



Timor-Leste  
Extractive Industries  
Transparency  
Initiative

2014

Reconciliation  
Report

Timor-Leste  
**EITI** Extractive  
Industries  
Transparency  
Initiative

  
**EY**  
Building a better  
working world



## List of abbreviations

ANPM	Autoridade Nacional Petróleos e Minerais (National Authority for Oil and Minerals)
APT	Additional Profit Tax
ASM	Artisanal Small Scale Mining
BCTL	Banco Central de Timor Leste (Timor Leste Central Bank)
BOE	Barrel of Oil Equivalent
BOPD	Barrels of Oil per day
BTP	Branch Profit Tax
CBTL	Central Bank Timor-Leste
CMATS	Certain Maritime Arrangement In The Timor Sea
CSO	Civil Society Organizations
DNRP	Direção Nacional de Receitas Petrolíferas (National Oil Revenues Board)
EITI	Extractive Industries Transparency Initiative
ESI	Estimated Sustainable Income
ETRS	East Timor Revenue Services
FTP	First Tranche Petroleum
GDP	Gross Domestic Product
IA	Independent Administrator
IPMC	Interim Petroleum Mining Code
IUA	International Unitisation Agreement
JC	Joint Commission
JPDA	Joint Petroleum Development Area
Natural Gás	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MoF	Ministry of Finance
MOU	Memorandum of Understanding

MPMR	Ministry of Petroleum and Mineral Resources
MSWG	Multi-Stakeholder Working Group
NDPMR	National Directorate Petroleum and Minerals Revenue
NPA	National Petroleum Authority
O&G	Oil & Gas
PF	Petroleum Fund
PMC	Petroleum Mining Code
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
RDTL	Democratic Republic of Timor-Leste
SERN	Secretary of State for Natural Resources
SOE	State-Owned Enterprise
SPT	Supplemental Petroleum Tax
TL	Timor-Leste
TLEA	Timor-Leste Exclusive Area
TOR	Terms of Reference
TSDA	Timor Sea Designated Authority
TST	Timor Sea Treaty
UN	United Nations
UNTAET	United Nation Transition Administration in East Timor
USD	United States Dollars
VAT	Value Added Tax
WHT	Withholding Tax
WIT	Wages Income Tax
ZOCA	Zone Cooperation Area
TCF	Trillion Cubic Feet





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## Message

### Multi Stakeholders Working Group

## Message from Timor-Leste Multi Stakeholders Working Group

The Multi-stakeholders Working Group (MSWG) is delighted to announce that it has approved the 7th Timor-Leste EITI report. This report covers information for fiscal year (FY) ending 31 December 2014. This is a report published after the completion of the validation process conducted in 2015. The 7th Timor-Leste EITI Report is the first published report to be produced by a newly selected Independent Administrator, which was selected in accordance to 2016 EITI Standard.

Due to an extended discussion on other priorities such as supplement report 2013, Terms of Reference and procurement process for the selection of the new Independent Administrator, the report is published with sixth month delay from the established submission deadline. Ernst and Young was awarded with the contract to complete the 7th (2014) and 8th (2015) TL-EITI reports, including conducting a scoping study. Stakeholders also faced challenges in their attempt to address the requirements of the new EITI Standard, where reporting entities are expected to implement certain requirements, especially on disaggregated information by each entity and by commodity, on guaranteed data quality and assurance through signed data templates from approved auditors and also on social expenditure. There was also a challenge felt by some members on building trust between different pillars. Fortunately, MSWG were able to work collaboratively to address these challenges and achieve the final EITI Report for 2014 while continuing the effort on reducing mistrust.

In this reporting period, reporting entities remains as it has been in previous reports, with additional reporting entities including, mining companies and sub-contractors. The sub-contractors were included based on the materiality threshold as agreed by MSWG. There are twenty eight subcontractors above the threshold and seventeen of these companies have reported tax revenue data for FY 2014.

Finally, with this report, MSWG aim to address majority of the issues identified from the last EITI validation process and MSWG hope that the 2014 Timor-Leste EITI Report will comply with all of the new EITI Standard.

Sincerely,

Members of MSWG,

Industries

Government

Civil Society

State Own Enterprise





# 1

## Executive Summary



## Introduction

The EITI is a global organization established in 2002 with a goal of increasing industry transparency and accountability. Participating countries issue annual reports reconciling payments from the extractive industries to receipts by governments, in accordance with the EITI Standard.

This is Timor-Leste seventh EITI report, covering the period from 1 January to 31 December 2014. In accordance with the EITI Standard, the reporting process has been overseen by a Multi-stakeholder Working Group (MSWG), and has been compiled by an Independent Administrator, EY in accordance with our Service Contract dated 30 November 2016.

The payments and revenues, disclosed in this report, include taxes and non-taxes payments and other payments envisaged by the legislation of Timor-Leste.

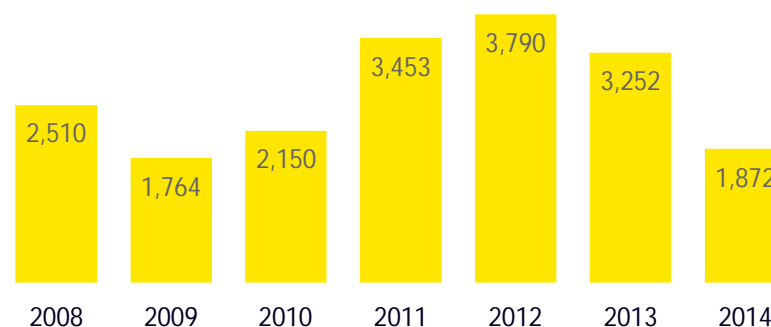
Through participation in EITI, Timor-Leste is seeking to improve public understanding of the management of the extractive industries, increase the accountability of both government and industry, and improve the attractiveness of Timor-Leste as a destination for foreign investment.

## Revenue generated from the extractive sector

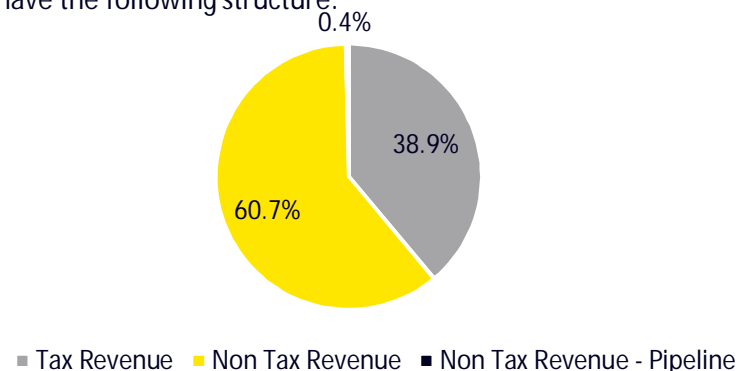
Timor-Leste's oil and gas revenues dropped more than 40% from 2013, mainly because of the dropped oil price in Q3 2014 and natural depletion of liquids recovery of the BU and Kitan field. More than 75% of their non-renewable wealth has already been extracted.

The below graph shows historical data of revenues from the past six years:

Oil and Gas Revenues 2008-2014 (\$US million)



The cash flows received from Petroleum activities (Oil & Gas Revenue) in 2014 have the following structure:



## Production

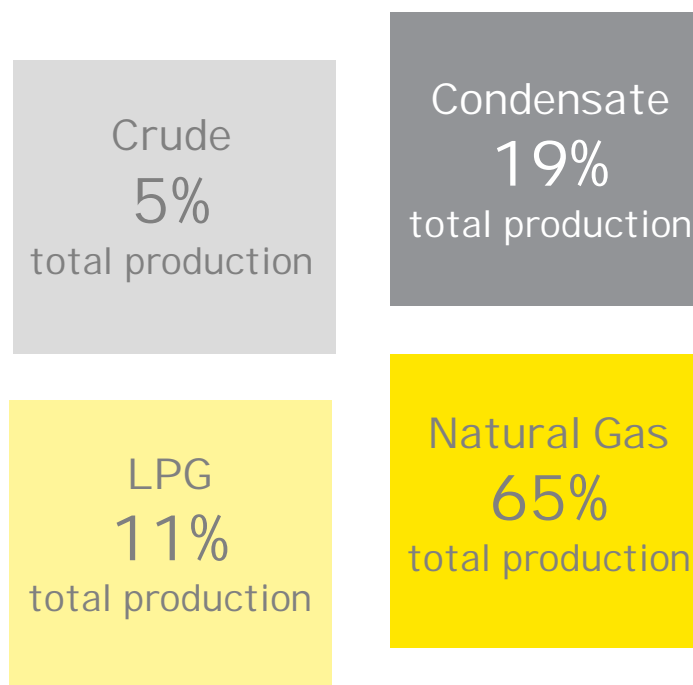
In 2014, all of Timor-Leste's oil and gas was produced in Bayu Undan and Kitan oil fields, both located in the offshore Joint Petroleum Development Area (JPDA).

Bayu-Undan produces three petroleum products, namely Condensate, Liquefied Petroleum Gas and Natural Gas and represents 94% (in monetary amount) of the total production. Natural Gas (from Bayu Undan) contributes with more than 65% to the total BOE production of the country.

Production in US\$ ('000) by commodity:

Commodity	2014	2013	Δ	%
Crude	208,949	615,628	-406,679	-66%
LPG	378,587	671,248	-292,661	-44%
Natural Gas	2,183,952	2,496,713	-312,761	-13%
Condensate	897,331	1,536,676	-639,345	-42%
Total	3,668,819	5,320,265	-1,651,446	-31%

Percentage of production by commodity (in monetary amount)

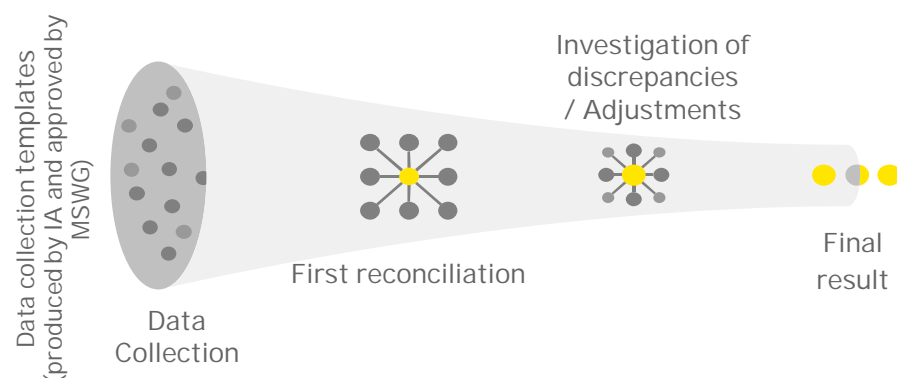


## Reconciliation process

EY was engaged to carry out a scoping study in order to set out the EITI reconciliation scope which was used for the 7th Timor-Leste EITI report and to produce the draft of the data collection reports. This assignment was the first step to do the reconciliation process.

The following procedures were as follows:

- ▶ Obtain from extractive companies and government authorities information on taxes, non-taxes and other payments in 2014
- ▶ Make selection base on the MSWG approved threshold (on revenue streams and entities in scope – US\$ 100,000)
- ▶ Ministry of Petroleum and Mineral Resources (MPRM) issued instructions requesting the Extractive entities and governmental agencies to report according to the EITI requirements. The reporting templates were made electronically available by email and the entities were required to report directly to the administrator, EY



- ▶ After data collection EY start reconciliation. Not reported entities were reported to TL EITI and new efforts and contact were made in order to obtain information
- ▶ In case of discrepancies direct contacts between IA and the reporting entities were made and adequate support was requested (if applicable) to support the adjustment
- ▶ If the explanations received were not conclusive we address a new query to the respective government authority to obtain detailed information on that payment
- ▶ If based on the explanations received from the companies and government authorities discrepancies remain unexplained, then stayed on the EITI report as an unreconciled difference



## Scope (revenue and entities)

Based on the information received and the threshold approved by MSWG the revenue streams and the entities in scope were as follow:

OIL & GAS REVENUES STREAMS IN SCOPE	
TAX REVENUE	NON TAX REVENUE
► Income Tax	► FTP
► Additional Profits Tax	► Royalty
► VAT	► Profit Oil & Gas Payments
► Wages Withholding tax	► Fees Payable
► Withholding Tax Payments	► Other Payments (Pipeline)
► Additional taxes	

Based on the selection made we have concluded that this report cover 99,9% of the total revenue

	\$US '000		
Revenues generated in 2014	Total	Scope	% Scope
Total Tax Revenue	727,821	727,796	99.997%
Total Non Tax revenue reported by ANPM	1,136,975	1,136,949	99.998%
Total revenue - Pipeline	7,163	7,163	100.000%
Sub Total Revenue Contractors	1,871,959	1,871,908	99.997%

OIL & GAS ENTITIES IN SCOPE	
Extractive Company	
ConocoPhillips (Timor Sea) Pty Ltd	Eni Timor - Leste S.p.A.
ConocoPhillips (03-12) Pty Ltd	Inpex Sahul Ltd
ConocoPhillips (03-13) Pty Ltd	Inpex Timor Sea Ltd
ConocoPhillips (Emet) Pty Ltd	Oilex ( JPDA 06-103) Ltd
ConocoPhillips JPDA Pty Ltd	Santos JPDA (91-12) Pty Ltd
ConocoPhillips Timor-Leste Pty Ltd	Talisman Resources ( JPDA 06-105) Pty Ltd
Eni JPDA 03-13 Limited	Tokyo Timor Sea Resource Pty Ltd
Eni JPDA 06-105 Pty Ltd	Woodside Petroleum (Timor Sea 03-19) Pty Ltd
Eni JPDA 11-106 B.V.	Woodside Petroleum (Timor Sea 03-20) Pty Ltd
Government Entities	
Direção Nacional de Receitas Petrolíferas (DNRP)	
Autoridade Nacional do Petróleo e Minerais (ANPM)	
Banco Central de Timor-Leste (BCTL)	
TIMOR GAP E.P. (SOE)	
Other (Pipeline fee)	
AusAid (1)	

## Scope (entities - subcontractors)

The MSWG have decided to include on the reconciliation process and consequently on this report the payments made by the Subcontractors to the significant revenue streams defined (using the same threshold for selecting the extractive entities in scope – payments made to significant revenue streams above US 100,000):

OIL & GAS ENTITIES IN SCOPE		
Sub-contractors		
Air Energy Group Singapore P/L	Code Engineering Services P/I	Northern Marine Australia P/L
Amec Engineering P/L	Eurest Servico de Suporte (Timor Leste) SA	Prosafte Personnel P/L
Amec Engineering P/L & Clough Engineering Integ, Solutions Services Pty Ltd	Farstad Shipping (Indian Pacific) P/L	Sedco Forex Australia P/L
B2B Engineering Pty Ltd	GAP MHS Aviation TL Lda	SGS Australia P/L
Bluewater Services International P/L	Halliburton Australia P/L	Stena Drilling (Australia) Pte Limited
Brunel Energy Pty Ltd	Interstate Enterprise P/L	Subsea 7 Australia P/L
Caltech Unipessoal Lda	Marine –AU	Subsea 7 Itech Australia P/L
Cameron Services International P/L	MillEnium Offshore Services P/L	Svitzer Asia P/L
Cape East Philippines INC	Neptune Assets Integrity Services P/L	Tiderwater Marine Australia P/L
CHC Lloyd Helicopters Australia P/L		

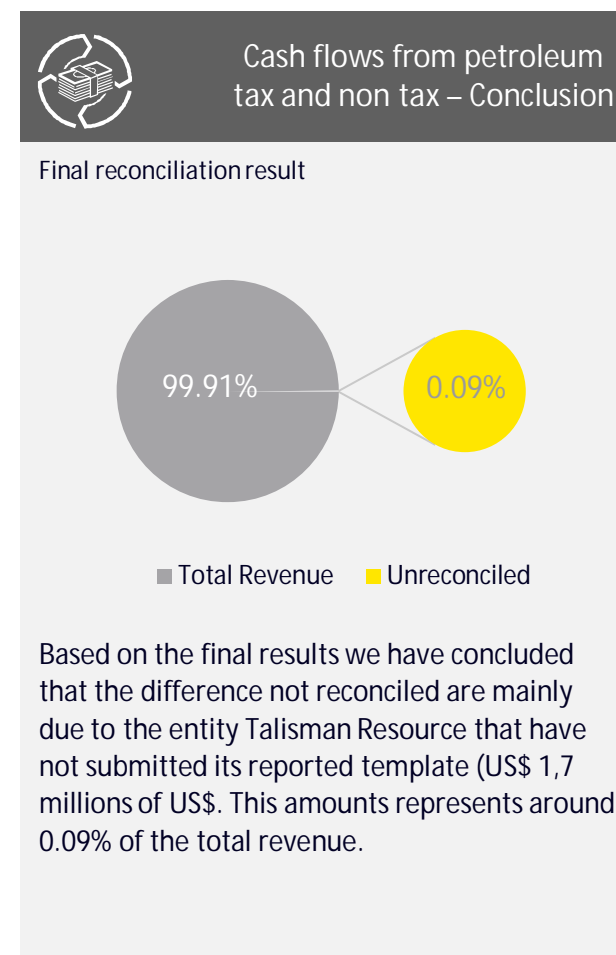
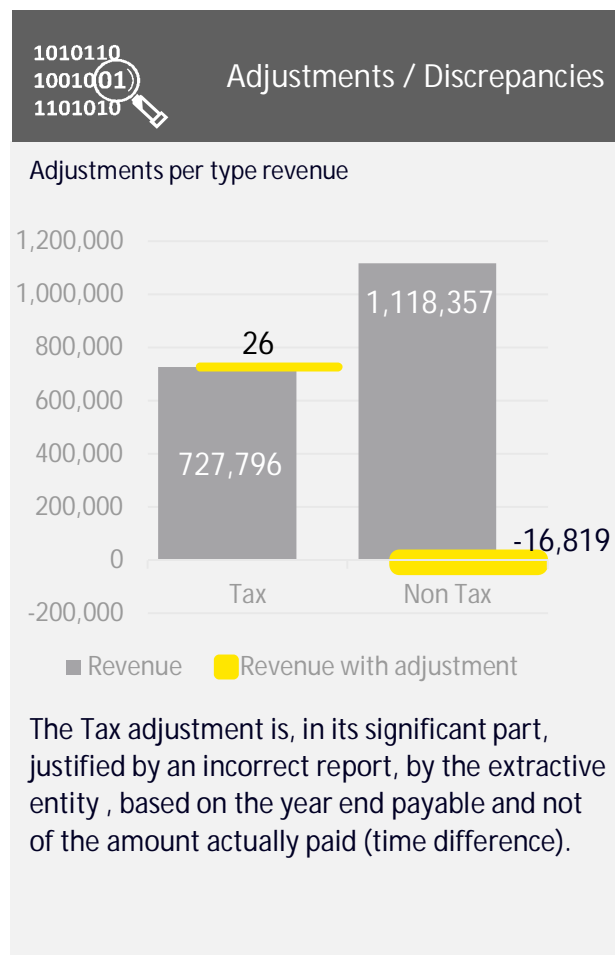
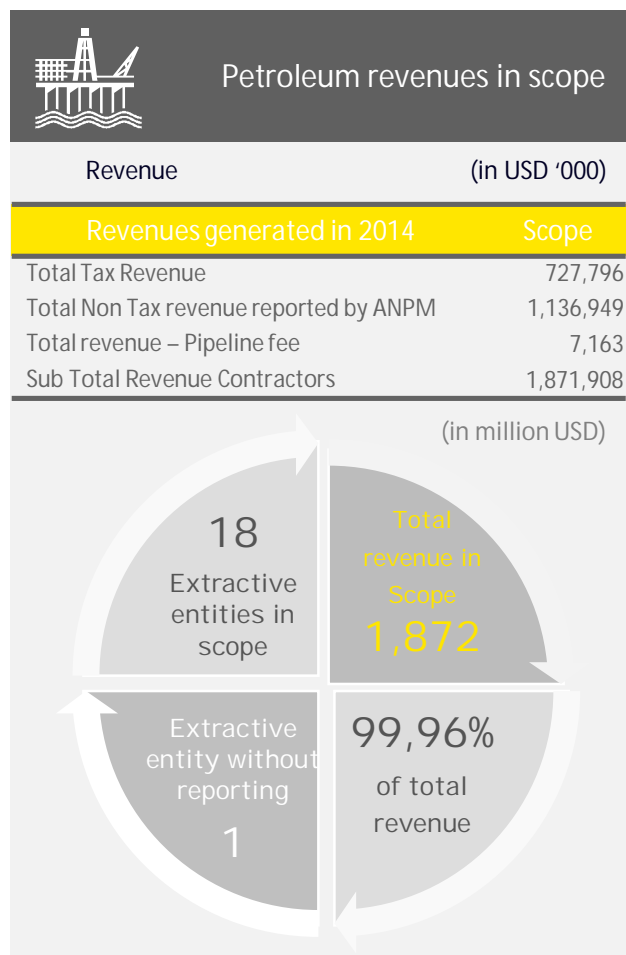
Based on the selection made we have concluded that this report cover 99.4% of the total payments made by Subcontractors in 2014:

\$US '000			
Revenues generated in 2014	Total	Scope	% Scope
Total Revenue Sub-contractors	24,289	23,420	96.422%

## Reconciliation Results

Summary of reconciliation reports

See below the summary of the reconciliation of reported payments:

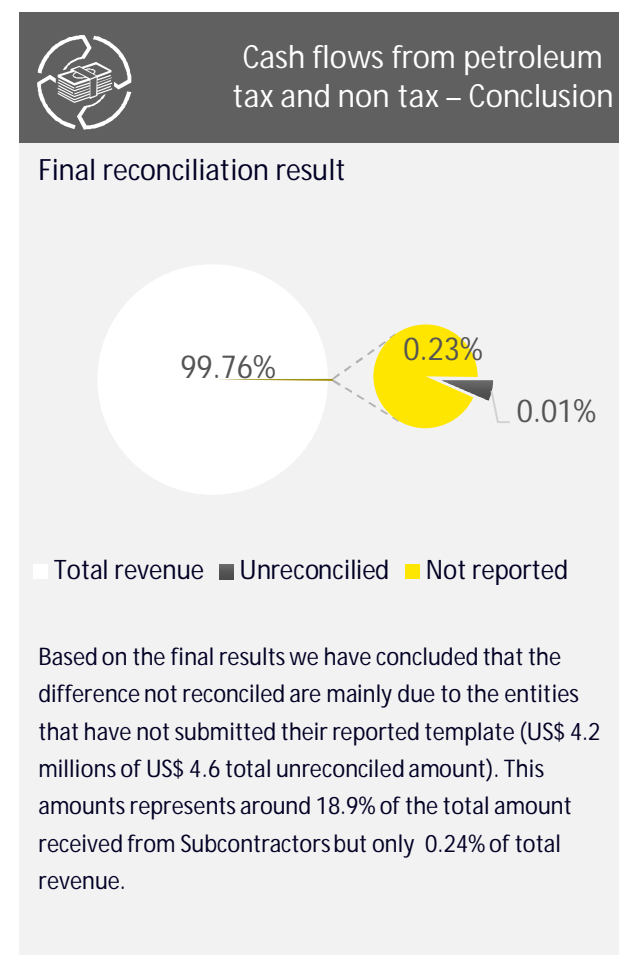
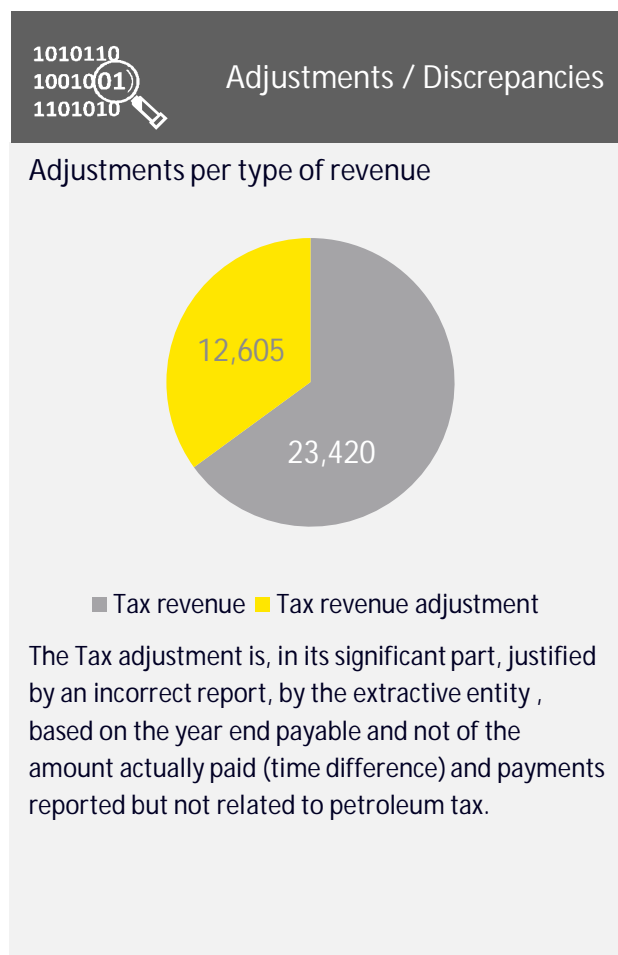




## Reconciliation Results

Summary of reconciliation reports – Subcontractors

See below the summary of the reconciliation of reported payments:



# 2

## Extractive Industries Transparency Initiative in Timor-Leste

### The EITI framework

The Extractive Industries Transparency Initiative (EITI) is a framework that encourages countries' transparency in the disclosure of revenues generated from the extraction of natural resources.

Timor-Leste adhered to EITI to provide clear and concise reporting of revenues and payments to the Government from oil, gas and mining companies, both from tax and Non tax payments derived from the production and sale of those resources. A financial reconciliation by external parties is undertaken to verify these figures, and the resulting reconciliation is published in an annual EITI report. The country's citizens and civil society organizations are also expected to play a role in monitoring the EITI process.

The TL-EITI Secretariat Office was created in July 2008, under the Ministry of Petroleum and Minerals Resources and the Multi-Stakeholder Working Group (MSWG). The MSWG includes representatives from government, extractive industry company associations and civil society organizations (CSOs).

## 2.1 EITI and Timor-Leste

In 2010, Timor-Leste became the first EITI compliant country in South East Asia.

However, the country is yet to approve and publish an EITI Law. A draft of the legislation has already been prepared but, due to ongoing reforms, wider consultation has not yet been completed.

EITI's framework requires an independent administrator (IA) to reconcile financial data between payments of companies and the actual revenue that the Government has received. EY was appointed to establish the scope and prepare the reconciliation of the 7th and 8th EITI Report covering the year's 2014 and 2015, respectively.

