

28th August 2012.

## Bulolo Gravel Project Update

Pacific Niugini wishes to provide an update on project progress at the Bulolo project in PNG. The Bulolo project includes ML457 – Widubosh (PNR 50%) and EL1616 – Bulolo (PNR 70%).

### Widubosh Project (PNR 50%)

Pacific Niugini received and reported assay results from the initial bulk sampling program at Widubosh in May 2012. Since that time, PNR has focused on definition of a project plan which will enable the economic extraction of gold from the gravel deposits.

Ore and waste handling using both mobile and fixed haulage equipment has been considered, with the current preferred option to direct feed ore onto conveyors using hydraulic excavators.

Initial operating cost estimates indicate that direct operating costs for all gravel mined to be in the range of \$2.20 to \$2.70 per cubic metre.

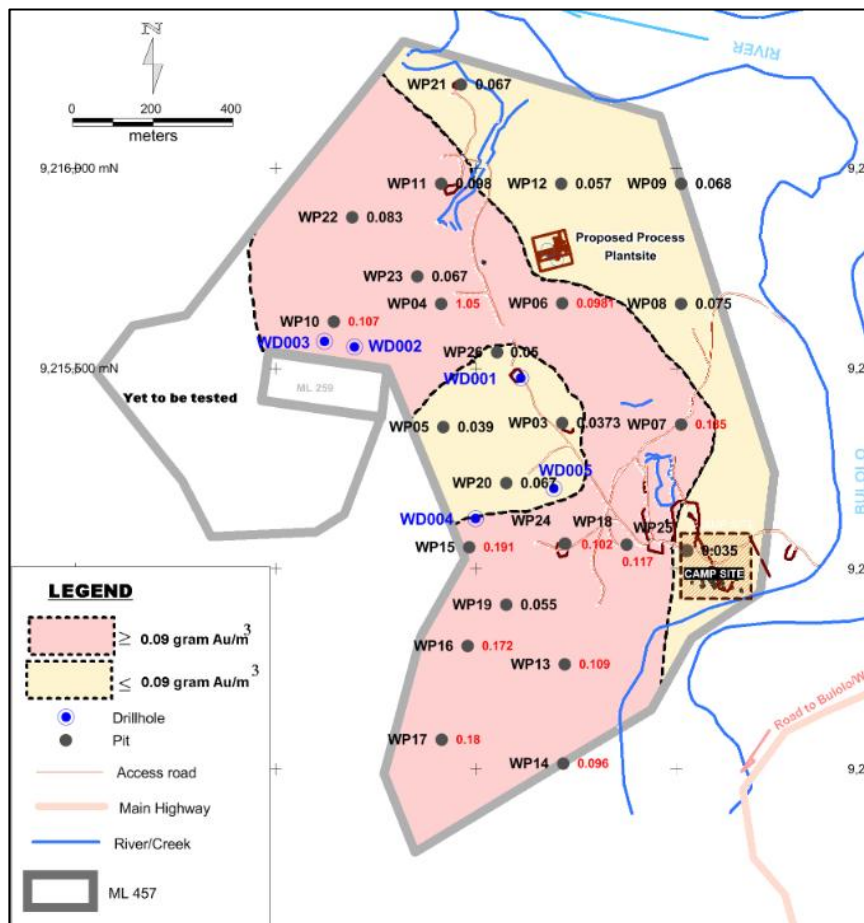


Figure showing test pit results at Widubosh. Pink shading represents the area which returned grades in excess of 0.09 g/m<sup>3</sup>

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Assuming a gold price of AU\$1600/Oz, and 95% gold recovery, these costs indicate an operating break even cost of 0.045 g/m<sup>3</sup> to 0.055 g/m<sup>3</sup>. As shown on the plan above, the majority of the test pits completed by Pacific Niugini to date are of higher grade than the indicated cut off, with approximately 50% of the pits in the lease returning grades of 0.09 g/m<sup>3</sup> or higher, and all but 3 bulk samples reporting above the predicted operating cut off. Further, the bulk sampling at Widubosh was limited to the top 6 metres of the gravels which are known to extend to approximately 30m depth.

Pacific Niugini is proceeding with completion of environmental approvals to re-start mining at Widubosh, and given the relatively simple mining and processing plan and already degraded state of the site, expects approvals to be completed in the near future.

