

Company Registration No. 07791328 (England and Wales)

Papua Mining plc

Financial statements for the year ended 31 December 2014

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Papua Mining plc
Financial statements for the year ended 31 December 2014

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Company Information

Directors	Michael Jolliffe Hugh McCullough Kieran Harrington Keith Lough Gunnar Palm
Secretary	Scrip Secretaries Limited 3 rd Floor 17 Hanover Square London W1S 1HU
Company registration number	07791328
Registered office	Fifth Floor 17 Hanover Square London W1S 1HU
Nomad and broker	Cenkos Securities 6, 7, 8 Tokenhouse Yard London EC2R 7AS
Lawyers	Fasken Martineau 3 rd Floor 17 Hanover Square London W1S 1HU
Independent auditor	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE

Papua Mining plc
Report and financial statements for the year ended 31 December 2014
Strategic Report

Chairman's Statement

I am pleased to present our report for Papua Mining plc ("**Papua**" or "**the Company**") for the financial year ending 31st December 2014. We have had a very active and successful year on the technical front and drilling results to date suggest that we may be on the cusp of a discovery.

Papua now holds six Exploration Licences granted by the Minister for Mining in Papua New Guinea all of which are located in the central part of New Britain Island. The total area under licence is currently approximately 1,112 square kilometres. In addition, three further licences covering just over 1,300 square kilometres in New Britain are under application.

We have carried out our exploration programmes over these licences in a methodical, professional way, without skipping corners or fast-tracking from reconnaissance to the drilling stage. This approach has not only led us to the very exciting target at Tripela, but has also discovered a number of new and highly prospective targets on other licences. We intend to expand the exploration programme on some of these other targets as resources allow.

Our drilling programmes at the Tripela target in the Nakru region of Exploration Licence 1462 ("EL 1462") are the culmination of those extensive, methodical exploration efforts and we now believe that the next drilling phase may mark the intersection of a mineralised porphyry body, which we have interpreted based on analysis of the alteration system which we have discovered in the Tripela area. We hope to recommence the drilling programme soon and, once started, the following six months should prove to be an exciting time.

The investment climate for junior exploration companies is severely depressed at present and our current low share price is a reflection of that. However, we must deal with the situation as we find it and we are in the process of seeking additional funds to continue the drilling at Tripela which, as stated above, is at a very exciting juncture. While there is no certainty as to the successful completion of the financing discussions, we are cautiously optimistic that we will secure the financing required and that we will then be in a position to continue to drill for the mineralised porphyry at Tripela. However, in the event that the fundraising is not completed successfully then the proposed drilling at Tripela would be deferred until such time as the required funding is obtained.

You will notice that the audit certificate for the 2014 financial statements includes an emphasis of matter with respect to the issue of going concern. If we are successful in securing the financing arrangements currently under discussion, this going concern uncertainty will be removed and the company will be in a position to continue to trade for at least the next twelve months.

It has been a very tough year for those of us in the exploration sector. Market sentiment is at a very low point and the major metal producers are having their own problems, battling against stubbornly high operating costs and low commodity prices. Many of the world's metal mines are operating at a loss at current prices, and with many such mines closing down entirely and exploration budgets being cut across the globe, it is only a matter of time before we enter a period of shortage and a corresponding rise in metal prices. It is at such times that technically exciting projects such as our discoveries in New Britain acquire a significant value, which we hope will reward our effort and investment handsomely and the patience of our shareholders.

I would like to thank our management team and all of our staff in Papua New Guinea for their commitment and dedication and to congratulate them on the success of their exploration efforts to date under what are often very difficult field conditions.

We have achieved considerable exploration success in a climatic and topographic setting which is particularly challenging. We believe that we could now be on the verge of the discovery of an important porphyry body which we hope will lead to a significant re-evaluation of your company's asset value. We are hopeful that such success will come in the short term.

Michael Jolliffe
29 June 2015

Directors' Biographies

Michael Gordon Jolliffe (aged 64) Non-Executive Chairman

Michael Jolliffe holds dual Greek/U.K. citizenship. He is currently Chairman and the largest beneficial shareholder of Wigham-Richardson Shipbrokers Ltd. ("WRS"), one of the oldest established shipbrokers, which was established in 1894 in the U.K. WRS is one of the oldest members and shareholders of the Baltic Exchange. WRS also owns Harion Shipping Services, a shipbroker based in Piraeus. Michael Jolliffe was one of the two founding shareholders of Burren Energy plc (originally known as Sumo Oil Ltd) and was its original President and CEO. Following the involvement of outside private equity investors and its focus on E&P, and the appointment of Finian O'Sullivan (former Chevron executive) as the CEO of the company, Michael Jolliffe remained as a director of Burren until its flotation on the London Stock Exchange some eleven years later in 2003. The company was sold to ENI the Italian State Oil Company in 2007.

Mr. Jolliffe also has significant experience with maritime companies in accessing the public capital markets in the U.S. He was the former Joint Managing Director and is currently Co-Founder and Vice Chairman of Tsakos Energy Navigation which is currently quoted on the New York Stock Exchange, and today controls 61 tankers with an average age of around five years.

Mr. Jolliffe is also Chairman of StealthGas Inc., a shipping company which has 51 LPG ships under operation, and four product tankers. This company was listed on the NASDAQ in October 2005.

Hugh Martin McCullough (aged 65), Chief Executive Officer

Hugh McCullough has over 40 years' experience in gold and base metal exploration, principally in Ireland, Ghana and Mali. Having previously worked as a project geologist, in 1982 he became chief executive of Glencar Mining plc, a public company listed on the IEX (of the Dublin Stock Exchange) and AIM. Mr. McCullough was responsible for the management, financing and strategy of Glencar for over 27 years until Glencar was taken over by Gold Fields Limited in September 2009. During his time at Glencar, Mr. McCullough was involved in a number of multi million ounce gold discoveries and oversaw the development of certain gold deposits from exploration to production.

Mr. McCullough is a Professional Geologist and holds an Honours degree in Geology from University College Dublin and the degree of Barrister-at-Law from the King's Inns, Dublin.

Kieran Harrington (aged 52), Technical Director

Kieran Harrington is a geologist with 30 years of experience and expertise in gold exploration, mine development, project evaluation and project management, with particular experience and past success in exploration of gold deposits in West Africa and Europe. He joined Glencar Mining plc in 1992 as a senior geologist where he was involved in the discovery of a major commercial mine in Ghana (Wassa) and the more recent discovery of the Komana Deposit in Southern Mali. He left Glencar as Technical Director on its acquisition by Gold Fields Limited in 2009. Prior to joining Glencar, Mr. Harrington worked with Tara Prospecting Ltd and Burmin Exploration and Development Ltd. Mr. Harrington is a Professional Geologist holding an Honours degree in Geology from the National University of Ireland, Galway.

Keith Geddes Lough (aged 55), Non-Executive Director

Keith Lough has over 30 years' experience in the natural resources sector in both senior finance and general management roles.

Keith held a number of senior finance and operational positions at LASMO PLC before joining British Energy PLC as Finance Director, a post he held from 2001 to 2004. During his tenure at British Energy, Keith led the complex restructuring negotiations with the Government and its creditors.

Keith went on to become a Founder Shareholder and Chief Executive of Composite Energy Ltd from 2004 until 2011, when Composite was divested to Dart Energy. Composite was a privately

owned business which successfully took coal-bed methane from exploration to early production, acquiring coal-bed methane licences and establishing drilling operations in both the UK and Europe in a JV with BG Group.

Keith is currently a non-executive director and chairman of the audit committee of Rockhopper Exploration PLC, and a non-executive director of Cairn Energy PLC and Rock Solid Images PLC. He is also a non-executive director and chairman of the audit committee of the UK Gas and Electricity Markets Authority, which has supervisory responsibility for Ofgem.

Keith has an Honours Degree in Economics from Edinburgh University, an MSc in Finance from London Business School and is a Fellow of the Chartered Association of Certified Accountants.