The previous six annual EITI Reports cover the period of January 1<sup>st</sup>, 2008 until December 31<sup>st</sup>, 2013:

Years	Publication Date	Oil Revenues (USD million)	Independent Auditor
2008	October 2009	2,510	Deloitte
2009	February 2011	1,764	
2010	November 2012	2,150	Moore Stephens LLP
2011	December 2012	3,453	
2012	February 2015	3,800	
2013	December 2015	3,263	



# 3

## Overview of Timor-Leste extractive industries in 2014 – Oil & Gas

### Outline

Oil and gas revenues continuous to play an important source of income to Timor-Leste. Petroleum Wealth Fund and its investment returns have been used to fuel the national budget to finance the construction of infrastructures. Despite Timor-Leste's obvious allure and ongoing economic improvements, it remains a heavily oil-dependent country. For the last six years, Timor-Leste has experienced a period of strong economic growth, based mostly on public expenditure and private sector activity driven by oil & gas revenue.

### 3.1 Gross Domestic Product (GDP) – Timor Leste

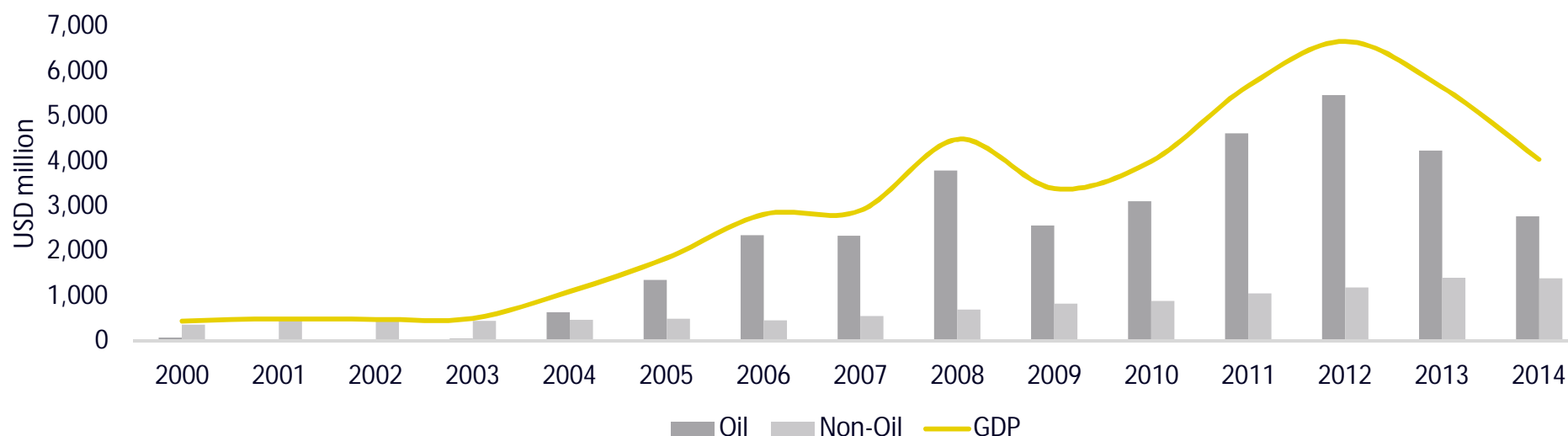
Timor-Leste regained its sovereignty in 2002, in a situation where much of the country's infrastructure had to be rebuilt. These efforts have been funded almost exclusively by oil revenues, as this is the key source of government funding.

Limitations on government withdrawals from the national Petroleum Fund have helped make Timor-Leste's budget surplus as a percent of gross domestic product. At the end of 2014, oil sector is responsible for 2,774 millions dollars, which represents 66% of the total GDP amount according to the national accounts prepared by the Ministry of Finance of Timor-Leste.

The weight of the oil sector in Timor-Leste's economy has increased from 2003 to 2012, up to 82% of GDP. In 2014, this percentage was 66%.

Year	GDP (Oil&Gas) (US\$ million)	Total GDP (US\$ million)	% Oil on total GDP
2000	77	444	17%
2005	1,359	1,846	74%
2011	4,624	5,677	81%
2012	5,477	6,666	82%
2013	4,234	5,644	75%
2014	2,774	4,175	66%

#### GDP EVOLUTION



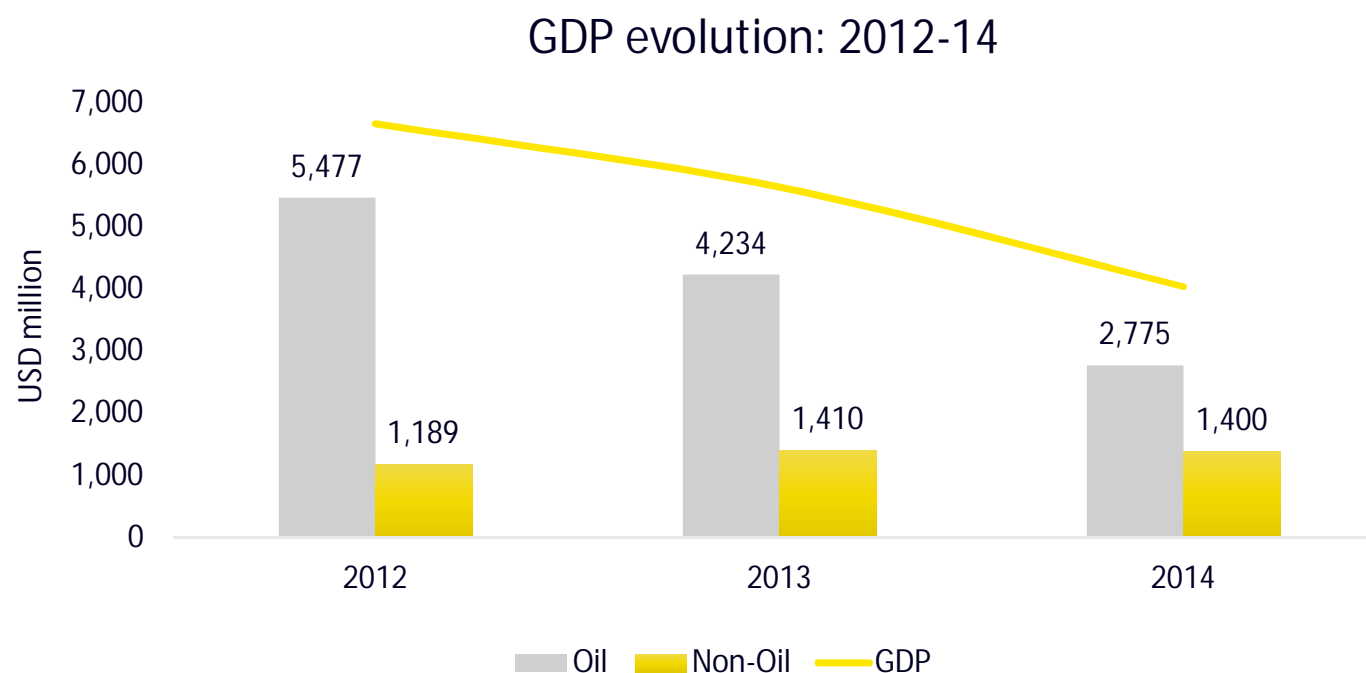
source: <http://www.statistics.gov.tl/category/survey-indicators/national-accounts/>

## 3.2 GDP in 2014 – Report's scope

The low oil prices and the decrease of production primarily due to natural field decline at Bayu-Undan and Kitan, helps to explain the decrease of Oil contribution to GDP.

The government is also looking for investments and/or do specific public expenditure that can permit the increase of the non-oil activities in Timor-Leste's GDP. In 2014 the contribution of non-oil activities in the GDP was 5.9% (2.8% in 2013) but this increased is totally justified by the decrease of oil activities.

The fall of crude oil prices in the oil sector contributed to the GDP decrease, from 5,477 million dollars in 2012 to 2,774 million dollars in 2014. The Oil sector decreased 34.4% in 2014 compared to 2013 (in addition to the negative growth of 17.3% in 2013). Volumes extracted in the Oil sector were considerably lower than those of 2013 (-25.1% in Oil Output).



source: <http://www.statistics.gov.tl/category/survey-indicators/national-accounts/>



### 3.3 Exports and imports of Timor-Leste

Timor-Leste is the 170th largest export economy in the world and the 108th most complex economy according to the Economic Complexity Index (ECI) (source:<http://atlas.media.mit.edu/en/profile/country/tls>).

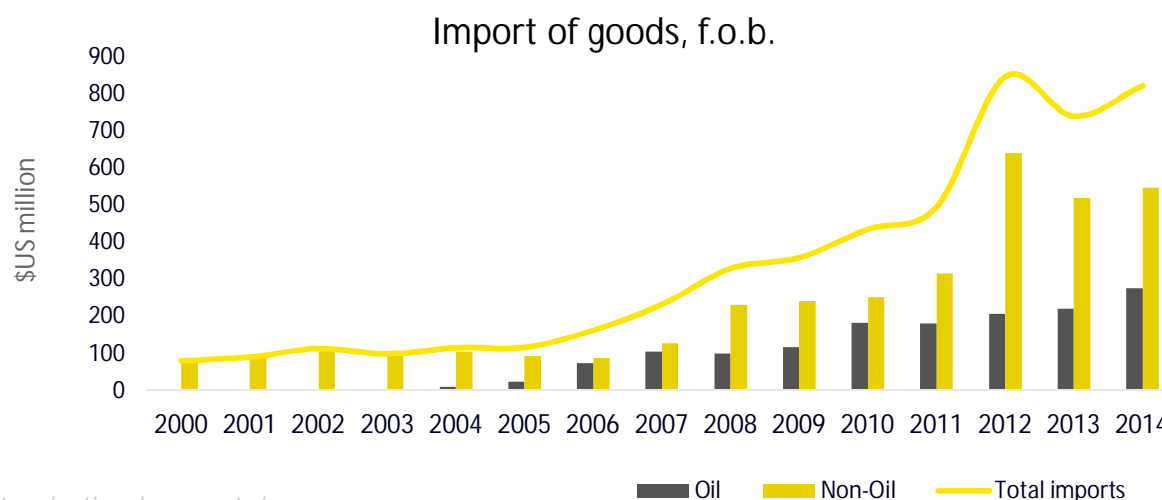
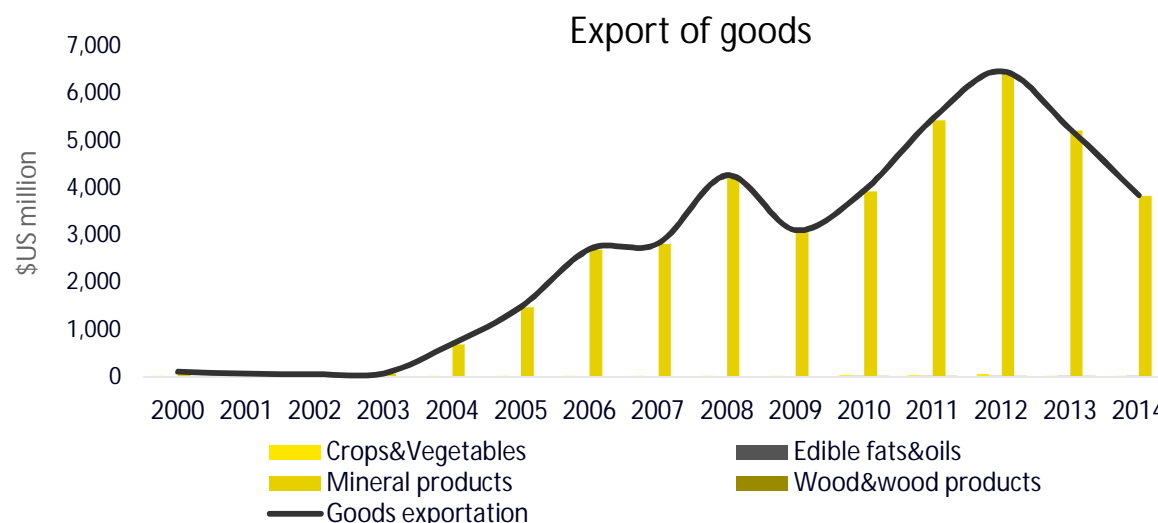
According with TL's National Accounts report 2014 the oil sector represented 99% of total exports. Previous information shows that this percentage has always been above 99%, with coffee being the country's largest non-oil export product.

#### Exports

The exports of goods and services declined 27%, (from \$US 5,418 million in 2013 to \$US 3,871 million in 2014) mainly because of the decrease in the exports of mineral products (Oil&Gas). This decline was also impacted by a reduction in the exports of coffee from 18,000 tons in 2013 to 10,000 tons in 2014.

#### Imports

In 2014 the imports of goods and services increased 8%, from \$US 718 million to \$US 774 million. Non-oil goods (\$US 546 million) represented 71% of total imports. Non-oil imports included mineral products (Non-Oil), precious stones, metals, vehicles and transportation equipment.



source: <http://www.statistics.gov.tl/category/survey-indicators/national-accounts/>

## 3.4 Production

### 3.4.1 Fields

In 2014, all of Timor-Leste's oil and gas was produced in Bayu Undan and Kitan oil fields, both located in the offshore Joint Petroleum Development Area (JPDA). Government revenues from the area are received in cash rather than in kind, with a 10 percent share going to Australia under the Timor Sea Treaty.

In 2014, there are nine active PSCs (of which 1 in TLEA and 8 in JPDA).

#### Bayu-Undan

The Bayu-Undan oil field is located in the Timor Sea, 250km south of Timor-Leste and 500km offshore Darwin, Australia. It is balanced at the boundaries of block 91-12 (60%) and 91-13 (40%), under Area A of the Australia/Indonesia Zone of Cooperation (ZOCA).

Bayu-Undan is Timor-Leste's oil field with the largest accumulated revenue, and the only one in production after 2016.

The field is located on the same 160km<sup>2</sup> structure, in 80m of water. The initial discovery was in early 1995, when the Bayu-1 well intersected a 155m gas condensate column, at a depth of 897m. In July 1995, Undan was discovered 10km north-west of Bayu, where a 139m gross hydrocarbon column tested 1.6 million cubic feet a day of gas and 3,900bbl condensate a day. The total recoverable field of reserves ranges between 350 and 400 million barrels of hydrocarbon liquids and 3.4tcf of gas.

Phase three of Bayu-Undan development will be completed in stages. Two additional wells were drilled in 2014. Consisting of drilling and tying-back to the Bayu-Undan facility, with two subsea production wells providing production assurance for the field.

Source: <http://www.offshore-technology.com/projects/bayu-undan/>

Bayu Undan is operated by ConocoPhillips (03-12) Pty Ltd under the contract PSC 03-12 and PSC 03-13 in JPDA under the Timor Sea Treaty. (The present references are to the superseded ZOCA / Timor Gap arrangements). See Annex D for more detail on JV structure.

Source: <http://www.anpm.tl/annual-report-2014/>

#### Kitan

The Kitan oil field lies in permit 06-105 of JPDA, 170km offshore the Timor-Leste coast and 500km from the Australian coast.

Eni is the operator, with a 40% interest. Its joint venture partners Inpex and Talisman Resources hold 35% and 25% interests, respectively.

JPDA is jointly administered by Timor-Leste and Australia, and is regulated by Autoridade Nacional do Petróleo e Minerais (ANPM).

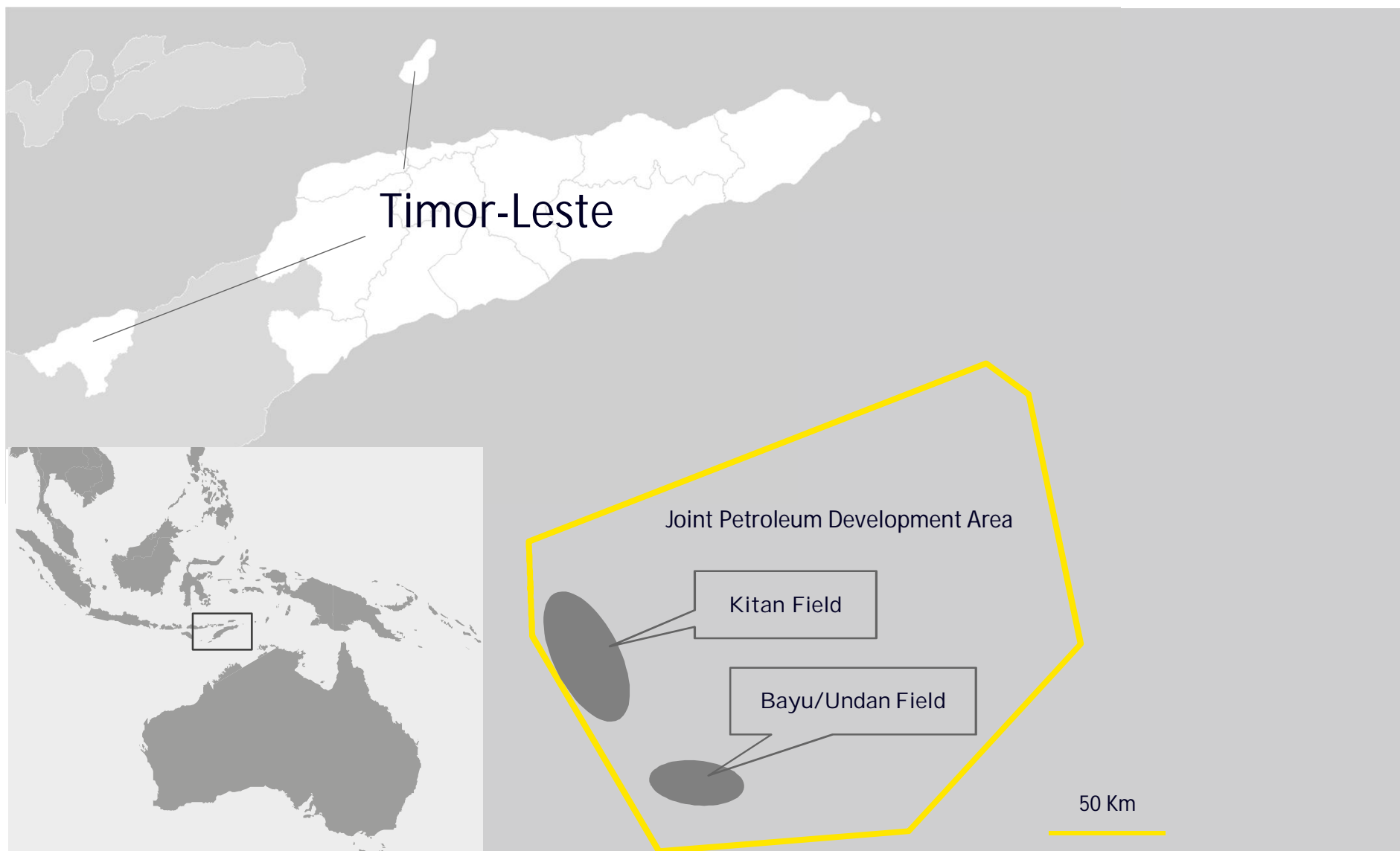
The Kitan field was discovered in 2008, when the Songa Venus semisubmersible rig drilled the exploration well Kitan-1 to a total depth of 3,568m. The initial test result reported the flow rate at 6,100bopd.

The Kitan Field was shut-in on December 16<sup>th</sup>, 2015. The Glas Dowl FPSO left the field in January 2016. The oil production has declined due to natural reservoir pressure depletion and high water-cut.

Source: <http://www.offshore-technology.com/projects/Kitan/>

Kitan is operated by Eni JPDA 06-105 Pty Ltd under the contract PSC JPDA 06-105.

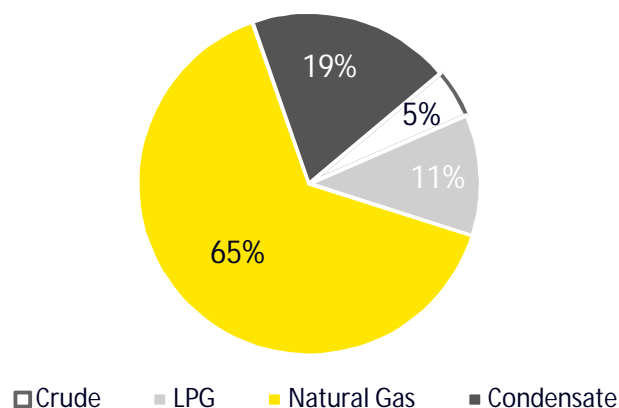
Source: <http://www.anpm.tl/annual-report-2014/>



### 3.4.2 Production BOE

Bayu-Undan produces three petroleum products, namely Condensate, Liquefied Petroleum Gas and Natural Gas. With the depletion of liquids production since its peak in 2012 the Natural Gas (from Bayu Undan) contributes with more than 65% to the total BOE production of the country:

Production 2014 by Commodity

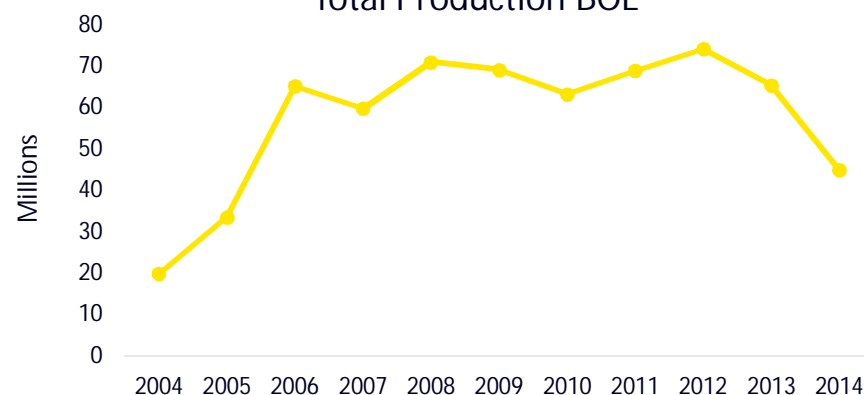


Source: Website ANPM and has reconciliation procedure

Commodity (thousands BOE)	Production	Export
Crude	2,223	2,549
LPG	5,537	5,537
Natural Gas	31,273	31,273
Condensate	9,311	9,311
Total	48,344	48,670

Oil production on Timor-Leste has increased significantly since 2004, when phase one of Bayu Undan field started producing, with the construction of offshore facilities to produce and process condensate, propane and butane (LPGs) that started in 2000. This phase also saw a total of 13 wells drilled for production, gas injection and water disposal. The information related to total production is available at ANPM's website (Lafaek Database - <http://www.anp-tl.org/webs/anptlweb.nsf/pgLafaekReport>) that contains information about production and contracts of Bayu-Undan and Kitan oil fields. This information is generally publicly accessible.

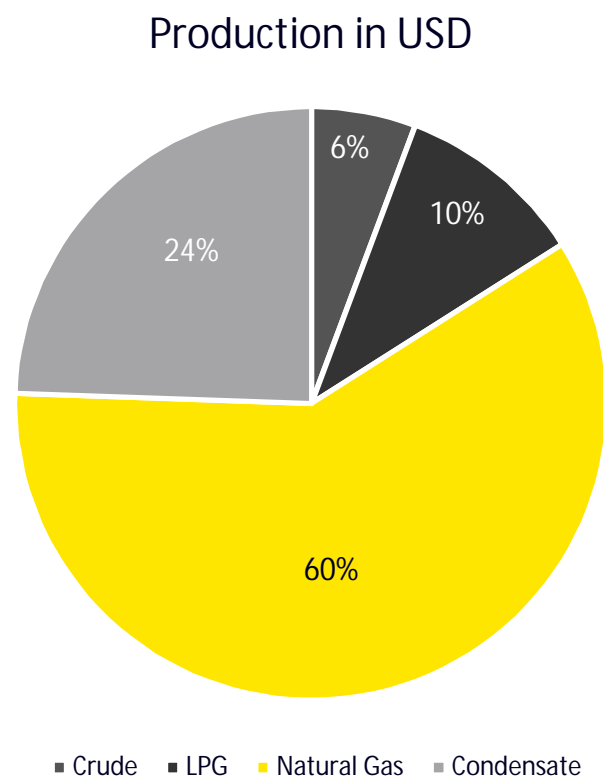
Total Production BOE



Commodity (thousands BOE)	2014	2013	Δ	%
Crude	2,223	5,881	-3,658	-62%
LPG	5,537	8,747	-3,210	-37%
Natural Gas	31,273	34,766	-3,493	-10%
Condensate	9,311	14,607	-5,296	-36%
Total	48,344	64,001	-15,657	-24%

### 3.4.3 Production USD

Natural Gas is also the most significant commodity when compared in Millions of USD of the total:



Source: Website ANPM and as reconciliation procedure

The production and export in thousands USD in 2014 was as follows:

Commodity	Production	Export
Crude	208,949	239,528
LPG	378,587	378,587
Natural Gas	2,183,952	2,183,952
Condensate	897,331	897,331
Total	3,668,819	3,699,398

Please note that on Condensate, Natural Gas and LPG all production is considered export (no inventories) due to the direct transportation to Darwin (by pipeline) after extracted.

The production in thousands USD in 2014 and 2013 was as follows:

Commodity	2014	2013	Δ	%
Crude	208,949	615,628	-406,679	-66%
LPG	378,587	671,248	-292,661	-44%
Natural Gas	2,183,952	2,496,713	-312,761	-13%
Condensate	897,331	1,536,676	-639,345	-42%
Total	3,668,819	5,320,265	-1,651,446	-31%

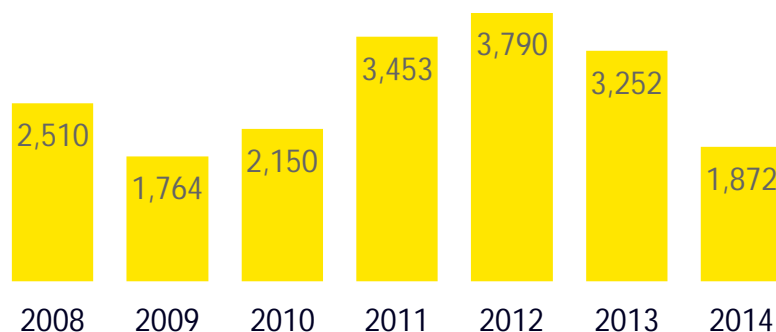


### 3.5 Revenue generated from extractive sector

As a consequence of the decline in oil prices and the decrease in production, the oil and gas revenues of Timor-Leste in 2014 amounted to \$US 1,872 million, nearly half of the peak recorded in 2012, when total revenues amounted to \$US 3,790 million. This value represents a decrease of \$US 1,381 million, or 42%, comparing to 2013.

