

PACIFIC NIUGINI LIMITED

**AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

31 DECEMBER 2010

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CORPORATE DIRECTORY

Directors

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

Auditor

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 Level 18 300 Queen Street
 Brisbane QLD 4000
 Tel: (07) 3237 5999
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Company Secretary

Dennis Lovell

Share Registry

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 Tel: (07) 3237 2100
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Registered Office

Suite 14, 46 Douglas Street
 Milton QLD 4064
 Tel: (07) 3367 3996
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Head Office

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Home Stock Exchange

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 Level 5
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 123 Eagle Street
 Brisbane QLD 4000

Website: www.niugini.com.au

ASX Code: PNR

DIRECTORS' REPORT

Your directors present their report together with the consolidated financial report of Pacific Niugini Limited for the six months ended 31 December 2010.

DIRECTORS

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

Peter Cook – Chairman (and Acting CEO)
David Osikore – Executive Director
Andrew Waller – Non-Executive Director
Paul Cmrlec - Non-Executive Director

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

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recorded an operating profit after tax of \$7,020,586 for the half-year ended 31 December 2010 (2009: operating profit after tax \$127,274).

Key Highlights:

- Following on from the purchase by AMCOL International Corporation, USA, of 53% of the Ruighoek Chrome Project in South Africa (Ruighoek) for a consideration of US\$14 million in February 2009 ("Stage 1 Completion"), AMCOL elected to exercise their call option over the remaining 47% of Ruighoek for US\$12.4 million in September 2010. Stage 2 Completion was settled on 15 September 2010 by the payment of US\$11.5 million (net of South African Revenue Service withholding tax of 7.5% for the assessable capital gain on the transaction). The group recorded a net profit before tax of \$8,974,583 on this transaction and the income tax payable was \$886,569.
- A placement of 30.45 million shares (15%) at \$0.20 per share was completed and raised a net amount of \$5.58 million in September 2010.
- During the half-year period 3,316,667 \$0.30 options expiring on 30/09/2011 were exercised to raise additional working capital of \$995,000.
- Certain USA mineral tenements with a carrying value of \$171,939 were disposed of during the half-year. The proceeds were in the form of ASX listed company shares valued at \$760,000. This transaction increased the net assets of the group by \$588,061.

PNG Operations

The Company continues with its exploration and development activities for gold, copper-gold and other base metals on its exploration tenure in PNG. Significant exploration progress and success was achieved during the half-year with some prospects moving to the drill evaluation phase.

The company operates from an office in Lae, PNG that is staffed and managed entirely by PNG geologists, technical specialists and administration staff all answering to PNG geologist and Managing Director of our wholly owned PNG subsidiary, Mr David Osikore.

Full details of the PNG operations can be obtained from past company announcements on the ASX website www.asx.com.au (ASX Code is PNR) or on the company website www.niugini.com.au

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307c of the Corporations Act 2001 is set out on the next page and forms part of the directors' report for the six months ended 31 December 2010.

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



Peter Cook
Chairman
Perth, Western Australia
Date: 16 March 2011

DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF PACIFIC NIUGINI LIMITED

As lead auditor for the review of Pacific Niugini Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pacific Niugini Limited and the entities it controlled during the period.



A J Whyte

Director

BDO Audit (QLD) Pty Ltd

Brisbane: 16 March 2011

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Note	31 December 2010 \$	31 December 2009 \$
Continuing Operations			
Revenue			
Interest		158,429	126,108
Other revenue		363,871	565,533
Other income			
Gain on sale of assets held for sale		8,974,583	-
Gain on sale of mineral tenements		588,061	-
Bad debt recovery		400,000	-
Expenditure			
Employee benefit expense		(321,531)	(356,553)
Depreciation expense		(36,771)	(18,198)
Consultants fees		(54,540)	(114,141)
Legal fees		(2,512)	(22,333)
Administration expenses		(519,786)	(343,048)
Other expenses		(14,625)	(19,898)
Foreign exchange losses		(628,024)	-
Bad and doubtful debt		(1,000,000)	-
Share of profit (loss) of equity accounted associate		-	309,804
		<hr/>	<hr/>
Profit (loss) from continuing operations before income tax		7,907,155	127,274
Income tax expense		(886,569)	-
		<hr/>	<hr/>
Profit (loss) for the period from continuing operations after income tax		7,020,586	127,274
		<hr/>	<hr/>
Profit (loss) attributable to members of the parent entity		7,020,586	127,274
		<hr/>	<hr/>
Other comprehensive income (loss)			
Exchange differences on the translation of foreign operations		(36,390)	(5,400)
		<hr/>	<hr/>
Other comprehensive income (loss) for the period, net of tax		(36,390)	(5,400)
		<hr/>	<hr/>
Total comprehensive income (loss) for the period attributable to members of the parent entity		6,984,196	121,874
		<hr/> <hr/>	<hr/> <hr/>
Earnings per Share			
Profit (Loss) per share - basic (cents per share)		3.15	0.07
Profit (Loss) per share - diluted (cents per share)		3.04	0.07

