



30 July 2010

The Company Announcements Office
ASX Limited

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

As of 0700 PNG time July 30, the Panakawa-1 well was at a total depth of 2,424m MD in the Magobu Formation and completing a logging and sampling program. Despite the presence of elevated gas readings in a number of intervals, pressure tests have indicated that the target reservoirs contain water.

Preliminary Results

The well encountered well-developed reservoir sands in the Alene Formation in excess of 57m net reservoir averaging 22% porosity (Figure 1).

Reservoir quality sandstones were also present in the Toro Formation within a gross interval totaling 67m.

Petrophysical analysis indicates residual gas saturations of 5-10% in the Alene Sandstone indicating a residual gas accumulation or a transition zone below a nearby gas-water contact. The well was drilled in a slightly off crestal position with limited updip potential for a significant gas cap. Residual gas was also noted in the Toro Sandstone suggesting a combined Alene-Toro historical gas column of up to 150m.

In general, most well developed reservoir sands appear flushed, but residual hydrocarbons persist in the poorer quality sands. Log analysis suggests intermittent zones of immovable hydrocarbons persist across the Upper Imburu Formation. These intervals will be sampled for further geochemical analysis to ascertain the hydrocarbon charge history to assist in future exploration within this licence.

The overall cause of failure of the Panakawa Prospect is the lack of trap integrity due to apparent fault leakage. Hydrocarbons originally trapped at the Panakawa Prospect have not been preserved in commercial quantities. However due to the residual nature only of the hydrocarbons, the Panakawa-1 well will be plugged and abandoned after the completion of the current logging and sampling activities.

Forward Plan

NGE has obtained a number of positive outcomes from Panakawa-1 including;

- a) the confirmation of thick, high quality reservoir sandstones at relatively shallow depths;
- b) evidence of significant hydrocarbon charge over a number of intervals;
- c) the Alene and Toro sands have high porosity yielding residual hydrocarbons; and
- d) the residual gas is spread over a 150m interval which suggests a valid trap with a significant hydrocarbon column existed in the past.

New Guinea Energy Ltd
ABN 31 112 618 238

Level 22, Gold Fields House, 1 Alfred Street, Sydney NSW 2000 T +61 2 9250 1800 | F:+61 2 9250 1838
PO Box 592 Port Moresby, NCD, Papua New Guinea T: (675) 321 1785 | F: (675) 321 1782

www.ngenergy.com.au

For personal use only



NGE still considers PPL 267 to contain significant prospectivity that can be assessed with relatively low-cost follow up seismic acquisition and drilling.

NGE will now reprocess existing seismic data in the block to incorporate the results of the seismic velocity data obtained from the well. Plans for additional seismic acquisition will be accelerated to extend the data to the southeast towards the hydrocarbon source kitchen as well as to advance evaluation of the Panakawa North Lead before undertaking additional drilling activities.

The information in this announcement that relates to NGE's resources is based on information compiled by Mr Francis Waina and Mr Dan Kendrick, employees of NGE with over 15 years experience each as practising geologists.

Mr Francis Waina and Mr Dan Kendrick consent to the inclusion in this announcement of their information in the form and context in which it appears.

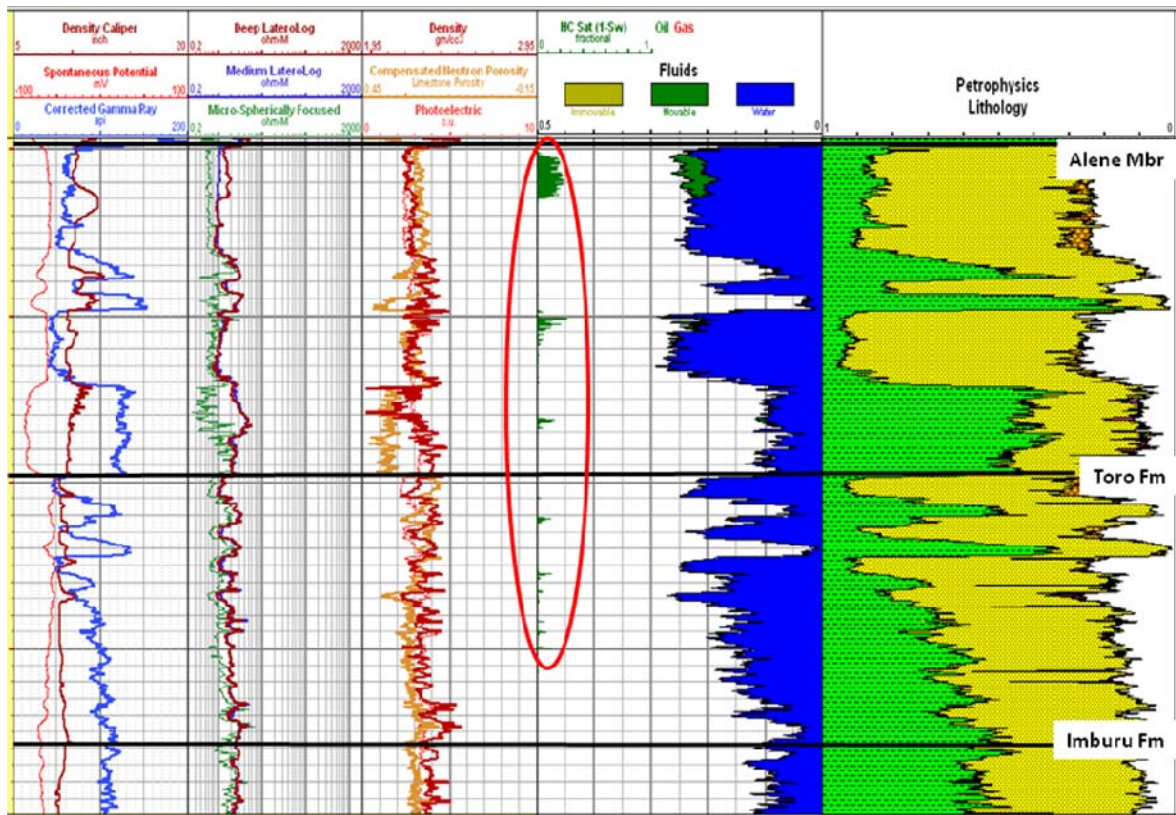
Michael Arnett
Executive Chairman

New Guinea Energy Ltd
ABN 31 112 618 238

Level 22, Gold Fields House, 1 Alfred Street, Sydney NSW 2000 T +61 2 9250 1800 | F:+61 2 9250 1838
PO Box 592 Port Moresby, NCD, Papua New Guinea T: (675) 321 1785 | F: (675) 321 1782
www.ngenergy.com.au

For personal use only

Figure 1. Preliminary petrophysical analysis of the Panakawa-1 Alene Member and Toro Formation reservoir intervals.



Note thick sandstones developed in the Alene Member (reservoir quality increases to left on 'Lithology' column) and red circled area highlighting residual hydrocarbons, most likely gas.