

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

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

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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 (QLD) Pty Ltd
 Level 18 300 Queen Street
 Brisbane QLD 4000
 Tel: (07) 3237 5999
 Fax: (07) 3221 9227

Company Secretary

Dennis Lovell

Share Registry

Computershare Investor Services Pty Ltd
 117 Victoria Street
 West End QLD 4101
 Tel: (07) 3237 2100
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Registered Office

Suite 14, 46 Douglas Street
 Milton QLD 4064
 Tel: (07) 3367 3996
 Fax: (07) 3368 2998

Head Office

Suite 14, 46 Douglas Street
 Milton QLD 4064
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Home Stock Exchange

Australian Securities Exchange Limited
 Level 5
 Riverside Centre
 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 2011.

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 \$578,659 for the half-year ended 31 December 2011 (2010: operating profit after tax \$7,020,586).

Corporate

- During the half-year period 9,085,001 \$0.30 options expiring on 30/09/2011 were exercised to raise additional working capital of \$2,725,500 and the remaining 10,000,000 of these options expired.
- The consolidated entity recognised during the half-year an exchange gain of \$853,000.

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. Significant exploration progress and success was achieved during the half-year with some prospects moving to the drill evaluation phase and plans are well advanced for gold production at Bulolo Gravels with testing under way and the gold production plant construction in progress.

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 2011.

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



Paul Cmrlec
Managing Director
Perth, Western Australia
Date: 13 March 2012

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 2011, 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: 13 March 2012

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	Note	31 December 2011 \$	31 December 2010 \$
Revenue			
Interest		310,968	158,429
Other revenue		-	363,871
Other income			
Foreign exchange gains		853,053	-
Gain on sale of assets held for sale	9.	-	8,974,583
Gain on sale of mineral tenements		-	588,061
Bad debt recovery		-	400,000
Expenditure			
Employee benefit expense		(449,416)	(321,531)
Depreciation expense		(90,001)	(36,771)
Consultants fees		(164,600)	(54,540)
Legal fees		(53,636)	(2,512)
Administration expenses		(665,788)	(519,786)
Other expenses		(2,961)	-
Foreign exchange loss		-	(628,024)
Bad and doubtful debt		-	(1,000,000)
Fair value changes in financial assets at fair value through profit or loss		(316,278)	(14,625)
Profit (loss) before income tax		(578,659)	7,907,155
Income tax expense		-	(886,569)
Profit (loss) for the period attributable to members of the parent entity		(578,659)	7,020,586
Other comprehensive income			
Exchange differences on the translation of foreign operations		111,373	(36,390)
Other comprehensive income for the period, net of tax		111,373	(36,390)
Total comprehensive income for the period attributable to members of the parent entity		(467,286)	6,984,196
Earnings per share			
Profit (loss) per share - basic (cents per share)		(0.24)	3.15
Profit (loss) per share - diluted (cents per share)		(0.24)	3.04

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

**PACIFIC NIUGINI LIMITED
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Note	31 December 2011 \$	30 June 2011 \$
Assets			
Current Assets			
Cash and cash equivalents		15,645,943	17,185,823
Trade and other receivables		1,343,071	1,038,869
Financial assets at fair value through profit or loss		142,091	458,369
Total Current Assets		<u>17,131,105</u>	<u>18,683,061</u>
Non-Current Assets			
Property, plant & equipment		1,550,218	1,159,510
Exploration & evaluation assets	5	10,039,031	6,098,966
Total Non-Current Assets		<u>11,589,249</u>	<u>7,258,476</u>
Total Assets		<u>28,720,354</u>	<u>25,941,537</u>
Liabilities			
Current Liabilities			
Trade and other payables		941,022	585,880
Provisions		71,001	51,095
Total Current Liabilities		<u>1,012,023</u>	<u>636,975</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>2,252,833</u>	<u>1,877,785</u>
Net Assets		<u>26,467,522</u>	<u>24,063,752</u>
Equity			
Issued capital	4	131,813,887	129,083,287
Reserves		3,365,513	3,113,684
Accumulated losses		(108,711,878)	(108,133,219)
Total Equity		<u>26,467,522</u>	<u>24,063,752</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 2011**

