



Timor-Leste Extractive Industries Transparency Initiative

2016 Reconciliation Report

Timor-Leste

EITI Extractive
Industries
Transparency
Initiative

Message from Timor-Leste Multi Stakeholders Working Group

The Multi-stakeholders Working Group (MSWG) is pleased to announce that it has approved the 9th Timor-Leste EITI report and this report is the third MSWG report produced in accordance to 2016 EITI Standard requirements. The report covers information for fiscal year (FY) ending 31 December 2016, which is published following the latest validation result for TL-EITI in February 2018.

The MSWG noted that the publication of the report suffered a six months delay (an extension was granted by the EITI Board) due to political impasse in the country. The published report was produced by the selected Independent Administrator, Ernst & Young Audit & Associados - SROC, SA, which was selected in accordance to 2016 EITI Standard.

By 2019, stakeholders have considerably addressed the challenges in implementing the requirements from 2016 EITI Standard. Best practices of TL-EITI reporting towards the Standard objectives have been showcased through the disclosure of disaggregated information by reporting entities, revenue types and project level(s) as well as regular updates of contract/license information in public (ANPM) website. Though there are still challenges in implementing other requirements such as Beneficial Ownership and mainstreaming, the collaborative efforts from all MSWG pillars have contributed towards a satisfactory performance with the adherence of EITI requirements.

In this reporting period, the reporting entities remain as it has been in previous reports, with additional information of mining and sub-contractors activities. Based on the agreed materiality threshold, twenty two subcontractors were included in reconciliation of revenue data for FY 2016. Moreover, this report also considers narrative information about tax settlements issue which were done in 2016.

Finally, with this report, MSWG expect to address the majority of issues identified from the last reporting periods and hope to maintain the successful experience of implementing the EITI Standard

Sincerely,
Members of MSWG,

Industries

Government

Civil Society

TIMOR GAP E.P.



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
CMAT S	Certain Maritime Arrangement In The Timor Sea	MPPMR	Ministry of Petroleum and Mineral Resources	UN	United Nations
CSO	Civil Society Organizations	MSWG	Multi-Stakeholder Working Group	UNTAE T	United Nation Transition Administration in East Timor
DNRP	Direção Nacional de Receitas Petrolíferas	NDPM R	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 ninth EITI report, covering the period from 1 January to 31 December 2016. 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 number dated 2nd April 2019.

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.

Timor-Leste

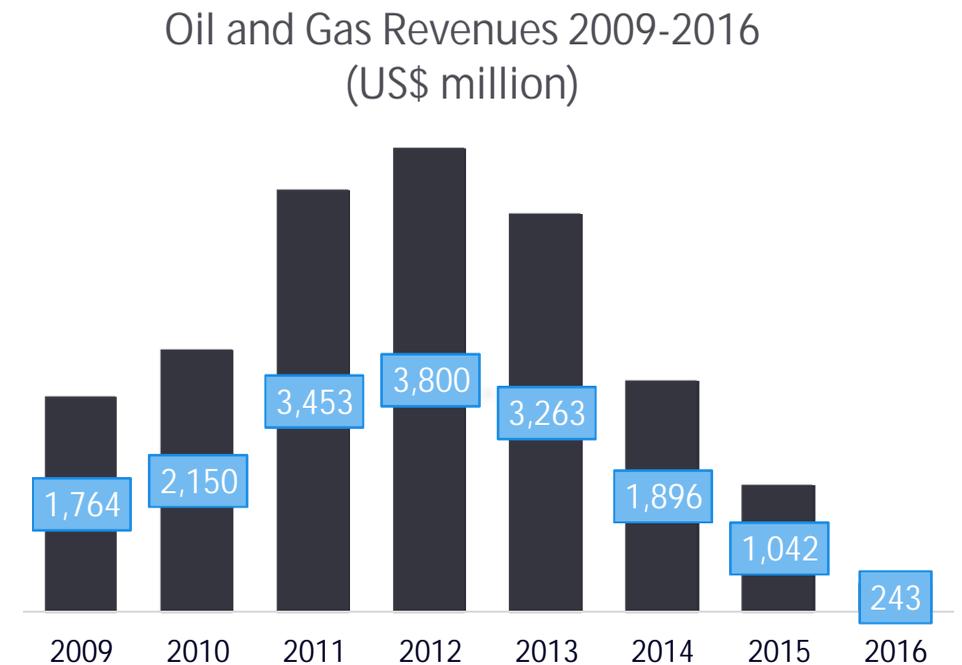


1. Revenue generated from the extractive sector

In 2016, Timor-Leste oil and gas revenues were 224 million dollars, the lowest value in the last 8 years. In comparison with 2015, the revenues dropped more than 78%, a result derived from the declining production volume, lower oil prices and also Tax settlement arrangements. In fact, in 2015 the production was of 52 million barrels of oil, while in 2016 it was of 49 million barrels.

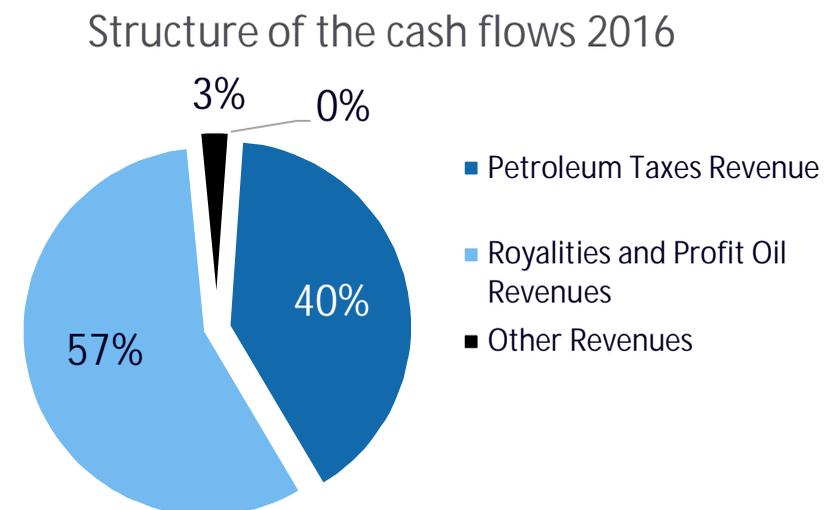
Source: <http://www.anptl.org/webs/anptlweb.nsf/pgLafaekDataGasListHTML>

The first graph shows historical data revenues from the past eight years (from past EITI reports), demonstrating the severe decline of revenues since 2012.



Source: EITI reports from last eight years

In the second figure, it is displayed the structure of the cash flows received from Petroleum activities (Oil & Gas Revenue) in 2016.



1. Production

In 2016, all of Timor-Leste's oil and gas was produced in Bayu-Undan oil field, located in the offshore Joint Petroleum Development Area (JPDA).

