



25 June 2010

The Company Announcements Office
ASX Limited

**Drilling begins
Panakawa-1 Exploration Well, PPL 267, PNG**

New Guinea Energy Limited is pleased to announce that ADS' Rig #6 commenced drilling of the Panakawa-1 exploration well on 25 June. As at 0700 PNG time, 25 June, the well was at a depth of 37 metres.

The Panakawa Prospect is an oil prospect located in PPL 267 in Papua New Guinea. The Panakawa Prospect was initially identified as a lead from the Yalis Phase I Seismic Survey completed in 2006, and further delineated by the Yalis Phase II Seismic Survey (Q3 2008). The Prospect underlies the Panakawa Oil Seep which has a surface measured flow rate of 5 barrels of oil per day of 35°API oil.

The Panakawa Prospect is ideally located less than one kilometre from the Panakawa Logging and Veneer Plant wharf currently used to export products direct to international markets via barges.

The Panakawa-1 well is targeting the Lower Cretaceous Toro Formation sandstone and several secondary reservoirs. Proposed total depth of the well is 2323 metres in basement. The well is expected to require approximately 30 days to drill.

New Guinea Energy Limited is the sole participant in the Panakawa-1 well as the holder of a 100% interest in PPL 267.

Should you have any queries, please contact the Company Secretary on +61 (0)2 9250 1800.

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