

4th May 2012.

## **Initial grades returned from Widubosh bulk testing**

The Directors of Pacific Niugini advise that the first batch of assay results have been received from its bulk sampling program at the Widubosh JV ( ML457) near Bulolo, PNG and initial grade estimates can be made.

As was expected with the gravel testing and random gold distribution and size, substantial variation is seen in assay results and gold distribution, even those taken from a single sample. Pacific Niugini advises that it needs to wait for the results from all bulk sampling pits before it can evaluate the commercial indications for Widubosh and any forward works program. These are expected over the coming month.

Assay data and subsequent grade estimate per cubic metre of gravels vary from 0.042 g/m<sup>3</sup> to 0.913 g/m<sup>3</sup> (Refer Appendix 1). So far, the head assay results are available from 10 of the total number of 26 bulk sampling sites on the Widubosh JV, and gravity separation testing has only been completed for 4 of those sites. Head fire assays, magnetic separation, and gravity separation testing and analysis is ongoing for the remainder of the samples.

The initial interpretation of mapping and grade estimates suggests that in several of the samples, a 1 to 3m horizon of lower grade material (probably re-worked surface wash) appears to cover higher-grade bulk gravels, and because the pits are only 6m deep, this may have a diluting impact on grade. Additional deeper test samples may be warranted after the full suite of assays are made available.

Results from the initial 4 pit gravity separation assays indicate substantial deviation between head assays, and gravity gold cleaning assays. In 3 out of the 4 cases the testing of the larger gravity separation sample resulted in upgrading of head assays. Pacific Niugini considers this to reflect the difficulty in grade estimation of coarse gold in un-sorted gravel beds.

**Pacific Niugini Limited**

ABN: 30 003 207 467

Telephone: +61 (7) 3367 3996

Fax: +61 (7) 3368 2998

Email: [admin@niugini.com.au](mailto:admin@niugini.com.au)

Web: [www.niugini.com.au](http://www.niugini.com.au)

Postal Address:

PO Box 1578

Toowong QLD 4066

Australia

Head Office:

Unit 14, 46 Douglas Street

Milton QLD 4064

Australia

Pit #	Concentrate Grade g/t (Head Assays from table above)	Concentrate Grade g/t (Gravity Separation)	% Increase (Decrease) from head assays	Pit Grade g/m <sup>3</sup> (Head Assays Estimation)	Pit Grade g/m <sup>3</sup> (Gravity Separation Estimation)
3	0.974	1.879	93	0.048	0.09
4	18.68	9.741	(48)	0.916	0.48
5	2.64	8.422	219	0.08	0.26
10	3.908	5.044	29	0.043	0.07

Preparation of gravity gold cleaning samples for the remainder of the test pits is underway, and further assays will be released as they become available. The Joint Venture parties will complete the sampling program as planned, and assess all results prior to reviewing the need for further test work, or making final project development decisions.

Pacific Niugini has progressed with project development activities during 2012. Several mining contractors have been requested to provide mining proposals, however given the status of the overheated project market in Papua New Guinea, availability of suitable mining contractors has been found to be limited and quotations received have reflected costs with margins excessively above Pacific Niugini's owner-operator estimates. As a result, Pacific Niugini is investigating owner operator mining scenarios. It appears that the best delivery time for suitable equipment will be approximately 4 months from the time of order and capital purchase and equipment leasing costs are currently being firmed up.

Pacific Niugini is also working on project environmental permitting as previously advised. The permitting process for projects that do not use chemicals for processing is relatively straightforward, however the current political situation in PNG, along with impending elections has the potential to delay project-permitting requirements. The company continues to work with the relevant departments to expedite the process as far as possible. Pacific Niugini's JV partner, PNGFP has existing agreements with customary landowners in place for mining, and this should help to accelerate the approvals process.

