

4th December 2012

Pacific Niugini to acquire advanced Mexican gold project

- **Large gold bearing colluvium deposit with several phases of bulk testing already completed;**
- **Secure tenure with granted mining concessions valid for 50 years from commencement;**
- **No cash payments or share placements to project vendors or other parties;**
- **Pacific Niugini will complete a short confirmatory testing program ahead of a decision to develop the project;**
- **If testing is positive, PNR have the option to fund project development and will receive 85% of all profits until capital payback is achieved, 75% of profits for the first 50,000 ounces following payback, 60% of profits for the subsequent 50,000 ounces, and 50% of profits for the remainder of the project life.**
- **No penalty if Pacific Niugini decides to exit the project during or after testing is complete;**
- **The colluvium (considered to be a gold bearing volcanic lahar) is suitable for gravity recovery of gold and Pacific Niugini can deploy its existing production scale plant, or manufacture a second plant using processing components already owned by the company.**
- **Excellent project logistics, located approximately 75km from a major city, 30km from a sealed 4-lane highway, and 15km from a direct rail link with commercial port facilities.**

Pacific Niugini is pleased to advise that it has reached agreement with Minera Global del Pitic (“MGP” or “the vendor”) to acquire interests in the Caldera Gold Project, located in Sonora, Mexico.

Transaction Structure

In accordance with the terms of the MOU signed by both parties, which is intended to be binding on the parties, Pacific Niugini will undertake commercial and administrative due diligence, followed by a bulk sampling campaign to confirm gold tenor within the project area.

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During or following completion of testing, Pacific Niugini can elect whether to progress the project to development and production, or to exit with no further obligations, penalties or costs.

Pacific Niugini is not required to make any form of payment to the vendors before or during the due diligence and testing phase of the agreement, but will undertake testing at its own cost. Testing is to be undertaken using the same bulk sampling plant configuration currently employed in PNG, and subject to satisfactory due diligence, is expected to be undertaken early in 2013.

If Pacific Niugini elects to progress the project to production following the testing phase, the project will be developed at Pacific Niugini's cost. Pacific Niugini will take ownership of 50% of the shares in MGP, and will hold the following profit interests in the project from the time that operations become profitable:

1. Pacific Niugini will receive 85% of profits until all capital expenditure that it has made on the project has been repaid;
2. Following repayment of capital expenditure, Pacific Niugini will be entitled to:
 - 75% of profits for the first 50,000 ounces produced;
 - 60% of profits for the second 50,000 ounces produced, and
 - 50% of profits for the remaining life of the operation.

The parties intend to finalise binding contractual agreements immediately following the completion of due diligence.

Project Details

The Caldera project covers over 6,900 Ha in 18 granted mining concessions, which are 100% owned by MGP. The project is located approximately 75km North of Hermosillo, Sonora, Mexico.

Sonora County, which borders the USA has a mining history spanning some 400 years with historical production of +40 million ounces of gold, and +10 billion ounces of silver. Hermosillo is the major mining service center for the County, and provides extensive mining and support services, along with availability of a skilled mining workforce. The population of Hermosillo is approximately 1.2 million people, and it is serviced by an international airport and other high quality infrastructure. The city is a major service



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centre for the Mexican mining industry.

Although no JORC or NI43-101 compliant resource has been declared, extensive trench sampling to a depth of 12 meters has been completed with gold grades between 0.1 and 0.8 g/t noted in professionally prepared reports provided by the vendors. If historical testing grades are found to be accurate, Pacific Niugini believes that a highly profitable operation could be developed in a relatively short timeframe.



Bulk sampling at the project by others in 2004



Pacific Niugini Chairman Peter Cook inspecting the gold bearing material with MGP consultant, Dr. David Snow

Previous sampling at the deposit has included rudimentary gold panning tests, and larger scale bulk sampling using standard gravity recovery plants. Recent sampling by Resource Development Inc. of Colorado reported an average feed grade of 0.57 g/t for a 950kg bulk sample. Further, MGP have advised that laboratory testing has indicated that greater than 95% of the gold in samples tested in local laboratories is greater than 125 μm in size, indicating excellent potential for high rates of recovery using conventional gravity jigs. While Pacific Niugini was unable to verify the testing or assaying methods or the reliability of results reported, the evidence provided by MGP of work completed to date is considered to be highly encouraging and justifies Pacific Niugini's consideration of the project.

