



MRDC

TOKAUT

*Custodians
of tomorrow*

QUARTERLY NEWSLETTER, MARCH EDITION 2021

Thank you Grand Chief



The Late Great Grand Chief Sir Michael Somare signing the PNG LNG Agreement alongside Peter Graham, former Managing Director for ExxonMobil PNG while other stakeholders involved in the Agreement looks on.

Grand Chief Sir Michael Somare has had a long and remarkable relationship with the Mineral Resources Development Company, the national icon he set up in 1975.

At independence, Somare incorporated a state-owned company that would develop and manage the country's vast mineral and petroleum prospects.

The Mineral Resources Development Company (MRDC) has since evolved into an iconic state-owned management company holding the State and landowner interests in mineral and petroleum projects.

Over the years, through various policy changes, the State's participating interests in mining and petroleum projects was transferred to different government owned entities, or merged with private companies.

MRDC was left with managing the interests of landowners and their respective provincial and local level governments.

Today, MRDC manages the participating interests of its beneficiaries in the PNG LNG Project, the Ok Tedi Mine, the Porgera Gold Mine, the Kutubu Oil Project, the Gobe Oil Project and the Ramu Nickel Mine.

MRDC is also mandated to manage their investments, which are

worth billions of kina today.

These include investments in banking, aviation, hotel and resorts, real estate, commercial office buildings, healthcare, power generation, and hold equities in listed and unlisted companies.

In the 17 years he was Prime Minister, Grand Chief Sir Michael was directly involved in launching some of these investments.

In 2003, Sir Michael launched MRDC's investment in the Pacific Property Trust (PPT), the MRDC Group's property portfolio which is worth K147.2 million today.

In 2009, he launched the PNG LNG Project, the single biggest investment ever undertaken in the country.

Prime Minister Somare ensured MRDC and its beneficiaries became direct equity participants in the massive project, a historic achievement.

"We are thankful for Grand Chief Sir Michael Somare's contributions to the success of the MRDC Group. His leadership and vision has guided our growth and expansion since our inception," MRDC Managing Director Augustine Mano said.

Mr Mano said MRDC will always remain a legacy of the founding father's dream for his people to be economically independent and manage and grow their wealth.



Managing Director's MESSAGE

Augustine Mano,
Managing Director, MRDC

Hello everyone,

Welcome to the first newsletter for this year.

We are today witnessing a significant global challenge while this COVID-19 situation continues to evolve. And in light of these uncertain times I would like to share a few thoughts with you:

Our response to COVID-19

The increase in COVID-19 cases in PNG this quarter has impacted a lot of people and business including MRDC. Nevertheless, our optimism and decisiveness to rethink and adjust our business to mitigate the impact created by the pandemic was really the way to go. Adapting to the new normal since last year has proven to be the most sustainable response.

As a responsible company, we have remained focused on:

1. Protecting our employees by ensuring they continue to work in a safe and secure work environment; we have taken extraordinary measures to protect our staff. Our staff have shown their resilience by adapting to the new ways of working.
2. Supporting our stakeholders by ensuring that we continue to deliver on our activities for this year. We are doing this by adjusting how we do things and adapting to the 'new normal or *niupla pasin*' so that we as an organization continues to function and support our beneficiaries.
3. Contributing and giving back to the communities we live and operate in.

Unwavering commitment to our Vision

Our vision to become the leading management company in PNG through the creation of wealth and improving the quality of life for our beneficiaries will continue to be at the top of our agenda, and we are fully committed to our vision. Supporting our vision, we will continue to pursue our mission of "leaving no child behind" and we are doing this by investing in community projects that will add value and help our communities to thrive.

Our subsidiaries are also supporting our vision and mission. Together we are facilitating community programs/projects that are improving the quality of life for the communities. You can read all these in the newsletter about how we are building classrooms, supporting students with school fees, building community infrastructures, among others.

