



MRDC

TOKAUT

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MRDC Tokaut | MARCH EDITION 2016

MRDC Responds to Issues Raised at LO & State Forum



PNG LNG landowners who attended the 2-day workshop hosted by the new Minister for Petroleum – Hon. Ben Micah

MRDC Managing Director Augustine Sanga Mano has set the record straight on certain misconceptions that landowners have about the role and functions of the company.

Mr. Mano said MRDC was established under the Companies Act, to manage royalty and equity funds in mineral and petroleum projects in the country.

He said all mining and petroleum project benefits are managed under a trust deed or Memorandum of Agreement relating to the project, additionally petroleum benefits are governed under the Oil and Gas Act of 1998.

Mr Mano made the statements in response to PNG LNG Landowner queries and concerns raised during a two day LO & State consultative meeting in Port Moresby in February.

The landowners claimed that MRDC was mismanaging current equity and royalty funds and questioned certain investment decisions made by the company.

Mr. Mano explained that all investment decisions were made by the respective Boards of Trustees or Directors.

Subsidiaries have their own Boards comprising of landowner leaders and provincial Governors of project areas who make final investment decisions; MRDC only make recommendations to the respective Boards.

The Process is that all investment proposals are submitted to respective Boards who authorize the managers to do proper due diligences. It is then vetted by the Investment Committee which comprises of independent MRDC Directors. Then it goes to respective subsidiary Board for final approval.

Mr. Mano said investment decisions made by the MRDC Board to invest in the tourism industry like the Pearl South Pacific in Fiji and Star Mountains Plaza in Port Moresby are sustainable in the long term after the mine life and oil fields are depleted.

"I think it is the right decision because I've learnt the lesson from Ok Tedi when it closed down we were not receiving any payments. Therefore we've decided to invest outside of mining and petroleum", he said.

"The biggest challenge is to improve the quality of life and sustain and broaden revenues for our people after project life".

He highlighted the important success story of Petroleum Resources Kutubu (PRK) which had net assets of K600 million in 2007 now K1.3 billion.

He added he is accountable to the MRDC board that comprises of the Chief Secretary, the secretaries of Finance, Treasury, Mining, Petroleum and three other independent directors and therefore critics should understand that MRDC is a complex organisation.

**Selected Extracts from Post Courier article by Jeffery Elapa*

Managing Directors Message



MRDC Managing Director - Augustine Mano

A belated happy New Year. It brings me great pleasure once again to bring to you all the news updates in the first quarter of this year.

In this issue of Tokaut, we highlight MRDC's role in the resource sector especially to set the record straight to those critics who may not understand what we do as a fund managers of landowner royalties and equity from

project areas. A lot of questions were raised during a recent state and landowner meeting last month. (Refer my responses on page 1.)

MRDC-managed Pacific Property Trust (PPT) also came under the spotlight in January when the Pacific MMI property was issued a temporary closure notice by the NCD Health Division. What many did not know was that ongoing upgrades were already underway. We elaborate further on the program and the measures already taken by MRDC to keep the buildings in top condition into the future (in page 3).

We also had the pleasure of attending several school graduation ceremonies in Southern Highlands Province in December last year (highlights in page 4). One we were very proud of is Baguale Primary School in Moran

which after many years of struggle finally saw its first grade 8 student-graduation.

The 'Tech Report' in page 6 provides an overview of the history and forecast of production trends for each of the Petroleum Resource subsidiaries.

A couple of donations were also made as part of our commitment in supporting community initiatives, programs, education, health and sport in the project areas as well as around the country. (Donations made are highlighted in pages 5 and 7).

Highlights on page 8 outline our support to sporting clubs, Hekari and Gulf Isapea, as we continue to support and promote sports in our communities.

With that happy reading until the next issue of Tokaut.

Star Mountain Plaza Project Update

By Eric Alome – Project Manager

Star Mountain Plaza Development consists of two stages. Stage 1 is expected to be completed by December 2017 and Stage 2 is expected to be completed by September 2018.

- Stage 1 include a hotel, convention centre and carpark structure.
- Stage 2 consists of mixed use apartment building.
- So far contracts worth about 12.5 per cent of the total budget have been let to various contractors and suppliers both local and international.
- Total expenditures to date is about 9 per cent of total budget, as expected at this stage of the project.
- It's now six months into the programme and overall progress is on target for the completion dates. All engineering design and documentation is expected to be completed by the end of March 2016.
- There are 172 full-time personnel on



site. Of this, 125 are PNG nationals, and 47 are expats. The total number of site personnel is expected to increase exponentially over the next 6-12 months when the project reaches peak construction.