Pacific Niugini has taken steps to complete major processing plant items which are under construction. Due to potential delays in permitting and the slow release of assay and sample data, a decision has been made to delay the purchase of ancillary equipment to complete the project until all bulk sampling data and interpretation is received. The remaining construction time for the plant will not impact ultimate production dates, as lead times for permitting and mining equipment purchase are now expected to dictate project timing.

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Milton QLD 4064

Australia

## Bulolo Gravels Project

Testing on EL1616 has progressed well, with zones of both coarse and fine gold identified in panning checks of concentrate produced by the test plant. Testing is being undertaken in the previously un-mined areas of the Bulolo valley as well as over the previously dredged areas. The initial physical part of the sampling program will be progressed to completion in the coming weeks, after which time concentrate samples from the program will be dispatched to ALS for assay and testing.



Example of gold in concentrate from previously dredged gravel profile



Example of gold in concentrate from virgin areas in the south of the Bulolo Farm area

Ends.

Enquiries – Paul Cmrlec, Managing Director, (07) 3367 3996

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.

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Milton QLD 4064

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## Appendix 1 – Assay grades and grams per cubic metre estimates for Widubosh.

The grades are head grade assays generated by taking a representative 10kg sample of concentrate material generated in the bulk sampling program and completing a series of fire assays. Assays shown are the average of 3 fire assays for each sample in the -850 µm size classification, and whole of sample screen fire assays for the +850 µm size classification. Substantial variation is seen in assay results, even those taken from a single sample, and as such the full suite of results from the testing program is required prior to determining the forward work program.

The table below shows that head grade assays are affected by the coarse nature of the gold and vindicate the need for the full suite of assays to be understood in order to make a valid assessment of grade within the tenement. Grades are recovered grades, and loss in the concentration process is not yet understood. Assaying of concentrate rejects is underway.

Pit #	Metre #	+850 µm weight (g)	+850 µm grade (g/t)	-850 µm weight (g)	-850 µm weight (g/t)	Weighted grade of concentrate (g/t)	Total concentrate weight (Kg)	Calculated mass of gold in concentrate (g)	Volume of bulk sample (m3) *	Grade of bulk sample (g/m3) **
15	1	141	0.05	8570	12.29	12.09	47	0.568	4.98	0.1141
	2	148	0.06	8890	7.68	7.56	46	0.348	4.98	0.0698
	3	112	0.83	9220	31.53	31.16	66	2.057	4.98	0.4130
	4	113	0.07	8940	42.27	41.74	39	1.628	4.98	0.3269
	5	222	6.67	8700	37.93	37.15	22	0.817	4.98	0.1641
	6	130	0.71	9140	28.12	27.74	29	0.804	4.98	0.1615
	<b>Total</b>							<b>5.418</b>		<b>0.181</b>
23	1	77	0.08	8470	4.10	77	46	0.187	4.98	0.0375
	2	91	0.08	8890	12.82	91	46	0.584	4.98	0.1172
	3	124	0.07	8680	20.95	124	38	0.785	4.98	0.1576
	4	93	0.21	8600	8.36	93	33	0.273	4.98	0.0548
	5	92	0.08	8920	1.00	92	35	0.035	4.98	0.0070
	6	123	0.08	8620	13.06	123	21	0.270	4.98	0.0543
	<b>Total</b>							<b>1.863</b>		<b>0.062</b>
17	1	41	171	1300	42.97	46.85	6	0.281	4.98	0.0564
	2	32	0.08	1440	15.69	15.35	8	0.123	4.98	0.0247
	3	62	0.2	3680	13.31	13.09	16	0.210	4.98	0.0421
	4	158	65.26	750	87.83	83.90	29	2.433	4.98	0.4886
	5	122	82.6	4300	71.7	72.00	17	1.224	4.98	0.2458
	6	140	82.45	5070	72.23	72.51	20	1.450	4.98	0.2912
	<b>Total</b>							<b>4.270</b>		<b>0.143</b>
20	1	80	69.38	9180	9.38	9.90	33	0.327	4.98	0.0656
	2	54	0.03	8970	5.60	5.57	43	0.239	4.98	0.0481
	3	51	0.08	8690	8.64	8.59	71	0.610	4.98	0.1225
	4	67	45.72	8860	3.53	3.85	51	0.196	4.98	0.0394
	5	19	0.06	9460	6.64	6.63	63	0.417	4.98	0.0838
	6	41	141.26	9290	9.36	9.95	28	0.278	4.98	0.0559
	<b>Total</b>							<b>1.790</b>		<b>0.060</b>