Gunnar Palm (aged 58), Non-Executive Director

Gunnar Palm is a partner at Richmond Park Partners LLP, an independent merchant bank providing advisory, capital markets and risk and asset management services. Prior to Richmond Park Partners LLP, Mr. Palm was Co-head of HSBC Global Banking, Coverage and Client Management for EMEA.

He has advised on a number of cross border mandates in the Middle East, India, Europe and the US. Prior to HSBC, Mr. Palm was a managing director at Barclays Capital and Credit Suisse First Boston in New York and London. Between 2007 and 2010 Mr Palm was also a Director of Bay Capital Partners (UK) Ltd, an independent India focused investment management firm. Mr. Palm began his career with The Boston Consulting Group in Munich. Mr. Palm received a BA from the Stockholm School of Economics and a MBA from The Wharton School of the University of Pennsylvania.

Review of Operations

2014 saw excellent technical progress on our New Britain project with an emphasis on the Tripela target in EL1462. We drilled the first hole at Tripela in January 2014 and, with the exception of a short break mid-year, we drilled continuously through to March 2015. Each of the latest four boreholes intersected inner propylitic porphyry alteration with strong indications of proximity to a mineralised porphyry. Since the commencement of our drilling programme in EL1462 we have completed 9,030 metres of drilling (see Table 1).

At the end of May 2015 we hold six licences with a total area of 1,112 km² and have three licence areas under application and awaiting grant. Current details of our ground holding can be found on the project pages of company website at <http://papuamining.com>.

We have assembled a top-class team in Papua New Guinea and are collaborating with some of the top consultants in porphyry deposit exploration to assist with the project. We regard the Tripela target as one of the most significant new exploration targets in Papua New Guinea.

Hole_ID	Target	Easting	Northing	Elevation	Azimuth	Dip	Length (m)
N62DDH001	Junction	225500	9338125	980	315	-60	841.7
N62DDH002	Junction	224643	9338292	970	75	-70	736.7
N62DDH003	Flying Fox	223379	9344502	619	57	-55	471.2
N62DDH004	Tripela	228238	9337492	955	356	-45	251.5
N62DDH005	Tripela	228206	9337689	929	0	-60	204.7
N62DDH006	Tripela	228141	9337667	937	270	-45	330.5
N62DDH007	Tripela	227986	9337964	919	90	-45	257.0
N62DDH008	Tripela	228085	9337465	973	0	-60	306.1
N62DDH009	Tripela	228053	9337771	922	125	-60	620.7
N62DDH010	Tripela	228180	9337854	897	0	-75	199.3
N62DDH011	Tripela	228099	9337448	980	0	-70	427.3
N62DDH012	Tripela	228059	9337771	950	180	-70	1069.9
N62DDH013	Tripela	228059	9337771	950	210	-65	1002.2
N62DDH014	Tripela	228177	9337415	984	335	-85	1040
N62DDH015	Tripela	228059	9337771	950	180	-80	1271.9

Table 1. Nakru drilling details

Background to the drilling programme at Tripela

For our initial fieldwork in New Britain we adopted a boots-on-the-ground strategy focusing on geological mapping and sampling over large tracts of ground, much of which had not seen any previous, field-based exploration. During 2011 and 2012 we discovered significant copper and molybdenum soil anomalism at Tripela in a remote part of exploration licence area EL1462. Float and outcrop sampling and geological mapping delineated numerous occurrences of in situ high grade copper and molybdenum mineralization with grades up to 29% copper returned from outcrop assays.

Much of the mineralization in outcrop is interpreted as D-veins occurring around the alteration halo of a buried porphyry deposit. This geological mapping combined with the rock and soil anomalism pointed to the clear potential for a copper porphyry deposit at depth in this area.

Drillholes DDH004-DDH010 (January 2014 - May 2014)

In the final quarter of 2013 we constructed a 4 km long access track off an existing logging road. The initial drilling programme at Tripela was carried out in the five month period from January - May 2014 and was designed to test for confirmatory evidence of underlying porphyry emplacement. The principal aim was the recognition of the zonation of argillic, phyllic and propylitic alteration at Tripela that would lead us to an inner potassic alteration zone which we believed would be at the core of the porphyry deposit. DDH010, the last of seven drillholes completed during the initial phase of drilling, was completed in May 2014 and we then collated and assessed the data obtained from the seven drillholes. Widespread phyllic and argillic alteration was recognized in most of the holes, in particular DDH004, DDH006 and DDH008.

Deep drilling programme (July 2014 - March 2015)

The most recently completed drilling programme at Tripela, originally planned for approximately 4,000 metres, commenced on schedule in July 2014 and was designed to test for the deeper porphyry bodies interpreted from the shallower vector drilling programme. Hole DDH011, drilled behind and underneath DDH008, confirmed mineralization and alteration which had previously been intersected in DDH008 at shallower depths. The next hole, DDH012 intersected a wide zone of intense epidote alteration which we think represents the most significant evidence so far that we are getting closer to a potentially mineralised porphyry. Petrographic work on samples from the hole confirmed the host rock as a dioritic porphyry intrusion.

We regard the recognition of the diorite porphyry intrusive body intersected in DDH012 as very significant. This is a rock type which often hosts copper orebodies and we think supports our belief that the Tripela area does have the clear potential to host a copper porphyry deposit. Furthermore we are satisfied that the epidote alteration can be interpreted as inner propylitic zone alteration, a zone of alteration often found enveloping an innermost and mineralised potassic core zone.

DDH013 and DDH014 were designed to test this zone to the west and to the east of the DDH012 trace respectively. Both encountered further evidence of inner propylitic alteration. Widespread epidote was encountered although it was not as intensely developed as in DDH012. The most recently completed hole, DDH015, was drilled to 1,272 metres and intensive epidote alteration was found in the lower half of the hole. Some of this epidote was even more intensive than that seen in DDH012.

Independent validation of our New Britain project findings

Dr. Greg Corbett and Doug Menzies of CMC Consulting Pty Limited ("CMC") have visited and reviewed our project in PNG on a number of occasions. Their most recent report received in April 2015 supports our current exploration strategy. Extensive petrography and spectroscopy work on drillcore by teams in New Zealand and Australia respectively has given important direction to our drilling.

A new research project is being conducted in Australia by a team of geoscientists at the Centre of Excellence in Ore Deposits (CODES) at the University of Tasmania. The team is studying changes in the chemical composition of crystals of the mineral epidote around porphyry copper deposits. Although at an early stage, the research is pointing to the possibility that the chemical zonation of epidote could become a diagnostic tool for vectoring towards and assessing the fertility of porphyry copper deposits. The CODES team agreed to analyse some of our epidote-rich core samples. Results suggest that the epidote at Tripela is related to a nearby porphyry development. Further sampling and analysis will be required to confirm that view and to assist in vectoring recommendations.

Other exploration targets

While the focus of our work during 2014 and 2015 to date has been at the Tripela target, we have achieved significant positive results from a number of other targets, in particular at Junction, Flying Fox, Mt Visi and Ainbol.

Previous Drilling at the Junction and Flying Fox Targets, EL1462

Our initial drilling programme at Junction, carried out in mid-2013, comprised two holes, of 841 metres and 736 metres depth respectively. These two diamond drillholes, the collars of which were some 440 metres apart, were directed at a strong combined chargeability and conductivity geophysical anomaly – a shallower chargeability anomaly which enclosed a deeper conductivity anomaly. While neither hole intersected economic grades or thickness of copper mineralization, important positive indicators of proximity to porphyry systems were observed in each hole and have also been verified by CMC. These indicators do point to the presence of a copper porphyry system at Junction, but possibly at a depth of up to 1,500 metres. The very extensive and intense silica-sericite-pyrite ("Phyllic") alteration and the exceptionally well developed pebble dykes which are seen in those two holes are diagnostic of such systems.

A single drillhole was drilled to test a combined geophysical and geochemical anomaly at the Flying Fox target in September 2013. The hole intersected widespread trace copper mineralization.

Both the Junction and Flying Fox targets require follow-up work. However, in view of the positive results from the recent drilling at Tripela, we are concentrating our exploration efforts at Tripela and the follow-up drilling warranted at Junction and Flying Fox will remain on hold for the time being.