Health and safety remains a key focus on the project. So far there have not been any major safety issues, and the entire project team is committed to maintain this record as the project progresses.

- SPM continues to maintain strong emphasis on support for local content.

- 125/172 full-time site personnel are PNG nationals. This number is expected to increase significantly over the next 6-12 months.
- 78 per cent of contracts let have been in PNG Kina to either local companies or foreign companies with long standing local presence.
- SMPL is planning on rolling out an on the job apprenticeship programme for trade certified Papua New Guineas to learn and develop trade skills on the SMP.

Major rehabilitation program underway for MRDC managed Pacific Property Trust



The Pacific MMI Building, downtown – also undergoing major upgrade.

MRDC is undertaking major rehabilitation work on its Pacific Place and Pacific MMI properties after taking over the management of Pacific Property Trust (PPT).

PPT commenced operation in 2003 with Melanesian Trustee Services Ltd (MTSL) and Pacific Equities & Investments Ltd (PEIL) being Trustee and Manager respectively till 10 June 2014. Between 2003 and June 2014, a period of ten (10) years, the following commercial properties were held by PPT and under the stewardship and custody of both MTSL and PEIL:

- Pacific Place Building, downtown Port Moresby, NCD
- Pacific MMI Building, downtown Port Moresby, NCD
- Vacant land adjacent to Pacific MMI Building, downtown Port Moresby, NCD
- ANZ Haus, Lae, Morobe Province

On July 2011, ANZ Haus in Lae was lost to fire.

MRDC was appointed as the Trustee for PPT on 10 of June 2014 when MTSL retired by executing a Deed of Retirement. PEIL also retired as the Fund Manager.

Since taking over PPT and as part of the modernisation plan for Pacific Place and Pacific MMI buildings, MRDC undertook comprehensive

building audits covering key facets including energy and electrical audit, fire and emergency audit, air conditioning system audit, lift upgrade and structural tests. Both Buildings have been neglected by the previous trustee and manager for the last 15 years.

The audits uncovered significant deterioration, defects and flaws on the core infrastructure of the buildings posing significant risks not only to the buildings but the occupants and the general public. This state of affairs was mainly attributed to lack of proper maintenance and servicing over the past years. Moreover, bulk of the equipment in the buildings have aged and exhausted their useful life and required immediate replacement.

The audit consequently recommended for an overall upgrade of the electrical appliances and equipments. Hence, in March 2015, MRDC implemented the energy upgrade for both Pacific Place and Pacific MMI buildings at a cost of K6.63 million. The upgrade involved the installation of new LED lights, new metering equipments, installation of new voltage optimisers, new transformers and replacement of the aging standby generators with brand new fuel efficient generators. The energy upgrade was successfully completed in December 2015.

Since completion of the energy system and electrical upgrade, PPT has saved up to 40 per cent on its electricity bills.

In July 2015, concurrent to the energy system upgrade, MRDC rolled out and implemented the fire, safety and emergency upgrade to the buildings at a cost of K2.91 million following a comprehensive audit. The audit revealed complete deteriorated state of affairs of the safety equipment and infrastructure of the buildings including defective fire sprinklers, damaged fire escape doors, defective fire hose with no water flowing through the hose, no back-up water resources, and the like. The upgrade of these vital safety components of the building was successfully completed in December 2015.

Other major upgrade projects earmarked for both the Pacific Place and Pacific MMI buildings that would result in significant investment by MRDC included:

- PMMI lift upgrade project;
- Air conditioning system upgrade;
- Security systems upgrade;
- Complete upgrade of the Building Management Systems of both buildings;
- Interior refurbishment of both buildings which included a major facelift to the main foyers and lobby areas of the buildings; and
- Fit-out of new restaurants and café on level 1 of Pacific Place Building.

MRDC has built in-house capacity for on-going general maintenance and services of the buildings as well as ensuring on-going service agreements are in place for the specialist technical services.

The company is committed to restoring and rehabilitating the PMMI and Pacific Place buildings to a more modernised office environment and once again reclaim their status as 'premier office buildings' in downtown Port Moresby.

Baguale celebrates success after struggle



The graduating class of 2015 – Baguale's first Grade 8 graduates

Baguale Primary School is a little gem, hidden from civilisation, nestled between the jungles of Hela and Southern Highlands Provinces in the Moran project area.

