



Corporate Information

Fast Facts

ASX Code	PIR
Ordinary shares	183MORD
Quoted options	66.9M
Unlisted Options	9.0M

Investment Highlights

- 650,000oz gold indicated and inferred mineral resource grading 3.17g/t at Medinandi Project, Mali West.
- PIR's attributable oz Au = 522,000oz.
- 1,800km² licences over prospective Birimian greenstone belt.
- 25km strike length within 40M oz gold province on the Kénéiba-Kedougou Inlier.
- Aggressive drilling programme at Medinandi testing mineralization along strike and at depth.
- Multi-pronged exploration programme focused on increasing resource inventory. Excellent green-fields exploration potential.



Board and management

Jeremy Shervington
Chairman

Alan Campbell
Managing Director

Alec Pismiris
Non Executive Director

Stuart Hall
Non Executive Director

Dennis Wilkins
Company Secretary

Contact Us

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ASX Release

31 January 2011

Quarterly Activities Report December 2010

- Phase 2 drilling at Medinandi Project with 14,750m RC and 3,056m RAB completed at FNE, FSE, and Fekola, with drilling continuing at FMZ & recon targets.
- Fadougou North East ("FNE") mineralised zone infill and extension drilling to the north and south completed over 2,000m strike, with continued ore grade intercepts delivered including:
 - 11m @ 13.26g/t Au, including 4m @ 29.95g/t Au
 - 9m @ 5.57g/t Au; 12m @ 4.26g/t Au & 6m @ 9.23g/t Au
- High CIL recoveries on coarse feed indicate easily leachable, free milling ore at Medinandi Project.
- New gold targets emerge on Mali South tenements.
- Ownership of Mali Goldfields SARL increased from 80% to 90%.
- Capital raising completed \$12.4M (before costs) with exercised options raising \$1.94M.



1. OPERATIONS SUMMARY

During the quarter, Papillon Resources Limited (“Papillon” or “the Company”) recommenced an aggressive exploration programme following an extensive review of the exploration results generated from its Mali projects. The exploration programme included:

- ▶ RC and RAB drilling at its flagship Medinandi Project in western Mali (Figures 1, 2, & 3), where a JORC Code Indicated and Inferred resource of 650,000 ounces gold grading 3.17g/t is located (Table 1: Mineral Resource Statement);
- ▶ interpretation of preliminary metallurgical test results of various grade mineralization from the Fadougou Main Zone (“FMZ”) and Fadougou North East (“FNE”) prospects at the Medinandi Project; and
- ▶ planning of a multi rig auger drilling programme in southern Mali (Figures 1, 5 & 6), where new gold targets have been identified from geochemical assay results.

