PAPILLON RESOURCES LIMITED

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2013

ABN 96 119 655 891

CORPORATE DIRECTORY

Directors
Mr Ian Middlemas (Non-Executive Chairman)
Mr Mark Connelly (Managing Director & CEO)
Mr Robert Behets (Non-Executive Director)
Mr Alec Pismiris (Non-Executive Director)
Mr Peter Woodman (Non-Executive Director)

Company Secretary
Mr Gregory Swan

Registered Office
Level 11, BGC Centre
28 The Esplanade
Perth WA 6000
Australia

Telephone: +61 8 9222 5400
Facsimile: +61 8 9321 2761

Stock Exchange Listing
Australian Securities Exchange
ASX Code: PIR – Fully paid ordinary shares

Share Registry
Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

Telephone: 1300 55 70 10
International: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Solicitors
Hardy Bowen Lawyers

Auditor
Deloitte Touche Tohmastu

Bankers
Australia and New Zealand Banking Group Limited

CONTENTS

DIRECTORS' REPORT

The Board of Directors of Papillon Resources Limited present their report on Papillon Resources Limited ("**Company**" or "**Papillon**") and the entities it controlled during the half year ended 31 December 2013 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

The names and details of the Company's directors in office at any time during the half year or since the end of the half year are:

Mr Ian Middlemas	Non-Executive Chairman
Mr Mark Connelly	Managing Director and CEO
Mr Robert Behets	Non-Executive Director
Mr Alec Pismiris	Non-Executive Director
Mr Peter Woodman	Non-Executive Director

Unless otherwise stated, Directors held their office from 1 July 2013 until the date of this report.

OPERATING AND FINANCIAL REVIEW

Operations

During and subsequent to the end of the half year, the Company's operations continued to focus on the progression of the Fekola Gold Project ('Fekola' or 'the Project') located in south western Mali adjacent to the border with Senegal, including completion of an updated Mineral Resource Estimate ('MRE'), receipt of a Mining Permit for Fekola, and ongoing exploration work.

