

**ASX RELEASE** | 7 April 2014 | ASX:PIR

## MARCH 2014 QUARTERLY REPORT

*Papillon Resources Limited ('Papillon' or 'the Company')* is pleased to present its quarterly report for the period ended 31 March 2014.

*The Company's operations during the period continued to focus on the progression of the Fekola Gold Project ('Fekola' or 'the Project') located in south western Mali adjacent to the border with Senegal. Highlights during and subsequent to the December 2013 quarter include:*

- ***New gold discovery at Menankoto Sud***
  - *New discovery at Menankoto Sud, located 13 kilometres north of Fekola;*
  - *Outstanding initial drilling results including 13 metres @ 7.13 g/t from 33 metres, 13 metres @ 2.36 g/t from 10 metres and 11 metres @ 2.16 g/t from 28 metres;*
  - *Similar grades and widths to the original Fekola discovery with analogous geological features; and*
  - *Multiple anomalous gold targets identified within a 4.5 kilometre by 3.0 kilometre corridor.*
- ***Commenced Definitive Feasibility Study for Fekola***
  - *Papillon has appointed Lycopodium Minerals Pty Ltd ('Lycopodium'), a leading international project management and engineering firm, as Lead Engineer for the Definitive Feasibility Study ('DFS');*
  - *Lycopodium will be assisted by a number of leading industry consultants with expertise in the design and construction of gold mines in West Africa; and*
  - *The DFS is scheduled for completion during the second half of 2014.*
- ***Grant of Mining Permit***
  - *Mining Permit granted by Malian Government;*
  - *Valid for an initial period of 30 years; and*
  - *Mining Permit is the final major approval required to develop and mine the Fekola Deposit.*
- ***Continued positive drilling results near Fekola***
  - *Papillon completed 77 holes for 6,860 metres of RC drilling during the quarter;*
  - *Positive early results were received including 3 metres @ 36.19 g/t, 8 metres @ 9.86 g/t, 4 metres @ 25.54 g/t, 9 metres @ 2.34 g/t and 4 metres @ 4.11 g/t;*

- The majority of these results are from a program focussed on extending near surface mineralised trends within approximately 2 kilometres of the Fekola Deposit; and
- The 2014 drilling program continues to focus on developing new, high grade, open pit opportunities within the Fekola Project area.