Pacific Niugini cautions that administrative processes in PNG have generally been slow, and a set date for gaining approval is not known at this time, especially considering that a number of senior personnel changes within the government departments have occurred as a result of the recent elections. Necessary documents and statutory application fees have been provided to the Department of Environment and Conservation.

In the process of advancing environmental approvals, Pacific Niugini has become aware that ML457 was not fully converted to mining lease status from dredging and sluicing licences (DSL) when the new PNG Mining Act (1992) was put in place. Joint Venture partner, PNG Forest Products (PNGFP) has paid lease rental to the PNG government, and fees payable to land owners under the terms of the Widubosh compensation agreement for the full period that it has held the lease. Pacific Niugini will work with the Mineral Resource Authority to finalise the conversion during the approvals process. As a result, approval to recommence mining at Widubosh will also be sought from the Mineral Resource Authority prior to commencement.

Pacific Niugini and PNGFP are designing a short infill bulk sampling program to confirm continuing grades at depth, and finalising capital cost estimates for the project, which are expected to remain below AU\$10 million for the envisaged 4 million cubic metre per annum production rate. Assaying from any future sampling program is expected to be much faster than previous bulk samples. As excellent sizing and recovery data has already been established, future samples will be subjected to simple cyanide BLEG assays to minimize turn around time while maximizing assay sample size.

### **Bulk sampling at Bulolo on EL1616 (PNR 70%)**

Pacific Niugini completed initial bulk sampling at Bulolo in June 2012.

Assays for pits from the southern portion of the lease have now been completed, with full results in Appendix A. In general, returned grades were lower than those seen at Widubosh, ranging between 0 and 0.061 g/m<sup>3</sup>.

The bulk sampling results are from the southwestern section of the gravels.

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Significant unexpected transported cover above the gravels was noted in un-dredged areas, and this cover was effectively barren.

The sampling of historically dredged areas showed that significant gold still existed in their tailings (up to 0.06 g/m<sup>3</sup>). Historical dredging only went to approximately 30m depth and seismic surveys have shown the valley to have gravels to more than 100 metres depth from surface. Drilling of holes BD001 and BD002 by Pacific Niugini to 50 metres from surface has confirmed the presence of gold throughout the profile.

Importantly the historical dredging only announced recovered gold and no tail samples are known to have been analysed. It could be inferred at based on historical recovered grades and gold shown to be remaining in dredged areas, that actual head grades may have been higher than reported by historical operations.

Whilst disappointed in the sampling results from this area – which presented a near surface immediate target, the bulk of the gravels remain in place and to be tested. Based on the initial results from Bulolo, Pacific Niugini intends to proceed with advancing the Widubosh project as a priority, and will revisit processing of previously dredged gravels and accessing virgin areas below once Widubosh is in production.