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**PACIFIC NIUGINI LIMITED
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ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	31 December 2010 \$	30 June 2010 \$
Assets			
Current Assets			
Cash and cash equivalents		19,103,392	2,923,690
Trade and other receivables		1,553,089	2,267,943
Financial assets at fair value through profit or loss		1,766,606	1,021,231
Assets classified as held for sale		-	4,269,092
Total Current Assets		<u>22,423,087</u>	<u>10,481,956</u>
Non-Current Assets			
Property, plant & equipment		882,302	246,112
Exploration & evaluation assets	5	6,606,645	5,218,721
Total Non-Current Assets		<u>7,488,947</u>	<u>5,464,833</u>
Total Assets		<u>29,912,034</u>	<u>15,946,789</u>
Liabilities			
Current Liabilities			
Trade and other payables		298,552	209,530
Provisions		35,252	18,986
Total Current Liabilities		<u>333,804</u>	<u>228,516</u>
Non-Current Liabilities			
Deferred tax liability		1,240,810	1,240,810
Total Non-Current Liabilities		<u>1,574,614</u>	<u>1,240,810</u>
Total Liabilities		<u>1,574,614</u>	<u>1,469,326</u>
Net Assets		<u>28,337,420</u>	<u>14,477,463</u>
Equity			
Issued capital	4	128,551,864	121,979,494
Reserves		2,640,382	2,373,382
Accumulated losses		(102,854,827)	(109,875,413)
Total Equity		<u>28,337,420</u>	<u>14,477,463</u>

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

**PACIFIC NIUGINI LIMITED
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Issued Capital \$	Option Reserve \$	Share Based Payment Reserve \$	Accumulated Losses \$	Foreign Exchange Reserve \$	Total Equity \$
Balance at 1 July 2009	119,394,679	647,040	550,908	(111,112,407)	-	9,480,220
Profit (Loss) for the period	-	-	-	127,274	-	127,274
Exchange differences on translation of foreign operations	-	-	-	-	(5,400)	(5,400)
Total comprehensive income for the period				127,274	(5,400)	121,874
Transactions with owners in their capacity as owners:						
Shares issued during the period	2,584,815	-	-	-	-	2,584,815
Options issued during the period	-	915,455	-	-	-	915,455
Share based payments	-	-	121,500	-	-	121,500
Balance at 31 December 2009	121,979,494	1,562,495	672,408	(110,985,133)	(5,400)	13,223,864
Balance at 1 July 2010	121,979,494	1,562,495	782,897	(109,875,413)	27,990	14,477,463
Profit (Loss) for the period	-	-	-	7,020,586	-	7,020,586
Exchange differences on translation of foreign operations	-	-	-	-	(36,390)	(36,390)
Total comprehensive income for the period	-	-	-	7,020,586	(36,390)	6,984,196
Transactions with owners in their capacity as owners:						
Shares issued during the period	6,572,370	-	-	-	-	6,572,370
Options issued during the period	-	241,130	-	-	-	241,130
Share based payments	-	-	62,261	-	-	62,261
Balance at 31 December 2010	128,551,864	1,803,625	845,158	(102,854,827)	(8,400)	28,337,420

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**PACIFIC NIUGINI LIMITED
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Note	31 December 2010 \$	31 December 2009 \$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(831,097)	(862,173)
Interest received		63,330	45,450
Other income received		357,176	516,287
Income tax paid		(886,569)	-
Net Cash inflow (outflow) from Operating Activities		<u>(1,297,160)</u>	<u>(300,436)</u>
Cash Flows From Investing Activities			
Payments for exploration expenditure		(1,649,924)	(176,639)
Payments for investments		-	-
Payment for property, plant and equipment		(664,315)	(95,290)
Loans to other entities		(7,000)	-
Payments for deposits		(31,049)	(6,825)
Proceeds-sale of investments		-	149,075
Proceeds-sale of assets held for sale		11,499,454	-
Cash on acquisition of subsidiary		-	337,791
Repayment of loans to other entities		2,144,220	-
Net Cash inflow (outflow) from Investing Activities		<u>11,291,386</u>	<u>208,112</u>
Cash Flows From Financing Activities			
Proceeds from share and option issues		7,085,000	-
Payment of share issue expenses		(271,500)	-
Proceeds from borrowings		-	-
Net Cash inflow (outflow) from Financing Activities		<u>6,813,500</u>	<u>-</u>
Net (decrease)/increase In Cash		16,807,726	(92,324)
Cash at beginning of the financial period		2,923,690	3,072,044
Effects of exchange rate changes on the balance of cash held in foreign currencies		(628,024)	-
Cash at the end of the Financial Period		<u><u>19,103,392</u></u>	<u><u>2,979,720</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Pacific Niugini Limited (the "Company") is a company domiciled in Australia. The consolidated half-year financial statements of the Company as at and for the six months ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at Suite 14, 46 Douglas Street Milton QLD 4064 or at www.niugini.com.au

2. Statement of compliance

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

The consolidated half-year financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2010 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This consolidated half-year financial statements were approved by the Board of Directors on 16 March 2011.