We are proud of the partnerships and progress made so far and we remain committed to all our stakeholders to be a responsible organization.

I am also happy to welcome a couple of new staff to our MRDC team. Each of them bring with them added critical capabilities to the company. There's still quite a number of roles to fill and we will slowly work towards filling them all.

Finally, MRDC remains optimistic about the future and are committed to building on a strong business momentum as we enter another year.

I hope you enjoy this Q1 2021 edition of *MRDC Tokaut*, and as always welcome any feedback you may have.

Governors sign Benefits-split Agreement



Governors William Powi (SHP) and Philip Undialu (Hela) holding the signed Agreement and witnessed by MP for Komo Manasseh Makiba (left), Gulf Governor Chris Haiveta (center) and MRDC MD Augustine Mano.

Governors Hon. Philip Undialu (Hela province) and Hon. William Powi (Southern Highlands province) have signed a Memorandum of Agreement that sets out how benefits from the PNG LNG Project will be split between the two provincial governments.

Benefits from the PNG LNG Project to the provincial government and landowners were agreed to in 2009 during the UBBSA when the Hela region was still part of the Southern Highlands province.

It was agreed that once Hela region became a province, the benefits to the Southern Highlands province agreed under the UBBSA would be reviewed.

The Hela region became a province three years later in 2012. With oil and gas fields located in both provinces, leaders decided on a split of the benefits agreed in 2009 and instructed the MRDC to work out the formula.

Both governors paid homage to Late Great Grand Chief Sir Michael Somare for delivering the PNG LNG Project, and to Late Anderson Agiru, former governor of Southern Highlands and the first governor of Hela, for his role in delivering the

project and negotiating the benefits for the landowners and the provincial government.

MRDC worked out a formula for the split of the benefits between the two sister provinces, and presented it to the provincial governments early this year.

The Agreement allowed benefits from oil and gas fields in both provinces to be split 60/40 with Southern Highlands retaining 60% and 40% offloaded to Hela and likewise benefits for oil and gas fields in Hela province to be split 60% (Hela) and 40% (Southern Highlands).

To illustrate, SHP will retain 60% of benefits from PDL2 (Kutubu and Moran), which includes royalties, SSG funds and development levies while Hela will retain 60% of benefits from all gas fields, which includes royalties and development levies. The Southern Highlands Provincial Government equity in Bank South Pacific (BSP) and Petroleum Resources Kutubu (PRK) will also be split, with 40% going to Hela province.

Both governors said they are proud and honored to sign the Agreement on behalf of their provinces.

Suku Valley peace efforts boosted



Leaders from Kagua-Erave District together with MRDC MD Augustine Mano and Client Services General Manager Imbi Tagune at Suku Valley during the donation of the two sawmills.

It was a joyous occasion in Suku Valley in Southern Highlands province on Saturday 13 February, when peace and restoration efforts by the community were boosted by a donation of two sawmills from MRDC and Petroleum Resources Kutubu (PRK). Since 2019, two warring tribes in the Suku Valley have been involved in continuous tribal fights which resulted in 30 deaths, destruction of many homes and properties and the displacement of more than 15,000 people.

In 2020, these tribes agreed to stop fighting and allowed peace to be restored in the area by signing a peace agreement.

Their efforts for peace was recognized and supported by PRK and MRDC with the donation of two Lucas Timber Sawmills worth K200, 000 to the two tribes to help rebuild their lives.

When presenting the donated sawmills, Mr Mano encouraged the community of Suku Valley to change their mindsets, make peace and welcome development in their area such as the Gulf - SHP Highway which passes through Suku Valley.

"I am here to show you that there is hope, to encourage you to see that anything is possible. Everyone of us here today, who are able to make a difference is here to show you what you are capable of when you come together."

"Change your mindsets to change your lives."

With the Gulf - SHP Highway to be open soon, Mr. Mano said this development will bring many opportunities to community and they must be ready to participate.