This variation affected payments received by DNRP (\$US -422 million) and also through a reduction on FTP and Profit Oil of \$US -957 million. The structure of the Extractive sector's Revenue is nearly the same as 2013, with a slight increase (3.5%) of DNRP's contribution in the total revenue accounted.

Oil and Gas Revenues 2008-2014 (\$US million)



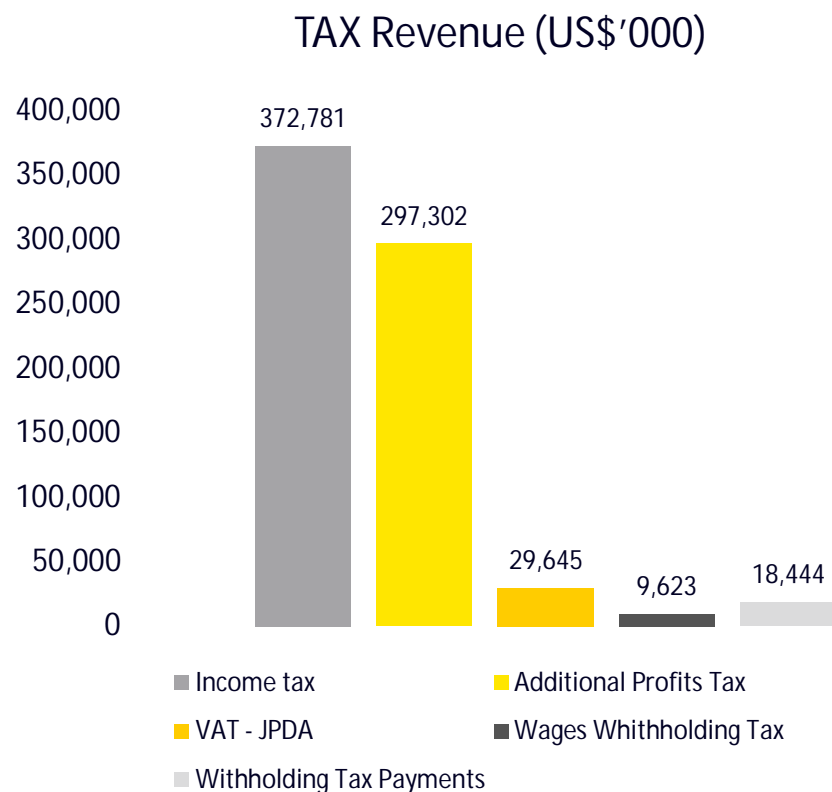
Revenue	2014	%	2013	%
DNRP	728	38.9%	1,150	35.4%
ANPM	1,137	60.7%	2,093	64.4%
BCTL	7	0.4%	8	0.2%
Total	1,872	100.0%	3,251	100.0%

Extractive sector revenues (\$US million)	2014	2013	Δ	% Δ
Direção Nacional de Receitas Petrolíferas (DNRP)	728	1,150	-422	-37%
Autoridade Nacional do Petróleo e Minerais (ANPM)	1,137	2,094	-957	-46%
Banco Central de Timor-Leste (BCTL)	7	8	-1	-13%
Revenues generated from Oil & Gas extractive activities	1,872	3,252	-1,380	-43%
Revenues generated from Oil & Gas related activities (Sub Contractors)	24	11	13	118%
Revenues generated from Oil & Gas Sector	1,896	3,263	-1,367	-42%
Revenues generated from Mining Sector	0.02	0.04	-0.02	-50%
Revenues generated from Extractive Sector	1,896	3,262	-1,366	-42%
Part of the revenue allocated to Australia	-113	-209	96	46%
Part of the revenue allocated to Timor-Leste	1,783	3,053	-1,270	-42%

### 3.5.1 Tax Revenue and Non tax Revenue

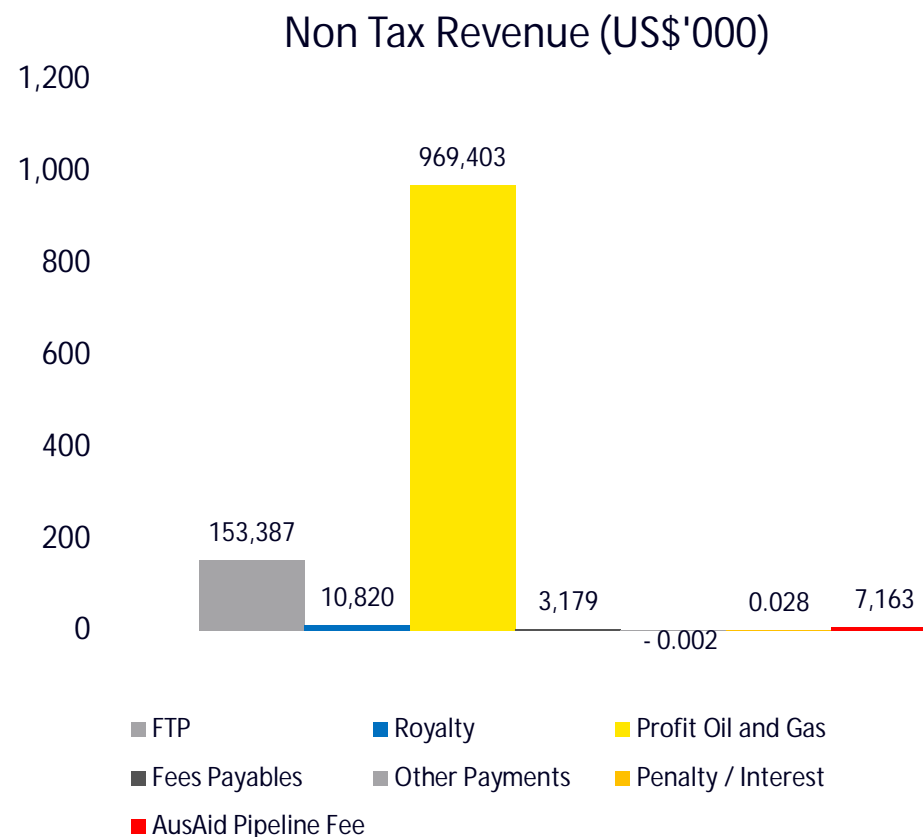
The charts below describe the tax and non tax revenue.

The most significant Tax Revenue in 2014 is income tax, followed by the additional profits law.



Non tax revenue as Profit oil and gas has been the main source of revenue stream contributor to the Petroleum Fund. Royalties and fees collected from surface rental fees are another source of revenue to the petroleum fund as outline in the figure below.

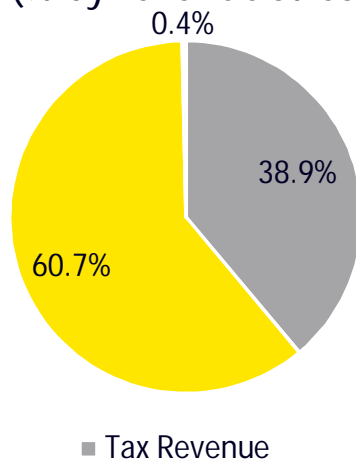
Detail on Tax and Non Tax revenue received by the Government by revenue stream and extractive entities are presented in appendix A.



Timor-Leste revenue received is decreasing since 2012. 2014 is one of the lowest Oil&Gas revenue since 2009.

See below petroleum extractive sector revenue structure:

### Petroleum extractive sector revenues (% by revenue stream)



### Mining Sector

Regarding the Mining sector should be noted that the revenue, in 2014, was less than US\$ 200,000 (mainly licenses fees).





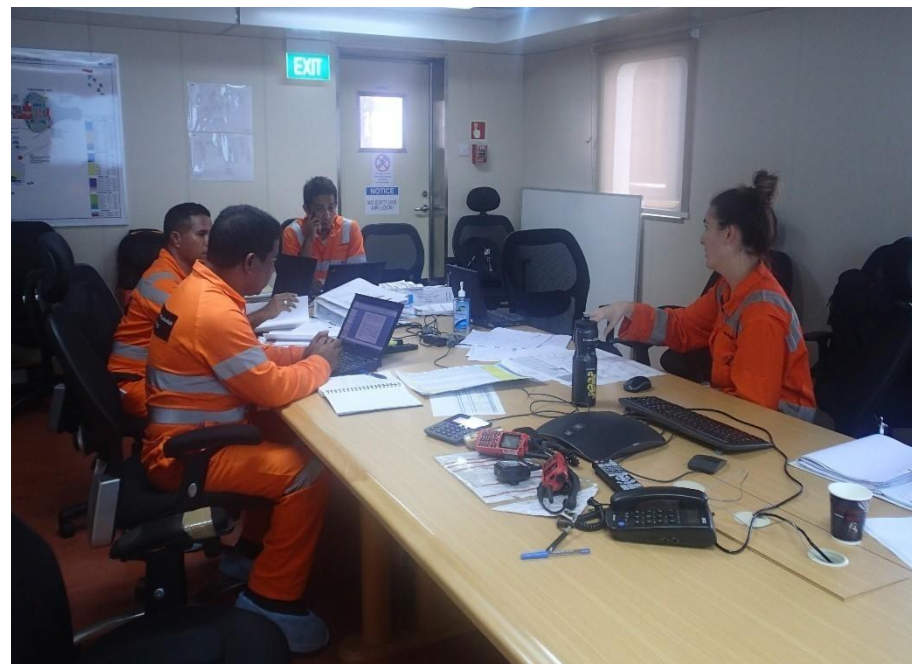
### 3.6 Employment in the extractive industries in Timor-Leste

There are no data being generated by government regarding the employment in the extractive industries in absolute terms and as a percentage of the total employment.

However, and as a data collection procedure, we have requested the extractive companies in scope to respond to the number of employees they had in 2014 and the responses are as follows:

Company Name	Number		Net creation jobs /2014	
	National	Expats	National	Expats
Conocophillips (03-12) Pty Ltd	0	157	0	11
Conocophillips Timor Leste	24	1	4	0
Eni JPDA 06-105 Pty Ltd	11	4	-3	0
Tokyo Timor Sea Resource Pty Ltd	0	1	0	0
Woodside Petroleum (Timor Sea 19) Pty Ltd	3	0	1	0
Oilex ( JPDA 06-103) Ltd	1	1	0	0
	39	164	2	11

We will recommend that the government begins to capture this information and publish it in the government / statistic sites and make analysis about the extractive sector with the Non extractive sector evolution and/or impact.









# 4

## Regulatory Framework Extractive industries in 2014

### Outline

Timor-Leste officially recovered its sovereignty on May 20<sup>th</sup>, 2002. Following a referendum held in 1999, the administration of Timor-Leste had been delegated to the United Nations (UN) through the United Nations Transition Administration in Timor-Leste (UNTAET). During the transition period, UNTAET represented Timor-Leste's government in the renegotiation of the sharing of petroleum resources of the Joint Petroleum Development Area (JPDA).

Timor-Leste and Australia have no final maritime boundary in the Timor Sea. The two governments put in place a complex set of interim arrangements for the sharing of petroleum extracted from two overlapping joint development zones in the Timor Sea: (1) the Joint Petroleum Development Area (JPDA) under the Timor Sea Treaty (TST) and (2) the Greater Sunrise Unit Area (governed by the International Unitization Agreement (IUA) and the Treaty Concerning Certain Maritime Areas in the Timor Sea (CMATS).

In 2003, Timor-Leste and Australia established the Timor Sea Treaty (TST) that provides the framework for all petroleum exploration and development in JPDA. TST (article 4) provides that upstream taxation revenue from petroleum production in JPDA is split between Timor-Leste and Australia on a 90/10 basis.

TST created the Joint Commission (JC) to establish policies and regulations for petroleum activities in JPDA, together with the creation of the Timor Sea Designated Authority (TSDA).

Timor-Leste's Oil and Gas sector comprises two different jurisdictions with relevant legal frameworks: Timor-Leste Exclusive Area (TLEA) and JPDA. Both areas are governed under Production Sharing Contracts (PSCs) signed between the oil companies and the Government.

## 4.1 Timor-Leste Exclusive Area Legal Framework (TLEA)

TLEA refers to the Territory of Timor-Leste as defined by the Petroleum Act (Law No.13/2005) of the Democratic Republic of Timor-Leste. This Law applies to petroleum operations in the territorial sea, including its exclusive economic zone and continental shelf where, by international law, Timor-Leste has sovereign rights for the purposes of resource exploration. Onshore activities are not covered by TLEA.

The relevant legal framework for petroleum operations that fall under the Autoridade Nacional do Petróleo e Minerais (ANPM) mandate and the existing petroleum contracts is as following:

### Legislation

- ▶ Petroleum Activities Law (Law No.13/2005)
- ▶ National Petroleum Authority (ANP) (Decree Law No.20/2008)
- ▶ Public Tendering in Respect of Petroleum Contracts Award (Decree Law No.7/2005)

### Production Sharing Contracts (PSC):

- ▶ TLEA PSC S-06-04 (Contract Area E)

(more information about PSC's in appendix B)

Source: <http://www.anpm.tl/tlea/>

## Petroleum Activities Law (Law N°13/2005)

Pursuant to international law, Timor-Leste has sovereign rights for the purpose of exploring, exploiting and managing its natural resources, including Petroleum resources. Timor-Leste has title to all Petroleum resources existing in the subsoil of its territory, both onshore and offshore. The objective of the Law on Petroleum activities (the Law) is to provide as many benefits to Timor-Leste and its people as possible by establishing a regulatory regime that will allow petroleum companies to develop such petroleum resources.

The Law empowers the Ministry to authorize petroleum companies to explore and exploit Petroleum resources. Other petroleum regimes have been taken into consideration in order to establish a regime that is internationally competitive and helps attract investments in the development of petroleum activities. The Petroleum resources owned by Timor-Leste are a strategic component of its economy, have a high-potential value and are expected to generate significant revenues for the country.

In addition of aiming to maximize Timor-Leste's oil revenues, the Law also envisages assistance in achieving the country's broad development goals. Oil revenues, and the development of this resource, would allow Timor-Leste to more effectively deal with developmental needs and priorities, further strengthen its human resources, consolidate the advancements made thus far, speed up and sustain economic growth, reduce poverty, and improve the well-being of the Timorese people. Another objective is to ensure stability and transparency in regulating the development of Petroleum resources.

### Article 13 of Petroleum Activities Law: Invitations to Apply

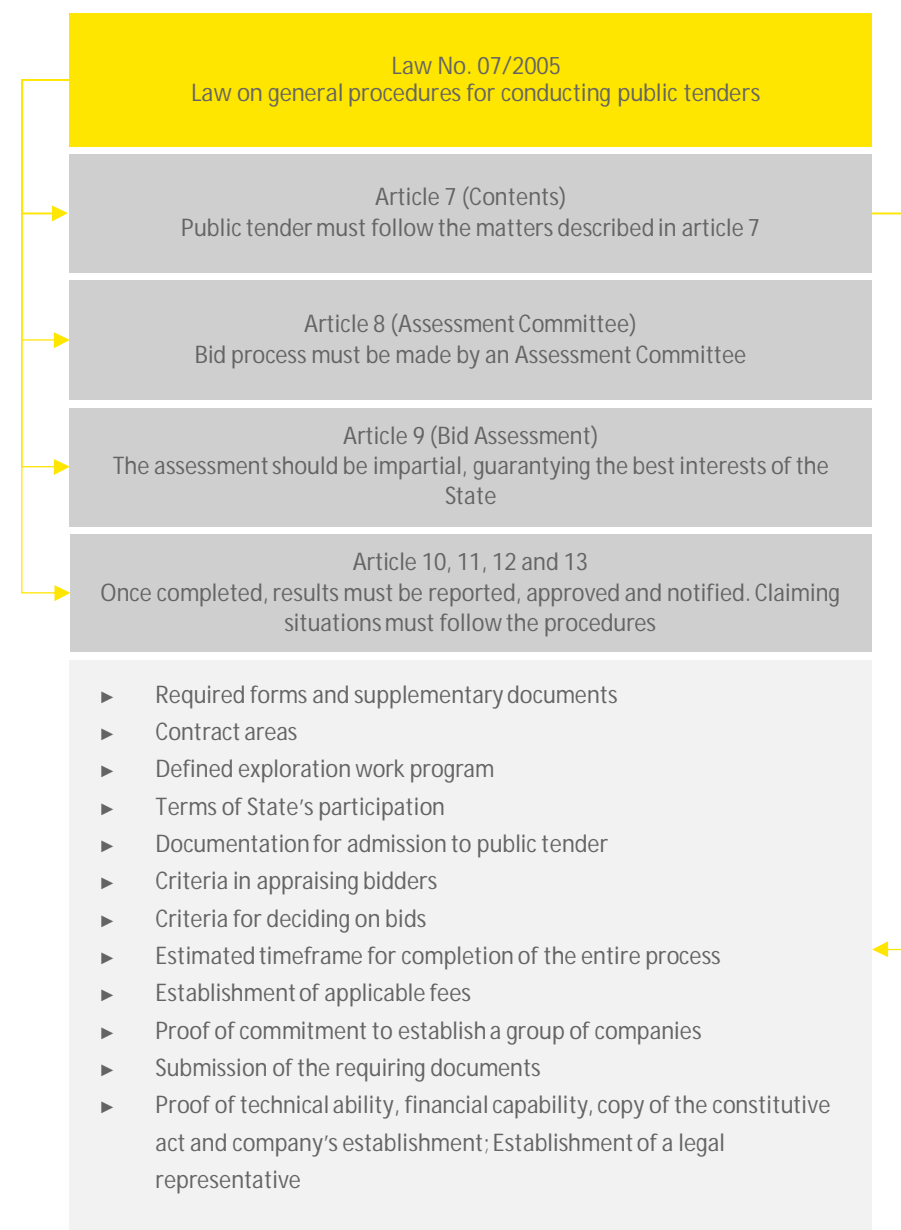
1. (a) The Ministry shall invite, by public notice, applications for Authorizations.
- (b) Notwithstanding paragraph 13.1(a) above, the Ministry may choose to award Authorizations through direct negotiation without issuing such invitations:
- (i) in the case of Access Authorizations; or
- (ii) in the case of all other types of Authorization where it is in the public interest to do so;
- (c) If the Ministry awards an Authorization without inviting applications as set forth in paragraph 13.1(b) above, it shall provide substantiated reasons for so doing.

### Public Tendering in Respect of Petroleum Contracts Award (Decree Law No.7/2005)

Law No. 13/2005, of September 2<sup>nd</sup> (Law on Petroleum Activities) stipulates that the granting of authorizations, including the award of petroleum contracts, be preceded by a public tender.

This law has established principles aiming to provide as many benefits to Timor-Leste and its population as possible, by establishing a regulatory regime for petroleum companies. The law establishes the conditions on how the Ministry will proceed on authorizing petroleum activities, it states the State participation in petroleum activities and also how are they developed. Transparency and Public information is equally addressed, where misleading information will be penalizing as it is also declared.

The companies and/or groups of companies, shall be selected on the basis of submitted bids, and the public notice issued by the Minister of Petroleum and Mineral Resources, Minerals and Energy Policy regarding the relevant public tender. The referred Minister will be in charge of the entire bidding process and also be the one responsible for granting prospecting authorizations.



## 4.2 Joint Petroleum Development Area Legal Framework (JPDA)

The Timor Sea Treaty between the Government of Timor-Leste and the Government of Australia was signed in 2002. The Treaty established the Joint Petroleum Development Area (JPDA) in the Timor Sea, enabling the exploration and exploitation of the petroleum resources in the JPDA for the benefits of the people of Timor-Leste and Australia.

The legislation applicable to operations in the JPDA is the following:

### Legislation

- ▶ Timor Sea Treaty (TST)
- ▶ Interim Petroleum Mining Code
- ▶ Petroleum Mining Code
- ▶ Interim Regulations issued under Article 37 of the Interim Petroleum Mining Code
- ▶ Interim Directions issued under Article 37 of the Interim Petroleum Mining Code
- ▶ Interim Administrative Guidelines for the Joint Petroleum Development Area
- ▶ Certain Maritime Arrangements in the Timor Sea
- ▶ Greater Sunrise – Memorandum of Understanding
- ▶ Greater Sunrise – International Unitization Agreement

### Production Sharing Contracts (PSC):

The key petroleum contracts include:

- ▶ JPDA PSC 03-12
- ▶ JPDA PSC 03-13
- ▶ JPDA PSC 06-105
- ▶ JPDA PSC 03-19
- ▶ JPDA PSC 03-20
- ▶ JPDA PSC 06-101 A
- ▶ JPDA PSC 11-106
- ▶ JPDA PSC 06-103

(more information about PSC's in appendix B)

Source: <http://www.anpm.tl/jpda2/>

## 4.3 Specific agreements with Australia regarding Oil & Gas Exploration

In 2006, Timor-Leste and Australia had agreed to sign on International Treaties regarding the maritime arrangement in the Timor Sea:

- ▶ The previously mentioned Timor Sea Treaty
- ▶ The Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS)
- ▶ The International Unitization Agreement for Greater Sunrise (IUA)

Additionally, the Greater Sunrise Memorandum of Understanding (MOU) specifies additional arrangements on this field.

### Timor Sea Treaty (TST)

Formally known as the Timor Sea Treaty signed between the Government of Timor-Leste and the Government of Australia in Dili, on May 20<sup>th</sup>, 2002, the day Timor-Leste attained its independence from United Nations leadership, to join forces on petroleum exploration in Timor Sea by both countries.

The treaty entered into force on April 2<sup>nd</sup>, 2003 following an exchange of diplomatic notes. The treaty was to run for 30 years from the day it came into force or when a seabed boundary could be established, whichever came earlier.

The Timor Sea Treaty provides for the sharing of the proceeds of petroleum found in an agreed area of seabed, called the Joint Petroleum Development Area and does not determine the sovereignty and maritime boundary between the two countries. The treaty expressly states that the right of either country to claim the overlapping portion of the seabed is maintained.

### Certain Maritime Arrangement in the Timor Sea (CMATS)

CMATS is an arrangement entered between TL and Australia regarding petroleum exploration in the Timor Sea following the TST and the IUA. As mentioned before, the TST established the JPDA. One of the major discoveries in the Timor Sea is the Greater Sunrise field which has around 20% of its reserves within the JPDA (refer to PSC 03-19 and PSC 03-20) and around 80% of the reserves outside the JPDA within Australian licenses. The IUA and CMATS deal specifically with the Greater Sunrise field. The IUA deals with the unitization of Greater Sunrise across several license areas as set out above. Pursuant to CMATS both countries agreed that revenues from the exploration of Greater Sunrise will be split equally and agreed also to postpone discussion on final delimitation of the boundary. This field is not yet in production.

Recently, on January 9<sup>th</sup>, 2017, Timor-Leste, Australia and the Conciliation Commission issued a joint statement where the two countries agreed to terminate the 2006 CMATS Treaty. This will permit that the 2002 Timor Sea Treaty will expire on its original date (April 2033), rather in 2057 as defined by CMATS (*source: <https://www.laohamutuk.org/Oil/Boundary/CMATSindex.htm>*)

### Greater Sunrise - International Unitization Agreement (IUA)

The Sunrise and Troubadour gas and condensate fields, collectively known as the Greater Sunrise fields, are located approximately 150 kilometers south-east of Timor-Leste and 450 kilometers north-west of Darwin, Northern Territory.

Woodside and the Sunrise Joint Venture remain committed to developing the Greater Sunrise fields, and considers it vital that both the Timorese and Australian governments agree the legal, regulatory and fiscal regime applicable to the resource.

Once the government alignment is established, the Sunrise Joint Venture believes there is an opportunity to proceed with a development that benefits all parties.

The Greater Sunrise IUA, along with the other legal framework, regulates petroleum activities in the Unit Area and Unit Reservoirs.



## Greater Sunrise - Memorandum of Understanding (MOU)

The Greater Sunrise MOU sets the fees value relating to the Unitization of the Greater Sunrise which the Government of Australia will transfer to the Government of Timor-Leste.

## Petroleum Mining Code (PMC)

In accordance with Article 7(a) of the Timor Sea Treaty, and subject to the terms of that Treaty, the following Petroleum Mining Code is adopted to regulate the exploration, development and exploitation of Petroleum within the JPDA, as well as the export of Petroleum from this same area.

## Interim Petroleum Mining Code (Interim PMC)

The Interim PMC regulates petroleum activities within JPDA. Despite the fact that the PMC was established, the Interim PMC continues to regulate the following PSCs:

- ▶ JPDA PSC 03-12
- ▶ JPDA PSC 03-13
- ▶ JPDA PSC 03-19
- ▶ JPDA PSC 03-20



## 4.4 ANPM

On February 9<sup>th</sup>, 2008, the Autoridade Nacional do Petróleo e Minerais (ANPM) was created: a Timor-Leste public institution, under Decree Law No. 1/2016 of February 9<sup>th</sup>, 1st amendment of Decree-Law No.20/2008 of June 19<sup>th</sup>, on the Autoridade Nacional do Petróleo, responsible of managing and regulating petroleum and mining activities in Timor-Leste area. This was both offshore and onshore and in the Joint Petroleum Development Area (JPDA) in accordance with the Decree Law on the establishment of the ANPM and the following laws and regulation:

- ▶ Timor-Leste Petroleum Activities Law;
- ▶ Timor Sea Treaty;
- ▶ Mining Code.

The decree-Law No. 20/2008, of June 19<sup>th</sup>, which created the Autoridade Nacional do Petróleo (ANP)\*, entrusted the same entity with, amongst others, the responsibility for regulating and supervising the sectors/industries pertaining to the petroleum and natural gas and their derivatives in the country, thus acting as the Country's regulatory authority.

Note (\*):

Recently (2016), under Decree Law No. 1/2016 of February 9<sup>th</sup>, the Autoridade Nacional do Petróleo e Minerais (ANPM) was designated as responsible for managing and regulating petroleum and mining activities in Timor-Leste area and changed its designation (from ANP (National Petroleum Authority) to ANPM). We will use the actual name "Autoridade Nacional do Petróleo e Minerais (ANPM)" through the report.



