthy of follow-up mapping. Anomalous zones north and south of Mt. Visi could also reflect porphyry centres.

This new work expands our area of interest in this highly attractive, mineralised porphyry system with the potential for a number of porphyry centres within the system as a whole. We believe that the exploration results to date clearly support our view that the Mt. Visi area is a prime target for the location of significant, mineralized copper porphyries.

The data obtained validated the decision to undertake further work at Mt. Visi and, whilst there can be no guarantee of commercial success, Mt. Visi remains an exciting target. Further exploration work in this area is clearly warranted in order to delineate drill targets.



## Review of Operations (continued)

### **The Tripela target and other licences**

Exploration activities on our other licences, including the Tripela porphyry target in EL1462, were limited to desk studies.

Geological mapping and sampling in 2011 and 2012 discovered significant copper and molybdenum soil anomalism at Tripela in licence area EL1462 in the West New Britain Province. Float and outcrop sampling and geological mapping delineated numerous occurrences of in situ, high grade copper and molybdenum mineralisation with grades up to 29% copper returned from outcrop assays. Subsequent shallow diamond drilling confirmed the presence of zoned argillic and phyllic alteration which we believed to be marginal to a porphyry body. Follow-up, deeper drilling intersected high temperature, inner propylitic alteration, characteristic of nearby porphyry development.

As described above the work to date has identified a significant porphyry system with strong vectors supporting the potential for an economic copper-gold porphyry orebody. The next phase of drilling at Tripela will be designed to test for the projected porphyry core. However, as announced in our interim statement last year that drilling programme has been postponed until market conditions improve.

An aggregate total of 9,031 metres has been drilled within EL1462 over the past four years. The drilling and petrology on drill cores at Tripela has confirmed the presence of a significant hydrothermal system at depth, with strong inner propylitic alteration (epidote-albite-hematite) intervals in diorite, below intense phyllic alteration assemblages (silica-sericite-pyrite) hosted predominantly in volcanics. A major shear zone, coupled with concentrations of copper, molybdenum and arsenic in mineralized D veins, is believed to be linked to a source intrusion. Reports from four consultants provide important independent validation of the excellent results achieved at Tripela Prospect during the reporting period, marking this as one of the major recent exploration programmes in central New Britain.

- CMC Consulting – geology report,
- Rinne Geological Consulting – geology report
- Panda Geoscience – petrography studies
- Spectral Geoscience Pty – spectral analysis

The discovery of the potassic alteration zone at the heart of a porphyry system with associated copper and gold mineralization, in EL2322 some 40 kilometres to the northeast of Tripela has further strengthened the case for a significant mineralized porphyry centre at Tripela. Further work proposed at Tripela is targeted at delineating the expected potassic core of the hydrothermal system, within the inner propylitic envelope. However, drilling operations have been suspended until market conditions are more favourable.

# Key Performance Indicators and Risk Management

## Key performance indicators

The Board monitors KPIs which it considers appropriate for a group at Papua Mining's stage of development.

As a mineral exploration business, an important factor is a steadily improving market perception of the progress and value of the business leading to an improving share price, continued support from shareholders and therefore the ability to raise new equity capital at increasing prices, thus minimising dilution for those early investors who bore significant risk.

The KPIs for the Group are as follows:

### Financial KPIs

*Shareholder return – the performance of the share price.*

The Company listed on AIM in March 2012 at a share price of £0.44 (\$0.68) and issued further shares in February 2013 at £0.80 (\$1.24), in June 2014 at £0.20 (\$0.34), in December 2015 at £0.01 (\$0.001), in May 2016 at £0.03 (\$0.04) and in October 2016 at £0.01 (\$0.12) per share. The share price at 1 June 2017 was £0.01 (\$0.02). The fall in share price over the last few years is unfortunate, but is consistent with the decline in share prices of our peer companies in the resource sector over the same period. The Directors are, however, hopeful that they will be able to bring about a better and more stable outlook for shareholders during the second half of 2017.

*Exploration expenditure – funding and development costs.*

The availability of sufficient cash to facilitate continued investment and funding of exploration programmes is essential. The Group monitors the availability of sufficient cash to fund exploration programmes. At 31 December 2016 the Group had cash of \$461,911 (2015: \$299,183).

### Non financial KPIs

*Environment management – the Group has environmental policies in place.*

The Group is aware of the potential impact that its operations may have on the environment. The Group ensures that, at a minimum, its subsidiaries comply with the local regulatory requirements and industry standard principles for environmental and social risk management.

Performance against these environmental policies is continuously monitored. The Directors consider that this has served to minimise any negative impact of current exploration activities on the environment.

*Operational – the number of additional Exploration Licences and exploration successes.*

There has been limited exploration activity in the year, but the Directors are nonetheless encouraged by the prospectivity of the Group's Exploration Licences and by the exploration results obtained to date. The Group currently has six Exploration Licences.

Except for the low share price during the year, the Directors consider that performance against all other KPI's in 2016 was acceptable.

## Risk Management

The Directors consider that assessing and monitoring the inherent risks in the exploration business, as well as other financial risks, is crucial for the success of the Group. Risk assessment is essential in the Group's planning processes. The Board regularly reviews the performance of projects against plans and forecasts. Further detail on management of financial risk is set out in note 16.

# Key Performance Indicators and Risk Management

(continued)

## Principal Risks and Uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks:

- the success of mineral exploration projects is, by their nature, inherently uncertain, and the availability of new information can significantly change estimates of mineral reserves;
- the viability of exploration projects is largely driven by commodity prices;
- commodity prices can be subject to volatile fluctuations.

The principal risks and the measures taken by the Group in order to mitigate these risks are set out in more detail below.

## Exploration and development risk

The Group's business operations are subject to risks and hazards inherent in the exploration industry. The exploration for and the development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, it is impossible to ensure that the Group's current exploration programmes will result in a profitable commercial mining operation.

The Board aims to manage the development of the Group as a successful exploration business by ensuring, amongst other possibilities, that additional prospective licences may be applied for and granted on a timely basis, or otherwise acquired, where financing permits.

Exploration licences are held on the Papua New Guinea island of New Britain. Six Exploration Licences are currently held.

## Political Risk

There is a risk that assets will be lost through expropriation, unrest or war. Papua Mining minimises political risk by operating in a country with relatively stable political systems, established fiscal and mining codes and a well established, successful mining industry.

Papua Mining further minimizes risk by ensuring that the majority of cash funds are securely held within financial institutions of high standing outside of Papua New Guinea.

## Commodity Risk

Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a whole range of factors, which are outside the control of the Group. There is the risk the price for minerals will fall to a point where it becomes uneconomic to extract them from the ground. This is an interest risk of the mining industry, mitigation of which is currently outside of the group's control whilst it is still in an exploration, rather than extraction, phase.

## Liquidity Risk

There is a risk of running out of working and investment capital. The Group relies for funding on the issue of share capital. The Group has no borrowing and maintains tight financial and budgetary control to keep its operations cost effective. Although there can be no absolute assurance that adequate funding will be available when required, the Directors are hopeful that they will secure additional funding when required to do so, as demonstrated by the fundraisings in December 2015 and October 2016.