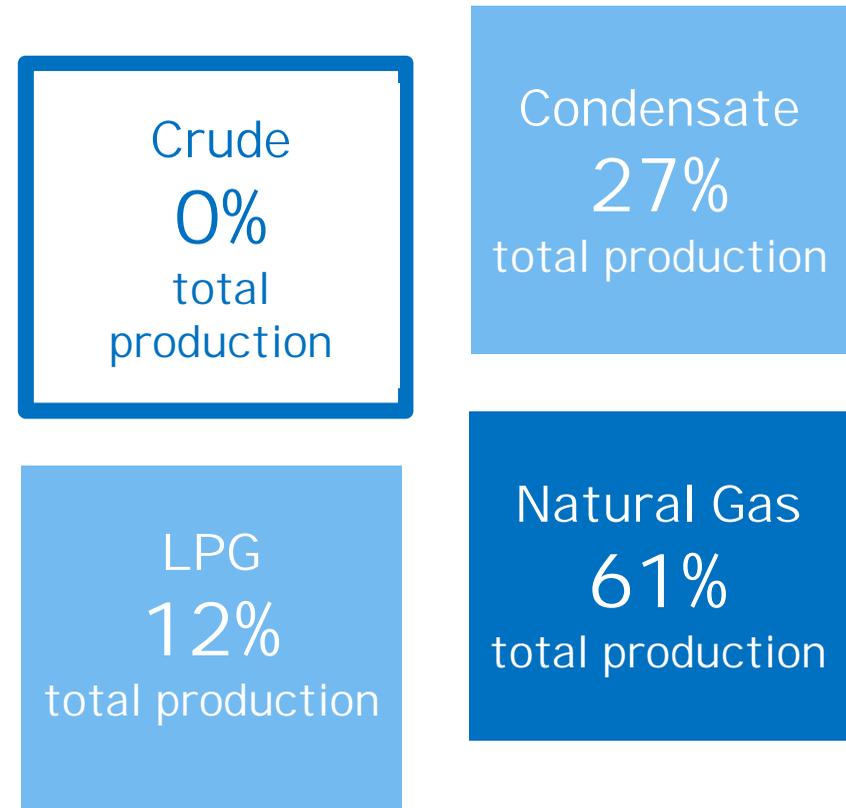
Bayu-Undan produces three petroleum products, namely Condensate, Liquefied Petroleum Gas and Natural Gas and represents the total production since the Kitan field was shut down in December of 2015.

Additionally, in the Bayu-Undan field the natural Gas contributes with more than 61% (66% in 2015) to the total production (monetary amount) of the country.

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

Commodity	2016	2015	Δ	%
Crude	0	91,235	-91,235	-100%
LPG	133,646	195,603	-61,957	-32%
Natural Gas	694,909	1,412,482	-717,573	-51%
Condensate	314,373	436,824	-122,451	-28%
Total	1,142,928	2,136,144	-2,413,144	-113%

Percentage of production by commodity (in monetary amount):

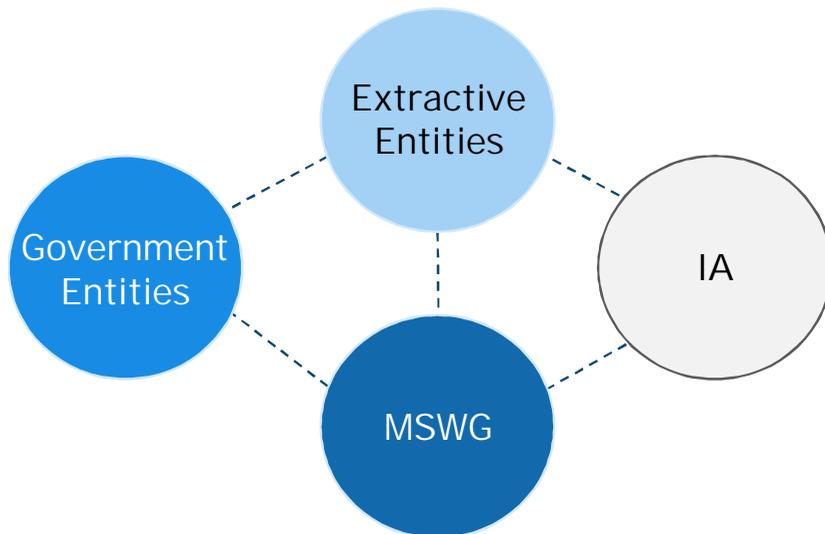


1. Reconciliation Process

EY was engaged to carry out a scoping study in order to set out the EITI reconciliation scope which was used for the 9th and 10th Timor-Leste EITI reports 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 2016 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 (MPRM) representative 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.

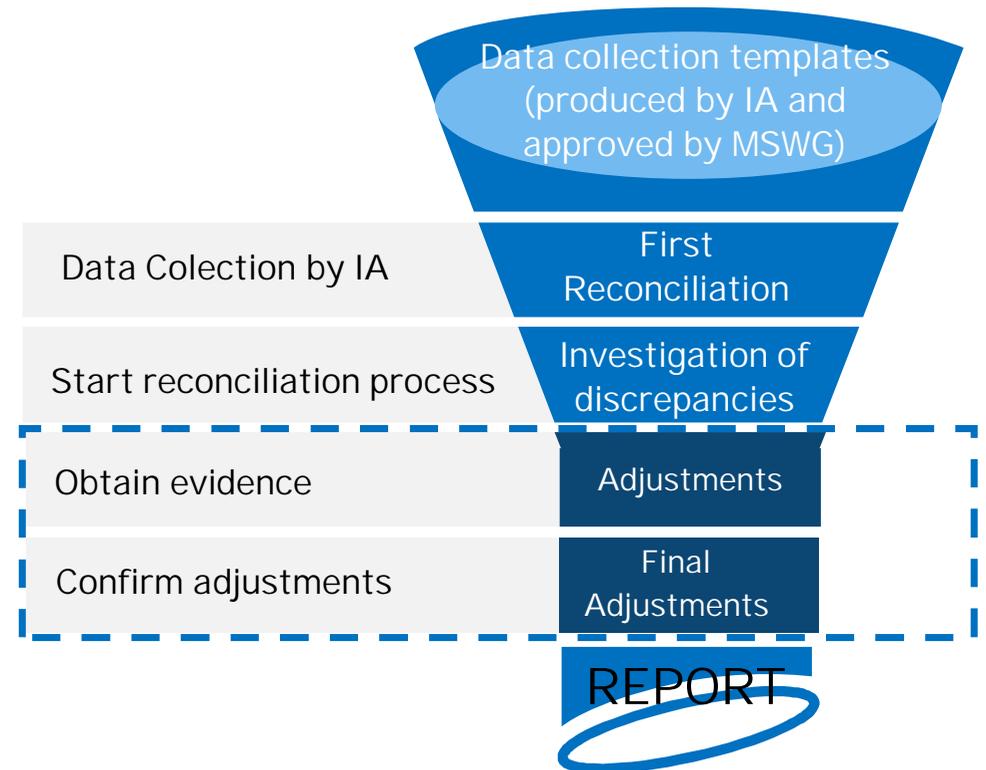


After data collection EY started reconciliation. Entities not responsive were reported to TL EITI secretariat and new efforts for contact were made in order to obtain information.