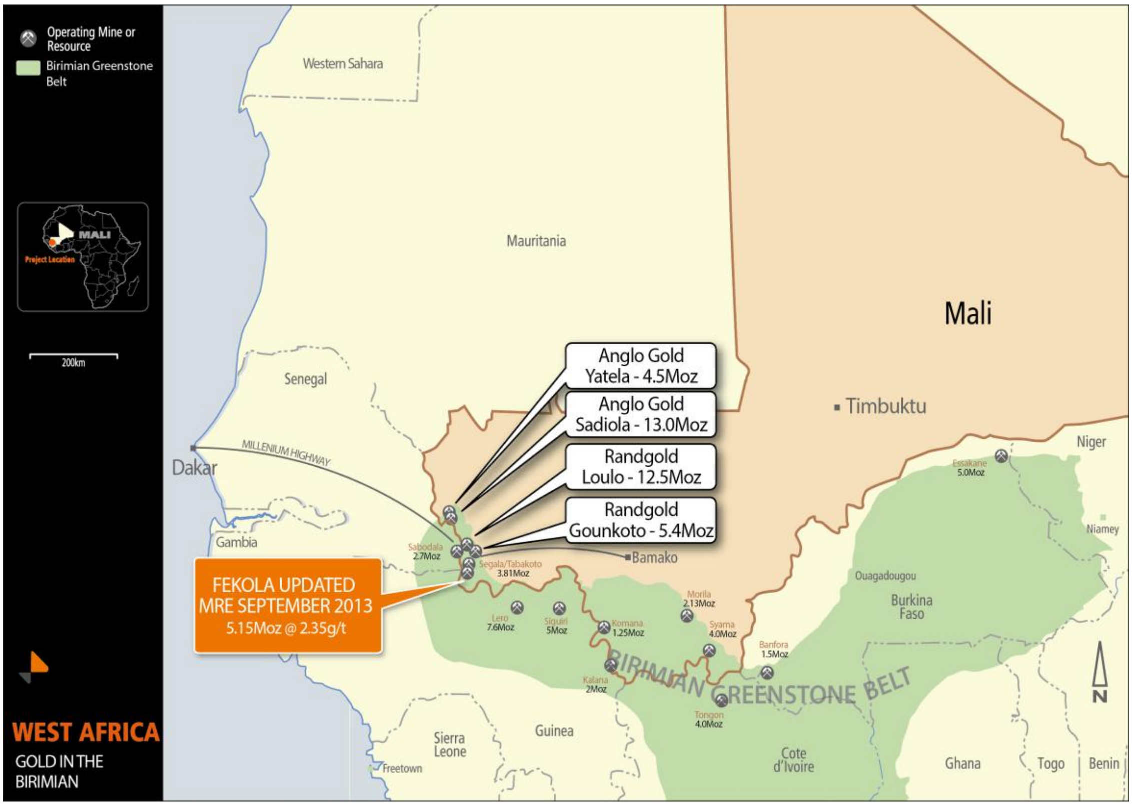

Figure 1: Fekola Project Location Map

OPERATING AND FINANCIAL REVIEW (Continued)

Highlights

Highlights during and subsequent to the end of the half year include:

(i) Mining Permit Granted for Fekola

In February 2014, the Company was granted a Mining Permit to develop and mine its flagship Fekola Project. The Mining Permit is valid for a period of 30 years and covers the entire 75km^2 area of the existing Fekola Exploration Permit. The Mining Permit, together with the Company's previously granted Environmental Permit, are the final significant permitting requirements for the Company, giving it security of tenure, and final approval for the mine development and exploitation of gold at Fekola.

(ii) Updated Mineral Resource Estimate of 5.15 million ounces at Fekola

In September 2013, the Company completed an updated MRE for Fekola estimated at 68.29 million tonnes averaging 2.35 g/t gold for a contained 5.15 million ounces of gold at a lower cut-off grade of 1.0 g/t gold. Measured and Indicated Resource categories account for 90% of the MRE or 4.64 million ounces and the majority of the MRE is contained within a single, continuous, mineralised system. Mineralisation is open at depth and along strike and potential exists for further resource growth.

(iii) Strategic review of PFS prior to award of DFS for Fekola

Following completion of a Pre-Feasibility Study ('PFS') for Fekola in June 2013, the Company commenced a detailed review of the PFS prior to the award of the Definitive Feasibility Study ('DFS') to identify key areas for improvement to further reducing capital and operation costs. The areas of focus include: (a) incorporation of the updated MRE into mining schedules; (b) additional metallurgical and comminution test work; (c) examination of alternative crushing and grinding circuits; (d) improved infrastructure locations and site layout; and (e) ongoing power studies. The DFS is planned to commence in March 2014.

(iv) Commenced 2014 drilling campaign

The 2014 drilling program, which commenced in November following the end of the wet season, is planned to consist of between 10,000 and 20,000 metres of predominantly reverse circulation ('RC') and diamond ('DD') drilling. The drilling program is focused on developing new high grade open pit opportunities within close proximity to the current planned processing infrastructure.

(v) Continued positive drilling results

During the period, the Company received the remaining results from the 2013 drilling campaign with results continuing to identify extensional zones of mineralisation at Fekola. These results were incorporated into the updated MRE. In addition, subsequent to the end of the period, the Company received initial results of the 2014 drilling program which have identified additional near surface zones of mineralisation near to the Fekola deposit. Numerous additional areas have been identified for further follow-up drilling and exploration.

(vi) New gold discovery 13km North of Fekola Project

Initial shallow drilling at the Company's recently granted Menankoto Sud Exploration Permit ('Menankoto Sud') has yielded extremely encouraging early stage results including 13 metres @ 7.13 g/t from 33 metres, 13 metres @ 2.36 g/t from 10 metres and 11 metres @ 2.16 g/t from 28 metres. The results were of similar widths and grades to the original Fekola discovery and have intersected analogous pellites, argillites and turbidite lithologies. Menankoto Sud is located approximately 13 kilometres to the north northeast of Fekola.

OPERATING AND FINANCIAL REVIEW (Continued)