Figure 1: Mali Project Location Map

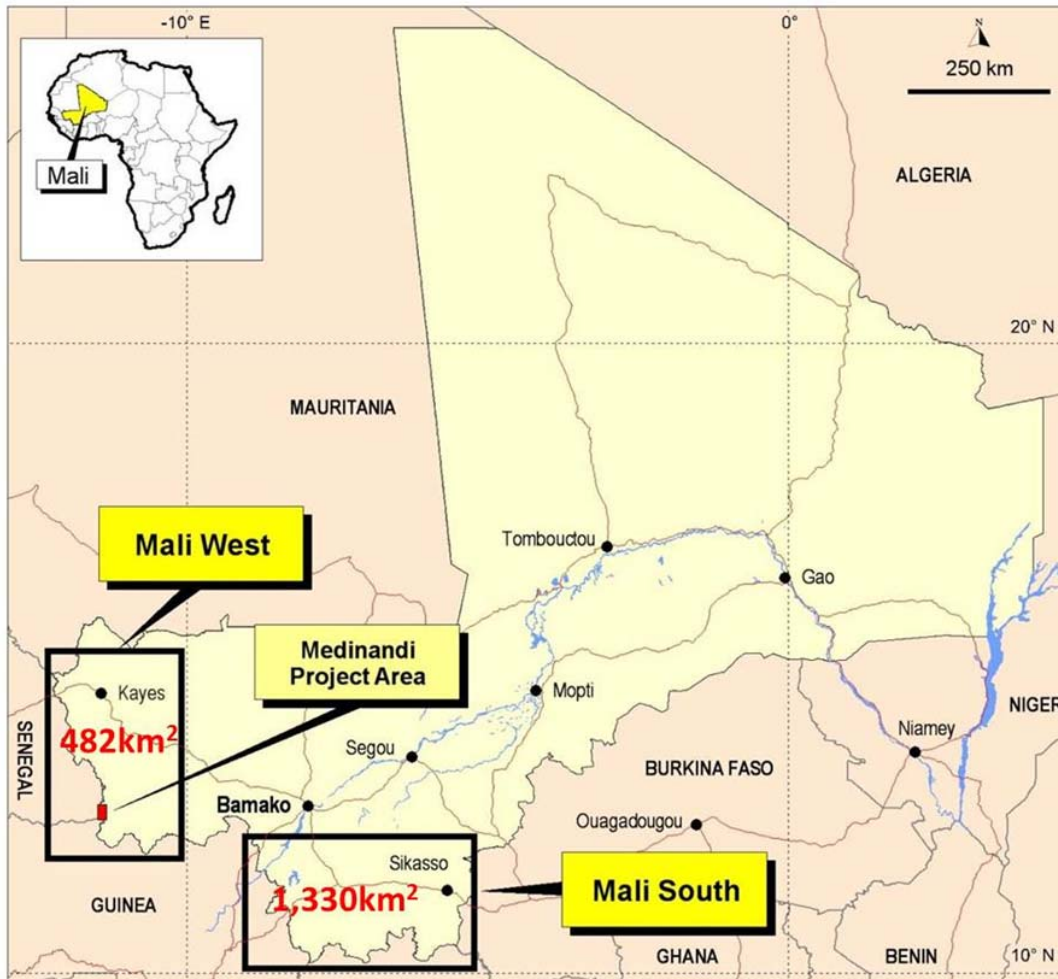
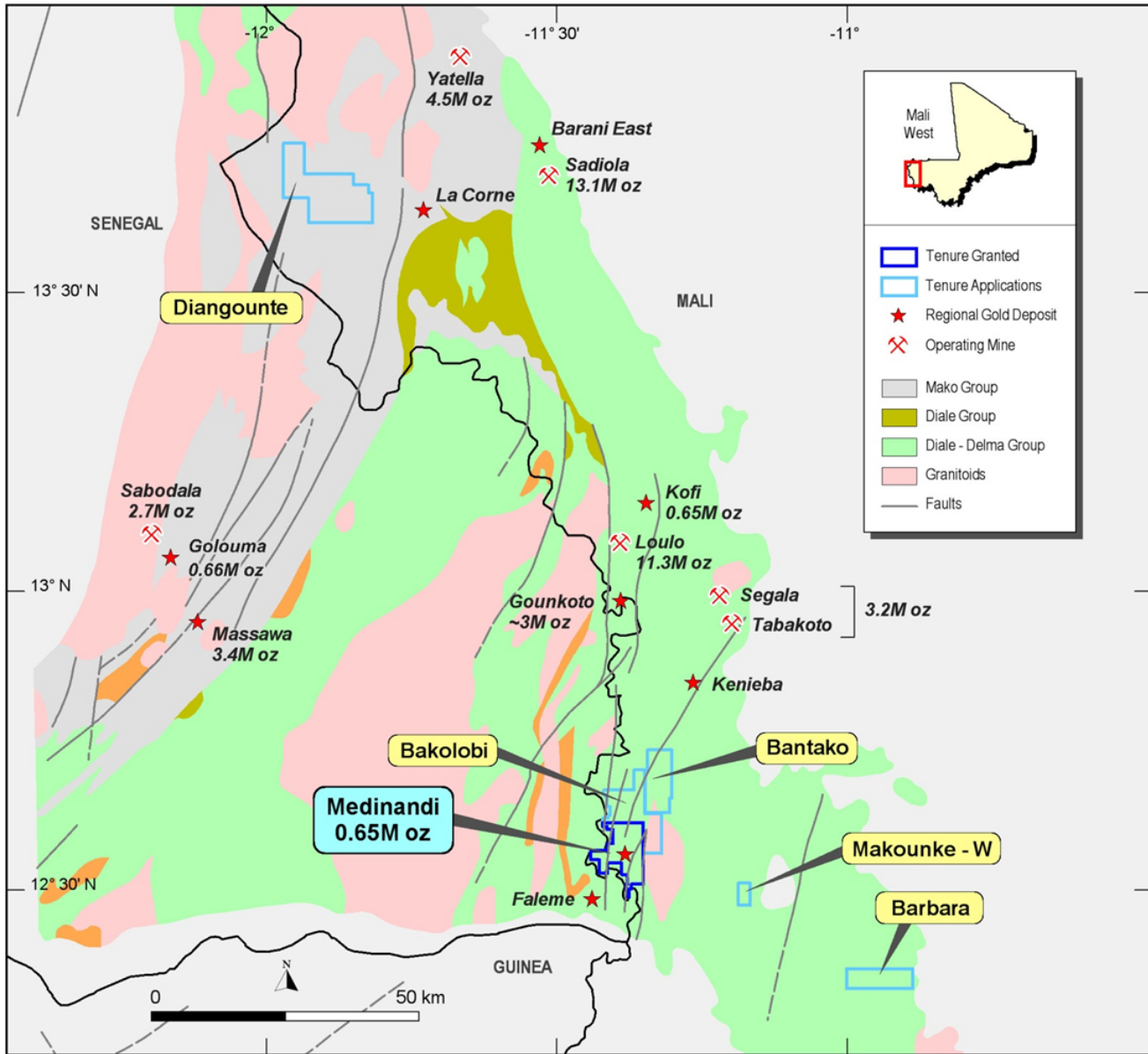




