

August 6 2015

SUBJECT: Pacific Niugini (PNR-ASX) – High grade development assays and commissioning at Nicolsons (not covered)

Price: 5c **Impact:** Positive **Market Cap:** \$19m

IMPACT: Positive – We recently visited the Nicolsons Gold Mine near Halls Creek in WA and were impressed at the progress and opportunity we saw at the project. We feel that the current A\$19m market capitalization undervalues this mine that looks set for profitable annual production in excess of 30kozpa over the current mine life of 4.5 years. We see substantial upside on this with the first face sample supporting our view that head grades will be well in excess of a reserve grade that has been diluted by RC drilling (RC chips will have artificially increased tonnes and lowered grade through the reserve). Mining lower tonnes and higher grade will clearly improve profitability and we feel this mine can produce more ounces than in the reserve.

When on site we viewed ground conditions and it was clear that the challenging ground conditions intercepted at shallow depths in the decline are behind the company now. The visual nature of the ore in and around quartz veining makes grade control through split firing underground achievable. We welcome Western Australia's latest gold miner.

DETAILS:

Pacific Niugini provided the following project update for its 80% owned Nicolsons Project.

- Operations are proceeding as planned, with high-grade face assays continuing to be encountered in the advancing ore drive.
- Commissioning of the Nicolsons processing plant is underway, with all components tested and operating as expected. 1,200 tonnes of low-grade material has been crushed and stockpiled, and will be processed in the ensuing days.
- The decline continues to advance through fresh rock, and issues associated with partially oxidised material have abated.
- The decline has reached the take off point for the second level access drive, and ore on that level is expected to be intersected around the middle of August 2015.
- Development on the first ore drive at the 2220 level has continued to advance through bonanza style high grade mineralisation with new un-cut results in addition to those reported on 23 July 2015 including:
 - 3.1 m @ 28.21 g/t, including 1.7 m @ 51.14 g/t
 - 5.6 m @ 19.72 g/t, including 2.4 m @ 45.37 g/t
 - 0.9 m @ 10.33 g/t
 - 0.7 m @ 18.70 g/t
 - 2.1 m @ 10.2 g/t including 0.4 m @ 31.2 g/t and 0.3 m @ 20.4 g/t
- Ore development is being undertaken with split firing to enable the majority of sub-grade material in the drive to be mined separately prior to excavation of the high-grade ore material.

Upcoming news flow

- First gold pour – 3Q15
- Nameplate production – 4Q15

Crushing underway at Nicolsons



Source: PNR

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