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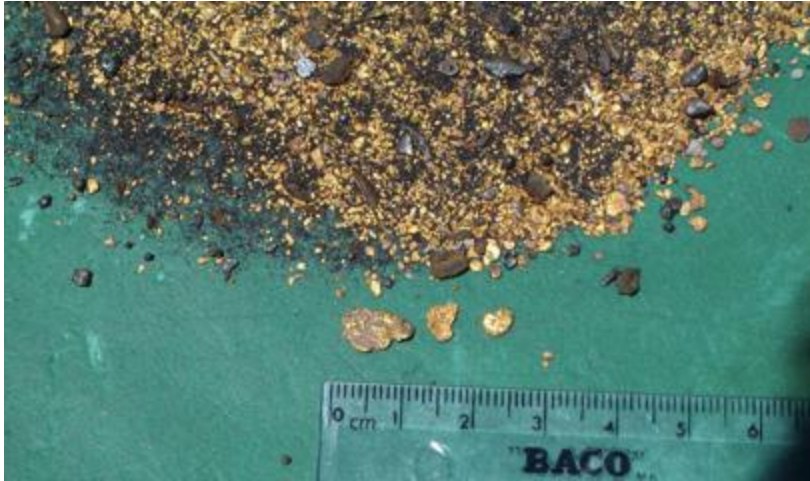
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.Photographic evidence of gravity recovered gold provided by MGP

The majority of work completed to date has been concentrated in an area of approximately 100 Ha, however panning tests reported by MGP over approximately half of the granted concession area indicate the occurrence of gold over much larger areas.

Pacific Niugini's focus will be to confirm gold tenor within the areas already bulk sampled, and then to develop the project ahead of testing the wider 6,900 Ha concession area. Results of step out testing will dictate future expansion opportunities and the ultimate life of the project.

Operating In Mexico

MGP is a privately owned company held by a small consortium of experienced Mexican businessmen. While the company holds limited mining experience, their standing in the community and links with local stakeholders and government are excellent.

Through its operations in Papua New Guinea, PNR has demonstrated the importance and benefits of operating with a high level of local understanding and expertise through its success in obtaining substantial exploration tenure, successfully completing work programs, and completing substantial commercial transactions. The company intends to apply a similar philosophy in its entry to the Mexican Mining industry, and considers the key members of MGP to be an excellent choice to help facilitate the strategy.

MGP has undertaken to provide all necessary assistance in local issues, and is expected to play a key role in obtaining all consents and permits required for the operation. Pacific Niugini is comforted by the approach that MGP has taken in structuring the transaction, and believe that their position in not seeking upfront or milestone payments, and ensuring maintenance of their significant interest in the project is an excellent indication of the confidence that MGP holds in the potential of the project.

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Mexico is considered to be a highly desirable location for mining investment, and leading industry advisors, Behre Dolbear ranked Mexico as the fifth most attractive mining investment address in the world in its “2011 Ranking of Countries for Mining Investment”.

Mexico has structured its mining regime to encourage foreign investment. The country has a reasonably low corporate tax of 30%, with no government royalties, no restrictions on foreign ownership, and no limitations on repatriation of funds or profits from operations.

Mining Concessions are issued for a term of 50 years, and are able to be renewed for a further 50 years while a project is in operation. All tenements are less than 10 years old, and have substantial life prior to any renewal requirements. It is expected that environmental and associated permitting will require 3 to 6 months to complete, and processes will be commenced as soon as the testing program confirms a substantial presence of gold.

Commenting on the proposed transaction, Managing Director Paul Cmrlec said “The board of directors is very pleased to have identified this acquisition opportunity which provides a quality, low risk project opportunity with near term production potential. We remain focused on delivering gold production for our shareholders, and this project provides an additional opportunity to achieve the goal for the Company in addition to our exciting PNG projects. PNR has developed a strong skill set in managing these sorts of deposits and will continue to assess and develop opportunities as they become available.

We consider Mexico to be an excellent selection for expansion outside of PNG, with excellent taxation and foreign ownership regimes, high quality infrastructure, and excellent availability of skilled workers. We have no doubt that additional opportunities in the area will present themselves once we commence our operations.”

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. Peter Cook (B.Sc. Geol)) MAusIMM who is the non-executive chairman of Pacific Niugini Limited. Mr. Cook 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. Cook 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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