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Toowong QLD 4066

Australia

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Milton QLD 4064

Australia

Pit #	Metre #	+850 µm weight (g)	+850 µm grade (g/t)	+850 µm weight (g)	+850 µm weight (g/t)	Weighted grade of concentrate (g/t)	Total concentrate weight (Kg)	Calculated mass of gold in concentrate (g)	Volume of bulk sample (m3) *	Grade of bulk sample (g/m3) **
12 <sup>#</sup>	1	225	0.26	9510	2.66	2.60	78	0.203	4.98	0.0408
	2	217	0.24	8790	7.50	7.33	44	0.322	4.98	0.0647
	3	187	21.91	6830	5.18	5.63	19	0.107	4.98	0.0215
	<b>Total</b>							<b>0.632</b>		<b>0.042</b>
6 <sup>#</sup>	1	103	196.66	7920	2.08	4.59	352	1.615	6.12	0.264
	2	15	0.31	9510	0.03	0.03	509	0.015	7.04	0.002
	3	22	0.29	8790	0.03	0.03	351	0.011	2.73	0.004
	<b>Total</b>							<b>1.641</b>		<b>0.103</b>
4 <sup>!</sup>	1					4.24			5.84	
	2					5.82			4.78	
	3					2.4			6.78	
	4					27.1			4.27	
	5					6.64			4.58	
	6					50.8			4.70	
	<b>Total</b>					<b>18.68</b>	<b>1520</b>	<b>28.396</b>		<b>0.916</b>
5 <sup>!</sup>	1					2.82			5.84	
	2					1.76			4.78	
	3					0.55			6.78	
	4					8.74			4.27	
	5					0.10			4.58	
	6					0.77			4.70	
	<b>Total</b>					<b>2.64</b>	<b>1236</b>	<b>3.26</b>		<b>0.105</b>
3 <sup>!</sup>	1					0.77			7.11	
	2					0.49			7.88	
	3					2.55			8.68	
	4					0.225			6.98	
	5					0.52			6.59	
	6					1.26			6.06	
	<b>Total</b>					<b>0.974</b>	<b>2127</b>	<b>2.07</b>		<b>0.048</b>
10 <sup>!</sup>	1					10.85	29		4.98	
	2					8.28	75		4.98	
	3					0.25	59		4.98	
	4					3.48	39		4.98	
	5					0.61	60		4.98	
	6					2.52	68		4.98	
	<b>Total</b>					<b>3.908</b>	<b>325</b>	<b>1.27</b>		<b>0.043</b>

\* Volume of bulk sample is loose volume. Volume of pits 1 to 8 inclusive were calculated by measuring sample piles prior to feeding the test plant and calculating volume. Volume of pits 9 to 26 inclusive was calculated using a known bucket volume (every bucket of material was screed off to a measured level), resulting in a volume of 0.83m<sup>3</sup>/ bucket, and 4.98m<sup>3</sup> per metre of test pit.

\*\* Grade of the bulk sample was calculated using the following formula : Bulk grade (g/m<sup>3</sup>)= grade of concentrate (g/t)\*tonnes of concentrate (t) /volume of test pit.

# Pits 6 and 12 were expected to be low grade as they are at the basement contact, and in the planned processing plant location.

! Pits 3, 4, 5, and 10 were the first samples processed, and used to develop the ultimate sampling procedure, and represent a modified approach to sampling. These results are indicative only. Further sampling using additional concentrate material from these pits is underway using the revised method.