"This is your opportunity, PNG is a big country, when the focus is on you, be ready, take advantage and welcome it so you are not forgotten. This highway will be your lifeline".

Mr. Mano thanked the village councillors and leaders for their efforts in bringing peace and encouraged everyone to help in bringing normalcy to the Valley.

Mano also presented K10, 000 towards fuel cost for the sawmills and an additional K10,000 towards school fees for students currently doing Bible studies in Western Highlands. PRK holds equity interest in the Kutubu Oil Project on behalf the Provincial Governments of SHP and Gulf and the landowners of Kutubu.

PRG & MRDC assists Gobe students



Don Mosely Primary School students' line up to sing the National Anthem during the opening of their newly built classroom funded through PRG CITE.

30 students from Gobe currently attending Aiyura National High School, had their 2021 school fees paid by MRDC and Petroleum Resources Gobe (PRG).

A total of K85,000 was paid to the school

early this year to allow these students to complete their grades 11 and 12 with MRDC contributing K50,000 and PRG K35,000.

The funds covered the students' full

tuition, boarding and lodging fees for this academic year.

Chairman for PRG, Mathew Sisimolu said one of the company's focus is on improving the quality of education in the Gobe area.

"Human resources is the fallback for the Gobe region when the Gobe oil reserves are exhausted. I want the people to benefit from their sons and daughters, when they are educated," said Mr. Sisimolu.

PRG aims to help produce the next generation of human resources in essential sectors like health and education.

"Teaching and nursing training is a key priority area for PRG under our education program and we will support students undertaking these trainings so that they can go back to the community as teachers, nurses or health workers and help our people."

"There are a lot of bright kids in the Gobe region but due to lack of school fees, they are not able to complete their education."

"Therefore the Company is committed to assisting students and parents from the Gobe region."

FRPG commits K3.5mil to school fees

The Fly River Provincial Government (FRPG) has paid K3.5 million in school fees to 106 educational institutions around the country.

The funding is part of the FRPG's scholarship program for its 1607 students attending these institutions – six universities, six technical colleges, 16 Teachers, Business, Nursing and other colleges and four National High Schools.

The biggest slice of this payment – close to K1 million, went to the universities for its 360 students.

It is one of the biggest scholarship payments to date by Governor Taboi Awi Yoto's provincial government towards fulfilling its vision of building the province's human resource.

The scholarship funding is from the recent Ok Tedi Mine 2020 dividend payment made to the FRPG Trust Company, Mineral Resources Ok Tedi No.2 Limited (MROT2) which holds a 12 per cent direct stake in the OTML.

"As we have been advocating since the inception of this program, it's not a full scholarship if we are not paying full fees", said Governor Yoto, who is also the Chairman of the MROT2 Board.

"The school fees is part of an assistance scheme where the

provincial government is helping to ease a bit of the burden of our parents and students as a responsible government should," said Governor Yoto.

However, he also encouraged the parents and students to also do their part.

"Students must work hard in school to qualify and get assistance from the various national government student support programs, such as the Academic Excellence Scholarship, HECAS, and the newly introduced HELP."

"It's a shared responsibility – nothing is for free. You have to do your part, only then will you value the efforts of every partner in your education and value your own efforts."

Governor Yoto also thanked MRDC for making the funds available on time for FRPG to pay those fees and extended his appreciation to the hard working staff of OK Tedi Mine for "making the money".

Since 2019, MROT2 has invested K5.7million in school fee payments.

MRDC & HEVILIFT donates PPE to POMGEN

MRDC and Hevilift PNG assisted the Port Moresby General Hospital (PMGM) early last month in its emergency appeal for Personal Protective Equipments (PPE).

The donation of PPE came as a result of the shortage of supplies the hospital was facing due to the recent surge in COVID-19 cases in the city.

The PPE included medical grade facemasks, protective face shields, hand gloves, hand sanitizers and disinfectant spray packs.

