

PACIFIC NIUGINI LIMITED

AND ITS CONTROLLED ENTITIES

ABN 30 003 207 467

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

31 DECEMBER 2014

CORPORATE DIRECTORY

Board of Directors

Peter Cook – Non-Executive Chairman
Paul Cmrlec - Managing Director
David Osikore – Non-Executive Director

Company Secretaries (Joint)

Dennis Lovell
David Okeby

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Website

<http://www.niugini.com.au>

Auditors

Somes Cooke

35 Outram Street, West Perth WA 6005
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Share Registry

Computershare Investor Services Pty Ltd

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Securities Exchange

Australian Securities Exchange Limited
20 Bridge Street, Sydney NSW 2000

ASX Code: PNR

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DIRECTORS' REPORT

Your directors present their report together with the consolidated financial report of Pacific Niugini Limited ("PNR" or the Company) for the six months ended 31 December 2014.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Peter Cook – Non-Executive Chairman
Paul Cmrlec - Managing Director
David Osikore – Executive Director
Sam Akoitai – Non-Executive Director (Resigned 31 October 2014)

Unless otherwise indicated all directors were in office from the beginning of the financial period until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recorded a loss after tax of \$729,799 for the half-year ended 31 December 2014 (2013: loss after tax \$2,197,761).

Corporate

At 31 December 2014 the company had 313,963,139 (30 June 2014: 313,963,139) fully paid ordinary shares on issue and cash reserves of \$791,901 (30 June 2014: \$2,594,876).

The company announced a 1 for 4 rights issue during December 2014, which was completed fully subscribed during January 2015, raising \$3.92 million before costs.

Subsequent to the end of the Period, PNR through its wholly owned subsidiary Halls Creek Mining Pty Ltd, completed a gold pre-payment finance facility raising \$9.2 million for the development of the Nicolson's Mine.

During the period, Pacific Niugini moved its head office from Brisbane to Perth to better accommodate its current Western Australian focus.

Halls Creek Project (PNR 80%)

The Halls Creek Project, and in particular the Nicolson's mine has been the priority focus for the company during the period. A number of key outcomes were achieved during the six month period, with additional material events subsequent to the reporting period.

The acquisition and development of the Halls Creek Project has been transformational for the company and will see PNR enter the ranks of gold producer during 2015. Significant project outcomes during the period included:

August/September/October 2014 – PNR announced the commencement of a confirmatory diamond drilling program, with subsequent reports which set out positive results on 16/9/2014, 23/9/14, and 9/10/2014. The drilling program was highly successful, and generally returned higher gold grades than are reflected in the current resource model. The higher grades are considered to be the result of diamond drilling techniques, which better represent the mineralisation than the reverse circulation drilling techniques employed by previous owners.

November 2014 – PNR announced the results of its feasibility study and re-start estimate for the Nicolsons mine. The review outlined a strongly profitable operational strategy with capital costs estimated at \$10.7 million, a four and a half year initial mine life, pre-tax profit of \$58 million (at A\$1400/Oz gold price), and an IRR of +160%.

November 2014 – PNR advised that it had achieved its first stage JV expenditure, and increased its ownership in the project to 65%.

December 2014 – PNR advised that it had agreed terms for a gold pre-pay facility with the Commonwealth Bank of Australia.

December 2014 – PNR signed a Heads of Agreement with Bulletin Resources where by PNR assisted Bulletin to fund their ultimate 20% share of the project on the same terms as PNR's facility. In return, PNR was no longer required to complete the sole funding of the project, and Bulletin were to contribute their equity share of project costs from the 1st of January 2015. PNR were also entitled to a total 80% ownership of the project upon completion of funding. The agreement was subsequently ratified with a binding agreement which was signed in January 2014.

Subsequent to the end of the quarter, significant developments included:

January 2015 – PNR received all required statutory approvals for the proposed Nicolsons mine.

February 2015 – PNR executed the finance facility announced in December 2014, and commenced site works including pit dewatering and refurbishment, processing plant refurbishment, and tailings facility construction.

Pacific Niugini continues to develop the Nicolsons Mine in accordance with its schedule, and expects underground mining to commence during March 2015. First gold production is scheduled for August 2015.

PNG Operations

Pacific Niugini has significantly reduced its activity in PNG following the acquisition of the Halls Creek Project. The majority of early stage exploration tenements have been relinquished, however the key Garaina and Bulolo project tenements have been retained.

