

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

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2012

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CORPORATE DIRECTORY

Directors

Peter Cook – Non-Executive Chairman
 Paul Cmrlec - Managing Director
 David Osikore - Executive Director
 Sam Akoitai - Non-Executive Director

Auditor

BDO Audit Pty Ltd
 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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Registered address and Head Office

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 Milton QLD 4064
 Tel: (07) 3367 3996
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Principal Place of Business

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 Tel: (07) 3367 3996
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Home Stock Exchange

Australian Securities Exchange Limited
 20 Bridge Street
 Sydney NSW 2000

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 2012.

DIRECTORS

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

Peter Cook – Non-Executive Chairman
Paul Cmrlec - Managing Director
David Osikore – Executive Director
San Akoitai – 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 a loss after tax of \$1,182,785 for the half-year ended 31 December 2012 (2011: loss after tax \$578,659).

Corporate

At 31 December 2012 the company had 251,284,667 (30 June 2012: 251,284,667) fully paid ordinary shares on issue and cash reserves of \$7,541,139 (30 June 2012: \$10,717,727).

PNG Operations

The Company continues with its exploration and development activities for gold, copper-gold and other base metals on its exploration tenements in PNG and significant exploration activity has taken place during the half-year. Geological field work such as surface trenching and outcrop, soil and stream sediment sampling with geochemical surveys and extensive interpretation of results are being conducted with a view to moving some prospects to the drill evaluation phase. The Kusi Prospect at Garaina is an advanced exploration target, and in the opinion of the company is now drill ready. Discussions are also being held with interested parties for potential farm-in/joint venture deals.

Bulk sampling programs have been continuing at the Bulolo Gravels project and the company now has a sound understanding of near surface gold distribution at both Bulolo and Widubosh. A transition to production from the tenements will be considered following the testing and evaluation of the Caldera Project in Mexico, which is reported below.

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

Other Operations

In an ASX announcement on 4th December 2012 and in the December 2012 Quarterly Activities Report lodged on 30 January 2013 the Company announced details of the proposed acquisition of the Caldera Gold Project, an advanced gold project located in Mexico. Completion of the project commercial due diligence was announced on 1 March 2013.

DIRECTORS' REPORT

Construction of a 10tph bulk sampling plant has been completed and was shipped to Mexico in early March.

The bulk sampling program to confirm the project gold tenor is scheduled to commence in April. Subject to a successful test program, the Company will ship its production plant to Mexico and full scale gold production is expected to commence by the first quarter of 2014 with the company receiving:

- 85% of profits until all capital expenditure is recovered.
- 75% of profits for the next 50,000 ounces of gold production.
- 60% of profits for the following 50,000 ounces of gold production.
- 50% of profits for the remaining life of the mine.

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 2012.

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



Paul Cmrlec
Managing Director
Perth, Western Australia
Date: 14 March 2013

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

As lead auditor of Pacific Niugini Limited for the half-year ended 31 December 2012, 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
- any applicable code of professional conduct in relation to the review.