They were purchased by Hevilift PNG at a cost of K45,000 and were initially donated to MRDC, a major shareholder of Hevilift, to distribute to local project impacted communities to help protect frontline workers from COVID-19.

The first batch of PPE went to Western and Gulf provinces last year.

This is the second batch of PPE, which both companies agreed to donate to PMGH to help protect frontline health



Representatives from MRDC, Hevilift and POMGEN during the handover of the PPE at the Port Moresby General Hospital last month.

workers.

On hand to present the PPE donation to POMGEN was Hevilift PNG General

Manager, Mr. Ranjan Jayawardana and MRDC's Public Relations Team.

We're keeping COVID-19 Free. Are you?



**Always wear
a Mask**

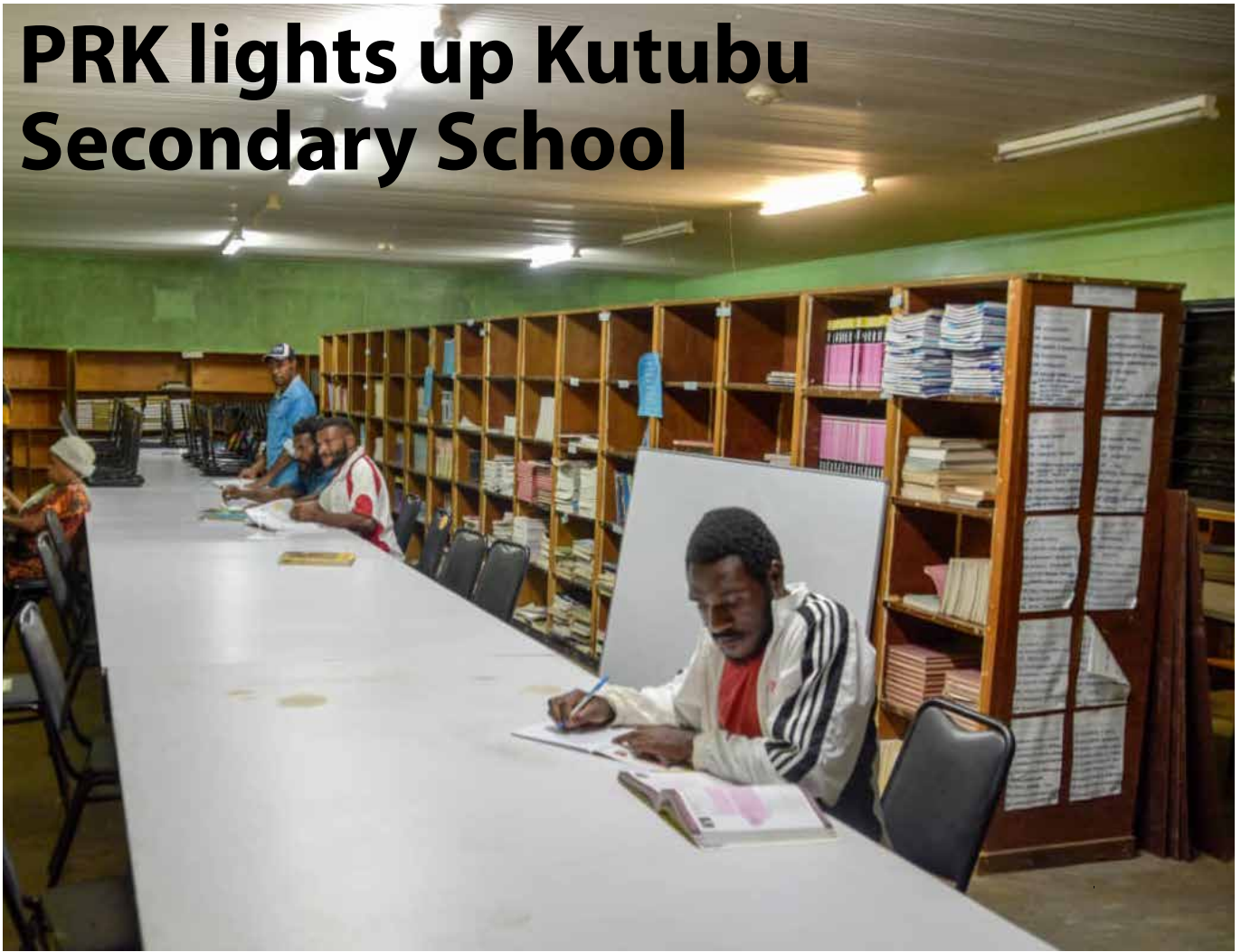


**Sanitize
Frequently**



**Maintain
Social Distance**

PRK lights up Kutubu Secondary School



Students studying in the school library that is being powered up by the new 165kVA generator.

The Mineral Resources Development Company (MRDC) continues to work with its subsidiaries to ensure schools in resource project areas receive electricity to enhance learning.

"It is important that our schools are equipped to provide the right environment for our children to study well. Power is an important enabler. Its availability ensures our children can use the library and computers to enhance their studies," said Augustine Mano, MRDC's Managing Director, during a visit to the Kutubu Secondary School late last year.

The school had been without power for almost a year because its 20-year-old generator had broken down.

Accompanied by Petroleum Resources Kutubu Directors, John Kapi-Natto and Johnny Yawari, Mr. Mano commissioned a new 165kVA generator bought by PRK through the company's Community Investment Trust Fund.

"With power, our children can study at night. They can use computers and go on the internet to research and learn more," Mr. Mano said.

He said it saddens him that many schools in resource project areas in the country did not have the facilities to study well.

He called on other stakeholders in Kutubu to assist the community.

"As the manager of your royalty and equity benefits, we will do our bit. The others have to do their part as well," Mr. Mano said.