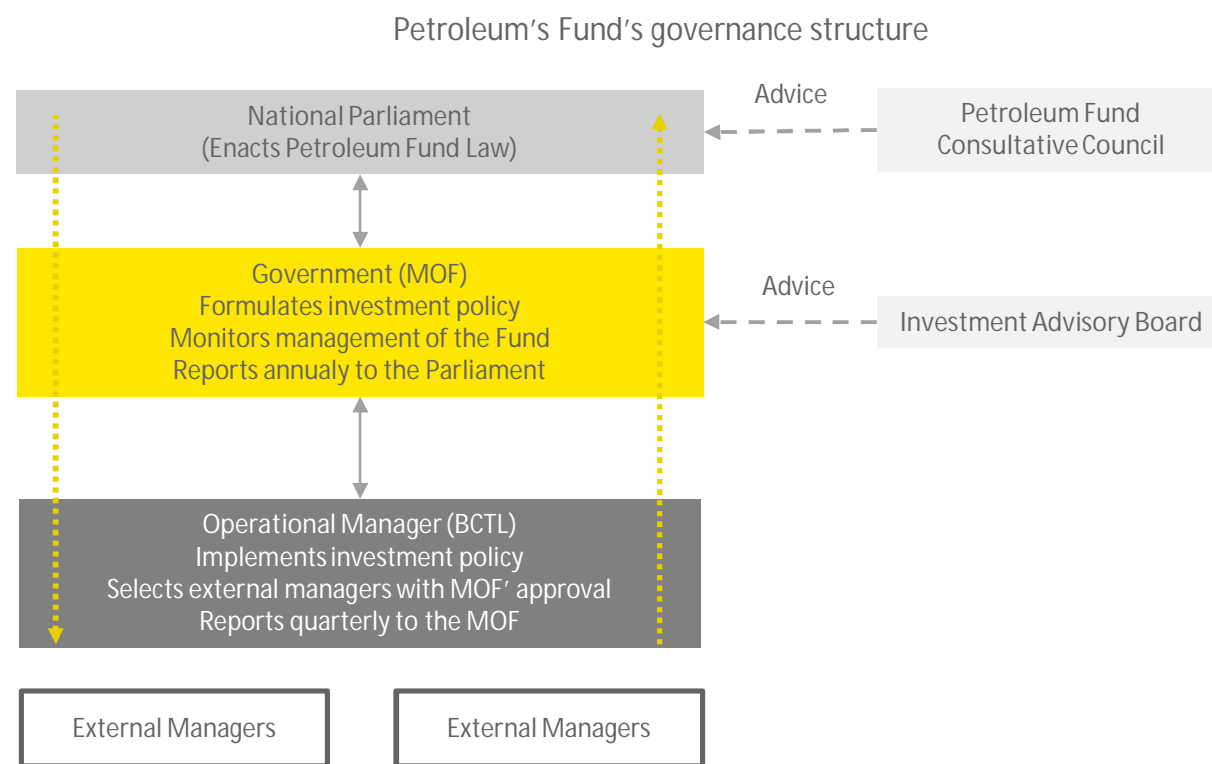
## 4.5 Petroleum Fund

The Petroleum Fund was established to fulfill the constitutional requirement set by Article 139 of the Constitution of the Republic that mandates a fair and equitable use of the natural resources in accordance with national interests, and that the income derived from the exploitation of these resources should lead to the establishment of a mandatory financial reserve. Therefore, the Government created the Petroleum Fund in 2005, under the provision of the Petroleum Fund Law No.9/2005 (August 3<sup>rd</sup>, 2005) as amended by the Law No.12/2011 (September 28<sup>th</sup>, 2011).

The Petroleum Fund Law:

- ▶ Provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenue
- ▶ Details the parameters for operating and managing the petroleum fund
- ▶ Defines the asset allocation and risk limits
- ▶ Governs the collection and management of receipts associated with petroleum wealth
- ▶ Regulates transfers to the state budget, and
- ▶ Provides for government accountability and oversight of these activities.

The Petroleum Fund Law requires that all petroleum revenues are entirely transferred to the Fund and invested abroad in financial assets. The Fund's only outgoings are transfers back to the central government budget, pursuant to parliamentary approval.



Source: Petroleum Fund Annual Report 2014  
([https://www.mof.gov.tl/wp-content/Petroleum\\_Fund\\_Annual\\_Report\\_2014.pdf](https://www.mof.gov.tl/wp-content/Petroleum_Fund_Annual_Report_2014.pdf))

The Petroleum Fund Law provides mechanisms that assist Timor-Leste to sustainably manage its petroleum revenues, details parameters for operating and managing the Petroleum Fund, defines asset allocation guidelines and risk limits, governs collection and management of the receipts, regulates transfers to the State Budget, defines clear roles and responsibilities of entities involved in the management of the Fund and provides for government accountability and oversight of these activities. The Petroleum Fund is formed as an account of the Ministry of Finance held in the Banco Central de Timor Leste (BCTL).

The Fund separates the inflow of petroleum revenues from government spending. All petroleum income initially enters the Fund before any transfers are made to the State Budget. The amount of the transfers is guided by the Estimated Sustainable Income (ESI), set at 3% of total Petroleum Wealth.

Petroleum Wealth comprises the balance of the Petroleum Fund and the Net Present Value of expected future petroleum revenue. The rationale behind using the ESI is to smooth the spending of temporarily high petroleum income and shield against the volatility of petroleum inflows and safeguard the sustainable use of public finances. The Fund is invested only in international financial assets. The investment objective is to achieve a 3% real return over the long-run to contribute to the sustainability of the fiscal policy.

Based on a good management and a prudent investment policy (as the fulfilment of the ESI) it was possible to have a steady increase through the years of the Market value of the fund even noticing that the petroleum receipts have decreased after 2012 result from the decreases on the oil prices.

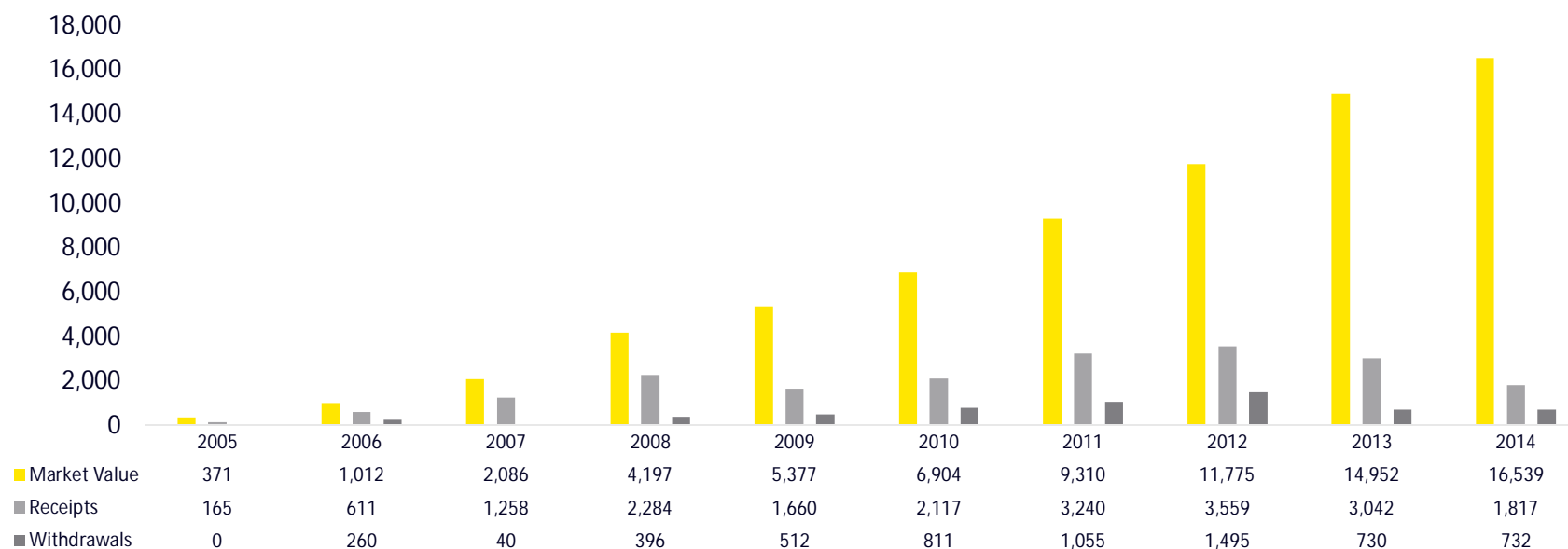
Since the inception of the Fund in 2005, the Government has collected total petroleum revenues of US\$ 19.7 billion. Most of the country's Petroleum Wealth is already transformed into financial assets.

## Transfer from Petroleum Fund

For FY 2014, the Government withdrew \$732 million from the Fund to finance the State General Budget. This was \$100 million higher than the ESI of \$632 million for the year. The ESI is set at 3% as referred above.

From 2006 to end of 2014, the Government has withdrawn \$6,031 million from the Fund. This exceeds the cumulative ESI over that period by \$1,663 million. The excess reflects the Government's policy to front-load expenditure to enable economic development.

## REVENUE, MARKET VALUE, RECEIPTS AND WITHDRAWALS OVER THE PAST 10 YEARS





## Investment income

The Petroleum Fund posted a gain of \$502 million, or equivalent to 3.3%, in 2014 after deducting expenses. This was lower than the income of \$865 million in 2013 which was the strongest performance of the PF since 2009. The total cumulative PF investment return since inception was \$2,609 million.

Details on the information of the PF can be seen in the PF Annual report published at the MoF website

## Civil Society's perspective on investments from Petroleum Fund in non-petroleum sectors

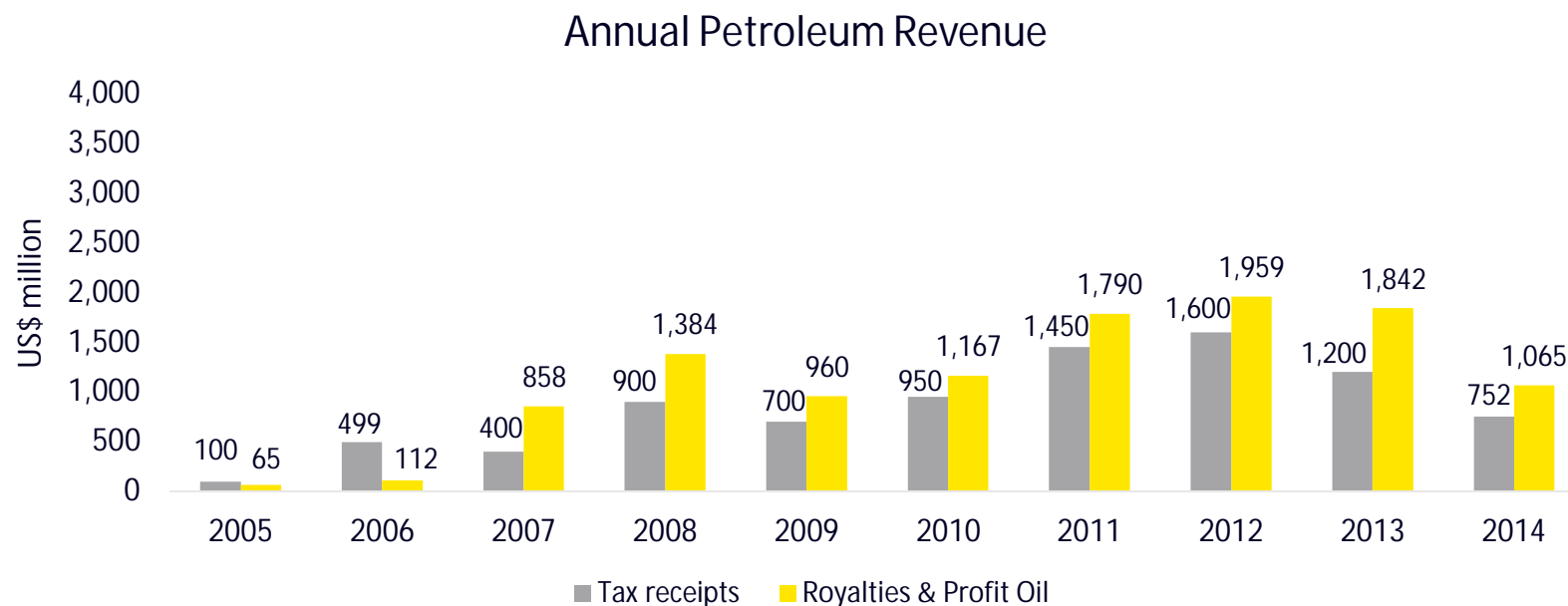
Based on Civil Society's perspective, in order to ensure the sustainability of Petroleum Fund, the Government of Timor-Leste begins to diversify investment of the Petroleum Fund in non-petroleum sectors. For instance, major investments allocating for downstream, South Coast Supply Base and public electricity projects and the development of the Special Zone of Social Market Economy (ZEESM). At the same time, the government have increased the investment in infrastructure sectors, such as constructions of the national roads and bridges, the current instalment of Tibar Sea Port and local airports (Suai and Oecussi). Through these investments, it is expected that the return or revenue could substitute for the revenue generated through the petroleum activities and petroleum fund in nearest future. The CSO encourage more discussion on this matter in the future reports.

## Petroleum Fund Revenues

In 2014, there are two oil fields in the production phase, Bayu Undan and Kitan. Those fields have started the production phase in 2004 and 2011, respectively. Oil price, production volume and production costs are the three main factors that affect the Government's inflow of petroleum revenues. The total petroleum revenue collected during 2014 was US\$ 1,816 million. That was comprised of US\$ 752 million in petroleum taxes, US\$ 1,058 million in royalties and oil and gas profit and US\$ 7 million in other petroleum revenues. These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively.

According to the Petroleum Fund financial Statements, in 2014 the Fund started with a beginning balance of 14,952 million US dollars, received around 1,816 million US dollars of petroleum revenue, as transfer to state budget 732 million US dollars, had 532 million US dollars of investment return and finish with 16,539 million US dollars.

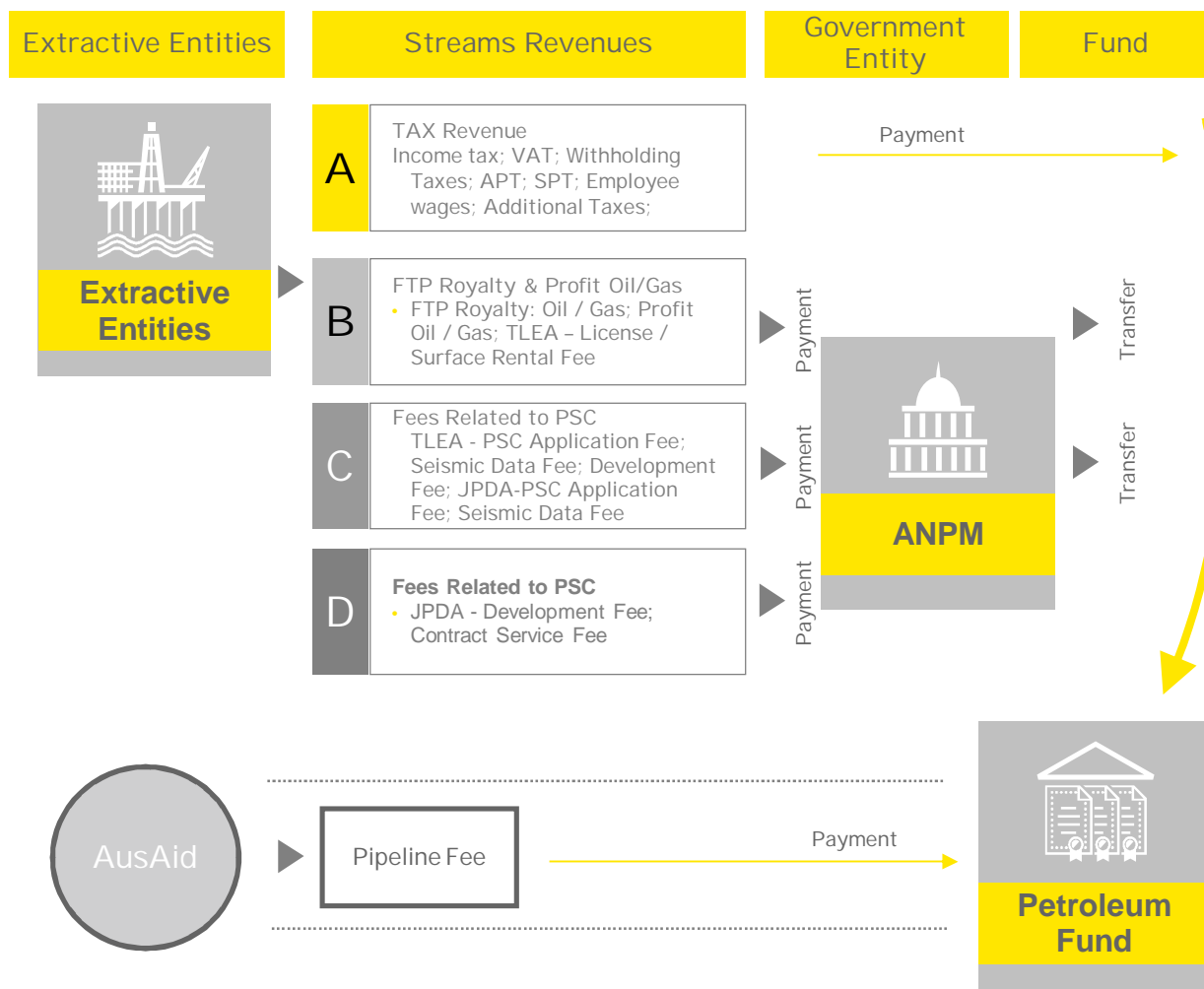
The split between the Tax and Non Tax petroleum revenues were as follows:



Source: *Petroleum Fund Annual report 2014*

## 4.6 Summary of payments process

There are almost no direct links from the petroleum sector to the rest of the economy. All petroleum production is off-shore and outsourced to foreign companies. Petroleum revenues flow into Timor-Leste's off-shore petroleum fund, from which a portion is drawn through the government budget, benefiting the non-oil sector.





## 4.7 State Owned Companies (SOE's)

Petroleum Act (Law No 2005/13) - Article 22 "State Participation in Petroleum Operations," allows a state-owned National Oil Company (NOC) to participate in joint ventures for exploring and exploiting petroleum resources in Timor-Leste. The NOC is not a partner in the Bayu-Undan, Kitan and Greater Sunrise fields in the JPDA, for which contracts were signed before the Petroleum Act became law and the NOC was established.

TIMOR GAP, E.P. was established as a national company of Timor-Leste by Decree-Law no 31/2011. Its main objective is to act on behalf of the State in conducting business within the Petroleum and Gas sector. Its activities vary from Onshore to Offshore and National to International. In 2014 TIMOR GAP is part of the Joint Venture (JV) with Eni and Inpex for PSC 11-106 in the JPDA area with an effective date of October 23<sup>rd</sup>, 2013. TIMOR GAP has 24% of share in the JV partnership. TIMOR GAP is also mandated to manage the Tasi Mane project, several studies in the downstream and other major oil & gas projects on behalf of the Government. This company receives a government injection of funds in the form of an annual public transfer for the purpose of supporting its operational activities in accordance with the State Budget Law. The public transfer to TIMOR GAP is made through to the Ministry of Petroleum and Mineral Resources' (MPRM) annual budget. The Funds allocated to TIMOR GAP are based on the company's annual plan that is approved by the Council of Ministers.

An agreement on the budget execution and reporting is signed every year between MPRM and the TIMOR GAP before the disbursement of the funds to the company's designated bank account. Under Art. 4 of the Decree Law no 31/2011, TIMOR GAP is obliged to submit the report on quarterly basis to MPRM on the use of the public transfer accordingly. Details of transfers are mentioned on TIMOR GAP's 2014 Annual Report.

From the analysis made, TIMOR GAP did not have any related quasi-fiscal expenditures for social services that can be reported in 2014. TIMOR GAP's revenue received in 2014 is already included in the 2014 financial statement reported in the company's annual report. No dividends were received from TIMOR GAP subsidiaries in 2014.

Source: [https://www.timorgap.com/databases/website.nsf/vwAllNew2/ResourceTG\\_Annual\\_2014/\\$File/AnnualReport\\_TIMORGAP\\_EN\\_paginas\\_02.pdf.pdf?openelement](https://www.timorgap.com/databases/website.nsf/vwAllNew2/ResourceTG_Annual_2014/$File/AnnualReport_TIMORGAP_EN_paginas_02.pdf.pdf?openelement)



## 4.8 Licenses / Contract disclosure

ANPM is responsible for the public disclosure of contracts and licenses that provide the terms to the exploitation of oil, gas and minerals.

There are no legal requirements and/or government policy on the disclosure of contracts and licenses on exploration and exploitation of resources. However, these are all available at ANPM's website and annual reports.

Source: <http://www.anpm.tl/category/annual-report/>

Source: <http://www.anpm.tl/list-of-licenses-2006-2016/>

Source: <http://www.anpm.tl/how-to-apply-for-the-downstream-activity-license/>

Source: <http://www.anpm.tl/jpda2/> & <http://www.anpm.tl/tlea/>

Timor-Leste's Oil and Gas sector and both areas (JPDA & TLEA) are governed under Production Sharing Contracts (PSCs) signed between the oil companies and the ANPM.

ANPM is expected to disclose contracts copies and other information relevant about the active licenses. Beside the links above mentioned it's also possible to, by request, ask for more information in their site:

Source: <http://web.anpm.tl/webs/anptlweb.nsf/pgRequest>

Also please find information in appendix B – PSC IN Timor-Leste, C - List of Mining Licenses and D - Operator and Activity listing.

### Other notes:

The majority of PCSs were signed when Timor-Leste was still in occupancy and no much more information exists about the application date or the process (the Annex F PSC - was inherited from Indonesia ZOCA Regime). The 2006 PSC have an application date of May 2006. PSC 11-106 was awarded in 2013 and process already disclosed on the EITI TL 2013 report.

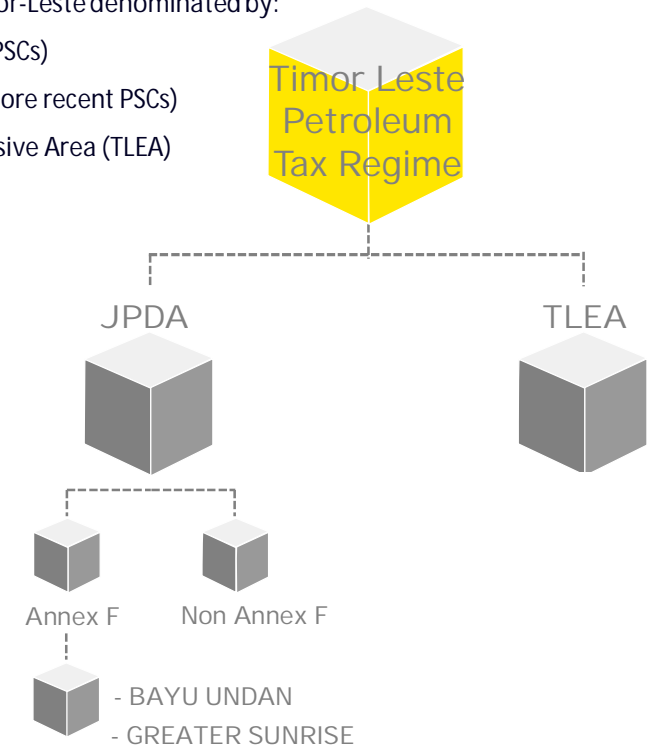
No new licenses were given in 2014.

# 5

## Tax Regime

Timor-Leste's petroleum sector currently consists of two different jurisdictions with different legal and fiscal regimes:

1. The Joint Petroleum Development Area (JPDA) - jointly managed by Australia and Timor-Leste denominated by:
  - § Annex F (older PSCs)
  - § Non Annex F (more recent PSCs)
2. Timor-Leste Exclusive Area (TLEA)



Timor-Leste operates a Production Sharing Contract (PSC) system. Petroleum operations in the Joint Petroleum Development Area (JPDA) and Timor-Leste's exclusive areas are conducted according to PSCs concluded between the Autoridade Nacional do Petróleo e Minerais (ANPM) and Contractors.

This section summarizes the fiscal regime for each jurisdiction.



## 5.1 JPDA – Annex F

The Annex F PSCs cover the Bayu-Undan field and the Greater Sunrise field.

The applicable regime for Annex F is as follows:

- ▶ Timor Sea Treaty (90%) – Both fields
- ▶ Bayu-Undan – Indonesian tax laws at October 25<sup>th</sup>, 1999 and Bayu-Undan Contractors Act (ToBUCA)
- ▶ UNTAET Reg. No. 2000/18
- ▶ Greater Sunrise (Indonesian tax laws at October 25<sup>th</sup>, 1999, Sunrise IUA and CMATS)

### Bayu-Undan field tax regime

The Bayu-Undan field (covering PSCs JPDA 03- 12 and 03-13) is located in the JPDA and as such is governed by the Timor Sea Treaty (TST). The general taxation law (referred to as the Law on Income Tax - Indonesian tax laws at October 25<sup>th</sup>, 1999) as been subject to further modification as a result of the ToBUCA and the Law on The Petroleum Development of Timor Sea (Tax Stability Act).

#### Income TAX

Income tax applies to Contractors at a rate of 30%.

#### Additional Profit TAX (APT)

Bayu Undan Contractors are also subject to an APT (APT is also a supplemental tax in Timor-Leste payable by contractors on the upstream profits) and will be applied against a contractor who has a positive amount of accumulated net receipts for the petroleum operations of that year calculated according the following formula:

$$ANR \times 22.50\% / (1-r), \text{ and } ANR = ((A \times 116.50\%) - (I \times (1-r))) + B$$

Where:

ANR - accumulated net receipts of the contractor;

r – Income tax (currently 30%)

A - Accumulated net receipts from prior years;

B – Net receipts for the current year

I – Interest expense

#### VAT

VAT at a rate of 9% (10% x 90%) is applied to "taxable services" provided in the JPDA from the services rendered or goods by supplier company (i.e. Subcontractors).

#### Withholding tax

There are varies tax rates on gross Income of Goods and Services (WHT) for Subcontractors providing services in petroleum activities in Annex F of the JPDA. The applicable WHT rates vary depending on the type of services (i.e. drilling services (rig); construction services; technical, management, legal and accounting services, royalties, and others).

## Wages Income Tax

Employees providing services in respect of petroleum activities in Annex F of the JPDA are subject to wage income tax (WIT) in Timor-Leste on their remuneration.

The rate of Timor-Leste WIT applicable to employees who are residents of Timor-Leste is 10%, 15% and 30% on gross income of the resident employee's salaries or similar remuneration.

In the case of an employee who is a non-resident the flat WIT rate is  $20\% \times 90\% = 18\%$  of the remuneration.

## Greater Sunrise field tax regime

The Greater Sunrise field (covering PSCs JPDA 03-19 and 03-20) is located partly (i.e. 20.1%) within the JPDA and partly (i.e. 79.9%) outside and under Australia's exclusive jurisdiction.