## Key Performance Indicators and Risk Management (continued)

### **Currency risk**

Fluctuations in currency exchange risks can significantly impact cash flows. The Group maintains currency in Sterling, Australian Dollars and Papua New Guinea Kina to finance its overseas operations. In 2016 the Group could have exposure amongst others to Sterling, Euro, Australian Dollars and Papua New Guinea Kina. The mix of currencies is such that the Directors believe the Group's exposure is minimal. The Directors do however regularly monitor currency exchange rates and make judgments as to whether to enter into hedging contracts accordingly. Currently no such hedging contracts are in place.

### **Interest rate risk**

The only significant interest-bearing asset within the Group is cash. The Directors constantly review the interest rate to ensure optimum return on deposits for the Group.

Strategic report approved on behalf of the Board.

**Hugh McCullough**

*Director*

29 June 2017

# Directors' Report

## Principal Activity

The principal activities of the Group are the exploration for gold and copper resources in Papua New Guinea (PNG). 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.

The Group currently holds six Exploration Licences granted by the Minister for Mining in PNG. The licences are located in the central part of New Britain.

## Financial overview

The loss for the year is in line with the Directors' expectations. With significant funding being raised in June 2014 and further funding completed in December 2015 and October 2016, the Directors are hopeful that they will secure additional funding when required to do so. The Directors are also of the view that the investment sentiment in the resource sector will improve, to the extent that the exploration success the Company has achieved to date should enable it to raise sufficient additional exploration funding to continue the exploration programmes in Papua New Guinea.

A detailed review of the Group's business, including its targets and strategies is given in the Chairman's Statement and the Review of Operations.

## Results and Dividends

The results for the year are in line with Directors' expectations. The consolidated loss for the financial year, after taxation, amounted to (\$8,198,001) (2015: (\$10,173,377)). The Directors do not recommend a dividend.

## Going Concern

As noted in the Chairman's statement, Papua Mining plc will continue to seek additional equity funding as and when available in order to continue its exploration programmes in the short term and for general working capital purposes.

The Directors have prepared a cash flow forecast up to 30 June 2018 which supports the Directors' reasonable expectation that Papua Mining plc has adequate resources to continue in operational existence throughout this period. This cash flow forecast assumes that the exploration programmes will only continue with additional equity funding secured by the Group. Thus, they have adopted the going concern basis of accounting in preparing the annual financial statements.

## Directors

The Directors in office during the year are listed below. The interests of the Directors in the shares of the Company at the relevant dates were as follows:

|                        | As at<br>31 December<br>2016<br>Ordinary<br>Shares | As at<br>31 December<br>2015<br>Ordinary<br>Shares | As at<br>31 December<br>2014<br>Ordinary<br>Shares | Number of<br>options<br>held at<br>31 December<br>2016 |
|------------------------|--|--|--|--|
| Michael Jolliffe       | 185,004  | 185,004  | 185,004  | 626,763  |
| Hugh McCullough        | 504,571  | 504,571  | 354,571  | 1,997,886  |
| Kieran Harrington      | 328,392  | 328,392  | 328,392  | 1,997,886  |
| Keith Lough            | –  | –  | –  | –  |
| Gunnar Palm            | –  | –  | –  | –  |
| Michael Somerset-Leeke | 37,991,102   | 23,191,102   | 11,991,102   | –  |
| John Hutchinson        | –  | –  | –  | –  |



## Directors' Report (continued)

On December 21, 2015 Michael Jolliffe surrendered 250,000 options which he held at 31 December 2014, Hugh McCullough surrendered 796,908 options which he held at 31 December 2014 and Kieran Harrington surrendered 796,908 options which he held at 31 December 2014.

### Substantial Shareholdings

As at 22 June 2017, being the latest practical date prior to publication of this document, the Company was aware of the following holdings of 3% or more of the issued share capital of the Company:

|  | Shares in the<br>company | % of the<br>Company's<br>issued share<br>capital |
|--|--------------------------|--|
| <b>Thalassa Holdings Limited</b>             | 40,000,000               | 26.32  |
| <b>Michael Somerset-Leeke</b>                | 37,991,102               | 25.00  |
| <b>South Pacific Mining Holdings Limited</b> | 11,384,621               | 7.49   |
| <b>Salida Capital (Europe) Limited</b>       | 14,885,000               | 9.79   |
| <b>Paul and Michelle Johnson</b>             | 6,365,000                | 4.19   |
| <b>Marnie Holdings Limited</b>               | 4,850,000                | 3.19   |

### Directors' remuneration

Salaries were severely curtailed for executive directors during 2016, and suspended in full for the non-executive directors during 2016. There were no benefits paid to Directors during 2016.

The Group made no payments into the private pension schemes Directors during 2016.

No share options were granted to Directors during the year.

Full details of Directors' emoluments are set out in note 19 of the financial statements.

### Environmental Policy

The Group's projects are subject to the relevant PNG laws and regulations relating to environmental matters.

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.

The Group aims to, at all times, conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. The Group aims to adopt Best Practice policies as recommended by the World Bank, the International Council on Mining & Metals ("ICMM") and others where the Group deems that local legislation to be inadequate in terms of environmental protection. The Group has in place a detailed Field Operations Guidelines Manual which covers in considerable detail the measures to be taken by field personnel to minimize any negative environmental impact of current exploration activities on the environment.

The Group also recognises the enormous potential of its activities for positive impact on the communities in which it operates and strives to optimise these positive impacts as far as is possible.

### Directors' Indemnities

The Group has no current insurance to cover its Directors and officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings.

## Directors' Report (continued)

### Political contributions

No political donations have been made.

### Corporate Governance

The Board of Directors is committed to maintaining high standards of corporate governance and is accountable to the Company's shareholders for the proper corporate governance of the Group. The UK Corporate Governance Code does not apply to AIM companies, and PM plc instead follows the principles of corporate governance set out in the QCA Guidelines. PM plc operates within the mining sector in an effective and efficient way, with integrity and due regard for the interests of shareholders, and applies principles of general governance applicable to the size and stage of development of the Group.

#### – Audit Committee

The Audit Committee ensures the operation of good financial practices throughout the Group, ensures that controls are in place to protect the assets of the Group, reviews the integrity of financial information, reviews the interim and annual financial statements and reviews all aspects of the audit programme.

The Audit Committee is chaired by Mr. Michael Jolliffe and also comprises Mr. Michael Somerset-Leeke who replaces Mr. Gunnar Palm who resigned on 9 June 2017.

#### – Remuneration Committee

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration packages of individual Executive Directors, and will meet at least twice per annum.

The Remuneration of Non-Executive Directors will be a matter for the executive members of the Board.

The Remuneration Committee is chaired by Mr. Michael Jolliffe and also comprises Mr. Michael Somerset-Leeke who replaces Mr. Gunnar Palm who resigned on 9 June 2017.

### Auditor

The auditor, Grant Thornton, Dublin has indicated its willingness to continue in office and a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

### Statement of Disclosure to Auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Shareholders' consent will be sought at the Annual General Meeting which will propose the reappointment of Grant Thornton Dublin as independent auditor of the Company and to authorise the Directors to determine the auditor's remuneration.

## Directors' Report (continued)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the group for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group's report and accounts will be published on the Group's website and in this regard the Directors accept responsibility for the maintenance and integrity of the PM plc website.

### Annual General Meeting and Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Group as a whole and its unanimous recommendation is that shareholders support these proposals as the Directors intend to do in respect of their own holdings.