He said it did not make sense for schools in the oil and gas

"We can't be in the dark while our oil and gas is powering up Port Moresby and exported to light up big cities in Asia."

producing areas to be operating without power.

"We can't be in the dark while our oil and gas is powering up Port Moresby and exported to light up big cities in Asia."

"Oil and gas will run out one day. When they do, places like Kutubu, Semberigi and Kikori must continue to contribute to human resource development from its schools.

"That's why we must build good infrastructure in our schools, deliver power, so our leaders of tomorrow have the facilities to learn well," he said.

Semberigi gets new classrooms and ambulance



PRG Chairman Mathew Sisimolu handing over the ambulance key to head nurse of the health center while MRDC MD Augustine Mano, Kagua-Erave MP Wesley Raminai, PRK Director, Johnny Yawari and PRG Director James Kaie watches on.

Children attending two schools in Semberigi, Southern Highlands province this year will be able to use new classrooms built for them by the Mineral Resources Development Company (MRDC).

Working closely with its subsidiary Petroleum Resources Gobe (PRG), MRDC delivered a double classroom for Don Mosely Primary School and a four-in-one complex for nearby Wemi Primary School.

At the commissioning ceremony in Semberigi in December last year, a brand new ambulance was also handed over to the health centre there.

The occasion was witnessed by Kagua-Erave MP and Minister for Higher Education and Sports Hon. Wesley Raminai, MRDC's Managing Director, Augustine Mano and Chief Operating Officer, John Tuaim and PRG Chairman Mathew Sisimolu.

Toringi Michael, Head Teacher of Wemi Primary School, fought back tears as he spoke of the difficulties teachers endure in the area due to its remoteness and lack of most government services such as roads, electricity and telecommunication.

Mr. Michael said if not for the love of the children and the desire to ensure they learn, he would have gone back to Mendi.

"The lack of infrastructure makes life very difficult. We get dropped off at the nearest road and walk a very long distance to get to the school. Het save pen. Leg tu save pen," says Mr. Michael.

