



Timor-Leste Extractive Industries
Transparency Initiative

2015 Reconciliation Report

Message from Timor-Leste Multi Stakeholders Working Group

It is rewarding for the Multi-stakeholders Working Group (MSWG) to witness, once again, the outcome of collaboration and commitment between all pillars to enable the production of the 8th Timor-Leste EITI report. With dedication from all MSWG members, Timor – Leste managed to produce the 8th EITI Report within the given timeline. The timely approval and submission of the report is an additional achievement above the publication of the report.

Following the implementation of the new EITI Standard in 2016, this has been a great learning process for the MSWG members. The process started with the MSWG's decision to conduct a scoping study prior to reconciliation of the reports in order to identify gaps of EITI implementation in Timor-Leste and to ensure EITI Timor-Leste is meeting all requirements of the new EITI standard. The report also address issues identified in the last EITI validation process, including setting up the materiality threshold, decision 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 and economic expenditures. Also, following the 7th (2014) report process, in the 8th (2015) reporting process MSWG continue its effort in rebuilding trust among different pillars and improving reporting format that could bring real value by reflecting challenges faced by the country. One of them is being on the sustainability of the country Petroleum Fund.

In this reporting period, the reporting entities remain as in previous reports, with additional entities from mining sector and sub-contractors. The subcontractors were included based on the materiality threshold as agreed by MSWG. There are twenty-five subcontractors above the threshold and sixteen of these companies have reported revenue data for FY 2015. The 2015 EITI report is considered unique due to the inclusion of tax settlement and offset being reported. This suggests that MSWG of EITI Timor-Leste views the importance of reinstating transparency where the public is well informed on the resolution from the tax dispute between the State and Oil Company.

Finally, all these activities as set out in this report have shown the MSWG continuous commitments and collaborative efforts to address challenges and aims to address issues and recommendations from previous EITI validation process and also lessons learnt from the 2014 Timor–Leste EITI Report. The MSWG expects that the publication of 7th and 8th TL-EITI reports will comply with all of the current EITI Standards.

Sincerely,

Members of MSWG,

Industries

Government

Civil Society

State-Owned Enterprise

List of abbreviations

ANPM	Autoridade Nacional do Petróleos e Minerais	IPMC	Interim Petroleum Mining Code	SERN	Secretary of State for Natural Resources
APT	Additional Profit Tax	IUA	International Unitisation Agreement	SOE	State-Owned Enterprise
ASM	Artisanal Small Scale Mining	JC	Joint Commission	SPT	Supplemental Petroleum Tax
BCTL	Banco Central de Timor-Leste (Timor-Leste Central Bank)	JPDA	Joint Petroleum Development Area	TL	Timor-Leste
BOE	Barrel of Oil Equivalent	LNG	Liquefied Natural Gas	TLEA	Timor-Leste Exclusive Area
BOPD	Barrels of Oil per day	LPG	Liquefied Petroleum Gas	TOR	Terms of Reference
BPT	Branch Profit Tax	MoF	Ministry of Finance	TSDA	Timor Sea Designated Authority
CFET	Consolidated Fund for East Timor	MOU	Memorandum of Understanding	TST	Timor Sea Treaty
CMATS	Certain Maritime Arrangement In The Timor Sea	MPMR	Ministry of Petroleum and Mineral Resources	UN	United Nations
CSO	Civil Society Organizations	MSWG	Multi-Stakeholder Working Group	UNTAET	United Nation Transition Administration in East Timor
DNRP	Direção Nacional de Receitas Petrolíferas	NDPMR	National Directorate Petroleum and Minerals Revenue	USD	United States Dollars
EITI	Extractive Industries Transparency Initiative	O&G	Oil & Gas	VAT	Value Added Tax
ESI	Estimated Sustainable Income	PF	Petroleum Fund	WHT	Withholding Tax
ETRS	East Timor Revenue Services	PMC	Petroleum Mining Code	WIT	Wages Income Tax
FTP	First Tranche Petroleum	PSA	Production Sharing Agreement	ZOCA	Zone Cooperation Area
GDP	Gross Domestic Product	PSC	Production Sharing Contract	TCF	Trillion Cubic Feet
IA	Independent Administrator	RDTL	Democratic Republic of Timor-Leste		

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Executive Summary

The Extractive Industries Transparency Initiative (EITI), launched in 2003, promotes and supports improved governance and transparency in resource-rich countries through the full publication and audit of company payments and government revenues from oil, gas, and mining. As a voluntary commitment of stakeholders with shared goals, the global EITI structure comprises resource-rich countries, international and national extractive companies, civil society, investors, and supporting countries. Each participating country must issue a reconciliation report covering revenues for the most recent fiscal years prepared by an independent auditor in accordance with the EITI Standard.

This is Timor-Leste eighth EITI report, covering the period from 1 January to 31 December 2015. 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 the 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 the transparency and accountability about how country's natural resources are governed, promote public debate and understanding of the extractive sector and improve the attractiveness of Timor-Leste as a destination for foreign investment.

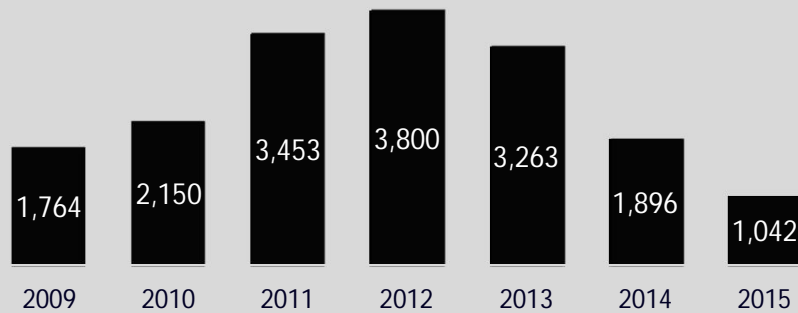
Revenue generated from the extractive sector

Revenue generated from the extractive sector

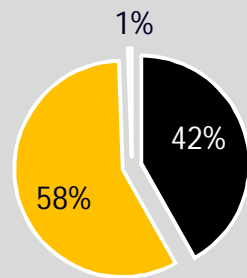
Timor-Leste's oil and gas revenues dropped more than 46% since 2014. The price, production volume and production costs are the three main factors that affect the Government's inflow of petroleum revenues.

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

Oil and Gas Revenues 2009-2015
(US\$ million)



The cash flows received from Petroleum activities (Oil & Gas Revenue) in 2015 have the following structure:



■ Tax Revenue ■ Non Tax Revenue ■ Non Tax Revenue - Pipeline

Production

In 2015, 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).

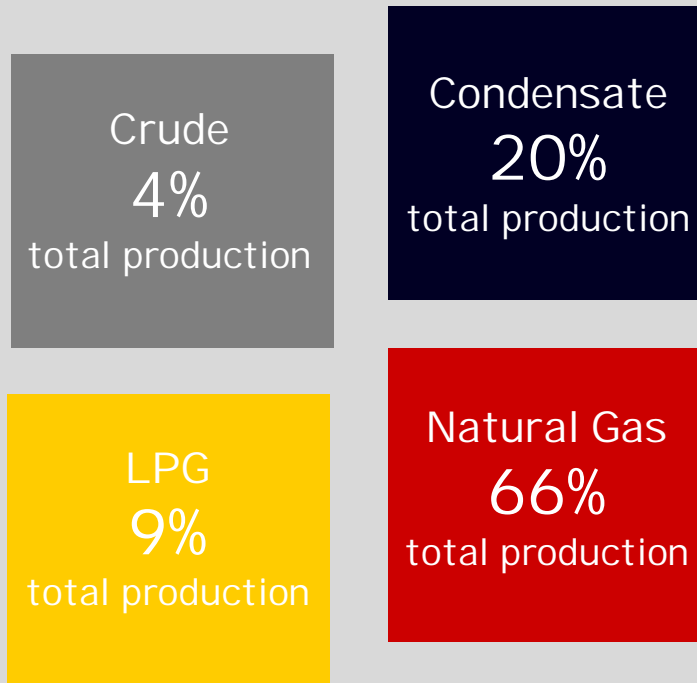
Bayu-Undan produces three petroleum products, namely Condensate, Liquefied Petroleum Gas and Natural Gas and represents 96% (94% in 2014) of the total production (monetary amount). Natural Gas (from Bayu Undan) contributes with more than 66% (60% in 2014) to the total production (monetary amount) of the country.

Timor-Leste's oil and gas production dropped more than 42% from 2014 due to the reasons previously mentioned.

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

Commodity	2015	2014	Δ	%
Crude	91,235	208,949	-117,714	-56%
LPG	195,604	378,587	-267,204	-71%
Natural Gas	1,412,482	2,183,952	-1,379,637	-63%
Condensate	436,824	897,331	-648,589	-72%
Total	2,136,144	3,668,819	-2,413,144	-66%

Percentage of production by commodity (in monetary amount)

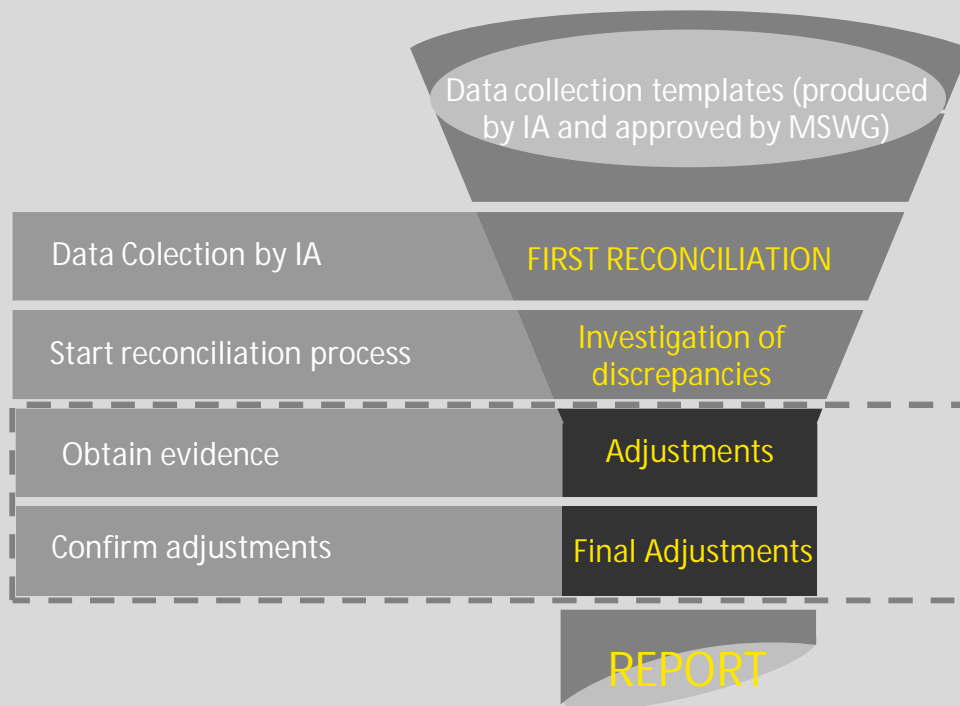
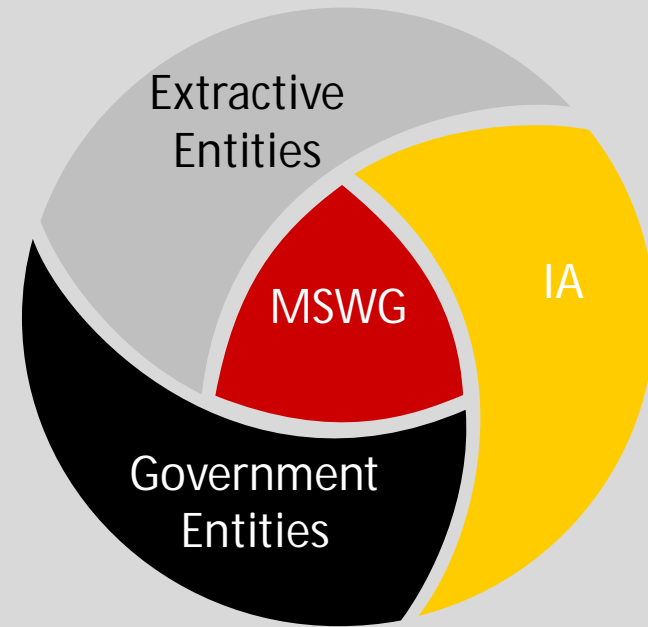


Reconciliation process

EY was engaged to carry out a scoping study in order to set out the EITI reconciliation scope which was used for the 7th and 8th Timor-Leste EITI report and to produce the draft of the data collection reports. This assignment was the first step to start the reconciliation process.

The following procedures were as follows:

- ▶ Obtain from extractive companies and government authorities 2015 information on taxes, non-taxes and other payments
- ▶ Make selection base on the MSWG approved threshold (payments and revenue streams above 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 started 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 new address queries were made to the respective government authority to obtain detailed information of the payment

If based on the explanations received from the companies and government authorities discrepancies remain unexplained, then they were considered, on the EITI report, as an unreconciled difference

Scope (revenue and entities)

Based on the selection made we have concluded that the 2015 report covers 99,9% of the receivables of the contractors:

OIL & GAS REVENUES STREAMS IN SCOPE	
TAX REVENUE	NON TAX REVENUE
Income Tax	FTP
Additional Profits Tax	Royalties
VAT	Profit Oil & Gas Payments
Wages Withholding tax	Contract Services Fee
Withholding Tax Payments	Development Fee
Additional taxes	Seismic Data Fee
	Other Payments (Pipeline)

Revenues generated in 2015	Total	Amount in US\$'000	
		Scope	% Scope
Total Tax Revenue	404,825	404,799	99.99%
Total Non Tax revenue reported by ANPM	600,028	599,963	99.99%
Total Pipeline revenue reported by BCTL	5,896	5,896	100.00%
Total Revenue Contractors	1,010,748	1,010,658	99.99%

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

OIL & GAS ENTITIES IN SCOPE	
Extractive Companies and their Affiliates involved in Timor oil and gas operations	
CGG Services (Singapore) P/L	Eni Timor - Leste S.p.A.
ConocoPhillips (Timor Sea) Pty Ltd	Inpex Sahul Ltd
ConocoPhillips (03-12) Pty Ltd	Inpex Timor Sea Ltd
ConocoPhillips (03-13) Pty Ltd	Santos JPDA (91-12) Pty Ltd
ConocoPhillips (Emet) Pty Ltd	Talisman Resources (JPDA 06-105) Pty Ltd
ConocoPhillips JPDA Pty Ltd	Tokyo Timor Sea Resource Pty Ltd
ConocoPhillips Timor-Leste Pty Ltd	Woodside Petroleum (Timor Sea 03-19) Pty Ltd
Eni JPDA 03-13 Limited	Woodside Petroleum (Timor Sea 03-20) Pty Ltd
Eni JPDA 06-105 Pty Ltd	Woodside Petroleum Ltd
Eni JPDA 11-106 B.V.	TIMOR GAP PSC JPDA 11-106
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)	

(1) – AusAID is an Australian governmental organization that pays *per annum pipeline fee (agreed by both Governments)*.

Scope (entities - subcontractors)

The MSWG have decided to include on the reconciliation process and consequently on 2015 report the payments made by the Subcontractors to the significant revenue streams defined (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	FMC Technology Australia Limited
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	GAP -MHS Aviation TL Lda Halliburton Australia P/L
Amec Engineering P/L	Interstate Enterprises P/L
Bluewater Services International P/L	Millenium Offshore Services P/L
Brunel Energy Pty Ltd	Neptune Asset Integrity Services Pty Ltd
Caltech Unipessoal Lda	
Cameron Services Inter. P/L	Northern Marine Australia P/L
Cape East Philippines INC	Schlumberger Australia P/L
CHC Lloyd Helicopters Australia P/L	Sedco forex International INC
Code Engineering Services P/I	SGS Australia P/L
Eurest Servicos de Suporte (Timor Leste) SA	Subsea 7 Australia Contracting Svitzer Asia P/L
Farstad Shipping (Indian Pacific) P/L	Tiderwater Marine Australia P/L

Based on the selection made we have concluded that 2015 report cover's 98.36% of the total payments made by Subcontractors in 2015:

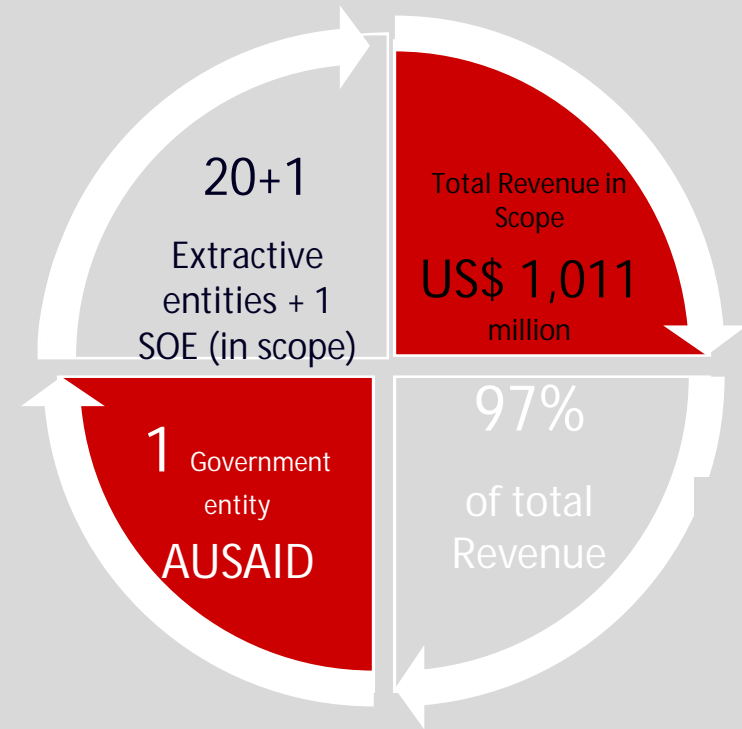
OIL & GAS REVENUES STREAMS IN SCOPE
TAX REVENUE
Income Tax
Wages Withholding tax
Withholding Tax Payments
Additional taxes

Based on the selection made we have concluded that 2015 report cover's 98.36% of the total payments made by Subcontractors in 2015:

Revenues generated in 2015	Amount in US\$'000		
	Total	Scope	% Scope
Total Revenue Sub-contractors	30,829	30,320	98.35%

Summary of reconciliation reports

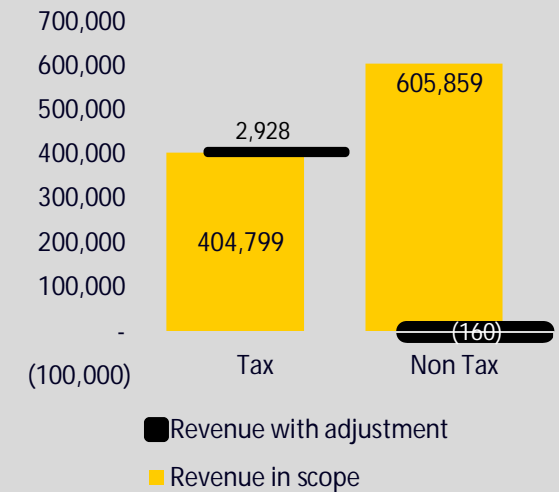
See below the summary of the reconciliation of reported payments:



Petroleum revenues in scope

Revenues generated in 2015	Scope (US\$'000)
Total Tax Revenue	404,799
Total Non Tax revenue reported by ANPM	599,963
Total revenue – Pipeline fee	5,896
Total Revenue Contractors	1,010,658

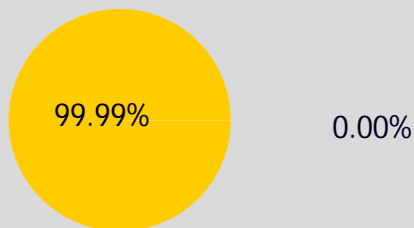
Adjustments per type revenue in US\$'000



Adjustments / Discrepancies



Cash flows from petroleum tax and non tax – Conclusion



■ Revenue reconciled ■ Revenue Unreconciled

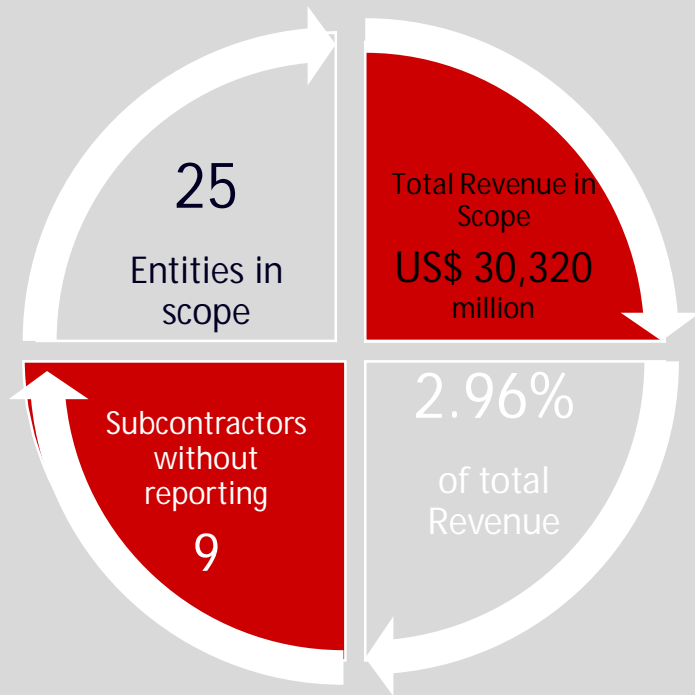
Final reconciliation result

Based on the final results we have concluded that the revenue unreconciled represents around 0.00% of the total revenue from extractive activities including adjustments.