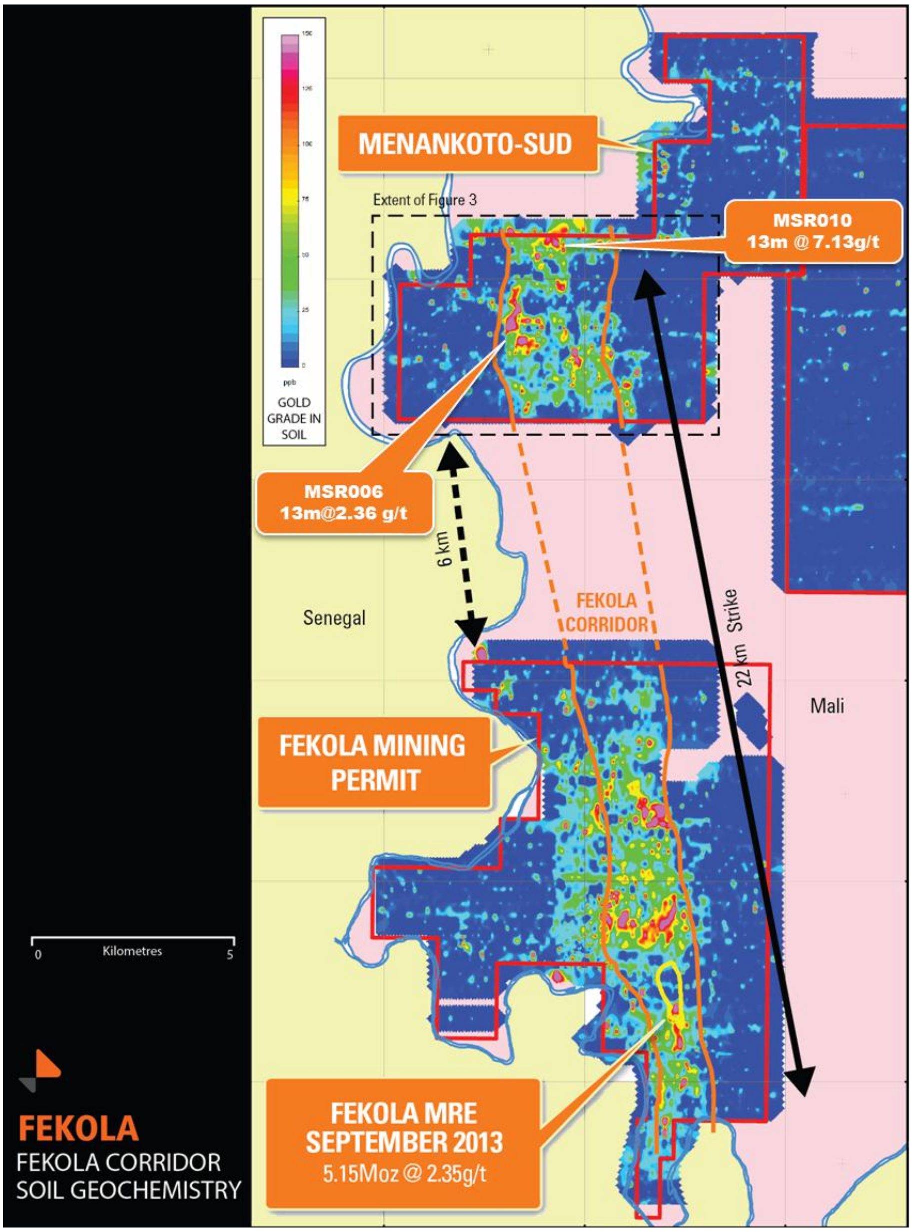

Figure 2: Fekola and Menankoto Sud (over soil geochemistry)

Fekola Project

The Fekola Project is located in south western Mali, adjacent to the border with Senegal. The Project currently hosts an MRE of 68.29 million tonnes of ore, averaging 2.35 g/t gold, for a contained 5.15 million ounces of gold at a lower cut-off grade of 1.0 g/t gold. The MRE is based on drilling extending over a strike length of approximately four kilometres, to a maximum depth of 400 vertical metres. The mineralisation remains open at depth and along strike in both directions and accordingly, potential exists to substantially increase the resource base with ongoing work.

OPERATING AND FINANCIAL REVIEW (Continued)

Fekola Project (Continued)

Fekola Project Mineral Resource Estimate, September 2013			
	Tonnage (million tonnes)	**Grade (gold g/t)**	**Contained Gold (million ounces)**
Measured Resource	40.44	2.43	3.16
Indicated Resource	19.57	2.35	1.48
Sub Total Measured & Indicated	60.01	2.40	4.64
Inferred Resource	8.3	1.9	0.5
Total Resource	68.29	2.35	5.15

Notes: The resource is reported at a lower cut-off grade of 1.0 g/t gold
The resource is estimated on a 100% basis of which 90% is attributable to Papillon Resources Limited
All figures are rounded to reflect appropriate levels of confidence. Apparent differences occur due to rounding

The Pre-Feasibility Study completed for the Project confirmed its technical viability and highlighted the potential for it to be developed into a large scale, low cost and extremely robust project with the ability to generate strong cash flows. The PFS estimated average annual production of 306,000 ounces per annum over an initial mine life of 9 years with average C1 cash operating costs of approximately US$580 per ounce over the life of mine. The estimated capital cost of the Project, including associated project infrastructure, is US$292 million which includes a 15% contingency. A Definitive Feasibility Study for the Fekola Project is planned to commence during March 2014.