On behalf of the board

**Hugh McCullough**

*Director*

29 June 2017

# Independent auditor's report

## to the members of Papua Mining plc

We have audited the financial statements of Papua Mining plc for the year ended 31 December 2016 which comprise the consolidated and parent company statements of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Basis for qualified opinion on financial statements**

In forming our opinion on the financial statements, we have considered the evidence available in respect of the going concern basis of preparation of the financial statements which was limited. The Company and Group are reliant on further investment from third parties in order to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Whilst the directors have attempted to raise additional finance, this has not been done to date and evidence of receiving further investment is not available. The financial statements (and notes thereto) do not include adjustments that would result if the company were unable to realise its assets and discharge its liabilities in the normal course of business. These matters and their possible effects are described more fully on page 26.

### **Qualified opinion on financial statements**

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent auditor's report

## to the members of Papua Mining plc (continued)

### **Emphasis of matter – carrying value of intangible assets**

In forming our opinion, we have considered the adequacy of disclosures made in Note 9 to the financial statements, in relation to the Directors' assessment of the carrying value of the Group's exploration licenses and deferred exploration costs amounting to \$1.87million. The realisation of the intangible assets is dependent on the successful development or disposal of precious metal and other minerals in the Group's licence areas. Such successful development is dependent on several variables including the existence of commercial deposits of precious metal and other minerals, availability of finance and the market price of precious metal and other minerals. These conditions indicate the existence of a material uncertainty around the valuation of the exploration licences and deferred exploration costs. In view of the significance of these uncertainties we consider that they should be drawn to your attention.

The financial statements do not include the adjustments that would result if the exploration and evaluation assets were not recoverable. Our opinion is not qualified in these respects.

### **Opinions on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit.

Except for the evidence of receiving further investment, as referred to in the basis of qualified opinion paragraph, we have received all of the information and explanations we require for our audit.

### **Aidan Connaughton**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton  
Chartered Accountants and Statutory Auditors  
Molyneux House  
Bride Street  
Dublin 8  
Ireland

29 June 2017



## Consolidated statement of financial position

at 31 December 2016

|  | Note | 2016<br>US\$     | 2015<br>US\$     |
|--|------|------------------|------------------|
| <b>Assets</b>  |      |                  |                  |
| <b>Non-current assets</b>                                |      |                  |                  |
| Intangible assets  | 9    | 1,869,300        | 9,270,355        |
|  |      | 1,869,300        | 9,270,355        |
| <b>Current Assets</b>                                    |      |                  |                  |
| Cash and cash equivalents                                | 12   | 461,911          | 299,183          |
| Other debtors  |      | –                | 18,042           |
|  |      | 461,911          | 317,225          |
| <b>Total assets</b>                                      |      | <b>2,331,211</b> | <b>9,587,580</b> |
| <b>Equity and liabilities</b>                            |      |                  |                  |
| <b>Equity attributable to shareholders of the parent</b> |      |                  |                  |
| Share capital  | 13   | 8,317,196        | 8,230,864        |
| Share premium  | 13   | 15,359,416       | 14,444,849       |
| Other reserves   |      | 3,087,062        | 3,087,062        |
| Share based payment reserve                              |      | 1,413,914        | 1,368,830        |
| Retained deficit   |      | (26,010,955)     | (17,812,954)     |
| <b>Total equity</b>                                      |      | <b>2,166,633</b> | <b>9,318,651</b> |
| <b>Current liabilities</b>                               |      |                  |                  |
| Trade and other payables                                 | 15   | 164,578          | 268,929          |
| <b>Total equity and liabilities</b>                      |      | <b>2,331,211</b> | <b>9,587,580</b> |

The financial statements on pages 18 to 41 were approved and authorised for issue by the Board of Directors on 29 June 2017 and signed on its behalf by:

**Hugh McCullough**

*Director*

## Company statement of financial position

at 31 December 2016

|  | Note | 2016<br>US\$     | 2015<br>US\$     |
|--|------|------------------|------------------|
| <b>Assets</b>                              |      |                  |                  |
| <b>Non-current assets</b>                  |      |                  |                  |
| Intangible assets                          | 9    | 500,000          | 1,768,631        |
| Investments                                | 10   | –                | 2,444,110        |
| Trade and other receivables                | 11   | 1,369,300        | 4,852,222        |
|  |      | 1,869,300        | 9,064,963        |
| <b>Current Assets</b>                      |      |                  |                  |
| Cash and cash equivalents                  | 12   | 453,517          | 286,897          |
| Other Debtors                              |      | –                | 18,042           |
|  |      | 453,517          | 304,939          |
| <b>Total assets</b>                        |      | <b>2,322,817</b> | <b>9,369,902</b> |
| <b>Equity and liabilities</b>              |      |                  |                  |
| <b>Equity attributable to shareholders</b> |      |                  |                  |
| Share capital                              | 13   | 8,317,196        | 8,230,864        |
| Share premium                              | 13   | 15,359,416       | 14,444,849       |
| Other reserves                             |      | 2,425,281        | 2,425,281        |
| Share based payment reserve                |      | 1,413,914        | 1,368,830        |
| Retained deficit                           |      | (25,357,568)     | (17,372,373)     |
| <b>Total equity</b>                        |      | <b>2,158,239</b> | <b>9,097,451</b> |
| <b>Current liabilities</b>                 |      |                  |                  |
| Trade and other payables                   | 15   | 164,578          | 272,451          |
| <b>Total equity and liabilities</b>        |      | <b>2,322,817</b> | <b>9,369,902</b> |

The financial statements on pages 18 to 41 were approved and authorised for issue by the Board of Directors on 29 June 2017 and signed on its behalf by:

**Hugh McCullough**  
Director

## Consolidated statement of comprehensive income for the year ended 31 December 2016

|   | Note | 2016<br>US\$ | 2015<br>US\$ |
|---|------|--------------|--------------|
| Administrative expenses   |      | (8,198,001)  | (10,176,680) |
| <b>Operating loss</b>   | 6    | (8,198,001)  | (10,170,680) |
| Finance income  | 5    | –            | 3,303        |
| <b>Loss before taxation</b>   |      | (8,198,001)  | (10,173,377) |
| Income tax expense  | 7    | –            | –            |
| <b>Loss for the year attributable to the owners of the company</b>          |      | (8,198,001)  | (10,173,377) |
| Other comprehensive income  |      | –            | –            |
| <b>Total comprehensive income attributable to the owners of the company</b> |      | (8,198,001)  | (10,173,377) |
| <b>Loss per share attributable to shareholders</b>                          |      |              |              |
| Basic   | 8    | (0.08)       | (0.20)       |
| Diluted   | 8    | (0.08)       | (0.20)       |

The Company has elected to take exemption under section 408 of the Companies Act 2006 to not present the parent Company statement of comprehensive income. The loss for the Company is shown in the statement of changes in equity.