The Tax adjustment is mainly justified by tax offset not reported by Government entities.

Summary of reconciliation reports – Subcontractors

See below the summary of the reconciliation of reported payments:



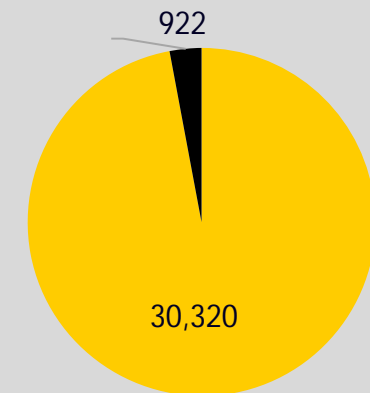
Petroleum revenues in scope

Revenues generated in 2015	Scope (US\$'000)
Total Tax Revenue	30,320

Adjustments per type revenue in US\$'000



Adjustments / Discrepancies

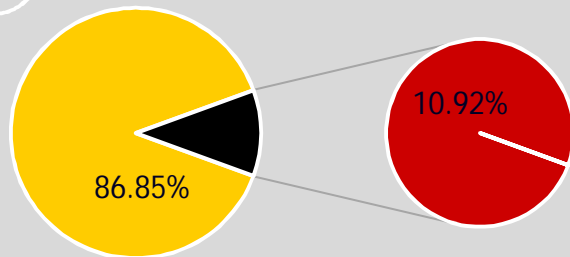


■ Tax revenue adjustment ■ Tax revenue

The Tax adjustment is mainly justified by tax offset not reported by Government entities.



Cash flows from petroleum tax – Conclusion



■ Revenue reconciled ■ Revenue unreconciled

Final reconciliation result

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\$3.7 millions of US\$3.5 millions of total unreconciled amount). This amounts represents around 10.92% of the total amount received from Subcontractors and 0.33% of total revenue.

2

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 accountable report of the 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 the extracted resources. A financial reconciliation, by external parties, is undertaken to verify the figures and the result 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).

Extractive Industries Transparency Initiative in Timor-Leste

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 7th EITI Report was published in June, 30th of 2017.

The previous's annual EITI Reports cover the period of January 1st, 2008 until December 31st, 2014:

Years	Publication Date	Oil Revenues	Independent Auditor
		(US\$ million)	
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	EY
2014	June 2017	1,896	

3

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 ongoing economic improvements, it remains a heavily oil-dependent country. For the last seven 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.

Overview of Timor-Leste extractive industries in 2015 – Oil & Gas

3.1 Overview of Government Revenue

Total Government revenues have decreased specially because of the decreased of the Petroleum revenues. This is justified by a combination of lower international oil prices, declining oil production from Bayu-Undan and Kitan, which has now passed its peak production levels and a negative 21 million return on investment (Petroleum Fund) compared to a positive return of 502 million on 2014.

On the other hand domestic revenues have slightly increased in 2015, due to a rise in fees and charges. Growing domestic revenues are projected to continue to increase following the expected increase of the economic activity and improvements in revenue administration and collection.

Domestic revenue

Domestic revenues in Timor-Leste are composed mainly by tax revenues (US\$ 120 million) and fees and charges (US\$ 44 million).

For Oil & Gas revenue please refer to see section 3.4 Revenue generated from extractive sector and appendix A (Revenue by entity and revenue stream).

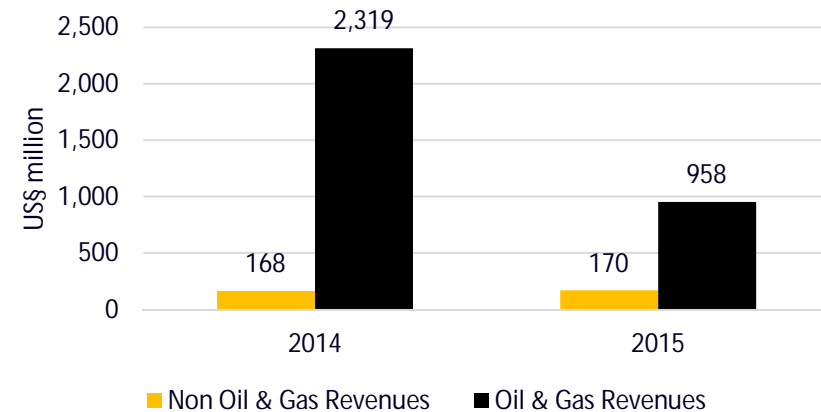
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https://www.mof.gov.tl/wp-content/uploads/2016/08/Relat%C3%B3rio_Anual_do_Fundo_Petrol%C3%ADfero_2015.pdf

Government Revenues Evolution



Timor-Leste economy still heavily reliant on oil and gas.

The petroleum revenues currently finance most of the state budget. Oil and gas accounts 85 percent of Timor-Leste state revenues (93% in 2014).

The decrease was mainly because of the reduction of revenues of Oil & Gas whilst there is no other significant increase of the receipts from other streams. Timor-Leste gross domestic product (GDP) was \$3.1 billion in 2015, of which 48 percent was from the oil sector.

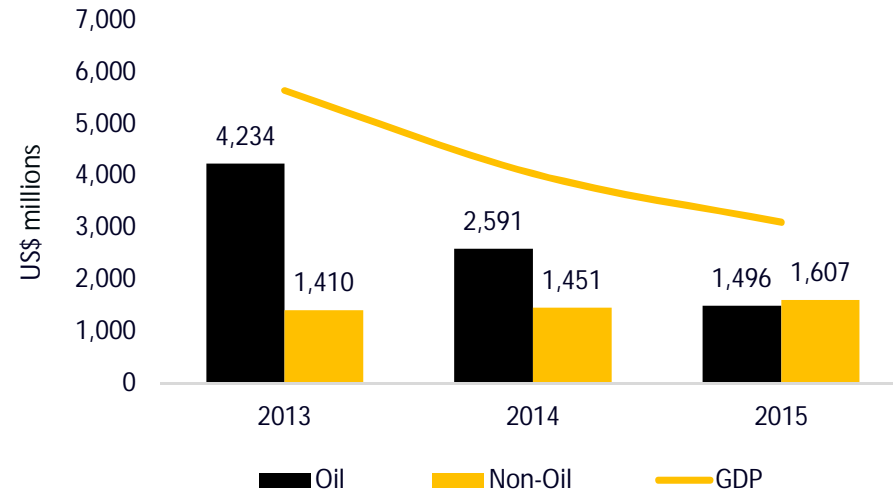
3.2 Gross Domestic Product (GDP) – Timor-Leste

At the end of 2015, oil sector is responsible for 1,496 millions dollars, which represents 48% of the total GDP amount according to the national accounts prepared by the Ministry of Finance of Timor-Leste. Compared with the year of 2014, the Oil GDP decreased to 42.3%, following the fall in oil prices of around 54.7%.

The Non-oil sector grew by to 4.0% in 2015 compared with 4.3% in of 2014. This recovery was result of the increase of consumption and investment of the private sector (3.9% in constant terms).

Consumption plus investment, was driven by the Private Sector (+3.9%), while the Public Sector (including Oecusse Special Economic Zone) increased +3.2%, development Partners expenditures fell (-16.6%).

GDP evolution: 2013-15 (at current prices)



GDP Evolution at Current Prices

Year	GDP (Oil&Gas) (US\$ million)	Total GDP (US\$ million)	% Oil on total GDP
2010	3,104	3,999	78%
2011	4,624	5,677	81%
2012	5,477	6,666	82%
2013	4,234	5,644	75%
2014	2,591	4,042	64%
2015	1,496	3,102	48%

GDP Evolution at Constant Prices

Year	GDP (Oil&Gas) (US\$ million)	Total GDP (US\$ million)	% Oil on total GDP
2010	2,050	3,323	62%
2011	2,345	3,719	63%
2012	2,454	3,897	63%
2013	1,989	3,470	57%
2014	1,022	2,566	40%
2015	1,496	3,102	48%

► Source: http://www.statistics.gov.tl/wp-content/uploads/2017/04/TLNA-2010-2015_PUBLISH_FINAL.pdf

3.2 Gross Domestic Product (GDP) – Timor-Leste (continuation)

3.2.1 Exports and imports of Timor-Leste

Timor-Leste is the 170th largest export economy in the world.

► *Source: <http://atlas.media.mit.edu/en/profile/country/tls/>*

According with TL's National Accounts report 2015 the oil sector represented 97% of total exports and 46% of total imports. Compared with previous years the export of oil sector has been decreased since 2012 and this is explained by the oil price decrease.

In 2014 the import of oil reached the most significant amount on the last five years and in 2015 the import of oil decreased 62% and was related with the oil price decrease.

Exports

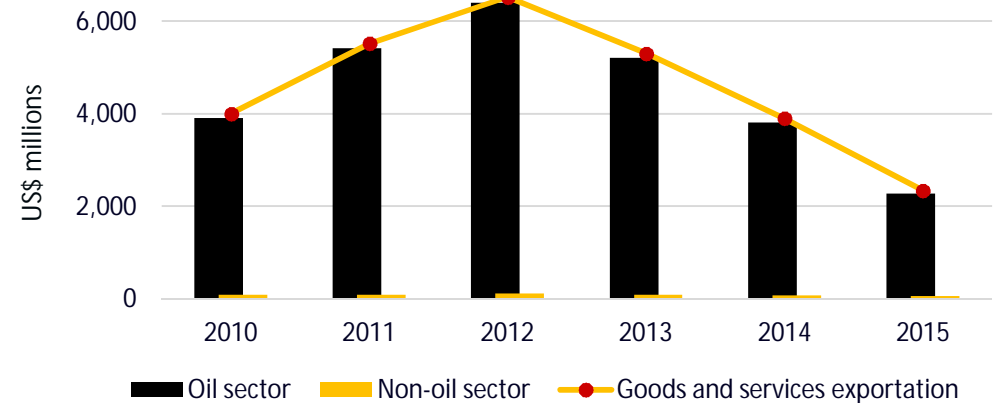
The exports of goods and services declined 40%, (from US\$3,920 million in 2014 to US\$2,346 million in 2015) mainly because of the decrease of the oil price and production.

Imports

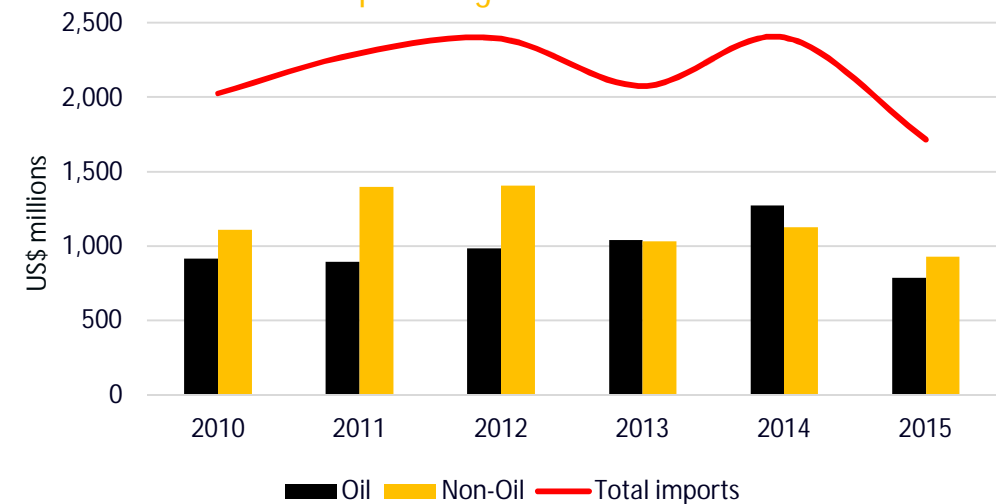
In 2015 the imports of goods and services decreased 29%, from US\$2,403 million to US\$1,717 million. Non-oil goods (US\$932 million) represented 54% of total imports. Non-oil imports mainly included mineral products (Non-Oil), foodstuffs, animals, crops and vegetables, vehicles and constructions and the decrease is associated with the fall in public investment and development partner's contributions.

► *Source: http://www.statistics.gov.tl/wp-content/uploads/2017/04/TLNA-2010-2015_PUBLISH_FINAL.pdf*

Export of goods and services



Import of goods and services



3.3 Production

3.3.1 Fields

In 2015, 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 are received in cash rather than in kind, with a 10 percent share going to Australia under the Timor Sea Treaty.

In 2015, there are ten active PSCs (of which 2 in TLEA and 8 in JPDA). One more contract than 2014 (PSC TL-S0-15-01) see section 6.2 License process.

Bayu-Undan

The Bayu-Undan oil field is located in the Timor Sea, 250km south of Timor-Leste and 500km offshore Darwin, Australia contained within contract areas of PSC03-12 and PSC03-13 of the JPDA.

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

The field is located on the same 160km² 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 reserves ranges between 350 and 400 million barrels of hydrocarbon liquids and 3.4 tcf of gas.

In 2015, phase three development drilling added one subsea production well to maintain liquids and gas production. A final stage of phase three development drilling is planned for 2019 with the addition of three production wells.

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/2015-annual-report/>

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, while its joint venture partners Inpex has 35% and Repsol (in the past named Talisman Resources) has 25%

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 average oil production in the Kitan field in 2015 is 4.98 kbpd.

The Kitan Field was shut-in on 14th of December 2015.

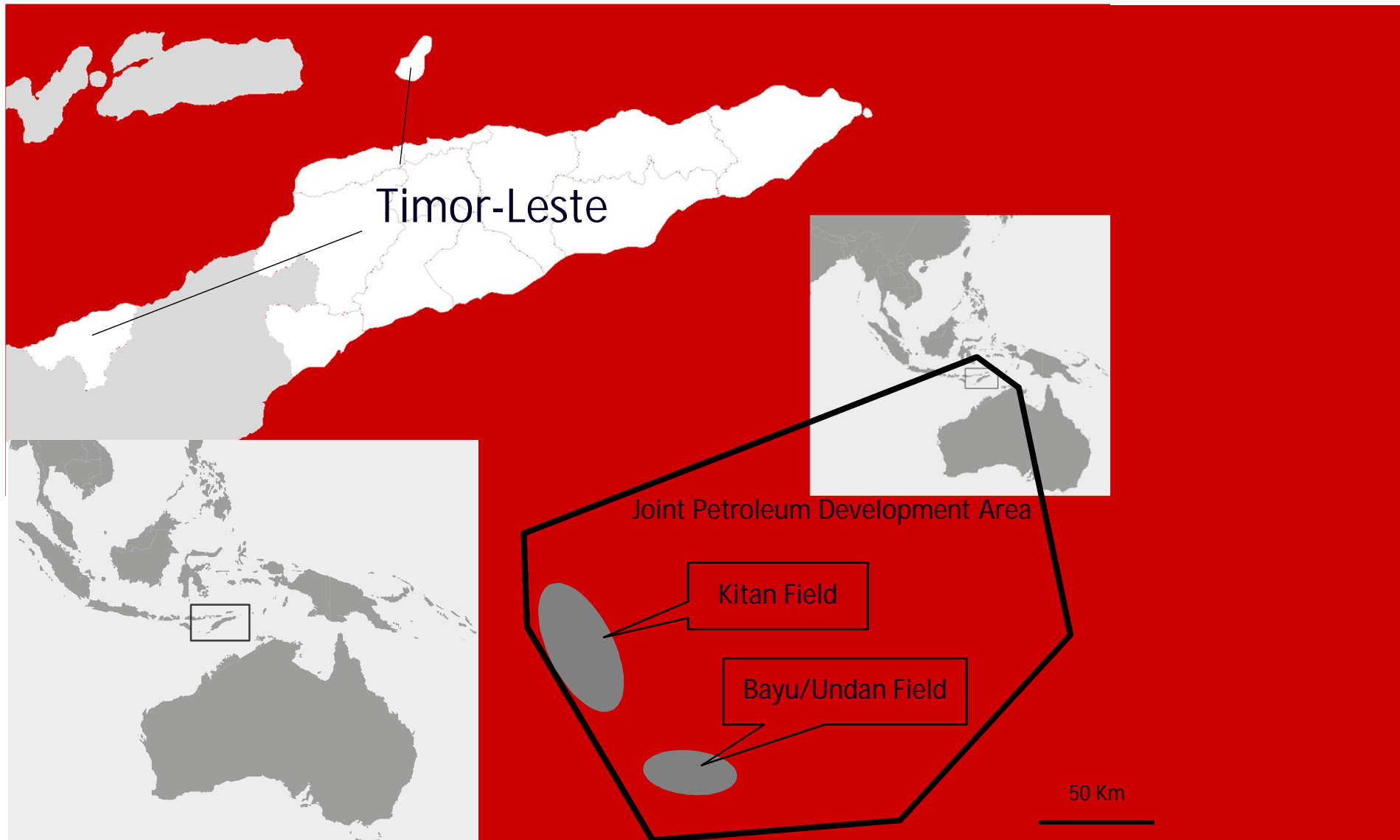
The Glas Dowl FPSO left the field in January 2016. The oil production has declined due to natural reservoir pressure depletion and high water-cut.