Results of Operations

The net loss of the Consolidated Entity attributable to members of the Company for the half year ended 31 December 2013 was $2.0 million (31 December 2012: $3.2 million). This loss is largely attributable to the following:

(i) Non-cash share-based payment expenses of $1.0 million (31 December 2012: $1.5 million) which is attributable to the Group's accounting policy of expensing the fair value (determined using an appropriate pricing model) of incentive securities granted to key employees and consultants. The value is measured at grant date and recognised over the period during which the option and rights holders become unconditionally entitled to the options and rights; and

(ii) Employment, corporate and administration expenses of $1.8 million (31 December 2012: $1.4 million) which were required to support the growth and development of Fekola during the half year.

Financial Position

At 31 December 2013, the Group had cash reserves of $43.6 million (30 June 2013: $53.4 million) with no debt. This puts the Group in a very strong financial position and will allow the Group to continue its various planned development and exploration initiatives at Fekola.

At 31 December 2013, the Company had net assets of $111.0 million (30 June 2013: $106.0 million),

SIGNIFICANT POST BALANCE DATE EVENTS

(i) On 17 February 2014, the Company announced that it had been granted a Mining Permit by the Malian Government to develop and mine its flagship Fekola Gold Project. The Mining Permit is valid for 30 years, and together with the Company's previously granted Environmental Permit, is the final significant permitting milestone for the Company, giving it security of tenure and final approval for the mine development and exploitation of gold at Fekola; and

(ii) On 24 February 2014, the Company announced initial shallow drilling results at Menankoto Sud which yielded extremely encouraging results including 13 metres @ 7.13 g/t from 33 metres, 13 metres @ 2.36 g/t from 10 metres and 11 metres @ 2.16 g/t from 28 metres, demonstrating similar widths and grades to the original Fekola discovery and have intersected analogous pellites, argillites and turbidite lithologies. . Menankoto Sud is located approximately 13 kilometres to the north of Fekola.

Other than as disclosed above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmastu, to provide the directors of Papillon Resources Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is attached to and forms part of this Directors' Report.

ROUNDING TO THE NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Half Year Financial Report are rounded off to the nearest thousand dollars and noted ($'000), unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

MARK CONNELLY
Managing Director and CEO

7 March 2014

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Papillon Resources Limited, I state that:

In the opinion of the Directors:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

  (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and

  (ii) section 305 (true and fair view); 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.

On behalf of the Board

MARK CONNELLY
Managing Director and CEO

7 March 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half Year Ended 31 December 2013 $'000	Half Year Ended 31 December 2012 $'000
Continuing operations		
Interest revenue	**973**	385
Employment expenses	**(811)**	(910)
Administration expenses	**(320)**	(161)
Corporate expenses	**(674)**	(281)
Occupancy expenses	**(121)**	(163)
Exploration and evaluation expense	**(18)**	(9)
Share based payment expenses	**(1,037)**	(1,543)
Depreciation and impairment expenses	**(25)**	(15)
Deferred acquisition costs	**-**	(550)
Loss before income tax	**(2,033)**	(3,247)
Income tax expense	**-**	-
Loss for the period	**(2,033)**	(3,247)
Loss attributable to members of Papillon Resources Limited	**(2,033)**	(3,247)
Loss attributable to non-controlling interests	**-**	-
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**5,214**	2,057
Other comprehensive income for the period, net of tax	**5,214**	2,057
Total comprehensive income/(loss) for the period	**3,181**	(1,190)
Total comprehensive income/(loss) attributable to members of Papillon Resources Limited	**2,736**	(1,365)
Total comprehensive income attributable to non-controlling interests	**445**	175
Basic loss per share (cents per share)	**(0.60)**	(1.29)
Diluted loss per share (cents per share)	**(0.60)**	(1.29)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		**43,639**	53,382
Trade and other receivables		**962**	1,039
Total Current Assets		**44,601**	54,421
Non-Current Assets			
Exploration and evaluation assets	**3**	**67,712**	56,556
Property, plant and equipment		**1,832**	1,553
Total Non-Current Assets		**69,544**	58,109
TOTAL ASSETS		**114,145**	112,530
LIABILITIES			
Current Liabilities			
Trade and other payables		**2,702**	6,557
Total Current Liabilities		**2,702**	6,557
TOTAL LIABILITIES		**2,702**	6,557
NET ASSETS		**111,443**	105,973
EQUITY			
Issued capital	**4**	**116,240**	114,368
Reserves	**5**	**14,960**	9,774
Accumulated losses		**(21,084)**	(19,051)
Equity attributable to members of Papillon Resources Limited		**110,116**	105,091
Non-controlling interest		**1,327**	882
TOTAL EQUITY		**111,443**	105,973