## Consolidated statement of changes in equity for the year ended 31 December 2016

|  | Share<br>Capital<br>US\$ | Share<br>Premium<br>US\$ | Other<br>Reserve<br>US\$ | Share<br>Based<br>Payment<br>Reserve<br>US\$ | Retained<br>Deficit<br>US\$ | Total<br>Equity<br>US\$ |
|--|--------------------------|--------------------------|--------------------------|--|-----------------------------|-------------------------|
| At 1 January 2015                                | 8,194,453                | 14,117,154               | 3,087,062                | 1,351,176                                    | (7,639,577)                 | 19,110,268              |
| <b>Comprehensive income</b>                      |                          |                          |                          |  |                             |                         |
| Loss for the year and total comprehensive income | –                        | –                        | –                        | –  | (10,173,377)                | (10,173,377)            |
| <b>Transactions with owners</b>                  |                          |                          |                          |  |                             |                         |
| Issue of share capital                           | 36,411                   | 327,695                  | –                        | –  | –                           | 364,106                 |
| Share based payment                              | –                        | –                        | –                        | 17,654                                       | –                           | 17,654                  |
| <b>Total transactions with owners</b>            | 36,411                   | 327,695                  | –                        | 17,654                                       | –                           | 381,760                 |
| <b>At 31 December 2015</b>                       | 8,230,864                | 14,444,849               | 3,087,062                | 1,368,830                                    | (17,812,954)                | 9,318,651               |
| <b>Comprehensive income</b>                      |                          |                          |                          |  |                             |                         |
| Loss for the year and total comprehensive income | –                        | –                        | –                        | –  | (8,198,001)                 | (8,198,001)             |
| <b>Transactions with owners</b>                  |                          |                          |                          |  |                             |                         |
| Issue of share capital                           | 86,332                   | 914,567                  | –                        | –  | –                           | 1,000,899               |
| Share based payment                              | –                        | –                        | –                        | 45,084                                       | –                           | 45,084                  |
| <b>Total transactions with owners</b>            | 86,332                   | 914,567                  | –                        | 45,084                                       | –                           | 1,045,983               |
| <b>At 31 December 2016</b>                       | 8,317,196                | 15,359,416               | 3,087,062                | 1,413,914                                    | (26,010,955)                | 2,166,633               |

### Share capital

Represents the par value of shares in issue.

### Share premium

Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

### Share based payment reserve

Represents the reserve account which is used for the corresponding entry to the share based payment charge through profit and loss (note 14).

### Other reserves

Represents the reserve arising from a share for share exchange as part of a group reorganisation in 2011.

## Company statement of changes in equity for the year ended 31 December 2016

|  | Share<br>Capital<br>US\$ | Share<br>Premium<br>US\$ | Other<br>Reserve<br>US\$ | Share<br>Based<br>Payment<br>Reserve<br>US\$ | Retained<br>Deficit<br>US\$ | Total<br>Equity<br>US\$ |
|--|--------------------------|--------------------------|--------------------------|--|-----------------------------|-------------------------|
| <b>Comprehensive income</b>                      |                          |                          |                          |  |                             |                         |
| At 1 January 2015                                | 8,194,453                | 14,117,154               | 2,425,281                | 1,351,176                                    | (5,630,559)                 | 20,457,505              |
| <b>Comprehensive income</b>                      |                          |                          |                          |  |                             |                         |
| Loss for the year and total comprehensive income | –                        | –                        | –                        | –  | (11,741,814)                | (11,741,814)            |
| <b>Transactions with owners</b>                  |                          |                          |                          |  |                             |                         |
| Issue of share capital                           | 36,411                   | 327,695                  | –                        | –  | –                           | 364,106                 |
| Share based payment                              | –                        | –                        | –                        | 17,654                                       | –                           | 17,654                  |
| <b>Total transactions with owners</b>            | 36,411                   | 327,695                  | –                        | 17,654                                       | –                           | 381,760                 |
| At 31 December 2015                              | 8,230,864                | 14,444,849               | 2,425,281                | 1,368,830                                    | (17,372,373)                | 9,097,451               |
| <b>Comprehensive income</b>                      |                          |                          |                          |  |                             |                         |
| Loss for the year and total comprehensive income | –                        | –                        | –                        | –  | (7,985,195)                 | (7,985,195)             |
| <b>Transactions with owners</b>                  |                          |                          |                          |  |                             |                         |
| Issue of share capital                           | 86,332                   | 914,567                  | –                        | –  | –                           | 1,000,899               |
| Share based payment                              | –                        | –                        | –                        | 45,084                                       | –                           | 45,084                  |
| <b>Total transactions with owners</b>            | 86,332                   | 914,567                  | –                        | 45,084                                       | –                           | 1,045,983               |
| <b>At 31 December 2016</b>                       | 8,317,196                | 15,359,416               | 2,425,281                | 1,413,914                                    | (25,357,568)                | 2,158,239               |

### Share capital

Represents the par value of shares in issue.

### Share premium

Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

### Share based payment reserve

Represents the reserve account which is used for the corresponding entry to the share based payment charge through profit and loss (note 14).

### Other reserves

Represents the reserve arising from a share for share exchange as part of a group reorganisation in 2011.



## Consolidated statement of cash flows

for the year ended 31 December 2016

|   | 2016<br>US\$     | 2015<br>US\$       |
|---|------------------|--------------------|
| <b>Cash flow from operating activities</b>  |                  |                    |
| <b>Total comprehensive expense for the year before tax</b>                                  | (8,198,001)      | (10,173,377)       |
| Adjustments to reconcile net loss before income tax to cash flow from operating activities: |                  |                    |
| Impairment of intangible assets   | 7,837,782        | 9,114,064          |
| Share based payments  | 45,084           | 17,654             |
| Currency adjustments  | (21,918)         | 66,505             |
| Movement in operating assets/liabilities  |                  |                    |
| – Other debtors   | 18,042           | (18,042)           |
| – Other liabilities   | (104,351)        | (155,768)          |
| <b>Net cash flow from operating activities</b>  | <b>(423,362)</b> | <b>(1,148,964)</b> |
| <b>Cash flow from investing activities</b>  |                  |                    |
| Exploration expenditure   | (436,727)        | (1,363,328)        |
| <b>Net cash generated from investing activities</b>   | <b>(436,727)</b> | <b>(1,363,328)</b> |
| <b>Cash flow from financing activities</b>  |                  |                    |
| Proceeds from issuance of ordinary shares   | 1,000,899        | 364,106            |
| <b>Net cash generated from financing activities</b>   | <b>1,000,899</b> | <b>364,106</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                 | <b>140,810</b>   | <b>(2,148,186)</b> |
| Cash and cash equivalents at the beginning of year  | 299,183          | 2,513,874          |
| Effect of foreign exchange rates changes  | 21,918           | (66,505)           |
| <b>Cash and cash equivalents at the end of the year</b>                                     | <b>461,911</b>   | <b>299,183</b>     |

