

New Guinea Gold Corporation - Company Update

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[New Guinea Gold Corporation](#) ("New Guinea Gold" or the "Company") (TSX VENTURE: NGG) provides the following update on the Company's operations and strategies.

Mining Leases and Exploration License Renewed

Pursuant to the recommendation of the Mining Advisory Council; the Minister for Mining, the Honorable Mr. Byron Chan has now executed the formal instruments renewing the Company's expiring Mining Leases and Mining Easement (ML 122 and ME 70) and its exploration license (EL 1140).

The Mining Lease 122 has been renewed and extended for a further ten years with a new expiry date of 15 February 2022. Mining Easement 70 has been renewed for a period of 8 years and now expires on 15 February 2020. The Exploration License (EL) has been granted for a further two years as is standard in Papua New Guinea and now expires on 10 May 2013.

The renewal of the MLs contained several ministerial conditions, which reinforce the States and Company's obligations under the applicable legislation. Two of those conditions are material in nature: -

1)The Company is required to change its processing method within twenty-four months from the date of approval to a "new and more efficient ore processing system". This is consistent with the Company's current strategy and plans are underway to accommodate such a change should the Definitive Feasibility Study produce a positive economic outcome; and

2)That the Company enter into discussions with the State's representatives to assess the State's participation in the Mining Lease.

Company Chairman Mr. Ceselego commented:

"This is a great outcome for New Guinea Gold and reflects well on the relationship that has been fostered with the PNG Authorities. The Company now has certainty of tenure and a great basis for moving ahead. We look forwards to working closely with all of our stakeholders to maximize the value and benefits deliverable from the Sinivit Mine and the surrounding high-potential exploration acreage. The possible addition of the State as a stakeholder in the project would be welcomed and the expression of interest confirms the belief the PNG Government has in the potential of the project."

Cash Situation

As per previous Press Releases the Company is currently experiencing a cash shortfall. The Board in good faith believed that PNG Gold Corporation (PGK) would honor its commitments to support the Company under the various agreements executed between the parties. To date this support has failed to materialize. Despite numerous formal and informal communiques PGK has failed to respond to NGG's requests regarding their intentions with regards to the proposed Plan of Arrangement.

The Company has an immediate need of funds and is unable to deal with its various investments or indeed raise further capital until the expiration of the Arrangement Agreement on May 31st, which now seems inevitable.

In anticipation of the termination of the Arrangement Agreement, our counsel made a written request on May 16, 2012 to PGK's counsel for written notification of PGK's intentions in respect of its right of election under subsection 4(b) of the Credit Agreement to have some or all of the \$1,000,000 advanced by PGK set off against the cancellation of PGK shares owned by the Company and pledged to PGK as security for its loan. Under the Credit Agreement cancelled PGK shares are valued at market price and credited against the outstanding loan amount.

Requests have also been made for (i) written authorization allowing NGG to contact third parties in respect of

the sale of public company shares owned by NGG, including the PGK shares, (ii) written confirmation that PGK will support an application to the TSX-V for the transfer within escrow of the PGK shares to an acceptable third party and (iii) confirmation whether PGK wishes the Company to proceed with its court application for the Final Order in connection with the Plan of Arrangement. To date, we have had no response from PGK.

The Board is currently considering the options available to raise the necessary short-term working capital requirements and address the longer term objectives of the Company. In formulating and implementing these plans the Company expects the support and cooperation of PGK, a reasonable expectation in the circumstances.

Definitive Feasibility Study (DFS)

Whilst the DFS is not yet complete current indications are that it will result in a marginal economic benefit at best. The draft capital expenditure estimate is slightly above \$20M compared to the \$12M to \$15M initial estimate. Furthermore the assay results from the previously gathered samples have resulted in a +/-15% reduction in the contained ore estimate. Management believes this is related to how the remaining reconciled gold in situ is contained within the material in the Heaps and Vats. Whilst management remains confident of its previous estimate a conservative view must prudently be adopted. The test work has proved that approximately 90% of the remaining gold can be liberated via a CIL/CIP plant.

No firm decision has been taken as yet however the most likely way forwards now will be that the materials would be processed if and when either the Kavursuki or Mengmut prospect are proven to be economic resources. This material will enhance the economic viability of either of those potential projects.

Management Cease Trade Order (MCTO)

After discussion with the Company's Auditors BDO on their progress in completing the audit of the December 2011 Financial Statements the Company advises as follows: -

Due to the occupation of the Mine by the landowners over the Financial Year End neither the Auditors nor the Company were able to conduct a physical stock-take of inventories on site. Because of the material value of the inventory additional audit procedures are being conducted to validate the inventory balances. As a consequence the Company now believes that the MCTO will remain in place for a further two weeks.

ON BEHALF OF THE BOARD

Ces lewago
Chairman

For further information, please contact info@newguineagold.ca, or access our website www.newguineagold.ca

Forward Looking Statements - Certain information set forth in this news release contains forward-looking statements, including the timing of filing of NGG's Annual Financial Filings. These forward looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the control of NGG, including, but not limited to the impact of general economic conditions, industry conditions, volatility of commodity prices, risks associated with the uncertainty of resource and reserve estimates, currency fluctuations, dependence upon regulatory approvals, the availability of future financing and exploration risk. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

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