"Sometimes I feel like giving up and returning home. But when I see the children and see the eagerness in their eyes, my heart bleeds for them. Deep down I feel I'm on a mission here, and it must be accomplished."

The new classrooms will add value to the students' education

but also address the overcrowding in both schools.

The ambulance will assist the health center in transporting very sick patients to the nearby hospital and help staff with its community health outreach programs.

"Sometimes I feel like giving up and returning home. But when I see the children and see the eagerness in their eyes, my heart bleeds for them. Deep down I feel I'm on a mission here, and it must be accomplished."

Hard work, not handouts says Director Oumabe



PNG LNG Pipeline Segment 7 Director Wauro Oumabe speaking to his people at a gathering in Kikori recently.

Hard work, not handouts, will improve the livelihoods of all landowners in project areas.

Wauro Oumabe, Director for the Gas Resources Pipeline Segment 7, wants his people to start thinking about investing their money received from the PNG LNG Project into agriculture and fisheries projects.

"Agriculture and fisheries projects are sustainable projects. They require hard work but if they are properly looked after, they can help generate income for the community - put money back into the hands of our people," says Oumabe.

"I don't want our people developing the habit of sitting around and waiting for free money from the royalty and equity benefits. Becoming dependent on it can make us lazy."

Oumabe's clan is one of 300 clans that own land which the gas pipeline runs through in Kikori, through to the plant site outside Port Moresby and receives royalty and equity payments from the PNG LNG Project for their land use.

In 2018, Oumabe was elected by leaders of the Segment 7 clans as Director to the board of the trust company representing the pipeline landowners and is currently serving a term of four years.

In March last year, these clans received their first royalty and equity payments totaling K9.2 million from the PNG LNG.

"We are excited about receiving these benefits. The challenge

for us now, is to spend these monies wisely," said Oumabe.

"I want to encourage each of the clans to invest their cash benefits in agriculture and fisheries projects. The potential is huge here in Kikori."

Director Oumabe also wants to start a cocoa project in Kikori and is preparing a submission for the board to consider.

"In the past, we used to grow cocoa here in Kikori. But due to lack of support from the government, the community stopped planting cocoa. I hope we can revive it. In fisheries, we have a lot of opportunities as well. At present, Asians are dominating the market here and we want locals to also get involved."

From Omati village in the West Kikori LLG, Director Oumabe has a degree in Business Marketing, which he attained from the University of South Queensland.

He spent 13 years working with Turama Forests and in 2009, he joined ExxonMobil as their Business Development Officer based in Kikori.

In 2015 he got involved in the LOBID exercise and helped MRDC with the bank account opening for benefitting clans.

Director Oumabe believes his education and work experience are useful in the role he is entrusted with to lead his people.

Field development plan – the beginning

The oil and gas project plan refers to the unique requirements of managing science, technology, engineering aspects and economical phases of the projects in the upstream of the industry.

This article will provide context on how Field Development Plans are developed as well as the project management techniques and procedures needed for an effective Field Development Plan.

PART 1. FIELD DEVELOPMENT PLAN – THE BEGINNING

Any resource project usually begins with exploration. For projects involving oil or gas, the exploration phase ends when an exploration well has made a discovery. This is usually done by conducting seismic measurements in the explored areas.

A discovery means there is either crude oil or natural gas in the explored area.

Once discovery is made, data information from the well and analysis of the drill cores are collected and analyzed to confirm that either oil or gas has been found. The confirmation means a potential development project has been identified.

A Field Development Plan is the next phase after exploration and is more an assessment phase where the technical and commercial feasibility of the project is looked at in more detail – more information is gathered around the reservoir to minimize the uncertainties.

Using dynamic reservoir models, reservoir engineers generate a 3D model of the subsurface of the potential project so that they can estimate how much oil or gas is hidden under the surface.