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.



1. Scope (Revenue and Entities)

Based on the selection made we have concluded that the 2016 report covers 99,7% of the receivables of the contractors and sub-contractors.

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

OIL & GAS REVENUES STREAMS

TAX REVENUE	NON-TAX REVENUE
Income Tax	FTP
Additional Profits Tax	Royalties
Vat	Profit Oil & Gas Payments
Wages Withholding Tax	Development Fee
Withholding Tax Payments	Contract Service Fee
Additional Taxes	Seismic Data Fee

Revenues generated in 2016	Total	Amount in US'000	
		Scope	%Scope
Total Tax Revenue	78,564	78,553	99.99%
Total Non Tax Revenue reported by ANPM	147,034	146,880	99.90%
Total Pipeline Revenue reported by BCTL	6,088	6,088	100.00%
Total Surface Rental fee reported by BCTL	154	154	100.00%
Total Revenue Contractors	231,840	231,675	99.93%

OIL & GAS ENTITIES IN SCOPE

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

CGG Services (Singapore) P/L	Inpex Sahul Ltd
ConocoPhillips (Timor Sea) Pty Ltd	Inpex Timor Sea Ltd
ConocoPhillips (03-12) Pty Ltd	Santos JPDA (91-12) Pty Ltd
ConocoPhillips (03-13) Pty Ltd	Talisman Resources (JPDA 06-105) Pty Ltd
ConocoPhillips (Emet) Pty Ltd	Tokyo Timor Sea Resource Pty Ltd
ConocoPhillips JPDA Pty Ltd	Woodside Petroleum (Timor Sea 03-19) Pty Ltd
ConocoPhillips Timor-Leste Pty Ltd	Woodside Petroleum (Timor Sea 03-20) Pty Ltd
Eni JPDA 03-13 Limited	Woodside Petroleum Ltd
Eni JPDA 06-105 Pty Ltd	TIMOR GAP PSC JPDA 11-106
Eni JPDA 11-106 B.V.	TIMOR GAP Offshore Unipessoal
Eni Timor - Leste S.p.A.	TIMOR GAP, Onshore Block ,UNIPESSOAL, LDA
	TIMOR RESOURCES PTY LTD

Government Entities

Direção Nacional de Receitas Petrolíferas (DNRP)
Autoridade Nacional do Petróleo e Minerais (ANPM)
Banco Central de Timor-Leste (BCTL)
TIMOR GAP E.P. (SOE)
Other (Pipeline fee)
AusAid (1)

(1) - AusAid is a non-governmental organization (NGO) who pays a per annum pipeline fee (agreed by both Governments).

1. Scope (Entities: sub-contractors)

As prior year report the MSWG have decided to include on the reconciliation process and consequently on 2016 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	
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	Fircroft Australia P/L*
Amec Engineering P/L	FMC Technology Australia Limited
Bluewater Services International P/L	GAP -MHS Aviation TL Lda
Caltech Unipessoal Lda	Halliburton Australia P/L
Cameron Services Inter. P/L	Interstate Enterprises P/L
Cape East Philippines INC	Maersk Supply Services A/S*
Cape Australia Onshore P/L*	Millenium Offshore Services P/L
Compass Group (Australia) P/L*	MMA Offshore Vessel Operations Pty*
CHC Lloyd Helicopters Australia P/L	Subsea 7 Australia Contracting
	Svitzer Asia P/L

The revenue streams in scope are as follows:

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

The total amount in scope is as follow:

Revenues generated in 2016	Total	Amount in US'000	
		Scope	%Scope
Total Revenue Sub-contractors	11,857	11,412	96.25%

1. Summary of reconciliation reports

See below the summary of the reconciliation of reported payments:



Petroleum revenues in scope

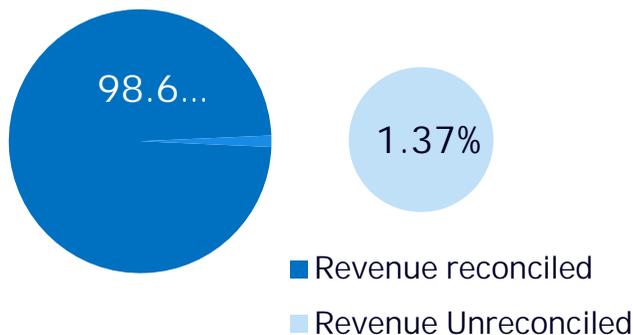


Revenues generated in 2015	Scope (US\$'000)
Total Tax Revenue	78,503
Total Non Tax revenue reported by ANPM	147,034
Total revenue reported by BCTL – Pipeline fee	6.088
Total Revenue Contractors	231.625

Adjustments / Discrepancies

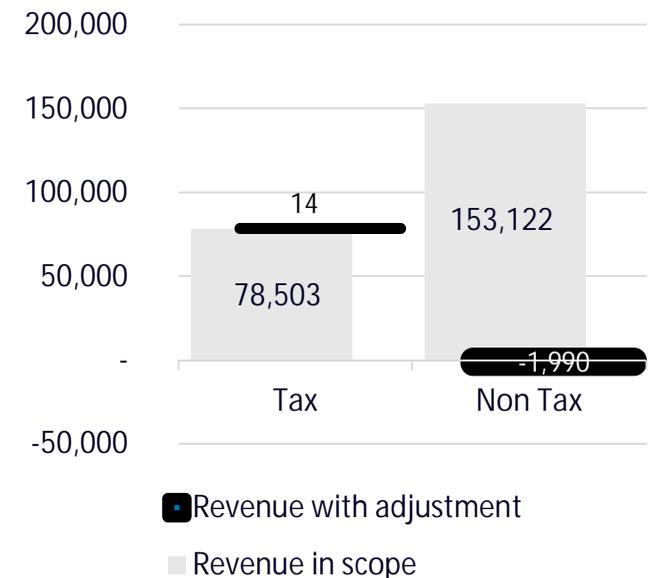


Cash flows from petroleum tax and non tax – Conclusion



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.



1. Summary of reconciliation reports - Subcontractors

See below the summary of the reconciliation of reported payments:



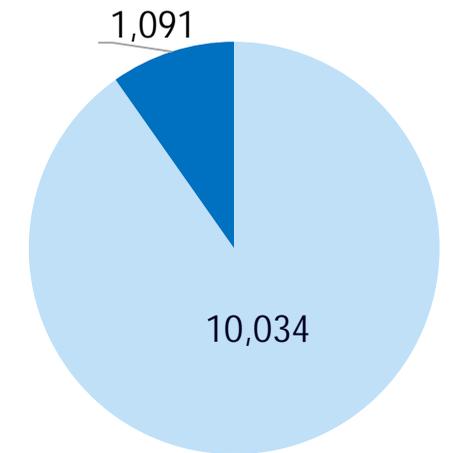
Petroleum revenues in scope



Revenues generated in 2015	Scope (US\$'000)
Total Tax Revenue	10,034



Adjustments per type revenue in US\$'000



■ Tax revenue ■ Tax revenue adjustment

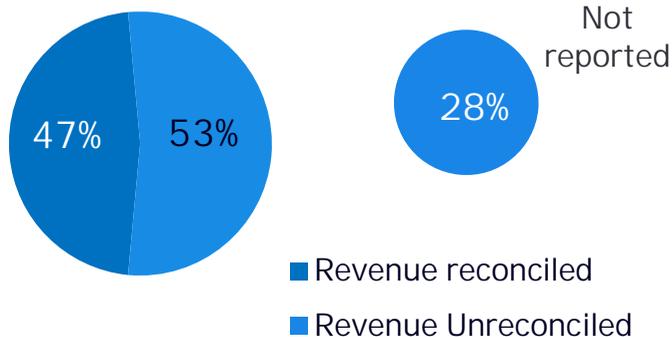
The Tax adjustment is mainly justified by tax offset not reported by Government entities.