This little gem celebrated a significant accomplishment in its short history in December last year. It saw its first ever grade eight students graduate.

Baguale is a success story in its own right. It had struggled to operate for many years, being the only school in the area servicing Homa, Benaria, Moro, Tubage, Yalanda, Ijup, Lower Wagei and communities as far as Nipa.

The school currently enrolls 127 students, from grades 1-8, all of whom are boarding students.

The boarding school policy was the vision of PRM Director Tony Kila and supported by his brother John Kila, the Council President of Kutubu LLG. It was the vision of the Kila brothers and many alike that encouraged MRDC to come on board and support the initiative. MRDC's mission is to sustain the future by investing in it and there is no better way to do it than through education.

MRDC had invested almost K500, 000 to build teachers' houses and maintain the school buildings. In the last two

years the company has been providing an annual subsidy of a K100, 000 to help the school to operate. Majority of these funds go towards food rations for the boarding houses.

Through sheer determination and unrelenting perseverance of its supporters 20 young men and women walked away with their certificates, an accomplishment no words could describe for all those who have seen the struggles of the tiny school.

Imbi Tagune, General Manager, External Affairs and Sustainable Development was one of those who was invited to witness the special occasion.

Mr Tagune told the students to be independent. To work hard to get to the next stage of their lives and be able to take care of themselves. He encouraged the students to learn independence and self reliance. The small and simple steps they take as they leave would determine their future.

MRDC donated another K10, 000 on the day to help the school with any outstanding issues before they close for the year.

Kutubu Secondary sees first Grade 12 graduates

Kutubu Secondary school along the shores of the beautiful Lake Kutubu also had reason to celebrate.

The school saw its first lot of grade 12 students graduate in December.

It was a momentous occasion for the locals as the school is the only high school in the Kutubu, Gobe and Moran project area and even as far as Nipa.

Up to 76 students graduated with grade 12 certificates on the day. Families, friends, invited guests and locals flocked to the school to witness the occasion.

MRDC also joined the celebrations with words of encouragement from Mr Imbi Tagune, General Manager External Affairs and Sustainable Development, who encouraged the students to have the will and determination to better their lives.



Part of the Year 12 graduating class seated during the ceremonial speeches

"You must dream, dream about what you want to be, then make plans to achieve those dreams and most importantly work hard to achieve those plans so your dreams can come true," said Tagune.

Mr Tagune and the External Affairs team also had the opportunity to witness Erave High School's 16th class of grade 10's graduate. A total of

142 students graduated which was a record number for the school.

Mr Tagune shared a similar word of advice with the students before presenting a cheque of K10,000 to the school to help in their celebrations.

He also presented K10, 000 to Kutubu Secondary school to also assist with graduation expenses.

Kikori secondary receives school vehicle donation



Kikori Secondary students in front of their brand new vehicle.

Kikori Secondary school in the Gulf Province was the recipient of a brand new school vehicle donated by Petroleum Resources Kutubu (PRK).

The new vehicle, a 10-seater land cruiser, will assist the school bring in their supplies from surrounding areas.

The students expressed gratitude through song and dramatised hardships they faced, having to physically carry goods from the wharf to the school or hiring PMV trucks to bring in supplies from Mt Hagen via road.

In a small ceremony at the school, Principal Mr Collin Sauka was handed the keys by MRDC's General Manager, External Affairs and Sustainable Development Imbi Tagune.

Mr Tagune stressed the importance

of taking care of the vehicle and to service it regularly.

Many local landowners as well as the principal and school board members expressed frustration over having been neglected for so long.

School Board Chairman Mr. Soba Samai highlighted that Kikori Secondary was one of the schools on the list to benefit from the UBSA, LBSA and MoA under the Oil and Gas Pipeline Agreements signed in 2009. The school was built in 1998 under the Tax Credit Scheme by the then Chevron Niugini Limited. Since then it has been neglected for over 17 years with no funding to assist in its operations.

MRDC representatives were given a tour around the school to see the run-down classroom facilities and

teachers' housing.

Mr Sauka said maintenance of teachers' houses and classrooms has become a critical concern.

"We need someone to come to Kikori Secondary and rescue us from the current state," said Mr Sauka.

There is no airstrip or connection to the outside world except by boat to Kerema or by car through the access pipeline road to Moro, Southern Highlands Province, which is a bush track now after the completion of the PNG LNG Project.

The only airstrip has been closed so the car will assist the school in a big way.

Mr Tagune told the students and teachers that the company recognised the needs of the school and could assist in the future.