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Ordinary Shares $'000	Share Based Payments Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Non-Controlling Interest $'000	Total Equity $'000
Balance at 1 July 2013	**114,368**	**5,219**	**4,555**	**(19,051)**	**882**	**105,973**
Net loss for the period	**-**	**-**	**-**	**(2,033)**	**-**	**(2,033)**
Other comprehensive income:						
Exchange differences on translation of foreign operations	**-**	**-**	**4,769**	**-**	**445**	**5,214**
Total comprehensive income/(loss) for the period	**-**	**-**	**4,769**	**(2,033)**	**445**	**3,181**
Transactions with owners recorded directly in equity						
Exercise of unlisted options	**1,885**	**(620)**	**-**	**-**	**-**	**1,265**
Recognition of share-based payments	**-**	**1,037**	**-**	**-**	**-**	**1,037**
Share issue costs	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Balance at 31 December 2013	**116,240**	**5,636**	**9,324**	**(21,084)**	**1,327**	**111,443**
Balance at 1 July 2012	51,110	3,048	(2,280)	(10,989)	266	41,155
Net profit/(loss) for the period	-	-	-	(3,247)	-	(3,247)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	1,882	-	175	2,057
Total comprehensive income/(loss) for the period	-	-	1,882	(3,247)	175	(1,190)
Transactions with owners recorded directly in equity						
Issue of ordinary shares	10,316	-	-	-	-	10,316
Share issue costs	(11)	-	-	-	-	(11)
Conversion of performance rights	464	(464)	-	-	-	-
Acquisition of non-controlling interests	1,029	-	-	(1,677)	(18)	(666)
Recognition of share-based payments	-	1,542	-	-	-	1,542
Balance at 31 December 2012	62,908	4,126	(398)	(15,913)	423	51,146

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half Year Ended 31 December 2013 $'000	Half Year Ended 31 December 2012 $'000
Cash flows from operating activities		
Payments to suppliers and employees	**(1,797)**	(1,961)
Interest received	**743**	661
Net cash outflow from operating activities	**(1,054)**	(1,300)
Cash flows from investing activities		
Payments for exploration and evaluation assets	**(9,675)**	(10,846)
Payments for property, plant and equipment	**(300)**	(320)
Payment for acquisition of non-controlling interests	**-**	(24)
Net cash outflow from investing activities	**(9,975)**	(11,190)
Cash flows from financing activities		
Proceeds from issue of shares	**1,265**	10,316
Payments for share issue costs	**(13)**	(11)
Net cash inflow from financing activities	**1,252**	10,305
Net decrease in cash and cash equivalents held	**(9,777)**	(2,185)
Net foreign exchange differences	**34**	26
Cash and cash equivalents at the beginning of the half year	**53,382**	22,009
Cash and cash equivalents at the end of the half year	**43,639**	19,850

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 general purpose financial report for the interim half year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim 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 30 June 2013 and any public announcements made by Papillon Resources Limited and its controlled entities during the interim reporting period 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.

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Half-Year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

In the current year, 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 1 July 2013. New and revised standards and amendments thereof and interpretations effective for the current half-year 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 or prior year. However the application of AASB 13 has resulted in a change to the Group's disclosure in its half year financial statements.