The tax regime is governed by the TST and the Sunrise International Unitization Agreement (SIUA). The Certain Maritime Agreements in the Timor Sea Treaty (CMATS) provides for a 50:50 revenue-sharing arrangement between the governments of Australia and Timor-Leste.

The major difference from Bayu-Undan field tax regime and the Greater Sunrise field tax regime, besides the % to apply ( $90\% \times 20.1\%$  that is JPDA) and that there are progressive rates in the income tax, is the existence of the Branch profits tax instead of the Additional Profit TAX (APT).

### Branch Profits Tax (BPT)

Greater Sunrise Contractors are subject to a BPT of 20% on 90% of 20.1% of after tax profits. Under the TST, the 20% BPT is reduced to 15% where the company is a resident of Australia or Timor-Leste.

## 5.2 JPDA – Non Annex F

The Timor Sea Treaty (TST) is an agreement between Australia and Timor-Leste which came into force on May 20<sup>th</sup>, 2002 and effectively grants taxation rights to 90% of the revenue from the JPDA to Timor-Leste and 10% to Australia.

The tax regime applicable to Timor-Leste's exclusive areas applies equally to petroleum operations undertaken in Non-Annex F areas in the JPDA, subject to certain modifications, with the main difference being that the relevant tax rates are set at 90% of their normal levels.

### Income TAX

Income tax applies to Contractors at a rate of 30%.

### Supplemental Petroleum TAX (SPT)

Contractors are also subject to an SPT (SPT is a supplemental tax in Timor-Leste payable by contractors on the upstream profits) and will be applied against a contractor who has a positive amount of accumulated net receipts for the petroleum operations of that year calculated according the following formula:

$$\text{ANR} \times 22.50\% / (1-r), \text{ and } \text{ANR} = ((A \times 116.50\%) - (I \times (1-r))) + B$$

Where:

ANR - accumulated net receipts of the contractor;

r – Income tax (currently 30%)

A - Accumulated net receipts from prior years;

B – Net receipts for the current year

I – Interest expense

### VAT

VAT at a rate of 9% ( $10\% \times 90\%$ ) is applied to "taxable services" provided in the JPDA from the services rendered or goods by supplier company (i.e. Subcontractors).

### Withholding tax

The rate of 5.4% will be applied on gross Income of Goods and Services (WHT) for Subcontractors and other suppliers providing services in petroleum activities in non-Annex F of the JPDA.

### Wages Income TAX

Employees providing services in respect of petroleum activities in the non-Annex F area of the JPDA are subject to wage income tax (WIT) in Timor-Leste, on their remuneration.

The rate of Timor-Leste WIT applicable to employees who are residents of Timor-Leste is 10% (below US\$550) or (US\$55 + 30% x amount wages above US\$550) on gross Income of the resident employee's salaries or similar remuneration.

A monthly tax credit of US\$10 is also applied to resident employee who is a natural person.

In the case of an employee who is a non-resident the flat WIT rate is 20% x 90% = 18% of the remuneration.

## 5.3 TLEA – Timor-Leste Exclusive Area

TLEA is, as defined by the Petroleum Act (Law No.13/2005) of Timor-Leste, the exclusive jurisdiction area of Timor-Leste. This country has the sovereign rights for the purposes of exploring for and exploiting its Petroleum (excluding any onshore area).

### Income TAX

Income tax applies to Contractors at a rate of 30%.

### Supplemental Petroleum TAX (SPT)

TLEA Contractors are also subject to an SPT (SPT is a supplemental tax in Timor-Leste payable by contractors on the upstream profits) and will applied against a contractor who has a positive amount of accumulated net receipts for the petroleum operations of that year calculated according the following formula:

$ANR \times 22.50\% / (1-r)$ , and  $ANR = ((A \times 116.50\%) - (I \times (1-r))) + B$

Where:

ANR - accumulated net receipts of the contractor;

r – Income tax (currently 30%)

A - Accumulated net receipts from prior years;

B – Net receipts for the current year

I – Interest expense

### Service Tax

The rate for services tax to a contractor is 12%.

### Sales Tax

The rate for sales tax is 6%.

## Withholding tax

The rate of 6% will be applied on gross Income of Goods and Services (WHT) for Subcontractors and other suppliers providing services in petroleum activities in TLEA.

## Wages Income TAX

Employees providing services in respect of petroleum activities in the TLEA are subject to wage income tax (WIT) in Timor-Leste on their remuneration.

The rate of Timor-Leste WIT applicable to employees who are residents of Timor-Leste is 10% (below US\$550) or  $(US\$55 + 30\% \times \text{amount wages above US\$550})$  on gross Income of the resident employee's salaries or similar remuneration.

A monthly tax credit of US\$10 is also applied to resident employee who is a natural person.

In the case of an employee who is a non-resident the flat WIT rate is 20% of the remuneration.

## Import Duty

Import duty applies (with some exceptions) to goods imported into Timor-Leste. The rate of import duty on the importation of goods by a Contractor in relation to petroleum operations is 6%.

Decommissioning costs for Timor-Leste petroleum activities.

## Abandonment provision

For Timor-Leste and for tax purposes, an amount (permitted by PCS's and approved by ANPM) of a reserve for funding the abandonment may be claimed for a tax deduction for the if some requirements (as plan approval) are accomplish.

# 6

## Overview of Timor Leste extractive industries in 2014 - Mining

### 6.1 Legal framework

In 2008 the government approved the ministerial diploma n°1/2008. This diploma implemented specific rules for licensing the extraction mineral activities (mines and quarries), small and industrial scale. This ministerial diploma was amended twice by:

- ▶ Ministerial Diploma 1/2009, of August 12<sup>th</sup>, 2009
- ▶ Ministerial Diploma 2/2014, of February 19<sup>th</sup>, 2014 (the rules in vigor in 2014)

The 1st amendment introduced prohibition on beach sand extraction to restore the maritime or coastal landscape and create conditions for the creation of infrastructures to improve the use of those areas, as a direct benefit for the population and to allow the development of the tourism sector.

The 2nd amendment introduced the forms for licensing purposes, covering the extraction activities of mid and Large-Scale mineral.

Recently, and not applicable for the scope of this report (2014), under Decree Law No. 1/2016 of February 9<sup>th</sup>, the Autoridade Nacional do Petróleo e Minerais (ANPM) was designated as responsible Authority for managing and regulating petroleum and mining activities in Timor-Leste.

Currently, the ministerial diploma n°1/2008 is no longer applicable as it has been revoked by the Ministerial Diploma No.64/2016 of November 16<sup>th</sup>. The new Ministerial Diploma improves requirements for licensing and introduces principals that are more aligned with the draft Mining Code.



## 6.2 Licensing process

Concerning the mining sector, licenses are granted for one year and are subjected to renewal. The existing mining licenses were awarded for small scale activities, and no bidding round was carried out.

According with article 4 of the Ministerial Diploma 2/2014 the mineral masses categories include construction minerals as sand, grit, sandstone, andesine, basalt, diorite and gabbro and rocks as limestone, and marble.

The exploration classification defined on Art. 7 of the Ministerial Statute, is as follows:

Micro-Scale	Small scale	Mid scale	Large scale
< 30 ton/month	30 - 150 ton/month	150 - 250 ton/month	> 250 ton/month

Until 2016, the mining contractor (natural or corporate person) who had undertaking extraction activities licensed under Art. 8 had to pay an extraction fee in accordance with the following:

- ▶ Mid-Scale Unit; US\$1.50 for each ton of sand and gravel extracted; US\$2.00 for each ton of limestone; and US\$10 for each ton of marble
- ▶ Large-Scale Unit; a flat fee calculated by reference to ton, production/total quantity extracted on the terms of the same values-ton set out above, since the extraction is linked to the quantities permitted by the economic category of the operator/mining contractor

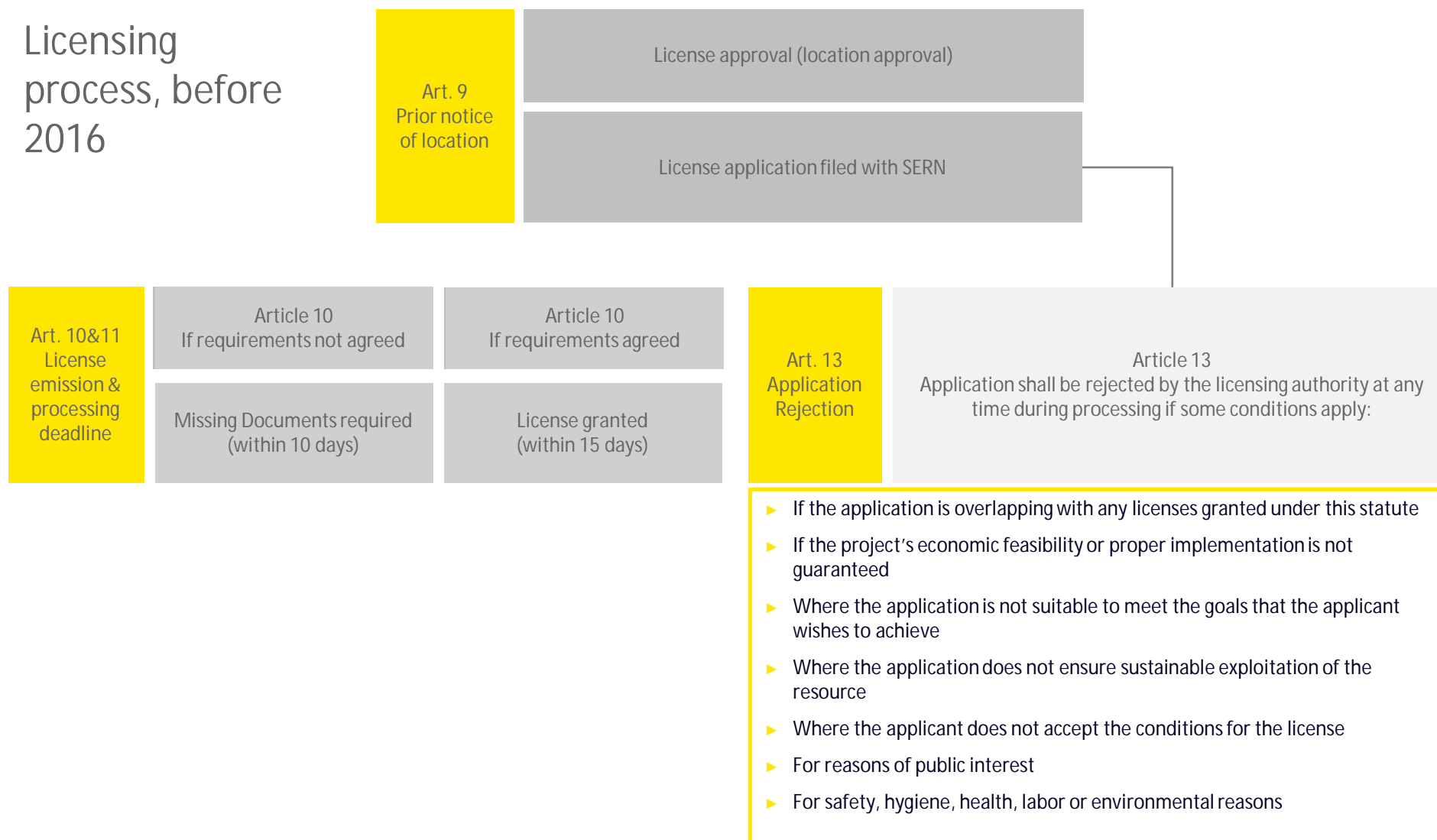
The License costs (Art. 19) were:

- ▶ Mid-Scale Units, one hundred US Dollars (US\$100)
- ▶ Large-Scale Units, one thousand US Dollars (US\$1,000)





## Licensing process, before 2016



### Number of licenses

From 2006 to 2014 the number of licenses recorded by Dirasaun Nasional do Minerais, MPRM have been increasing (see appendix B). Also significant is the increase verified in 2014 comparing to prior years. This was justified by the introduction of the 2nd amendment who made adjustments in the licensing application process easier.

See more detail on licenses in appendix C.

Licenses issued 2006 - 2014

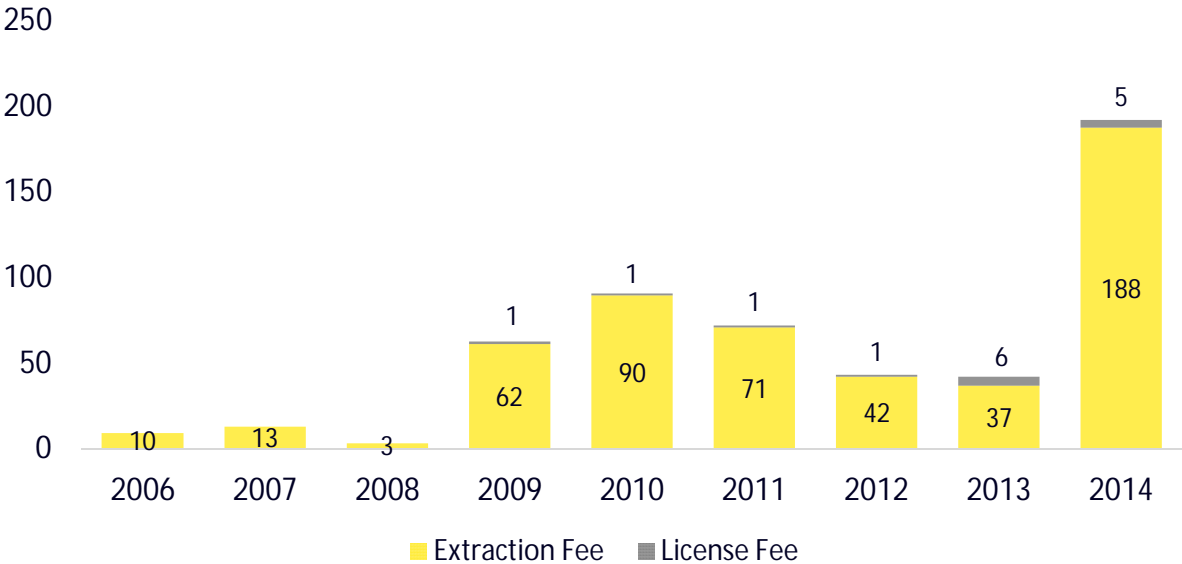


### Revenue

Since 2014 the revenue obtained by the extraction and licenses fees in mineral sector has been growing according to the following graph. This is mainly justified by the legislation and the several controls implemented by Autoridade Nacional do Petróleo e Minerais de Timor-Leste.

Source: <http://www.anpm.tl/list-of-licenses-2006-2016/>

Total fees \$US '000



## 6.3 Coverage of artisanal and small scale mining (ASM)

According to the EITI Requirement 6.3 the EITI reports are expected to include “an estimate of informal sector activity, including but not necessarily limited to, artisanal and small scale mining” and the contributions to the economy for the fiscal year covered.

In the scoping phase, the MSWG have verified that formal or informal mining operations are predominantly simplified forms of exploration, extraction, processing and transportation. In Timor-Leste this is still a typical informality sector with gaps in data (production statistics disaggregated by mine site and mineral).

Timor-Leste, due to the actual activity (production and fees collected), is considered a very small scale (specially compared to Oil & Gas sector).

The MSWG has considered issues of proportionality i.e. how much effort, time and resources, are appropriate for the amount of information that will be used. Data collection can have significant cost implications so it was concluded, in the scoping phase, that the mining revenues are still immaterial.









# 7

## Methodology and approach

### 7.1 Scoping study

EY was engaged to carry out a scoping study in order to set out the EITI reconciliation scope which was used for the 7th Timor-Leste EITI report. This assignment was the first step to do the reconciliation process.

The objective of the scoping study was to clearly define the scope of the EITI reconciliation exercise, the reporting templates, the data collection process and the working schedule, in accordance with EITI Requirements (EITI Standard 2016). This assessment also enabled the remediation of recommendations from prior EITI reports (EITI 2013 report – “8.1.2. Limitations of the reporting template” and “8.2 – 2. Reconciliation scope – Scoping study”).

As Independent Administrator EY has performed the following tasks during the technical-economic evaluation:

- ▶ Identify the companies, State-owned enterprises and institutions that have to be in scope according to requirement 4.1 of the EITI standard
- ▶ Identify and list the oil and gas companies (extraction of oil and gas) and mining industries of Timor-Leste which have made substantial payments to the State and must be in scope for the reporting in accordance with the requirement 4.1 (c) of the EITI standard
- ▶ Identify and list the government bodies that receive substantial payments from oil and gas companies and mining industries of Timor-Leste that must be in scope for reporting in accordance with the requirements of 4.1 (c) of the EITI standard
- ▶ Identify any legislative, regulatory, administrative or practical obstacles for the full disclosure of the total revenue derived from each stream of benefits agreed in the volume needed for the EITI report, including revenues that are below the agreed thresholds, significant to the reporting templates, according to requirement 4.1 (d) EITI standard.



- ▶ Advising the MSWG on how to define the disaggregation level to be applied to the data that will be published
- ▶ Identify the audit procedures and perform confirmation procedures within companies and public institutions involved in the preparation of the EITI report, in order to confirm the compliance with the requirements of 4.9 (a) EITI Standard. This includes the study of relevant laws and bylaws, any initiatives for reform or those that are being introduced, and whether these procedures meet international standards

Finally EY has issued a draft report that was the basis for the analysis made in the initial phase (scoping study report) which was submitted and approved for adoption by the MSWG.

## 7.2 Scope of work

The scope of the 7th report is the 2014 fiscal year.

A materiality threshold defined by the MSWG, includes all revenue streams above US\$100,000 and companies that have made payments (to the material revenues streams) above the same amount in 2014. This threshold permits to capture approximately 99% of the revenues received by the Government from petroleum activities in 2014.

Specifically, the following matters were considered:

- ▶ The total universe of national taxes (revenue streams) paid to the DNRP and accordingly, all non taxes paid to ANPM or to the Fund
- ▶ Use all revenue streams existing in TL in 2014 (DNRP, ANPM and PF) on the basis for the calculation of the material stream relevant to the EITI report
- ▶ The above information was reconciled with the information declared on the Financial Statements of the Petroleum Fund and ANPM
- ▶ The amount / % considered was the combination of the number of revenues streams (more than 10) and the number of entities (around 80 in 2014, including sub-contractors – see appendix A) in order to guarantee that the report will have in scope more than 99% of receivables. This number is achievable due to the size and concentration of the sector only on a few players (as mentioned in prior EITI reports)
- ▶ Mandatory social payments data is not yet collated by the Government on an industry-wide basis. Accordingly, it would be useful for the TL-EITI to have a mechanism to enable industry and government to collate this data on an annual, and systematic, basis

In accordance with the information received from the government entities as well as information from open sources concerning the receipt of tax and non tax payments in 2014, the basis for determining the scope of the report was accomplished.

## 7.3 Materiality thresholds for company disclosures

### 7.3.1 Materiality

The EITI Standard defines materiality as follows: "Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report." Different ways could be used to define materiality for the 2014 Report. The MSWG have defined materiality in terms of a minimum value of payment to the government (US\$ 100,000).

### 7.3.2 Sectors

The Oil & Gas sector covers more than 99% of tax and non tax revenues received from the extractive industry in 2014.

Companies in the mining sector, have a small dimension, therefore, a small impact of revenue amounts received in 2014 (less than US 200 thousands).

Taking into account the requirements of the standard (concerning the definition of significant reporting thresholds, and accountable entities), MSWG has decided to include only the Oil and Gas sector in the report and the mining sector is included as an artisanal and small scale mining (ASM) providing an overview of ASM activity. See section 6 for more detail about mining activities.

### 7.3.3 Subcontractors

The MSWG have decide to include the Subcontrcators that have made payments to significant revenue streams (only Tax) of Oil & Gas activities above the threshold. That will permit to capture more around 1,3% of the total revenue received related with oil & gas activities in Timor Leste.



The Oil & Gas list of entities (Contractors, Subcontractors and Government) in scope are as follows:

OIL & GAS ENTITIES		
Extractive Company		
ConocoPhillips (Timor Sea) Pty Ltd	Eni JPDA 11-106 B.V.	Woodside Petroleum (Timor Sea 03-19) Pty Ltd
ConocoPhillips (03-12) Pty Ltd	Eni Timor - Leste S.p.A.	Woodside Petroleum (Timor Sea 03-20) Pty Ltd
ConocoPhillips (03-13) Pty Ltd	Inpex Sahul Ltd	Government Entities
ConocoPhillips (Emet) Pty Ltd	Inpex Timor Sea Ltd	Direção Nacional de Receitas Petrolíferas (DNRP)
ConocoPhillips JPDA Pty Ltd	Oilex ( JPDA 06-103) Ltd	Autoridade Nacional do Petróleo e Minerais (ANPM)
ConocoPhillips Timor-Leste Pty Ltd	Santos JPDA (91-12) Pty Ltd	Banco Central de Timor-Leste (BCTL)
Eni JPDA 03-13 Limited	Talisman Resources ( JPDA 06-105) Pty Ltd	Timor GAP E.P. (SOE)
Eni JPDA 06-105 Pty Ltd	Tokyo Timor Sea Resource Pty Ltd	Other (Pipeline fee)
		AusAid (1)
Sub-contractors		
Air Energy Group Singapore P/L	Code Engineering Services P/L	Northern Marine Australia P/L
Amec Engineering P/L	Eurest Servico de Suporte (Timor Leste) SA	Prosafé Personnel P/L
Amec Engineering P/L & Clough Engineering Integ, Solutions Services Pty Ltd	Farstad Shipping (Indian Pacific) P/L	Sedco Forex Australia P/L
B2B Engineering Pty Ltd	GAP MHS Aviation TL Lda	SGS Australia P/L
Bluewater Services International P/L	Halliburton Australia P/L	Stena Drilling (Australia) Pte Limited
Brunel Energy Pty Ltd	Interstate Enterprise P/L	Subsea 7 Australia P/L
Caltech Unipessoal Lda	Marine –AU	Subsea 7 Itech Australia P/L
Cameron Services International P/L	MillEnium Offshore Services P/L	Svitzer Asia P/L
Cape East Philippines INC	Neptune Assets Integrity Services P/L	Tiderwater Marine Australia P/L
CHC Lloyd Helicopters Australia P/L		

### 7.3.4 Revenue Streams

Government revenues from the extractive industries consist of:

- Non tax Revenues
- Tax Revenues

The figures for income tax paid by the Oil and Gas industry as a whole are available on government websites.

Based on MSWG decision we consider a significant contribution to be anything above US\$100,000 of total revenue of each subsector in the extractive industry as discussed and adopted by the MSWG.

There are no significant differences between revenues covered under the old EITI requirements and the new EITI Standard issued in 2016.

The Oil & Gas entities tax revenue streams in scope are as follows

OIL & GAS REVENUES STREAMS	
TAX REVENUE	Description (see section 5 for more detail)
§ Income Tax	§ Tax on taxable income of tax payer for each tax year
§ Additional Profits Tax	§ Additional income tax payable by a Contractor that has a positive amount of accumulated net receipts derived from the Bayu-Undan Project for a tax year.
§ VAT	§ Tax on Goods and Services.
§ Wages Withholding tax	§ Tax on the wages of employees (Resident and Non Resident).
§ Withholding Tax Payments	§ This is a tax where any person or company making certain payments is required to deduct from such payments and remit to the National Directorate Petroleum and Minerals Revenue (NDPMR). The payments that attract WHT are payment to services which includes management and consultancy fees, commissions, rent dividends and payments to non-resident contractors.
§ Additional taxes	§ Additional taxes were paid through the Tax assessment which related to the failure to deliver tax forms, tax payment, understatement of tax and failure to create and retain records, interest and penalties

The Oil & Gas entities non tax revenue streams in scope are as follows:

OIL & GAS REVENUES STREAMS	
Non tax REVENUE	Description
§ FTP	§ A production payment made pursuant to a PSC between the TL Government and a Company relating to sales of Oil and Gas.
§ Royalty	§ A royalty payment made according to their PSC between the TL Government and a Company.
§ Profit Oil & Gas Payments	§ A production payment made pursuant to a PSC between the TL Government and a Company relating to profit on sale of Oil and Gas.
§ Fee's Payable	§ Contract service fee (JPDA) - Fee payable to Contract area acquired based on fix amount for JPDA and size /km in TLEA. § Development Fee (JPDA) - Applies when a commercial discovery is declared by the contractor. Fees based on the size of the discovery of the oil and gas reserve § Surface Fee (TLEA) - Fee levied in connection with the license. A license is also used to define a contract area, a lease or a block.
§ Other payments (Pipeline Fee)	§ Fee payable by Australia government (in JPDA) agreed by both country's

## 7.4 Data Collection

The data collection process had the following steps:

- ▶ Preparation of the draft of the data collection templates by the IA (as part of the scoping study)
- ▶ Discussion and adjusted templates after comments, observations and recommendations provided by the MSWG
- ▶ Preparation of separate requests to each government entity (DNRP, Petroleum Fund, BCTL, ANPM), list of entities in scope and state-owned (TIMOR GAP)
- ▶ National Secretariat of Timor-Leste sent the data request templates with a cover letter signed by the Minister of Petroleum and Mineral Resources
- ▶ Once completed by the entities in scope and government entities, the referred questionnaires (templates) were sent by email to the IA
- ▶ Information processing was made by the Independent Administrator
- ▶ Discussion of the discrepancies and adjustments of the differences by IA (involving both parts)
- ▶ Draft of the conclusions made by IA and discussed with MSWG

Specific information requests were incorporated in the reporting templates to address the recommendations made on the last validation report issued by EITI's International secretariat.

## 7.5 Data Quality & Assurance

### Data Assurance

From our observations we have the following comments:

#### Assurance Method in the Public Sector

There are government entities (as ANPM and the petroleum fund) that have a confirmation report, from their external auditor, produced as part of their normal auditing program and financial statements validation, confirming the revenues presented.

The steps for assurance/audit processes mentioned before, should be implemented by law for all public entities in the extractive sector. Hence, the data requested from the independent administrator is expected to be subject to scrutiny through the process mentioned above.

#### Assurance Method in Private Sector

Different circumstances are applied for private companies involved in the extractive sector. Their operational and financial performance is captured in the annual and financial reports, especially for public listed companies or with reliance on the internal control system that is, in the majority of the entities, SOX compliance. The result of the audit process is delivered to the board of directors, and shared to the shareholders via the general shareholders meeting.

The laws and regulations regarding the audit process are not yet applicable for Timor-Leste. Since the EITI reconciliation process, requires data of high reliability and besides we have requested and received the reporting templates signed off by the official in charge and the audited Financial Statements (when applicable).