► 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/2015-annual-report/>

3.3 Production

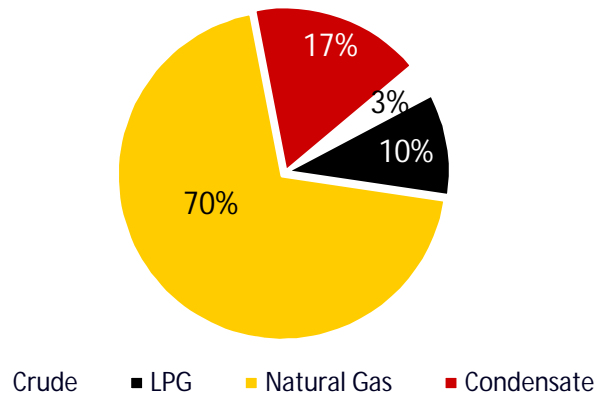


3.3 Production (continuation)

3.3.2 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 68% (65% in 2014) of the total production (BOE) of the country:

Production 2015 by Commodity



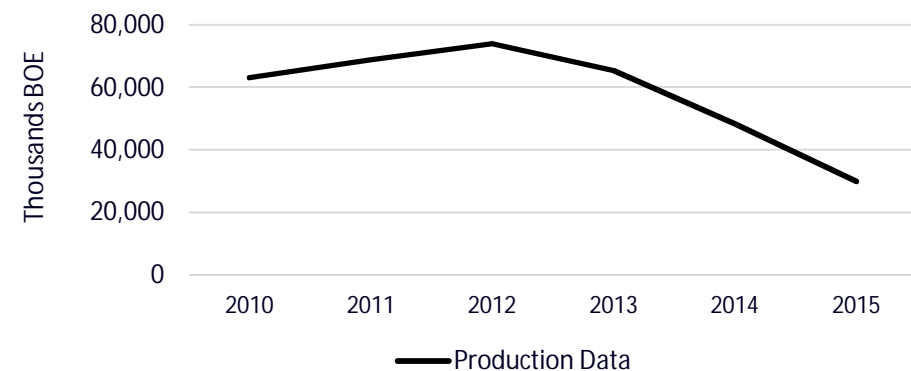
Source: Website ANPM and has reconciliation procedure

Commodity (BOE Thousands)	Production	Export
Crude	1,740	1,662
LPG	5,154	5,154
Natural Gas	35,641	35,641
Condensate	8,658	8,658
Total	51,193	51,115

Oil production in Timor-Leste has decreased since 2012. The decrease was mainly due to natural depletion of BU field. In addition, Kitan project continued to suffer from low oil price and higher operating costs.

The information related to total production is available at ANPM's website (Lafaek Database <http://www.anptl.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.

Production Data

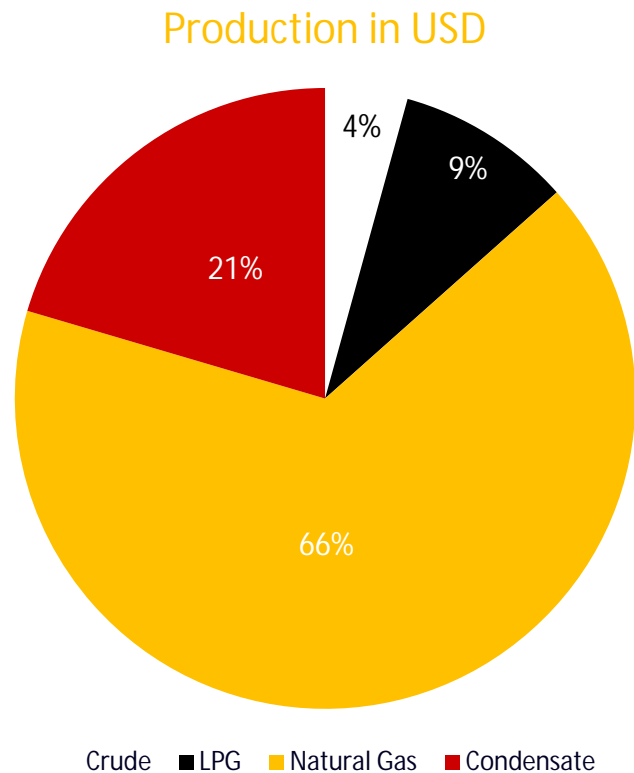


Commodity (BOE Thousands)	2015	2014	Δ	%
Crude	1,740	2,223	-483	-22%
LPG	5,154	5,537	-383	-7%
Natural Gas	35,641	31,273	4,368	14%
Condensate	8,658	9,311	-653	-7%
Total	51,193	48,344	2,849	6%

3.3 Production (continuation)

3.3.3 Production USD

Natural Gas is also the most significant commodity when compared in monetary amount (Millions of USD):



The production and export in thousand of USD in 2015 was as follows:

Commodity (thousand of USD)	Production	Export
Crude	91,235	87,163
LPG	195,604	195,604
Natural Gas	1,412,482	1,412,482
Condensate	436,824	436,824
Total	2,136,144	2,132,073

The production in thousand of USD in 2015 and 2014 was as follows:

Commodity (thousand of USD)	2015	2014	Δ	%
Crude	91,235	208,949	-117,714	-56%
LPG	195,604	378,587	-182,983	-48%
Natural Gas	1,412,482	2,183,952	-771,470	-35%
Condensate	436,824	897,331	-460,507	-51%
Total	2,136,144	3,668,819	-1,532,675	-42%

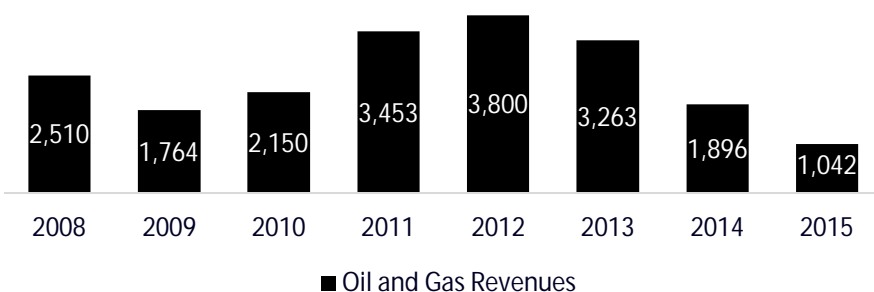
► Source: Website ANPM and as reconciliation procedure

3.4 Revenue generated from extractive sector

As a consequence of the decline in oil prices and the decrease in production, the revenues generated from Oil & Gas Sector in 2015, including the amount received from the subcontractors, amounted to US\$1,042 million. This value represents a decrease of US\$854 million, or 45%, compared to 2014.

This variation affected payments received by DNRP (less US\$291 million), a refund of taxes by Petroleum Fund in amount of US\$25 million and also through a reduction on FTP and Profit Oil of US\$537 million. The structure of the Extractive sector's Revenue is similar to 2014, with a slight increase (2.57%) of DNRP's contribution in the total revenue accounted and a decrease of 2.37% of non tax amounts received by ANPM.

Oil and Gas Revenues 2010-2015 (US\$ million)



Revenue	Amount in US\$ million						
	2015	%	2014	%	Variação	%Variação	
DNRP	436	41.83%	752	39.66%	-316	-42.07%	
ANPM	600	57.61%	1,137	59.97%	-537	-47.23%	
BCTL	6	0.57%	7	0.37%	-	1.10	-15.77%
Total	1,042	100.00%	1,896	100.00%	-854	-45.06%	

Extractive sector revenues (US\$ million)	2015	2014	Δ	% Δ
Direção Nacional de Receitas Petrolíferas (DNRP)	405*	728	- 323	-44%
Autoridade Nacional do Petróleo e Minerais (ANPM)	600	1,137	- 537	-47%
Banco Central de Timor-Leste (BCTL)	6	7	- 1	-16%
Revenues generated from Oil & Gas extractive activities	1,011	1,872	- 861	-46%
Revenues generated from Oil & Gas related activities (Sub Contractors)	31	24	7	28%
Revenues generated from Oil & Gas Sector	1,042	1,896	- 854	-45%
Revenues generated from Mining Sector	0.24	0.19	0.05	25%
Revenues generated from Extractive Sector	1,042	1,896	- 854	-45%
Part of the revenue allocated to Australia	- 60	- 113	53	-47%
Part of the revenue allocated to Timor-Leste	982	1,783	- 801	-45%

* Net from the refunds of taxation. See section 4.5

3.4 Revenue generated from extractive sector (continuation)

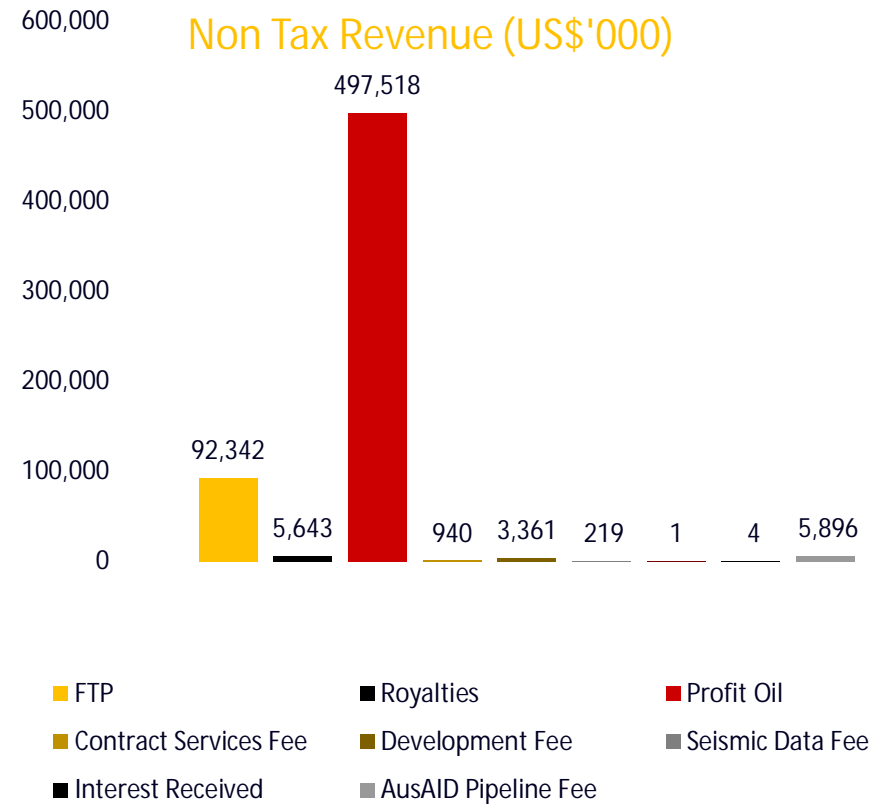
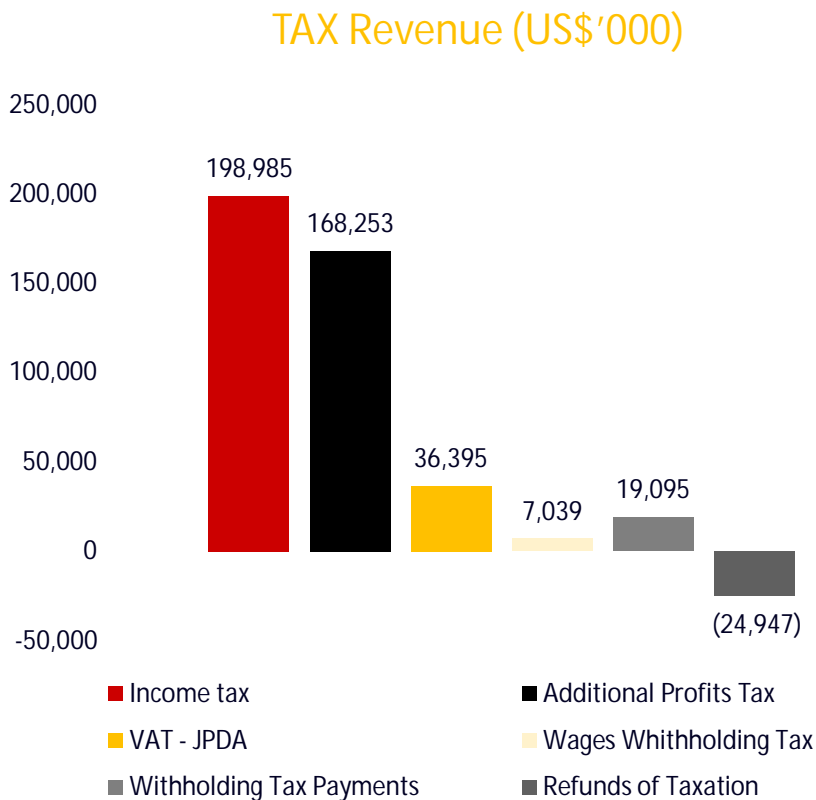
3.4.1 Tax Revenue and Non tax Revenue

The charts below describe the tax and non tax revenue.

The most significant Tax Revenue in 2015 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 outlined in the figure below.

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

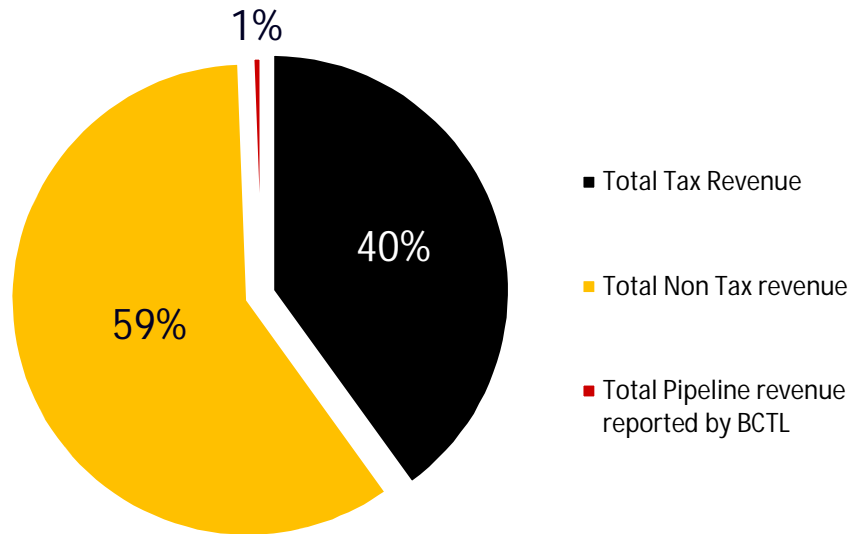


3.4 Revenue generated from extractive sector (continuation)

Timor-Leste revenue received is decreasing since 2012. 2015 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 it should be noted that the revenue, in 2015, was less than US\$250,000 (mainly licenses fees).

3.5 Employment generated from Oil & Gas Sector 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 and subcontractors in scope to respond to the number of employees they had in 2015 related to Timor activities and the responses are as follows:

Extractive Companies and their Affiliates involved in Timor oil and gas operations & SOE

Company Name	Number		Net creation jobs /2015	
	National	Expats	National	Expats
ConocoPhillips (Timor Sea) Pty Ltd				
ConocoPhillips (03-12) Pty Ltd		149		-11
ConocoPhillips (03-13) Pty Ltd				
ConocoPhillips (Emet) Pty Ltd				
ConocoPhillips JPDA Pty Ltd				
ConocoPhillips Timor-Leste Pty Ltd	33	1	1	
Eni JPDA 03-13 Limited				
Eni JPDA 06-105 Pty Ltd	9	4	-2	
Eni JPDA 11-106 B.V.				
Eni Timor - Leste S.p.A.				
Inpex Sahul Ltd				
Inpex Timor Sea Ltd				
Santos JPDA (91-12) Pty Ltd				
Tokyo Timor Sea Resource Pty Ltd (TTSR)		1		
Woodside Petroleum (Timor Sea 19) Pty Ltd	1			
Woodside Petroleum (Timor Sea 20) Pty Ltd				
Talisman Resources (JPDA 06-105) Pty Ltd				
TIMOR GAP PSC JPDA 11-106				
TIMOR GAP E.P. (SOE)	110	7	5	
TOTAL	153	162	4	-11

Subcontractors

Company Name	Number		Net creation jobs /2015	
	National	Expats	National	Expats
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	-	-	-	-
Bluewater Services International P/L	-	-	-	-
Brunel Energy Pty Ltd	-	2	-	-
Caltech Unipessoal Lda	31	28*	59	-
Cape East Philippines INC	3	235	3	281
CHC Lloyd Helicopters Australia P/L	16	36	-	18
Fircroft Australia Pty Ltd	-	79	-	40
GAP -MHS Aviation TL Lda	51	72	-	-
Halliburton Australia P/L	-	35	-	-
Interstate Enterprises P/L	-	15	-	-
Millenium Offshore Services P/L	14	20	1	-
Neptune Asset Integrity Services Pty Ltd	-	51	-	-
Schlumberger Australia P/L	-	-	-	22
Sedco forex International INC	231	31	231	31
Subsea 7 Australia Contracting	-	133	-	-
Tiderwater Marine Australia P/L	-	112	-	-
TOTAL	346	849	294	232

Please note that this information was a result of a unilateral collect procedure due to lack of Government information to corroborate the reported numbers.

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 comparing with the Non extractive sector.

(*) The number presented was during the 2015 financial year but not all at the same time.

Outline

Timor-Leste officially recovered its sovereignty on May 20th, 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:

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 extractive companies and the Government.

4

Regulatory Framework Extractive industries in 2015

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)
- ▶ TLEA PSC TL-S0-15-01
- ▶ (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.

4.1 Timor-Leste Exclusive area Legal Framework (TLEA)

Article 13 of Petroleum Activities Law: Invitations to Apply

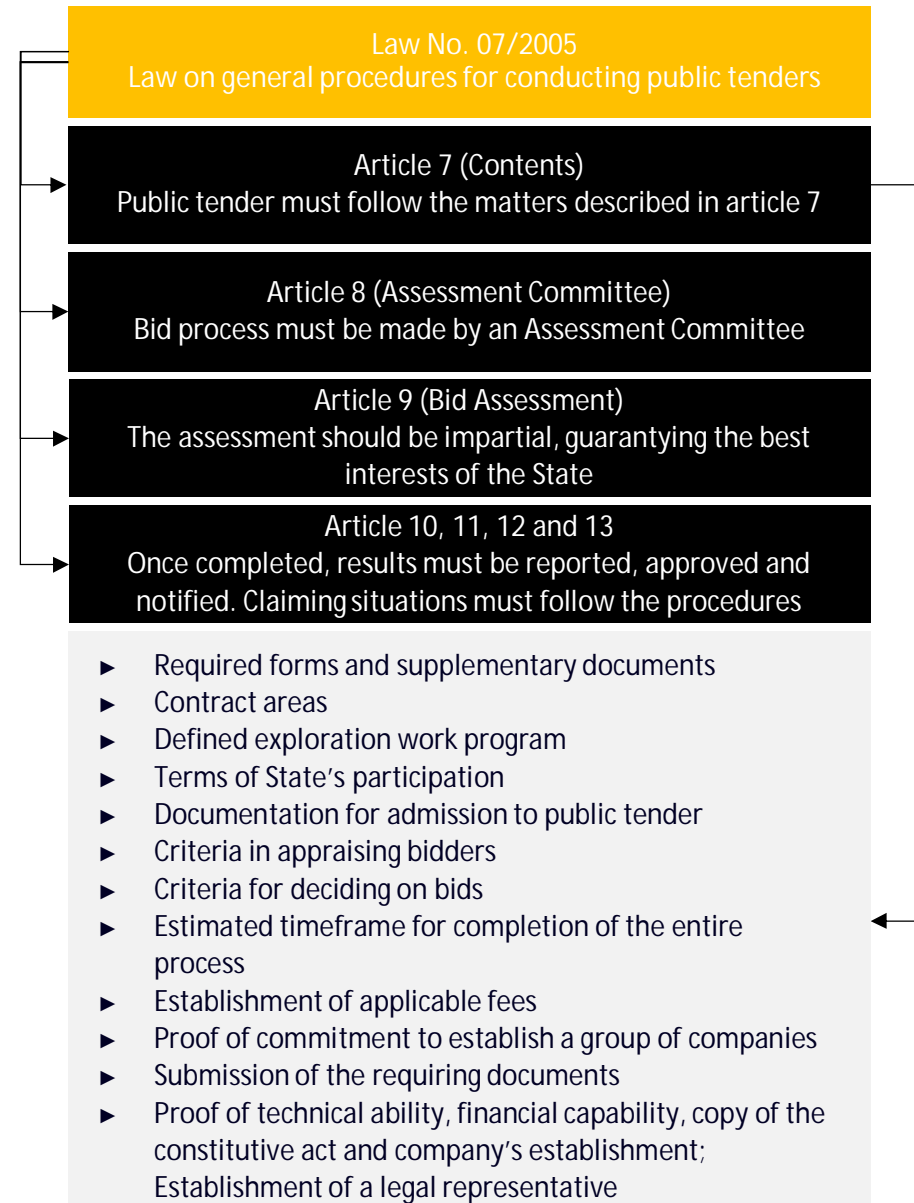
1. (a) The Ministry shall invite, by public notice, applications for Authorizations.
- (b) Notwithstanding paragraph 13.1(a) above, the Ministry may choose to award Authorizations through direct negotiation without issuing such invitations:
 - (i) in the case of Access Authorizations; or
 - (ii) in the 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 2nd (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 D)

- ▶ 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 20th, 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 2nd, 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.