Exploration at Mt. Visi, EL2051

EL2051 is a prospecting licence covering an area of 229 square kilometres in West New Britain Province, including the area around Mt. Visi. Ridge and spur rock sampling carried out by our regional exploration team in April/May 2014 discovered significant outcrops of high-grade gold and copper. Gold grades of up to 35.5 grams per tonne were found in outcrop. Copper grades were up to 9% in float and 4% in outcrop. Many of the high-grade samples were from an area close to the eastern boundary of the licence area. Sampled rocks include argillic-altered feldspar porphyry and mineralised vein material consistent with an interpretation of porphyry related D-veins. Dickite, a high temperature version of the clay alteration mineral kaolin often found in porphyry systems, was recognised in several samples. A licence application (ELA2322) for the ground immediately adjacent to and east of this area was lodged with the licencing authority in Port Moresby and we are expecting the licence to issue in due course.

A single epidote-bearing rock sample from the Mt Visi area was submitted with a batch of Tripela core samples to CODES in Tasmania for epidote analytical testwork. Initial results point to the sample location being approximately 1,500 metres from a large mineralised porphyry centre.

Future work on the target is likely to span the border between the two licence areas. At this stage we anticipate extension of the soil geochemistry grid and subsequent trenching prior to any delineation of initial drilling targets.

Other tenements

A number of tenements with less favourable exploration results were relinquished during the past year. The sole tenement held on the mainland, EL1766 in East Sepik Province, was amongst the tenements relinquished.

Exploration Outlook

We have established a series of positive indicators in the Tripela drilling area which are consistent with the presence of a nearby porphyry body. In the recently completed boreholes DDH012, DDH013, DDH014 and DDH015 the recognition of the inner propylitic alteration mineral assemblage gives the impetus for the next round of drilling which will target the inferred porphyry core.

We continue to carry out focused exploration programmes on certain selected target areas on our other licences in New Britain with a view to defining additional drilling targets.

Key Performance Indicators and Risk Management

Key performance indicators

The Board monitors KPIs which it considers appropriate for a group at Papua Mining's stage of development.

As a mineral exploration business, an important factor is a steadily improving market perception of the progress and value of the business leading to an improving share price, continued support from shareholders and therefore the ability to raise new equity capital at increasing prices, thus minimising dilution for those early investors who bore significant risk.

The KPIs for the Group are as follows:

Financial KPIs

Shareholder return – the performance of the share price.

The Company listed on AIM in March 2012 at a share price of £0.44 (\$0.68) and issued further shares in February 2013 at £0.80 (\$1.24) and in June 2014 at £0.20 (\$0.34) per share. The share price at 1 June 2015 was £0.05 (\$0.08). The fall in share price is unfortunate, but is consistent with the decline in share prices of our peer companies in the resource sector over the last twelve months. The Directors are, however, optimistic of an improved market value of the business in 2015 and 2016 given the positive future prospects for the Group's exploration operations.

Exploration expenditure – funding and development costs.

The availability of sufficient cash to facilitate continued investment and funding of exploration programmes is essential. The Group monitors the availability of sufficient cash to fund exploration programmes. At 31 December 2014 the Group had cash of \$2,513,874 (2013: \$3,626,880).

Non financial KPIs

Environment management – the Group has environmental policies in place.

The Group is aware of the potential impact that its operations may have on the environment. The Group ensures that, at a minimum, its subsidiaries comply with the local regulatory requirements and industry standard principles for environmental and social risk management.

Performance against these environmental policies is continuously monitored. The Directors consider that this has served to minimise any negative impact of current exploration activities on the environment.

Operational – the number of additional Exploration Licences and exploration successes.

There has been extensive exploration activity in the year, and the Directors are encouraged by the prospectivity of the Group's Exploration Licences and by the exploration results obtained to date. The Group currently has three new Exploration Licences under application and awaiting grant.

Except for the low share price during the year, the Directors consider that performance against all other KPI's in 2014 was acceptable.

Risk Management

The Directors consider that assessing and monitoring the inherent risks in the exploration business, as well as other financial risks, is crucial for the success of the Group. Risk assessment is essential in the Group's planning processes. The Board regularly reviews the performance of projects against plans and forecasts. Further detail on management of financial risk is set out in note 16.

Principal Risks and Uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks:

- the success of mineral exploration projects is, by their nature, inherently uncertain, and the availability of new information can significantly change estimates of mineral reserves;
- the viability of exploration projects is largely driven by commodity prices;
- commodity prices can be subject to volatile fluctuations.

The principal risks and the measures taken by the Group in order to mitigate these risks are set out in more detail below.

Papua Mining plc
Report and financial statements for the year ended 31 December 2014
Strategic Report

Key Performance Indicators and Risk Management (Continued)

Exploration and development risk

The Group's business operations are subject to risks and hazards inherent in the exploration industry. The exploration for and the development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, it is impossible to ensure that the Group's current exploration programmes will result in a profitable commercial mining operation.

The Board aims to manage the development of the Group as a successful exploration business by ensuring that additional prospective licences are applied for and granted on a timely basis, or otherwise acquired.

Exploration licences are held on the Papua New Guinea island of New Britain. Six Exploration Licences are currently held, and three further licences are under application.

Political Risk

There is a risk that assets will be lost through expropriation, unrest or war. Papua Mining minimises political risk by operating in a country with relatively stable political systems, established fiscal and mining codes and a well established, successful mining industry.

Papua Mining further minimizes risk by ensuring that the majority of cash funds are securely held within financial institutions of high standing outside of Papua New Guinea.

Commodity Risk

Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a whole range of factors, which are outside the control of the Group. There is the risk the price for minerals will fall to a point where it becomes uneconomic to extract them from the ground. This is an interest risk of the mining industry, mitigation of which is currently outside of the group's control whilst it is still in an exploration, rather than extraction, phase.

Liquidity Risk

There is a risk of running out of working and investment capital. The Group relies for funding on the issue of share capital. The Group has no borrowing and maintains tight financial and budgetary control to keep its operations cost effective. The Directors are confident that adequate resources exist to finance future exploration operations. However, to the extent that there can be no absolute assurance that adequate funding will be available when required, the Directors are cautiously optimistic that they will secure additional funding when required to do so, as demonstrated by the fundraising in June 2014.

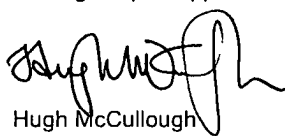
Currency risk

Fluctuations in currency exchange risks can significantly impact cash flows. The Group maintains currency in Sterling, Australian Dollars and Papua New Guinea Kina to finance its overseas operations. In 2015 the Group will have exposure amongst others to Sterling, Euro, Australian Dollars and Papua New Guinea Kina. The mix of currencies is such that the Directors believe the Group's exposure is minimal. The Directors do however regularly monitor currency exchange rates and make judgments as to whether to enter into hedging contracts accordingly. Currently no such hedging contracts are in place.

Interest rate risk

The only significant interest-bearing asset within the Group is cash. The Directors constantly review the interest rate to ensure optimum return on deposits for the Group.

Strategic report approved on behalf of the Board.



Hugh McCullough
Director

Date 29 June 2015

Directors' Report

Principal Activity

The principal activities of the Group are the exploration for gold and copper resources in Papua New Guinea (PNG). The Group's strategy is to explore for and, where the Directors believe that it is commercially feasible, develop deposits of gold and/or copper within the territory of PNG.

The Group currently holds six Exploration Licences granted by the Minister for Mining in PNG. The licences are located in the central part of New Britain. Three further licences in New Britain are under application.

Financial overview

The loss for the year is in line with the Directors' expectations. With significant funding being raised in June 2014 the Directors are cautiously optimistic that they will secure additional funding when required to do so and are satisfied that subject to the successful completion of the current financing discussions the Group will have sufficient working capital to complete the planned exploration programmes.

A detailed review of the Group's business, including its targets and strategies is given in the Chairman's Statement and the Review of Operations.