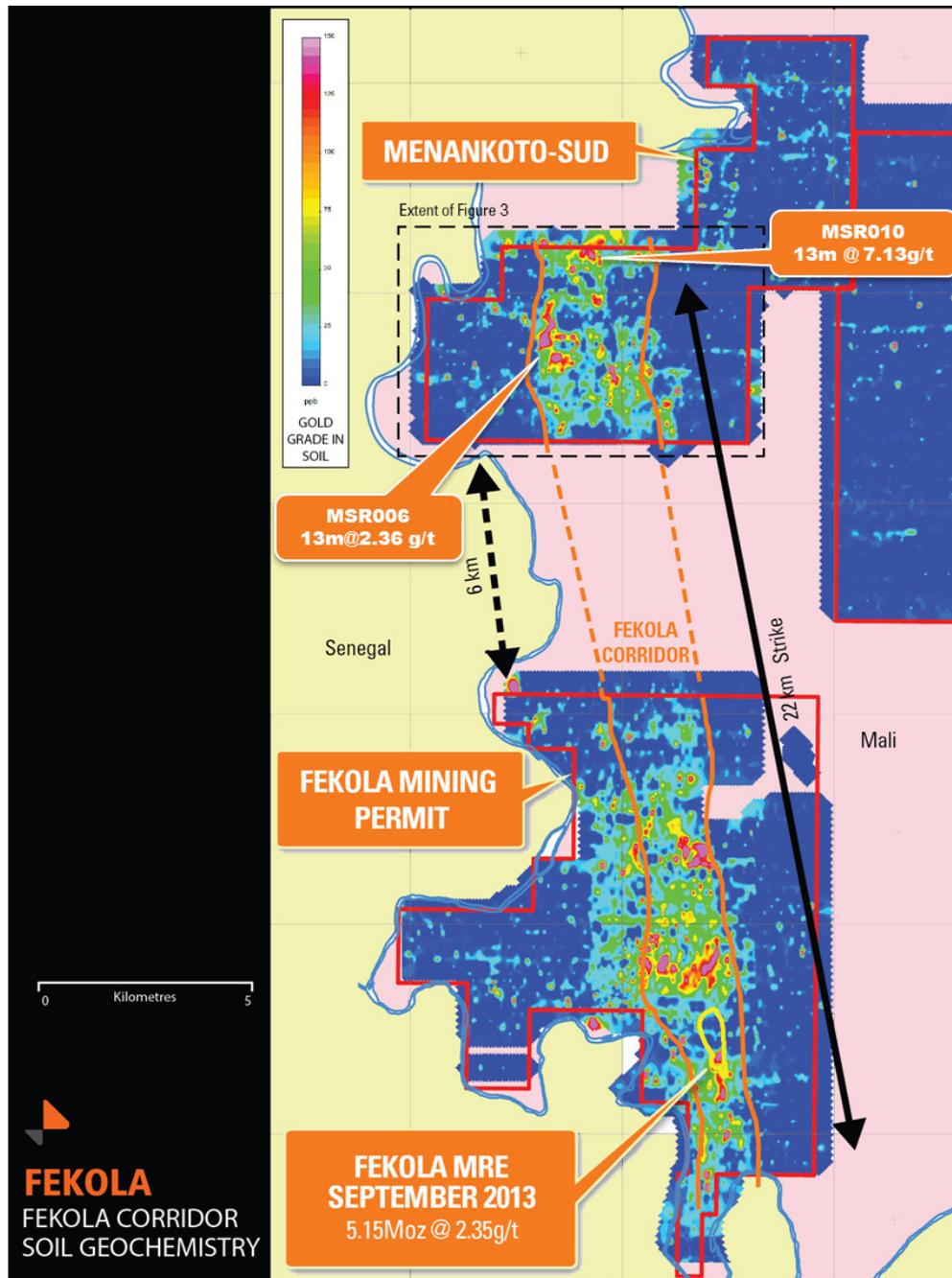


Figure 1: Fekola and Menankoto Sud Location (over geochemistry contour)

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## OPERATIONS

Papillon Resources Limited ('Papillon' or 'Company') has joint venture interests in a portfolio of gold tenements (granted licences and applications) in western and southern Mali. The Company's primary focus is the rapid advancement of its flagship Fekola Project ('Fekola' or 'the Project') located in western Mali (Figure 2).