On 14 January, Timor-Leste enacted the Decree-Law N° 2/2015 to create a Council for Definitive Delimitation of Maritime Boundaries that was established under the Decree-Law 8/2015 of 22 April.

Recently, on January 9th, 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>

4.3 Specific agreements with Australia regarding Oil & Gas Exploration (continuation)

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

Autoridade Nacional do Petróleo e Minerais (ANPM) is a Timor-Leste public institution, created under Decree Law No. 1/2016 of February 9th (1st amendment of Decree-Law No.20/2008 of June 19th).

ANPM is responsible for managing and regulate petroleum and mining activities in Timor-Leste area (this includes both offshore and onshore) and in the Joint Petroleum Development Area (JPDA) in accordance with the Decree Law (that establish ANPM) and the following laws and regulation:

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

Also note that the decree-Law No. 20/2008, of June 19th, that 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.

Other note's (*):

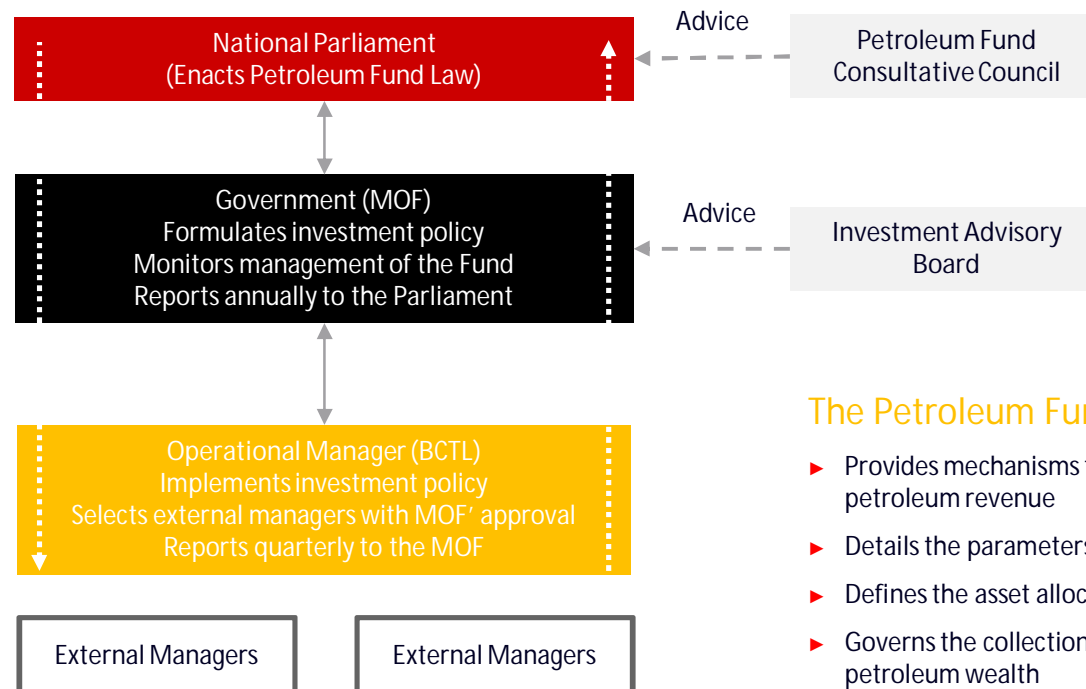
As above mentioned, under Decree Law No. 1/2016 of February 9th, the ANPM changed is designation (from ANP (Autoridade Nacional do Petróleo) to ANPM) and was also entrusted to be responsible for the mining activities in Timor-Leste. We will use the actual designation "Autoridade Nacional do Petróleo 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 3rd, 2005) as amended by the Law No.12/2011 (September 28th, 2011).

Petroleum's Fund's governance structure



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 2015*: https://www.mof.gov.tl/wp-content/Petroleum_Fund_Annual_Report_2015.pdf

4.5 Petroleum Fund (continuation)

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 Ministry of Finance held in 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\$20.7 billion (source: Petroleum Fund 2015 Financial Statements). Most of the country's petroleum wealth from the current existing fields, ie Bayu Undan and Kitan, is already transformed into financial assets.

4.5 Petroleum Fund (continuation)

Transfer from Petroleum Fund

In 2015 the Fund's balance decreased US\$321 million (from US\$16,539 million in 2014 to US\$16,218 million in 2015) and was the first annual decline since the Fund's inception.

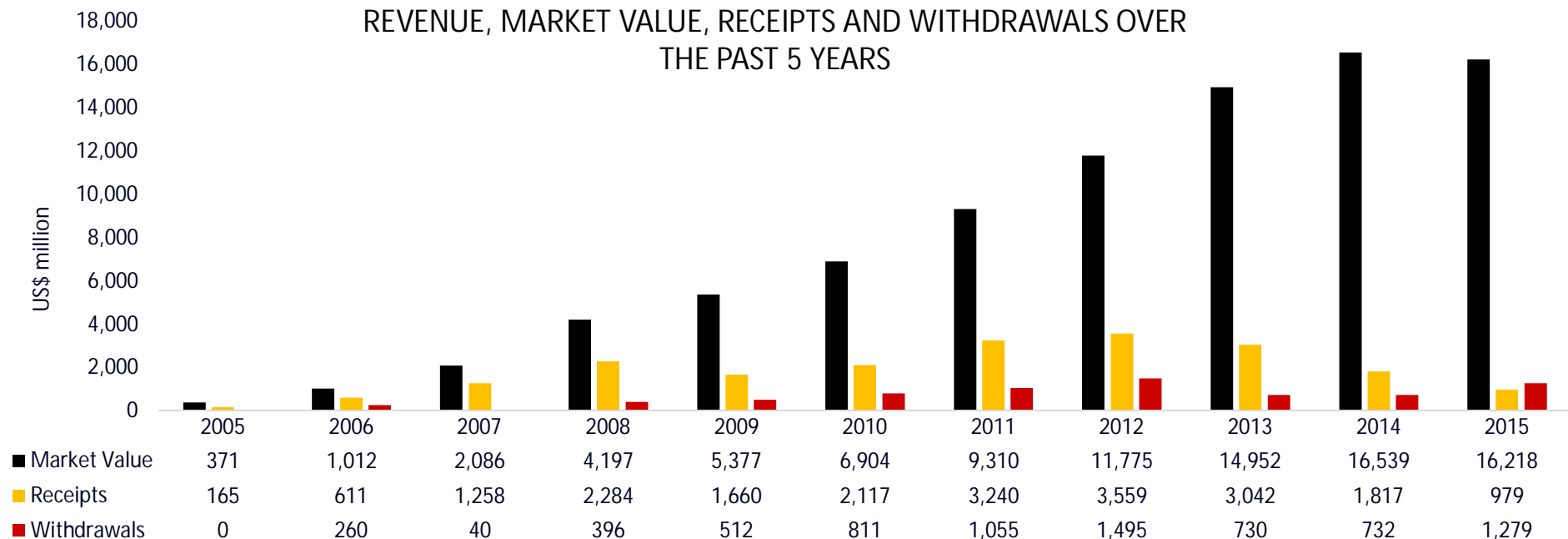
Petroleum revenue has significantly declined as a result of lower oil prices and decline on production (the petroleum revenue received in 2015 was less than half of the amount received in 2014).

The global oil price has fallen sharply over the last year and a half. The monthly average of North Sea Brent crude oil prices fell from a high of \$US 112 per barrel in June 2014 to average \$US 38 per barrel in December 2015.

From 2006 to end of 2015, the Government has withdrawn US\$7,309 million from the Fund. This exceeds the cumulative ESI over that period by US\$2,084 million. The excess reflects the Government's policy to front-load expenditure to enable economic development.

In 2015, the Government withdrew US\$1,279 million from the Fund to finance the State General Budget. This was US\$640 million higher than the ESI of US\$639 million for the year. The ESI is set at 3% as mentioned previously.

► Source: https://www.mof.gov.tl/wp-content/uploads/2016/08/Petroleum_Fund_Annual_Report_2015.pdf



4.5 Petroleum Fund (continuation)

Net Investment Return 2015

The Petroleum Fund's investment strategy is designed to generate an annual return that exceeds inflation by 3 per cent over the long run. The 3% real return objective follows from the ES.

The Petroleum Fund's investments was initially fully invested in bonds (specially US) to limit the exposure to risk however a significant allocation to equities is required to reach the real return objective. In 2015 the bonds comprise 60% of the Funds asset and 40% was allocated to equities (mainly US and European entities). At the end of 2015 US bonds account for over 80% of total bonds and US companies account for almost 59% of the equity portfolio.

The Petroleum Fund's investment return before expenses was -0.06% in 2015. The real return, which accounts for US inflation, was -0.78 per cent in 2015 (+2,4% in 2014), explained by a very low bond yields in recent years and a volatility in the equity markets.

Petroleum Fund performance in 2015

The Petroleum Fund posted a loss of US\$21.4 million, after deducting expenses of US\$15.4 million and withholding taxes of US\$9.4 million. This was the first annual loss recorded since the Fund's inception in 2005. The income recorded in 2014 was US\$502 million.

The annualized PF investment return since inception in 2005 was 3.8% per annum, compared with 2014 decreased 0.4%, the total amount of investment returned was US\$2.6 billion.

Details and more information of the PF can be seen in PF Annual report, published at the MoF website.


- ▶ Source: https://www.mof.gov.tl/wp-content/uploads/2016/08/Petroleum_Fund_Annual_Report_2015.pdf

Civil Society's perspective

The Civil Society raised their concern over the sustainability of the Petroleum Fund on two issues: First, the Estimated Sustainable Income (ESI) implies that to be sustainable the fund's long-term average return should reach an average of 3% in real term. However, this seemed never being achieved for at least since the financial crisis in 2008. The average return from 2005 to 2014 was only 4.24% nominal. Although, this is understandable given the fund's only started to increase its exposure to equity market from 2012 and reached its allocation target of 40% by June 2014. However, the stakeholder need to be aware of the volatility in the return as the fund's exposure to equity increased. The CSO appreciates the transparency of the fund management and expects more sharing of information to the community to enhance their understanding.

Second, as the result of the implementation of Government's Strategic Development Plan¹, the Government has withdrawn the Petroleum Fund above the sustainable level. The concern from CSO was related to the budget allocation and Government's capacity to execute the budget. Majority of the expenditures were focused on basic infrastructures, such as roads, bridges, power generation infrastructure, and petroleum related projects (South Coast Project). Meanwhile, health, education², agriculture and tourism have received relatively small percentage of the budget. The CSO concerns whether this focus will contribute to economy diversification that can lead towards less dependency on petroleum sector. The CSO encourages more information on these non-extractive sectors to be included in future reports to generate discussions.

CSO also recommends that the future TL-EITI reports cover other emerging sectors such as mineral resources, forestry and fisheries. The CSO also expects that future reports will include more information from the reporting entities and relevant regulatory framework of these respective sectors.

- ▶ ¹ <http://timor-leste.gov.tl/wp-content/uploads/2011/07/Timor-Leste-Strategic-Plan-2011-20301.pdf>
- ▶ ² According the research conducted by NGO "La'o Hamutuk" the budget allocation to education and health is ranging between 1.5-2% for the period between 2011-2015. For the details please see:  <http://www.laohamutuk.org/econ/OGE15/14OGE15.htm>

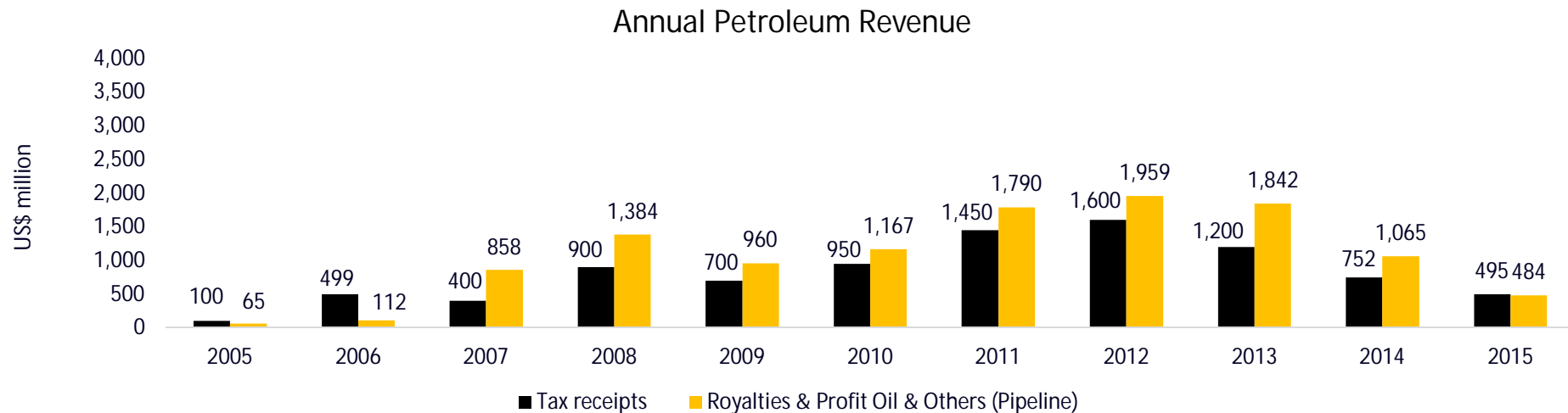
4.5 Petroleum Fund (continuation)

Petroleum Fund Revenues

In 2015, 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 2015 was US\$1,004 million. That was comprised of US\$461 million in petroleum taxes (contractors and subcontractors), US\$537 million in royalties and oil and gas profit and US\$6 million in other petroleum revenues. These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively. Of the total amount received, US\$25* million was transferred for refunds of taxation, which resulted in a net inflow of US\$979 million for the year.

According to the Petroleum Fund financial Statements, in 2015 the Fund started with a beginning balance of US\$16,539 million, received around US\$979 million of petroleum revenue, as transfer to state budget -US\$1,279 million, had -US\$21 million of investment loss and finish with US\$16,218 million.

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



* Refunds of taxation

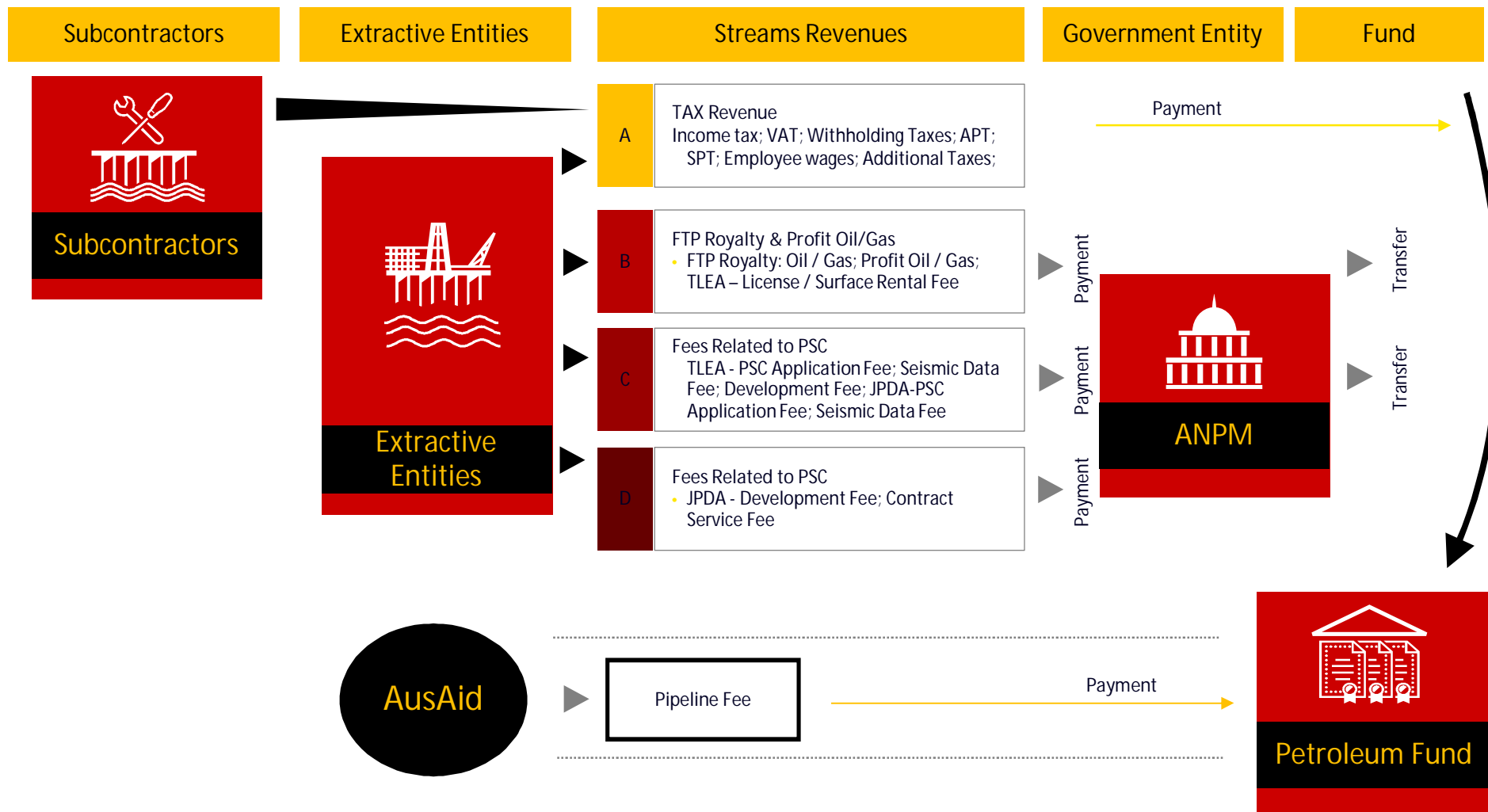
As disclosed on the EITI Timor Leste "Independent Reconciliation Report For The Year 2012" section "6.3. Adjustments" there was an amount of USD 24,947,282 related to tax assessment on capital gain paid by Woodside Petroleum to the Ministry of Finance ("Additional Taxes"). This amount was considered as Tax liability from 2007 paid on 29 May 2012 that was in dispute with the Ministry of Finance.

In 2015, as disclosed in the 2015 Timor Leste Petroleum Fund Report, the Government of Timor-Leste has resolved the dispute and made the refund of taxation of this amount to Woodside Petroleum Ltd.

► Source: https://www.mof.gov.tl/wp-content/uploads/2016/08/Petroleum_Fund_Annual_Report_2015.pdf

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 Enterprise (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.