Garaina Project

Pacific Niugini advised the ASX of a farm out and joint venture agreement relating to the Garaina project on the 3rd of April 2013, and provided details of the joint venture company, MGL Limited in the March 2013 quarterly report.

MGL can earn up to a 70% interest in the Garaina Project by spending up to \$21 Million on drilling and exploration works, with the first phase requiring \$6 million to be spent in the first two years for a 50.1% interest in the project. MGL has only completed half of its first phase expenditure to date, and it is unlikely that it will meet its first phase commitment. Should this occur, MGL will lose all rights to the project, and Pacific Niugini will retain a 100% interest. In that circumstance, Pacific Niugini intends to seek a new joint venture partner to continue progressing the project.

Work in PNG during the six months included data interpretation, project planning and limited field work. Combined with the successful drilling program completed during the previous period, Pacific Niugini believes that the project holds strong potential for discovery of large epithermal gold and copper-gold porphyry deposits.

An additional tenement, EL2321 (Kau Creek) was acquired by the company. Previous work at Kau Creek (which is contiguous with the previous southern boundary of the tenement) indicates the potential for discovery of further similar mineralisation, and the tenement enhances the Garaina project.

Bulolo Project

Bulk sampling programs have been completed at the Bulolo Gravels project and the company has a sound understanding of near surface gold distribution at both Bulolo and Widubosh (ML457).

As reported in the March 2014 quarterly report, Pacific Niugini received ministerial approval for the conversion of ML457 from the provisions of the previous mining act to the current mining act. Pacific Niugini received formal notification of conversion of the Mining Lease and renewal for a period of 20 years.

Pacific Niugini is reviewing options for development of the Widubosh deposit, which include potential divestment or partnering of the asset.

General

Pacific Niugini is now operating from its Perth office, and has closed its offices in Brisbane Australia and Lae, PNG. Non-Executive Director, David Osikore resides in PNG and manages the company's affairs in country.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on the next page and forms part of the directors' report for the six months ended 31 December 2014.

Signed in accordance with a resolution of the Board of Directors.



Paul Cmrlec
Managing Director
Perth, Western Australia
Date: 10 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Pacific Niugini Limited

As auditor for the review of Pacific Niugini Limited for the period ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Perth
10 March 2015

PACIFIC NIUGINI LIMITED
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	31 Dec 14 \$	31 Dec 13 \$
Revenue	4	123,231	186,623
Employee benefits expense		(174,243)	(409,254)
Exploration and evaluation assets written off		(6,840)	(1,298,940)
Administration and other expenses	5	(671,947)	(676,190)
Loss before income tax		(729,799)	(2,197,761)
Income tax expense		-	-
Loss after income tax		(729,799)	(2,197,761)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		397,683	(873,043)
Other comprehensive profit / (loss) for the period, net of tax		397,683	(873,043)
Total comprehensive loss for the period, net of tax		(332,116)	(3,070,804)
Basic loss per share (cents per share)		(0.23)	(0.87)
Diluted loss per share (cents per share)		(0.23)	(0.87)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**PACIFIC NIUGINI LIMITED
AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	As at 31 December 2014 \$	As at 30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		791,901	2,594,876
Trade and other receivables		195,263	175,146
Financial assets at fair value through profit or loss		17,308	69,842
Other assets		17,218	-
Total current assets		<u>1,021,690</u>	<u>2,839,864</u>
NON-CURRENT ASSETS			
Plant and equipment		2,059,467	2,073,197
Exploration and evaluation expenditure	6	9,989,967	8,971,230
Mine properties & development	7	528,157	-
Total non-current assets		<u>12,577,591</u>	<u>11,044,427</u>
TOTAL ASSETS		<u>13,599,281</u>	<u>13,884,291</u>
CURRENT LIABILITIES			
Trade and other payables		324,165	254,371
Provisions		42,003	73,745
Total current liabilities		<u>366,168</u>	<u>328,116</u>
NON-CURRENT LIABILITIES			
Deferred tax liability		280,511	280,511
Provisions		18,537	-
Total non-current liabilities		<u>299,048</u>	<u>280,511</u>
TOTAL LIABILITIES		<u>665,216</u>	<u>608,627</u>
NET ASSETS		<u>12,934,065</u>	<u>13,275,664</u>
EQUITY			
Contributed equity	8	136,030,386	136,030,386
Options reserve		1,727,125	1,727,125
Foreign currency translation reserve		125,562	(272,121)
Other equity reserve		1,456,939	1,466,422
Accumulated losses		<u>(126,405,947)</u>	<u>(125,676,148)</u>
TOTAL EQUITY		<u>12,934,065</u>	<u>13,275,664</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital \$	Options reserve \$	Share Based Payment Reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
At 1 July 2013	132,507,386	1,727,125	1,523,974	(113,156,900)	891,871	23,493,456
Loss for the period	-	-	-	(2,197,761)	-	(2,197,761)
Other comprehensive income	-	-	-	-	(873,043)	(873,043)
Total comprehensive income and expense for the period	-	-	-	(2,197,761)	(873,043)	(3,070,804)
Transactions with owners in their capacity as owners						
Share-based payment	-	-	136,368	-	-	136,368
At 31 December 2013	132,507,386	1,727,125	1,660,342	(115,354,661)	18,828	20,559,020