Results and Dividends

The results for the year are in line with Directors' expectations. The Directors do not recommend a dividend.

Going Concern

As noted in the Chairman's statement, Papua Mining plc is in the process of seeking additional funds through the issuance of equity to continue its exploration programmes in the short term and for general working capital purposes.

The Directors have prepared a cash flow forecast up to 30 June 2016 which assumes that the Company receives a cash inflow from the current fund raising process and supports the Directors' reasonable expectation that Papua Mining plc has adequate resources to continue in operational existence throughout this period. Thus, they have adopted the going concern basis of accounting in preparing the annual financial statements.

Directors

The Directors in office during the year are listed below. The interests of the Directors in the shares of the Company at the relevant dates were as follows:

	As at 22 June 2015	As at 31 December 2014	As at 31 December 2013	Number of options held at 31 December 2013 and at 31 December 2014
	Ordinary Shares	Ordinary Shares	Ordinary Shares	
Michael Jolliffe	185,004	185,004	185,004	250,000
Hugh McCullough	504,571	354,571	354,571	796,908
Kieran Harrington	328,392	328,392	328,392	796,908
Gunnar Palm	-	-	-	-
Keith Lough	-	-	-	-

Substantial Shareholdings

As at 22 June 2015, being the latest practical date prior to publication of this document, the Company was aware of the following holdings of 3% or more of the issued share capital of the Company:

	Shares in the company	% of the Company's issued share capital
Michael Somerset-Leeke	11,991,102	23.41
South Pacific Mining Holdings Limited	11,384,621	22.23
Salida Capital (Europe) Limited	4,885,000	9.54
JP Morgan Asset Management UK Ltd	3,750,000	7.32
Peter de Savary	2,525,000	4.93
Hargreave Hale Limited	2,285,000	4.46

Directors' remuneration

The remuneration of the Directors during the year was made on the recommendation of the Remuneration Committee, taking into consideration remuneration packages of directors in comparable businesses and in order to retain high quality executives within a competitive market place.

Salaries and fees were paid to the Directors for the year ended 31 December 2014. In addition, certain directors also received benefits in kind, principally private medical insurance, and fees were paid to businesses with which some of the Directors are associated.

The Group made payments into the private pension schemes of two of the Directors.

No share options were granted to the Directors during the year.

Full details of Directors' emoluments are set out in note 19 of the financial statements.

Environmental Policy

The Group's projects are subject to the relevant PNG laws and regulations relating to environmental matters.

The Group's strategy is to explore for and, where the Directors believe that it is commercially feasible, develop deposits of gold and/or copper within the territory of PNG. It is the Group's intention to conduct its activities in a professional and responsible manner, for the benefit of the Company's shareholders, its employees and the national and local communities within which it operates.

The Group aims to, at all times, conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. The Group aims to adopt Best Practice policies as recommended by the World Bank, the International Council on Mining & Metals ("ICMM") and others where the Group deems that local legislation to be inadequate in terms of environmental protection. The Group has in place a detailed Field Operations Guidelines Manual which covers in considerable detail the measures to be taken by field personnel to minimize any negative environmental impact of current exploration activities on the environment.

The Group also recognises the enormous potential of its activities for positive impact on the communities in which it operates and strives to optimise these positive impacts as far as is possible.

The Papua Mining plc ("PM plc") Executive Directors have extensive experience and expertise in environmental aspects of mineral exploration and mining. The Group Country Manager, Chris Muller, in addition to his significant geological qualifications and experience, is a renowned lepidopterist who has participated in many important environmental studies in PNG and is credited with the discovery of a significant number of new butterfly species. All Group personnel are encouraged to take an active interest in environmental matters.

Directors' Indemnities

The Group has purchased insurance to cover its Directors and officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. The insurance does not provide cover where a Director has acted fraudulently or dishonestly.

Political contributions

No political donations have been made.

Corporate Governance

The Board of Directors is committed to maintaining high standards of corporate governance and is accountable to the Company's shareholders for the proper corporate governance of the Group. The UK Corporate Governance Code does not apply to AIM companies, and PM plc instead follows the principles of corporate governance set out in the QCA Guidelines. PM plc operates within the mining sector in an effective and efficient way, with integrity and due regard for the interests of shareholders, and applies principles of general governance applicable to the size and stage of development of the Group.

- Audit Committee

The Audit Committee ensures the operation of good financial practices throughout the Group, ensures that controls are in place to protect the assets of the Group, reviews the integrity of financial information, reviews the interim and annual financial statements and reviews all aspects of the audit programme.

The Audit Committee is chaired by Mr. Keith Lough and also comprises Mr. Michael Jolliffe and Mr. Gunnar Palm.

- Remuneration Committee

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration packages of individual Executive Directors, and will meet at least twice per annum.

The Remuneration of Non-Executive Directors will be a matter for the executive members of the Board.

The Remuneration Committee is chaired by Mr. Michael Jolliffe and also comprises Mr. Keith Lough and Mr. Gunnar Palm.

Auditor

The auditor, Grant Thornton UK LLP, has indicated its willingness to continue in office and a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Statement of Disclosure to Auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Shareholders' consent is sought at the Annual General Meeting which will propose the reappointment of Grant Thornton UK LLP as independent auditor of the Company and to authorise the Directors to determine the auditor's remuneration.

Papua Mining plc
Financial statements for the year ended 31 December 2014

Directors' Report (Continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

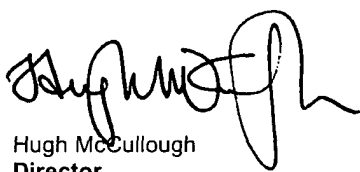
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group's report and accounts will be published on the Group's website and in this regard the Directors accept responsibility for the maintenance and integrity of the PM plc website.

Annual General Meeting and Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Group as a whole and its unanimous recommendation is that shareholders support these proposals as the Directors intend to do in respect of their own holdings.

On behalf of the board



Hugh McCullough
Director

Date 29 June 2015

Independent auditor's report to the members of Papua Mining plc

We have audited the financial statements of Papua Mining plc for the year ended 31 December 2014 which comprise the consolidated and parent company statements of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3(c) to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of \$2.79million and net cash outflows before financing were \$6.10 million during the year ended 31 December 2014. These conditions, along with the other matters explained in note 3(c) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The script is fluid and cursive, with the letters "G", "T", and "U" being particularly prominent.

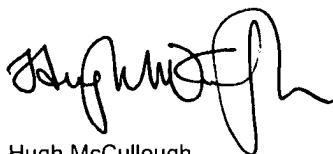
Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

29 June 2015

Papua Mining plc
Consolidated statement of financial position at 31 December 2014

	Note	2014 US\$	2013 US\$
Assets			
Non-current assets			
Intangible assets	9	17,021,091	12,881,863
		<u>17,021,091</u>	<u>12,881,863</u>
Current Assets			
Cash and cash equivalents	12	2,513,874	3,626,880
		<u>2,513,874</u>	<u>3,626,880</u>
Total assets		<u>19,534,965</u>	<u>16,508,743</u>
Equity and liabilities			
Equity attributable to shareholders of the parent			
Share capital	13	8,194,453	5,489,648
Share premium	13	14,117,154	11,458,500
Other reserves		3,087,062	3,087,062
Share based payment reserve		1,351,176	1,073,442
Retained deficit		(7,639,577)	(4,846,664)
Total equity		<u>19,110,268</u>	<u>16,261,988</u>
Current liabilities			
Trade and other payables	15	<u>424,697</u>	<u>246,755</u>
Total equity and liabilities		<u>19,534,965</u>	<u>16,508,743</u>

The financial statements on pages 17 to 38 were approved and authorised for issue by the Board of Directors on 29 June 2015 and signed on its behalf by:

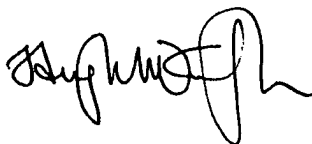


Hugh McCullough
Director

Papua Mining plc
Company statement of financial position at 31 December 2014

	Note	2014 US\$	2013 US\$
Assets			
Non-current assets			
Intangible assets	9	3,168,136	2,672,328
Investments	10	4,888,219	4,888,219
Trade and other receivables	11	10,507,675	6,299,225
		<u>18,564,030</u>	<u>13,859,772</u>
Current Assets			
Cash and cash equivalents	12	2,321,692	3,498,557
		<u>20,885,722</u>	<u>3,498,557</u>
Total assets		<u><u>20,885,722</u></u>	<u><u>17,358,329</u></u>
Equity and liabilities			
Equity attributable to shareholders			
Share capital	13	8,194,453	5,489,648
Share premium	13	14,117,154	11,458,500
Other reserves		2,425,281	2,425,281
Share based payment reserve		1,351,176	1,073,442
Retained deficit		(5,630,559)	(3,338,817)
Total equity		<u>20,457,505</u>	<u>17,108,054</u>
Current liabilities			
Trade and other payables	15	<u>428,217</u>	<u>250,275</u>
Total equity and liabilities		<u><u>20,885,722</u></u>	<u><u>17,358,329</u></u>

The financial statements on pages 17 to 38 were approved and authorised for issue by the Board of Directors on 29 June 2015 and signed on its behalf by:



Hugh McCullough
Director

Papua Mining plc
Consolidated statement of comprehensive income for the year ended 31 December
2014

	Note	2014 US\$	2013 US\$
Administrative expenses		(2,811,864)	(2,136,348)
Operating loss	6	<u>(2,811,864)</u>	<u>(2,136,348)</u>
Finance income	5	18,951	46,713
Loss before taxation		<u>(2,792,913)</u>	<u>(2,089,635)</u>
Income tax expense	7	-	-
Loss for the year attributable to the owners of the company		<u>(2,792,913)</u>	<u>(2,089,635)</u>
Other comprehensive income		-	-
Total comprehensive income attributable to the owners of the company		<u><u>(2,792,913)</u></u>	<u><u>(2,089,635)</u></u>
Loss per share attributable to shareholders			
Basic	8	(0.06)	(0.06)
Diluted	8	<u>(0.06)</u>	<u>(0.06)</u>

The Company has elected to take exemption under section 408 of the Companies Act 2006 to not present the parent Company statement of comprehensive income. The loss for the Company is shown in the statement of changes in equity.

Papua Mining plc
Consolidated statement of changes in equity for the year ended 31 December 2014

	Share Capital US\$	Share Premium US\$	Other Reserve US\$	Share Based Payment Reserve US\$	Retained Deficit US\$	Total Equity US\$
At 1 January 2013	5,002,366	8,047,529	3,087,062	584,459	(2,757,029)	13,964,387
Comprehensive income						
Loss for the year and total comprehensive income	-	-	-	-	(2,089,635)	(2,089,635)
Transactions with owners						
Issue of share capital	487,282	3,410,971	-	-	-	3,898,253
Share based payment	-	-	-	488,983	-	488,983
Total transactions with owners	487,282	3,410,971	-	488,983	-	4,387,236
At 31 December 2013	<u>5,489,648</u>	<u>11,458,500</u>	<u>3,087,062</u>	<u>1,073,442</u>	<u>(4,846,664)</u>	<u>16,261,988</u>
Comprehensive income						
Loss for the year and total comprehensive income	-	-	-	-	(2,792,913)	(2,792,913)
Transactions with owners						
Issue of share capital	2,704,805	2,658,654	-	-	-	5,363,459
Share based payment	-	-	-	277,734	-	277,734
Total transactions with owners	2,704,805	2,658,654	-	277,734	-	5,641,193
At 31 December 2014	<u>8,194,453</u>	<u>14,117,154</u>	<u>3,087,062</u>	<u>1,351,176</u>	<u>(7,639,577)</u>	<u>19,110,268</u>

Share capital

Represents the par value of shares in issue.

Share premium

Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

Share based payment reserve

Represents the reserve account which is used for the corresponding entry to the share based payment charge through profit and loss (note 14).

Other reserve

Represents the reserve arising from a share for share exchange as part of a group reorganisation in 2011.

Papua Mining plc
Company statement of changes in equity for the year ended 31 December 2014

	Share Capital US\$	Share Premium US\$	Other Reserve US\$	Share Based Payment Reserve US\$	Retained Deficit US\$	Total Equity US\$
Comprehensive income						
At 1 January 2013	5,002,366	8,047,529	2,425,281	584,459	(1,797,235)	14,262,400
Comprehensive income						
Loss for the year and total comprehensive income	-	-	-	-	(1,541,582)	(1,541,582)
Transactions with owners						
Issue of share capital	487,282	3,410,971	-	-	-	3,898,253
Share based payment	-	-	-	488,983	-	488,983
Total transactions with owners	487,282	3,410,971	-	488,983	-	4,387,236
At 31 December 2013	5,489,648	11,458,500	2,425,281	1,073,442	(3,338,817)	17,108,054
Comprehensive income						
Loss for the year and total comprehensive income	-	-	-	-	(2,291,742)	(2,291,742)
Transactions with owners						
Issue of share capital	2,704,805	2,658,654	-	-	-	5,363,459
Share based payment	-	-	-	277,734	-	277,734
Total transactions with owners	2,704,805	2,658,654	-	277,734	-	5,641,193
At 31 December 2014	8,194,453	14,117,154	2,425,281	1,351,176	(5,630,559)	20,457,505

Share capital

Represents the par value of shares in issue.

Share premium

Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

Share based payment reserve

Represents the reserve account which is used for the corresponding entry to the share based payment charge through profit and loss (note 14).

Other reserve

Represents the reserve arising from a share for share exchange as part of a group reorganisation in 2011.

Papua Mining plc
Consolidated statement of cash flows for the year ended 31 December 2014

	2014 US\$	2013 US\$
Cash flow from operating activities		
Total comprehensive expense for the year before tax	(2,792,913)	(2,089,635)
Adjustments to reconcile net loss before income tax to cash flow from operating activities:		
Impairment of intangible assets	746,451	-
Share based payments	277,734	488,983
Currency adjustments	380,378	368,553
Net increase/(decrease) in operating liabilities		
- Other liabilities	174,188	(266,875)
Net cash flow from operating activities	<u>(1,214,162)</u>	<u>(1,498,974)</u>
Cash flow from investing activities		
Exploration expenditure	(4,885,679)	(5,386,020)
Net cash generated from investing activities	<u>(4,885,679)</u>	<u>(5,386,020)</u>
Cash flow from financing activities		
Proceeds from issuance of ordinary shares	5,363,459	3,898,253
Net cash generated from financing activities	<u>5,363,459</u>	<u>3,898,253</u>
Net decrease in cash and cash equivalents	<u>(736,382)</u>	<u>(2,986,741)</u>
Cash and cash equivalents at the beginning of year	3,626,880	6,996,182
Effect of foreign exchange rates changes	(376,624)	(382,561)
Cash and cash equivalents at the end of the year	<u><u>2,513,874</u></u>	<u><u>3,626,880</u></u>

Papua Mining plc

Consolidated statement of cash flows for the year ended 31 December 2014

	2014	2013
	US\$	US\$
Cash flow from operating activities		
Total comprehensive expense for the year before tax	(2,291,742)	(1,541,582)
Adjustments to reconcile net loss before income tax to cash flow from operating activities:		
Impairment of intangible assets	746,451	-
Share based payments	277,734	488,983
Currency adjustments	354,941	215,893
Net increase in operating assets		
- Other receivables	(4,208,450)	(4,063,601)
Net increase/(decrease) in operating liabilities		
- Other liabilities	174,188	(266,875)
Net cash flow from operating activities	<u>(4,946,878)</u>	<u>(5,167,182)</u>
Cash flow from investing activities		
Exploration expenditure	(1,242,259)	(1,865,602)
Net cash used in investing activities	<u>(1,242,259)</u>	<u>(1,865,602)</u>
Cash flow from financing activities		
Proceeds from issuance of ordinary shares	5,363,459	3,898,253
Net cash generated from financing activities	<u>5,363,459</u>	<u>3,898,253</u>
Net decrease in cash and cash equivalents	<u>(825,678)</u>	<u>(3,134,531)</u>
Cash and cash equivalents at the beginning of year	3,498,557	6,862,990
Effect of foreign exchange rates changes	(351,187)	(229,902)
Cash and cash equivalents at the end of the year	<u>2,321,692</u>	<u>3,498,557</u>

Notes to the financial statements

1 Group and principal activities

For the purposes of these financial statements, the term "PM plc Group" is defined as the companies Papua Mining plc (the "Company"), Papua Mining Limited, Aries Mining Limited and Sagittarius Mining Limited.