For significant (based on amount of payments) government and private entities (ConocoPhillips, Eni, Woodside, ANPM, DNRP, PF and BCTL) we have made specific meetings in order to discuss and understand the assurance of the data capture procedures, the internal controls validation (specific SOX and other internal control procedures made by the external auditors) and other procedures.



## 7.6 Other considerations

### Infrastructure Provision and Barter Arrangement

For oil and gas, as previously referred, Timor-Leste follows the PSC mechanism. Under the PSC mechanism, all infrastructure and barter arrangements are owned by the contractor.

The regulation on infrastructure provision by private companies is not yet prepared. To capture unilateral information we have incorporated the request of the information in the reporting templates. Based on the responses received we have concluded that in Timor-Leste the concept of barter arrangements for all practical purposes does not exist (confirmed by the information posted on the reporting templates received by all entities).

### Sub-national Payments and Transfers

As prior reports, based on the procedures done for the scoping study report and taking into consideration the actual structure of Timor-Leste governance (all centralized) no sub-national payments and transfers were detected.

### Transportation

Bayu-Undan field Development Plan, consisted on the installation of a subsea pipeline and the construction of the Darwin LNG plant. The 500 kilometer 26" pipeline supplies gas from Bayu-Undan to be processed into a 3.7 MTPA design capacity Natural Gas facility – Darwin Natural Gas, located in the Northern Territory of Australia. Gas is sent via pipeline, where it is converted into Liquefied Natural Gas for sale to Tokyo Electric and Tokyo Gas in Japan. Since 2006, an average of one LNG cargo per week has been safely shipped to customers.

Article 8 (b) of the Timor Sea Treaty states: "A pipeline landing in Timor-Leste shall be under the jurisdiction of Timor-Leste. A pipeline landing in Australia shall be under the jurisdiction of Australia".

Based on the analysis made and continuing the criteria used in prior years, no transportation revenue is identified. The pipeline fee is an agreement fee between both countries and not a link to transportation revenue.

# 8

## Reconciliation of tax and other payments

### 8.1 Agreed upon procedures

Agreed upon procedures in respect of taxes, Non taxes and other payments included the following:

- ▶ To obtain from extractive companies and government authorities information on taxes, non-taxes and other payments in 2014
- ▶ To reconcile the data from extractive companies and government authorities on each type of payments for each company in 2014
- ▶ In case of discrepancies on payments are identified, to address such company for explanations
- ▶ If based on the explanations received from the companies (or if the company refused to provide such explanations) it's not possible to determine the cause of discrepancies, to address the respective government authority with a request to provide the detailed information on that type of payment
- ▶ If based on the explanations received from the companies and government authorities (or if they refused to provide such explanations) discrepancies remain unexplained, then this shall be indicated on the EITI report

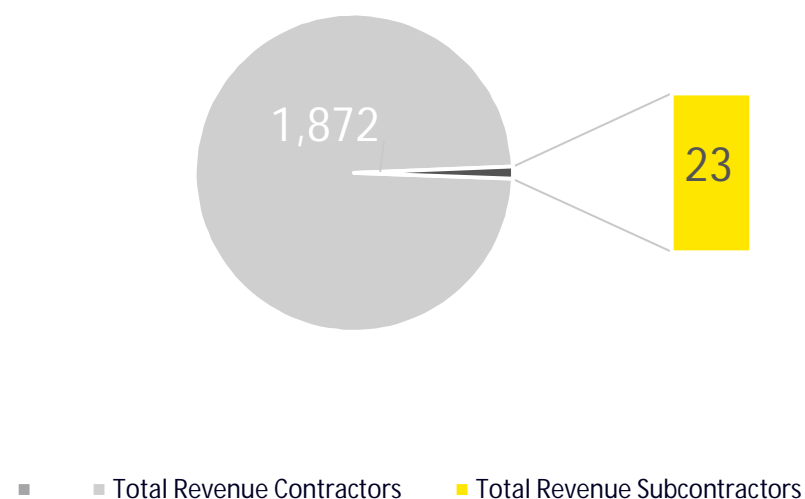
## 8.2 General results of payments reconciliation - Contractors

### Revenues generated from Oil & Gas extractive activities

Follow is a brief description and a summary of the total amount of revenue received by Government entities from the Oil & Gas sector and the amounts in scope:

	\$US '000		
Revenues generated in 2014	Total	Scope	% Scope
Total Tax Revenue	727,821	727,796	99.997%
Total Non Tax revenue reported by ANPM	1,136,975	1,136,949	99.998%
Total revenue - Pipeline	7,163	7,163	100.000%
Sub Total Revenue Contractors	1,871,959	1,871,908	99.997%
Total Revenue Sub-contractors	24,289	23,420	96.422%
Total Revenue Contractors and Sub-contractors in scope	1,896,248	1,895,328	99.951%
Not in scope		920	0.049%

### Revenue in scope (\$US millions)



## Tax payments from Oil & Gas extractive activities

The detail by company of the tax revenue amounts reported by Government is represented as follows:

Out of 20 extractive companies that have paid tax and non tax amounts to DNRP and ANPM (respectively), 18 paid amounts above the threshold. The total amount in scope was \$US 728 million dollars (around 38% of total revenue). Only one entity did not answer and according to the information provided by Government entities, this entity did not pay tax revenue.

						Amounts in USD
Extractive Company Name	Income tax	Additional Profits Tax	VAT - JPDA	Wages Withholding Tax	Withholding Tax Payments	Total Government Taxes Report
ConocoPhillips ( Timor Sea ) Pty Ltd	29,981,492	23,598,921	0	0	377,618	53,958,031
ConocoPhillips (03-12) Pty Ltd	102,544,057	83,064,621	13,428,145	8,971,405	2,803,726	210,811,954
ConocoPhillips (03-13) Pty Ltd	19,968,986	16,062,054	0	0	256,335	36,287,374
ConocoPhillips (Emet) Pty Ltd	3,625,950	2,721,105	0	0	44,537	6,391,592
ConocoPhillips JPDA Pty Ltd	57,033,186	46,144,135	0	0	732,313	103,909,634
ConocoPhillips Timor-Leste Pty Ltd	0	0	0	273,947	15,338	289,285
Eni JPDA 03-13 Limited	35,254,120	27,972,865	0	0	527,600	63,754,585
Eni JPDA 06-105 Pty Ltd	0	0	16,217,204	279,603	12,139,325	28,636,132
Eni JPDA 11-106 B.V.	0	0	0	33,461	420	33,881
Eni Timor - Leste S.p.A.	0	0	0	7,803	32,843	40,646
Inpex Sahul Ltd	53,095,778	34,938,645	0	0	542,420	88,576,843
Inpex Timor Sea Ltd	3,029,220	0	0	0	570	3,029,790
Oilex ( JPDA 06-103) Ltd	0	0	0	26,355	26,397	52,752
Santos JPDA (91-12) Pty Ltd (1)	34,892,114	29,173,332	0	0	503,055	64,568,501
Talisman Resources ( JPDA 06-105) Pty Ltd	0	0	0	0	0	0
Tokyo Timor Sea Resource Pty Ltd	33,356,413	33,626,464	0	0	439,388	67,422,265
Woodside Petroleum (Timor Sea 19) Pty Ltd	0	0	0	30,569	2,178	32,747
Woodside Petroleum (Timor Sea 20) Pty Ltd	0	0	0	0	0	0
<b>Total in Scope</b>	<b>372,781,316</b>	<b>297,302,142</b>	<b>29,645,349</b>	<b>9,623,143</b>	<b>18,444,063</b>	<b>727,796,012</b>

(1) The tax amount paid by Santos contains a Tax offset of US\$ 23 millions as a result of prior year tax assessment on several tax issue relating to Arbitration

The detail by company of the non tax revenue amounts reported by the Government is represented as follows:

Amounts in USD					
Extractive Company Name	FTP	Royalty	Profit Oil	Fees Payable	Total Government Non taxes Report
ConocoPhillips (03-12) Pty Ltd	147,385,597	0	262,943,201	160,000	410,488,798
ConocoPhillips ( Timor Sea ) Pty Ltd	0	0	75,831,304	0	75,831,304
ConocoPhillips (03-13) Pty Ltd	0	0	51,443,104	1,829,100	53,272,204
ConocoPhillips (Emet) Pty Ltd	0	0	8,943,676	0	8,943,676
ConocoPhillips JPDA Pty Ltd	0	0	146,965,860	160,000	147,125,860
ConocoPhillips Timor-Leste Pty Ltd	0	0	0	0	0
Eni JPDA 03-13 Limited	0	0	112,271,239	0	112,271,239
Eni JPDA 06-105 Pty Ltd	0	3,338,619	-501,887	566,250	3,402,982
Eni Timor - Leste S.p.A.	0	0	0	154,000	154,000
Eni JPDA 11-106 B.V	0	0	0	90,000	90,000
Inpex Sahul Ltd	6,001,818	0	95,970,571	0	101,972,389
Inpex Timor Sea Ltd	0	5,394,600	4,399,967	0	9,794,567
Santos JPDA (91-12) Pty Ltd	0	0	117,450,402	0	117,450,402
Tokyo Timor Sea Resource Pty Ltd	0	0	93,999,064	0	93,999,064
Talisman Resources (JPDA 06-105) Pty Ltd	0	2,086,637	-313,679	0	1,772,958
Woodside Petroleum (Timor Sea 19) Pty Ltd	0	0	0	160,000	160,000
Woodside Petroleum (Timor Sea 20) Pty Ltd	0	0	0	160,000	160,000
Oilex ( JPDA 06-103) Ltd	0	0	0	60,000	60,000
Total in Scope	153,387,415	10,819,857	969,402,823	3,339,350	1,136,949,444

The total amount in scope was \$US 1,137 million (around 60% of total revenue). Only one entity (Talisman Resources) did not answer and that represents a tax revenue amount not confirmed of \$US 1,772 thousand (0.09% of total revenue).



## Extractive Companies - Reconciliation Results

The reconciliation process was as described in section 8.1. Follow see the conclusion summary of the tax and non tax revenue reconciliation:

TAX REVENUE RECONCILIATION RESULTS					Amounts in USD
DESCRIPTION	All Extractive Company Payments	Government Receivables	2014		Results after Reconciliation
			Results of the initial request	Adjustments during Reconciliation	
Income tax	373,159,445	372,781,316	-378,129	378,129	0
APT Installment	296,924,013	297,302,142	378,129	-378,129	0
VAT – JPDA	29,193,616	29,645,350	451,734	-451,733	0
Wages Withholding Tax	9,621,609	9,623,143	1,534	18,530	-627
Withholding Tax Payments	16,131,473	18,444,062	2,312,589	-2,332,546	735
Additional Taxes	2,791,786	0	-2,791,786	2,791,786	0
	727,821,942	727,796,013	-25,929	26,038	108
NON TAX REVENUE RECONCILIATION RESULTS					Amounts in USD
DESCRIPTION	All Extractive Company Payments	Government Receivables	2014		Results after Reconciliation
			Results of the initial request	Adjustments during Reconciliation	
FTP	170,210,400	153,387,415	-16,822,986	16,822,956	-30
Royalty	8,733,220	10,819,857	2,086,637	0	2,086,637
State production entitlement (Profit Oil)	935,657,575	969,402,823	33,745,248	-34,059,012	-313,764
Fees Payable	3,756,036	3,339,350	-416,686	416,686	0
	1,118,357,231	1,136,949,444	18,592,214	-16,819,370	1,772,844
Total	1,846,179,173	1,864,745,458	18,566,285	-16,793,332	1,772,952

Please see next the description of the adjustments made during the reconciliation process.

## Extractive Companies - Reconciliation Results

The detail of the reconciliation, as well as differences noted between amounts paid by extractive companies and amounts received by Government Entities are as follows:

Amounts in USD						
Extractive Entity	Initial Results			2014 (TAX and Non TAX)		
	Company	Government	Difference	Company	Adjustments Government	Difference
ConocoPhillips ( Timor Sea ) Pty Ltd	130,557,453	129,789,335	-768,118		768,118	0
ConocoPhillips (03-12) Pty Ltd	620,581,581	621,300,752	719,171		-719,250	-79
ConocoPhillips (03-13) Pty Ltd	89,559,578	89,559,578	0			0
ConocoPhillips (Emet) Pty Ltd	15,286,400	15,335,268	48,868		-48,868	0
ConocoPhillips JPDA Pty Ltd	251,035,494	251,035,494	0			0
ConocoPhillips Timor-Leste Pty Ltd	289,285	289,285	0			0
Eni JPDA 03-13 Limited	176,025,859	176,025,824	-34			-34
Eni JPDA 06-105 Pty Ltd	32,089,040	32,039,115	-49,925		49,925	0
Eni Timor - Leste S.P.A	178,834	194,646	15,812		-15,812	0
Eni JPDA 11-106 B.V.	90,395	123,881	33,486		-34,113	-627
Inpex Sahul Ltd	190,558,266	190,549,233	-9,033			-9,033
Inpex Timor Sea Ltd	12,824,357	12,824,358	0			0
Santos JPDA (91-12) Pty Ltd (1)	180,358,544	182,018,903	1,660,359	-1,706,397	46,038	0
Tokyo Timor Sea Resource Pty Ltd	146,279,323	161,421,329	15,142,006	-15,142,006		0
Woodside Petroleum (Timor Sea 19) Pty Ltd	192,747	192,747	0			0
Woodside Petroleum (Timor Sea 20) Pty Ltd	160,000	160,000	0			0
Oilex ( JPDA 06-103) Ltd	112,017	112,752	735			735
Subtotal	1,846,179,173	1,862,972,500	16,793,327	-16,848,403	46,038	-9,038
Not reported - Talisman Resources (JPDA 06-105) Pty Ltd	0	1,772,958	1,772,958			1,772,958
Reclassification to Penalties / others						9,033
	1,846,179,173	1,864,745,457	18,566,283	-17,219,641	-34,022,007	1,772,952

## Reconciliation Results by Revenue Stream - Reclassifications

The detail of adjustments of reclassifications between revenue streams and/or group entities are detailed as follow:

Amounts in USD										
Extractive Company	Adjustments by type of Revenue									Total
	ANPM			DNRP						
	Fees Payable	State production entitlement (Profit Oil)	Penalty / Interest	Income tax	Additional Profits Tax	VAT - JPDA	Wages Withholding Tax	Withholding Tax Payments	Additional Taxes	
Conocophillips ( Timor Sea ) Pty Ltd				768,118				- 377,618	377,618	768,118
Conocophillips (03-12) Pty Ltd			-	719,250		- 408,353		- 901,024	1,309,378	- 719,249
Conocophillips (03-13) Pty Ltd								- 256,335	256,335	-
Conocophillips (Emet) Pty Ltd			-	48,868				- 44,537	44,537	- 48,868
Conocophillips JPDA Pty Ltd								- 732,313	732,313	-
Conocophillips Timor Leste							- 6,339	6,339		-
ENI JPDA 03-13 Limited				378,129	- 378,129					-
Eni JPDA 06-105 PTY LTD						- 43,380	66,761	- 44,765	71,309	49,925
Eni Timor - Leste S.p.A.							- 7,803	- 8,306	297	- 15,812
Eni JPDA 11-106 B.V.							- 34,088	- 25		- 34,113
Inpex Sahul Ltd		9,033	- 9,033							-
Oilex ( JPDA 06-103) Ltd	20,000							- 20,000		- 0
Total	20,000	9,033	- 9,033	378,129	- 378,129	- 451,733	18,531	- 2,378,584	2,791,787	0

The adjustments were supported by adequate evidence. We have obtained the support documentation in order to validate on which revenue stream belongs the receipt reported by Entity and/or Government and we have performed the correct allocation. The impact in differences between payables and receipts is zero.

## Reconciliation Results by Revenue Stream - Adjustments

The adjustments were carried out after confirmations and discussions between the IA and the Extractive Entities and Government Entities. Conclusions were supported by adequate evidence wherever deemed appropriate.

The detail of these adjustments by company are as follows:

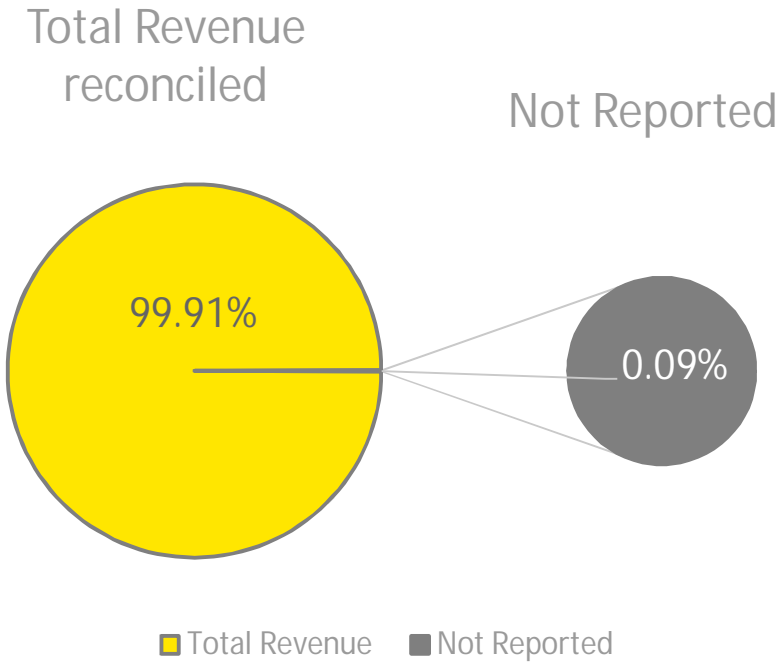
Amounts in USD							
Extractive Company	Entity					DNRP	
	FTP (a)	Fee's Payable (a)		FTP (c)		Withholding Tax Payments (b)	Total
Santos JPDA (91-12) Pty Ltd	16,822,956	396,686	-	18,926,039	-	1,706,397	46,038
Tokyo Timor Sea Resource Pty Ltd			-	15,142,006	-	15,142,006	
Total	16,822,956	396,686	-	34,068,045	-	16,848,403	46,038

- § (a) The entity has reported amounts directly paid to Conocophilips (as the Operator) and not to ANPM. We have request supporting documentation and adjusted in accordance;
- § (b) DNRP had reported amounts of withholding tax payments only received in 2015. We have obtained the supporting evidence and concluded that this was a time difference;
- § (c) The Entity has reported the FTP accrued for 2014 and not the actual payment made in 2014. We have obtained the supporting evidence and concluded as reconciled.

# Unreconciled differences

Based on the final results we have concluded that the difference note reconciled are mainly the amount related to Talisman Resources that didn't respond to our confirmation procedure (\$US 1,773 million). This amounts represents around 0,09% of total revenue, permitting us to conclude that the amount verified is very representative.

Amount in USD				
Extractive Company	Entity	ANPM		Entities Government Report
		Royalty	State production entitelment (Profit Oil)	
Not reported - Talisman Resources (JPDA 06-105) Pty Ltd	-	2,086,637	-313,679	1,772,958





## 8.3 General results of payments reconciliation – Subcontractors

The detail by Subcontractor of the tax revenue amounts reported by the Government as receivable is represented as follows:

Subcontractor Name	Income tax	Additional Profits Tax/ Supplemental Profit Tax	Wages Withholding Tax	Withholding Tax Payments	Government Taxes Report	Notes
Air Energy Group Singapore P/L	0	33,416	235,141	0	268,557	No answer
Amec Engineering P/L	0	0	282,634	0	282,634	No answer
Amec Engineering P/L & Clough Engineering Integ, Solutions Services Pty Ltd	1,696,431	0	0	1,082,046	2,778,477	
B2B Engineering Pty Ltd	4,516	0	165,430	0	169,946	No answer
Bluewater Services International P/L	0	0	1,409,393	0	1,409,393	
Brunel Energy Pty Ltd	9,156	0	137,867	0	147,023	
Caltech Unipessoal Lda	158,858	0	211,532	14,340	384,730	
Cameron Services International P/L	59,897	0	256,831	0	316,728	No answer
Cape East Philippines INC	0	0	994,003	0	994,003	
CHC Lloyd Helicopters Australia P/L	0	0	896,288	23,166	919,454	
Code Engineering Services P/I	174,030	0	1,848,729	0	2,022,759	
Eurest Servico de Suporte (Timor Leste) SA	0	0	531,577	0	531,577	No answer
Farstad Shipping (Indian Pacific) P/L	0	0	1,568,473	0	1,568,473	No answer
GAP MHS Aviation TL Lda	0	0	113,075	6,235	119,310	
Halliburton Australia P/L	255	0	154,594	233,671	388,520	
Interstate Enterprise P/L	198,605	0	309,119	160,263	667,987	

## Subcontractors

Subcontractor Name	Income tax	Additional Profits Tax/ Supplemental Profit Tax	Wages Withholding Tax	Withholding Tax Payments	Governmet Taxes Report	Notes
Marine -AU	0	0	0	297,482	297,482	No answer
Millenium Offshore Services P/L	1,716,119	0	651,254	2,582,773	4,950,146	
Neptune Assets Integrity Services P/L	207,353	0	451,532	267,365	926,250	
Northern Marine Australia P/L	8,446	0	221,780	0	230,226	No answer
Prosafe Personnel P/L	79,019	0	97,133	0	176,152	
Sedco Forex Australia P/L	0	0	1,409,956	973,481	2,383,437	
SGS Australia P/L	58,004	36,566	90,475	29,175	214,220	No answer
Stena Drilling (Australia) Pte Limited	0	0	173,978	0	173,978	No answer
Subsea 7 Australia P/L	0	0	188,689	213,148	401,837	
Subsea 7 Itech Australia P/L	0	0	143,574	9,787	153,361	
Svitzer Asia P/L	0	0	232,324	0	232,324	No answer
Tiderwater Marine Australia P/L	0	0	309,472	1,312	310,784	
Total	4,370,689	69,982	13,084,853	5,894,244	23,419,768	

Out of 51 subcontractors that have paid tax amounts to DNRP, we have identified 28 entities in scope. The total amount in scope was \$US 23,4 million (1.28% of total revenue).

Eleven entities did not answer, representing an unconfirmed tax revenue amount \$US 4,286 thousand, or 0.23% of total revenue.

## Subcontractors - Reconciliation Results

Below is the detailed results of our reconciliation exercise, as well as differences noted between amounts paid by subcontractors companies and amounts received by Government Entities:

Amounts in USD						
Subcontractor Name	Initial Results		Adjustments			
	Subcontractor	Government	Difference	Company	Government	Difference
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	6,200,940	2,778,477	3,422,463	-3,422,464		0
Bluewater Services International P/L	9,133,397	1,409,393	7,724,004	-7,724,004		0
Brunel Energy Pty Ltd	143,911	147,023	-3,112	3,112		0
Caltech Unipessoal Lda	432,551	384,729	47,822			47,822
Cape East Philippines INC	994,003	994,003	0			0
CHC Lloyd Helicopters Australia P/L	916,669	919,454	-2,785			-2,785
Code Engineering Services P/I	2,092,495	2,022,759	69,735	-142,078		-72,342
GAP MHS Aviation TL Lda	848,478	119,310	729,169	-13,853		715,316
Halliburton Australia P/L	388,704	388,521	183			183
Interstate Enterprise P/L	376,363	667,986	-291,623			-291,623
Millenium Offshore Services P/L	4,261,323	4,950,146	-688,823			-688,823
Neptune Assets Integrity Services P/L	1,921,735	926,249	995,486	-995,411		75
Prosafe Personnel P/L	171,270	176,152	-4,882			-4,882
Sedco Forex Australia P/L	2,383,437	2,383,437	0			0
Subsea 7 Australia P/L	534,735	401,837	132,899	-132,899		0
Subsea 7 Itech Australia P/L	221,747	153,361	68,387	-2,131	66,256	0
Tiderwater Marine Australia P/L	419,436	310,784	108,652	-58,784	49,867	1
Subtotal	31,441,194	19,133,621	12,307,575	-12,488,512	116,123	-297,058
Not Reported	0	4,286,147	-4,286,145	0	0	-4,286,145
Total	31,441,194	23,419,768	8,021,430	-12,488,512	116,123	-4,583,207

## Subcontractors - Reconciliation Results

The total amount not reconciled was \$US 4,583,207, or 0.24% of the total revenue.

We present in the table below a summary of the tax revenue reconciliation:

Amounts in USD					
Description	All Subcontractor Payments	Government Receivables	Results of the initial request	Adjustments during Reconciliation	Results after Reconciliation
Income tax	9,541,292	4,370,688	-5,170,604	-5,324,898	154,294
Additional Profits Tax/ Supplemental Profit Tax	0	69,982	69,982		69,982
Branch Profits Tax	1,145,812	0	-1,145,812	-1,145,812	0
Wages Withholding Tax	7,486,397	13,084,854	5,598,457	1,597,725	4,000,732
Withholding Tax Payments	13,157,539	5,894,244	-7,263,295	-7,644,931	381,636
Additional Taxes + Penalty / Interest	110,157	0	-110,157	-86,717	-23,440
	31,441,194	23,419,768	-8,021,429	-12,604,633	4,583,207

## Adjustments

The adjustments were carried out on the basis of confirmations from subcontractors companies and Government Entities and were supported by adequate evidence wherever deemed appropriate. The adjustments are detailed as follows:

Adjustments	Total in USD
Tax amount incorrectly reported by Government	-116,123
Tax amount incorrectly reported by Entity	-12,488,512
	-12,604,635

The detail of these adjustments by company is detailed in this table:

Companies	Subcontractor			Government Entities	Tax received not reported in USD
	Time difference (a)	Amount reported is not tax	Tax incorrectly reported	Tax received not reported	
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	3,422,464				3,422,464
Bluewater Services International P/L		7,724,004			7,724,004
Brunel Energy Pty Ltd	-3,112				-3,112
Code Engineering Services P/L	142,078				142,078
GAP MHS Aviation TL Lda	13,853				13,853
Neptune Assets Integrity Services P/L			995,411		995,411
Subsea 7 Australia P/L			132,899		132,899
Subsea 7 Itech Australia P/L			2,131	66,256	68,387
Tiderwater Marine Australia P/L	58,784			49,867	108,651
Total	3,634,067	7,724,004	1,130,441	116,123	12,604,635

Notes:

- The Entities has reported the tax payable of 2014 instead of tax amount actually paid in 2014;
- The Entity has reported initially the base of tax calculation, not the amount paid;
- The Entities have identified an error and they have corrected the template received by IA;
- This was a time difference between the payable by the entity in 2014 and the receivable of the NDRP in 2015.