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\$2,8 millions of US\$5,3 millions of total unreconciled amount). This amounts represents around 53% of the total amount received from Subcontractors and 2% of total revenue.



Cash flows from petroleum tax – Conclusion





Extractive Industries Transparency Initiative in Timor-Leste

The EITI framework

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

Timor-Leste adhered to EITI to provide clear and 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).

Timor-Leste



2.1 EITI and Timor-Leste

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

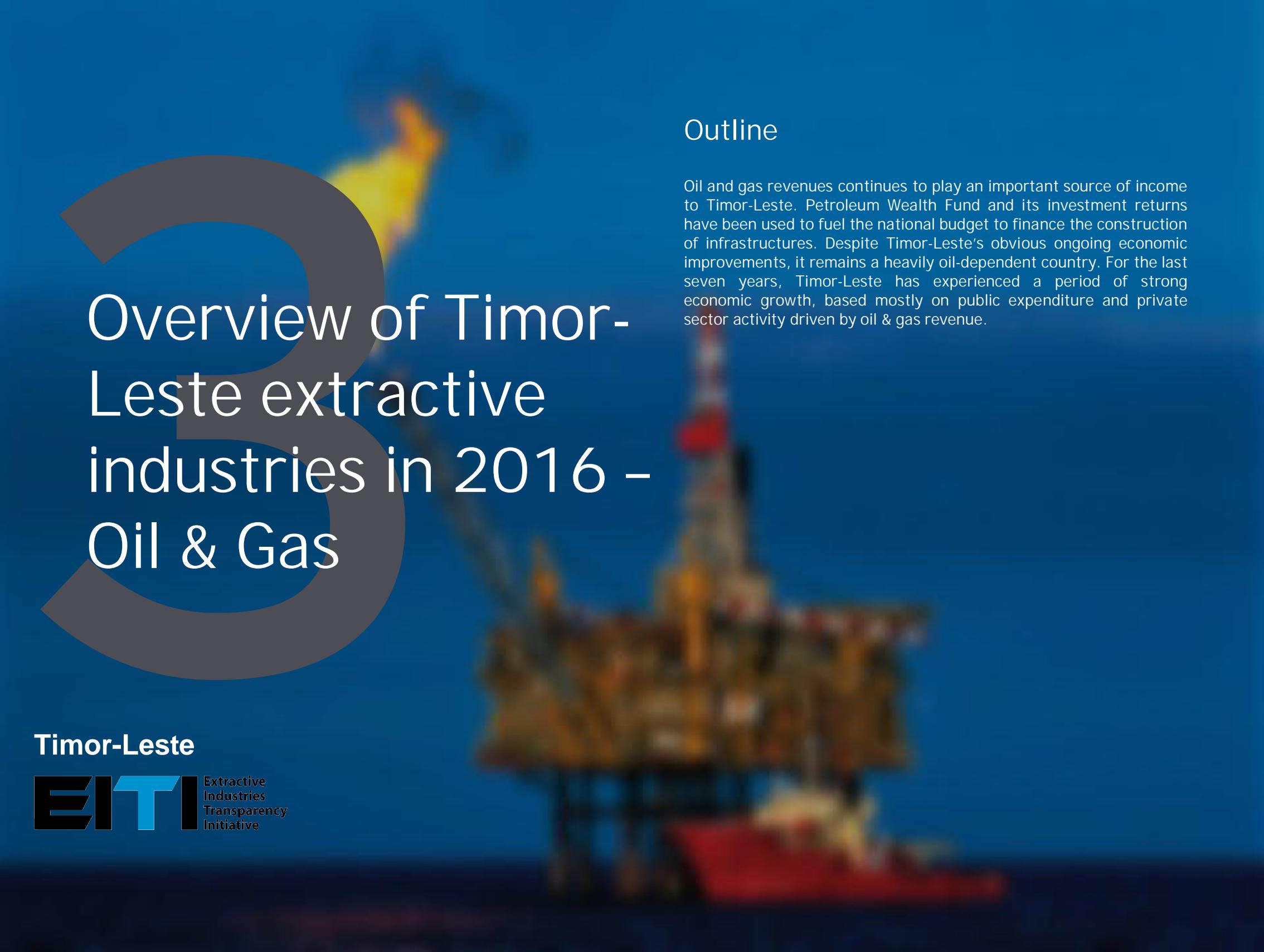
However, the country is yet to approve and publish an EITI Law. A draft of the legislation has already been prepared but, due to ongoing reforms, wider consultation has not yet been completed.

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 9th and 10th EITI Report covering the year's 2016, 2017 and 2018, respectively.

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

The previous annual EITI Reports cover the period of January 1st, 2008 until December 31st, 2015:

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	
2014	June 2017	1,896	EY
2015	December 2017	1,042	



Overview of Timor-Leste extractive industries in 2016 – Oil & Gas

Outline

Oil and gas revenues continues 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.

Timor-Leste

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3.1 Overview of Government Revenue

Total Government revenues have decreased specially because of the reduction of the Petroleum revenues. This is justified by a combination of lower international oil price and declining oil production from the only production field (with Kitan being suspended from December 2015) Bayu-Undan, which has been considerably lower comparing to its peak production levels.

On the other hand, domestic non Oil & Gas revenues have slightly increased in 2016 (from 170 millions in 2015 to 198 millions USD in 2016), due to a significant rise in taxes and a slight 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\$ 141 million) and fees and charges (US\$ 47 million).