3. Significant accounting policies

The accounting policies applied by the Group in these consolidated half-year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2010 and previous corresponding half-year period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Capital Issued

	2010	2009
	\$	\$
Issues of ordinary shares during the six months		
Opening balance at 1 July	121,979,494	119,394,679
Issued on placement at 20 cents each	6,090,000	-
Issued on options exercised at 30 cents each	995,000	-
Transaction costs on share issue	(512,630)	-
Issued on acquisition of Pacific Niugini Minerals Ltd at 7.2 cents each	-	2,584,815
Closing balance at 31 December	128,551,864	121,979,494

	2010	2009
	Number of shares	Number of shares
Issues of ordinary shares during the six months		
Opening balance at 1 July	203,184,922	167,284,722
Issued on placement at 20 cents each	30,450,000	-
Issued on options exercised at 30 cents each	3,316,667	-
Issued on acquisition of Pacific Niugini Minerals Ltd at 7.2 cents each	-	35,900,200
Closing balance at 31 December	236,951,589	203,184,922

	2010	2009
	Number of options	Number of options
Options on issue during the six months		
Opening Balance – number of options on issue at 1 July	45,409,845	84,006,790
Options expired – 30 cents per share expiring 30 September 2009	-	(82,106,789)
Unlisted options issued at 30 cents per share expiring 30 September 2011	-	21,819,744
Unlisted options issued at 20 cents per share expiring 30 June 2014	-	17,950,100
Unlisted options issued at 20 cents per share expiring 26 November 2012	-	1,500,000
Unlisted options issued at 28 cents per share expiring 31 March 2013	2,000,000	-
Options expiring 30 September 2011 exercised	(3,316,667)	-
Closing Balance – number of options on issue at 31 December	44,093,178	43,169,845

5. Exploration and Evaluation Assets

Movements are as follows:

	31 December 2010	31 December 2009
Opening balance	5,218,721	171,939
Acquired at fair value	-	4,382,563
Disposals	(171,939)	-
Expenditure on exploration	1,559,863	176,639
	6,606,645	4,731,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment Information

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Chief Executive Officer and other members of the board of directors.

Management has determined that the group has two reportable segments, being the parent company in Australia (Pacific Niugini Ltd) and the subsidiary company in Papua New Guinea (Pacific Niugini Minerals (PNG) Ltd).

As the group is focused on mineral exploration, the Board monitor the group based on actual versus budgeted exploration expenditure incurred by area of interest and working capital available to meet the budgeted exploration program, taking into consideration the results of exploration work that has been performed to date.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the group and its ongoing exploration activities. As the exploration costs by which management monitor the entity have all been capitalised, no reconciliation back to loss for the period has been presented.

Relevant financial details of each reportable segment are as follows:

Australia	31 December 2010	30 June 2010
Working capital	21,753,632	5,833,357
Capitalised exploration expenditure	-	171,939
Plant and equipment	619,977	19,718

PNG	31 December 2010	30 June 2010
Working capital	335,651	150,992
Capitalised exploration expenditure	6,606,645	5,046,782
Plant and equipment	262,325	226,394

7. Contingent Liabilities and Contingent Assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Exploration Tenements in PNG

The 100% controlled entity of Pacific Niugini Ltd, Pacific Niugini Minerals (PNG) Ltd (PNM) holds the Papua New Guinea Exploration Licences EL1589, EL1613, EL1614, EL1615 and EL1616. These licences were all issued on 7 July 2008 for a two year term expiring on 6 July 2010.

PNM has applied for a further two year renewal of these licences and at the date of these financial Statements the renewal process was still under way.

The Company has received written confirmation from the Mineral Resources Authority of PNG (MRA) that all of these tenements are in good standing with the MRA and that PNM is the registered holder of the licences. The Company is therefore of the view that licence renewals will take place in the normal course of business.

9. Related Parties

On 31 August 2009 the Company acquired 100% of Pacific Niugini Minerals Ltd, an Australian unlisted public company together with its wholly owned subsidiary company Pacific Niugini Minerals (PNG) Ltd, a gold and copper exploration company incorporated in Papua New Guinea.

At the same time Mr Peter Cook was appointed as Director/Chairman, Mr David Osikore was appointed as a Director. In June 2010 Mr Paul Cmrlec was appointed as a director.

During the half-year, a director related entity of Mr Andrew Waller (Non-executive director) issued a convertible note to Pacific Niugini Limited in settlement of a \$2,000,000 loan due to Pacific Niugini Limited from an unrelated entity. During the half year an impairment loss of \$1,000,000 was recognised in respect of the convertible note.

Arrangements with other related parties continue to be in place. For details on these arrangements refer to the 30 June 2010 annual financial report.

10. Subsequent Events

There are no matters or circumstances which have arisen since the end of the financial period that have significantly affected the operations of the group or the results of those operations or the state of affairs of the group.

11. Dividends

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

DIRECTORS' DECLARATION

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

- a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Peter Cook
Chairman

Perth, Western Australia
Date: 16 March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PACIFIC NIUGINI LIMITED

We have reviewed the accompanying half-year financial report of Pacific Niugini Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pacific Niugini Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd

BDO

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular stamp or seal.

A J Whyte

Director

Brisbane: 16 March 2011