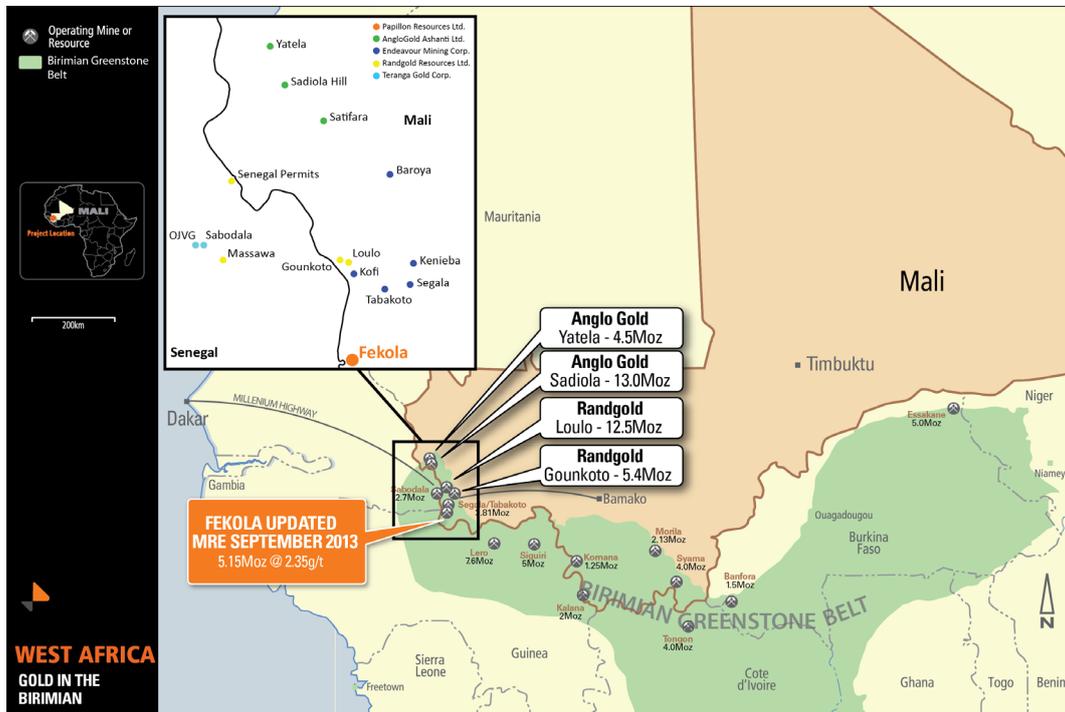


Figure 2: Fekola Project Location Map



Figure 3: Mali West – Regional Geology, Gold Deposits and Papillon Tenements

## Fekola Project

Papillon's work program, which is concentrated on its tenements in western Mali, is aimed at fast tracking the development and exploration potential of the outstanding Fekola Gold Project. The Company's overarching strategic objective is to become a Western African gold producer in the near-term.

Ongoing project work during the period included geotechnical and geohydrology drilling, finalisation of a further round of metallurgical testwork, and ongoing permitting.

### New gold discovery at Menankoto Sud

During the quarter, the Company released the first set of drilling results from its recently granted Menankoto Sud Exploration Permit ('Menankoto Sud'). The Menankoto Sud Exploration Permit is located approximately six kilometres north of the northern border of the Fekola Mining Permit. The drilling campaign at Menankoto Sud consisted of shallow reverse circulation ('RC') scout drilling comprising 14 drill holes for a total of approximately 1,900 metres.

The results received were extremely positive with broad, high grade zones of mineralization encountered in the near surface lithology. Importantly, there were notable geological similarities between lithologies encountered at Menankoto Sud and those seen at Fekola. Better results from the initial drilling program include:

<i>Hole No.</i>	<i>Down Hole Intercept</i>	<i>From Depth (Down Hole)</i>
<i>MSR 010</i>	<i>13m @ 7.13 g/t 1m @ 10.2 g/t</i>	<i>33m 10m</i>
<i>MSR 006</i>	<i>13m @ 2.36 g/t</i>	<i>10m</i>
<i>MSR 008</i>	<i>2m @ 12.76 g/t</i>	<i>4m</i>
<i>MSR 005</i>	<i>10m @ 2.42 g/t</i>	<i>17m</i>
<i>MSR 013</i>	<i>11m @ 2.16 g/t</i>	<i>28m</i>
<i>MSR 004</i>	<i>2m @ 5.25 g/t</i>	<i>70m</i>

Full details of drill hole locations and assay results received from Menankoto Sud are provided in Table 1.

### Continued positive drilling results near Fekola

During the quarter, the Company also completed further early stage scout drilling on a number of shallow targets around the Fekola Project. The program comprised 77 holes for approximately 6,860 metres of RC drilling. Better results from the program include:

<i>Hole No.</i>	<i>Down Hole Intercept</i>	<i>From Depth (Down Hole)</i>
<i>FER 39</i>	<i>4m @ 25.54 g/t</i>	<i>84m</i>
<i>FER 45</i>	<i>3m @ 36.19 g/t 9m @ 3.19 g/t 7m @ 10.06 g/t</i>	<i>9m 17m 29m</i>
<i>FER 47</i>	<i>9m @ 2.96 g/t</i>	<i>34m</i>
<i>FER 48</i>	<i>8m @ 9.87 g/t</i>	<i>21m</i>

The style of mineralisation encountered has some similarities to Fekola, however, it also has some notable differences, in particular with the increased presence of quartz veining associated with the intersections. It is expected that this mineralisation will form an important source of higher grade feed during the latter part of the Project's life.