"PRK which is managed by MRDC is a friend to Kikori and we will continue to partner with you to support education in the area," said Mr Tagune.

The Kikori area comes under the Pipeline Licence 2 (PL 2) area where Oil Search operates its Kutubu Petroleum Project. The landowners are represented through MRDC-managed subsidiary Petroleum Resources Kutubu.

Staff News



MRDC staff were recognized for their efforts in 2014 at the 'end of year' staff luncheon last December. They were rewarded their 2014 Staff performance appraisals. MRDC MD Augustine Mano praised staff and encouraged them to keep up their performance in 2016. In the photo is Jimmy Yakanda and Namba Kare from the Treasury team.

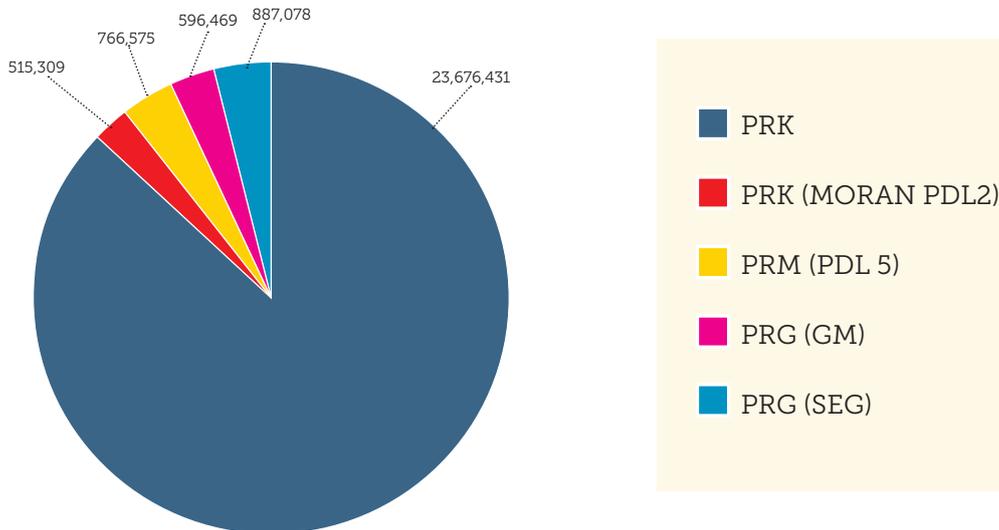


Congratulations to MRDC External Affairs Coordinator Kini Renagi on graduating with a Bachelor in Business Management from Divine Word University last month. Kini will also be clocking in almost 20 years with the company, a milestone achievement after many struggles. Read Kini's Story in the 2nd Quarter Issue of MRDC Tokaut in June.

TECH talk

Production in petroleum resource subsidiaries

TOTAL OIL PRODUCTION (BBLs)



Petroleum Resource Kutubu

PRK's total production since 1992 is estimated at 24.5 million barrels produced to date, inclusive of Moran field in PDL 2. Kutubu and the Moran fields together have at least over 25 years before end of oil production, with reserves remaining estimated at 62 million barrels yet to produce. The current production rates for Kutubu field is about 11, 875 barrels per day. Hence, PRK with its 6.75 per cent equity has about 4.2 million barrels of oil remaining.

Petroleum Resource Moran

PRM's total production since 1998 is about 0.7 million barrels produced to date. The Moran field have at least over 20 years before end of oil production, with reserves remaining estimated about 25 million barrels yet to produce. The current production rates is about 9500 barrels of oil per day. Hence, PRM with its 2 per cent equity has about 1.7 million barrels of oil remaining.

Petroleum Resource Gobe

PRG's total production since 1998 is about 1.5 million barrels produced to date. The Gobe fields, between SEG and GM have an average of 10 years before end of oil production, with reserves remaining estimated at 2 million barrels yet to produce. The current production rates for SE Gobe field is at 840 barrels of oil per day while Gobe Main's producing rates is about 512 barrels of oil per day. Hence, PRG with its 2 per cent equity has about 20, 000 barrels of oil remaining.



Kutubu Women's Group received K10, 000 to carry out awareness work on issues affecting women. Anne Asagi, President of the Women's council, thanked MRDC for supporting women in the area.



Mendi Secondary School in Southern Highlands Province witnessed its first Grade 12 graduation after gaining secondary school status in 2013.

The school has a rich history, having seen some of PNG and SHP's elites graduate from the school in the likes of MRDC Managing Director Augustine Mano. MRDC could not make it to the graduation but met with the headmaster and deputy and presented them with a K10, 000 cheque to help with celebrations.