Papua Mining plc is a public limited company, quoted on AIM, and is incorporated and domiciled in England and Wales.

The PM plc Group's main activity is the exploration for gold and copper resources in Papua New Guinea, as set out in the Strategic Report and the Directors' Report.

2 Adoption of new and revised standards

The statements, standards and interpretations, effective for reporting periods beginning on or before 1 January 2014 have been applied, being those standards that will be applied to PM plc Group's financial statements for the year ending 31 December 2014.

Standards affecting presentation and disclosure

New standards and interpretations currently in issue but not effective for accounting period commencing on 1 January 2014 are:

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	(effective 1 July 2014)
Annual Improvements to IFRSs 2010/2012 Cycle (Endorsed for use in EU on 17 December 2014)	(effective 1 July 2014)
IFRS 2 – Share Based Payments	(effective 1 July 2014)
IFRS 3 – Business Combinations	(effective 1 July 2014)
IFRS 8 – Operating Segments	(effective 1 July 2014)
IFRS 13 – Fair Value Measurement	(effective 1 July 2014)
IAS 24 – Related Party Disclosures	(effective 1 July 2014)
IAS 38 – Intangible Assets	(effective 1 July 2014)
Annual Improvements to IFRSs 2011/2013 Cycle (Endorsed for use in EU on 18 December 2014)	(effective 1 July 2014)
IFRS 3 – Business Combinations	(effective 1 July 2014)
IFRS 13 – Fair Value Measurement	(effective 1 July 2014)

The Directors anticipate that the adoption of these standards and interpretations will not have a material impact on the PM plc Group's financial statements in the period of initial adoption.

3 Basis of preparation and significant accounting policies

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union.

The financial statements are prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company as at 31 December 2014.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 Basis of preparation and significant accounting policies (Continued)

b) Basis of consolidation (Continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) Going concern

The group is in the process of seeking to raise capital through the issuance of equity to continue their exploration activities in the short term and for general working capital purposes. The Directors have prepared a cash flow forecast up to 30 June 2016 which assumes that the Company receives a cash inflow from the current fund raising process and supports the Directors' reasonable expectation that the group has adequate resources to continue in operational existence throughout this period. Thus the financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management has considered the group's existing working capital position and the proposed fund raising. Management are of the opinion that subject to the proposed fund raising the group has adequate resources to continue as a going concern. The directors are cautiously optimistic that the fund raising will be a success, but should it not be successful then the group is likely to require alternative funding before the end of June 2016. If alternative funding is not available then the group would be unlikely to be able to continue as a going concern. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

d) Intangible assets – exploration and evaluation costs

Exploration and evaluation expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration and are capitalised as intangible assets pending the feasibility of the project. They also include certain administrative costs that are allocated to the extent that those costs can be related directly to operational activities.

If an exploration project is deemed successful based on feasibility studies, the related expenditures are transferred to development and production assets and amortised over the estimated useful life of the ore reserves on a unit of production basis. Where a project is abandoned or considered to be no longer economically viable, the related costs are written off to profit or loss.

To date the PM plc Group has not progressed to the development and production stage in any areas of operation.

e) Impairment of non-financial assets

The PM plc Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the PM plc Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the PM plc Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change

in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

f) Financial instruments

Financial assets

The PM plc Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and bank overdrafts.

Investments in subsidiaries: These are included in these financial statements at the cost of the ordinary share capital acquired. Adjustments to this value are only made when, in the opinion of the Directors, a permanent diminution in value has taken place and where there is no prospect of an improvement in the foreseeable future.

Financial liabilities

The PM plc Group classifies its financial liabilities as:

Trade and other payables: These are initially recognised at fair-value and then carried at amortised cost. They arise principally from the receipt of goods and services.

Equity instruments: These are recorded at fair value on initial recognition net of transaction costs.

g) Provisions

A provision is recognised in the balance sheet when the PM plc Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

h) Current and deferred tax

The tax expense represents the sum of the current tax expense and deferred tax expense.

Tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or if from the initial liabilities in a transaction that affect either the taxable profit or the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3 Basis of preparation and significant accounting policies (Continued)

i) Pensions

Pension costs charged in the financial statements represent the contributions payable by the group during the year into defined contribution pension schemes.

j) Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in US Dollars which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective PM plc Group entity, using the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the PM plc Group's financial statements, all assets, liabilities and transactions of PM plc Group entities with a functional currency other than the US Dollar are translated into US Dollar upon consolidation. The functional currency of the entities in the PM plc Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into US Dollars at the closing rate at the reporting date. Income and expenses have been translated into US Dollars at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

The principal exchange rates used to the US Dollar in the preparation of the 2014 financial statements are:

	Annual average		Year end	
	2014	2013	2014	2013
Sterling	1.6462	1.5642	1.5586	1.6368
PNG Kina	0.3870	0.4301	0.3855	0.3864
Australian Dollar	0.8985	0.9683	0.8181	0.8983
Euro	1.3208	1.3280	1.2110	1.3694

k) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive & Technical Director. They are the Directors of the PM plc Group that allocate resources to and assess the performance of the segments. The Directors consider there to be only one operating segment, being the exploration licences in Papua New Guinea.

l) Investments (parent company)

Investments held as non-current assets comprise investments in subsidiary undertakings and are stated at cost less any provision for any impairment.

m) Equity and reserves

Equity and reserves comprises the following:

- "Share capital" is the nominal value of equity shares.
- "Share premium" represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs
- "Share based payment reserve" represents a reserve arising on the grant of share options to certain Directors and key employees.
- "Other reserve" represents a reserve arising from a group reorganisation in 2011.

n) Share based payments

The Group issues equity-settled share-based payments to certain directors and key employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

o) Critical accounting estimates and judgements

The PM plc Group makes estimates and assumptions concerning the future. The resulting estimates will by definition, seldom equal the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the financial statements. The Board has considered the critical accounting estimates and assumptions used in the historical financial information and concluded that the area of judgement that has the most significant effect on the amounts recognised in the financial statements concern.

Recoverability of deferred exploration costs

All costs associated with gold and copper exploration are capitalised on a project basis, pending a decision on the economic feasibility of the project. This capitalisation of such costs gives rise to an intangible asset in the consolidated statement of financial position. Exploration costs are capitalised where it is considered likely that the amount will be recovered by future exploitation, sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be impaired and written off to the consolidated statement of comprehensive income on disposal of the net investment.

Functional currency of the parent company

Management has concluded that the US dollar is the currency of the primary economic environment in which the group operates and therefore it's functional currency. The US dollar is the currency in which business risks and exposures are measured and the Company's assets and liabilities are largely denominated and settled in US dollars.

p) Exceptional items

The PM plc Group has adopted an accounting policy and income statement format that seeks to highlight significant items of income and expense within PM plc Group results for the year. The Directors believe that this presentation provides a more helpful analysis as it highlights one-off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments, significant impairment of assets and unforeseen gains/losses arising on derivative instruments. The Directors use their judgement in assessing the particular items, which by virtue of their scale and nature are disclosed in the income statement and related notes as exceptional items.

4 Segmental reporting

During the year under review Management identified the PM plc Group's only operating segment as the exploration of gold and copper resources in Papua New Guinea. This one segment is monitored and strategic decisions are made based upon it and other non-financial data collated from the on-going exploration activities. All of PM plc Group's exploration assets are based in Papua New Guinea. The formats of financial reports that are reported to the Chief Operating Decision Makers are consistent with those presented in the annual financial statements.

