

3rd April 2012.

Pacific Niugini signs farm-out agreement over Garaina Prospect.

MGL to earn up to 70% by spending up to \$21m on exploration.

Pacific Niugini Limited (“PNR”) is pleased to advise that it has agreed terms with MGL Limited (“MGL”) to enable MGL to earn up to a 70% interest in its Garaina Prospect by spending up to \$21m on exploration. MGL is a privately owned company lead by successful Australian mining executives with extensive experience in exploration for copper-gold porphyry systems, and recent operational experience in PNG.

Pacific Niugini has completed extensive reconnaissance exploration at Garaina, which has resulted in the project being rapidly advanced from a green fields exploration prospect to a drill ready target. During the past two years, PNR has completed extensive geochemical sampling, manual trench sampling, ground and airborne geophysical surveys and reconnaissance drilling. The work has resulted in the delineation of an outstanding “Wafi-Golpu” style epithermal gold and porphyry copper-gold target. MGL has reviewed the exploration programs completed by PNR to date, and has formulated an exploration strategy aimed at discovery of a major mineral system, with drilling planned to commence in the near term.

Under the terms of the farm-in agreement:

- MGL will spend \$6 million on exploration to earn 50.1% of the project.
- A minimum of \$3,000,000 and 2,500 metres of diamond drilling are required to be completed before MGL can withdraw from the Farm-in. Further, MGL is required to pay PNR any shortfall in expenditure in the event that MGL wish to exit early.
- Once MGL has earned 50.1% interest, PNR can elect to either contribute to maintain its 49.9% interest and a Joint Venture will be formed.
- PNR can elect to further dilute to a 30% interest. IF this occurs MGL must carry the next \$15m of exploration expenditure over a further 3-year period to earn a further 19.9% interest (70% total interest).
- Once MGL has earned a 70% interest a Joint Venture will be formed.

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- The agreed terms are intended to be binding on both parties, and formal farm-in and joint venture documentation is being finalised.

Pacific Niugini has agreed to provide its highly experienced team of PNG geologists and field staff to implement MGL's work programs. MGL has advised it expects to undertake further project assessment and planning for a one to two month period ahead of drilling.

Commenting on the agreement, Pacific Niugini Managing Director Paul Cmrlec said,

***“Pacific Niugini is delighted to have formed a joint venture agreement with the highly credentialed MGL team. While the deal implies a project value of \$30 million, we are confident that MGL will exponentially increase Garaina’s value through the application of its advanced knowledge of mineralized porphyry systems, developed over many years of practical application. We are pleased that MGL has entrusted Pacific Niugini with execution of its exploration programs in recognition of our extensive PNG operating knowledge and ability.*”**

This Agreement allows Pacific Niugini to continue to focus on its strategy to transition to gold production, while ensuring that major expenditure continues at Garaina in the short and medium term.”

Competent Persons Statement

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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