## Unreconciled Differences

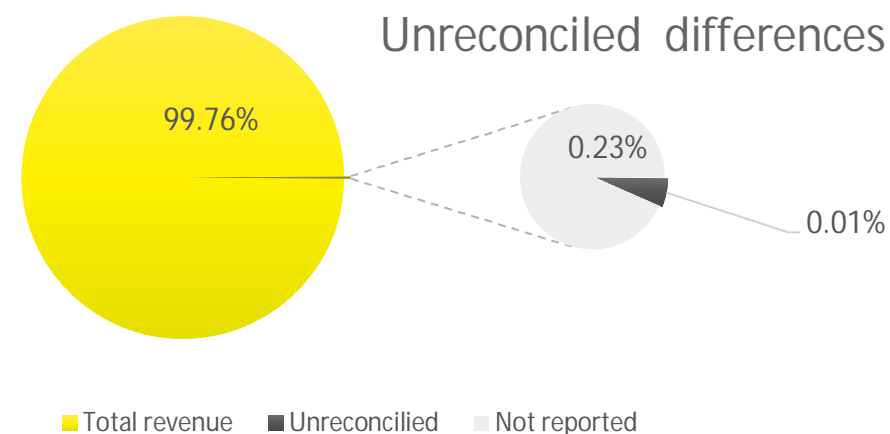
Below is a summary of the unreconciled differences by company after the reconciliation process:

Amounts in USD

Subcontractors	Subcontractors	Government Entities	Difference
Caltech Unipessoal Lda	432,551	384,729	47,822
CHC Lloyd Helicopters Australia P/L	916,669	919,454	-2,785
Code Engineering Services P/I	1,950,417	2,022,759	-72,342
GAP MHS Aviation TL Lda	834,626	119,310	715,316
Interstate Enterprise P/L	376,363	667,986	-291,623
Millenium Offshore Services P/L	4,261,323	4,950,146	-688,823
Prosafe Personnel P/L	171,270	176,152	-4,882
Other differences	258		258
Total unreconciled	8,943,477	9,240,536	-297,058
Not reported (see list in appendix F)		4,286,145	-4,286,145
Total	8,943,477	13,526,681	-4,583,203

Based on the final results we have concluded that the difference not reconciled are mainly due to the entities that have not submitted their reported template (US\$ 4,2 millions of US\$ 4,6 total unreconciled amount). This amounts represents around 18,9% of the total amount received from Subcontractors but only 0,24% of total revenue.

## Total Revenue in Scope



## 8.4 Pipeline Payment

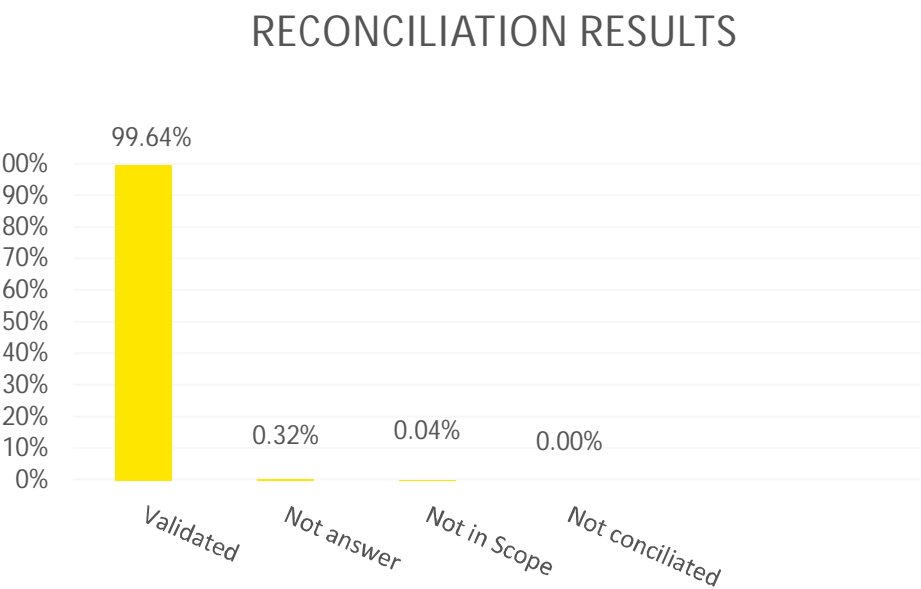
The Pipeline Fee reported for 2014 was reconciled with any discrepancies detected:

Amounts in USD						
Company Name	Aus Aid ( AUD \$)	Aus Aid ( USD \$)	Government Receivables	Results of the initial request	Adjustments during Reconciliation	Results after Reconciliation
AUSAID	8,000,000	7,163,200	7,163,200	0	0	0
Total	8,000,000	7,163,200	7,163,200	0	0	0

The Pipeline fee represents 0.39% of total revenue and the amount reported by AusAid is line with the amount received by Petroleum Fund (BCTL).

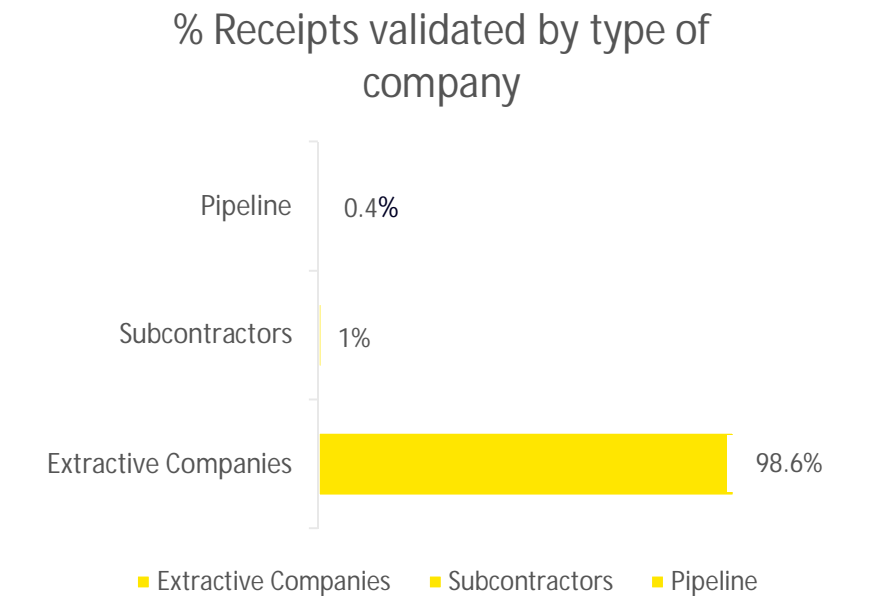
# 8.5 Reconciliation Results - Summary

The summary of reconciliation results:



The receipts validated represented 99.64% of the total amount reported by the Government Entities. The amount of not reported represents 0.32% of the total amount of receipts and 0.04% represents the amount reported by Government entities but not in scope.

Extrative companies represents 98.6% of the total receipts validated, the amount received from AusAid represents 0.4% and subcontractors amount validated represents 1% of the total amount of receipts.









# 9

## Beneficial Ownership

### Regulatory Reform for Beneficial Ownership disclosure

According EITI's Requirement 2.5 it is recommended that EITI compliant countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) which bid for, operate or invest in extractive assets, including the identity(ies) of their beneficial owner(s) and the level of ownership.

Currently, there is no comprehensive and publicly available database on beneficial ownership in line with the new EITI Standard. The country does not maintain a public register (Company register) with basic information on corporate entities. The MSWG should launch a consultation to initiate a regulatory reform aimed at bringing the Timor-Leste disclosure rules and regulations in pair with internationally acceptable standards.

Laws, regulations and contracts should all build in requirements for beneficial ownership disclosure, so that this becomes a standard requirement within Timor-Leste legal framework. This could be achieved by including the definition and threshold of ultimate beneficial ownership mandatory disclosure in the mining and oil & gas sector.

As already mentioned the majority of the operators included in the scope of the report (working in the JPDA and TLEA areas) are subsidiaries of publicly listed companies. :See the list of extractive companies, its ultimate owners and the link to the Investor information for each one off them is the next page.



## List of extractive companies and it's ultimate owners company and the link to the Investor information

Company Name	Ultimate Beneficial Owner	Notes	Link
Eni JPDA 03-13 Limited Eni JPDA 06-105 Pty Ltd Eni JPDA 11-106 B.V. Eni Timor - Leste S.p.A	Eni S.p.A.	Eni Is listed on both New York Stock Exchange (NYSE) and the FTSE MIB of the Milan Stock Exchange	<a href="https://www.eni.com/en_IT/investors/eni-on-the-stock-markets.page">https://www.eni.com/en_IT/investors/eni-on-the-stock-markets.page</a>
Woodside Petroleum (Timor Sea 19) Pty Ltd Woodside Petroleum (Timor Sea 20) Pty Ltd	Woodside Petroleum Ltd	Woodside Petroleum (Timor Sea 19) Pty Ltd is a wholly-owned by Woodside Petroleum Ltd, which is also the ultimate holding company of the Woodside group of companies. Woodside Petroleum Ltd is an Australian public company listed on the Australian Securities Exchange	<a href="http://www.woodside.com.au/investors-Media/Shareholders-Services/Pages/default.aspx#.WUEqiE0kuUk">http://www.woodside.com.au/investors-Media/Shareholders-Services/Pages/default.aspx#.WUEqiE0kuUk</a>
ConocoPhillips ( Timor Sea ) Pty Ltd ConocoPhillips (03-12) Pty Ltd ConocoPhillips (03-13) Pty Ltd ConocoPhillips (Emet) Pty Ltd ConocoPhillips JPDA Pty Ltd ConocoPhillips Timor-Leste Pty Ltd	ConocoPhillips	ConocoPhillips is a US public company listed on the New York Stock Exchange	<a href="http://www.ConocoPhillips.com/investor-relations/Pages/default.aspx">http://www.ConocoPhillips.com/investor-relations/Pages/default.aspx</a>
Inpex Timor Sea, Ltd Inpex Sahul Ltd	INPEX CORPORATION	INPEX CORPORATION holds a 100% shares of INPEX Timor Sea, Ltd; INPEX CORPORATION holds a 100% shares of INPEX Sahul, Ltd	<a href="http://www.inpex.co.jp/english/ir/shareholder/stock.html">http://www.inpex.co.jp/english/ir/shareholder/stock.html</a>
Santos JPDA (91-12) Pty Ltd	Santos Ltd	Santos is an Australian natural gas company. Established in 1954,	<a href="https://www.santos.com/investors/shareholder-information/">https://www.santos.com/investors/shareholder-information/</a>
Tokyo Timor Sea Resource Pty Ltd	Tokyo Gas Co. Ltd, Tokyo Electric Power Co. Inc	Tokyo Gas Group is a Japanese group	<a href="http://www.tokyo-gas.co.jp/IR/english/stock/holder_e.html">http://www.tokyo-gas.co.jp/IR/english/stock/holder_e.html</a>
Oilex ( JPDA 06-103) Ltd	Oilex Limitada	Oilex Group is a Japanese group	<a href="http://www.oilex.com.au/investor-information">http://www.oilex.com.au/investor-information</a>

# 10

## Social expenditures by extractive companies

### Social & Economic expenditure

According to requirement 6 from EITI Standard social expenditures and the impact of the extractive sector on the economy should be disclosed helping readers to assess social and economic impacts and outcomes that this industries create on the country. Those requirements include:

- ▶ Social expenditures by companies
- ▶ SOE quasi-fiscal expenditures
- ▶ The contribution of the extractive sector to the economy

There is no legal requirement to consider social expenditure as mandatory for extraction companies, however there are expenditures considered as cost recovery and agreed and reviewed by ANPM (denominated local commitments - LC). Those expenditures are recommended under the Production Sharing Contract (PSC) and pre approved with the work plans annually agreed per each block.

To all other social expenditures (voluntary) it decided to included in the data collection process and do a unilateral reporting from companies to enhance their contributions.

Amounts in '000 USD

Extractive Entity	Amount Reported
ConocoPhillips	19,190
Eni (JPDA 06-105)	53,388
Sub-Total	72,578
Sub-Contractors	Amount Reported
Millenium offshore services Pte Ltd	140
CHC Lloyd Helicopters Australia P/L	2
Subsea 7 Australia P/L	175
Sub-Total	317
Total	73,212

## Local commitments (Mandatory)

Oil and Gas companies operating in both TLEA and JPDA jurisdictions are recommended to procure goods and services produced or supplied by providers in Timor-Leste (and Australia for JPDA). In both jurisdictions, oil and gas companies and their sub-contractors are required to give preference in training and employment to Timor-Leste nationals and permanent resident.

ANPM works closely with oil and gas companies in JPDA and TLEA to measure Local Content performance in terms of local participation in procurement of goods and services as well as training and employment for petroleum activities in both jurisdictions.

Annually PSC Operators report regulatory reports with figures and information about their activities (including subcontractors).

The local commitments reported by the Extractive Entities (ConocoPhillips and Eni) under PSC article 5.4 are as follows:

Amount in USD						
Description Social Expenditure	Company Name	Extractive Entity Payments	Government Receivables	Results of the initial request	Adjustments during Reconciliation	Results after Reconciliation
Others - ConocoPhillips Offshore Timor-Leste employees	ConocoPhillips	822,119	822,119	0	0	0
Other - Local goods and Services	ConocoPhillips	876,837	876,837	0	0	0
Other - Contractors Timor Leste employees	ConocoPhillips	5,002,491	5,002,491	0	0	0
Others - contractors Timor Leste good & Services	ConocoPhillips	6,235,131	6,235,131	0	0	0
Others - ConocoPhillips Dill office employee	ConocoPhillips	324,457	324,457	0	0	0
Others - Local goods and services - Dill Office	ConocoPhillips	503,283	503,283	0	0	0
Eni - Local goods and services	Eni	52,432,164	52,432,164	0	0	0
Eni – Training & Employment	Eni	20,574	20,574	0	0	0
Eni Sub-contractors - Local goods and services	Eni	859,366	859,366	0	0	0
Eni Sub-contractors - Training & Employment	Eni	76,164	76,164	0	0	0
Total		67,152,586	67,152,586	0	0	0

The amounts reported by Entities were confirmed by ANPM and are identified on the annual reports prepared and send annually to ANPM review and approval.

This Information is available in the Financial Statements of ANPM (<http://web.anpm.tl/webs/anptlweb.nsf/vwAll/Resource-Annual%20Report%202014>)

## Mandatory expenditure

Other significant projects (agreed with ANPM)

### Eni - TIMOR-LESTE NATIONAL LIBRARY PROJECT

Eni maintains its commitment to contribute to the construction of the Timor-Leste National Library as outlined in the Kitan FDP. There is a work group designated to manage this project. Within the reporting period, the working group conducted several meetings to discuss technical aspects of the project including concept design options and the budget for the National Library. By December 2014, a preliminary concept design was approved by the steering committee. Eni and its design contractor, PT BITA, plan to submit a revised concept design to the steering committee in 2015, following technical discussions with the working group. No significant costs have been incurred in this reporting period (2014).

### Eni – Data Tape and core Storage Facility

According to the Annex D from the PSC contract JPDA 11-106 Eni and the Sub-contractors have to contribute to establish a Data Tape and core Storage Facility infrastructure at Hera. This is still on a study phase and no significant costs have been incurred in this reporting period (2014).

## Voluntary expenditure

Amount in USD		
Description Social Expenditure	Company Name	Extractive Entity Payments
Community Project - Horticultural Value Chain Program – USAID (*)	ConocoPhillips	500,000
Community Project - Balibo Fort Restoration Program	ConocoPhillips	56,734
Scholarship programs - Fullbright-SERN Scholarshing (*)	ConocoPhillips	4,463
Others - Training of ConocoPhillips offshore Timor-Lest employees	ConocoPhillips	354,380
Other- contractors training of timor leste employees	ConocoPhillips	4,066,319
Others - Training of ConocoPhillips Dill Office employees	ConocoPhillips	143,349
NGOs Programs ( Water, Sanitation, Health, Sports Events)	ConocoPhillips	300,000
Total		5,425,245

The voluntary expenditures were reported by the Operators and were confirmed by ANPM.

(\*) According ANPM these expenses are local commitments and are recoverable.

## Expenditure reported by Subcontractors

Amount in USD		
Description Social Expenditure	Company Name	Subcontractors
Training of 13 Timor Leste National Crew	MillEnium Offshore Services P/L	140,762
Rotary TL - First lady cup	CHC Lloyd Helicopters Australia P/L	500
Anisaun Disabilities Foundation	CHC Lloyd Helicopters Australia P/L	1,000
Scholarship Programs	Subsea 7 Australia P/L	175,000
Total		317,262







# 11

## Recommendations

### Lack of EITI law

We have noticed that although TL is an EITI compliant country since 2010, the legal framework defining the roles and responsibilities of stakeholders in the EITI process is not yet created.

We recommend the enactment of an EITI law as soon as possible. This law will provide a better understanding and guidelines about some limitations (i.e. confidentiality of the PSC) not noted on the work done for this report but could be a issue in the future.

### Confidentiality provisions in PSCs

The model PSC used by Timor-Leste contains a confidentiality provision which prevents the public disclosure of information relating to O&G operations by both parts, excepts if mandatory by law.

Annex F PSC model contains confidentiality provision which prevents the disclosure of most recent (less than two years) information on certain commercial sensitive information. However, the summaries of the model PSC has been made available to public at ANPM website.

If a EITI law is under approval by the government we recommend that it includes the necessaire requirements to allow disclosure for EITI reporting obligation on the operators and Timor-Leste representatives.

## Information on the extractive industry

The EITI standard stipulates the disclosure of contextual information of the activities and regulations in the extractive industry.

Currently, it seems that the TL EITI Secretariat does not have a comprehensive database including all extractive companies operating in the oil and mining sector as the revenues streams and the correspondent amounts per year, all the extractive operators, contextual information and statics.

The contextual information in this report is referenced to different sources dispersed across public sector. Certain analyses were limited due to unavailability of statistics in the sector (i.e. sector employment). Where available, national statistics included information for a wider sector.

It is vital that the EITI Secretariat ensures that there is a comprehensive database of extractive companies in order for them to be identified with legitimacy, and also identify the ones making material payments. It would not be necessary for the EITI Secretariat to maintain the database, rather to ensure that it would be properly prepared, updated, and complete by the government. The Secretariat should then liaise with the Government Entities to ensure it obtains adequate information regularly and updates its database accordingly.

The database can be further extended to include other useful information for statistics in the sector such as: production volumes, investments, social expenditures, and environmental payments, which can be collected and consolidated and which would provide the basis for annual reporting of statistics and facts of the industry.

We also recommend that the MSWG assists the Secretariat with adequate resources in order to ensure that a comprehensive and up to date database of all extractive companies is set up.

## Beneficial Ownership

Currently, there is no comprehensive and publicly available database on beneficial ownership in line with the new EITI Standard. The country does not maintain a public register (Company register) with basic information on corporate entities. The MSWG is working on the road map planning the implementation until 2020.

Even knowing that the majority of the operators included in the scope of the report (working in the JPDA and TLEA areas) are subsidiaries of publicly listed companies a regulatory reform should be initiated to bring Timor-Leste disclosure rules and regulations in pair with internationally acceptable standards.

Laws, regulations and contracts should all build in requirements for beneficial ownership disclosure, so that this becomes a standard requirement within Timor-Leste legal framework. This could be achieved by including the definition and threshold of ultimate beneficial ownership mandatory disclosure in the mining and oil & gas sector.

## Follow up of recommendations of previous EITI Reports

Nr	Issue	Detail of the issue	Recommendation	Status of implementation 2014 Timor-Leste's EITI Report (Yes/no/ongoing)
1	Timor-Leste-EITI database	It appears that to date, the Timor-Leste-EITI Secretariat does not have a comprehensive database of all extractive companies operating in the oil sector. We understand that this situation arises because there is no formal communication between the EITI Secretariat and the Government Entities with regard to the oil companies operating in the oil sector. In some cases making contact with extractive companies can be difficult as no contact details are available.	We recommend that the Timor-Leste-EITI Secretariat should create a database of extractive companies following our reconciliation exercise. The Secretariat should then liaise with the Government Entities to ensure it obtains adequate information regularly and updates its database accordingly. To this end, we believe it is vital that any new entrants to the oil sector are registered with the Timor-Leste-EITI Secretariat as part of the process before or at the same time as they obtain their operating license. A regular review with the Government Entities of the list of oil companies licensed to operate in the sector is recommended.	No
2	Reconciliation scope – Scoping study	<p>We note that two oil companies operating in Timor-Leste were not included in the reconciliation scope, i.e. Japan Energy and AusAid.</p> <p>We further note that there are some fees paid to CBTL, such as annual pipeline fees and an exploration fee which were not included in the reporting template prepared and approved by the MSWG. On the other hand there were several revenue streams included in the reporting template for which no payments were made by oil companies.</p> <p>This situation caused delays in collecting the data from the oil companies and Government Entities and the preparation of the report.</p>	<p>We recommend for future years that a scoping study is carried out before each exercise in order to define the reconciliation scope including:</p> <ul style="list-style-type: none"> <li>► The activities to be considered (oil, gas, minerals, etc...);</li> <li>► The revenue streams to be reconciled;</li> <li>► The extractive companies that will report; and</li> <li>► The government entities included in the process.</li> </ul> <p>The scoping study will also lead to the definition and design of the reporting template to be used for the declaration of payments and receipts by the oil companies and the Government Entities.</p>	Yes – IA (EY) had in scope (according with TOR) the execution of the scoping phase report.

## Follow up (Cont.)

Nr	Issue	Detail of the issue	Recommendation	Status of implementation 2014 Timor-Leste's EITI Report (Yes/no/ongoing)
3	Lack of EITI law	We noted that although Timor-Leste's EITI reports have been reconciled for 5 years, the legal framework defining the roles and responsibilities of stakeholders in the EITI process has yet to be created.	We recommend the enactment of an EITI law as soon as possible. This law will provide a better understanding of the EITI process by all stakeholders and ensure that the reconciliation process is successful.	No
4	Limitations of the reporting template	<p>The reporting template used for the data collection was prepared and approved by MSWG. Although our terms of reference foresee that the Independent Administrator should provide advice to MSWG on the reporting template, we were informed not to make any changes to the format set. Despite this, feedback from some members of MSWG indicated that the form of the reporting template was not completely followed. The reporting template has several limitations as follows:</p> <ul style="list-style-type: none"> <li>► It foresees only the declaration of annual figures from reporting entities. No schedules were included to set out the amounts in detail: by date and by payment. Details of payments are necessary documents for the reconciliation work. It would have been more efficient if all reporting entities were requested to send details of their payments along with their reporting templates; some entities did not provide details of payments with the reporting template. We were obliged to request this information after receiving the reporting.</li> <li>► Much of the information foreseen in the EITI Standard was not requested in the reporting template from extractive companies such as exports, beneficial ownership, audit of financial statements and employment statistics.</li> </ul>	MSWG should improve the reporting template format in future in order to make the reporting process more efficient with regards to the work to be carried out by the Independent reconciler. In addition the reporting template should be more comprehensive and elaborate in order to include all requirements foreseen in the EITI standard.	Yes – IA (EY) had in scope (according with TOR) the execution of the drafts of the reporting templates in the scoping phase.