Full details of drill hole locations and results received from exploration drilling surrounding Fekola are provided in Table 2.

### **Commencement of Definitive Feasibility Study for Fekola**

During the quarter, the Company awarded and commenced the Definitive Feasibility Study ('DFS') for the Fekola Project. The Company has appointed Lycopodium Minerals Pty. Ltd. ('Lycopodium') as its Lead Engineer to manage the overall project and the many independent consultants whose work will form part of the final DFS.

Lycopodium is a leading international project management and engineering firm with significant experience designing, constructing and commissioning gold plants in West Africa. The Company expects the DFS to be completed during the second half of 2014.

### **Grant of Mining Permit**

During the quarter, the Malian Government granted the Company a Mining Permit (Permis d'exploitation) to develop the Fekola Project.

The Mining Permit, which is valid for a period of 30 years, covers the entire 75km<sup>2</sup> area of the Fekola Exploration Permit. The Mining Permit, together with the Company's Environmental Permit, which was awarded in April 2013, are the final significant permitting milestones for the Company, giving it security of tenure, and final approval for the mine development and exploitation of gold at Fekola.

The award of the Mining Permit by the Government was based on a recommendation by the Ministry of Industry and Mines and follows the submission of a detailed application, including technical studies, an Environmental and Social Impact Assessment ('ESIA'), Community Development Plans, and the completion of a number of technical review sessions with various Government agencies.

## **CORPORATE**

Papillon's Medinandi tenement is owned by Songhoi Resources SARL ('Songhoi') which is a joint venture company between Papillon (90%) and its local joint venture partner, Mani SARL ('Mani') (10%). Mani originally acquired the tenement from another local company, Etablissements Zoumana Traoré SARL ('ZTS') in 2006. ZTS has now filed a vexatious claim against Papillon before the Commercial Tribunal of Bamako. ZTS is wrongfully seeking to claim a small additional participation in the project.

Based on professional advice, Papillon considers the claim to be without merit and is strongly defending its position before the Commercial Tribunal of Bamako. In addition, the proper forum for this matter is arbitration in Paris under International Chamber of Commerce ('ICC') rules. Accordingly, Papillon has submitted a request for arbitration to the ICC Secretariat in order to secure its rights against ZTS and other respondents.

## EXPLORATION INTERESTS

At 31 March 2014, the Company had an interest in the following tenements:

Project	Tenement Name	Location	Percentage Interest	Status
<b>Mali West:</b>	Medinandi (Fekola)	Kenieba, Mali	90	Granted
	Bantako Est	Kenieba, Mali	90	Granted
	Diangounte	Kayes, Mali	90	Granted
	Ménankoto Sud	Kenieba, Mali	95	Granted
	Babara	Kenieba, Mali	90	Application
	Makouké Ouest	Kenieba, Mali	90	Application
	Serinati	Kayes, Mali	90	Application
<b>Mali South:</b>	Gouenso	Yanfolia, Mali	90	Granted
	Mandiela	Yanfolia, Mali	90	Granted
	Sankama	Bougouni, Mali	90	Granted
	Nounfara	Yanfolia, Mali	90	Application
	Diossyan	Yanfolia, Mali	90	Application
	Heremakono	Kangaba, Mali	90	Application
	N'tébougou	Bougouni, Mali	90	Application
	Ourou-Ourou	Yanfolia, Mali	90	Application

### **Competent Person Statements**

*The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Boyd of Cairn Geoscience Limited. Mr Boyd is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Boyd consents to the inclusion in this Report of the statements based on his information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in this report that relates to Mineral Resources is based on, and fairly represents, information compiled by Mr Nic Johnson of MPR Geological Consultants. Mr Johnson is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Johnson consents to the inclusion in this Report of the statements based on his information in the form and context in which it appears.*

### **Forward Looking Statements**

*Statements regarding plans with respect to the Company's mineral properties are forward-looking statements. There can be no assurance that the Company's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties.*