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

	31 December 2013 $'000	30 June 2013 $'000
Australia	**296**	317
Republic of Mali	**69,248**	57,792
	69,544	58,109

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

3. EXPLORATION AND EVALUATION ASSETS

	31 December 2013 $'000	30 June 2013 $'000
(a) Area of Interest		
Mali West	**63,820**	53,115
Mali South	**3,892**	3,441
Carrying amount at the end of the period[1]	**67,712**	56,556
(a) Reconciliation		
Carrying amount at 1 July	**56,556**	21,297
Additions for the period	**5,817**	27,395
Write-off of capitalised expenditure	**-**	(64)
Exchange differences on translation of foreign operations[2]	**5,339**	7,928
Carrying amount at the end of the period[1]	**67,712**	56,556

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	31 December 2013 $'000	30 June 2013 $'000
(a) Issued Capital			
339,444, 210 (30 June 2013: 337,544 ,210) fully paid ordinary shares	**4(b)**	**116,240**	114,368
		116,240	114,368

(b) Movements in Ordinary Shares during the past six months

Date	Details	Number of Ordinary Shares	$'000
1-Jul-13	**Opening Balance**	**337,544,210**	**114,368**
5-Sep-13	Exercise of $0.50 incentive options	400,000	200
25-Oct-13	Exercise of $0.50 incentive options	400,000	200
11-Nov-13	Exercise of $0.95 incentive options	200,000	190
11-Nov-13	Exercise of $0.65 incentive options	300,000	195
22-Nov-13	Exercise of $0.80 incentive options	600,000	480
Jul-13 to Dec-13	Transfer from share based payment reserve	-	620
Jul-13 to Dec-13	Share issue costs	-	(13)
31–Dec-13	**Closing Balance**	**339,444,210**	**116,240**

5. RESERVES

	Note	31 December 2013 $'000	30 June 2013 $'000
(a) Reserves			
Share based payments reserve	**5(b)**	**5,636**	5,219
Foreign currency translation reserve		**9,324**	4,555
		14,960	9,774

5. RESERVES (Continued)

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

Date	Details	Number of Incentive Options	Number of Performance Rights	$'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)	-
Jul-13 to Dec-13	Share-based payment expense	-	-	1,037
31-Dec-13	**Closing Balance**	**16,150,000**	**3,382,000**	**5,636**

6. CONTINGENT ASSETS AND LIABILITIES

No contingent assets or liabilities have been identified in relation to the half year ended 31 December 2013.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (31 December 2012: nil).

8. FINANCIAL INSTRUMENTS

(a) Fair Value Measurement

At 31 December 2013 and 31 December 2012 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 17 February 2014, the Company announced that it had been granted a Mining Permit by the Malian Government to develop and mine its flagship Fekola Gold Project. The Mining Permit is valid for 30 years, and together with the Company's previously granted Environmental Permit, is the final significant permitting milestone for the Company, giving it security of tenure and final approval for the mine development and exploitation of gold at Fekola; and

(ii) On 24 February 2014, the Company announced initial shallow drilling results at Menankoto Sud which yielded extremely encouraging results including 13 metres @ 7.13 g/t from 33 metres, 13 metres @ 2.36 g/t from 10 metres and 11 metres @ 2.16 g/t from 28 metres, demonstrating similar widths and grades to original Fekola discovery and have intersected analogous pellites, argillites and turbidite lithologies. Menankoto Sud is located approximately 13 kilometres to the north of Fekola.

Other than as disclosed above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Boyd of Cairn Geoscience Limited. Mr Boyd is a Member of the Australian Institute of Geoscientists 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Boyd consents to the inclusion in this Report of the statements based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in this report that relates to Mineral Resources is based on, and fairly represents, information compiled by Mr Nic Johnson of MPR Geological Consultants. Mr Johnson is a Member of the Australian Institute of Geoscientists 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 Johnson consents to the inclusion in this Report of the statements based on his information in the form and context in which it appears.

The information in this report that relates to Production Targets is based on the results of the Company's previously completed PFS for the Fekola Project. Please refer to the Company's ASX announcements dated 26 June 2013 and 17 February 2014 for an explanation of the material assumptions underpinning the Production Target. The Company confirms that all material assumptions underpinning the Production Target and forecast financial information derived from the Production Target in the Company's ASX announcements dated 26 June 2013 and 17 February 2014 continue to apply and have not materially changed.

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.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 9368 7001
www.deloitte.com.au

The Board of Directors
Papillon Resources Limited
Level 11, BGC Centre
28 The Esplanade
Perth WA 6000

7 March 2014

Dear Board Members

Papillon Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Papillon Resources Limited.

As lead audit partner for the review of the financial statements of Papillon Resources Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman

David Newman
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 9368 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Papillon Resources Limited, which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 gives a true and fair view and 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Papillon Resources Limited's financial position as at 31 December 2013 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 Papillon Resources 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.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Papillon Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Papillon Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman.

David Newman
Partner
Chartered Accountants
Perth, 7 March 2014