

Nicolsons Mine Project Update and Capital Raising

The board of Pacific Niugini Limited (PNR or the Company) is pleased to advise that the construction of the Nicolsons Mine near Halls Creek is well progressed, with the majority of required infrastructure now in place.

PNR is developing the project through its wholly owned subsidiary, Halls Creek Mining Pty Ltd, and is the 80% equitable owner of the project. Bulletin Resources (ASX:BNR), the 20% owner of the project is contributing to project costs in accordance with its equitable interest. The site has an existing 150,000 tpa processing plant and open pit mine which is being used as the underground access point. Other required infrastructure was either existing or has been put in place during the refurbishment process.

The project provides an immediate four year production plan with high grades and planned annual production of 25,000 to 30,000 oz. (Refer ASX announcement: 10/11/2014). All material assumptions underpinning this target continue to apply and have not materially changed. The resource remains open at depth and along strike, and recent diamond drilling demonstrated the potential for high grade mineralisation with results including 1.2m @ 103g/t (Refer ASX announcement: 23/09/2014).

In addition to the immediate Nicolsons Mine area, the project provides numerous resource development and exploration opportunities and has existing JORC resources at Rowdies, Wagtail, and Wagtail North deposits, approximately 2km to the south of Nicolsons.

Operational Update

Operations commenced in April 2015, and to date approximately 250 m of decline development has been completed. The overall site development has progressed in parallel with the mine development, and the processing plant refurbishment is nearing completion. The finalisation of the site power station was disrupted by the contracted power provider falling into administration after delivering generators to site, but prior to connection and operation. Project management personnel worked quickly to identify and engage an alternative provider, and expect to have full power connected by mid-July.

All other surface infrastructure is in place including office and ablution requirements. The new tailings dam which provides an initial two years of capacity is also complete.

The decline development has traversed random and un-anticipated zones of poor quality, partially oxidized ground which has resulted in slow progress and additional cost to support. It is noted that drilling approximately 40m north of the current decline position indicates substantially better ground conditions above the current level of the decline, and the decline is currently advancing towards that area. Based on current planning, and assuming that anticipated ground conditions are encountered, the company expects to intersect first ore in the coming two weeks, and intends to commence processing ore on a campaign basis in August 2015. Full production should be achieved in October/November 2015.

Whilst the overall mine plan and big picture remains intact, the delay in timing to access the first ore levels is likely to impact mine revenue during the early months of operation. Further, the finance package (gold pre-pay) in place with the Commonwealth Bank of Australia (CBA) has minimum cash levels to be held in loan/proceeds accounts, which may be breached if ground conditions continue to impact progress in the absence of further funding. The Company is also keen to progress evaluation and extension of the current resource base as well as the other nearby advanced targets to expand its operational output.

Further, having now retained all rights to the exciting exploration discovery at Garaina in PNG, the Company believes it is prudent to raise additional funds in order to maintain banking covenants and to provide additional working capital for the Company.

Capital Raising

The Board has resolved to complete fund raising requirements in two stages. An initial unsecured Convertible Debt Facility to meet immediate funding requirements followed by a Rights Issue offered to all eligible shareholders.

Convertible Debt Facility

The Convertible Debt Facility will be raised through a facility to sophisticated investors. The Convertible Debt Facility is subject to approval by CBA which is being progressed by both parties. The proposed key terms of the Convertible Debt Facility are:

- Total amount – up to \$3 million.
- Interest rate – 8% payable six monthly in arrears in cash or via the issue of PNR shares at the 10 day VWAP.
- Term – two years from the date of issue.
- Convertible into fully paid ordinary shares in the Company at six (6) cents per share.
- Conversion Bonus at debt holder's election.
 - » One option per share converted if converted in the first twelve months after the date of establishment of the facility. The options will have a two year expiry from the date of issue and exercisable at 6 cents per share.
 - » One option for every two shares converted if converted between twelve and twenty four months after the date of establishment of the facility. The options will have a two year expiry from the date of issue and exercisable at 6 cents per share.

PNR has received firm commitments for an amount of \$2 million in the Convertible Debt Facility.

Rights Issue

The Company will undertake a Rights Issue on the basis of 1 new share for every 4 shares held at the record date at an issue price of 5 cents per share, with one attaching 2 year option for every two new shares subscribed for, exercisable at 6 cents per share. If the Rights Issue is fully subscribed, an additional 98,113,481 shares will be issued raising \$4.91 million before costs, assuming no options are exercised or convertible debt converted before the record date.

The Rights Issue will give existing shareholders a priority opportunity to participate in the finalisation of the mine development and gold production from the Nicolsons Project.

The Company has engaged GMP Securities Australia Pty Ltd (GMP Securities) to be the Lead Manager to the Rights Issue with a first right to place any shortfall shares from the Rights Issue, in consultation with the Company.

Further details of the Rights Issue, including a prospectus and indicative timetable will be announced in due course.

Enquiries

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Competent Persons Statements

The information in this report that relates to exploration and mineral resources 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 2012 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.

The information in this report that relates to exploration and mineral resources is based on information compiled by Mr. Paul Cmrlec (B. Eng (Mining) (Hons)), MAusIMM who is the Managing Director of Pacific Niugini Limited. Mr. Cmrlec 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Cmrlec consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.