Tubo Primary school in the Lake Kutubu area received a K10, 000 donation from MRDC in December. The funds were to assist the school with outstanding payments before the school year closed.

Marara opens new MRDC funded Aid post



MRDC Managing Director Augustine Mano and Dr Eric in front of the newly constructed aid post

The Marara aidpost in the remote Lai valley in the Mendi Muinhu, Southern Highlands was officially opened in December last year by Mineral Resource Development Corporation Managing Director Augustine Mano.

The small semi-permanent building aidpost built in 1998 was replaced with a permanent building through a funding of K60 000 by PRK.

Located on the border of Lai Valley in the Mendi-Muinhu district, Southern Highlands and Kandep in the Enga province, the aid post serves more than 15000 people.

Mr Mano drove to the area and officially opened and handed over the building to the people and the Southern Highlands Division of Health and the Southern Highlands provincial health authority.

Mr Mano was pleased to see the K60,000 funding put to good use.

The work done to construct the aidpost, he said, reflected the people's desire to work hard, develop and serve the needs of their community.

He said he was proud to assist the community after being briefed by Dr Eric Kunjip of the need of the people to have a good health facility to serve

the people after being neglected by both provincial governments.

"I'm proud to be here to open this aid post because the community is between SHP and Enga and has been over looked by both governments.

"The work done to build the aid post is a result of the leadership provided by Dr Eric and as a result of community involvement" he said.

Mr. Mano said because of the sacrifices and involvement of the community he would continue to assist in the operation of the aid post.

Provincial Health Advisor Michael Mambo thanked Mr Mano and his MRDC management for the assistance.

He said the aidpost would be further developed to a health centre in the future.

Provincial Health Authority CEO Joseph Turian also thanked MRDC for the funding and for all the other fundings provided to the health sector in the Southern Highlands including the Mendi Provincial Hospital.

MRDC celebrates ECPNG's golden jubilee

MRDC Managing Director Augustine Mano received an award of recognition on behalf of his father during the Evangelical Church of Papua New Guinea Golden Jubilee celebrations in January.

The celebrations were held in Semberigi in the Kagua-Erave District and recognised many local and overseas missionaries who served the mission over the 50 years.

Mr Mano's Father, Mr Sanga Mano was one of those recognised for his service as the postman for the mission station who climbed mountains to deliver messages to Erave and Kutubu mission stations of ECPNG churches in SHP.



Mr Mano receiving the award of recognition on behalf of his father from PNG kick boxer Stanley Nandex, one of the many special guests at the event

The early missionaries from the Unevangelised Frontier Mission of the London Missionary Society (LMS) led by Pastor Don Moresly and with the help of the locals founded the mission station in the 1960's.

The mission station provided health care and a school which benefited

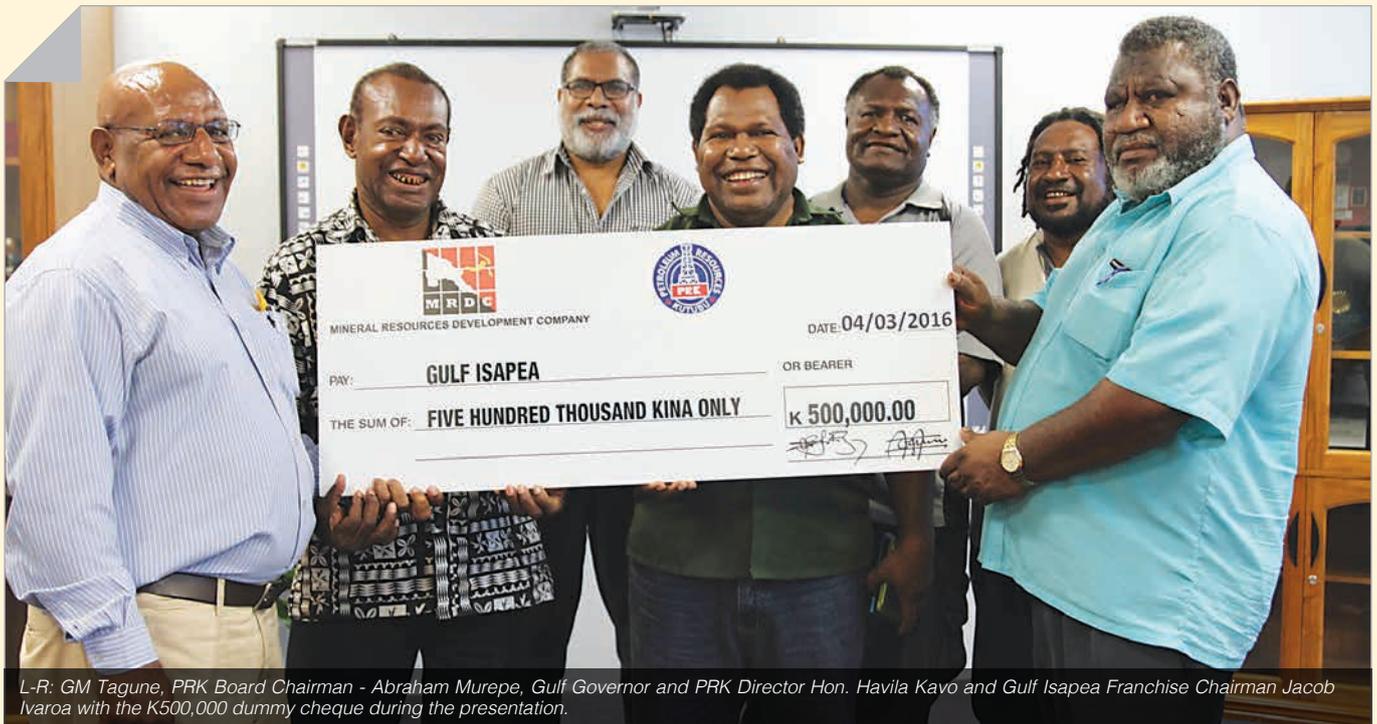
many members of the community, most of whom are prominent figures in PNG.