## Company statement of cash flows

for the year ended 31 December 2016

|   | 2016<br>US\$     | 2015<br>US\$       |
|---|------------------|--------------------|
| <b>Cash flow from operating activities</b>  |                  |                    |
| <b>Total comprehensive expense for the year before tax</b>                                  | (7,985,195)      | (11,741,814)       |
| Adjustments to reconcile net loss before income tax to cash flow from operating activities: |                  |                    |
| Impairment of investments   | 2,444,109        | 2,444,109          |
| Impairment of intangible assets   | 1,332,522        | 1,768,631          |
| Share based payments  | 45,084           | 17,654             |
| Currency adjustments  | (21,918)         | 66,505             |
| Net increase in operating assets  |                  |                    |
| – Other receivables   | 3,500,964        | 5,637,412          |
| Net (decrease)/increase in operating liabilities  |                  |                    |
| – Other liabilities   | (107,873)        | (155,767)          |
| <b>Net cash flow from operating activities</b>  | <b>(792,307)</b> | <b>(1,963,270)</b> |
| <b>Cash flow from investing activities</b>  |                  |                    |
| Exploration expenditure   | (63,890)         | (369,126)          |
| <b>Net cash used in investing activities</b>  | <b>(63,890)</b>  | <b>(369,126)</b>   |
| <b>Cash flow from financing activities</b>  |                  |                    |
| Proceeds from issuance of ordinary shares   | 1,000,899        | 364,106            |
| <b>Net cash generated from financing activities</b>   | <b>1,000,899</b> | <b>364,106</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                 | <b>144,702</b>   | <b>(1,968,290)</b> |
| Cash and cash equivalents at the beginning of year  | 286,897          | 2,321,692          |
| Effect of foreign exchange rates changes  | 21,918           | (66,505)           |
| <b>Cash and cash equivalents at the end of the year</b>                                     | <b>453,517</b>   | <b>286,897</b>     |

# Notes to the financial statements

## 1 Group and principal activities

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

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

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

## 2 Adoption of new and revised standards

The statements, standards and interpretations, effective for reporting periods beginning on or before 1 January 2014 have been applied, being those standards that will be applied to PM plc Group's financial statements for the year ending 31 December 2016.

### ***Standards affecting presentation and disclosure***

The following standards and interpretations became effective for the 2016 financial statements but these were either not relevant to or did not have a material impact on the Group's financial statements:

- IAS 19 (amendment) – Defined benefit plans: Employee Contributions;
- Annual improvements to IFRSs 2010 – 2012 Cycle – various standards;
- Annual improvements to IFRSs 2011 – 2013 Cycle – various standards.

The Group has not applied the following standards and interpretations which have been issued and become effective for accounting periods beginning after the commencement of the Group's next financial year but either have no impact or are not expected to have a material impact on the Group's financial statements:

- IFRS 9 – Financial Instruments;
- IFRS 10, IFRS 12, IAS 28 (amendment) – Investment Entities: Applying the Consolidation Exception;
- IFRS 10, IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 11 (amendment) – Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenue from contracts with customers;
- IAS 1 (amendment) – Disclosure Initiative;
- IAS 16/38 (amendment) – Property, Plant and Equipment/Intangible Assets; Clarification of acceptable methods of depreciation and amortisation;
- IAS 16/41 (amendment) – Agriculture: Bearer Plants;
- IAS 27 (amendment) – Equity Method in Separate Financial Statements;

The standards and interpretations addressed above will be applied for the purposes of the Group financial statements with effect from the date they become effective.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies

#### a) Basis of preparation

These consolidated 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 with the Companies Act 2006.

The financial statements are prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The financial statements are presented in US Dollar (\$).

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

#### b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company as at 31 December 2016.

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### c) Going concern

The group will seek to raise capital through the issuance of equity to continue their exploration activities in the short term and for general working capital purposes. The Directors have prepared a cash flow forecast up to 30 June 2018 which supports the Directors' reasonable expectation that Papua Mining plc has adequate resources to continue in operational existence throughout this period. This cash flow forecast assumes that the exploration programmes will only continue with additional equity funding secured by the Group. The financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management has considered the group's existing working capital position and the necessity to seek future fund raising. Management are of the opinion that subject to an additional fund raising the group has adequate resources to continue as a going concern. If alternative funding is not available then the group would be unlikely to be able to continue as a going concern. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies

#### **d) 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 to profit or loss.

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

#### **e) Impairment of non financial assets**

The PM plc 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 PM plc 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 PM plc 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.

#### **f) Financial instruments**

##### *Financial assets*

The PM plc 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 arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. 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 using the effective interest rate method, less provision for impairment.

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

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

**Investments in subsidiaries:** These are included in these financial statements at the cost of the ordinary share capital acquired. Adjustments to this value are only made when, in the opinion of the Directors, a permanent diminution in value has taken place and where there is no prospect of an improvement in the foreseeable future.

#### *Financial liabilities*

The PM plc 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.

**Equity instruments:** These are recorded at fair value on initial recognition net of transaction costs.

#### **g) Provisions**

A provision is recognised in the balance sheet when the PM plc 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.

#### **h) Current and deferred tax**

The tax expense represents the sum of the current tax expense and deferred tax expense.

Tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or if from the initial liabilities in a transaction that affect either the taxable profit or the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **l) Pensions**

Pension costs charged in the financial statements represent the contributions payable by the group during the year into defined contribution pension schemes. Defined contribution plans are recognised as an expense in the period in which they are incurred.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### j) Foreign currency

##### *Functional and presentation currency*

The consolidated financial statements are presented in US Dollars which is also the functional currency of the parent company.

##### *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency of the respective PM plc Group entity, using the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

##### *Foreign operations*

In the PM plc Group's financial statements, all assets, liabilities and transactions of PM plc Group entities with a functional currency other than the US Dollar are translated into US Dollar upon consolidation. The functional currency of the entities in the PM plc Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into US Dollars at the closing rate at the reporting date. Income and expenses have been translated into US Dollars at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

The principal exchange rates used to the US Dollar in the preparation of the 2016 financial statements are:

|                          | Annual average |        | Year end |        |
|--------------------------|----------------|--------|----------|--------|
|                          | 2016           | 2015   | 2016     | 2015   |
| <b>Sterling</b>          | 1.3429         | 1.5254 | 1.2332   | 1.4763 |
| <b>PNG Kina</b>          | 0.3182         | 0.3596 | 0.3148   | 0.3326 |
| <b>Australian Dollar</b> | 0.7242         | 0.7544 | 0.7201   | 0.8181 |
| <b>Euro</b>              | 1.1000         | 1.1031 | 1.0522   | 1.0866 |

#### k) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive & Technical Director. They are the Directors of the PM plc Group that allocate resources to and assess the performance of the segments. The Directors consider there to be only one operating segment, being the exploration licences in Papua New Guinea.

#### l) Investments (parent company)

Investments held as non-current assets comprise investments in subsidiary undertakings and are stated at cost less any provision for any impairment.



## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### **m) Equity and reserves**

Equity and reserves comprises the following:

- “Share capital” is the nominal value of equity shares.
- “Share premium” represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
- “Share based payment reserve” represents a reserve arising on the grant of share options to certain Directors and key employees.
- “Other reserve” represents a reserve arising from a group reorganisation in 2011.
- “Retained deficit” comprises cumulative profit and loss to date.

#### **n) Share based payments**

The Group issues equity-settled share-based payments to certain directors and key employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

#### **o) Critical accounting estimates and judgements**

The PM plc Group makes estimates and assumptions concerning the future. The resulting estimates will by definition, seldom equal the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management’s best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the financial statements. The Board has considered the critical accounting estimates and assumptions used in the historical financial information and concluded that the area of judgement that has the most significant effect on the amounts recognised in the financial statements concern.