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

A J Whyte

Director



BDO Audit Pty Ltd

Brisbane: 14 March 2013

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

	Note	31 December 2012 \$	31 December 2011 \$
Revenue			
Interest		201,438	310,968
Other revenue		95,690	-
Other income			
Foreign exchange gains		-	853,053
Expenditure			
Employee benefit expense		(476,915)	(449,416)
Depreciation expense		(179,915)	(90,001)
Consultants fees		(152,200)	(164,600)
Legal fees		(12,771)	(53,636)
Rent		(69,063)	(73,700)
Administration expenses		(570,366)	(592,088)
Other expenses		-	(2,961)
Exploration expenditure written off		(7,143)	-
Fair value changes in financial assets at fair value through profit or loss		(11,540)	(316,278)
Profit (loss) before income tax		(1,182,785)	(578,659)
Income tax expense		-	-
Profit (loss) for the period attributable to members of the parent entity		(1,182,785)	(578,659)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Exchange differences on the translation of foreign operations		265,152	111,373
Other comprehensive income for the period, net of tax		265,152	111,373
Total comprehensive income for the period attributable to members of the parent entity		(917,633)	(467,286)
Earnings per share			
Profit (loss) per share - basic (cents per share)		(0.47)	(0.24)
Profit (loss) per share - diluted (cents per share)		(0.47)	(0.24)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31 December 2012 \$	30 June 2012 \$
Assets			
Current Assets			
Cash and cash equivalents		7,541,139	10,717,727
Trade and other receivables		307,401	520,908
Financial assets at fair value through profit or loss		98,551	110,091
Total Current Assets		<u>7,947,091</u>	<u>11,348,726</u>
Non-Current Assets			
Property, plant & equipment		4,484,625	3,870,896
Exploration & evaluation assets	5	14,029,212	12,357,921
Total Non-Current Assets		<u>18,513,837</u>	<u>16,228,817</u>
Total Assets		<u>26,460,928</u>	<u>27,577,543</u>
Liabilities			
Current Liabilities			
Trade and other payables		546,199	802,243
Provisions		105,761	89,412
Total Current Liabilities		<u>651,960</u>	<u>891,655</u>
Non-Current Liabilities			
Deferred tax liability		1,240,810	1,240,810
Total Non-Current Liabilities		<u>1,240,810</u>	<u>1,240,810</u>
Total Liabilities		<u>1,892,770</u>	<u>2,132,465</u>
Net Assets		<u>24,568,158</u>	<u>25,445,078</u>
Equity			
Issued capital	4	132,507,388	132,430,888
Reserves		3,703,760	3,474,395
Accumulated losses		(111,642,990)	(110,460,205)
Total Equity		<u>24,568,158</u>	<u>25,445,078</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 2012**

	Issued Capital \$	Option Reserve \$	Share Based Payment Reserve \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance at 1 July 2011	129,083,287	1,803,625	1,300,993	(108,133,219)	9,066	24,063,752
Profit (loss) for the period	-	-	-	(578,659)	-	(578,659)
Exchange differences on translation of foreign operations	-	-	-	-	111,373	111,373
Total comprehensive income for the period	-	-	-	(578,659)	111,373	(467,286)
Transactions with owners in their capacity as owners:						
Shares issued during the period	2,730,600	-	-	-	-	2,730,600
Share based payments	-	-	140,456	-	-	140,456
Balance at 31 December 2011	131,813,887	1,803,625	1,441,449	(108,711,878)	120,439	26,467,522
Balance at 1 July 2012	132,507,388	1,727,125	1,580,238	(110,460,205)	90,532	25,445,078
Profit (loss) for the period	-	-	-	(1,182,785)	-	(1,182,785)
Exchange differences on translation of foreign operations	-	-	-	-	265,152	265,152
Total comprehensive income for the period	-	-	-	(1,182,785)	265,152	(917,633)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	40,713	-	-	40,713
Balance at 31 December 2012	132,507,388	1,727,125	1,620,951	(111,642,990)	355,684	24,568,158

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 2012**

	31 December 2012 \$	31 December 2011 \$
Cash Flows From Operating Activities		
Payments to suppliers and employees	(1,127,132)	(939,341)
Interest received	216,440	162,388
Receipts in the course of operations	104,780	-
	(805,912)	(776,953)
Net Cash inflow (outflow) from Operating Activities		
Cash Flows From Investing Activities		
Payments for exploration assets	(1,460,409)	(3,673,376)
Payments for property, plant and equipment	(910,267)	(685,152)
	(2,370,676)	(4,358,528)
Net Cash inflow (outflow) from Investing Activities		
Cash Flows From Financing Activities		
Proceeds from share and option issues	-	2,730,600
	-	2,730,600
Net Cash inflow (outflow) from Financing Activities		
Net (decrease)/increase in cash	(3,176,588)	(2,404,881)
Cash at beginning of the financial period	10,717,727	17,185,823
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	865,001
	7,541,139	15,645,943
Cash at the end of the financial period	7,541,139	15,645,943

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 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2012 are available upon request from the Company's registered office at Suite 14, 46 Douglas Street Milton QLD 4064 or on the website 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 2012 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.

The consolidated half-year financial statements were approved by the Board of Directors on 14 March 2013.

3. Significant accounting policies

The accounting policies and methods of computation 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 2012.