To minimize potential risks or disruption to the project before the project starts, the engineers plan the entire production phase and try to address all of practical questions, such as:

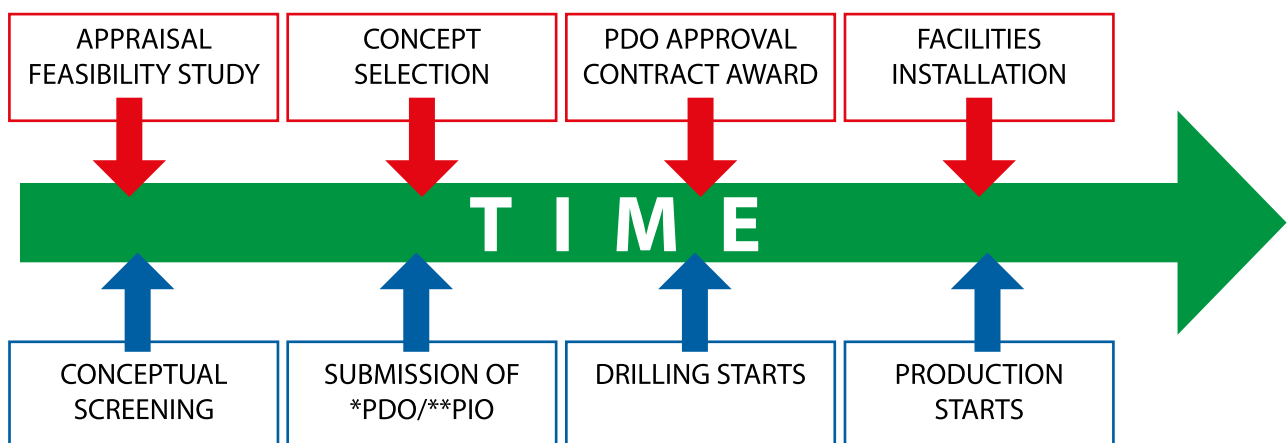
- How many wells must be drilled and where?
- Can the oil or gas be recovered to the surface in an on-shore project with a simple horse-head pump?
- Is the oil or gas so corrosive that the pipes need a special coating? How can the maximum production volume be achieved – for example, by injecting water or gas into the reservoir?
- When should this procedure begin?
- What is the net present value? Typically this is the key driver of decisions for publicly traded operators.
- Oil and gas recovery

- Operational flexibility and scalability
- Capital versus operating cost profiles
- Technical, operating and financial risks.

A Field Development Plan is time conscious and to address that, project control schedules are developed and includes a master – milestone timeline that shows project milestones and project networks.

Below is a basic time flow of the major milestones that a FDP must have and plan through to show to investors and regulators the success story of the project.

We will bring you Part 2 of this article in our next quarter where we will explain more about the Feasibility and Conceptual Study.



*PDO = Plan for Development and Operation (& Abandonment)

**PIO = Plan for Installation and Operation (Pipeline & Surface Infrastructure)

MRDC welcomes 7 new staff



Bonnie Yakumani

Bonnie joined MRDC as the Scholarship Officer. Having previously worked in a similar role with the Ok Tedi Development Foundation (OTDF) for 10 years, she is no stranger to our beneficiaries of Ok Tedi. Bonnie has a Diploma in Commerce (Accounting) from the University of Technology. Prior to joining OTDF, she worked with The Leprosy Mission International for six years. In her free time, Bonnie mentors and counsels young adults in her church. She also advocates for girls' basic right to education and assists underprivileged girls secure scholarship assistance for further education in tertiary institutions.



Geraldine Vilakiva

Geraldine joined the communications team as our new Communications Manager. Prior to joining MRDC, Geraldine worked with ANZ PNG. Geraldine has more than 10 years of experience in communications & public relations, marketing & branding and corporate social responsibility. Geraldine holds a Bachelor's Degree in Communication Arts – Journalism at Divine Word University.