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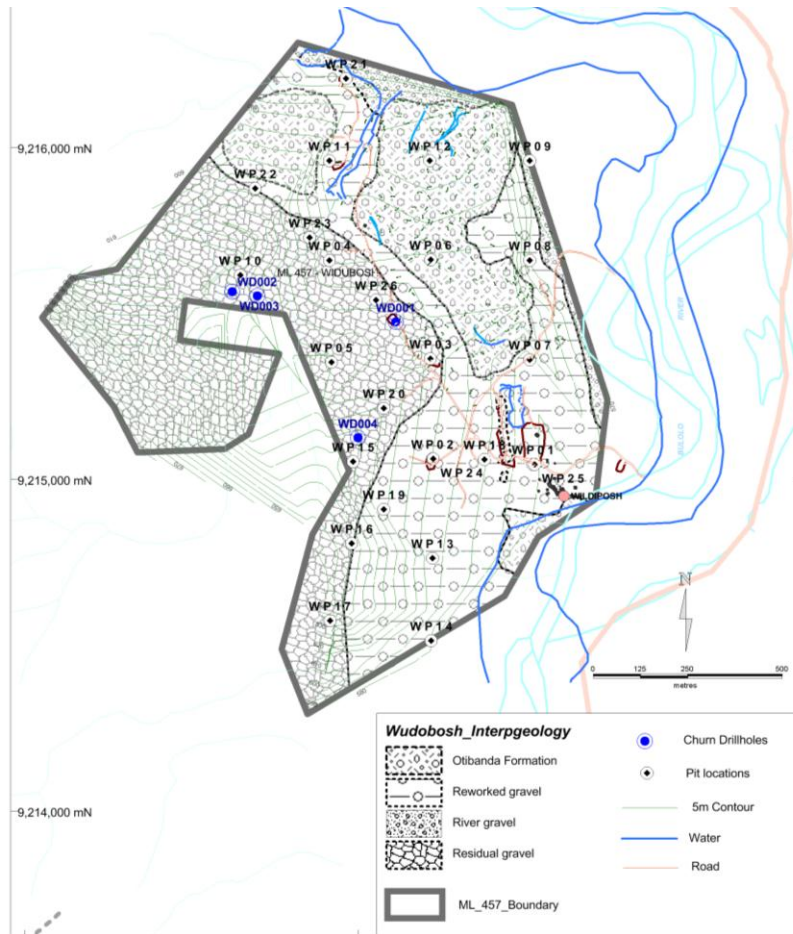
Unit 14, 46 Douglas Street

Milton QLD 4064

Australia

## Appendix 2 – Test Pit Locations

Details for the location of test pits at Widubosh are provided below.



Pit ID	East (AMG)	North (AMG)	RL(m)	Depth Dug (m)
WP01	0457523	9215045	580	6.0
WP02	0457224	9215656	604	6.0
WP03	0457216	9215364	607	6.0
WP04	0456913	9215660	605	6.0
WP05	0456919	9215353	607	6.0
WP06	0457222	9215662	602	3.0
WP07	0457513	9215360	582	6.0
WP08	0457525	9215656	585	6.0
WP09	0457513	9215660	580	4.0
WP10	0456646	9215616	638	6.0
WP11	0456913	9215960	595	6.0
WP12	0457213	9215960	581	3.0
WP13	0457222	9214762	588	6.0
WP14	0457218	9214514	580	6.0
WP15	0456984	9215054	608	6.0
WP16	0456980	9214807	638	6.0
WP17	0456915	9214574	634	6.0
WP18	0457378	9215060	586	5.0
WP19	0457076	9214910	604	4.0
WP20	0457076	9215214	600	6.0

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WP21	0456963	9216208	563	6.0
WP22	0456691	9215877	605	6.0
WP23	0456854	9215729	598	6.0
WP24	0457224	9215062	607	6.0
WP25	0457527	9215045	580	6.0
WP26	0457053	9215540	607	6.0

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