**Table 1: Drill hole locations and intersections - Menankoto Sud**

Hole No.	Easting (m E)	Northing (m N)	EOH (m)	Dip (°)	Azimuth (°)	From (m)	To (m)	Length (m)	Grade (g/t Au)
MSR001	239660	1402800	150	-55	90	No Significant Intersection			
MSR002	239740	1402800	162	-55	90	No Significant Intersection			
MSR003	239820	1402800	150	-55	90	No Significant Intersection			
MSR004	237960	1403760	162	-55	90	70	71	2	5.25
						114	115	1	1.02
MSR005	238045	1403760	135	-55	90	8	9	1	1.79
						17	27	10	2.42
						69	70	1	1.27
						83	84	1	1.54
						97	98	1	1.44
						103	105	2	1.79
						110	114	4	1.00
						116	118	2	2.72
120	121	1	1.15						
MSR006	238110	1403760	120	-55	90	10	23	13	2.36
						41	46	5	1.03
						71	72	1	3.43
						78	79	1	1.59
						90	91	1	1.25
MSR007	238178	1403760	120	-55	90	No Significant Intersection			
MSR008	239000	1405680	96	-55	90	4	6	2	12.76
						60	61	1	1.46
MSR009	239100	1405680	120	-55	90	No Significant Intersection			
MSR010	239230	1405680	120	-55	90	10	11	1	10.2
						14	15	1	3.35
						26	27	1	1.28
						33	46	13	7.13
MSR011	238120	1404080	156	-55	90	14	15	1	2.2
						41	42	1	1.57
						129	130	1	1.02
						152	153	1	1.11
MSR012	238206	1404080	138	-55	90	9	12	3	2.15
						36	37	1	2.08
						119	120	1	1.29
MSR013	238284	1404080	150	-55	90	22	23	1	1.04
						28	39	11	2.16
						44	45	1	1.27
MSR014	240320	1405680	120	-55	90	112	113	1	3.18

**Notes:**

- Results previously released in ASX announcement "New gold discovery 13km north of Papillon's Fekola Project" - 24/2/2014

**Table 2: Drill hole locations and intersections - Fekola**

Hole ID	Easting (mE)	Northing (mN)	EOH (m)	Dip (°)	Azimuth (°)	From (m)	To (m)	Length (m)	Grade (g/t Au)
FER 037	240825	1388453	100	-55	100	75	76	1	1.32
						79	80	1	1.34
						82	83	1	2.14
						84	85	1	4.21
						98	99	1	1.03
FER 038	241322	1389209	102	-55	100	No Significant Intersection			
FER 039	240622	1387764	114	-55	100	84	88	4	25.54
FER 040	240721	1389002	102	-55	100	60	61	1	7.64
						99	100	1	3.12
FER 041	240573	1387600	102	-55	100	17	18	1	2.27
						25	26	1	2.51
						41	42	1	5.00
						52	53	1	7.40
FER 042	241547	1389697	102	-55	90	No Significant Intersection			
FER 043	241563	1390002	120	-55	90	90	91	1	1.31
FER 044	241082	1389304	102	-55	90	58	60	2	1.74
						67	69	2	6.00
FER 045	241096	1389155	72	-55	100	9	12	3	36.19
						17	26	9	3.19
						29	36	7	10.06
FER 046	241019	1389161	120	-55	100	85	89	4	1.48
						97	98	1	1.55
						101	102	1	2.00
FER 047	241027	1388986	80	-55	100	34	43	9	2.96
						47	49	2	1.86
FER 048	240660	1387762	96	-55	100	21	29	8	9.87
FER 049	240730	1387961	90	-55	100	45	47	2	4.60
						55	56	1	1.50
FKCR 322	242671	1384920	60	-55	90	52	53	1	1.90
FKCR 323	242698	1384918	60	-55	90	No Significant Intersection			
FKCR 324	242730	1384918	48	-55	90	No Significant Intersection			
FKCR 325	242759	1384919	42	-55	90	15	16	1	1.07
FKCR 326	242782	1384920	50	-55	90	No Significant Intersection			
FKCR 327	242866	1384918	30	-55	90	No Significant Intersection			
FKCR 328	242900	1384919	30	-55	90	No Significant Intersection			
FKCR 329	242949	1384920	42	-55	90	No Significant Intersection			
FKCR 330	242974	1384920	42	-55	90	No Significant Intersection			
FKCR 331	242997	1384921	48	-55	90	No Significant Intersection			
FKCR 332	243022	1384923	48	-55	90	No Significant Intersection			
FKCR 333	243079	1384923	42	-55	90	No Significant Intersection			
FKCR 334	243108	1384922	30	-55	90	No Significant Intersection			