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 2015 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 23rd, 2013. TIMOR GAP has 24% of share in the JV partnership. TIMOR GAP is also mandated to manage the Tasi Mane project on behalf of the Government, several studies in the downstream and other major oil & gas projects on behalf of the Government.

In 2015, TIMOR GAP started for the first time a participation in the exploration activities within the TLEA, with one offshore exploration block. On 23rd December 2015, TIMOR GAP signed its second PSC, to begin exploration offshore in the block TL-SO-15-01.

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 2015 Annual Report.

In 2015 the government grant paid to TIMOR GAP was US\$9.7 million (2014: US\$5 million).

From the analysis made, TIMOR GAP did not have any related quasi-fiscal expenditures for social services that can be reported in 2015.

The company has a quota of 60% in GAP-MHS Aviation Lda (GAP-MHS) and during the 2015, TIMOR GAP received dividends from this company in amount of US\$1,357 million (2014 : US\$1,409 million).

► *Source:* [https://timorgap.com/databases/website.nsf/vwAll/Resource-Full_TIMOR%20GAP%202015%20Annual%20Report_EN_Final/\\$File/TIMOR%20GAP%202015%20Annual%20Report_EN_Final.pdf?openelement](https://timorgap.com/databases/website.nsf/vwAll/Resource-Full_TIMOR%20GAP%202015%20Annual%20Report_EN_Final/$File/TIMOR%20GAP%202015%20Annual%20Report_EN_Final.pdf?openelement)

4.7 State Owned Companies (SOE's) (continuation)

Brief Note on PSC TL-S0-15-01 award

In accordance with Ministerial Dispatch No.3/GMPRM/XII/2015 dated 18 December 2015 and the Council of Ministers Resolution No.44/2015 of 22 December, TIMOR GAP OFFSHORE BLOCK UNIPESOAL LIMITADA (TIMOR GAP, E.P.) was direct awarded (without any public invitation) with an interest of 100% of the production sharing contract (PSC) for offshore exploration.

This block is located in the Timor-Leste Exclusive Area (TLEA) ,

The work program will mainly be covering seismic acquisition, processing and interpretation in the first initial period of the exploration work program (The ANPM site contains information on contract, coordinates of license area, and the duration of license link:

<http://web.anpm.tl/webs/anptlweb.nsf/vwLafaek/LafaekA232E3C2398E04834925807C001F91D1>

The direct award is possible by law. According to petroleum activities law 13/2005 on art. 13 b) 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."

Taking into consideration the TIMOR GAP, E.P. mission and purpose, as a young National Oil entity, the Ministry considered this award to be made on the national public interest and a significant milestone for TIMOR GAP, E.P. to develop as an oil and gas company.

Through the direct award of the PSC and the authorization to carry out a 3D multi-client survey TIMOR GAP, E.P. will enable to boost its knowledge in the upstream sector in order to enhance its experiences and capabilities.

Furthermore, the surveys and integrated prospecting studies would also contribute to a better national understanding of the subsurface structures in the offshore TLEA, plays, leads and potential prospects in the relevant areas.

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/>
- ▶ Source: <http://web.anpm.tl/webs/anptlweb.nsf/pgLafaekPSCList>
- ▶ Source: <http://www.anpm.tl/timor-lest-eiti/>

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 E – PSC IN Timor-Leste, C - List of Mining Licenses and F - 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 E 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.

In 2015 only 1 license was given and already mentioned (PSC TL-S0-15-01).



5

Tax Regime

Outline

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

- ▶ The Joint Petroleum Development Area (JPDA) - jointly managed by Australia and Timor-Leste denominated by:
 - ▶ Covered by Timor Sea Treaty where covered Annex F on Bayu Undan and Great Sunrise Filed project.
 - ▶ Covered by Timor Sea Treaty non Annex F exclude Bayu Undan and Great Sunrise Filed project.
- ▶ Timor-Leste Exclusive area (TLEA) managed by Timor-Leste on Offshore and Onshore

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:

- ▶ Bayu Undan : Untaet Regulation No. 1/1999 on 25 October 1999,
 - ▶ Tax of Bayu undan Contractor (ToBuca),
 - ▶ Tax Stability
 - ▶ Untaet regulation No. 2000/18
- ▶ Great Sunrise :
 - ▶ Untaet Regulation No. 1/1999 on 25 October 1999
 - ▶ Timor Sea Treaty
 - ▶ Income Tax Law on 25th Oct 1999
 - ▶ Untaet Reg. No. 2000/18

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 25th, 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

- ▶ Corporate Income Tax to Contractor at a flat rate 30% on Taxable Income
- ▶ Corporate Income Tax to Individual Tax or subcontractor following the progressive tax rate as follow; 15%, 15% and 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:

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

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% 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).

5.1 JPDA – Annex F (continuation)

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).

- ▶ Corporate Income Tax follow Income Tax law :
 - ▶ Income Tax Law a flat rate 30% on taxable income to Contractor
- ▶ Corporate Income Tax for individual or sub contractors following progressive rate: :
 - ▶ 10%, 15% and 30% on taxable Income.

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 20th, 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.

► Tax Regime :

- Untaet Regulation No. 2000/18
- Petroleum Tax Law No. 8/2005 of 3 August
- Income Tax Law

Income TAX

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

Sub Contractor not to subject tax but all sub contractor or all provider services oriented to final withholding on 6% and 90% (5.40%).

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:

$ANR \times 22.50\% / (1-r)$, 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

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

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 be applied against a contractor who has a positive amount of accumulated net receipts for the petroleum operations of that year calculated according to 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% 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% 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 accomplished.

6

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 12th, 2009
- ▶ Ministerial Diploma 2/2014, of February 19th, 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 9th, 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 16th. The new Ministerial Diploma improves requirements for licensing and introduces principals that are more aligned with the draft Mining Code.

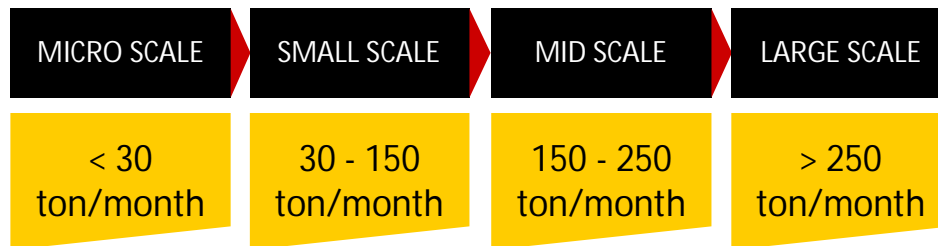
Overview of Timor-Leste extractive industries in 2015 - Mining

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:



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:

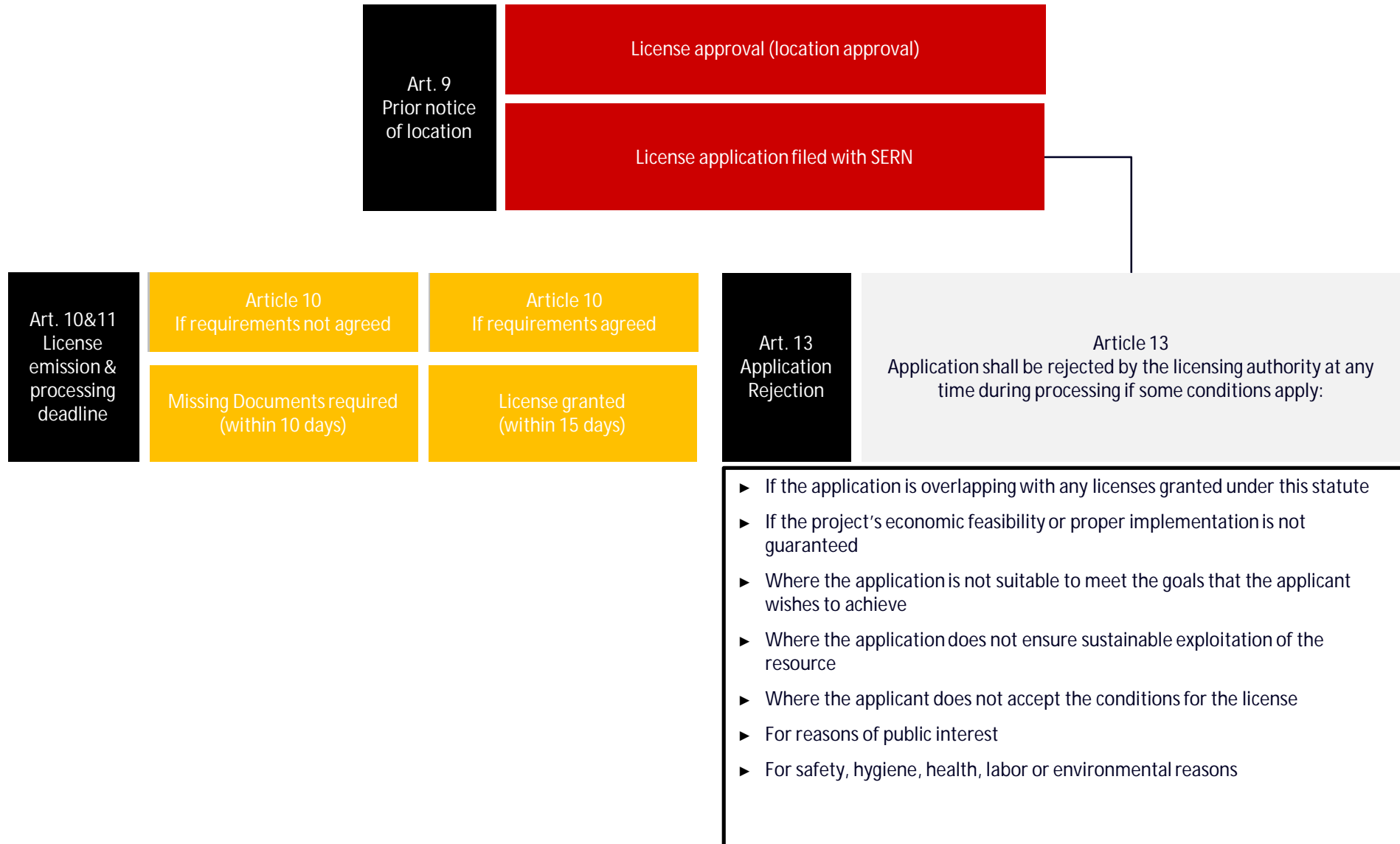
- ▶ Mid-Scale Unit; US\$1.50 for each ton of sand and gravel extracted; US\$2.00 for each ton of limestone; and US\$10 for each ton of marble
- ▶ Large-Scale Unit; a flat fee calculated by reference to ton, production/total quantity extracted on the terms of the same values-ton set out above, since the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

6.2 Licensing process (continuation)

Licensing process, before 2016



6.2 Licensing process (continuation)

Number of licenses

From 2006 to 2015 the number of licenses recorded by Dirasaun Nasional do Minerai, MPRM have been increasing (see appendix D). Also significant is the increase verified in 2015 comparing to prior years. This was justified by the introduction of the 2nd amendment who made adjustments in the licensing application process easier.

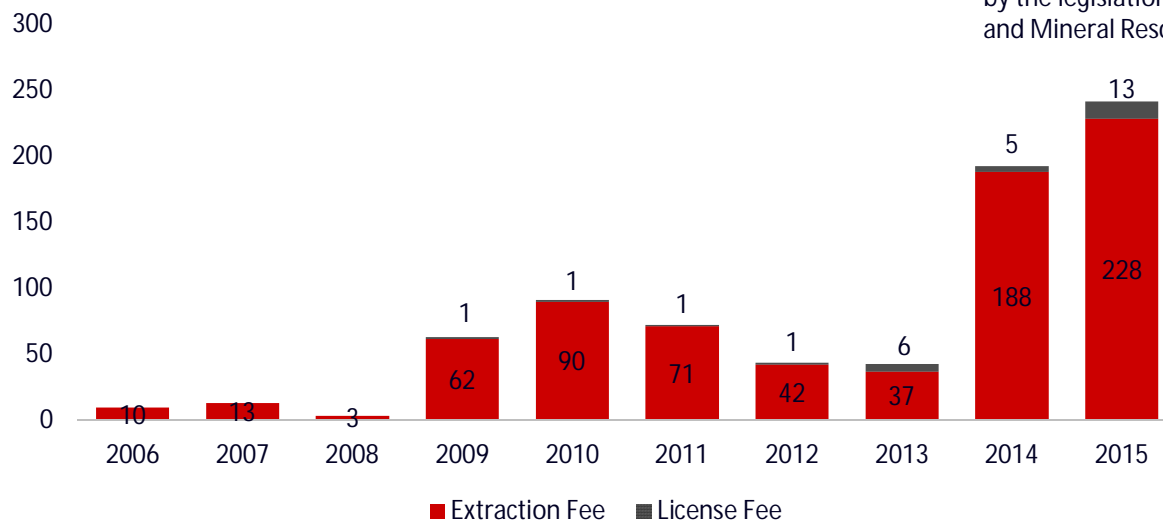
See more detail on licenses in appendix D

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

Licenses issued 2006 - 2015



Total Extractive and License fees \$US '000



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 Ministry of Petroleum and Mineral Resources.

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

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 8th 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.

Methodology and approach

7.1 Independent Administrator

As Independent Administrator EY also 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 8th report is the 2015 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 2015. This threshold permits to capture approximately 99% of the revenues received by the Government from petroleum activities in 2015.

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 2015 (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 64 in 2015, including sub-contractors – see appendix A and B) 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 and sector employment data is not yet collated by the Government on an industry-wide basis. However we have requested the information in our data collection templates.

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 2015, 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 2015 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 2015. The entities in scope (contractors and subcontractors) represents 99% off total revenue received.

Companies in the mining sector, have a small dimension, therefore, a small impact of revenue amounts received in 2015 (less than US 250 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. Section 6 gives detail on mining activities.

7.3.3 Subcontractors

The MSWG have decide to include the Subcontractors that have made payments to significant revenue streams (only Tax) of Oil & Gas activities above the threshold. That will permit to capture approximately 2.86% of the total revenue received related with oil & gas activities in Timor-Leste.

7.3 Materiality thresholds for company disclosures (continuation)

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

OIL & GAS ENTITIES IN SCOPE		
Extractive Companies and their Affiliates involved in Timor oil and gas operations		
CGG Services (Singapore) P/L	Eni JPDA 11-106 B.V.	Woodside Petroleum (Timor Sea 03-20) Pty Ltd
ConocoPhillips (Timor Sea) Pty Ltd	Eni Timor - Leste S.p.A.	Woodside Petroleum Ltd
ConocoPhillips (03-12) Pty Ltd	Inpex Sahul Ltd	Government Entities
ConocoPhillips (03-13) Pty Ltd	Inpex Timor Sea Ltd	Direção Nacional de Receitas Petrolíferas (DNRP)
ConocoPhillips (Emet) Pty Ltd	Santos JPDA (91-12) Pty Ltd	Autoridade Nacional do Petróleo e Minerais (ANPM)
ConocoPhillips JPDA Pty Ltd	Talisman Resources (JPDA 06-105) Pty Ltd	Banco Central de Timor-Leste (BCTL)
ConocoPhillips Timor-Leste Pty Ltd	TIMOR GAP PSC JPDA 11-106	TIMOR GAP E.P. (SOE)
Eni JPDA 03-13 Limited	Tokyo Timor Sea Resource Pty Ltd	Other (Pipeline fee)
Eni JPDA 06-105 Pty Ltd	Woodside Petroleum (Timor Sea 03-19) Pty Ltd	AusAID (1)
Sub-contractors		
Air Energy Group Singapore P/L	Cape East Philippines INC	Millenium Offshore Services P/L
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	CHC Lloyd Helicopters Australia P/L	Neptune Asset Integrity Services Pty Ltd
Amec Engineering P/L	Code Engineering Services P/l	Northern Marine Australia P/L
Bluewater Services International P/L	Eurest Servicos de Suporte (Timor Leste) SA	Schlumberger Australia P/L
Brunel Energy Pty Ltd	Farstad Shipping (Indian Pacific) P/L	Sedco forex International INC
Caltech Unipessoal Lda	FMC Technology Australia Limited	SGS Australia P/L
Cameron Services Inter. P/L	GAP -MHS Aviation TL Lda	Subsea 7 Australia Contracting
	Halliburton Australia P/L	Svitzer Asia P/L
	Interstate Enterprises P/L	Tiderwater Marine Australia P/L

(1) - AusAID is an Australian governmental organization that pays per annum pipeline fee (agreed by both Governments)

7.3 Materiality thresholds for company disclosures (continuation)

7.3.4 Revenue Streams

Government revenues from the extractive industries consist of:

- ▶ Non tax Revenues
- ▶ Tax Revenues

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	Withholding on wages income tax 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. Also includes the information about tax refund (from PY)

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.
	Seismic Data Fee - Fees based on the data acquired from the inventories system that collect all the relevant Seismic data.
Other payments (Pipeline Fee)	Fee payable by Australia government (in JPDA) agreed by both country's.

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.

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 E.P.).
- ▶ 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

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 laws and regulations regarding the audit process are not yet applicable for Timor-Leste. Since the EITI reconciliation process, requires data of high reliability we have:

requested and received the reporting templates signed off by the official in charge plus the monthly detail of payments (dates and amounts);

we have requested the audited Financial Statements (when applicable) and/or auditors report;

Made analytic review on the data and external available information;

For more relevant 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 and the internal controls validation (specific SOX and other internal control procedures made by the external auditors);

Every time there were differences and/or doubts about the data received we have requested the documents and/or other information that supports the transaction (bank statements, receipts, calculations or other's).

7.6 Other considerations

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 (payment made by AusAID) and not a transportation revenue. No other payments related to transportation, made by contractors or subcontractors, were identified.

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.

8

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 2015;
- ▶ To reconcile the data from extractive companies and government authorities on each type of payments for each company in 2015
- ▶ 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

Reconciliation of tax and other payments

8.2 General results of payments reconciliation

Revenues generated from Oil & Gas extractive activities and supported 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:

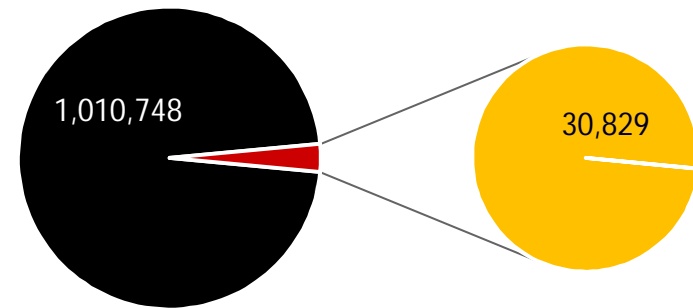
Revenues generated in 2015	Total	Amount in US\$'000	
		Scope	% Scope
Total Tax Revenue***	404,825	404,799	99.99%
Total Non Tax revenue reported by ANPM	600,028	599,963	99.99%
Total Pipeline revenue reported by BCTL	5,896	5,896	100.00%
Sub Total Revenue Contractors *	1,010,748	1,010,658	99.99%
Total Revenue Sub-contractors **	30,829	30,320	98.35%
Total Revenue Contractors and Sub-contractors in scope	1,041,577	1,040,978	99.94%
Not in scope		599	0.06%

* Disaggregation on on Appendix A

** Disaggregation on Appendix B

*** Net of the refunds of taxation

Total Revenue in US\$'000



■ Oil & Gas extractive activities ■ Oil & Gas supported activities

Payments from Oil & Gas extractive companies in Scope

Tax and Non Tax payments from Oil & Gas extractive companies and their Affiliates involved in Timor oil and gas operations

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

Out of 24 companies that have payments on petroleum activities to Government entities (DNRP, ANPM, BCTL and Petroleum Fund), 22 are in scope (accumulated payments above the threshold). The total amount in scope of tax revenue is US\$1,011 million (around 97% of total revenue – including subcontractors).