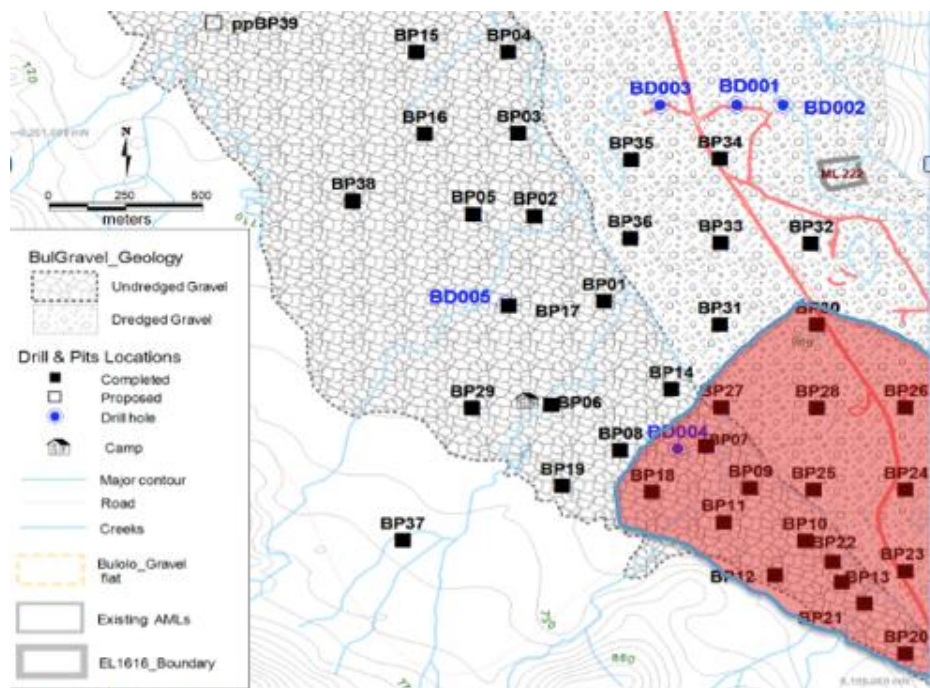


Figure showing the location of Bulolo test pits, with the area where assays have been received shaded in red.

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## Additional Tenements

Pacific Niugini has lodged exploration lease, ELA 1983 - Wandumi over additional elevated terrace gravel deposits, similar to Widubosh in the Bulolo region covering an area of 99 Km<sup>2</sup>. A mining wardens hearing has been set for the 9<sup>th</sup> of September 2012.

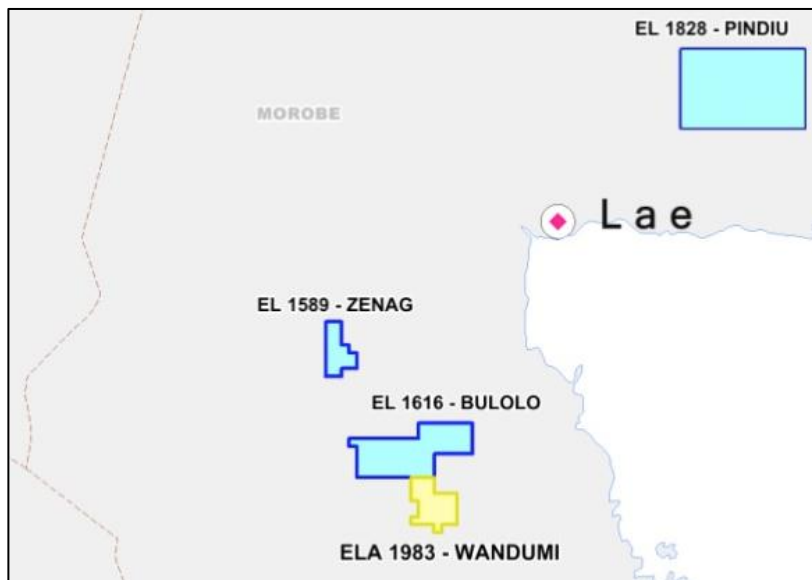


Figure showing the location of ELA 1983 – Wandumi

Terraces within the area have been mined by local small scale miners, but were not subject of historical dredging due to a lack of water availability in the elevated deposits. The tenement has potential to add significant project capacity following appropriate bulk sampling to gain a better understanding of the gold tenor of the area.

Bulk sampling is planned to be undertaken as soon as the tenement is granted. Pacific Niugini continues to monitor both hard rock and gravel project opportunities both within and outside of PNG.

Ends.

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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 JORC compliant resources or reserves at the Bulolo Project, and does not intend to due to difficulties in dealing with alluvial deposits. The decision whether to advance to production will be made on the basis of bulk sampling results, and historical mine grades achieved from the area.

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## Appendix 1.

### Bulolo Bulk Sampling Results

Pit #	Pit Depth (m)	Pit sampling range (from-to)	Concentrate Grade g/t (Head Assays)	Concentrate Grade g/t (Gravity Separation)	Concentrate Grade g/t (BLEG)	Pit Grade g/m <sup>3</sup> (Head Assays Estimation)	Pit Grade g/m <sup>3</sup> (Gravity Separation Estimation)
9	10	2-10	1.34	1.28	Being verified	0.003	0.003
11	9	1-9	2.17	1.45	Being verified	0.006	0.004
12	5	1-5	1.04	0.38	Being verified	0.003	0.001
13	6	1-6	0.79	0.32	Being verified	0.001	0.001
14	8	1-3, 6-8	0.00	1.70	Being verified	0.002	0.003
18	9	1-9	0.47	0.80	Being verified	0.001	0.002
20	8	1-3, 5-8	23.15	20.73	Being verified	0.061	0.055
21	8	1-8	11.61	5.64	Being verified	0.038	0.018
22	12	2-12	10.72	6.78	Being verified	0.024	0.015
23	6	1-6	16.02	10.97	Being verified	0.023	0.016
24	6	1-6	9.06	13.00	Being verified	0.009	0.013
25	6	1-6	41.39	20.67	Being verified	0.035	0.017
26	6	1-6	14.29	19.10	Being verified	0.029	0.038
27	6	1-6	7.90	9.62	Being verified	0.009	0.011
28	6	1-6	6.52	6.87	Being verified	0.003	0.007
30	12	1-12	4.64	4.74	Being verified	0.006	0.006

Note that not all intervals were sampled at Bulolo due to barren overburden and clay lenses within the pit profiles.

