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The Company Announcements Office
ASX Limited

SURFACE OIL FLOW OVERLIES A LARGE PROSPECT WITH UNDISCOVERED 187 MILLION BARREL OF OIL IN PLACE (“OOIP”), IN PNG FORELAND

DRILLING PROGRAM TO BE FAST TRACKED

New Guinea Energy Ltd (ASX: NGE) is pleased to provide the following update on the second seismic survey carried out recently within its 100% owned tenement PPL 267, near the southern coast of Papua New Guinea.

Interpretation of the new and previous seismic survey data, carried out by NGE technicians and advisors, has delineated a fault closed structure with a most likely (PMean) aerial closure of 16.5 km² in the vicinity of the natural flow of oil to surface discovered by NGE at Panakawa in 2006.

The prospect mapped on the Toro Sandstone (primary target only) is estimated to have the following Prospective Resource Distribution:

Panakawa Prospect

	P10	PMean	P90
Million Barrels (OOIP)	415	187	9

The results have upgraded the defined potential of the PPL 267 licence and the Panakawa Prospect to a primary target within NGE’s portfolio of six 100% owned licences covering 52,000 km². Planning for a drilling program to test Panakawa in late 2009 has already begun.

The prospect is ideally located approximately one kilometre from the Panakawa Logging and Veneer Plant wharf, currently used to export products direct to international markets via ships and barges. The proximity of the prospect to the wharf means NGE will be able to deliver rigs and drilling equipment directly from the barges to the drill site without the use of helicopter support. This access facility, coupled with the relatively shallow target depth of 2,500 metres for a well, substantially reduces the cost of the proposed drilling program. NGE estimates a well to cost less than US\$5 million to complete and test. Three drilling rigs have been identified as available in the region and NGE has begun negotiations to secure contracts with the operators.

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Background

NGE is an oil and gas explorer, listed on the Australian Securities Exchange and Port Moresby Stock Exchange, holding one of the few available highly prospective, onshore, non-aligned very large acreage positions in South East Asia. With a 100% interest in six licences spanning 52,000 km² in Papua New Guinea, NGE is committed to the development of potentially world class petroleum assets.

The Panakawa Prospect natural oil flow was estimated at a rate of 5 barrels a day when examined by the NGE technical team in 2006. Geochemical analysis of samples taken showed that the oil was a “black oil” of 35⁰ API rather than traditional 55⁰ API found in the Highland regions of PNG. The new oil type indicates a new oil play and fairway in PNG when related to further investigation results of subsequent seeps discovered in PPL 267 over a 100 km trend. The new fairway is believed to be derived from the Wabuda trough located to the east of Panakawa.

Over the last three years NGE has invested approximately \$7 million acquiring data and investigating the Panakawa Natural Oil Flow within PPL 267. The results now vindicate the time and amount invested. A successful drill test of the prospect will mean a re-rating of not only NGE, but also of the whole PNG foreland which has been overlooked for decades due to technical, logistical and cost constraints. NGE has 4 licences (PPL 265, 266, 267 and 268), on the Lower Foreland, two of which (PPL 265 and 267) have coastal frontage with good access which has been further improved with increased road infrastructure resulting from recent logging activity in the region.

(The information in this report that relates to exploration results is based on information compiled by Mr Francis Waina, an employee of New Guinea Energy Ltd with over 15 years experience as a practising geologist and who holds a Bachelor of Science, majoring in Geology, and by Mr Dan Kendrick, an independent Geology Consultant who holds a PhD (Geology) with over 15 years experience as a practising geologist and is employed by Rockbenders Pty Ltd.

Mr Francis Waina and Mr Dan Kendrick both consent to the inclusion in this report of matters based on their information in the form and context in which it appears.)

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