Figure 2: Mali West – Medinandi Project Location and regional gold deposits



2. MALI WEST - MEDINANDI PROJECT

The Phase 2 drilling programme commenced during the reporting period with 14,750m RC and 3,056m RAB drilling being completed at the FMZ, FNE, Fadougou South East (“FSE”), and Fekola prospects. The drilling programme has continued into 2011 with RC drilling at the FMZ and RAB drilling at various reconnaissance targets (Figure 3: Medinandi Project Prospects and Exploration Targets Drill Status).



Table 1: Medinandi Project – Mineral Resource Statement for Fadougou Main Zone

Mineral resource statement for Fadougou Main Zone				
January 2010	Tonnes	g/t Au	Total oz Au	PIR's attributable oz Au (80%)
Measured	-	-	-	-
Indicated	2,772,097	3.14	280,776	224,621
Inferred	3,626,456	3.19	372,207	297,766
Total	6,398,553	3.17	652,983	522,386
<i>Reported in accordance with SAMREC and JORC Code for mineral resource statements</i>				
<i>- calculated at a bottom cut-off grade of 1.0g/t and top cut-off of 80g/t</i>				

Fadougou North East (FNE) Infill Drilling

The results received for infill reverse circulation drilling at the **FNE** zone (Figure 3) have returned further significant gold intercepts in a north-south trending mineralised zone in excess of 700m of strike. Drilling has now been completed on 40m to 80m spaced sections. During this reporting period, results were received for approximately 66% of the drilling at the FNE. Mineralisation is contained within a broad north-south trending, west-dipping zone of alteration and silicification within predominantly sedimentary host rocks that extends the length of the FNE drilled zone. Higher grades are associated with increased sulphide contents. Local geological complexity is evident within the alteration zone, with mineralisation possibly controlled by stacked structures and influenced by the distribution of mafic intrusive units.