5 Finance income	2014	2013
	US\$	US\$
Bank interest received	18,951	46,713
	<u> </u>	<u> </u>
6 Operating loss	2014	2013
	US\$	US\$
Operating loss is stated after charging:		
Fees payable to the PM plc Group's auditor for the audit of PM plc Group's financial statements	46,255	44,317
Fees payable to the PM plc Group's auditor for taxation services	5,905	5,657
Share based payment expense	277,734	488,983
Foreign exchange losses	380,378	368,553
Impairment of intangible assets	746,451	-
	<u> </u>	<u> </u>
7 Taxation		
Group	2014	2013
	US\$	US\$
Domestic current year tax		
U.K. corporation tax - current year	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
	<u> </u>	<u> </u>
Income tax expense	<u> </u>	<u> </u>
Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	<u>(2,792,913)</u>	<u>(2,089,635)</u>
Loss on ordinary activities at the UK standard rate of 21.49% (2013: 23.25%)	<u>(600,197)</u>	<u>(485,840)</u>
Effects of:		
Carried forward losses (UK)	104,641	244,729
Non-deductible expenses	511,674	195,783
Other tax adjustments	(16,118)	45,328
	<u> </u>	<u> </u>
Current tax charge	<u> </u>	<u> </u>

The Group has UK tax losses of approximately \$2,452,569 (2013: \$1,965,639) available to carry forward against future trading profits, subject to agreement by HMRC. No provision has been made for a potential deferred tax asset of approximately \$490,514 at 20% (2013: \$412,784 at 21%) arising from UK tax losses. The Group has not recognised a deferred tax asset on any losses carried forward due to the uncertainty of future profits and due to the relatively unsettled legal and tax codes of Papua New Guinea.

8 Loss per share

Group	2014 US\$	2013 US\$
Loss for the purpose of basic and diluted earnings per share	<u>(2,792,913)</u>	<u>(2,089,635)</u>
Numbers		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>43,340,059</u>	<u>34,476,334</u>
	US\$	US\$
Loss per share – basic	(0.06)	(0.06)
Loss per share – diluted	<u>(0.06)</u>	<u>(0.06)</u>

Loss per share has been calculated by dividing loss for the year by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share has been calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all dilutive potential options/warrants. In accordance with the provisions of IAS33, shares under option were not regarded as dilutive in calculating diluted earnings per share.

9 Intangible assets

Group	2014 US\$	2013 US\$
Exploration costs		
Cost		
At beginning of year	12,881,863	7,495,843
Additions	4,885,679	5,386,020
At the end of year	<u>17,767,542</u>	<u>12,881,863</u>
Impairment		
At beginning of year	-	-
Impairment charge	(746,451)	-
At the end of year	<u>(746,451)</u>	<u>-</u>
Net book value	<u>17,021,091</u>	<u>12,881,863</u>

9 Intangible assets (Continued)

Company	2014 US\$	2013 US\$
Exploration costs		
Cost		
At beginning of year	2,672,328	806,726
Additions	1,242,259	1,865,602
At the end of year	<u>3,914,587</u>	<u>2,672,328</u>
Impairment		
At beginning of year	-	-
Impairment charge	(746,451)	-
At the end of year	<u>(746,451)</u>	<u>-</u>
Net book value	<u>3,168,136</u>	<u>2,672,328</u>

The Directors have reviewed all exploration costs for indications of impairment. They have impaired exploration costs where the exploration project is no longer considered economically viable or where the carrying amount exceeds the recoverable amount. An assets recoverable amount is the higher of the assets fair value less costs to sell and its value in use. The impairment charge of \$746,451 is included within administration expenses in the Consolidated Statement of Comprehensive Income.

10 Investments

Company	2014 US\$	2013 US\$
Investment in Papua Mining Limited	<u>4,888,219</u>	<u>4,888,219</u>

The Group's principal subsidiary undertakings at 31 December 2014, all of which are included in the consolidation, were as follows:

Name of Company	Proportion held	Class of shareholding	Nature of business	Country of incorporation
Subsidiary				
Papua Mining Limited	100%	Ordinary	Exploration	British Virgin Islands
Aries Mining Limited	100%	Ordinary	Exploration	Papua New Guinea
Sagittarius Mining Limited	100%	Ordinary	Exploration	Papua New Guinea

11 Trade and other receivables

Company	2014 US\$	2013 US\$
Amounts owed by Group undertakings (non-current)	<u>10,507,675</u>	<u>6,299,225</u>

There are no fixed terms of repayment of amounts owed by Group undertakings, which are technically repayable on demand. As it is not intended for the amounts due to be repaid within one year these receivables have been classified in the financial statements as non-current assets.

The Directors consider the carrying value of trade and other receivables to equal their fair value.

12 Cash and cash equivalents

Group	2014 US\$	2013 US\$
Cash at bank	<u>2,513,874</u>	<u>3,626,880</u>
Company	2014 US\$	2013 US\$
Cash at bank	<u>2,321,692</u>	<u>3,498,557</u>

Cash and cash equivalents comprise cash.

The directors consider the carrying value of cash and cash equivalents to equal fair value.

13 Share capital

Group and Company	2014 Number	2013 Number
Issued share capital		
Ordinary shares of £0.10 (\$0.16) each	<u>51,215,534</u>	<u>34,996,334</u>
	2014 US\$	2013 US\$
Issued share capital		
Fully paid	<u>8,194,453</u>	<u>5,489,648</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no shares held by the entity or its subsidiaries or associates.

12,500,000 ordinary shares of £0.10 (\$0.16) each were issued at a price of £0.20 (\$0.34) per share on 26 June 2014 and 3,689,200 ordinary shares of £0.10 (\$0.16) each were issued at a price of £0.20 (\$0.34) per share on 1 July 2014. A further 30,000 ordinary shares of £0.10 (\$0.16) each were issued at a price of £0.30 (\$0.48) per share on 29 October 2014 as a result of the exercise of warrants issued in July 2014.

Share premium

The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

13 Share capital (Continued)

Capital management

The Group's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements. The Group defines capital as 'equity' and 'cash' as shown in the consolidated statement of financial position. As at 31 December 2014 the Group held equity and cash balances of \$19,110,268 and \$2,513,874 (2013: \$16,261,988 and \$3,626,880) respectively.

The Board of Directors takes full responsibility for managing the Group's capital and does so through board meetings, review of financial information, and regular communication with officers and senior management.

In order to maximise ongoing development efforts, the Company does not pay dividends. The Group's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity. The Group expects its current capital resources will be sufficient to carry out its operating plans over the foreseeable future.

14 Share based payments

Details of share options granted are as follows:

	2014		2013	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding at 1 January 2014	2,840,724		2,720,724	
Granted during the year	20,000		120,000	
Outstanding at 31 December 2014	<u>2,860,724</u>	<u>0.75</u>	<u>2,840,724</u>	<u>0.75</u>
Exercisable at 31 December 2014	<u>2,860,724</u>	<u>0.75</u>	<u>2,840,724</u>	<u>0.75</u>

No shares options were exercised in this or the prior period.

On 26 September 2014 share options were granted over 20,000 ordinary shares to certain employees. These share options are exercisable at £0.27 (\$0.43) and the vesting periods are one year (10,000 shares) and two years (10,000) from the grant date. The options lapse on the fifth anniversary of the grant date.

On 16 May 2013 share options were granted over 120,000 ordinary shares to certain employees. These share options are exercisable at £0.77 (\$1.25) and the vesting periods are one year (60,000 shares) and two years (60,000) from the grant date. The options lapse on the fifth anniversary of the grant date.

On 18 September 2012 share options were granted over 80,000 ordinary shares to certain employees. These share options are exercisable at £0.54 (\$0.88) and the vesting periods are one year (40,000 shares) and two years (40,000 shares) from the grant date. The options lapse on the fifth anniversary of the grant date.

On 2 March 2012 share options were granted over 2,640,724 ordinary shares to certain Directors and key employees. These share options are exercisable at £0.44 (\$0.72) and the vesting periods are one year (846,908 shares), two years (896,908) and three years (896,908) from the grant date. The options lapse on the tenth anniversary of the grant date.