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

Sources:

- <http://www.laohamutuk.org/econ/OGE17/16OGE17.htm#process>
- <http://www.laohamutuk.org/Oil/PetFund/05PFIndex.htm#2016>
- <http://budgettransparency.gov.tl/publicTransparency/transparencyNavigation;jsessionid=F744322FAC211BA80ED2586C7E104470?fiscalYearId=86&isInflow=true>
- <https://www.mof.gov.tl/wp-content/uploads/2017/09/English-Final-Report-2016.pdf>

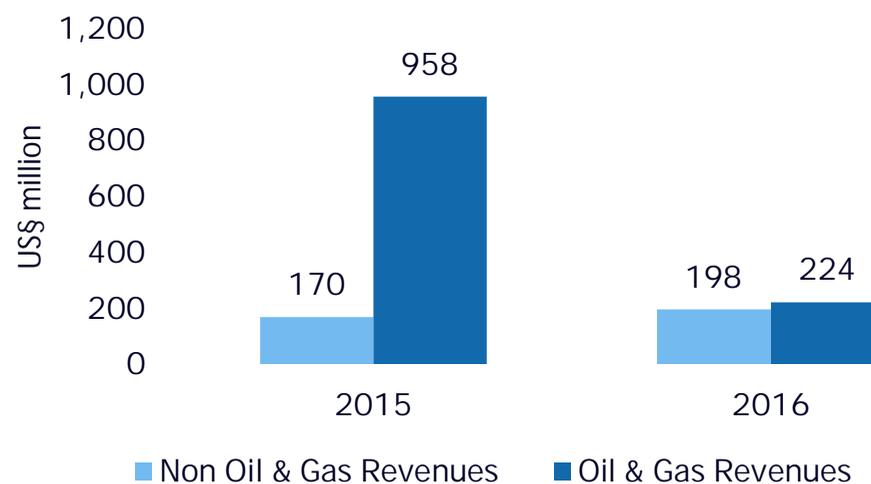
Timor-Leste economy still heavily reliant on oil and gas.

The petroleum revenues currently finance most of the state budget. Oil and gas accounts for 53 percent of Timor-Leste state revenues (85% in 2015). The decrease is mainly explained by the downturn on oil & gas revenues and not on the increase of non oil & gas revenues.

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 \$2.5 billion in 2016, of which 33 percent was from the oil sector.

Government Revenues Evolution



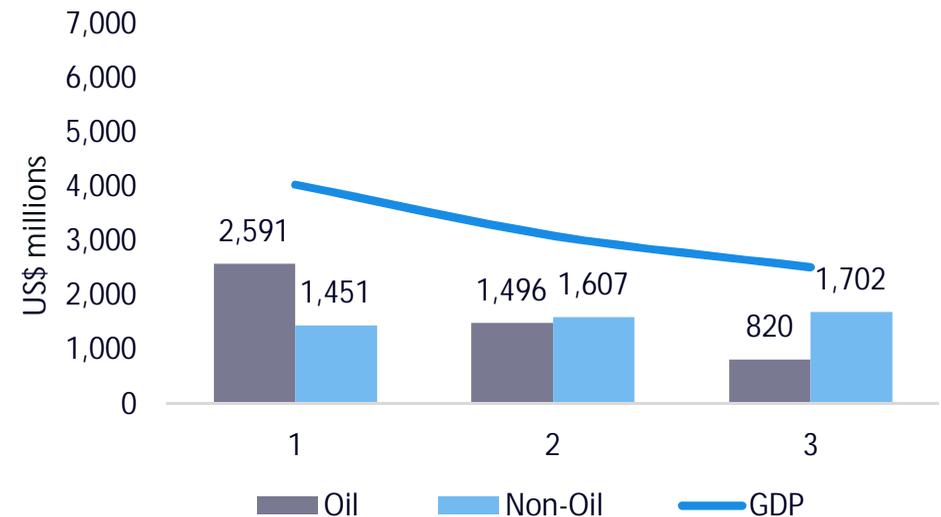
3.2 Gross Domestic Product (GDP) – Timor-Leste

At the end of 2016, oil sector is responsible for 820 million dollars, which represents 33% of the total GDP amount according to the national accounts prepared by the Ministry of Finance of Timor-Leste. Compared with the year of 2015, the Oil GDP decreased 45.2%, following the fall in oil prices around 36.6% in LNG, 19,8% in LPG and 14,7% in condensate.

The Non-oil sector grew by 5.8% in 2016 compared with 4.0% in 2015. This recovery was result of the increase of export of goods (100.8%) and public investment (19.3%).

Moreover, consumption of goods and services was driven by the Private Sector (+6.0%), while the Public Sector decreased 0.5%. Additionally, there was a small rise in the development partners expenditure by 3.2%, in the imports of goods (+10,5%) and services (+5,3%).

GDP evolution: 2014-16 (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%
2016	820	2,521	33%

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%
2016	1,436	3,130	46%

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

3.2 Gross Domestic Product (GDP) – Timor-Leste (cont.)

Timor-Leste is the 182nd largest export economy in the world.

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

According with TL's National Accounts Report of 2016, the oil sector represented 96% of total exports and 39% 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 2016 the import of oil decreased 26% due to the lower oil prices. Even though the higher public investment resulted in a rise of imports of non-oil goods, the fall of imports of oil goods was significantly higher, resulting in a smaller percentage of imports of goods in 2016.

Exports

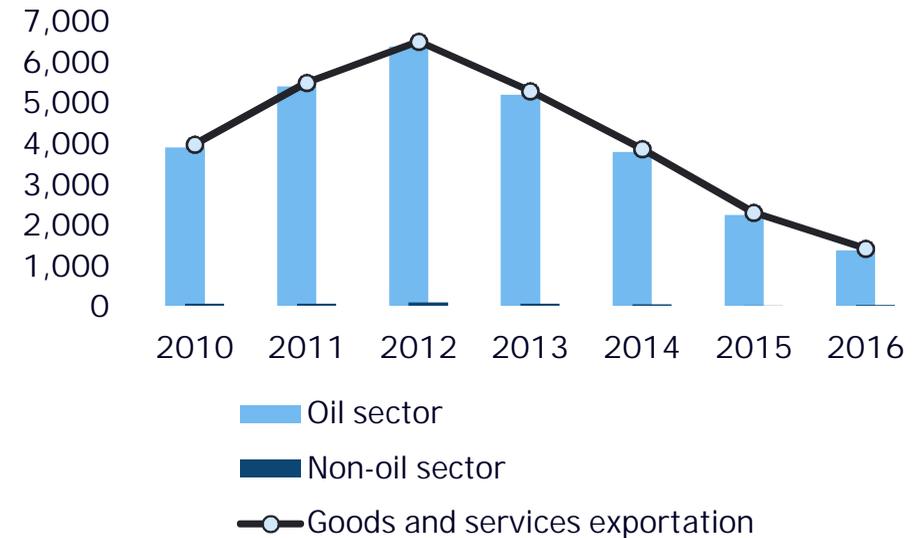
The exports of goods and services declined 37%, (from US\$2,327 million in 2015 to US\$1,458 million in 2016) mainly because of the decrease of the oil price and production.