	Issued Capital \$	Options reserve \$	Share Based Payment Reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
At 1 July 2014	136,030,386	1,727,125	1,466,422	(125,676,148)	(272,121)	13,275,664
Profit for the year	-	-	-	(729,799)	-	(729,799)
Other comprehensive loss	-	-	-	-	397,683	397,683
Total comprehensive loss for the period	-	-	-	(729,799)	397,683	(332,116)
Transactions with owners in their capacity as owners						
Share-based payment	-	-	(9,483)	-	-	(9,483)
At 31 December 2014	136,030,386	1,727,125	1,456,939	(126,405,947)	125,562	12,934,065

PACIFIC NIUGINI LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 14 \$	31 Dec 13 \$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Receipts from trade and other debtors		-	119,516
Payments to suppliers and employees		(722,718)	(924,946)
Interest received		32,337	76,348
Other income		24,446	-
Net cash flows used in operating activities		<u>(665,935)</u>	<u>(729,082)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(69,435)	(355,137)
Payments for exploration and evaluation		(995,427)	(1,024,913)
Payments for mine properties and development		(528,157)	-
Proceeds from sale of property, plant and equipment		66,721	-
Proceeds from sale of Investments		549	-
Net cash flows used in investing activities		<u>(1,525,749)</u>	<u>(1,380,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows used in financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(2,191,684)	(2,109,132)
Net foreign exchange differences		388,709	6,318
Cash at the beginning of the financial period		<u>2,594,876</u>	<u>5,087,853</u>
Cash and cash equivalents at the end of the period		<u><u>791,901</u></u>	<u><u>2,985,039</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Pacific Niugini Limited (the "Company") is a company domiciled in Australia. The consolidated half-year financial statements of the Company as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 are available upon request from the Company's registered office at Level 3, 18-32 Parliament Place, West Perth WA 6005 or on the website at www.niugini.com.au

2. Statement of compliance

The consolidated half-year financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated half-year financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated half-year financial statements were approved by the Board of Directors on 10 March 2015.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Group in these consolidated half-year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

The fair value of the Group's financial assets and financial liabilities approximate their carrying value.

4. Revenue

	2014	2013
	\$	\$
Interest received - other corporations	32,064	67,487
Proceeds From Asset Sales	66,721	-
Other income	24,446	119,136
Total Revenue	<u>123,231</u>	<u>186,623</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Administration and Other Expenses

	2014	2013
	\$	\$
Depreciation of plant & equipment	45,757	65,093
Legal and professional fees	200,510	153,003
Travel and accommodation expenses	15,737	-
Loss on disposal of assets	98,368	16,007
Administration expenses	311,575	442,087
Total administration and other expenses	<u>671,947</u>	<u>676,190</u>

6. Exploration and Evaluation Assets

	31 Dec 14	30 Jun 14
	\$	\$
Exploration and evaluation costs carried forward in respect of mining areas of interest		
Net carrying amount at cost	<u>9,989,967</u>	<u>8,971,230</u>
<i>Movement in exploration and evaluation expenditure</i>		
At 1 July net of accumulated impairment	8,971,230	10,749,511
Additions	634,132	2,636,921
Exploration and evaluation expenditure written off	(6,797)	(3,306,508)
Foreign exchange movements	<u>391,402</u>	<u>(1,108,694)</u>
At 31 December net of accumulated impairment	<u>9,989,967</u>	<u>8,971,230</u>

7. Mine Properties and Development

	31 Dec 14	30 Jun 14
	\$	\$
Development areas at cost		
Feasibility Costs	<u>528,157</u>	-
Net carrying amount	<u>528,157</u>	-
Movement in mine properties and development		
Development areas at cost		
At 1 July	-	-
Additions	<u>528,157</u>	-
At 31 December	<u>528,157</u>	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Contributed Equity

