

**Five Unconventional Oil and Gas Reservations awarded to South Pacific Resources, securing 75,000 km<sup>2</sup> of highly prospective PNG acreage, including all of PNG's producing oil and gas fields**

**Summary**

- **New Unconventional Oil and Gas regime introduced in Papua New Guinea**
- **Substantial exploration potential identified for unconventional oil and gas**
- **South Pacific Resources lodged applications for five unconventional hydrocarbon licenses covering 75,000km<sup>2</sup>**
- **Minister Micah Reserved all exploration areas applied for, exclusively for South Pacific Resources**

**New Unconventional Oil and Gas regime in Papua New Guinea**

South Pacific Resources Limited (**the Company**) is pleased to announce that, on 26<sup>th</sup> February 2016, the Papua New Guinea Parliament enacted new legislation to enable exploration for, and development of, unconventional oil and gas resources in Papua New Guinea (**PNG**). Up until now exploration for unconventional sources of oil and gas in PNG has been specifically excluded under the *Oil and Gas Act 1998*.

PNG has large proven reserves of conventional oil and gas that testify to the presence of excellent quality petroleum source rocks. Like many sedimentary basins around the world with large conventional petroleum deposits, certain areas of PNG also have good quality source rocks with the potential to host large volumes of unconventional oil and gas. As worldwide demand for clean energy increases, large volumes of potential new resources locked in shale and tight reservoirs are being keenly sought. The passing of the PNG Unconventional Hydrocarbons Act allows PNG to join many other countries around the world in pursuing this new and exciting opportunity, one which has the potential to deliver enormous benefits to the people of PNG.

For many years Petroleum and Energy Minister Micah, former Ministers Duban and Duma, and the PNG Department of Petroleum and Energy, have worked tirelessly alongside the Company in assessing the country's potential for shale gas. The project has been undertaken with the full knowledge and support of the Prime Minister, the Hon. Peter O'Neill.

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## Substantial exploration potential

The Company has undertaken a significant amount of preliminary geological and geophysical work over the past five years in order to complete a country-wide assessment of the shale gas potential of PNG. The studies indicate the presence of good quality shales, often at shallow depths, and often close to existing and proposed infrastructure. The preliminary conclusion from this work is that PNG has the potential for substantial unconventional oil and gas resources, possibly significantly greater in magnitude than the known conventional PNG oil and gas reserves.

## Applications lodged for five unconventional licences covering 75,000km<sup>2</sup>

Since the introduction of the new legislation, the Company's 75% owned subsidiaries have lodged five applications for Unconventional Hydrocarbon Prospecting Licences. The applications, covering some 75,000km<sup>2</sup>, encompass all of the prospective areas identified in the country-wide screening, including:

- The shales surrounding the producing Foldbelt oil and gas fields, which could potentially provide the resources to extend the lives of the Kutubu, Gobe / SE Gobe, and other diminishing fields in the Foldbelt;
- The shales surrounding the Hides, Juha and P'Nyang gas fields that presently provide gas for the PNG LNG Project, for which a third train is presently being contemplated;
- The highly prospective shales surrounding the Elk / Antelope / Triceratops gas discoveries that comprise the proposed Papua LNG Project which is presently awaiting confirmation of sufficient reserves to enable the project's proponents to reach FID;
- The areas surrounding the proposed Stanley LNG Project in Western Province, which is presently looking for additional reserves sufficient to underpin a small-scale LNG project; and
- A large area of the Foreland where a number of stranded unconventional oil and gas fields presently sit.

In recognition of the Company's ongoing work, and in order to satisfy the original undertakings made by the Government at the time, the Minister for Petroleum and Energy has undertaken that his Department shall review and consider the five South Pacific Resources applications first, for determination by the Petroleum Advisory Board.

## Reservation of exploration areas by the Minister

As further recognition of the Company's significant, yet incomplete preliminary work over many years, Minister Micah has reserved all of the graticular blocks contained in the five applications exclusively for the Company. This is to ensure certainty of the application areas while the license applications are processed by the Department without fear of competition, while also allowing for ongoing exploration and early drilling to be undertaken.

## Conclusion

It is evident from the USA and elsewhere that, if successful, the commercialisation of unconventional oil and gas resources in PNG, particularly shale gas, could form the next major chapter in the development of the PNG petroleum industry. Its success is likely to have a major impact on the PNG economy with significant socio-economic benefits from additional oil and gas production for export, a readily accessible domestic gas supply, the potential to supplement gas reserves for the various LNG projects that are presently either operating or under consideration, and the potential to extend the lives of declining conventional oil and gas fields such as Gobe / SE Gobe. It is also anticipated to create significant employment opportunities in construction, operations, infrastructure, and support services.

Commenting on this significant development, the South Pacific Resources Limited Board said:

*“Since its inception, South Pacific Resource Limited’s corporate mission has been totally focussed on the pursuit of high quality conventional and unconventional oil and gas resources, principally in PNG, despite the absence of the necessary unconventional hydrocarbon legislative framework. The passing of the PNG Unconventional Hydrocarbons Act was a significant milestone in the development of the oil and gas industry in PNG. South Pacific Resources Limited has been proactive for many years in positioning itself to be the first mover in opening this exciting new segment of the PNG oil and gas industry, pending the new legislation. The significant benefits that are anticipated to flow from the combination of our existing, conventional acreage along with the new and extremely exciting unconventional areas, once they are issued, will be a company-maker for South Pacific Resources Limited and an enormous potential benefit to the people of Papua New Guinea.”*

The Company looks forward to seeing this new and exciting industry develop in PNG, and to see the enormous potential materialise for the benefit of all Papua New Guineans.

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