The inputs into the Black Scholes model are as follows:	2014	2013	2012
Share price	27.25p	51.5 - 76.5p	46.5p
Exercise price	26.50p	51.5 - 76.5p	44.0p
Expected volatility:			
Year 1	50%	78 - 84%	87%
Year 2	71%	102 - 119%	129%
Year 3	N/A%	N/A%	243%
Expected life	1-2years	1-2 years	1-3 years
Discount rate	1.5%	1.5%	1.5%

14 Share based payments (Continued)

Expected volatility was determined by reference to the historical volatility of the share price of peer companies to the Group. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of \$277,734 (2013: \$488,983) relating to equity-settled share based payment transactions in the year.

15 Trade and other payables

Group	2014	2013
	US\$	US\$
Trade payables	207,760	36,515
Other payables	106,768	109,062
Accruals	110,169	101,178
	<u>424,697</u>	<u>246,755</u>
Company	2014	2013
	US\$	US\$
Trade payables	207,760	36,515
Other payables	110,288	112,582
Accruals	110,169	101,178
	<u>428,217</u>	<u>250,275</u>

The Directors consider the carrying value of trade and other payables to equal their fair value.

16 Financial instruments

In common with other businesses, the PM plc Group is exposed to risks that arise from its use of financial instruments. This note describes the PM plc Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 3.

The PM plc Group does not have any derivative products or any long term borrowings. The PM plc Group is not exposed to interest-bearing indebtedness. The exploration activities of the PM plc Group were financed by proceeds of issue of shares.

Principal financial instruments

The principal financial instruments used by the PM plc Group, from which financial instrument risk arises, are as follows:

	2014	2013
	US\$	US\$
<i>Financial Assets</i>		
Cash and cash equivalents	<u>2,513,874</u>	<u>3,626,880</u>
<i>Financial Liabilities</i>		
Trade payables	207,760	36,515
Other payables	<u>106,768</u>	<u>109,062</u>
	<u>314,528</u>	<u>145,577</u>

The Directors consider that the fair value of the above financial instruments is equal to the carrying values.

16 Financial instruments (Continued)

General objectives, policies and processes

The Directors have overall responsibility for the determination of the PM plc Group's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the PM plc Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the PM plc Group's competitiveness and flexibility. The Directors consider that the risk components detailed below apply to the PM plc Group and is managed at Group level.

Credit risk

Credit risk refers to the risk that the PM plc Group's financial assets will be impaired by the default of a third party. The PM plc Group is exposed to this risk primarily on its cash and cash equivalents as set out in note 12. Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high quality credit standing.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The PM plc Group operates primarily in Papua New Guinea. Transactions are substantially denominated in PNG Kina, Australian \$, Sterling and US Dollars (its reporting currency). As such the PM plc Group is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade with its suppliers are such that the Directors believe that the PM plc Group's exposure is minimal and consequently they have not, to date, specifically sought to hedge that exposure. Most of the PM plc Group's funds are in Sterling with only sufficient funds held overseas to meet local costs. Funds are periodically transferred overseas to meet local costs when required.

Commodity price risk

Commodity price risk is the risk that the PM plc Group's future earnings will be adversely impacted by changes in the market prices of commodities. The PM plc Group is exposed to commodity price risk as its future revenues may be determined by reference to market prices of copper and gold.

Liquidity risk

Liquidity risk relates to the ability of the PM plc Group to meet future obligations and financial liabilities. To date the PM plc Group has relied upon shareholder funding of its activities. Future exploration and development activities may be dependent upon the PM plc Group's ability to obtain further financing through equity financing or other means. Although the PM plc Group has been successful in the past in obtaining equity finance there can be no assurance that the PM plc Group will be able to obtain adequate financing in the future or that the terms of the financing will be favorable.

The financial statements have been prepared on a going concern basis and note 3(c) provides further information in this regard.

16 Financial instruments (Continued)

Sensitivity analysis

Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7 as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of changes in foreign exchange rates on financial assets and liabilities at the Balance Sheet date, illustrating the (decrease)/increase in PM plc Group operating result caused by a 10% strengthening of Sterling, PNG Kina and the Euro compared to the year end spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The PM plc Group operates in four different currencies, and those with a material impact are noted here:

	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$
Sterling	(153,159)	(289,795)
PNG Kina	(19,218)	(12,832)
Euro	-	-
Australian Dollar	<u>(86,442)</u>	<u>(47,053)</u>

17 Capital commitments

The PM plc Group's capital commitments relate to licence expenditure and related exploration activities, the cost of which will be met from funds raised in June 2015.

The PM plc Group currently holds six Exploration Licenses and three further licenses are currently under application. If all of the licence applications are granted, the Group's licences will have total expenditure commitments of approximately US\$0.5 million over the coming 12 month period.

18 Staff costs

Number of employees

The average monthly number of employees (including Directors) of the Group during the year was:

	2014	2013
Administration	5	15
Technical	<u>58</u>	<u>26</u>
	<u>63</u>	<u>41</u>

Employment costs (including directors)

	2014 US\$	2013 US\$
Wages and salaries	860,063	1,378,199
Social security costs	36,222	100,617
Pension costs	60,181	67,440
Employee share based payment charge	<u>277,734</u>	<u>488,983</u>
	<u>1,234,200</u>	<u>2,035,239</u>

19 Directors emoluments

Aggregate emoluments, including benefits in kind, by director are as follows:

2014 Directors	Directors' fees US\$	Salary US\$	Pension contributions US\$	Sub total US\$	Medical insurance US\$	Social security costs US\$	Total US\$
H McCullough	-	200,000	25,576	225,576	12,957	21,500	260,033
K Harrington	-	250,000	25,576	275,576	7,897	21,500	304,973
M Jolliffe	7,402	67,029	-	67,029	-	-	74,431
G Palm	-	56,304	-	56,304	-	5,657	61,961
K Lough	-	56,304	-	56,304	-	5,657	61,961
	<u>7,402</u>	<u>629,637</u>	<u>51,152</u>	<u>680,789</u>	<u>20,854</u>	<u>54,314</u>	<u>763,359</u>

2013 Directors	Directors' fees US\$	Salary US\$	Pension contributions US\$	Sub total US\$	Medical insurance US\$	Social security costs US\$	Total US\$
H McCullough	-	200,000	30,035	230,035	12,271	21,500	263,806
K Harrington	-	242,630	37,405	280,035	9,565	26,160	315,760
M Jolliffe	13,945	62,860	-	76,805	-	-	76,805
G Palm	-	47,145	-	47,145	-	5,657	52,802
K Lough	-	47,145	-	47,145	-	5,657	52,802
	<u>13,945</u>	<u>599,780</u>	<u>67,440</u>	<u>681,165</u>	<u>21,836</u>	<u>58,974</u>	<u>761,975</u>

Share options are held by the directors as follows:

	2014 Number of options	2013 Number of options
Michael Jolliffe	250,000	250,000
Hugh McCullough	796,908	796,908
Kieran Harrington	<u>796,908</u>	<u>796,908</u>

The key management personnel of the Group are considered to be entirely represented by the Directors.

No Director has yet benefitted from any increase in value of share capital since issuance of the options.

No Director exercised share options in the year.

20 Related party transactions

As well as remuneration of Directors (note 19), the following transactions fall within the scope of IAS 24 Related Party Disclosures.

- (1) The Company was charged fees of \$3,713 (2013: \$6,082) during the year by AA Corporate Management in respect of accounting and company secretarial services. AA Corporate Management is controlled by Antoine Awad, a director of Papua Mining Limited.
- (2) Wighams Capital Partners Limited, a company connected to the director Michael Jolliffe, charged fees of \$7,402 (2013: \$13,945) to the company during the year. These fees are included within the remuneration stated in note 19.

At 31 December 2014 there were \$Nil (2013: \$Nil) amounts payable to the above related parties.

21 Control

The company is quoted on AIM and there is no individual controlling party. The Directors' Report provides details of those shareholders with an individual holding exceeding 3% of issued share capital.