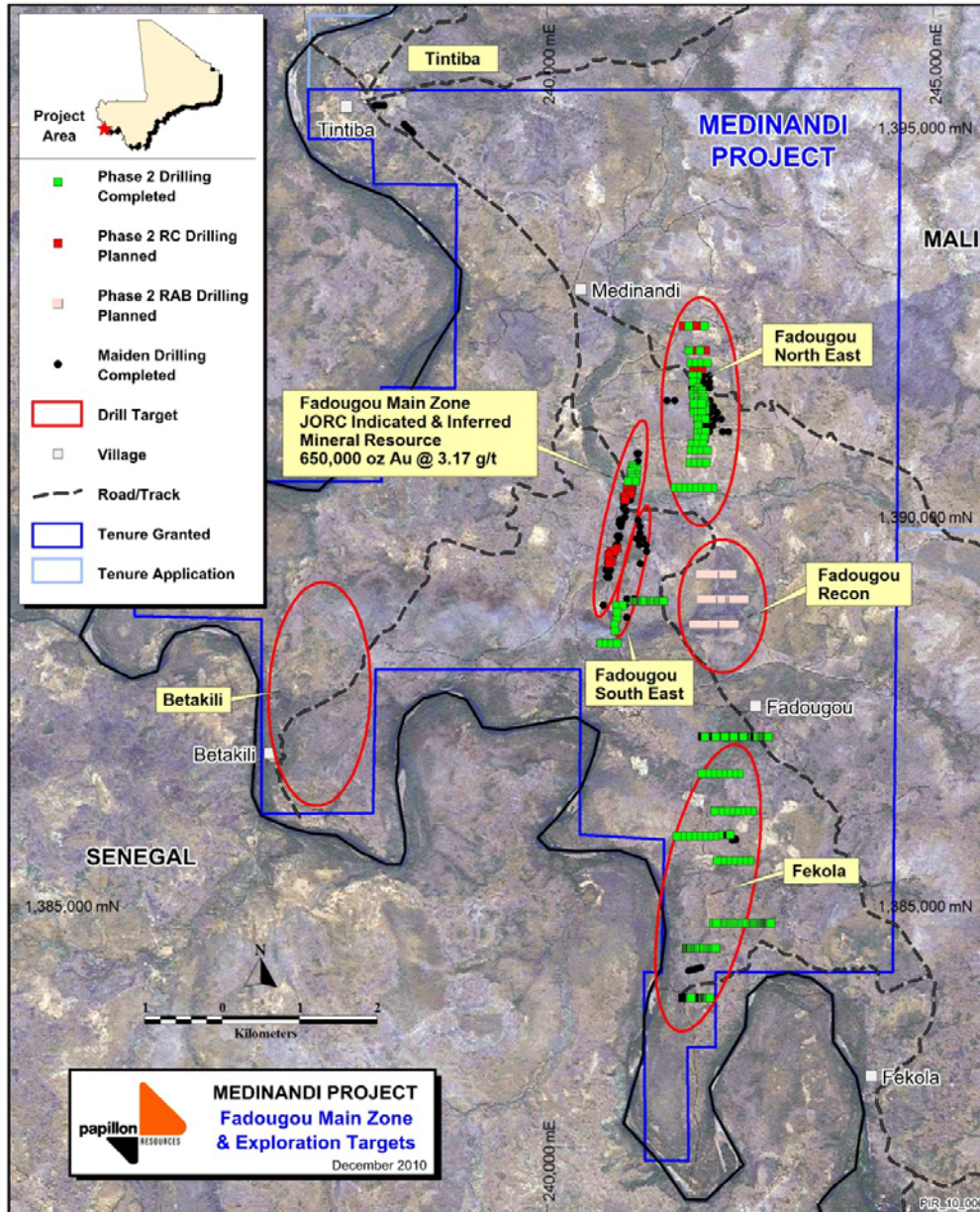
Significant new FNE drill results include **11m @ 13.26g/t Au**, including **4m @ 29.95g/t Au**, **9m @ 5.57g/t Au**, **12m @ 4.26g/t Au**, **6m @ 9.23g/t Au** and **6m @ 5.10g/t Au**. A summary of results is given in Table 2. Papillon considers that the continued drill results at FNE confirm that a substantial near-surface mineralising system has been located, and continued drilling is required to determine its depth and strike extent. Extensional drilling has been completed on sections 80m or 160m to the north and south of FNE (Figure 3).

Fadougou South East (FSE)

The **FSE** prospect refers to a cluster of shallow previous drill holes and minor artisanal diggings in an area located some 300m east of the Fadougou Main Zone ("FMZ"). It is considered that the occurrence may reflect a mineralised structure sub-parallel to the FMZ. A fourhole programme completed in July 2010 recorded strong intercepts of **12m @ 8.59g/t Au** and **7m @ 4.83g/t Au**. An additional 10 RC holes have been drilled on extensional and infill sections to determine the geometry of mineralisation at this location (Figure 3). Initial RC drilling in an area some 700m along strike to the north of FSE, which returned significant early stage results including **1m @ 8.21g/t Au**, **1m @ 7.12g/t Au** and **3m @ 2.53g/t Au**, has been followed up with RAB drilling.