### Widubosh Bulk Sampling Results

Pit #	Concentrate Grade g/t (Head Assays)	Concentrate Grade g/t (Gravity Separation)	Concentrate Grade g/t (BLEG)	Pit Grade g/m <sup>3</sup> (Head Assays Estimation)	Pit Grade g/m <sup>3</sup> (Gravity Separation Estimation)	Pit Grade g/m <sup>3</sup> (BLEG)	Average Pit Grade using all three methods of analysis (g/m <sup>3</sup> )
3	1.58	2.83	Not completed	0.027	0.048	Not completed	.0373
4	62.27	55.54	Not completed	1.113	0.99	Not completed	1.05
5	0.86	2.78	Not completed	0.019	0.060	Not completed	0.039
6	1.35	1.22	1.30	0.103	0.0925	0.098	0.0981
7	3.90	3.17	2.89	0.217	0.177	0.161	0.185
8	4.23	5.86	4.24	0.067	0.092	0.067	0.075
9	1.96	2.81	2.58	0.0550	0.078	0.072	0.068
10	10.82	8.90	Not completed	0.117	0.097	Not completed	0.107
11	7.82	7.67	6.58	0.103	0.102	0.087	0.098
12	4.48	6.57	6.91	0.0423	0.062	0.065	0.057
13	8.98	7.29	6.80	0.127	0.103	0.096	0.109
14	8.31	7.13	7.05	0.106	0.091	0.090	0.096
15	24.99	20.92	23.75	0.208	0.174	0.198	0.191
16	37.30	38.89	39.80	0.166	0.173	0.177	0.172
17	59.59	56.18	52.40	0.191	0.180	0.168	0.180
18	14.27	9.30	8.79	0.155	0.101	0.095	0.117
19	3.84	4.37	3.89	0.052	0.060	0.053	0.055
20	7.16	6.84	6.81	0.069	0.066	0.066	0.067
21	6.61	6.15	6.15	0.071	0.066	0.066	0.067
22	11.75	10.89	11.15	0.087	0.081	0.083	0.083
23	9.74	9.10	8.47	0.071	0.0667	0.062	0.067
24	12.21	11.56	11.83	0.106	0.099	0.101	0.102
25	4.94	4.46	3.93	0.039	0.036	0.032	0.035
26	8.19	10.37	8.12	0.046	0.057	0.046	0.050

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## Appendix 2 – Test Pit Locations

Widubosh test pit locations

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	921560	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
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

Bulolo Test Pit Locations

Pit ID	East (AMG)	North (AMG)	RL(m)	Depth (m)
BP11	462108	9199579	704	6
BP12	462274	9199386	721	5
BP13	462491	9199360	711	6
BP14	461937	9200068	696	5
BP15	461108	9201295	704	5
BP16	461134	9200996	687	5
BP17	461409	9200372	710	5
BP18	461875	9199692	709	9
BP19	461582	9199714	721	12
BP20	462700	9199100	716	7
BP21	462567	9199284	719	8
BP22	462464	9199436	707	12
BP23	462700	9199400	698	6
BP24	462700	9199700	696	6
BP25	462400	9199700	696	6
BP26	462700	9200000	702	6

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BP27	462100	9200000	701	6
BP28	462411	9199999	688.7	6
BP29	461290	9199999	734.8	6
BP30	462411	9200302	718	12
BP31	462095	9200303	700.5	10
BP32	462391	9200599	688	10
BP33	462097	9200602	679	6
BP34	462095	9200905	685.9	7
BP35	461807	9200900	696.5	9
BP36	461803	9200617	707.5	8
BP37	461063	9199515	735.8	13
BP38	460902	9200752	700.5	6.5

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