#### **Recoverability of deferred exploration costs**

All costs associated with gold and copper exploration are capitalised on a project basis, pending a decision on the economic feasibility of the project. This capitalisation of such costs gives rise to an intangible asset in the consolidated statement of financial position. Exploration costs are capitalised where it is considered likely that the amount will be recovered by future exploitation, sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be impaired and written off to the consolidated statement of comprehensive income on disposal of the net investment.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### Functional currency of the parent company

Management has concluded that the US dollar is the currency of the primary economic environment in which the group operates and therefore it's functional currency. The US dollar is the currency in which business risks and exposures are measured and the Company's assets and liabilities are largely denominated and settled in US dollars.

#### p) Exceptional items

The PM plc Group has adopted an accounting policy and income statement format that seeks to highlight significant items of income and expense within PM plc Group results for the year. The Directors believe that this presentation provides a more helpful analysis as it highlights one-off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments, significant impairment of assets and unforeseen gains/losses arising on derivative instruments. The Directors use their judgement in assessing the particular items, which by virtue of their scale and nature are disclosed in the income statement and related notes as exceptional items.

#### q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4 Segmental reporting

During the year under review Management identified the PM plc Group's only operating segment as the exploration of gold and copper resources in Papua New Guinea. This one segment is monitored and strategic decisions are made based upon it and other non-financial data collated from the on-going exploration activities. All of PM plc Group's exploration assets are based in Papua New Guinea. The formats of financial reports that are reported to the Chief Operating Decision Makers are consistent with those presented in the annual financial statements.

### 5 Finance income

|                        | 2016<br>US\$ | 2015<br>US\$ |
|------------------------|--------------|--------------|
| Bank interest received | –            | 3,303        |

### 6 Operating loss

|   | 2016<br>US\$ | 2015<br>US\$ |
|---|--------------|--------------|
| Operating loss is stated after charging:  |              |              |
| Fees payable to the PM plc Group's auditor for the audit of PM plc Group's financial statements | 34,925       | 38,000       |
| Fees payable to the PM plc Group's auditor for taxation services                                | 2,200        | 3,260        |
| Share based payment expense   | 45,084       | 17,654       |
| Foreign exchange losses/(gains)   | (21,918)     | 66,505       |
| Impairment of intangible assets   | 7,837,782    | 9,114,063    |

## Notes to the financial statements (continued)

### 7 Taxation

#### Group

|   | 2016<br>US\$ | 2015<br>US\$ |
|---|--------------|--------------|
| <b>Domestic current year tax</b>  |              |              |
| U.K. corporation tax – current year   | –            | –            |
| <b>Deferred tax</b>   |              |              |
| Origination and reversal of temporary differences                             | –            | –            |
| <b>Income tax expense</b>   | –            | –            |
| <b>Factors affecting tax charge for the year</b>                              |              |              |
| Loss on ordinary activities before taxation                                   | (8,198,001)  | (10,173,377) |
| Loss on ordinary activities at the UK standard rate of 20.00% (20154: 20.00%) | (1,639,600)  | (2,034,675)  |
| Effects of:   |              |              |
| Carried forward losses (UK)   | (27,012)     | (121,840)    |
| Non-deductible expenses   | (1,612,588)  | (1,912,835)  |
| Other tax adjustments   | –            | –            |
| <b>Current tax charge</b>   | –            | –            |

The Group has UK tax losses of approximately \$4,003,823 (2015: \$3,868,760) available to carry forward against future trading profits, subject to agreement by HMRC. No provision has been made for a potential deferred tax asset of approximately \$800,765 (2015: \$773,752) arising from UK tax losses. The Group has not recognised a deferred tax asset on any losses carried forward due to the uncertainty of future profits.

### 8 Loss per share

#### Group

|  | 2016<br>US\$ | 2015<br>US\$ |
|--|--------------|--------------|
| Loss for the purpose of basic and diluted earnings per share                                       | (8,198,001)  | (10,173,377) |
| <b>Numbers</b>   |              |              |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 100,077,285  | 52,146,466   |
|  | <b>US\$</b>  | <b>US\$</b>  |
| Loss per share – basic   | (0.08)       | (0.20)       |
| Loss per share – diluted   | (0.08)       | (0.20)       |

Loss per share has been calculated by dividing loss for the year by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share has been calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all dilutive potential options/warrants. In accordance with the provisions of IAS33, shares under option were not regarded as dilutive in calculating diluted earnings per share.

## Notes to the financial statements (continued)

### 9 Intangible assets

#### Group

|                          | 2016<br>US\$     | 2015<br>US\$     |
|--------------------------|------------------|------------------|
| <b>Exploration costs</b> |                  |                  |
| <b>Cost</b>              |                  |                  |
| At beginning of year     | 19,130,870       | 17,767,542       |
| Additions                | 436,727          | 1,363,328        |
| At the end of year       | 19,567,597       | 19,130,870       |
| <b>Impairment</b>        |                  |                  |
| At beginning of year     | (9,860,515)      | (746,451)        |
| Impairment charge        | (7,837,782)      | (9,114,064)      |
| At the end of year       | (17,698,297)     | (9,860,515)      |
| <b>Net book value</b>    | <b>1,869,300</b> | <b>9,270,355</b> |

#### Company

|                          | 2016<br>US\$   | 2015<br>US\$     |
|--------------------------|----------------|------------------|
| <b>Exploration costs</b> |                |                  |
| <b>Cost</b>              |                |                  |
| At beginning of year     | 4,283,713      | 3,914,587        |
| Additions                | 63,894         | 369,126          |
| At the end of year       | 4,347,607      | 4,283,713        |
| <b>Impairment</b>        |                |                  |
| At beginning of year     | (2,515,082)    | (716,451)        |
| Impairment charge        | (1,332,525)    | (1,768,631)      |
| At the end of year       | (3,847,607)    | (2,515,082)      |
| <b>Net book value</b>    | <b>500,000</b> | <b>1,768,631</b> |

The Directors have reviewed all exploration costs for indications of impairment. They have impaired exploration costs where the exploration project is no longer considered economically viable or where the carrying amount exceeds the recoverable amount. An assets recoverable amount is the higher of the assets fair value less costs to sell and its value in use. The impairment charge of \$7,837,782 (2015:\$9,114,063) in respect of the Group intangible assets and \$1,332,525 (2015:\$1,768,631) in respect of the Company intangible assets, is included within administration expenses in the Consolidated Statement of Comprehensive Income.

In assessing the impairment charge, the Directors have considered economic factors and the mining industry as a whole and the effect of declining metal prices. The Directors have also considered recent transactions within the industry where the acquisition price of similar companies has declined over the last number of years. In light of this, the directors decided that the value of the intangible assets held, was no longer in line with the value stated in the previous accounting periods and as such, have opted to impair the intangible assets down to a value based on what recent shares issued might suggest is the value of the enterprise. This is deemed a more accurate valuation for the intangible assets and the future value they will add to the company.

## Notes to the financial statements (continued)

### 10 Investments

#### Company

|                                    | 2016<br>US\$ | 2015<br>US\$ |
|------------------------------------|--------------|--------------|
| Investment in Papua Mining Limited | –            | 2,444,110    |

An impairment charge of \$2,444,110 (2015: \$2,444,110) was recognized by the Company in respect of the carrying value of investments during the year. The investment was fully impaired due to the decline in the investee's assets.