# 12

## Annexes

## Annex A – List of entities, Oil & Gas sector (TAX Revenue Streams)

Extractive Company Name							Amount in USD
	Income tax	Additional Profits Tax	VAT - JPDA	Wages Withholding Tax	Withholding Tax Payments	Government Taxes Report	
ConocoPhillips ( Timor Sea ) Pty Ltd	29,981,492	23,598,921	0	0	377,618	53,958,031	
ConocoPhillips (03-12) Pty Ltd	102,544,057	83,064,621	13,428,145	8,971,405	2,803,726	210,811,954	
ConocoPhillips (03-13) Pty Ltd	19,968,986	16,062,054	0	0	256,335	36,287,374	
ConocoPhillips (Emet) Pty Ltd	3,625,950	2,721,105	0	0	44,537	6,391,592	
ConocoPhillips JPDA Pty Ltd	57,033,186	46,144,135	0	0	732,313	103,909,634	
ConocoPhillips Timor-Leste Pty Ltd	0	0	0	273,947	15,338	289,285	
Eni JPDA 03-13 Limited	35,254,120	27,972,865	0	0	527,600	63,754,585	
Eni JPDA 06-105 Pty Ltd	0	0	16,217,204	279,603	12,139,325	28,636,132	
Eni JPDA 11-106 B.V.	0	0	0	33,461	420	33,881	
Eni Timor - Leste S.p.A	0	0	0	7,803	32,843	40,646	
Inpex Sahul Ltd	53,095,778	34,938,645	0	0	542,420	88,576,843	
Inpex Timor Sea Ltd	3,029,220	0	0	0	570	3,029,790	
Oilex ( JPDA 06-103) Ltd	0	0	0	26,355	26,397	52,752	
Minza Oil and Gas Ltd	0	0	0	8,888	844	9,733	
Japan Energy E P JPDA Pty Ltd	0	0	0	0	15,039	15,039	
Santos JPDA (91-12) Pty Ltd	34,892,114	29,173,332	0	0	503,055	64,568,501	
Talisman Resources ( JPDA 06-105) Pty Ltd	0	0	0	0	0	0	
Tokyo Timor Sea Resource Pty Ltd	33,356,413	33,626,464	0	0	439,388	67,422,265	
Woodside Petroleum (Timor Sea 19) Pty Ltd	0	0	0	30,569	2,178	32,747	
HSBC	0	0	0	0	0	0	
	372,781,316	297,302,142	29,645,349	9,632,031	18,459,946	727,820,784	

## Annex A – List of entities, Oil & Gas sector (Non TAX Revenue Streams)

Extractive Company Name	Amount in USD						Entities Government Report
	FTP	Royalty	Profit Oil	Fees Payables	Additional Taxes	Penalty / Interest	
ConocoPhillips (03-12) Pty Ltd	147,385,597		262,943,201	160,000	0	0	410,488,798
ConocoPhillips ( Timor Sea ) Pty Ltd	0		75,831,304	0	0	0	75,831,304
ConocoPhillips (03-13) Pty Ltd	0		51,443,104	0	0	0	51,443,104
ConocoPhillips (Emet) Pty Ltd	0		8,943,676	1,829,100	0	0	10,772,776
ConocoPhillips JPDA Pty Ltd	0		146,965,860	160,000	0	0	147,125,860
ConocoPhillips Timor-Leste Pty Ltd	0		0	0	0	0	0
Eni JPDA 03-13 Limited	0		112,271,239	0	0	202	112,271,441
Eni JPDA 06-105 Pty Ltd	0	3,338,619	-501,887	566,250	0	0	3,402,983
Eni Timor - Leste S.p.A	0		0	154,000	0	0	154
Eni JPDA 11-106 B.V.	0		0	90,000	0	0	90
Inpex Sahul Ltd	6,001,818		95,970,571	0	0	9,033	101,981,423
Inpex Timor Sea Ltd	0	5,394,600	4,399,967	0	0	0	9,794,567
Santos JPDA (91-12) Pty Ltd	0		117,450,402	0	0	0	117,450,402
Tokyo Timor Sea Resource Pty Ltd	0		93,999,064	0	0	3,449	94,002,513
Talisman Resources ( JPDA 06-105) Pty Ltd	0	2,086,637	-313,679	0	0	0	1,772,958
Woodside Petroleum (Timor Sea 19) Pty Ltd	0		0	160,000	0	0	160
Woodside Petroleum (Timor Sea 20) Pty Ltd	0		0	160,000	0	0	160
Oilex ( JPDA 06-103) Ltd	0		0	60,000	0	0	60
HSBC	0		0	0	-1,834	15,103	13,269
	153,387,415	10,819,857	969,402,823	3,339,350	-1,834	27,786	1,136,975,397

## Annex A – List of entities, Oil & Gas sector (Sub-contractors) – Tax Revenue Streams

Subcontractor Name	Income tax	Additional Taxes	Wages Withholding Tax	Withholding Tax Payments	Amount in USD Government Taxes Report
Air Energy Group Singapore P/L	0	33,416	235,141	0	268,557
Amec Engineering P/L	0	0	282,634	0	282,634
Amec Engineering P/L & Clough Engineering Integ, Solutions Services Pty Ltd	1,696,431	0	0	1,082,046	2,778,477
Austen Maritime Services P/L	0	0	70,715	0	70,715
B2B Engineering Pty Ltd	4,516	0	165,430	0	169,947
Baker Hughes Austalia P/L	0	0	75,215	0	75,215
Bluewater Services International P/L	0	0	1,409,393	0	1,409,393
Bluwater Norway ANS	0	0	32,238	0	32,238
Bluwater (Dili) Unipessoal Limitada	0	0	0	650	650
Bond Helicopters Australia P/L	0	0	12,753	0	12,753
Brunel Energy Pty Ltd	9,156	0	137,867	0	147,023
Caltech Unipessoal Lda	158,858	0	211,532	14,340	384,729
Cameron Services International P/L	59,897	0	256,831	0	316,728
Cape East Philippines INC	0	0	994,003	0	994,003
CHC Lloyd Helicopters Australia P/L	0	0	896,288	23,166	919,454
Code Engineering Services P/I	174,030	0	1,848,729	0	2,022,759
Eurest Servico de Suporte (Timor Leste) SA	0	0	531,577	0	531,577
Farstad Shping (Indian Pacific) P/L	0	0	1,568,473	0	1,568,473
FMC Technologies Australia Limited	0	0	22,593	0	22,593
Franks Oilfield Services Australia P/L	0	0	29,502	0	29,502
Fugro Survey P/L	0	0	0	3,383	3,383
Furmanite Australia Pty Ltd	0	0	61,627	0	61,627
Fusion Plastics P/L	0	0	0	42,984	42,984
GAP MHS Aviation TL Lda	0	0	113,075	6,235	119,310
Go Offshore P/L	0	0	58,641	0	58,641
Halliburton Australia P/L	255	0	154,594	233,671	388,521
Hoseco (WA) P/L	0	0	5,097	0	5,097
Interstate Enterprise P/L	198,605	0	309,119	160,263	667,986

## Annex A – List of entities, Oil & Gas sector (Sub-contractors) – Tax Revenue Streams (cont.)

Subcontractor Name	Amount in USD				
	Income tax	Additional Taxes	Wages Withholding Tax	Withholding Tax Payments	Governmet Taxes Report
Konnekto Unipessoal Lda	0	0	89,634	0	89,634
Marine -AU	0	0	0	297,482	297,482
Millenium Offshore Services P/L	1,716,119	0	651,254	2,582,773	4,950,146
Neptune Assets Integrity Services P/L	207,353	0	451,532	267,365	926,249
Northern Marine Australia P/L	8,446	0	221,780	0	230,226
Prosafe Personnel P/L	79,019	0	97,133	0	176,152
Riverwijs Offshore Marine P/L	0	0	0	34,835	34,835
RLG International Inc	51,979	0	29,923	0	81,902
Schlumberger Oilfield Australia	0	0	0	24,950	24,950
Sedco Forex Australia P/L	0	0	1,409,956	973,481	2,383,437
SGS Australia P/L	58,004	36,566	90,475	29,175	214,220
Solar Turbines International Company	15,547	0	13,012	0	28,559
Stena Drilling (Australia) Pte Limited	0	0	173,978	0	173,978
Stena Drilling (Canada) Corporation	0	0	6,627	0	6,627
Stena Drilling Pte Limited	0	0	81,111	0	81,111
Subsea 7 Australia P/L	0	0	188,689	213,148	401,837
Subsea 7 Itech Australia P/L	0	0	143,574	9,787	153,361
Svitzer Asia P/L	0	0	232,324	0	232,324
TCA Partners P/L	4,326	0	17,283	14,094	35,703
Terra Santa Marine Supply Lda	0	0	0	0	0
Tiderwater Marine Australia P/L	0	0	309,472	1,312	310,784
Weatherford Australia P/L	0	0	34,636	0	34,636
Worley Persons Services P/L	0	0	35,929	0	35,929
	4,442,541	69,982	13,761,389	6,015,140	24,289,051



## Annex B – List of entities, Mining sector

Company	Location	License status	Scale	Material extracted	Mining activity	Origin
TL Cement	Baucau	Prospecting	large	limestone	concession	international
SCG	Baucau	Applying for new license	large	sand	construction	international
PT. Asphalink	Baucau	Applying for new license	large	sand+gravel	construction	local
Jova Construction	Baucau	Applying for new license	medium	sand	construction	local
Montana Diak	Ainaro	Applying for extension	large	rocks	construction	local
Aitula Fuels, Lda	Suai	Applying for extension	medium	rocks	construction	local
Aitula Fuels, Lda	Suai	Licensed	–	gravel	construction	local
EDS	Suai	Licensed	–	gravel	–	international
Nananiu	Suai	Applying for location approval	–	sand	construction	local

## Annex C - Mining: List of Licenses 2006 – 2014

2006		
No.	Name of License	License No.
1.	Edi Konro-Konro	N/A
2.	Agostinho Gomes	N/A
3.	JJ McDonalds	N/A
4.	JJ McDonalds	N/A
5.	Tinolina Company Ltd.	No.GMR/2006/XII/002
2007		
No.	Name of License	License No.
1.	Carya Timor Leste Lda.	No.DNGMR/2007/07/0012
2.	JJ McDonalds & Sons Engineering Pty. Ltd.	N/A
3.	Jonize Construction Unip. Lda.	No.GMR/2007/V/004
4.	Jonize Construction Unip. Lda.	No.DNGMR/2007/07/011
5.	Linatet Unip. Lda.	No.DNGMR/2007/07/006
6.	Tinolina Company Ltd.	No.GMR/2007/IV/003
7.	Top Liberty 88 Ltd.	No.GMR/2007/VII/005
2008		
No.	Name of License	License No.
1.	Unknown	N/A
2.	Unknown	N/A
3.	Jonize Construction Unip. Lda.	No. DNGMR/2008/VIII/0017

source: <http://www.anpm.tl/list-of-licenses-2006-2016/>

## Annex C - Mining: List of Licenses 2006 – 2014 (cont.)

2009		
No.	Name of License	License No.
1.	Always Construction Pty. Ltd.	No. 00012/LT/DNGRM/IV/09
2.	Always Construction Pty. Ltd.	No. 00012/LT/DNGRM/IV/09
3.	Carya Timor Leste Lda.	No. 00006/LT/DNGRM/II/09
4.	Domin Timor Construction Lda.	No. 00010/LT/DNGRM/IV/09
5.	Domin Timor Construction Lda.	No. 00011/LT/DNGRM/IV/09
6.	East Sunrise Timor Leste Construction	No. 00003/LT/DNGRM/I/09
7.	East Sunrise Timor Leste Construction	No. 00004/LT/DNGRM/I/09
8.	Ensul Esphera Engenharia	No. 00014/LT/DNGRM/V/09
9.	Ensul Esphera Engenharia	No. 00018/LT/DNGRM/X/09
10.	Excel Construction Material Co. Ltd.	No. 00019/LT/DNGRM/X/09
11.	Jonize Construction Unip. Lda.	No. 00005/LT/DNGRM/II/09
12.	Linatet Unipessoal Lda	No. 00009/LT/DNGRM/III/09
13.	Montana Diak Unip. Lda.	No. 00016/LT/DNGRM/X/09
14.	Montana Diak Unip. Lda.	No. 00017/LT/DNGRM/X/09
15.	RMS Engineering and Construction Pty. Ltd.	N/A
16.	Top Liberty 88 Lda.	No. 00007/LT/DNGRM/II/09
17.	Top Liberty 88 Lda.	No. 00008/LT/DNGRM/II/09
18.	Top Liberty 88 Lda.	N/A
19.	Trans Global Unip. Lda.	No. 00001/LT/DNGRM/XII/08

source: <http://www.anpm.tl/list-of-licenses-2006-2016/>

## Annex C - Mining: List of Licenses 2006 – 2014 (cont.)

2010		
No.	Name of License	License No.
1.	Always Construction Pty. Ltd.	No. 0001/LT/DNGRM/I/2010
2.	Carya Timor Leste Lda.	No. 0004/LT/DNGRM/II/2010
3.	Express Distribution Services III Unip. Lda.	No. 0010/LT/DNGRM/VII/2010
4.	Jonize Construction Unip. Lda.	No. 0003/LT/DNGRM/II/2010
5.	Linatet Unip. Lda.	No. 0008/LT/DNGRM/VI/2010
6.	Montana Diak Unip. Lda.	No. 0011/LT/DNGRM/XI/2010
7.	Montana Diak Unip. Lda.	No. 0014/LT/DNGRM/XI/2010
8.	Monte Veadó Ltd.	No. 0009/LT/DNGRM/V/2010
9.	RMS Engineering and Construction Pty. Ltd.	No. 0005/LT/DNGRM/II/2010
10.	RMS Engineering and Construction Pty. Ltd.	No. 0006/LT/DNGRM/III/2010
11.	RMS Engineering and Construction Pty. Ltd.	No. 0007/LT/DNGRM/III/2010
12.	Tak Kong Electronic Unip. Ltd.	No. 0002/LT/DNGRM/III/2010
13.	Timor Block Building Industry	No. 0012/LT/DNGRM/IX/2010
14.	United Tibar Quarry Unip. Lda.	No. 0013/LT/DNGRM/IX/2010
15.	Weng Enterprise Group Co. Ltd.	No. 0015/LT/DNGRM/XII/2010
2011		
No.	Name of License	License No.
1.	Carya Timor Leste Lda.	No. 0005/LT/DNGRM/III/2011
2.	Ensul Esphera Engenharia	No. 0008/LT/DNGRM/VI/2011
3.	Fatuk Candi Jonggrang	No. 0013/LT/DNGRM/XII/2011
4.	Jonize Construction Unip. Lda.	No. 0004/LT/DNGRM/III/2011
5.	Libama Comsorsium	No. 0009/LT/DNGRM/X/2011
6.	Linatet Unip. Lda.	No. 0003/LT/DNGRM/II/2011
7.	Montana Diak Unip. Lda.	No. 0011/LT/DNGRM/XI/2011
8.	Montana Diak Unip. Lda.	No. 0012/LT/DNGRM/XI/2011
9.	Monte Veadó Ltd.	No. 0006/LT/DNGRM/VII/2011
10.	RMS Engineering and Construction Pty. Ltd.	No. 0002/LT/DNGRM/I/2011
11.	Suai Indah Construction Lda.	No. 0001/LT/DNGRM/I/2011
12.	Weng Enterprise Group Co. Ltd.	No. 0014/LT/DNGRM/XII/2011

## Annex C - Mining: List of Licenses 2006 – 2014 (cont.)

2012		
No.	Name of License	License No.
1.	Carya Timor Leste Lda.	No. 0007/LT/DNGRM/VI/2012
2.	Castelo Fronteira Unip. Lda.	No. 0009/LT/DNGRM/VII/2012
3.	Empat Saudara Lda.	No. 0001/LT/DNGRM/II/2012
4.	Ensul Esphera Engenharia	No. 0003/LT/DNGRM/III/2012
5.	Ensul Esphera Engenharia	No. 0009/LT/DNGRM/VII/2012
6.	Jonize Construction Unip Lda.	No. 0006/LT/DNGRM/VI/2012
7.	RMS Engineering & Construction Pty. Ltd.	No. 0002/LT/DNGRM/II/2012
8.	Tak-Kong Electronic Unip. Lda.	No. 0012/LT/DNGRM/VIII/2012
9.	Timor Block Building Industry	No. 0004/LT/DNGRM/III/2012
10.	Timor Block Building Industry	No. 0004/LT/DNGRM/III/2012
11.	Yefa Unipessoal Lda.	No. 0008/LT/DNGRM/VI/2012
12.	Yefa Unipessoal Lda.	No. 0011/LT/DNGRM/VIII/2012
2013		
No.	Name of License	License No.
1.	Empat Saudara Lda.	No. 0009/LT/DNM/VI/2013
2.	Libama Comsorsium	No. 0006/LT/DNM/VI/2013
3.	Montana Diak Unip. Lda.	No. 0002/LT/DNM/I/2013
4.	Montana Diak Unip. Lda.	No. 0003/LT/DNM/I/2013
5.	RMS Engineering & Construction Pty. Lda.	No. 0008/LT/DNM/IV/2013
6.	Suai Indah Constuction Lda.	No. 0005/LT/DNM/I/2013
7.	Weng Enterprise Group Co. Ltd.	No. 0004/LT/DNM/I/2013
8.	Yefa Unipessoal Lda.	No. 0007/LT/DNM/IV/2013

source: <http://www.anpm.tl/list-of-licenses-2006-2016/>



## Annex C - Mining: List of Licenses 2006 – 2014 (cont.)

2014		
No.	Name of License	License No.
1.	Aitula Fuel's Lda.	No. 0010/LT/DNM/XII/2014
2.	Aitula Fuel's Lda.	No. 0013/LT/DNM/XII/2014
3.	Carya Timor Leste Lda.	N/A
4.	Empat Saudara Lda.	No. 0009/LT/DNM/XII/2014
5.	Jonize Construction Unip. Lda.	N/A
6.	Jonize Construction Unip. Lda.	N/A
7.	Jonize Construction Unip. Lda.	No. 16/2014
8.	Libama Consorcio Lda.	No. 0007/LT/DNM/XI/2014
9.	Maliana Brother's Lda.	No. 0011/LT/DNM/XII/2014
10.	Manoko Unip. Lda.	No. 0014/LT/DNM/XII/2014
11.	Montana Diak Unip. Lda.	N/A
12.	Montana Diak Unip. Lda.	N/A
13.	Nobre Labadain Unip. Lda.	No. 12/2014
14.	Suai Indah Construção Lda.	No. 0006/LT/DNM/X/2014
15.	TL Cement Lda.	No. 01/2014
16.	Uha Cae Lda.	No. 0008/LT/DNM/XI/2014
17.	Weng Enterprise Group Co. Ltd.	N/A
18.	Worldview Enterprise Unip. Lda.	No. 15/2014

source: <http://www.anpm.tl/list-of-licenses-2006-2016/>

## Annex D - Oil & Gas Production Sharing Contracts

Area	Production sharing Contracts						
	License number	Description	Operators	Joint Venture Partners	Extracted Material	Effective date	Expiry date
JPDA	03-12	The Bayu Undan field is partly located in this PSC	ConocoPhillips (03-12) Pty Ltd	ConocoPhillips (Emet) Pty Ltd; Santos (JPDA91-12) Pty Ltd; ConocoPhillips (Timor Sea) Pty Ltd; Inpex Sahul Ltd	Oil and gas condensate	20-05-2002	06-02-2022
	03-13	This entire contract area comprises a portion of the wholly unitised Bayu-Undan Development Area.	ConocoPhillips JPDA Pty Ltd	Eni JPDA 03-13 Limited; Tokyo Timor Sea Resources Pty Ltd; ConocoPhillips (03-13) Pty Ltd	gas condensate	20-05-2002	16-12-2021
	03-19	This PSC is currently at development concept stage yet to develop subject to concept selection in which both States are still in discussion.	Woodside Petroleum (Timor Sea 19) Pty Ltd	OG ZOCA (95-19) Pty Ltd; ConocoPhillips (03-19) Pty Ltd; Shell Development (PSC 19) Pty Ltd	gas & gas condensate	20-05-2002	04-10-2026
	03-20	This contract area contains a small percentage of the wholly unitised Sunrise Development Area.	Woodside Petroleum (Timor Sea 20) Pty Ltd	OG ZOCA (96-20) Pty Ltd; Shell Development (PSC 20) Pty Ltd; ConocoPhillips (03-20) Pty Ltd	gas condensate	02-05-2002	13-11-2026
	06-103	PSC invitation spring 2006	Oilex (JPDA 06-103) Ltd	Pan Pacific Petroleum; Videocon Limited; GSPC (JPDA) Limited; Bharat PetroResources JPDA Limited; Japan Energy E&P JPDA Pty Ltd	N/A	15-01-2007	11-01-2012
	06-105	The Exploration work commitment under this PSC is complemented	Eni JPDA 06-105 Pty Ltd.	INPEX Timor Sea Ltd. ; Talisman Resources (JPDA 06-105) Pty. Ltd	Oil	22-09-2006	15-12-2019
	11-106	ANPM has granted the extension of this PSC until 23 Oct 2018. Eni is the Operator of this PSC has been discussing the drilling plan with the DA.	Eni JPDA 11-106 B.V.	Inpex Offshore Timor Leste Ltd; TIMOR GAP, E.P. PSC 11-106	Oil	23-10-2013	23-10-2018
TL Exclusive Area	S-06-04-E		Eni Timor Leste S.P.A	Galp Exploracao e Producao Petrolifera Lda; Korea Gas Corporation	N/A	11-03-2006	28-03-2018

source: <http://www.anp-tl.org/webs/anptlweb.nsf/pglafaekData>

## Annex D - Oil & Gas Production Sharing Contracts (2014 activity)

Operator / Contract	Activity 2014
Eni - JPDA PSC 06-105	<p>Kitan is an oil field located approximately 170 km from Timor-Leste South coast and over 500 km north-west of Darwin, Australia. The field is operated by Eni JPDA 06-105 Pty Ltd and produced from 3 productions wells, hydrocarbon produced was processed and stored for offloading on FPSO facility.</p> <ul style="list-style-type: none"> <li>▶ The average oil production in the Kitan field in 2014 was 6.2 kbpd</li> <li>▶ The oil production in Kitan has declined due to natural depletion of the reservoir</li> <li>▶ The average monthly decline rate 10.2 % during 2014 which led to total reduction of about 50 % towards the end of 2014</li> </ul>
ConocoPhillips - JPDA PSC 03-12 and 03-13	<p>BU is a gas condensate field located 250 km from Timor-Leste South coast and 480 km north-west of Darwin, Australia. The field is operated by ConocoPhillips PSC 03-12 and 03-13 Pty Ltd. The field facilities include a Central Production and Processing Complex (DPP and CUQ), FSO, WP1, subsea in-field pipelines and gas export pipeline to Darwin. The field has 14 producing wells, 3 gas injection wells and 2 water injection wells.</p> <ul style="list-style-type: none"> <li>▶ There were 10 producing wells at end 2014 and through the year 12 wells had production (W05A only produced for a small part of the year due to water load up and D14 only produced for a small part of the year for testing before conversion from injection to production).</li> <li>▶ The average liquid production (condensate and LPG) in 2014 was 40.7 kbpd and the exported gas to Darwin Natural Gas remains steady at an average of 515 MMscf/day</li> <li>▶ The liquid production continuously declining due to natural reservoir depletion, pressure decrease and lean gas breakthrough. The average monthly decline rate for condensate was 2.8% and LPG was 3.6% for butane, and 4.1% for propane.</li> <li>▶ Two additional wells were drilled (but only one started producing) in 2014 as part of phase III development program to increase production and maximize recovery of liquid from the field</li> </ul>

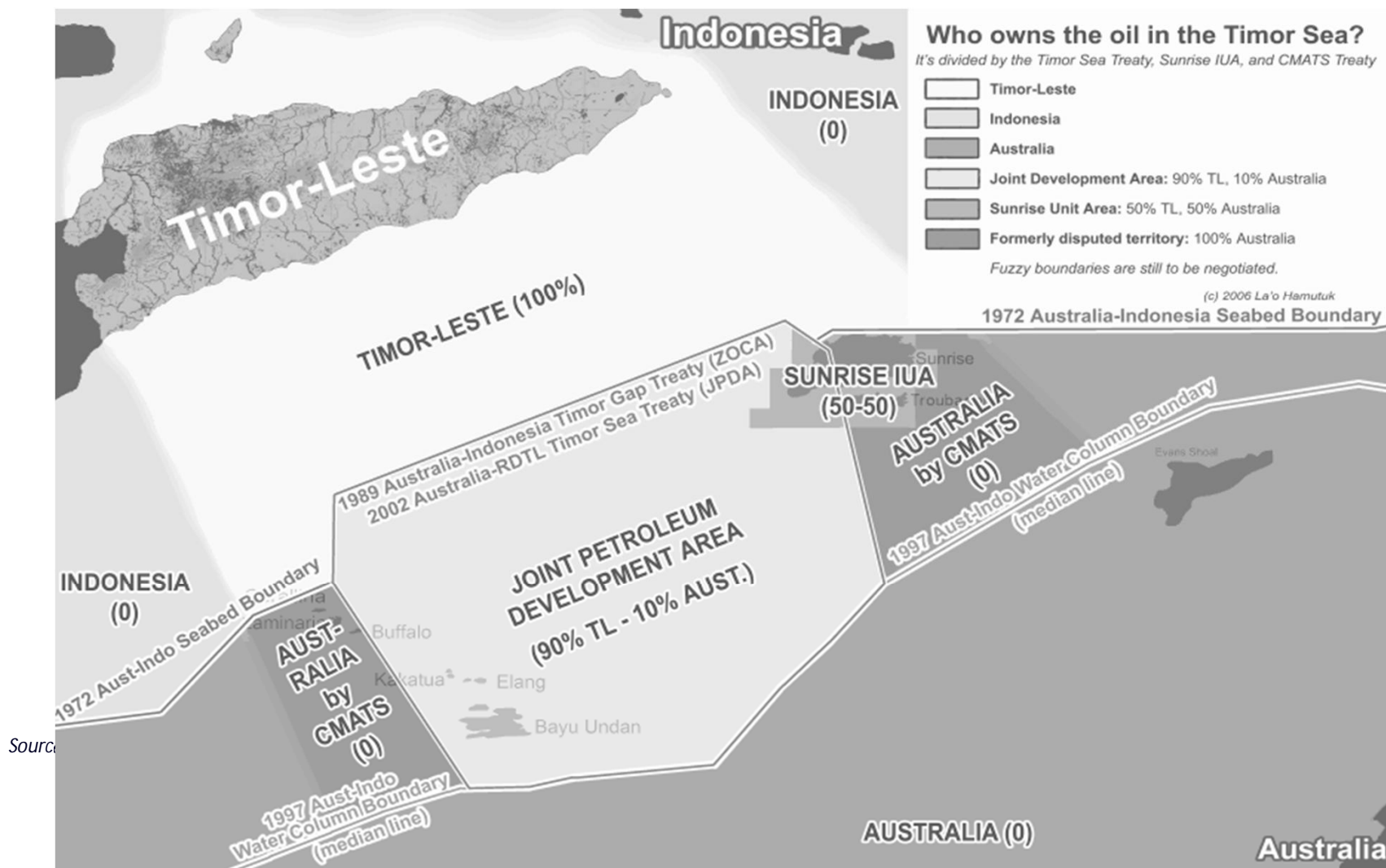
Source: <http://www.anpm.tl/annual-report-2014/>

## Annex D - Oil & Gas Production Sharing Contracts (2014 activity) (Cont.)

Operator / Contract	Activity 2014
Minza Limited - JPDA PSC 06-101 A	<ul style="list-style-type: none"> <li>▶ A sub-surface evaluation based on the acquired 3D Seismic was performed to determine drilling target</li> <li>▶ One well commitment is still due to be delivered</li> </ul>
Woodside Energy Limited - JPDA PSC 03-19 and 03-20	<ul style="list-style-type: none"> <li>▶ No technical work performed in the two PSCs</li> <li>▶ Future works awaiting on directions from government of Timor-Leste and Australia through the Sunrise Commission</li> </ul>
Oilex - JPDA PSC 06-103	<ul style="list-style-type: none"> <li>▶ One committed exploration well is yet to be delivered</li> <li>▶ Contract operator request to terminate PSC on mutual ground</li> <li>▶ Ongoing review and discussion to respond to the request for termination</li> </ul>
Eni - JPDA PSC 11-106	<ul style="list-style-type: none"> <li>▶ This PSC was awarded on April 13<sup>th</sup> 2013 and is due to expire in 2018</li> <li>▶ New geological and geophysical studies were performed to identify drillable prospects / targets</li> </ul>
Eni Timor-Leste SpA - PSC S-06-04	<ul style="list-style-type: none"> <li>▶ The PSC term was extended until 2018 to allow for the completion of Geological and Geophysical studies and identification of drillable prospects</li> </ul>

Source: <http://www.anpm.tl/annual-report-2014/>

## Annex E – Timor-Leste undersea oil and gas resources



Source: <https://www.laohamutuk.org/Oil/Boundary/CMATSindex.htm#2014>



## Annex F – List of Subcontractors entities that have not reported

Company Name	Income tax	Additional Profits Tax/ Supplemental Profit Tax	Wages	Withholding Tax Payments	Government Taxes Report
Air Energy Group Singapore P/L	0	33.416	235.141	0	268.557
Amec Engineering P/L	0	0	282.634	0	282.634
B2B Engineering Pty Ltd	4.516	0	165.43	0	169.946
Cameron Services International P/L	59.897	0	256.831	0	316.728
Eurest Servico de Suporte (Timor Leste) SA	0	0	531.577	0	531.577
Farstad Shiping (Indian Pacific) P/L	0	0	1.568.473	0	1.568.473
Marine -AU	0	0	0	297.482	297.482
Northern Marine Australia P/L	8.446	0	221.78	0	230.226
SGS Australia P/L	58.004	36.566	90.475	29.175	214.220
Stena Drilling (Australia) Pte Limited	0	0	173.978	0	173.978
Svitzer Asia P/L	0	0	232.324	0	232.324
	130.863	69.982	3.371.433	326.657	4.286.145