Figure 3: Medinandi Project Prospects and Exploration Targets Drill Status



Fadougou Main Zone (FMZ)

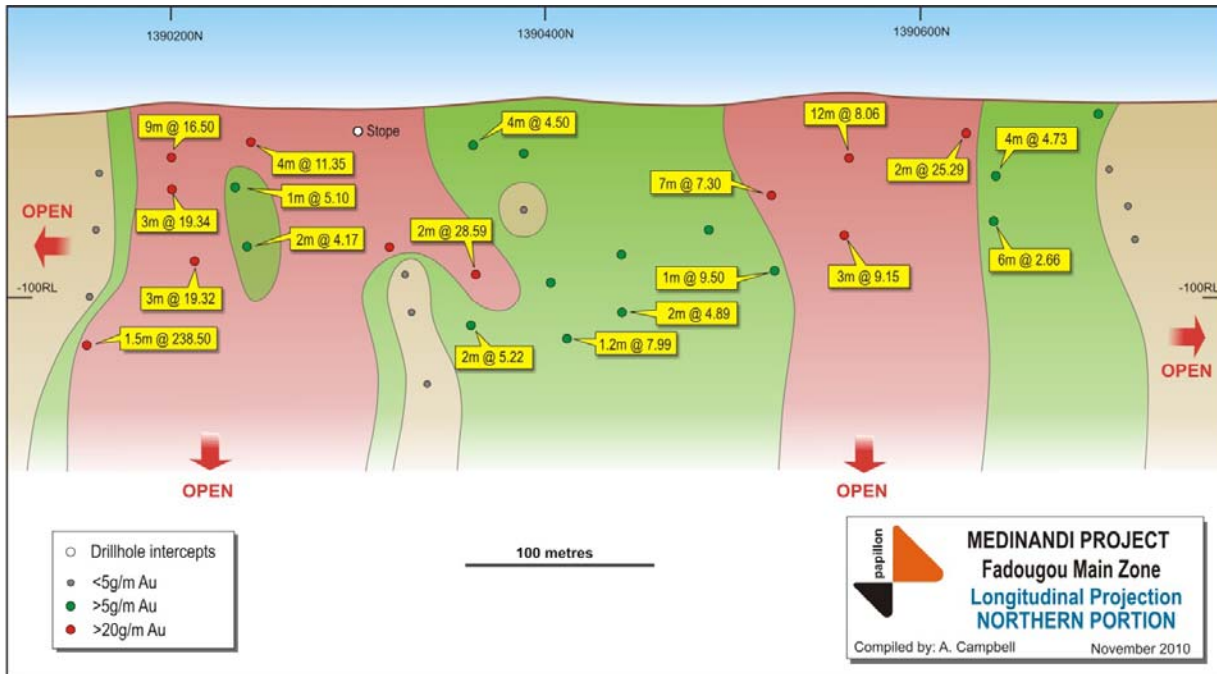
Drilling to test extension of mineralisation at depth commenced, with 10 holes completed during the quarter. Holes are planned up to 180m vertical depth. A 500m long section of the 2km strike length at FMZ where the drilling was undertaken is shown in Figure 4.



Table 2: Medinandi Project - Phase 2 Drilling Fadougou North East Drill Hole Summary

Fadougou North East (FNE)								
Drill Hole ID	Location		Orientation		Intersection (m)		Interval (m)	Gold g/t
	Easting	Northing	Dip	Azimuth	From	To		
FNER_039	241960	1391640	-55	90	12	21	9	5.57
FNER_039	241960	1391640	-55	90	29	40	12	4.26
FNER_041	241950	1391600	-55	90	57	62	5	3.47
FNER_050	242000	1391520	-55	90	26	32	6	5.10
FNER_051	242020	1391480	-55	90	7	11	4	4.17
FNER_054	242000	1391440	-55	90	16	21	5	4.25
FNER_054	242000	1391440	-55	90	30	32	2	7.05
FNER_055	242050	1391440	-55	90	67	72	6	9.23
FNER_056	241890	1391400	-55	90	95	97	2	10.63
FNER_060	241920	1391400	-55	90	82	84	2	8.31
FNER_060	241920	1391400	-55	90	133	136	4	2.71
FNER_061	241950	1391400	-55	90	31	37	6	2.34
FNER_062	241980	1391400	-55	90	14	18	4	7.37
FNER_063	242005	1391400	-55	90	61	62	1	12.95
FNER_067	242050	1391360	-55	90	8	19	11	13.26