Imports

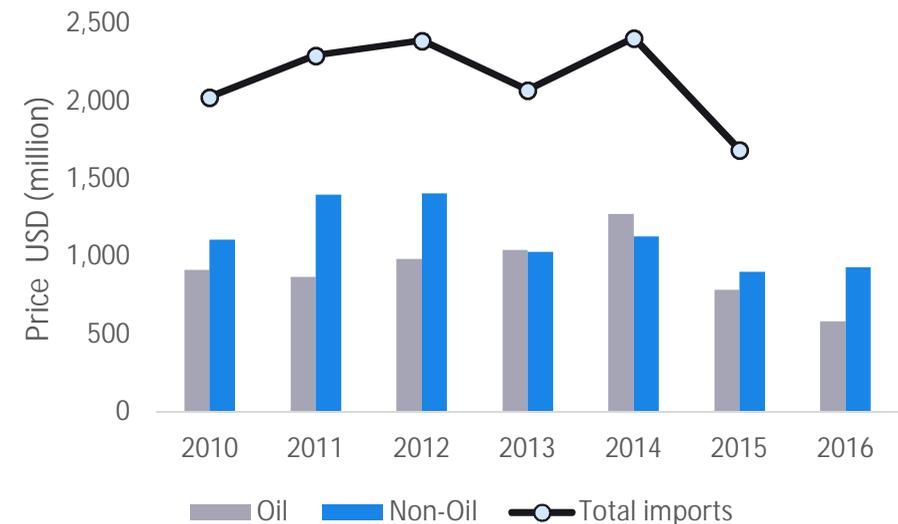
In 2016 the imports of goods and services decreased 10%, from US\$1,690 million to US\$1,518 million. Non-oil goods (US\$933 million) represented 61% of total imports. Non-oil imports mainly included mineral products (Non-Oil), foodstuffs, animals, crops and vegetables, vehicles and constructions and the decrease is associated with the fall in public investment and development partner's contributions.

- http://www.statistics.gov.tl/wp-content/uploads/2018/01/01_TL-NA-2000-2016_Publication_180215_1012.pdf

Export of goods and services



Import of goods and services



3.3 Production

Fields

In 2016, all of Timor-Leste's gas was produced in Bayu-Undan gas field, 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 2016, there were eight active PSCs (of which 2 in TLEA and 6 in JPDA). In comparison with the previous year, the number of PSC's reduced from nine in 2015 to eight in 2016 with the JPDA PSC 06-101A extinguished.

- Source: <http://www.anpm.tl/2016-annual-report/>

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 gas 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 field of reserves ranges between 350 and 400 million barrels of hydrocarbon liquids and 3.4tcf of gas.

In 2015, phase three development drilling added one subsea production well to maintain liquids and gas production.

- 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/2016-annual-report/>

Kitan

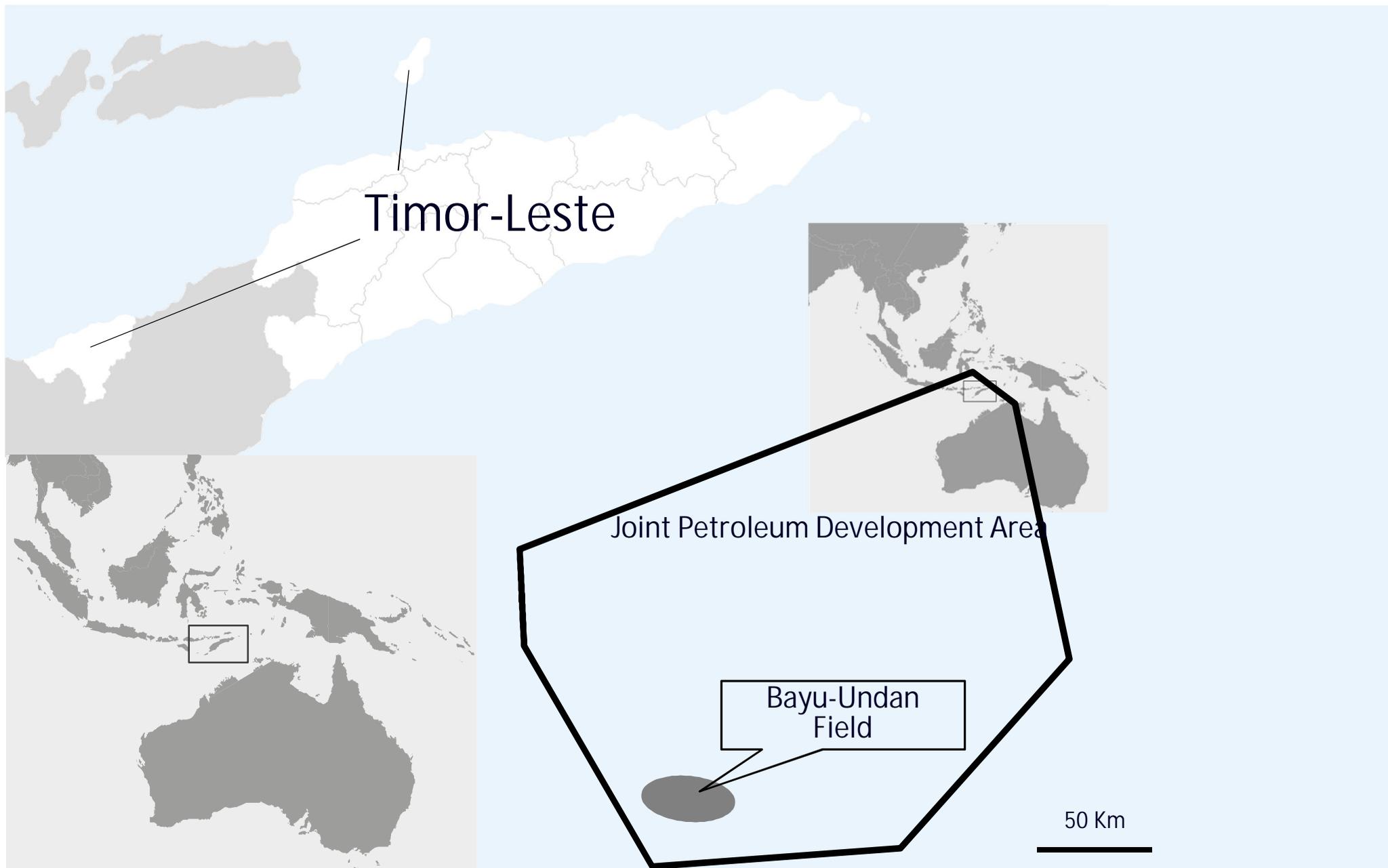
The Kitan Field was shut down on 14th of December 2015, located in permit 06-105 of JPDA, 170 km offshore the Timor-Leste coast and 500km from the Australian coast.

- Source: <http://www.anpm.tl/2016-annual-report/>

The Glas Dowl FPSO left the field in January 2016. There was no production in 2016.