Ivan Winuan

Ivan joins MRDC as the Maintenance Supervisor and brings with him more than four years of experience in maintenance supervisory and Building Management System. Prior to joining MRDC, Ivan worked with ExxonMobil PNG and Ventia. At MRDC, Ivan supervises more than 30 staff engaged in the up keeping of the standby generator and air conditioning systems at MRDC Haus and Pacific MMI Building. Ivan's key focus is to maintain safety and ensure safety standards are met by the contractors and the team. Ivan holds a Diploma in Business from the International Training Institute Port Moresby.



Reginald Ope

Reginald brings with him 11 years experience in the mining industry. Over the past 11 years, he held various senior leadership roles in OK Tedi Mine as Estimator, Project Support Officer, Construction Manager and most recently Contract Manager. As Supervisor-Sustainable Development Program at MRDC, Reginald brings with him wealth of experience in special projects which will be of value to MRDC Community Investment Trust Fund (CITF) Projects. Reginald has a Bachelor's Degree in Architecture from the University of Technology.



Prentice De Kewanu

Prentice joins MRDC's Financial Services Division as Accounting Officer - Audits. Prior to joining MRDC, Prentice worked with Deloitte Touche Tohmatsu as an External Auditor working in tax and business compliance service targeting the company's extractive industry segment. Prentice has a Bachelor of Business-Accounting from the Avondale University College in Australia and is a CPA Australian Associate Member.



Vele Rupa

Vele joined MRDC in 2020 as a consultant on the proposed developments in the mining and petroleum sector before being confirmed as the Inter-Government Relations Manager early this year. Since joining MRDC, Vele has provided support to the MRDC Executive Management as a representative of the State Negotiating Team in the Pasca A Project and P'nyang LNG project. Vele brings along with him over eight years' experience in the extractive industry. He holds a Bachelor of Arts, Business Management and Double Major in Political Science and Public Policy Management from the University of Papua New Guinea.



Daniel Korimbao

Daniel also started with MRDC as a communications and public relations consultant in 2020, mostly working closely with the Managing Director to manage local public expectations on various media channels. Early this year, Daniel was awarded the role of Executive Officer to the MD. He has vast experience in journalism and public relations, which includes being a former Editor in Chief for the National Newspaper and Media Advisor to the O'Neil government. Daniel also served the Ministers for Fisheries and Defense in similar roles. He holds a Diploma in Media Studies from the University of Papua New Guinea.

Hekari promotes pikinini soccer



Utilising skills and techniques at a youth tournament hosted by the NCD Public Servant Soccer Association.

Petroleum Resources Kutubu (PRK) Hekari United FC is promoting pikinini soccer under its Hekari School of Excellence and Hekari Academy programs.

These programs are targeted at children who want to take up soccer as their preferred sport and potentially build a career out of playing soccer.

The School of Excellence is the first stage of the program where interested children are taught theory lessons about the sport such as rules, techniques, sports code and behavior, discipline among others.

"It's a beginners program where interested kids get to learn everything about soccer. After theory, we take them through the practical phase - they will take part in trial matches where we apply the rules and techniques taught," says Hekari United FC Manageress and Public Servants Soccer Association President, Vonnice Kapi-Natto.

From these trial matches, those that qualify will be selected to go on to the next stage, which is the elite Hekari Academy.

The Hekari Academy is a futsal program where children will play a modified form of soccer with five players each side

on a smaller field and they get to learn critical soccer skills, techniques and tricks in preparation for competitions or tournaments ahead.

Vonnice encourages parents to bring their children in and participate in the program.

Coaches Erickson Komeng, David Muta and Wira Wama are excited and look forward to training with the kids on Saturdays at the Bava Park, in Port Moresby.

PRK is currently the major sponsorship to sporting entities Hekari United FC, Mendi Muruks and Gulf Provincial Sports Trust (GPST).

"It's a beginners program where interested kids get to learn everything about soccer."