Figure 4: Medinandi Project Fadougou Main Zone – Long Section





Fekola Anomaly

Promising early-stage results at Fekola, including several areas of soil anomalism extending over 3.5km in the southern portion of the Medinandi licence (Figure 3). Fekola is along strike from FNE. Previous drilling was restricted to nine shallow RC holes along two reconnaissance traverses, the northern of which returned bedrock anomalism over wide zones in all drill-holes, including results of **11m @ 1.38g/t Au** within 41m @ 0.76g/t Au and **6m @ 1.26g/t Au** within 32m @ 0.66g/t Au.

This anomaly has now been tested with an additional 33 RC holes and a number of shallow RAB drill holes to determine the geometry of mineralisation and to confirm prior results.

Metallurgical Testwork at Medinandi Project

Gold beneficiation testwork via Carbon in Leach (CIL) and gravity concentration was undertaken on composite samples of fresh rock of various grade mineralisation. The primary objective of the testwork was to obtain initial information on the metallurgical properties of various grade mineralisation from the FMZ and FNE prospects at the Medinandi Project.

The first batch of metallurgical testwork undertaken at the Medinandi Project reported:

- ▶ high CIL recoveries on coarse feed indicating easily leachable, freemilling ore;
- ▶ up to 92.3% Au recovery from standard bottle roll CIL testwork; and
- ▶ gravity department to concentrate of up to 83.8% Au recovery.

Testwork completed to date indicates potential recoveries may be further enhanced where gravity concentration is followed by concentrate cyanide leaching.

3. MALI SOUTH

The Company has an extensive land holding in southern Mali (Figure 5). All tenements are at the early stage exploration phase. Following an assessment of geological and geophysical data sets and the assay of some 8,000 geochemical samples, a multi rig auger drilling programme has been planned in southern Mali. This programme is scheduled to start in late January 2011 and will continue throughout the remainder of the year. This land holding has the potential to generate a pipeline of new opportunities.

Ourou-Ourou Project

Several areas of >100ppb Au anomalism were reported from soil geochemical samples at the Ourou-Ourou Project. The strong geochemical anomalism is coincident with a regional aero-magnetic structure and demonstrates the potential of the Ourou-Ourou Project (Figure 6). The auger drilling programme is planned to start at the Ourou-Ourou Project.