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. Issued Capital

	2012	2011
	\$	\$
Issues of ordinary shares during the six months		
Opening balance at 1 July	132,507,388	129,083,287
Issued on options exercised at 30 cents each	-	2,725,500
Issued on options exercised at 17 cents each	-	5,100
Closing balance at 31 December	<u>132,507,388</u>	<u>131,813,887</u>

	2012	2011
	Number of shares	Number of shares
Issues of ordinary shares during the six months		
Opening balance at 1 July	251,284,667	239,069,666
Issued on options exercised at 30 cents each	-	9,085,001
Issued on options exercised at 17 cents each	-	30,000
Closing balance at 31 December	<u>251,284,667</u>	<u>248,184,667</u>

	2012	2011
	Number of options	Number of options
Options and Performance Rights on issue during the six months		
Opening balance – number on issue at 1 July	25,900,100	47,075,101
Options exercised – 30 cents per share expiring 30 Sept 2011	-	(9,085,001)
Options expired – 30 cents per share expiring 30 Sept 2011	-	(10,000,000)
Unlisted options exercised - 17 cents per share expiring 23 Feb 2013	-	(30,000)
Unlisted options forfeited - 17 cents per share expiring 23 Feb 2013	-	(80,000)
Unlisted options forfeited - 47 cents per share expiring 21 Dec 2013	-	(100,000)
Unlisted options issued - 48 cents per share expiring 30 Nov 2014	-	800,000
Unlisted options forfeited - 48 cents per share expiring 30 Nov 2014	(50,000)	-
Unlisted performance rights issued - expiring 30 Nov 2012	-	300,000
Unlisted performance rights - expired 30 Nov 2012	(300,000)	-
Unlisted performance rights issued expiring 30 Nov 2013	-	200,000
Closing balance – number on issue at 31 December	<u>25,550,100</u>	<u>29,080,100</u>

5. Exploration and Evaluation Assets

Movements are as follows:

	31 December 2012	31 December 2011
Opening balance	12,357,921	6,098,966
Write off	(7,143)	-
Expenditure on exploration	1,678,434	3,940,065
	<u>14,029,212</u>	<u>10,039,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment Information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and the rest of the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

Therefore, management identifies the Group as having only one reportable segment. The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole

(b) Entity-wide disclosures

The Group's geographical information is as follows:

		Australia \$	Papua New Guinea \$
Non-current assets	Dec 2012	8,415	18,493,172
	June 2012	11,245	16,216,898

During the reporting period the Group operated primarily in mineral exploration located in Papua New Guinea. The Group's headquarters office is in Australia.

The Group does not have any products/services that it derives revenue from except interest.

7. Contingent Liabilities and Contingent Assets

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

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. They were renewed for a second term expiring 6 July 2012 and renewal of EL 1614 for a third term expiring on 6 July 2014 has been completed. Applications for the third term renewal expiring on 6 July 2014 in respect of EL 1589, EL 1613, EL 1615 and EL 1616 have been made and at the date of these accounts are still in progress. As far as the company is aware these tenements are all in good standing and renewal will take place in the normal course of business.

In March 2012 four new exploration licences, EL 1869, EL 1827, EL1828 and EL 2013, were granted for a two year term expiring 11 March 2014.

During the current financial period an additional two new exploration licences were granted, EL 1850 on 27 September 2012 and EL 1852 on 8 October 2012, both for a two year term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. 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 other than as follows:

Mexican project update:

In an ASX announcement on 4th December 2012 and in the December 2012 Quarterly Activities Report lodged on 30 January 2013 the Company announced details of the proposed acquisition of the Caldera Gold Project, an advanced gold project located in Mexico.

Completion of the project commercial due diligence was announced on 1 March 2013.

Construction of a 10tph bulk sampling plant has been completed and was shipped to Mexico in early March.

The bulk sampling program to confirm the project gold tenor is scheduled to commence in April.

10. 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated 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 2012 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 Board of Directors.



Paul Cmrlec
Managing Director

Perth, Western Australia
Date: 14 March 2012

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 consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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 internal 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 half-year 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 2012 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2012 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 Pty Ltd

BDO



A J Whyte
Director

Brisbane: 14 March 2013