

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1<sup>st</sup> April 2016 to 30 June 2016

**29 July 2016**

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**). 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 unconventional gas potential of PNG, which indicates the presence of good quality shales.

Since the introduction of the new legislation, the Company's 75% owned subsidiaries have worked on and since lodged five applications for Unconventional Hydrocarbon Prospecting Licences. 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 undertook that his Department shall review and consider the five South Pacific Resources applications first, for determination by the Petroleum Advisory Board.

As further recognition of the Company's significant, yet incomplete preliminary work over many years, all of the graticular blocks contained in the five applications have been reserved 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.

### **Petroleum Prospecting Licences**

Licences held at the end of the quarter are as follows:

Petroleum Prospecting Licence	Location	% held at the end of the quarter	Licence Acquired / (Disposed) during the quarter	Farm-in or Farm-out Agreements	
				Beneficial % Interest held at end of quarter	Beneficial % Interest Acquire / (Disposed) during the quarter
PPL 366	Onshore Papuan Basin, PNG	100%	-	N/a	N/a
PPL 367	Onshore Papuan Basin, PNG	100%	-	N/a	N/a
PPL 358	Offshore Cape Vogel Basin, PNG	100%	-	N/a	N/a
PPL 356	Offshore Papuan Basin, PNG	100%	-	N/a	N/a
PPL 357	Offshore Papuan Basin, PNG	100%	-	N/a	N/a