Figure 5: Exploration permits and regional geology in south Mali

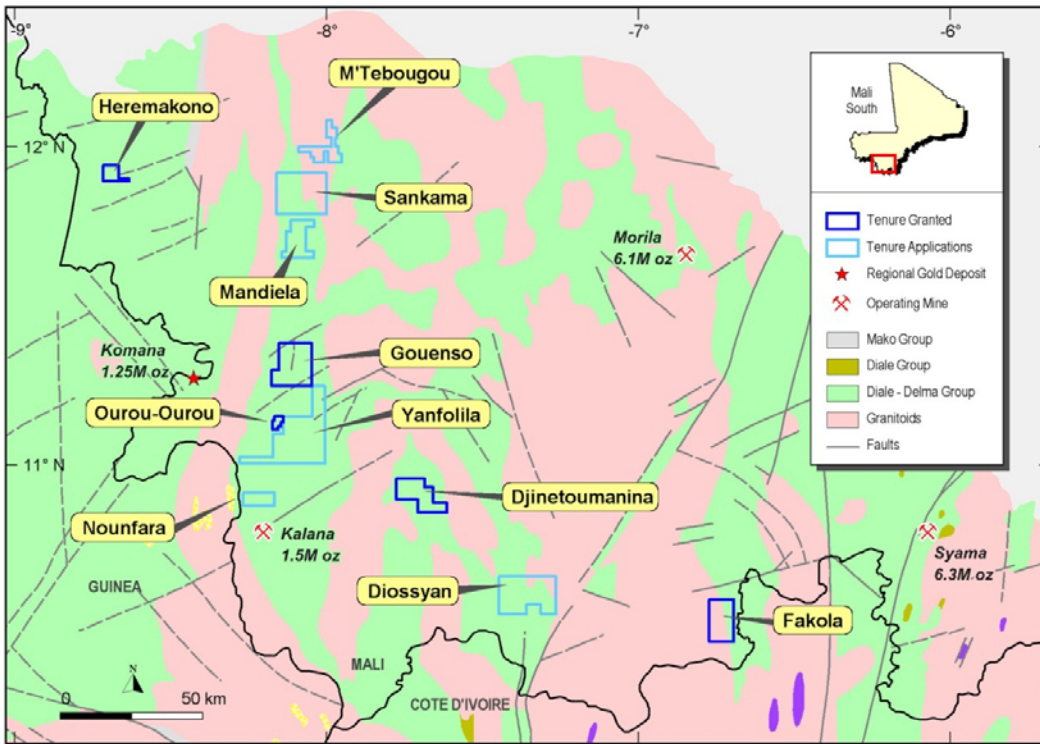
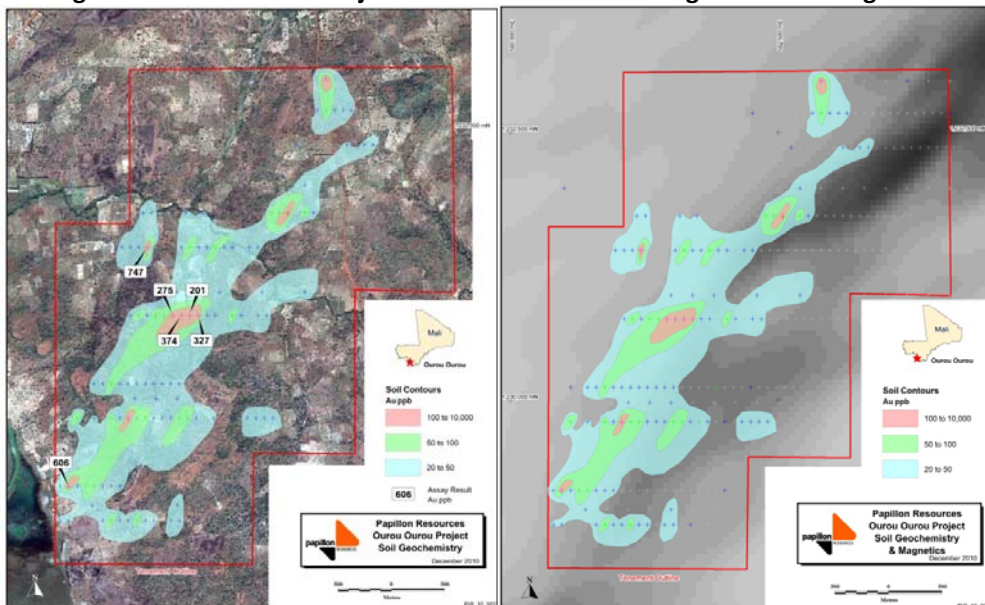


Figure 6: Ourou-Ourou Project – Geochem Results & Regional Aero-Magnetics





4. CORPORATE

As at 31 December 2010 the Company had cash on hand of \$13,553,000.

In December, the Company raised \$12.4 million (before costs) through a placement to national and overseas institutions of 22.5 million shares at \$0.55 each. The placement was heavily oversubscribed. The funds raised pursuant to the capital raising will be used primarily to accelerate exploration across Papillon's Mali gold projects. In addition, the Company received \$1.937 million from options exercisable at 20 cents expiring on the 31st December 2010 and \$2,380 from options exercisable at 20 cents expiring on the 31st December 2012.

The Company increased its ownership of Mali Goldfields SARL from 80% to 90% following entering into a binding agreement to purchase 10% from Mali Mining House S.A. ("MMH"). MMH will remain an important joint venture partner through its retained 10% holding of Mali Goldfields SARL. Mali Goldfields SARL is the beneficial owner of tenements covering 1,533km² in Mali South and Mali West.