FKWM 044	242001	1386519	75	-55	90	No Significant Intersection			
FKWM 045	241000	1386519	75	-55	90	No Significant Intersection			
FKWM 046	241100	1386521	75	-55	90	No Significant Intersection			
FKWM 047	241202	1386521	75	-55	90	No Significant Intersection			
FNER 120	241811	1391797	126	-55	90	95	102	7	4.24
FNER 121	241761	1392115	144	-55	90	27	28	1	8.18
						123	124	1	1.61
GTD 022	242200	1387101	210	-65	70	63	66	3	1.57
						70	91	21	1.79
						95	96	1	2.97
						98	100	2	1.80
GTD 024	242166	1386858	161	-60	110	18	19	1	1.20
GTD 025	242247	1386862	200	-65	90	10	18	8	1.46
						32	35	3	1.63
						38	40	2	2.32
						42	50	8	4.51
						54	80	26	3.56
MNRC 067	241939	1394840	36	-55	90	No Significant Intersection			
MNRC 068	241986	1394840	36	-55	90	No Significant Intersection			
MNRC 069	242031	1394840	36	-55	90	No Significant Intersection			
MNRC 070	242084	1394839	36	-55	90	No Significant Intersection			
MNRC 071	242129	1394839	36	-55	90	No Significant Intersection			
MNRC 072	240658	1393556	126	-55	90	No Significant Intersection			
MNRC 073	240573	1393557	156	-55	90	No Significant Intersection			

Notes:

- Results previously released in ASX announcement "Shallow high grade intercepts continue to highlight growth potential near Fekola" - 17/4/2014
- GTD series holes reflect holes drilled for geotechnical purposes within the pit/resource area.
- MNRC series holes are drilled for sterilisation purposes in areas planned for plant or mining infrastructure.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Papillon Resources Limited**

ABN

96 119 655 891

Quarter ended ("current quarter")

31 MARCH 2014

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(3,515)	(13,191)
(b) development	-	-
(c) production	-	-
(d) administration	(779)	(2,576)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	991	1,735
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
(a) deferred acquisition costs	-	-
<b>Net Operating Cash Flows</b>	<b>(3,303)</b>	<b>(14,032)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(53)	(353)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(53)</b>	<b>(353)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(3,356)</b>	<b>(14,385)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,356)	(14,385)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,040	2,305
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) (a) share issue costs	(7)	(21)
	<b>Net financing cash flows</b>	1,033	2,284
	<b>Net increase (decrease) in cash held</b>	(2,323)	(12,101)
1.20	Cash at beginning of quarter/year to date	43,639	53,383
1.21	Exchange rate adjustments to item 1.20	(30)	4
1.22	<b>Cash at end of quarter</b>	41,286	41,286

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	115
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include directors' fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,000
4.2 Development	-
4.3 Production	-
4.4 Administration	1,000
<b>Total</b>	<b>5,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,224	2,077
5.2 Deposits at call	39,062	41,562
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>41,286</b>	<b>43,639</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Ménankoto Sud	Nil	95%
		Gouenso	Nil	90%
		Mandela	Nil	90%
		Sankama	Nil	90%

+ See chapter 19 for defined terms.



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act **or other standards acceptable to ASX** (see note 5).
- 2 This statement does ~~/does not\*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 7 April 2014  
(Company secretary)

Print name: **Gregory Swan**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.