	31 Dec 14	30 Jun 14
	\$	\$
(a) Ordinary Shares		
Issued and fully paid	136,030,386	136,030,386

(b) Movements in ordinary shares on issue

	Number	\$
At 1 July 2013	251,284,667	132,507,386
Share issue costs		(117,000)
Issue for asset acquisition	17,678,472	1,300,000
Placement	45,000,000	2,340,000
At 30 June 2014	<u>313,963,139</u>	<u>136,030,386</u>
At 1 July 2014	<u>313,963,139</u>	<u>136,030,386</u>
At 31 December 2014	<u>313,963,139</u>	<u>136,030,386</u>

(c) Terms and conditions of contributed equity

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(d) Options and performance rights outstanding

Type	Expiry Date	Exercise Price (\$)	Number
Unlisted options	7/03/2016	0.17	150,000
Unlisted options	30/05/2016	0.19	500,000
Unlisted options	21/11/2016	0.09	2,000,000
Unlisted performance rights	21/11/2016	nil	2,000,000
Total			<u>4,650,000</u>

The above options are exercisable at any time on or before the expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Segment Information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and the rest of the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

Therefore, management identifies the Group as having only one reportable segment. The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole.

(b) Entity-wide disclosures

The Group's geographical information is as follows:

Non-Current Assets

	Australia \$	Papua New Guinea \$	Total \$
December 2014	5,405,775	7,171,816	12,577,591
June 2014	3,302,831	7,741,596	11,044,427

The Group is primarily focused on its Halls Creek project, in Western Australia, completing a feasibility study and progressing towards final approvals, financing and refurbishment of the existing plant and establishment of an underground mine. It also has some mineral exploration located in Papua New Guinea. The Group's headquarters office is in Australia. The Group does not have any products/services that it derives revenue from except interest.

10. Contingent Liabilities and Contingent Assets

The Group has no contingent liabilities and contingent assets at reporting date.

11. Fair Value of Financial Instruments

The following financial instruments are subject to recurring fair value measurements:

	31 Dec 14 \$	30 Jun 14 \$
Available for sale financial assets		
Investments in listed entities - Level 1	17,308	69,842

The fair value measurement of Level 1 financial instruments is based on unadjusted quoted prices in active markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Events

On 19 January 2015 the Department of Minerals and Petroleum approved the Mining Proposal and Mine Closure Plan for the Nicolsons Mine near Halls Creek in Western Australia.

On 27 January 2015 the Department of Minerals and Petroleum approved the Project Management Plan for the Nicolsons Mine near Halls Creek in Western Australia. This is the final approval required for the commencement of works at site.

On 28 January 2015 the 1:4 rights issue announced on 5 December 2014 closed raising a total of \$3,924,540 for the issue of 78,490,800 fully paid ordinary shares. This satisfied a key condition precedent for the proposed Commonwealth Bank of Australia ("CBA") funding facility previously announced on 5 December 2014.

On 6 February 2015 the Company issued 3,500,000 unlisted employee options with an exercise price of \$0.10 expiring 30 June 2018 and 1,800,000 unlisted employee performance rights expiring 30 January 2017.

On 20 February 2015 the gold pre-pay facility with CBA was completed in lines with the terms previously announced with the receipt of \$9,200,000. In addition the Company entered into a gold hedge of 15,076oz at a fixed price of \$1,568/oz with CBA. The Company also assisted its JV partner, Bulletin Resources Ltd, in receiving a similar funding package from CBA proportional to its equity. As a result of this the Group now holds an 80% interest in the Halls Creek project.

There are no other matters or circumstances which have arisen since the end of the financial period to the date of this report, which have significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

13. Dividends

No dividends were provided for or paid during the half-year.

DIRECTORS' DECLARATION

In the opinion of the directors of Pacific Niugini Limited ("the Company"):

- a) the financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Paul Cmrlec
Managing Director

Perth, Western Australia
Date: 10 March 2015

Independent Auditor's Review Report

To the members of Pacific Niugini Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Pacific Niugini Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Pacific Niugini Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Pacific Niugini Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pacific Niugini Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

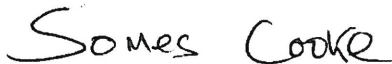
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Niugini Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Pacific Niugini Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Somes Cooke



Nicholas Hollens

10 March 2015

Perth
Western Australia