

PAPILLON RESOURCES LIMITED

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE THREE MONTHS AND NINE MONTHS ENDED
MARCH 31, 2014

ABN 96 119 655 891

CORPORATE DIRECTORY

DIRECTORS:	Ian Middlemas (Non-Executive Chairman) Mark Connelly (Managing Director and CEO) Robert Behets (Non-Executive Director) Alec Pismiris (Non-Executive Director)
COMPANY SECRETARY:	Gregory Swan
REGISTERED AND PRINCIPAL OFFICE:	Level 11, BGC Centre 28 The Esplanade Perth WA 6000 Tel: +61 8 9225 5400 Fax: +61 8 9321 2761
SHARE REGISTER:	Computershare Investor Services Pty Ltd Level 2 45 St Georges Terrace Perth WA 6000 Tel: 1300 557 010 Int: +61 8 9323 2000 Fax: +61 8 9323 2033
STOCK EXCHANGE LISTING:	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000
ASX CODE:	PIR – Fully paid ordinary shares
BANKERS:	Australian and New Zealand Banking Group Limited
SOLICITORS:	Hardy Bowen Lawyers
AUDITOR:	Deloitte Touche Tohmastu

CONTENTS

	Page
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6
Independent Auditor's Review Report	10

PAPILLON RESOURCES LIMITED AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
(Expressed in Australian dollars)



	Three Months Ended March 31, 2014 A\$'000	Nine Months Ended March 31, 2014 A\$'000
Continuing operations		
Interest revenue	381	1,354
Employment expenses	(538)	(1,349)
Administration expenses	(89)	(409)
Corporate expenses	(443)	(1,117)
Occupancy expenses	(89)	(210)
Exploration and evaluation expense	(6)	(24)
Share-based payment expenses	(549)	(1,586)
Depreciation and impairment expenses	(13)	(38)
Loss before income tax	(1,346)	(3,379)
Income tax expense	-	-
Loss for the period	(1,346)	(3,379)
Loss attributable to members of Papillon Resources Limited	(1,346)	(3,379)
Loss attributable to non-controlling interests	-	-
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(2,971)	2,243
Other comprehensive income/(loss) for the period, net of tax	(2,971)	2,243
Total comprehensive loss for the period	(4,317)	(1,136)
Total comprehensive income/(loss) attributable to members of Papillon Resources Limited	(4,066)	(1,330)
Total comprehensive income/(loss) attributable to non-controlling interests	(251)	194
Basic and diluted loss per share (cents per share)	(0.40)	(1.00)

The above Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

PAPILLON RESOURCES LIMITED AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

(Expressed in Australian dollars)



	Notes	March 31, 2014 A\$'000	June 30, 2013 A\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		41,283	53,382
Trade and other receivables		430	1,039
Total Current Assets		41,713	54,421
Non-Current Assets			
Exploration and evaluation assets	3	68,938	56,556
Property, plant and equipment		1,574	1,553
Total Non-Current Assets		70,512	58,109
TOTAL ASSETS		112,225	112,530
LIABILITIES			
Current Liabilities			
Trade and other payables		3,517	6,557
Total Current Liabilities		3,517	6,557
TOTAL LIABILITIES		3,517	6,557
NET ASSETS		108,708	105,973
EQUITY			
Issued capital	4	117,750	114,368
Reserves	5	12,312	9,774
Accumulated losses		(22,430)	(19,051)
Equity attributable to members of Papillon Resources Limited		107,632	105,091
Non-controlling interest		1,076	882
TOTAL EQUITY		108,708	105,973

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

PAPILLON RESOURCES LIMITED AND CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

(Expressed in Australian dollars)



For the Nine Months Ended March 31, 2014	Ordinary Shares A\$'000	Share Based Payments Reserve A\$'000	Foreign Currency Translation Reserve A\$'000	Accumulated Losses A\$'000	Non- Controlling Interest A\$'000	Total Equity A\$'000
Balance at July 1, 2013	114,368	5,219	4,555	(19,051)	882	105,973
Net profit/(loss) for the period	-	-	-	(3,379)	-	(3,379)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	2,049	-	194	2,243
Total comprehensive income/(loss) for the period	-	-	2,049	(3,379)	194	(1,136)
Transactions with owners recorded directly in equity:						
Exercise of unlisted options	3,402	(1,097)	-	-	-	2,305
Recognition of share-based payments	-	1,586	-	-	-	1,586
Share issue costs	(20)	-	-	-	-	(20)
Balance at March 31, 2014	117,750	5,708	6,604	(22,430)	1,076	108,708

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PAPILLON RESOURCES LIMITED AND CONTROLLED ENTITIES**CONDENSED CONSOLIDATED STATEMENT OF****CASH FLOWS***(Expressed in Australian dollars)*

	Three Months Ended March 31, 2014 A\$'000	Nine Months Ended March 31, 2014 A\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(764)	(2,561)
Interest received	992	1,735
Net cash inflow/(outflow) from operating activities	228	(826)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(3,520)	(13,195)
Payments for property, plant and equipment	(68)	(368)
Net cash outflow from investing activities	(3,588)	(13,563)
Cash flows from financing activities		
Proceeds from issue of shares	1,040	2,305
Payments for share issue costs	(7)	(20)
Net cash inflow from financing activities	1,033	2,285
Net decrease in cash and cash equivalents held	(2,327)	(12,104)
Net foreign exchange differences	(29)	5
Cash and cash equivalents at the beginning of the period	43,639	53,382
Cash and cash equivalents at the end of the period	41,283	41,283

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

This special purpose financial report has been prepared for the three and nine months ended March 31, 2014.