Entities	Amount in US\$														Total reported by Government
	Income Tax	APT Installment	VAT – JPDA	Wages Withholding Tax	Withholding Tax Payments	Additional Tax	FTP	Royalties	Profit Oil	Contract Services Fee	Development Fee	Seismic Data Fee	Pipeline		
AUSAID	-	-	-	-	-	-	-	-	-	-	-	-	5,896,000	5,896,000	
CGG Services (Singapore) P/L	-	-	-	-	-	-	-	-	-	-	-	219,238	-	219,238	
ConocoPhillips (Timor Sea) Pty Ltd	16,305,587	14,741,310	-	-	387,059	-	-	-	38,690,113	-	-	-	-	70,124,068	
ConocoPhillips (03-12) Pty Ltd	50,795,985	52,349,292	22,685,851	6,404,443	5,898,464	-	92,342,307	-	134,150,322	160,000	-	-	-	364,786,664	
ConocoPhillips (03-13) Pty Ltd	12,790,063	9,905,789	-	-	262,743	-	-	-	26,246,937	160,000	3,035,550	-	-	52,401,082	
ConocoPhillips (Emet) Pty Ltd	2,603,881	1,745,981	-	-	45,650	-	-	-	4,563,179	-	-	-	-	8,958,691	
ConocoPhillips JPDA Pty Ltd	30,907,458	28,440,315	-	-	750,621	-	-	-	74,983,884	-	-	-	-	135,082,278	
ConocoPhillips Timor-Leste Pty Ltd	-	-	-	280,829	-	-	-	-	-	-	-	-	-	280,829	
Eni JPDA 03-13 Limited	11,597,980	12,518,000	-	-	537,129	-	-	-	53,217,616	-	-	-	-	77,870,725	
Eni JPDA 06-105 Pty Ltd	-	-	13,709,389	318,332	9,676,902	-	-	2,399,724	521,766	160,000	325,000	-	-	26,067,581	
Eni JPDA 11-106 B.V.	-	-	-	-	99	-	-	-	-	80,000	-	-	-	80,099	
Eni Timor - Leste S.p.A.	-	-	-	-	45,996	-	-	-	-	-	-	-	-	45,996	
Inpex Sahul Ltd	47,454,364	21,250,139	-	-	555,981	-	-	-	66,947,500	-	-	-	-	136,207,984	
Inpex Timor Sea Ltd	-	-	-	-	6,589	-	-	1,742,984	632,856	-	-	-	-	1,116,717	
Santos JPDA (91-12) Pty Ltd	3,765,214	18,793,193	-	-	460,385	-	-	-	55,643,015	-	-	-	-	78,661,807	
Talisman Resources (JPDA 06-105) Pty Ltd	-	-	-	-	-	-	-	1,499,837	326,094	-	-	-	-	1,173,742	
Tokyo Timor Sea Resource Pty Ltd	22,764,204	8,509,005	-	-	450,372	-	-	-	44,556,570	-	-	-	-	76,280,151	
Woodside Petroleum (Timor Sea 19) Pty Ltd	-	-	-	23,861	2,000	-	-	-	-	160,000	-	-	-	185,861	
Woodside Petroleum (Timor Sea 20) Pty Ltd	-	-	-	-	-	-	-	-	-	160,000	-	-	-	160,000	
Woodside Petroleum Ltd	-	-	-	-	-	-	-	24,947,282	-	-	-	-	-	-24,947,282	
TIMOR GAP PSC JPDA 11-106	-	-	-	-	5,616	-	-	-	-	-	-	-	-	5,616	
TIMOR GAP E.P. (SOE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	198,984,736	168,253,023	36,395,241	7,027,466	19,085,606	-24,947,282	92,342,307	5,642,544	497,518,419	880,000	3,360,550	219,238	5,896,000	1,010,657,848	

Please note that In 2014 report we have disclosed that Santos had a tax offset of US\$ 23 millions when was a tax offset of corporate income tax and additional profits tax of \$11,6 million and \$5,7 respectively.

The 2 entities not in scope were: Japan Energy E P JPDA Pty Ltd and Oillex (JPDA 06-103) Ltd. The detail of the amounts received by the Government of these entities are detailed on Appendix A and represents US\$ 86 thousand of total revenue

Payments from Oil & Gas extractive activities - Reconciliation Results

The reconciliation process was as described in section 8.1. Follow differences noted between amounts paid from oil & gas extractive activities and amounts received by Government Entities are as follows:

Entities	Reported by Entity	Pre Reconciliation Reported by Government	Results of initial request	Adjustments		Reported by Entity	Amount in US\$	
				Adjustments by the entities	Adjustments by the Government		After Reconciliation Reported by Government	Unreconciled differences
AUSAID	5,896,000	5,896,000	-	-	-	5,896,000	5,896,000	-
CGG	219,238	219,238	-	-	-	219,238	219,238	-
ConocoPhillips (Timor Sea) Pty Ltd	68,931,247	70,124,068	1,192,821	-	- 1,193,121	68,931,247	68,930,947	- 300
ConocoPhillips (03-12) Pty Ltd	370,265,335	364,786,664	- 5,478,671	-	5,478,671	370,265,335	370,265,335	- 0
ConocoPhillips (03-13) Pty Ltd	47,619,728	52,401,082	4,781,354	-	- 4,781,354	47,619,728	47,619,728	0
ConocoPhillips (Emet) Pty Ltd	8,344,495	8,958,691	614,196	-	- 614,196	8,344,495	8,344,495	-
ConocoPhillips JPDA Pty Ltd	136,032,278	135,082,278	- 950,000	-	950,000	136,032,278	136,032,278	-
ConocoPhillips Timor-Leste Pty Ltd	280,830	280,829	- 0	-	- 0	280,830	280,829	- 1
Eni JPDA 03-13 Limited	77,870,903	77,870,725	- 178	-	-	77,870,903	77,870,725	- 178
Eni JPDA 06-105 Pty Ltd	26,068,261	26,067,581	- 680	-	-	26,068,261	26,067,581	- 680
Eni JPDA 11-106 B.V.	80,099	80,099	-	-	-	80,099	80,099	-
Eni Timor - Leste S.p.A.	45,996	45,996	-	-	-	45,996	45,996	-
Inpex Sahul Ltd	137,606,969	136,207,984	- 1,398,986	- 3,387	1,395,599	137,603,583	137,603,583	-
Inpex Timor Sea Ltd	2,648,665	1,116,717	- 1,531,948	0	1,531,948	2,648,665	2,648,665	-
Santos JPDA (91-12) Pty Ltd	79,053,455	78,661,807	- 391,648	- 391,648	-	78,661,807	78,661,807	- 0
Talisman Resources (JPDA 06-105) Pty Ltd	991,198	1,173,742	182,544	182,544	-	1,173,742	1,173,742	-
Tokyo Timor Sea Resource Pty Ltd (TTSR)	76,280,150	76,280,151	1	-	- 1	76,280,150	76,280,150	- 0
Woodside Petroleum (Timor Sea 19) Pty Ltd	185,661	185,861	200	-	-	185,661	185,861	200
Woodside Petroleum (Timor Sea 20) Pty Ltd	160,000	160,000	-	-	-	160,000	160,000	-
Woodside Petroleum Ltd	- 24,947,282	- 24,947,282	-	-	-	- 24,947,282	- 24,947,282	-
TIMOR GAP PSC JPDA 11-106	7,992	5,616	- 2,376	- 2,376	-	5,616	5,616	-
TIMOR GAP E.P. (SOE)	-	-	-	-	-	-	-	-
Total	1,013,641,220	1,010,657,848	- 2,983,372	- 214,867	2,767,545	1,013,426,353	1,013,425,394	- 959

See on the next pages the description of the adjustments made during the reconciliation process.

Payments from Oil & Gas extractive activities - Reconciliation adjustments by Government

Adjustments performed on amount reported by Government:

Entities	Amount in US\$										Notes
	Income Tax	APT Installment	VAT – JPDA	Withholding Tax Payments	Royalties	Profit Oil	Contract Services Fee	Development Fee	Total adjustments		
ConocoPhillips (Timor Sea) Pty Ltd	- 1,193,121	-	-	-	-	-	-	-	-	- 1,193,121	
ConocoPhillips (03-12) Pty Ltd	2,443,121	-	1,022,661	- 1,022,661	-	-	-	3,035,550	-	5,478,671	
ConocoPhillips (03-13) Pty Ltd	-1,585,804	-	-	-	-	-	- 160,000	- 3,035,550	-	4,781,354	
ConocoPhillips (Emet) Pty Ltd	- 614,196	-	-	-	-	-	-	-	-	614,196	
ConocoPhillips JPDA Pty Ltd	950,000	-	-	-	-	-	-	-	-	950,000	
ConocoPhillips Total	-	-	1,022,661	- 1,022,661	-	-	- 160,000	-	-	160,000	(1)
Eni JPDA 06-105 Pty Ltd	-	-	-	-	- 68,609	68,609	-	-	-	-	
ENI Total	-	-	-	-	- 68,609	68,609	-	-	-	-	(2)
Inpex Sahul Ltd	- 52,063	1,447,662	-	-	-	-	-	-	-	1,395,599	(3)
Inpex Timor Sea Ltd	1,531,948	-	-	-	-	-	-	-	-	1,531,948	(4)
Inpex Total	1,479,885	1,447,662	-	-	-	-	-	-	-	2,927,547	
Santos JPDA (91-12) Pty Ltd	4,331,980	- 4,331,980	-	-	-	-	-	-	-	-	(5)
Tokyo Timor Sea Resource Pty Ltd (TTSR)	- 1,875,656	1,875,655	-	-	-	-	-	-	-	1	(6)
Total	3,936,209	- 1,008,663	1,022,661	- 1,022,661	- 68,609	68,609	- 160,000	-	-	2,767,545	

The type of adjustments identified on amounts reported by the Government entities:

- ▶ Tax offset;
- ▶ Tax received reported but incorrectly classified by type of tax;
- ▶ Tax received reported but incorrectly allocated to the entity of a group of companies;
- ▶ Tax received reported but outside the period covered.
- ▶ The reconciliation adjustments are presented by Entity and by type of receipt and were supported by adequate evidence.

1) Adjustments on amount reported to Conocophillips

(1a) The amounts of Income Tax reported by DNRP were incorrectly classified in different Conocophillips Group entities.

(1b) DNRP reported US\$1,022,661 as a payment of Withholding tax and should be considered VAT – JPDA. The adjustment is only a reclassification between tax revenue streams (Withholding tax and VAT).

(1c) Time difference of a contract services fees in amount of US\$160,000 due to a payment made to ANPM in 2016 but reported by ANPM incorrectly as 2015 receivable.

Payments from Oil & Gas extractive activities - Reconciliation adjustments by Government

Adjustments performed on amount reported by Government entities (continuation):

(1d) Its regarding Bayu Undan PSC Development fee. ANPM usually issues two invoices for each entity / PSC (ConocoPhillips (03-12) Pty Ltd and ConocoPhillips (03-13) Pty Ltd), although ConocoPhillips normally records both as under one business entity (ConocoPhillips 03-12 Pty Ltd). The adjustment was only a reclassification between entities, the total amount reported by both parts had no differences.

2) Adjustments on amount reported to Eni JPDA 06-105 Pty Ltd

Based on information received ANPM reported US\$68,609 as a Royalty when was Profit Oil tax payment. The adjustment was only a reclassification between revenue streams, the total amount reported had no differences.

3) Adjustments on amount reported to Inpex Sahul Ltd

Tax offset reported by Inpex Sahul Ltd in amount of US\$1,396,599 was not initially reported by DNRP. This income tax 2015 offset is related to Corporate income tax (US\$ 707 thousand) and APT (US\$ 689 thousand) overpayment in 2013. Those amounts correspond to the total Tax offset of Inpex Sahul Ltd for 2015.

4) Adjustments on amount reported to Inpex Timor Sea

Tax offset reported by Inpex Timor Sea in amount of US\$1,531,948 was not initially reported by DNRP. This offset is related to Corporate income tax overpayment in the 2013.

5) Adjustments on amount reported to Santos JPDA (91-12) Pty Lt

DNRP reported US\$4,331,980 as an APT Installment payment when should have been Income Tax. The adjustment made, after support confirmation received, was a reclassification between APT Installment and Income Tax on amounts reported by DNRP.

6) Adjustments on amount reported to Tokyo Timor Sea Resource Pty Ltd (TTSR)

DNRP reported US\$1,875,656 as an Income Tax payment when should have been APT Installment. The adjustment made, after support confirmation received, was a reclassification between Income Tax and APT Installment on amounts reported by DNRP.

Payments from Oil & Gas extractive activities - Reconciliation adjustments by Entities

Adjustments performed on amount reported by Entities:

The reconciliation adjustments are presented by Entity and by type of receipt and were supported by adequate evidence.

9) Adjustments performed on amount reported by Inpex Timor Sea Ltd:

The net adjustments amount is zero (see note 9). Based on the information received those were only revenue streams reclassifications and total amount reported by both parts had no differences.

Entities	Amount in US\$						Notes	
	Withholding Tax Payments	FTP	Royalties	Profit Oil and Gas	Total adjustments			
ConocoPhillips (03-12) Pty Ltd	-	6,727	-	-	6,727	-	(7)	
Inpex Sahul Ltd	-	-	-	-	3,387	-	3,387	(8)
Inpex Timor Sea Ltd	-	-	1,110,128	1,742,984	-	632,856	-	(9)
Santos JPDA (91-12) Pty Ltd	46,039	-	-	-	437,687	-	391,648	(10)
Talisman Resources (JPDA 06-105) Pty Ltd	-	-	508,638	-	326,094	-	182,544	(11)
TIMOR GAP PSC JPDA 11-106	-	2,376	-	-	-	-	2,376	(12)
Total	43,662	-	1,103,401	2,251,622	-	1,406,750	-	214,867

7) Adjustments performed on amount reported by ConocoPhillips (03-12) Pty Ltd:

The adjustment was confirmed by Conocophilips.

The amount reported by Conocophilips (03-12) Pty Ltd was incorrectly classified. Conocophilips reported US\$6,727 as Profit Oil payment and should be FTP.

8) Adjustments performed on amount reported by Inpex Sahul:

Incorrect classification of non tax revenue stream - The total amount of US\$3,387 was reported by Inpex Sahul Ltd as an non tax amount of Profit oil and gas instead of an interest paid to ANPM (interests are not in scope on this report).

10) Adjustments performed on amount reported by Santos JPDA (91-12) Pty Ltd:

The adjustments were confirmed by this Entity as follow:

(10a) The Withholding tax payment of US\$46,039 was initially reported in 2014 but was only paid in 2015, for this reason was adjusted to the amounts reported in 2015.

(10b) The difference on Royalties amount in amount of US\$437.551 was an error of the Santos JPDA system. The amount of 136 usd was bank charges.

After reported, this entity has identified the error and informed us about the final amount for profit oil payment which was according with the amount reported by ANPM.

Payments from Oil & Gas extractive activities - Reconciliation adjustments by Entities

Adjustments performed on amount reported by Entities (continuation):

11) Adjustments performed on amount reported by Talisman Resources (JPDA 06-105) Pty Ltd:

The difference on Royalties and profit Oil and Gas amounts are justified by the fact of initially the Talisman Resources reported the non tax amounts of the year 2015 instead of the amounts paid in 2015.

The final amount paid in 2015 includes the non tax amounts from November 2014 and not include the tax amount of December 2015.

12) Adjustments performed on amount reported by TIMOR GAP PSC JPDA 11-106

The difference was identified by TIMOR GAP PSC JPDA 11-106 and was justified for the fact to be initially reported the amount paid in 2014. The final amount paid in 2015 was US\$5.616 and was confirmed by BCTL.

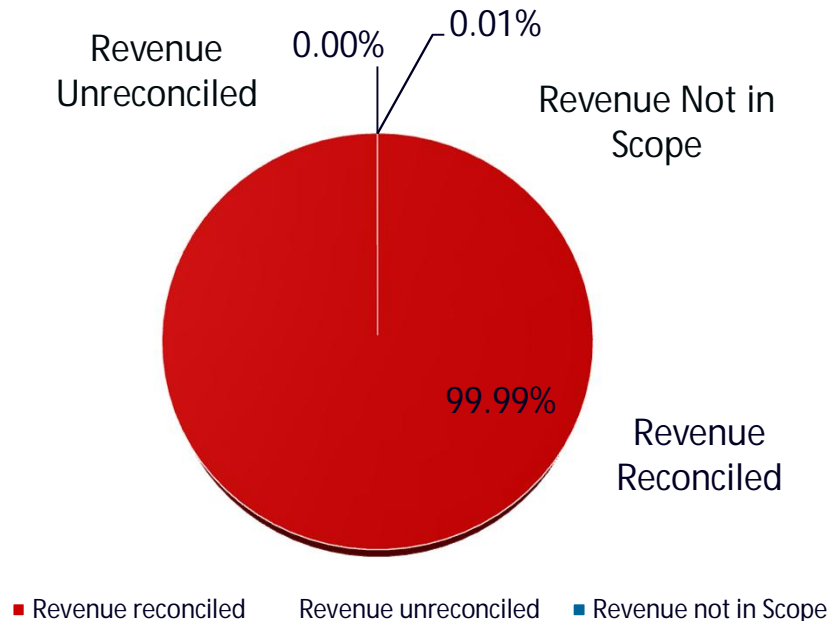
According BCTL this tax payment was credit to CFET account instead of Petroleum Fund account on dated 31 August 2015.

Payments from Oil & Gas extractive activities - Unreconciled differences

Based on the final results the difference not reconciled are approximately - US\$1,095. This amounts represents around 0.00% of total revenue of extractive activities.

See below the final results and the fact that 99.99% of the payments of contractors was reconciled.

Please note that after the reconciliation process is finish the receipts reported by Government and the amounts of payments reported by the extractive entities was confirmed in US\$1,013 million. The total amount of unreconciled differences is -US\$1,095.



Entities	Amount in US\$ Unreconciled differences	
<u>Other minor differences (in US\$)</u>		
ConocoPhillips (Timor Sea) Pty Ltd	-	300
Eni JPDA 03-13 Limited	-	178
Eni JPDA 06-105 Pty Ltd	-	680
Woodside Petroleum (Timor Sea 19) Pty Ltd		200
Total	-	959



Payments from Subcontractors in Scope

Tax payments from Subcontractors

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

Out of 40 subcontractors that have paid tax amounts to DNRP, we have identified 25 entities that have made payments (to the revenue streams) above the threshold to Government entities in scope. The total amount in scope is US\$30,3 million (2.91% of total revenue).

