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PAPILLON MOVES TO 90% OWNERSHIP OF FEKOLA PROJECT

Highlights

- ▶ **Acquisition of an additional 10% beneficial interest in the Fekola Project**
- ▶ **Papillon's interest in the Project increases from 80% to 90%**

Papillon Resources Limited ('Papillon' or 'the Company') is pleased to announce that the Company has moved to 90% ownership of the highly prospective Fekola Project ('Fekola' or 'the Project') in western Mali by acquiring an additional 10% of the ordinary share capital in Songhoi Resources SARL ('Songhoi') from its local partner, Mani SARL ('Mani'). Songhoi wholly owns the core tenement which hosts the Project's recently announced 3.14 million ounce Mineral Resource Estimate ('MRE').

The maiden MRE comprises 40.1 million tonnes averaging 2.4 g/t gold for a contained 3.14 million ounces of gold at a lower cut-off grade of 1.0 g/t gold (refer ASX Announcement dated 4 July 2012). The MRE was based on 24,500 metres of drilling which extended over a strike length of appropriately 2 kilometres and to a maximum depth of 250 vertical metres. Mineralisation remains open at depth and along strike in both directions and accordingly, potential exists to substantially increase the resource base with ongoing work.

The Company has commenced Scoping Study on the Project which is scheduled to be completed during the December quarter of 2012. A metallurgical testwork program, undertaken as part of the Scoping Study, has recently been completed and produced very encouraging results including leach recoveries in excess of 93%. The testwork results indicate that Gravity Recoverable Gold by gravity concentration and a conventional Carbon in Leach ('CIL') process are best suited to the Project (refer ASX Announcement dated 3 September 2012).

The commercial terms of the transaction were initially negotiated with the Company's local joint venture partner last year, however the transaction was subject to completion of a number of conditions, including approval at a meeting of Songhoi's shareholders and various other in-country approvals and registrations. These conditions have only now been satisfied. The consideration for the additional 10% interest in Songhoi comprises US\$750,000 in cash and 860,000 fully paid ordinary shares in Papillon.

The Directors consider the acquisition of the additional 10% beneficial interest in Fekola to be a positive, value creating transaction for Papillon. With the current Scoping Study ongoing and a further extensive drilling campaign planned, the Company continues to focus on rapidly advancing the exploration, appraisal and potential development of this outstanding project.

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Competent Person Statement

Information in this Report that relates to Mineral Resources is based on information compiled by Mr Nic Johnson of MPR Geological Consultants. Mr Johnson is a Member of the Australian Institute of Geoscientists ('AIG') 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 ('The JORC Code'). Mr Johnson consents to the inclusion of such information in this Report in the form and context in which it appears.