5. FUTURE EXPLORATION

During the March Quarter 2011 the Company's activities are expected to focus on the Medinandi Project and various Mali South projects.

At the Medinandi Project, future exploration work will include and focus on the following activities:

- ▶ step-out drilling on the FMZ to test extension of mineralisation, which remains open to the north and south along strike;
- ▶ infill and step-out drilling at the FNE prospect, which remains open to the north and south along strike;
- ▶ infill and step out drilling at the FSE;
- ▶ infill and step out drilling at the Fekola prospect; and
- ▶ drilling of targets generated from the interpretation of geochemical & ground geophysical (IP survey) at the Medinandi Project.

In Mali South, exploration plans include:

- ▶ the commencement of a multi rig auger drilling programme at the Ourou-Ourou, Gouenso, Heremakono, and Djinetoumanina Projects and soil geochemical sampling at the Fakola Project.



Full details of the above and the original releases to the ASX upon which they are based (inclusive of all associated figures and tables) are available at www.asx.com.au or from Papillon's website at www.papillonresources.com.

For further information contact:

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Papillon Resources Limited
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alan.campbell@papillonresources.com

Competent Persons Statement

Information in this report that relates to Exploration Results is based on information compiled by Stuart Hall, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Hall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Hall consents to the inclusion in this report of the statements based on his information in the form and context in which it appears.

Information in this report that relates to in-situ Mineral Resource estimates for Fadougou Main Zone is based on information compiled by Mr. Andy Clay, an employee of Venmyn Rand Pty Ltd., geological consultants. Mr. Clay is a competent person for the Fadougou Main Zone estimates and takes overall responsibility for these. Mr. Clay is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Clay consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Forward Looking Statement

Statements regarding plans with respect to the Company's mineral properties are forward-looking statements. There can be no assurance that the Company's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Papillon Resources Limited

ABN

96 119 655 891

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,065)	(1,529)
(b) development	-	-
(c) production	-	-
(d) administration	(456)	(832)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	76	109
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,445)	(2,252)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(250)	(250)
(b) equity investments	-	-
(c) other fixed assets	(101)	(105)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(351)	(355)
1.13 Total operating and investing cash flows (carried forward)	(1,796)	(2,607)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,796)	(2,607)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	12,914	12,914
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share issue transaction costs	(640)	(640)
	Net financing cash flows	12,274	12,274
	Net increase (decrease) in cash held	10,478	9,667
1.20	Cash at beginning of quarter/year to date	3,077	3,888
1.21	Exchange rate adjustments to item 1.20	(2)	(2)
1.22	Cash at end of quarter	13,553	13,553

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	135
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

The Company had cash in transit of \$1,400,951 from the proceeds of exercised options (exercise price \$0.20, expiry 31 December 2010) that has not been included at items 1.14 and 1.22.

During the quarter fees of \$29,287 were paid to Prairie Downs Metals Limited of which Messrs J D Shervington, A C Pismiris and S J Hall are directors for the provision of personnel and office accommodation at normal commercial rates.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,600
4.2	Development	-
4.3	Production	-
4.4	Administration	350
Total		1,950

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	580	277
5.2 Deposits at call	12,973	2,800
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	13,553	3,077

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

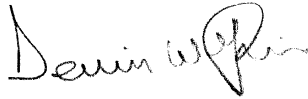
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (<i>description</i>)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	187,219,893	187,219,893		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,201,153	32,201,153		
7.5 +Convertible debt securities (<i>description</i>)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	5,000,000 4,000,000 66,912,120	- - 66,912,120	<i>Exercise price</i> 15 cents 15 cents 20 cents	<i>Expiry date</i> 31 December 2011 31 December 2012 31 December 2012
7.8 Issued during quarter				
7.9 Exercised during quarter	9,689,253 11,900	9,689,253 11,900	20 cents 20 cents	31 December 2010 31 December 2012
7.10 Expired during quarter	140,001	140,001	20 cents	31 December 2010
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: **31 January 2011**

Print name:

Dennis Wilkins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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