Subcontractors Companies	Income Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Tax	Amount in US\$ Total reported by Government
Air Energy Group Singapore P/L	-	224,203	-	400	224,603
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	4,995,482	-	948,500	44,637	5,988,619
Amec Engineering P/L	-	258,915	-	12,401	271,316
Bluewater Services International P/L	-	1,318,466	-	-	1,318,466
Brunel Energy Pty Ltd	6,264	94,594	-	23,649	124,506
Caltech Unipessoal Lda	42,708	565,544	11,872	-	620,124
Cameron Services Inter. P/L	545,481	82,837	95,053	-	723,371
Cape East Philippines INC	-	1,252,654	-	131,663	1,384,317
CHC Lloyd Helicopters Australia P/L	-	647,117	17,375	90,156	754,648
Fircroft Australia Pty Ltd	370,634	1,376,045	-	-	1,746,680
Eurest Servicos de Suporte (Timor Leste) SA	457,180	28,221	25,762	-	511,163
Farstad Shipping (Indian Pacific) P/L	-	977,393	-	11,150	988,543
FMC Technology Australia Limited	268,154	4,678	-	-	272,832
GAP -MHS Aviation TL Lda	-	74,821	6,447	49,611	130,879
Halliburton Australia P/L	939,044	34,641	72,619	-	1,046,304
Interstate Enterprises P/L	-	376,363	1,028	-	377,391
Millenium Offshore Services P/L	566,498	208,364	1,278,834	-	2,053,696
Neptune Asset Integrity Services Pty Ltd	636,393	233,214	148,164	14,716	1,032,486
Northern Marine Australia P/L	-	168,943	-	-	168,943
Schlumberger Australia P/L	3,424,824	60,244	43,164	-	3,528,233
Sedco forex International INC	-	1,207,764	4,265,748	29,521	5,503,032
SGS Australia P/L	84,116	195,140	5,568	-	284,824
Subsea 7 Australia Contracting	-	324,845	582,404	-	907,250
Svitzer Asia P/L	-	216,854	4,505	-	221,359
Tiderwater Marine Australia P/L	-	136,811	-	-	136,811
Total	12,336,778	10,068,672	7,507,042	407,904	30,320,396

Payments from Subcontractors – Reconciliation Results

The reconciliation process was as described in section 8.1. Follow differences noted between amounts paid by subcontractor and amounts received by Government Entities are as follows:

The final results of the reconciliation includes only the Subcontractors in scope including the entities that not answered.

Subcontractors Companies	Pre Reconciliation			Adjustments		Amount in US\$ After Reconciliation		
	Reported by Entity	Reported by Government	Results of initial request	Adjustments by the entities	Adjustments by the Government	Reported by Entity	Reported by Government	Results after Reconciliation
Air Energy Group Singapore P/L	-	224,603	224,603	-	-	-	224,603	224,603
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	1,678,135	5,988,619	4,310,484	4,310,484	-	5,988,619	5,988,619	-
Amec Engineering P/L	-	271,316	271,316	-	-	-	271,316	271,316
Bluewater Services International P/L	1,325,371	1,318,466	6,904	6,437	-	1,318,934	1,318,466	468
Brunel Energy Pty Ltd	119,971	124,506	4,536	4,536	-	124,506	124,506	-
Caltech Unipessoal Lda	879,127	620,124	259,003	258,731	-	620,396	620,124	272
Cameron Services Inter. P/L	-	723,371	723,371	-	-	-	723,371	723,371
Cape East Philippines INC	1,384,318	1,384,317	1	-	-	1,384,318	1,384,317	1
CHC Lloyd Helicopters Australia P/L	694,543	754,648	60,105	34,449	-	728,992	754,648	25,656
Fircroft Australia Pty Ltd	1,582,540	1,746,680	164,139	142,078	-	1,724,618	1,746,680	22,062
Eurest Servicos de Suporte (Timor Leste) SA	-	511,163	511,163	-	-	-	511,163	511,163
Farstad Shipping (Indian Pacific) P/L	-	988,543	988,543	-	-	-	988,543	988,543
FMC Technology Australia Limited	-	272,832	272,832	-	-	-	272,832	272,832
GAP -MHS Aviation TL Lda	348,872	130,879	217,992	7,380	-	341,492	130,879	210,612
Halliburton Australia P/L	1,046,489	1,046,304	185	-	-	1,046,489	1,046,304	185
Interstate Enterprises P/L	187,953	377,391	189,438	-	-	187,953	377,391	189,438
Millenium Offshore Services P/L	6,307,854	2,053,696	4,254,158	3,105,959	922,211	3,201,895	2,975,907	225,988
Neptune Asset Integrity Services Pty Ltd	455,594	1,032,486	576,892	576,892	-	1,032,486	1,032,486	-
Northern Marine Australia P/L	-	168,943	168,943	-	-	-	168,943	168,943
Schlumberger Australia P/L	1,200,000	3,528,233	2,328,233	2,328,233	-	3,528,233	3,528,233	-
Sedco forex International INC	5,503,032	5,503,032	-	-	-	5,503,032	5,503,032	-
SGS Australia P/L	-	284,824	284,824	-	-	-	284,824	284,824
Subsea 7 Australia Contracting	907,250	907,250	0	-	0	907,250	907,250	-
Svitzer Asia P/L	-	221,359	221,359	-	-	-	221,359	221,359
Tiderwater Marine Australia P/L	120,356	136,811	16,455	16,455	-	136,811	136,811	-
Total	23,741,404	30,320,396	6,578,992	4,034,619	922,211	27,776,023	31,242,607	3,466,585

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

Payments from Subcontractors – Reconciliation Results

The total amount of initial difference is represented as follow:

Description	Amount in US\$	% Final amount reported by Government
Total amount reported initially by the Government	30,320,396	97%
Adjustments by the Government entities	922,211	3%
Final tax amount reported by the Government	31,242,607	
Total amount reported initially by Subcontractors	23,741,404	76%
Adjustments by the entities	4,034,619	13%
Final tax amount reported by the Subcontractors	27,776,023	
Entities not answered	3,666,955	12%
Final amount not reconciled -	200,370	-1%

- ▶ The total amount not reported initially by entities was US\$4,034,619 and is described by entity on the next pages.
- ▶ The total amount not reported initially by Government was US\$922,211 and is described on the next pages.
- ▶ The total amount not conciliated is –US\$200,370, an amount not significant compared with the total amount validated.

- ▶ Out of 25 entities in scope, we have not obtained an answer for 9 entities: Air Energy Group Singapore P/L, Amec Engineering P/L, Cameron Services Inter. P/L, Eurest Servicios de Suporte (Timor Leste) SA, Farstad Shipping (Indian Pacific) P/L, FMC Technology Australia Limited, Northern Marine Australia P/L, SGS Australia P/L and Svitzer Asia P/L. The total amount reported by the Government for which we have not obtained answer was US\$ 3,666,955.

The detail by tax payment not confirmed by the entities not answered is detailed as follow:

Description	Amount in US\$ Reported by Government
Income Tax	1,354,931
Wages Withholding Tax	2,157,185
Withholding Tax Payments	130,888
Additional Taxes	23,951
Total	3,666,955

Payment from Subcontractors – Reconciliation Adjustments

The reconciliation adjustments are presented by Entity and by type of receipt and were supported by adequate evidence.

Adjustments performed on amount reported by Government entities:

Subcontractors	Income Tax	Branch Profits Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Taxes	Amount in US\$
						Total
Millenium Offshore Services P/L	172,593	-	154,153	595,465	-	922,211
Total	172,593	-	154,153	595,465	-	922,211

The adjustment on Government, of US\$922,211, is related to a tax offset not reported initially by DNRP.

Adjustments performed on amount reported by Subcontractors:

Subcontractors	Income Tax	Branch Profits Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Taxes	Amount in US\$	
						Total	
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	4,161,511	-	-	148,973	-	4,310,484	
Bluewater Services International P/L	-	-	6,437	-	-	6,437	
Brunel Energy Pty Ltd	230	-	4,306	-	-	4,536	
Caltech Unipessoal Lda	-	5,766	251,192	1,773	-	258,731	
CHC Lloyd Helicopters Australia P/L	-	-	34,449	-	-	34,449	
Fircroft Australia Pty Ltd	8,378	-	133,700	-	-	142,078	
GAP -MHS Aviation TL Lda	-	-	7,060	320	-	7,380	
Millenium Offshore Services P/L	-	3,105,959	-	-	-	3,105,959	
Neptune Asset Integrity Services Pty Ltd	636,393	-	192,962	64,858	53,888	14,716	576,892
Schlumberger Australia P/L	2,224,824	-	60,244	43,164	-	2,328,233	
Tiderwater Marine Australia P/L	-	-	16,455	-	-	16,455	
Total	3,919,611	-	192,962	49,323	243,931	14,716	4,034,619

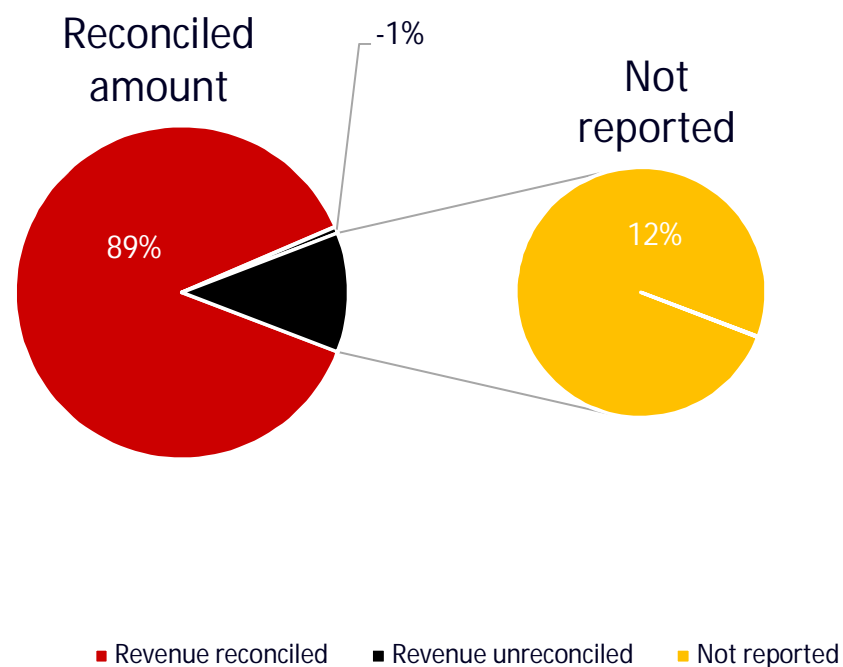
All the adjustments identified were explained by fact the Entity initially reported the tax payable of 2015 instead of tax amount actually paid in 2015. We have obtained the adequate evidence for all adjustments.

Payments from Subcontractors - Unreconciled Differences

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

Subcontractors Companies	Reported by Entity	Amount in US\$		Results after Reconciliation
		Reported by Government		
<u>Differences not reconciled</u>				
Bluewater Services International P/L	1,318,934	1,318,466	-	468
Caltech Unipessoal Lda	620,396	620,124	-	272
Cape East Philippines INC	1,384,318	1,384,317	-	1
CHC Lloyd Helicopters Australia P/L	728,992	754,648		25,656
Fircroft Australia Pty Ltd	1,724,618	1,746,680		22,062
GAP -MHS Aviation TL Lda	341,492	130,879	-	210,612
Halliburton Australia P/L	1,046,489	1,046,304	-	185
Interstate Enterprises P/L	187,953	377,391		189,438
Millenium Offshore Services P/L	3,201,895	2,975,907	-	225,988
Total Differences not reconciled			-	200,370
<u>Not reported</u>				
Air Energy Group Singapore P/L	-	224,603		224,603
Amec Engineering P/L	-	271,316		271,316
Cameron Services Inter. P/L	-	723,371		723,371
Eurest Servicos de Suporte (Timor Leste) SA	-	511,163		511,163
Farstad Shipping (Indian Pacific) P/L	-	988,543		988,543
FMC Technology Australia Limited	-	272,832		272,832
Northern Marine Australia P/L	-	168,943		168,943
SGS Australia P/L	-	284,824		284,824
Svitzer Asia P/L	-	221,359		221,359
Total Not reported				3,666,955
Total				3,466,585

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\$3,7 millions of US\$3,5 millions total unreconciled amount). This amounts represents around 12% of the total amount received from Subcontractors but only 0.35% of total revenue.

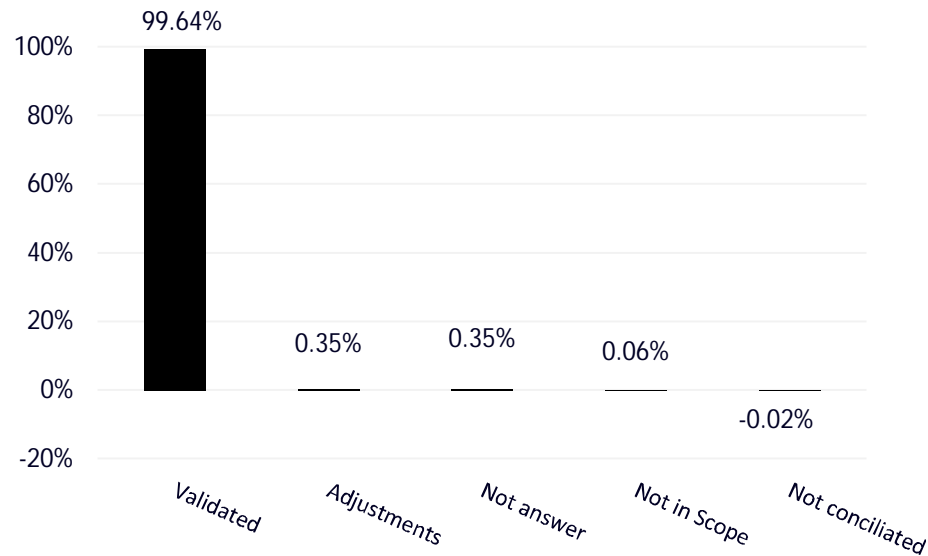


8.3 Reconciliation Results - Summary

The summary of reconciliation results:

Payments from Oil & Gas extractive activities represents 96.5% of the total receipts validated, the amount received from AusAID represents 0.57% and subcontractors amount validated represents 2.91% of the total amount of receipts. The sum represents 99.94%.

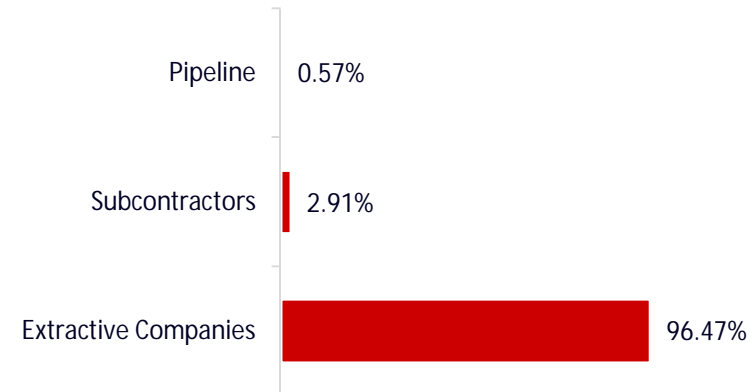
RECONCILIATION RESULTS



The receipts validated represents 99.64% of the total amount reported by the Government Entities. The total amount of receipts not confirmed represents 0.35% of the total amount initially reported by the Government and 0.06% represents the entities not in scope.

During the reconciliation process the total receipts from the Government entities has increased 0.35% and only -0.02% of the total amount initially reported by the government was not conciliated.

% RECEIPTS VALIDATED BY TYPE OF COMPANY



9

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.

Beneficial Ownership

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	https://www.eni.com/en_IT/investors/eni-on-the-stock-markets.page
CGG Services (Singapore) P/L	CGG	CGG is listed on Euronext Paris Stock Exchange	http://www.cgg.com/en/Investors
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	http://www.ConocoPhillips.com/investor-relations/Pages/default.aspx
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.	http://www.inpex.co.jp/english/ir/shareholder/stock.html
Santos JPDA (91-12) Pty Ltd	Santos Ltd	Santos is an Australian natural gas company. Established in 1954.	https://www.santos.com/investors/shareholder-information/
Talisman Resources (JPDA 06-105) Pty Ltd	Talisman Energy Inc.	Talisman was acquired by Repsol on May 8th, 2015.	https://www.repsol.energy/en/shareholders-and-investors/index.cshhtml
TIMOR GAP PSC JPDA 11-106	TIMOR GAP EP	State Own Entity	https://www.timorgap.com/databases/web-site.nsf/vwAll/Annual%20Reports
Tokyo Timor Sea Resource Pty Ltd	Tokyo Gas Co. Ltd, Tokyo Electric Power Co. Inc	Tokyo Gas Group is a Japanese group.	http://www.tokyo-gas.co.jp/IR/english/stock/holder_e.html
Woodside Petroleum (Timor Sea 19) Pty Ltd Woodside Petroleum (Timor Sea 20) Pty Ltd Woodside Petroleum Ltd	Woodside Petroleum Ltd	Woodside Petroleum (entities) are 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	http://www.woodside.com.au/Investors-Media/Shareholders-Services/Pages/default.aspx#.WUEgiE0kuUk

10

Social & Economic expenditures

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

Local commitments (Mandatory)

There is no legal requirement to consider social expenditure as mandatory for extraction companies, however there are expenditures to be forecast in the annual plan agreed between Operators and ANPM that are considered as cost recovery and controlled by ANPM (denominated local commitments or Local Content – LC).

Those expenditures are recommended under the Production Sharing Contract (PSC) and however pre approved on the work plans agreed annually per each block.

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

The summary of this report is as follows:

Extractive Entity	Amount in US\$ Amount Reported
ConocoPhillips	17,653,252
Eni (JPDA 06-105)	37,367,141
Sub-Total	55,020,393
Sub-Contractors	Amount Reported
Millenium offshore services Pte ltd	35,264
CHC Lloyd Helicopters Australia P/L	3,450
Subsea 7 Australia P/L	50,000
Sub-Total	88,714
Government Entities	Amount Reported
TIMOR GAP	4,500
Sub-Total	4,500
Total	55,113,607

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.

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

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:

Description Social Expenditure	Company Name	Extractive Entity Payments	Government Receivables	Results of the initial request	Amount in US\$	
					Adjustments during Reconciliation	Results after Reconciliation
Others - ConocoPhillips Offshore Timor-Leste employees	ConocoPhillips	915,631	915,631	-	-	-
Other - Local goods and Services	ConocoPhillips	754,426	754,426	-	-	-
Other - Contractors Timor-Leste employees	ConocoPhillips	4,716,315	4,716,315	-	-	-
Others - contractors Timor-Leste good & Services	ConocoPhillips	6,252,915	6,252,915	-	-	-
Others - ConocoPhillips Dill office employee	ConocoPhillips	339,044	339,044	-	-	-
Others - Local goods and services - Dill Office	ConocoPhillips	616,634	616,634	-	-	-
Eni - Local goods and services	Eni	36,687,746	36,687,746	-	-	-
Eni – Training & Employment	Eni	26,130	26,130	-	-	-
Eni Sub-contractors - Local goods and services	Eni	653,265	653,265	-	-	-
Total		50,962,106	50,962,106	-	-	-

ANPM works closely with Operators 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.

More information available in the Financial Statements of ANPM:

<http://www.anpm.tl/2015-annual-report/>

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. In 2015 the project still is in its conceptual design development. The project is estimated to commence in 2019. The US\$ 1.5 million budget for site works was a contribution from the government through allocation from the Ministry of Finance.

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 that consists a joint project between PSC S-06-04 and PSC JPDA 11-106.

The working group is currently discussing the scope of work in order to consider amendments proposed by Eni. The amended scope of work will need to be approved by the Steering Committee. The working group plans to finalise the scope of work and award design contract by the end of 2017. The project is estimated to commence in 2018.

No significant costs have been incurred in 2015.

Expenditure reported by Government Entities

One Government entity reported Social Expenditures as follow:

Description Social Expenditure	Company Name	Amount in US\$
		Subcontractors
Contribution for Veteran	Timor GAP	4,000
Contribution for KA-SKMA TL	Timor GAP	500
Total		4,500

The expenses reported by TIMOR GAP were voluntary and mainly were contribution to the veteran.