The Group's principal subsidiary undertakings at 31 December 2016, all of which are included in the consolidation, were as follows:

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

### 11 Trade and other receivables

#### Company

|  | 2016<br>US\$ | 2015<br>US\$ |
|--|--------------|--------------|
| Amounts owed by Group undertakings (non-current) | 1,369,300    | 4,852,222    |

There are no fixed terms of repayment of amounts owed by Group undertakings, which are technically repayable on demand. As it is not intended for the amounts due to be repaid within one year these receivables have been classified in the financial statements as non-current assets. An impairment charge of \$3,482,922 (2015:\$6,852,222) in respect of the amounts owed by group undertakings, is included within administration expenses in the Company Statement of Comprehensive Income. The Directors consider the carrying value of trade and other receivables to equal their fair value.

### 12 Cash and cash equivalents

#### Group

|              | 2016<br>US\$ | 2015<br>US\$ |
|--------------|--------------|--------------|
| Cash at bank | 461,911      | 299,183      |

#### Company

|              | 2016<br>US\$ | 2015<br>US\$ |
|--------------|--------------|--------------|
| Cash at bank | 453,517      | 286,897      |

Cash and cash equivalents comprise cash.

The directors consider the carrying value of cash and cash equivalents to equal fair value.

## Notes to the financial statements (continued)

### 13 Share capital

#### Group and Company

|   | 2016<br>Number | 2015<br>Number |
|---|----------------|----------------|
| <b>Issued share capital</b>               |                |                |
| Ordinary shares of £0.10 (\$0.16) each    | –              | –              |
| Ordinary shares of £0.001 (\$0.0016) each | 151,994,423    | 82,105,534     |
| Deferred shares of £0.099 (\$0.1584) each | 51,215,534     | 51,215,534     |
|   | 2016<br>US\$   | 2015<br>US\$   |
| <b>Issued share capital</b>               |                |                |
| Fully paid                                | 8,317,196      | 8,230,864      |

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no shares held by the entity or its subsidiaries or associates.

40,000,000 ordinary shares of £0.001 (\$0.0012) each were issued at a price of £0.01 (\$0.012) per share on 10 October 2016. In addition, 444,444 ordinary shares of £0.001 were issued to a trade creditor in settlement of an invoice for £5,000 and 1,777,778 ordinary shares of £0.001 were issued to a trade creditor in settlement of an invoice for £20,000. Also 13,800,000 ordinary shares of £0.001 were issued to satisfy a convertible note of £138,000.

11,200,000 ordinary shares of £0.001 (\$0.012) each were issued at a price of £0.01 (\$0.012) per share on 1 September 2016.

2,000,000 ordinary shares of £0.001 (\$0.0012) each were issued at a price of £0.03 (\$0.04) per share on 16 May 2016. In addition, 666,667 ordinary shares of £0.001 were issued to a trade creditor in settlement of an invoice for £20,000.

On 21 December 2015 the Ordinary Share capital of £0.10p was divided into Ordinary Share capital of £0.001 and Deferred Share capital of £0.099p. The Deferred Share capital has no income or voting rights and will be entitled to receive the amount paid up on a winding-up once the ordinary share capital has received £1,000,000 per ordinary share held.

On 21 December 2015 warrants were issued over 3,000,000 ordinary shares of £0.001, exercisable over five years at a price of £0.01 per share.

26,200,000 ordinary shares of £0.001 (\$0.0012) each were issued at a price of £0.01 (\$0.012) per share on 21 December 2015 and 2,590,000 ordinary shares of £0.001 (\$0.012) each were issued at a price of £0.01 (\$0.012) per share on 21 December 2015. In addition, 2,100,000 ordinary shares of £0.001 were issued to a trade creditor in settlement of an invoice for £21,000.

#### Share premium

The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

#### Capital management

The Group's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements. The Group defines capital as 'equity' and 'cash' as shown in the consolidated statement of financial position. As at 31 December 2016 the Group held equity and cash balances of \$2,166,633 and \$461,912 (2015: \$9,318,651 and \$299,183) respectively.

## Notes to the financial statements (continued)

### 13 Share capital (continued)

The Board of Directors takes full responsibility for managing the Group's capital and does so through board meetings, review of financial information, and regular communication with officers and senior management.

In order to maximise ongoing development efforts, the Company does not pay dividends. The Group's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity. The Group expects its current capital resources will be sufficient to carry out its operating plans over the foreseeable future.

### 14 Share based payments

Details of share options granted are as follows:

|                                 | 2016              |                                      | 2015              |                                      |
|---------------------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|
|                                 | Number of options | Weighted average exercise price (\$) | Number of options | Weighted average exercise price (\$) |
| Outstanding at 1 January 2016   | 6,620,421         |                                      | 2,860,724         |                                      |
| Granted during the year         |                   |                                      | 6,620,421         |                                      |
| Surrendered during the year     |                   |                                      | (2,860,721)       |                                      |
| Outstanding at 31 December 2016 | 6,620,421         | 0.02                                 | 6,620,421         | 0.02                                 |
| Exercisable at 31 December 2016 | 4,413,614         | 0.02                                 | 2,206,807         | 0.02                                 |

No shares options were exercised in this or the prior period.

On 21 December 2015 share options were granted over 6,620,421 ordinary shares to certain employees. These share options are exercisable at £0.02125 (\$0.023) and the vesting periods are, 2,206,807 immediately on raising future fundraising, one year (2,206,807 shares) and two years (2,206,807) from the grant date. The options lapse on the tenth anniversary of the grant date.

The inputs into the Black Scholes model are as follows:

|                     | 2016     | 2015      | 2014      |
|---------------------|----------|-----------|-----------|
| Share price         | 1.88p    | 1.88p     | 27.25p    |
| Exercise price      | 2.12p    | 2.12p     | 26.5p     |
| Expected volatility | 32%      | 32%       | 50-71%    |
| Expected life       | 1-2years | 1-2 years | 1-2 years |
| Discount rate       | 1.87%    | 1.87%     | 1.5%      |

Expected volatility was determined by reference to the historical volatility of the share price of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of \$45,084 (2015: \$17,654) relating to equity-settled share based payment transactions in the year.



## Notes to the financial statements (continued)

### 15 Trade and other payables

#### Group

|                | 2016<br>US\$ | 2015<br>US\$ |
|----------------|--------------|--------------|
| Trade payables | 24,522       | 77,254       |
| Other payables | 97,518       | 168,858      |
| Accruals       | 42,538       | 22,817       |
|                | 164,578      | 268,929      |

#### Company

|                | 2016<br>US\$ | 2015<br>US\$ |
|----------------|--------------|--------------|
| Trade payables | 24,522       | 77,254       |
| Other payables | 97,518       | 172,378      |
| Accruals       | 42,538       | 22,819       |
|                | 164,578      | 272,451      |

The Directors consider the carrying value of trade and other payables to equal their fair value.

### 16 Financial instruments

In common with other businesses, the PM plc Group is exposed to risks that arise from its use of financial instruments. This note describes the PM plc 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 PM plc Group does not have any derivative products or any long term borrowings. The PM plc Group is not exposed to interest-bearing indebtedness. The exploration activities of the PM plc Group were financed by proceeds of issue of shares.

#### **Principal financial instruments**

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

|                              | 2016<br>US\$ | 2015<br>US\$ |
|------------------------------|--------------|--------------|
| <i>Financial Assets</i>      |              |              |
| Cash and cash equivalents    | 461,912      | 299,183      |
| <i>Financial Liabilities</i> |              |              |
| Trade payables               | 24,522       | 77,254       |
| Other payables               | 97,518       | 168,858      |
|                              | 122,040      | 246,112      |

The Directors consider that the fair value of the above financial instruments is equal to the carrying values.