	Issued Capital \$	Option Reserve \$	Share Based Payment Reserve \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total Equity \$
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
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

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 2011**

	31 December 2011 \$	31 December 2010 \$
Cash Flows From Operating Activities		
Payments to suppliers and employees	(939,341)	(831,097)
Interest received	162,388	63,330
Other revenue/ income received	-	357,176
Income tax paid	-	(886,569)
Net Cash inflow (outflow) from Operating Activities	(776,953)	(1,297,160)
Cash Flows From Investing Activities		
Payments for exploration assets	(3,673,376)	(1,649,924)
Payments for property, plant and equipment	(685,152)	(664,315)
Loans to other entities	-	(7,000)
Payments for deposits	-	(31,049)
Proceeds-sale of assets held for sale	-	11,499,454
Repayment of loans to other entities	-	2,144,220
Net Cash inflow (outflow) from Investing Activities	(4,358,528)	11,291,386
Cash Flows From Financing Activities		
Proceeds from share and option issues	2,730,600	7,085,000
Payment of share issue expenses	-	(271,500)
Net Cash inflow (outflow) from Financing Activities	2,730,600	6,813,500
Net (decrease)/increase in cash	(2,404,881)	16,807,726
Cash at beginning of the financial period	17,185,823	2,923,690
Effects of exchange rate changes on the balance of cash held in foreign currencies	865,001	(628,024)
Cash at the end of the financial period	15,645,943	19,103,392

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 2011 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 2011 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 2011 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 13 March 2012.

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 2011.

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

	2011	2010
	\$	\$
Issues of ordinary shares during the six months		
Opening balance at 1 July	129,083,287	121,979,494
Issued on placement at 20 cents each	-	6,090,000
Issued on options exercised at 30 cents each	2,725,500	995,000
Transaction costs on share issue	-	(512,630)
Issued on options exercised at 17 cents each	5,100	-
Closing balance at 31 December	131,813,887	128,551,864

	2011	2010
	Number of shares	Number of shares
Issues of ordinary shares during the six months		
Opening balance at 1 July	239,069,666	203,184,922
Issued on placement at 20 cents each	-	30,450,000
Issued on options exercised at 30 cents each	9,085,001	3,316,667
Issued on options exercised at 17 cents each	30,000	-
Closing balance at 31 December	248,184,667	236,951,589

	2011	2010
	Number of options	Number of options
Options and Performance Rights on issue during the six months		
Opening balance – number on issue at 1 July	47,075,101	45,409,845
Unlisted options issued - 28 cents per share expiring 31 March 2013	-	2,000,000
Options exercised – 30 cents per share expiring 30 Sept 2011	(9,085,001)	(3,316,667)
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 cancelled - 17 cents per share expiring 23 Feb 2013	(80,000)	-
Unlisted options cancelled - 47 cents per share expiring 21 Dec 2013	(100,000)	-
Unlisted options issued - 48 cents per share expiring 30 Nov 2014	800,000	-
Unlisted performance rights issued expiring 30 Nov 2012	300,000	-
Unlisted performance rights issued expiring 30 Nov 2013	200,000	-
Closing balance – number on issue at 31 December	29,080,100	44,093,178

5. Exploration and Evaluation Assets

Movements are as follows:

	31 December 2011	31 December 2010
Opening balance	6,098,966	5,218,721
Disposals	-	(171,939)
Expenditure on exploration	3,940,065	1,559,863
	10,039,031	6,606,645

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 2011	13,971	11,575,278
	June 2011	14,405	7,244,071

The Group operates 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 expiring on 6 July 2010 and have all been renewed for a second term expiring on 6 July 2012.

9. Ruighoek Chrome project sale

In the prior year, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated statement of 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 2011 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: 13 March 2012



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pacific Niugini Limited

Report on the Half-Year Financial Report

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 2011, and the consolidated statement of 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 2011 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 2011 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 scribble.

A J Whyte

Director

Brisbane: 13 March 2012