This special purpose financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Papillon Resources Limited for the year ended June 30, 2013, the interim financial report for the half-year ended December 31, 2013 and any public announcements made by Papillon Resources Limited and its controlled entities during and since the three month period ended March 31, 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars ('A\$') unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the special purpose financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended June 30, 2013, other than as detailed below.

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after July 1, 2013. New and revised standards and amendments thereof and interpretations effective for the current period that are relevant to the Group include:

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
- AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011).

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current periods or prior year. However the application of AASB 13 has resulted in a change to the Group's disclosure in this special purpose financial report.

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

(a) Reconciliation of Non-current Assets by geographical location

	March 31, 2014 A\$'000	June 30, 2013 A\$'000
Australia	120	142
Republic of Mali	70,392	57,967
	70,512	58,109

Non-Current Assets for this purpose consist of property, plant and equipment and exploration and evaluation assets.

3. EXPLORATION AND EVALUATION ASSETS

	March 31, 2014 A\$'000	June 30, 2013 A\$'000
(a) Area of Interest		
Mali West (including Fekola)	65,034	53,115
Mali South	3,904	3,441
Carrying amount at the end of the period¹	68,938	56,556

	Nine Months Ended March 31, 2014 A\$'000
(b) Reconciliation	
Carrying amount at July 1, 2013	56,556
Additions for the period	9,870
Exchange differences on translation of foreign operations ²	2,512
Carrying amount March 31, 2014¹	68,938

Notes:

- ¹ The ultimate recoupment of costs carried for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The carrying values above are based upon the Group's assumption that the exploration licenses will be renewed when required, subject to the Company meeting its agreed budgets and work programs. No impairment indicators have been identified by management and the exploration program continues on each area of interest.
- ² Exchange differences result from translation from functional currency to presentation currency at reporting date.

4. CONTRIBUTED EQUITY

	Note	March 31, 2014 A\$'000	June 30, 2013 A\$'000
(a) Issued Capital			
340,894,210 (June 30, 2013: 337,544,210) fully paid ordinary shares	4(b)	117,750	114,368
		117,750	114,368

(b) Movements in Ordinary Shares during the past nine months:

Date	Details	Number of Ordinary Shares	A\$'000
1-Jul-13	Opening Balance	337,544,210	114,368
5-Sep-13	Exercise of \$0.50 unlisted options	400,000	200
25-Oct-13	Exercise of \$0.50 unlisted options	400,000	200
11-Nov-13	Exercise of \$0.95 unlisted options	200,000	190
11-Nov-13	Exercise of \$0.65 unlisted options	300,000	195
22-Nov-13	Exercise of \$0.80 unlisted options	600,000	480
4-Feb-14	Exercise of \$0.65 unlisted options	800,000	520
24-Feb-14	Exercise of \$0.80 unlisted options	650,000	520
Jul-13 to Mar-14	Transfer from share-based payment reserve	-	1,097
Jul-13 to Mar-14	Share issue costs	-	(20)
31-Mar-14	Closing Balance	340,894,210	117,750

5. RESERVES

	Note	March 31, 2014 A\$'000	June 30, 2013 A\$'000
(a) Reserves			
Share-based payments reserve	5(b)	5,708	5,219
Foreign currency translation reserve		6,604	4,555
		12,312	9,774

(b) Movements in share-based payments reserve during the past nine months:

Date	Details	Number of Unlisted Options	Number of Performance Rights	A\$'000
1-Jul-13	Opening Balance	18,050,000	3,885,000	5,219
5-Sep-13	Exercise of \$0.50 incentive options	(400,000)	-	(164)
25-Oct-13	Exercise of \$0.50 incentive options	(400,000)	-	(144)
11-Nov-13	Exercise of \$0.95 incentive options	(200,000)	-	(34)
11-Nov-13	Exercise of \$0.65 incentive options	(300,000)	-	(98)
22-Nov-13	Exercise of \$0.80 incentive options	(600,000)	-	(180)
31-Dec-13	Lapse of performance rights	-	(503,000)	-
4-Feb-14	Exercise of \$0.65 unlisted options	(800,000)	-	(281)
24-Feb-14	Exercise of \$0.80 unlisted options	(650,000)	-	(196)
Jul-13 to Mar-14	Share-based payment expense	-	-	1,586
31-Mar-14	Closing Balance	14,700,000	3,382,000	5,708

6. CONTINGENT ASSETS AND LIABILITIES

At the date of this report there has been no change to the contingent liabilities disclosed in the most recent annual financial report of the Company except as set out below.

