

28th August 2012.

## **Bulolo Gravel Project Update Clarification**

Following discussion with the ASX, Pacific Niugini wishes to provide clarification to the Bulolo Project Update provided to the market this morning.

As Pacific Niugini has advised in numerous releases, and in the competent persons statement on today's release, no resource or reserve has been defined for the Widubosh Project in accordance with the JORC code, and the company does not intend to define one due to difficulties in dealing with alluvial deposits under the JORC code. As such:

- the company is unable to advise the volume of material for extraction, and whether or not it is economic to do so. The 4 million tonne per annum reference in the original statement relates to mechanical plant capacity, and not gravel resource volumes.
- The company retracts references to ore, and advises that it is reviewing materials handling costs for both feeding gravel into, and removing gravel from the already owned production plant.
- The operating costs referenced in the announcement exclude capital costs required for project establishment. The assumed 95% gold recovery is based on metallurgical test work completed to date, however given that a JORC resource has not been defined, the company is unable to confirm that this recovery will be achieved in practice.

Pacific Niugini will provide updates as results from any additional testing become available, and will make a decision whether or not to proceed to project construction on the basis of such results in the absence of a JORC resource.

The information in this report that relates to exploration, mineral resources or ore reserves is based on information compiled by Mr. David Osikore (B.Sc. Geol) MAusIMM who is a full time employee of Pacific Niugini Limited. Mr. Osikore 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 described by the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Osikore consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Pacific Niugini has not attempted to generate resources or reserves in compliance with the JORC code at the Bulolo Project, and does not intend to due to difficulties in dealing with alluvial deposits.

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