Those who attended included Mr Mano, Kickboxer Stanley Nandex, former judge Nemo Yalo and newly appointed assistant commissioner of the PNG Royal Constabulary Chief Insp. Philip Welia.

Children of the pioneer missionaries also flew into the country to celebrate and retrace the steps of their parents in remembrance of their services.

Petroleum Resources Gobe (PRG) also assisted in the churches celebrations also assisted in the church's celebrations by chartering an aircraft to transport the visiting relatives of the missionaries into Semberigi.

PRK Continues Second Year of Commitment to Premier Clubs



L-R: GM Tagune, PRK Board Chairman - Abraham Murepe, Gulf Governor and PRK Director Hon. Havila Kavov and Gulf Isapea Franchise Chairman Jacob Ivaroa with the K500,000 dummy cheque during the presentation.

PRK is continuing its support to three premier sports clubs in the country this year as part of a board-approved sponsorship commitment.

The Hekari United Football Club, and the PRK Mendi Muruks and PRK Gulf Isapea rugby league teams in the Digicel Cup have all received K500,000 each to assist in their respective sporting competitions this year.

This is the second year of sponsorship by PRK. PRK Chairman Abraham Murepe said this was part of the

company's commitment in assisting the community and the people of Gulf and Southern Highlands Province through sports.

Gulf Governor Havila Kavov and board member of PRK thanked the company for the commitment in supporting the Gulf Isapea.

He said social activities like rugby league helped to foster good relations among young people. He was glad the board of PRK recognised it through their commitment.

He challenged all sporting clubs to acquit all funds to maintain and foster transparency.

Meanwhile, PRK has also assisted the Eerema Gulf Football club with K100,000 through John Kapi-Natto and Gov. Havila Kavov's PR funds.

In its first year the club performed remarkably well, but dropped out of a spot in the finals by placing third in the 15/16 season. The team thanked PRK for the support and hoped that it continued.

K30, 000 to launch MRDC PRL 9's

Port Moresby Rugby League's pre-season super nines competition was given a boost of K30,000 last month to launch the season.

Hailed the MRDC PRL nines Cup, the competition involves up to 14 affiliated clubs and has been running for six years with the support of the company.

In presenting the cheque to PRL Board Chairman Dr James Naipao,

MRDC External Affairs Manager Steven Evekone said the company was committed to supporting a great off-season sporting competition as part of its social obligation.

Dr James Naipao commended MRDC CEO Augustine Mano and his management for their confidence and trust to support the league with continued funding.

Dr Naipao and PRL Administrator

Meke Maino also presented a copy of a financial report detailing the use of funds from past MRDC funds.

The MRDC PRL Nines competition kicked off early this month with joint winners announced in the men's division.

Tarangau and Hohola Flies shared the MRDC Lukautim Mama Graun Cup and split the total cash prize while Paga walked away winners in the women's division.