## Notes to the financial statements (continued)

### 16 Financial instruments (continued)

#### **General objectives, policies and processes**

The Directors have overall responsibility for the determination of the PM plc 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 PM plc 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 PM plc Group's competitiveness and flexibility. The Directors consider that the risk components detailed below apply to the PM plc Group and is managed at Group level.

#### *Credit risk*

Credit risk refers to the risk that the PM plc Group's financial assets will be impaired by the default of a third party. The PM plc Group is exposed to this risk primarily on its cash and cash equivalents as set out in note 12.

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 PM plc Group operates primarily in Papua New Guinea. Transactions are substantially denominated in PNG Kina, Australian \$, Sterling and US Dollars (its reporting currency). As such the PM plc 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 PM plc Group's exposure is minimal and consequently they have not, to date, specifically sought to hedge that exposure. Most of the PM plc Group's funds are in Sterling 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 PM plc Group's future earnings will be adversely impacted by changes in the market prices of commodities. The PM plc 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 PM plc Group to meet future obligations and financial liabilities. To date the PM plc Group has relied upon shareholder funding of its activities. Future exploration and development activities may be dependent upon the PM plc Group's ability to obtain further financing through equity financing or other means. Although the PM plc Group has been successful in the past in obtaining equity finance there can be no assurance that the PM plc 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 and note 3(c) provides further information in this regard.

## Notes to the financial statements (continued)

### 16 Financial instruments (continued)

#### Sensitivity analysis

##### Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7 as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of changes in foreign exchange rates on financial assets and liabilities at the Balance Sheet date, illustrating the (decrease)/increase in PM plc Group operating result caused by a 10% strengthening of Sterling, PNG Kina and the Euro compared to the year end spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The PM plc Group operates in four different currencies, and those with a material impact are noted here:

|                   | Year ended<br>31 December<br>2016<br>US\$ | Year ended<br>31 December<br>2015<br>US\$ |
|-------------------|---|---|
| Sterling          | 242                                       | (35,740)                                  |
| PNG Kina          | –   | (1,239)                                   |
| Euro              | 2,125                                     | –   |
| Australian Dollar | –   | (147)                                     |

### 17 Capital commitments

The PM plc Group's capital commitments relate to licence expenditure and related exploration activities, the cost of which will be met from future fundraising.

The PM plc Group currently holds six Exploration Licences. The Group's licences will have total expenditure commitments of approximately US\$206,000 over the coming 12 month period.

### 18 Staff costs

#### Number of employees

The average monthly number of employees (excluding Directors) of the Group during the year was:

|                | 2016 | 2015 |
|----------------|------|------|
| Administration | 2    | 3    |
| Technical      | 5    | 7    |
|                | 7    | 10   |

#### Employment costs (excluding directors)

|                                     | 2016<br>US\$ | 2015<br>US\$ |
|-------------------------------------|--------------|--------------|
| Wages and salaries                  | 36,335       | 359,257      |
| Social security costs               | 5,091        | 15,725       |
| Pension costs                       | 0            | 43,716       |
| Employee share based payment charge | 45,084       | 17,654       |
|                                     | 86,510       | 436,352      |

The amounts above, all of which relate to employees in Papua New Guinea, have been capitalised as exploration costs with the exception of the share based payment charge.

## Notes to the financial statements (continued)

### 19 Directors emoluments

Aggregate emoluments, including benefits in kind, by director are as follows:

#### 2016

| Directors        | Directors' fees<br>US\$ | Salary<br>US\$ | Pension contributions<br>US\$ | Sub total<br>US\$ | Medical insurance<br>US\$ | Social security costs<br>US\$ | Total<br>US\$ |
|------------------|-------------------------|----------------|-------------------------------|-------------------|---------------------------|-------------------------------|---------------|
| H McCullough     | –                       | 29,721         | –                             | 29,721            | –                         | 149                           | 29,870        |
| K Harrington     | 5,000                   | 8,370          | –                             | 13,370            | –                         | 954                           | 14,324        |
| M Jolliffe       | –                       | –              | –                             | –                 | –                         | –                             | –             |
| G Palm           | –                       | –              | –                             | –                 | –                         | –                             | –             |
| K Lough          | –                       | –              | –                             | –                 | –                         | –                             | –             |
| M Somerset-Leeke | –                       | –              | –                             | –                 | –                         | –                             | –             |
| J Hutchinson     | –                       | –              | –                             | –                 | –                         | –                             | –             |
|                  | 5,000                   | 38,091         | –                             | 43,091            | –                         | 1,103                         | 44,194        |

#### 2015

| Directors    | Directors' fees<br>US\$ | Salary<br>US\$ | Pension contributions<br>US\$ | Sub total<br>US\$ | Medical insurance<br>US\$ | Social security costs<br>US\$ | Total<br>US\$ |
|--------------|-------------------------|----------------|-------------------------------|-------------------|---------------------------|-------------------------------|---------------|
| H McCullough | –                       | 116,667        | 15,308                        | 131,975           | –                         | 12,541                        | 144,516       |
| K Harrington | –                       | 187,500        | 15,308                        | 202,808           | –                         | 16,125                        | 218,933       |
| M Jolliffe   | –                       | 41,292         | –                             | 41,292            | –                         | –                             | 41,292        |
| G Palm       | –                       | 30,969         | –                             | 30,969            | –                         | 3,716                         | 34,685        |
| K Lough      | –                       | 30,969         | –                             | 30,969            | –                         | 3,716                         | 34,685        |
|              | –                       | 407,397        | 30,616                        | 438,013           | –                         | 36,098                        | 474,111       |

Share options are held by the directors as follows:

|                   | 2016<br>Number of<br>options | 2015<br>Number of<br>options |
|-------------------|------------------------------|------------------------------|
| Michael Jolliffe  | 626,763                      | 626,763                      |
| Hugh McCullough   | 1,997,886                    | 1,997,886                    |
| Kieran Harrington | 1,997,886                    | 1,997,886                    |

The key management personnel of the Group are considered to be entirely represented by the Directors.

No Director has yet benefitted from any increase in value of share capital since issuance of the options.

No Director exercised share options in the year.

## Notes to the financial statements (continued)

### **20 Related party transactions**

As well as remuneration of Directors (note 19), the following transactions fall within the scope of IAS 24 Related Party Disclosures.

- (1) The Company was charged fees of \$0 (2015: \$3,667) during the year by AA Corporate Management in respect of accounting and company secretarial services. AA Corporate Management is controlled by Antoine Awad, a director of Papua Mining Limited.
- (2) Hybreasal Limited, a company controlled by the director Kieran Harrington, charged fees of \$5,000 (2015: \$0) to the company during the year. These fees are included within the remuneration stated in note 19.

At 31 December 2016 there were \$Nil (2015: \$Nil) amounts payable to the above related parties.

### **21 Events after the end of reporting period**

There are no significant post balance sheet events.

### **22 Control**

The company is quoted on AIM and there is no individual controlling party. The Directors' Report provides details of those shareholders with an individual holding exceeding 3% of issued share capital.





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