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

3.3 Production



3.3 Production

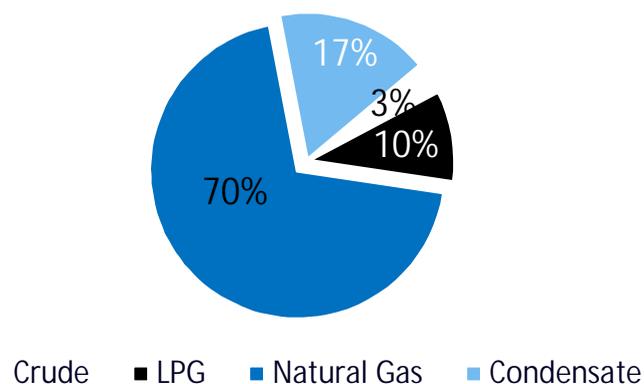
Production BOE

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 petroleum revenue received in 2016 was about one fifth of the revenue received in 2015. Oil and gas production has decreased from 51 million barrels of gas in 2015 to 46 million barrels of gas in 2016

Source: 2 <http://www.anptl.org/webs/anptlweb.nsf/pgLafaekDataGasListHTML>

Production 2015 by Commodity



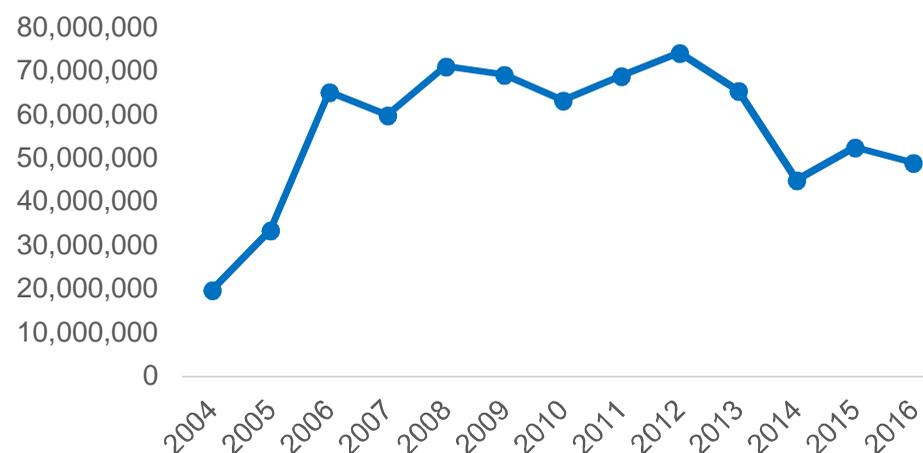
Commodity (BOE Thousands)	Production	Export
Crude	0	0
LPG	4,432	4,432
Natural Gas	34,470	34,470
Condensate	7,260	7,260
Total	46,162	46,162

Oil production in Timor-Leste has decreased since 2012. The decrease was mainly due to the natural depletion of BU field. In addition, as mentioned before, Kitan project was shut down in December of 2015.

The information related to total production is available at ANPM's website (Lafaek Database).

- Source: <http://web01.anpm.tl/webs/anptlweb.nsf/pgLafaekFieldList>
- Source: <http://www.anpm.tl/annual-report-2017/>

Production Data

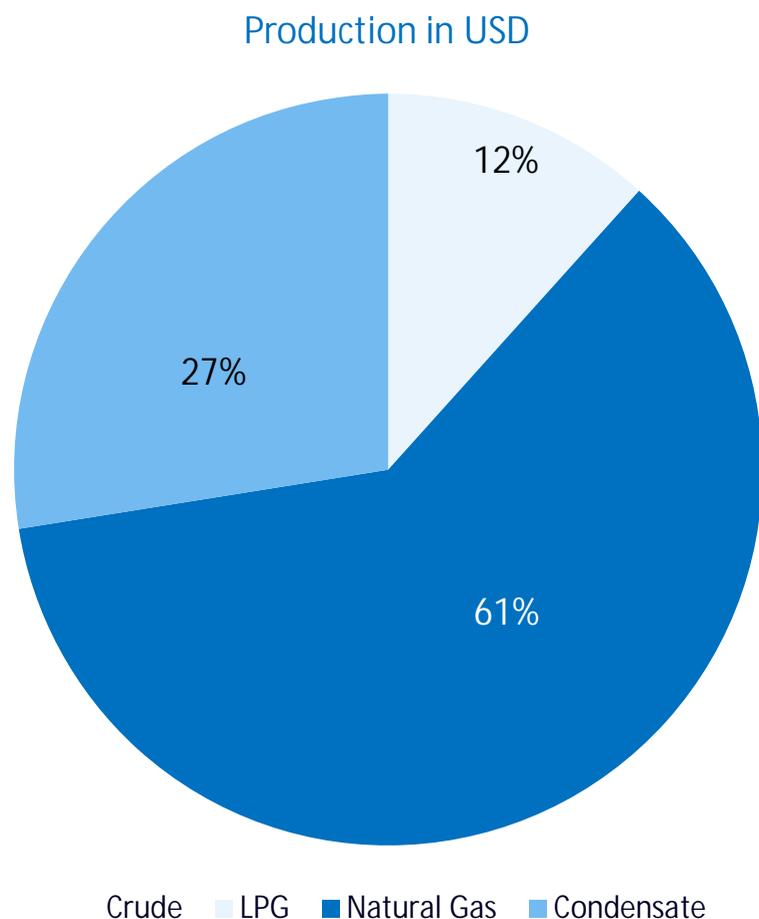


Commodity (BOE Thousands)	2016	2015	Δ	%
Crude	0	1,740	-1,740	-100%
LPG	4,432	5,154	-722	-14%
Natural Gas	34,470	35,641	-1,171	-3%
Condensate	7,260	8,658	-1,398	-16%
Total	46,162	51,193	-5,031	-10%

3.3 Production

Production USD

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



The production and export in USD ('000) in 2016 was as follows:

Commodity (USD ('000))	Production	Export
Crude	0	0
LPG	133,646	133,646
Natural Gas	694,909	694,909
Condensate	314,373	314,373
Total	1,142,928	1,142,928

The production in USD ('000) in 2016 and 2015 was as follows:

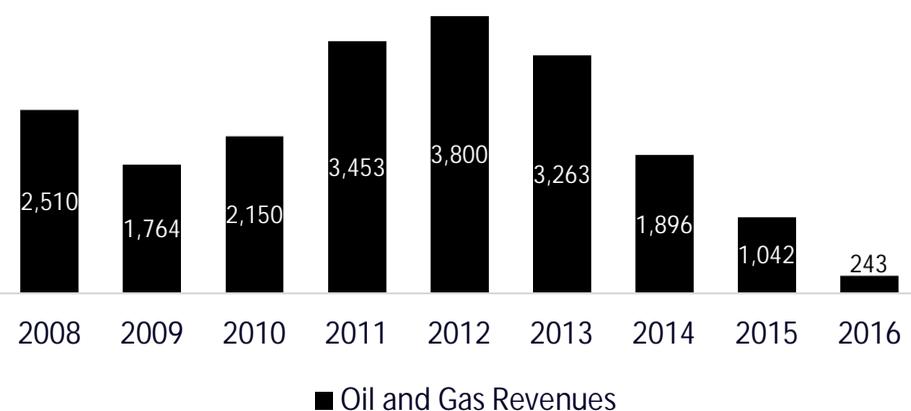
Commodity (USD ('000))	2015	2015	Δ	%
Crude	0	91,235	-91,235	-100%
LPG	133,646	195,603	-61,957	-32%
Natural Gas	694,909	1,412,482	-717,573	-51%
Condensate	314,373	436,824	-122,451	-28%
Total	1,142,928	2,136,144	-2,413,144	-113%

3.4 Revenue generated from extractive sector

As a consequence of the decline in oil prices, the decrease in production and Tax settlement arrangements, the revenues generated from Oil & Gas Sector in 2016, including the amount received from the subcontractors, amounted to US\$224 million. This value represents a decrease of US\$818 million, or 79%, compared to 2015.