Voluntary expenditure

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

Description Social Expenditure	Company Name	Amount in US\$
		Extractive Entity Payments
Community Project (Building School/Health Facilities/Small Group Centre)	ConocoPhillips	11,523
Scholarship programs - Fullbright-SERN Scholarshing (*)	ConocoPhillips	155,413
Scholarship programs - Colegio St. Inácio de Lóiola	ConocoPhillips	60,000
Others - Training of ConocoPhillips offshore Timor-Leste employees	ConocoPhillips	165,331
Other- contractors training of Timor-Leste employees	ConocoPhillips	3,330,666
Others - Training of ConocoPhillips Dill Office employees	ConocoPhillips	95,354
NGOs Programs (Water, Sanitation, Health, Sports Events)	ConocoPhillips	240,000
Total		4,058,287

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

Expenditure reported by Subcontractors:

Description Social Expenditure	Company Name	Amount in US\$
		Subcontractors
Training of 11 Timor-Leste National Crew	Millenium Offshore Services P/L	35,264
Donation of 5 computers from CHC Malaga Office	CHC Lloyd Helicopters Australia P/L	2,500
Rotary TL yearly fund raising event	CHC Lloyd Helicopters Australia P/L	450
Sponsor of first lady cup	CHC Lloyd Helicopters Australia P/L	500
Foundation Skills Course	Subsea 7 Australia P/L	50,000
Total		88,714



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.

11

Recommendations

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.

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 necessary requirements to allow disclosure for EITI reporting obligation on the operators and Timor-Leste representatives.

Follow up of recommendations of previous EITI Reports

Nr	Issue	Detail of the issue	Recommendation	Status of implementation 2015 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	We note that two oil companies operating in Timor-Leste were not included in the reconciliation scope, i.e. Japan Energy and AusAID. We further note that there are some fees paid to BCTL, 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. This situation caused delays in collecting the data from the oil companies and Government Entities and the preparation of the report.	We recommend for future years that a scoping study is carried out before each exercise in order to define the reconciliation scope including: <ul style="list-style-type: none"> ▶ The activities to be considered (oil, gas, minerals, etc...); ▶ The revenue streams to be reconciled; ▶ The extractive companies that will report; and ▶ The government entities included in the process. 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.	Yes – IA (EY) had in scope (according with TOR) the execution of the scoping phase report.

Follow up of recommendations of previous EITI Reports (continuation)

Nr	Issue	Detail of the issue	Recommendation	Status of implementation 2015 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.</p> <p>The reporting template has several limitations as follows:</p> <ul style="list-style-type: none"> ▶ 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. ▶ 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. 	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.

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Annexes

Annex A – Revenues generated from Oil & Gas extractive activities reported by Government Entities

Entities	Income Tax	APT Installment	VAT – JPDA	Wages Withholding Tax	Withholdin g Tax Payments	Additional Tax	FTP	Royalties	Profit Oil	Contract Services Fee	Development Fee	Seismic Data Fee	Interest Received	Pipeline	Amount in US\$	
															Total reported by Government	Entitie s in Scope
AUSAID	-	-	-	-	-	-	-	-	-	-	-	-	-	5,896,000	5,896,000	*
CGG Services (Singapore) P/L	-	-	-	-	-	-	-	-	-	-	-	219,238	-	-	219,238	*
ConocoPhillips (Timor Sea) Pty Ltd	16,305,587	14,741,310	-	-	387,059	-	-	-	38,690,113	-	-	-	-	-	70,124,068	*
ConocoPhillips (03-12) Pty Ltd	50,795,985	52,349,292	22,685,851	6,404,443	5,898,464	-	92,342,307	-	134,150,322	160,000	-	-	-	-	364,786,664	*
ConocoPhillips (03-13) Pty Ltd	12,790,063	9,905,789	-	-	262,743	-	-	-	26,246,937	160,000	3,035,550	-	-	-	52,401,082	*
ConocoPhillips (Emet) Pty Ltd	2,603,881	1,745,981	-	-	45,650	-	-	-	4,563,179	-	-	-	-	-	8,958,691	*
ConocoPhillips JPDA Pty Ltd	30,907,458	28,440,315	-	-	750,621	-	-	-	74,983,884	-	-	-	-	-	135,082,278	*
ConocoPhillips Timor-Leste Pty Ltd	-	-	-	280,829	-	-	-	-	-	-	-	-	-	-	280,829	*
Eni JPDA 03-13 Limited	11,597,980	12,518,000	-	-	537,129	-	-	-	53,217,616	-	-	-	-	-	77,870,725	*
Eni JPDA 06-105 Pty Ltd	-	-	13,709,389	318,332	9,676,902	-	-	2,399,724	521,766	160,000	325,000	-	-	-	26,067,581	*
Eni JPDA 11-106 B.V.	-	-	-	-	99	-	-	-	-	80,000	-	-	-	-	80,099	*
Eni Timor - Leste S.p.A.	-	-	-	-	45,996	-	-	-	-	-	-	-	-	-	45,996	*
Inpex Sahul Ltd	47,454,364	21,250,139	-	-	555,981	-	-	-	66,947,500	-	-	-	3,387	-	136,211,370	*
Inpex Timor Sea Ltd	-	-	-	-	6,589	-	-	1,742,984	632,856	-	-	-	-	-	1,116,717	*
Japan Energy E P JPDA Pty Ltd	-	-	-	-	11,611	-	-	-	-	-	-	-	-	-	11,611	*
Oilex (JPDA 06-103) Ltd	-	-	-	11,211	3,232	-	-	-	-	60,000	-	-	-	-	74,443	*
Santos JPDA (91-12) Pty Ltd	3,765,214	18,793,193	-	-	460,385	-	-	-	55,643,015	-	-	-	-	-	78,661,807	*
Talisman Resources (JPDA 06-105) Pty Ltd	-	-	-	-	-	-	-	1,499,837	326,094	-	-	-	-	-	1,173,742	*
Tokyo Timor Sea Resource Pty Ltd	22,764,204	8,509,005	-	-	450,372	-	-	-	44,556,570	-	-	-	1,090	-	76,281,241	*
Woodside Petroleum (Timor Sea 19) Pty Ltd	-	-	-	23,861	2,000	-	-	-	-	160,000	-	-	-	-	185,861	*
Woodside Petroleum (Timor Sea 20) Pty Ltd	-	-	-	-	-	-	-	-	-	160,000	-	-	-	-	160,000	*
Woodside Petroleum Ltd	-	-	-	-	-	24,947,282	-	-	-	-	-	-	-	-	24,947,282	*
TIMOR GAP PSC JPDA 11-106	-	-	-	-	5,616	-	-	-	-	-	-	-	-	-	5,616	*
TIMOR GAP E.P. (SOE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*
Total	198,984,736	168,253,023	36,395,241	7,038,677	19,100,449	- 24,947,282	92,342,307	5,642,544	497,518,419	940,000	3,360,550	219,238	4,476	5,896,000	1,010,748,379	

Annex B – Revenues generated from Oil & Gas supported activities reported by Government Entities

Subcontractors Companies	Income Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Tax	Total reported by Government	Entities in Scope	Amount in US\$
Air Energy Group Singapore P/L	-	224,203	-	400	224,603	**	
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	4,995,482	-	948,500	44,637	5,988,619	**	
Amec Engineering P/L	-	258,915	-	12,401	271,316	**	
Australian International Petro-Consultants	-	5,165	944	-	6,109		
B2B engineering P/L	13,809	24,229	12,037	813	50,888		
Baker Hughes Australia P/L	-	31,566	4,779	9,628	45,973		
Bluewater Services International P/L	-	1,318,466	-	-	1,318,466	**	
Bond Helicopters Australia P/L	-	11,906	-	-	11,906		
Brunel Energy Pty Ltd	6,264	94,594	-	23,649	124,506	**	
Caltech Unipessoal Lda	42,708	565,544	11,872	-	620,124	**	
Cameron Services Inter. P/L	545,481	82,837	95,053	-	723,371	**	
Cape East Philippines INC	-	1,252,654	-	131,663	1,384,317	**	
CHC Lloyd Helicopters Australia P/L	-	647,117	17,375	90,156	754,648	**	
Fircroft Australia Pty Ltd	370,634	1,376,045	-	-	1,746,680	**	
Eurest Servicos de Suporte (Timor-Leste) SA	457,180	28,221	25,762	-	511,163	**	
Farstad Shipping (Indian Pacific) P/L	-	977,393	-	11,150	988,543	**	
FMC Technology Australia Limited	268,154	4,678	-	-	272,832	**	
Franks Oilfield Services Australia P/L (Fosa)	-	7,200	-	-	7,200		
Furmanite Australia P/L	-	14,449	-	-	14,449		
GAP -MHS Aviation TL Lda	-	74,821	6,447	49,611	130,879	**	
Halliburton Australia P/L	939,044	34,641	72,619	-	1,046,304	**	
Interstate Enterprises P/L	-	376,363	1,028	-	377,391	**	
Konnekto Unipessoal Lda	-	41,392	-	400	41,792		
Link Project Services P/L	-	48,211	-	5,491	53,701		
Millenium Offshore Services P/L	566,498	208,364	1,278,834	-	2,053,696	**	
Neptune Asset Integrity Services Pty Ltd	636,393	233,214	148,164	14,716	1,032,486	**	
Northern Marine Australia P/L	-	168,943	-	-	168,943	**	
Peoplebank Australia P/L	-	-	-	1,106	1,106		
Riverwijs Offshore Marine P/L	-	19,568	41,391	-	60,959		
Schlumberger Australia P/L	3,424,824	60,244	43,164	-	3,528,233	**	
Sedco forex International INC	-	1,207,764	4,265,748	29,521	5,503,032	**	
SGS Australia P/L	84,116	195,140	5,568	-	284,824	**	
Solar Turbines International Co	16,108	19,338	-	-	35,446		
Subsea 7 Australia Contracting	-	324,845	582,404	-	907,250	**	
Subsea 7 Itech Australia P/L	-	92,740	6,427	-	99,167		
Svitzer Asia P/L	-	216,854	4,505	-	221,359	**	
TCA Partners P/L	2,458	-	16,434	-	18,892		
Tiderwater Marine Australia P/L	-	136,811	-	-	136,811	**	
Weatherford Australai P/L	-	16,562	-	-	16,562		
Worley Persons Services P/L	-	-	-	44,140	44,140		
Total	12,369,153	10,400,998	7,589,054	469,482	30,828,687		

Annex C – List of entities, Mining sector

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 D - Mining: List of Licenses 2006 – 2015

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
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

Annex D - Mining: List of Licenses 2006 – 2015 (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 D - Mining: List of Licenses 2006 – 2015 (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
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

Annex D - Mining: List of Licenses 2006 – 2015 (cont.)

2015		
No.	Name of License	License No.
1	Aitula Construction Electrical Lda.	No. 28/2015
2	Aitula Construction Electrical Lda.	No. 29/2015
3	Always Construction Unip. Lda.	No. 24/2015
4	Carya Timor-Leste Lda.	No. 15/2015
5	Chongqing International Construction Corporation (CICO)	No. 35/2015
6	Chongqing International Construction Corporation (CICO)	No. 12/2015
7	Chongqing International Construction Corporation (CICO)	No. 11/2015
8	City Development Group Lda.	No. 01/2015
9	Community Housing Ltd.	No. 10/2015
10	CSI Company Lda.	No. 02/2015
11	CSI Company Lda.	No. 03/2015
12	EDS Construction	No. 36/2015
13	Hoven II Unip. Lda.	No. 32/2015
14	Hoven II Unip. Lda.	No. 33/2015
15	Jonize Unip. Lda.	No. 21/2015
16	Jonize Unip. Lda.	No. 14/2015
17	Jonize Unip. Lda.	No. 09/2015
18	Jonize Unip. Lda.	No. 08/2015
19	King Construction Unip. Lda.	No. 05/2015
20	Libama Consorcio Lda.	No. 25/2015
21	Modena Technic Unip. Lda.	No. 22/2015
22	Montana Diak Unip. Lda.	No. 17/2015
23	Montana Diak Unip. Lda.	No. 18/2015
24	Montana Diak Unip. Lda.	No. 19/2015
25	Monte Veado Lda.	No. 06/2015
26	Nobre Labadain Unip. Lda.	No. 37/2015
27	Shabryca Construction Unip. Lda.	No. 26/2015
28	Shabryca Construction Unip. Lda.	No. 04/2015
29	Soso Building Unip. Lda.	No. 13/2015
30	Suai Indah Ltd.	No. 38/2015
31	Timor Block Building Industry	No. 16/2015
32	TL Cement Lda.	No. 07/2015
33	Uha Cae Lda.	No. 31/2015
34	Uha Cae Lda.	No. 30/2015

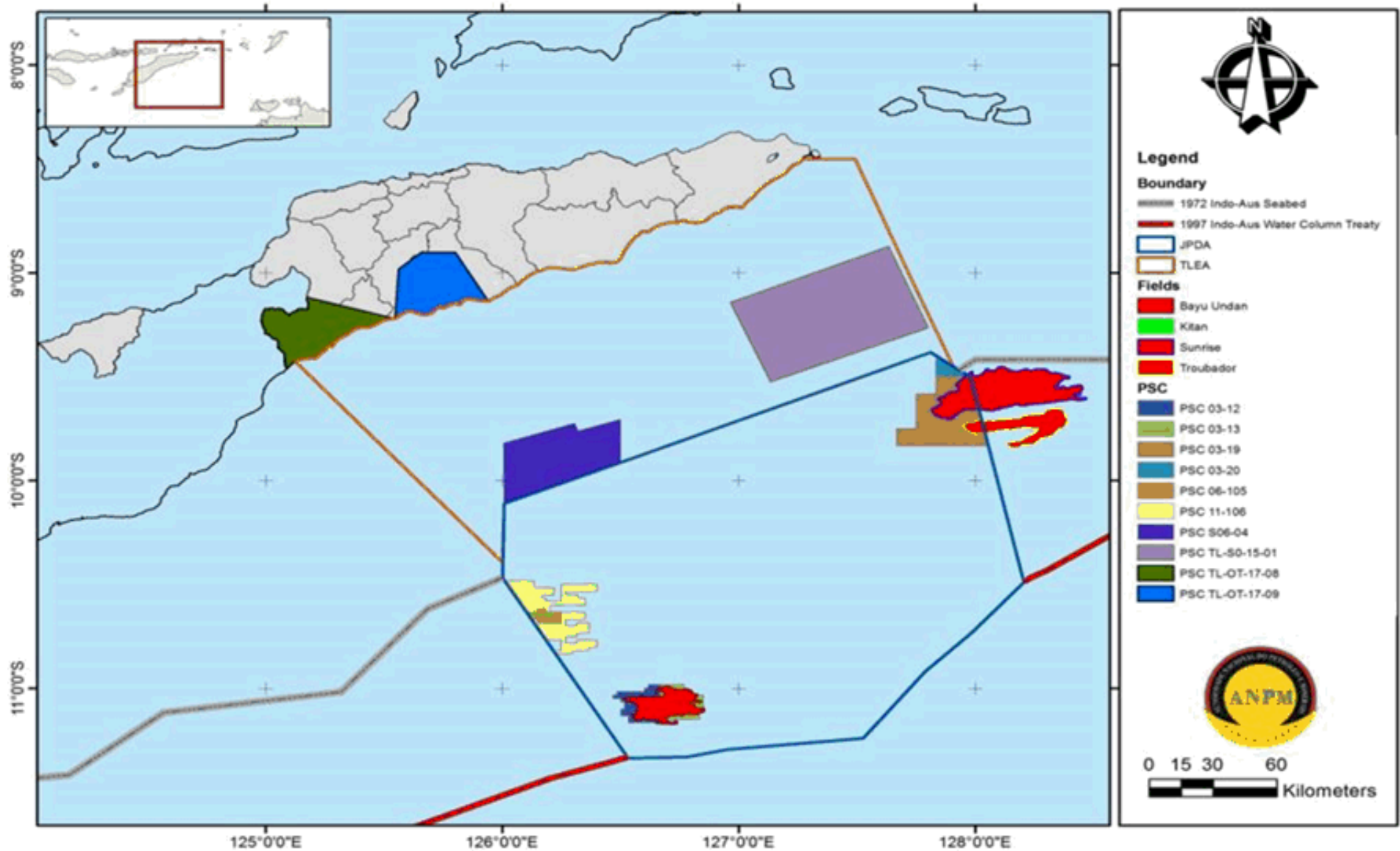
Annex E - Oil & Gas Production Sharing Contracts

Production sharing Contracts							
Area	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
	06-101A		Minza Limited			03-09-2017	Minza Limited declared insolvency by the end of 2015
	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	TL-S0-15-01	The contractor should realize the oil operations according the work program and budget presented to the Ministry and approved according the law in Timor-Leste.	TIMOR GAP Offshore Unipessoal Limitada		Oil & gas	23-12-2015	23-12-2022
	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

Annex F - Oil & Gas Production Sharing Contracts (2015 activity)

Operator / Contract	Activity 2015
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 production wells, hydrocarbon produced was processed and stored for offloading on FPSO facility.</p> <ul style="list-style-type: none"> ▶ The average oil production in the Kitan field in 2015 was 4.98 kbpd ▶ The Kitan Field was shut-in on 14th of December 2015.
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"> ▶ In 2015 the field produced from 12 wells. ▶ The average liquid production (condensate and LPG) in 2015 was 37.8 kbpd and the exported gas to Darwin LNG remains steady at an average of 588 MMscf/day. ▶ Two additional wells were drilled in 2014 as part of phase III development program to increase production however only one well (DS01) was put in production in 2015 and another well (DS02) was unable to flow due to poor reservoir quality and the well was suspended.
Minza Limited - JPDA PSC 06-101 A	<ul style="list-style-type: none"> ▶ During the period of 2015 there was no technical works undertaken by the operator. ▶ The efforts on this PSC was to focus on how to settle the legal commercial issues, after Minza Limited as the sole operator of the PSC declare bankruptcy and requested to be lifted from all its obligations from its minimum work commitment. ▶ Minza Limited appointed a liquidator to discuss with ANP on how to settle legal commercial issues. ▶ After several communications with the appointed liquidator, the ANP terminated the said PSC without penalty as the Minza Limited declared insolvency by the end of 2015.
Woodside Energy Limited - JPDA PSC 03-19 and 03-20	<p>A geological and geophysical related studies to further asses the current reserve estimates and development options.</p> <ul style="list-style-type: none"> ▶ Assessing appropriate methods for developing the field. ▶ The ANP is still waiting for further directions from government of Timor-Leste and Australia on any future works.
Oilex - JPDA PSC 06-103	<p>There were no geological and geophysical as well as other technical studies performed within the PSC during the period of 2015.</p> <ul style="list-style-type: none"> ▶ An ongoing discussion on the focus for Oilex PSC during the period of 2015 was to negotiate the legal and commercial settlement.
Eni-JPDA PSC 11-106	<ul style="list-style-type: none"> ▶ This PSC was awarded on 13th April 2013 and is due to expire in 2018. ▶ New geological and geophysical studies were performed to identify drillable prospects.
Eni Timor-Leste SpA – PSC S-06-04	<ul style="list-style-type: none"> ▶ The Third Period of the PSC commenced on 28 August 2013 and was extended until 2018. ▶ New geological and geophysical studies were performed to identify drillable prospects.
TIMOR GAP Offshore Unipessoal Limitada - PSC TL-S0-15-01	<p>This PSC was awarded to TIMOR GAP E.P based on the Council of Ministers Resolution in accordance with Article 22 of the Petroleum Activities Law regarding state participation and the decision of the Minister and provided under PA.</p> <ul style="list-style-type: none"> ▶ The PSC was awarded in December 2015. ▶ The PSC is 100 per cent fully operated by TIMOR GAP Offshore Unip. Lda, a subsidiary of the TIMOR GAP, EP ▶ Within the month of December 2015, the operator carried out 3-D Broadband Seismic Survey over the all contract area as part their first commitment. The 3D Broadband Seismic data acquisition was expected to be completed by February 2016.

Annex G – Timor-Leste undersea oil and gas resources



Source: Autoridade Nacional Petróleos e Minerais



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