On April 7, 2014, the Company announced that a local Malian company, Etablissements Zoumana Traoré SARL (**ZTS**), had filed a claim against Papillon before the Commercial Tribunal of Bamako. Papillon's Medinandi tenement is owned by Songhoi which is a joint venture company between Papillon, who owns 90%, and its local joint venture partner, Mani SARL (**Mani**), who owns 10%. Mani originally acquired the tenement from ZTS in 2006. On June 26, 2014, the Company announced that the Judge of the Commercial Court of Bamako had dismissed Papillon's arguments on jurisdiction and accepted ZTS's claims on the merits (although the Company is still waiting for the handing down of the written judgement). The hearing was supposed to be limited to the question of jurisdiction and Papillon was not given an opportunity to submit arguments on the merits of the case. Notwithstanding, it seems that the Judge decided that ZTS holds 17% of Songhoi's share capital, 10% of which is already indirectly held by ZTS through Mani. The Company considers the decision to be totally unlawful and intends to appeal the decision to the Court of Appeal in Bamako. Papillon still considers ZTS's claim to be without merit and is strongly defending its position. The Company remains confident that the rule of law will prevail, even if the Company has to appeal all the way to the Supreme Court in Bamako or the *Cour Commune de Justice et d'Arbitrage* (**CCJA**) in Abidjan. In addition, Papillon has initiated International Chamber of Commerce (**ICC**) arbitral proceedings in Paris in order to secure its rights against ZTS and other respondents, which has now been registered by the ICC Secretariat.

The Company believes that it is not probable that the claim by ZTS will be successful and accordingly, no provision for any liability has been recognised in the special purpose financial report.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the period.

8. FINANCIAL INSTRUMENTS

(a) Fair Value Measurement

At March 31, 2014 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

9. SUBSEQUENT EVENTS AFTER BALANCE DATE

- (i) On 7 April 2014, the Company announced that ZTS had filed a claim against Papillon before the Commercial Tribunal of Bamako. On June 26, 2014, the Company announced that the Judge of the Commercial Court of Bamako had dismissed Papillon's arguments on jurisdiction and accepted ZTS's claims on the merits. The Company considers the decision to be totally unlawful and intends to appeal the decision to the Court of Appeal in Bamako. Papillon considers ZTS's claims to be without merit and is strongly defending its position. The Company remains confident that the rule of law will prevail, even if the Company has to appeal all the way to the Supreme Court in Bamako or the CCJA in Abidjan. In addition, Papillon has initiated ICC arbitral proceedings in Paris in order to secure its rights against ZTS and other respondents, which has now been registered by the ICC Secretariat;
- (ii) On April 10, 2014, the Company issued 500,000 performance share rights to the Managing Director and Chief Executive Officer of the Company, following shareholder approval at a general meeting held on the same day, and 1,050,000 performance share rights to other key employees and key contractors of the Company;
- (iii) On June 3, 2014, the Company entered into a definitive Merger Implementation Agreement with B2Gold Corp. (**B2Gold**) to combine the two companies at an agreed exchange ratio of 0.661 B2Gold shares for each Papillon share held. The merger will be implemented by way of a Scheme of Arrangement; and
- (iv) On June 12, 2014, Mr Peter Woodman resigned as a Director of the Company.

Other than as disclosed above, there were no significant events occurring after March 31, 2014 requiring disclosure.

Independent Auditor's Review Report to the members of Papillon Resources Limited

We have reviewed the accompanying financial report of the consolidated entity, which comprises the condensed statement of financial position as at 31 March 2014, the condensed statement of profit or loss and other comprehensive income, and the condensed statement of cash flows for the 3 and 9 month periods ended 31 March 2014, and the condensed statement of changes in equity for the 9 months ended on that date, selected explanatory notes of the consolidated entity, as set out on pages 2 to 9. The consolidated entity comprises the company (Papillon Resources Limited) and the entities it controlled at the end of the periods or from time to time during the periods.

Directors Responsibility for the special purpose financial report

The Directors of the company are responsible for the preparation of the financial report in accordance with the basis of preparation stated in Note 1 to the financial report, and for such internal control as the Directors determine is necessary for the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

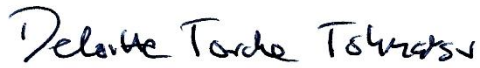
Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not prepared, in all material respects, in accordance with the basis of preparation stated in Note 1 to the financial report. ASRE 2405 requires that we comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial report of Papillon Resources Limited is not prepared, in all material respects in accordance with the basis of preparation stated in Note 1 to the financial report.



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants
Perth, 27 June 2014