This variation affected payments received by DNRP (net from tax settlement). The structure of the extractive sector's revenue is similar to 2015, with a slight decrease of DNRP's (1.21%) and ANPM (0.91%).

Oil and Gas Revenues 2010-2016 (US\$ million)



Revenue	Amount in US\$ million					
	2016	%	2015	%	Variation	%
DNRP	90	37.04%	436	41.83%	346	79.36%
ANPM	147	60.49%	600	57.61%	453	75.50%
BCTL	6	2.47%	6	0.57%	0	0.00%
Total	243	100.00%	1,042	100.01%	799	76.68%

Extractive sector revenues (US\$ million)	2016	2015	Δ	% Δ
Direção Nacional de Receitas Petrolíferas (DNRP)	78	405	-327	-81%
Autoridade Nacional do Petróleo e Minerais (ANPM)	147	600	-453	-76%
Banco Central de Timor-Leste (BCTL)	6	6	0	0%
Revenues generated from Oil & Gas extractive activities	231	1,011	-780	-77%
Revenues generated from Oil & Gas related activities (Sub Contractors)	12	31	-19	-61%
Revenues generated from Oil & Gas Sector	243	1,042	-799	-77%
Revenues generated from Mining Sector	0.28	0.24	0.04	17%
Revenues generated from Extractive Sector	243	1,042	-798.96	-77%
Part of the revenue allocated to Australia	-29	-60	31	-52%
Part of the revenue allocated to Timor-Leste	214	982	-767.96	-78%

3.4 Revenue generated from extractive sector

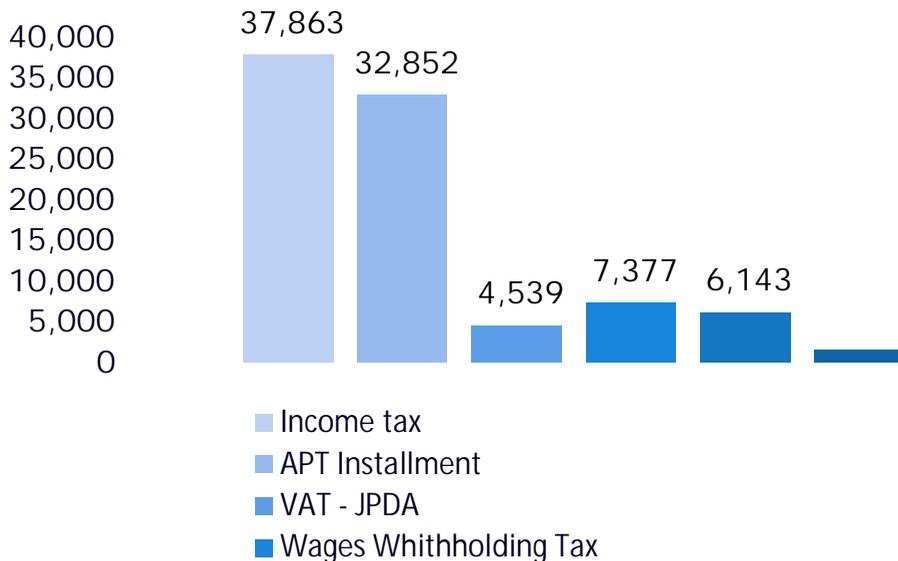
Tax Revenue and Non Tax Revenue

The charts below describe the tax and non tax revenue. The most significant Tax Revenue in 2016 is income tax, followed by the additional profit tax.

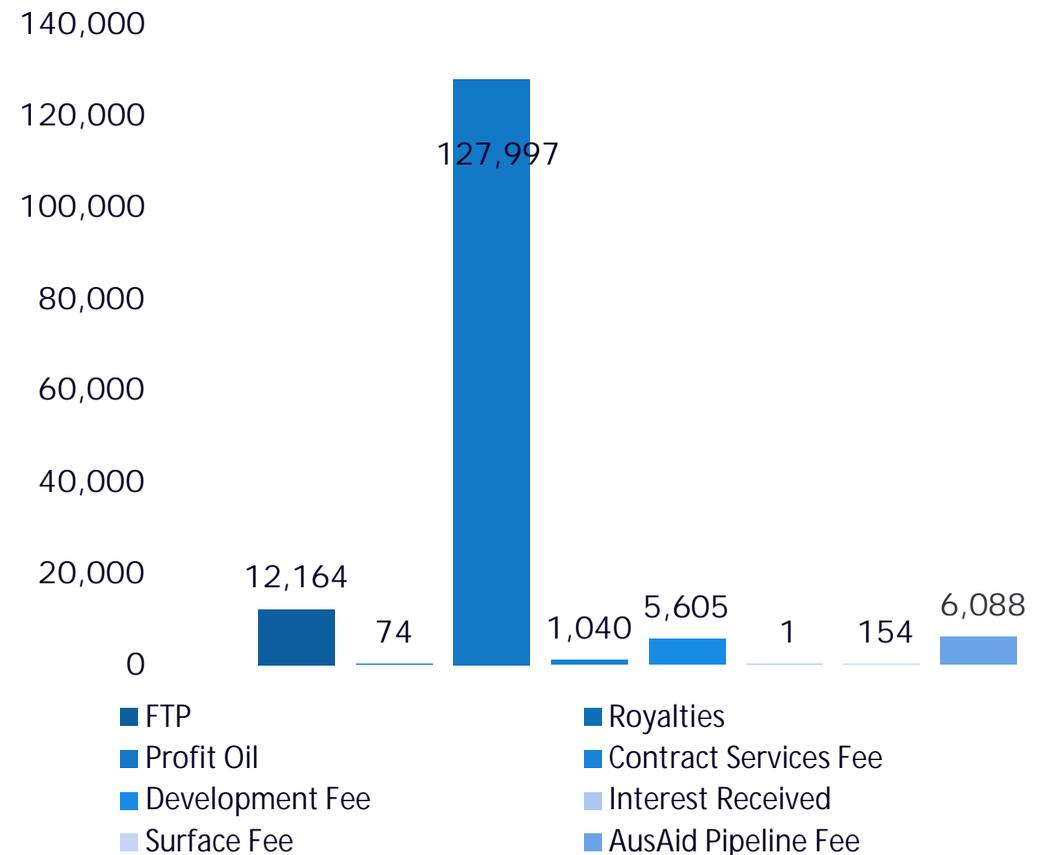
Non tax revenue as Profit oil and gas has been the main source of revenue stream contributor to the Petroleum Fund. Royalties and fees collected from surface rental fees are another source of revenue to the petroleum fund as outline in the figure below.

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

TAX Revenue (US\$'000)



Non Tax Revenue (US\$'000)



3.4 Revenue generated from extractive sector

Tax Revenue and Non tax Revenue

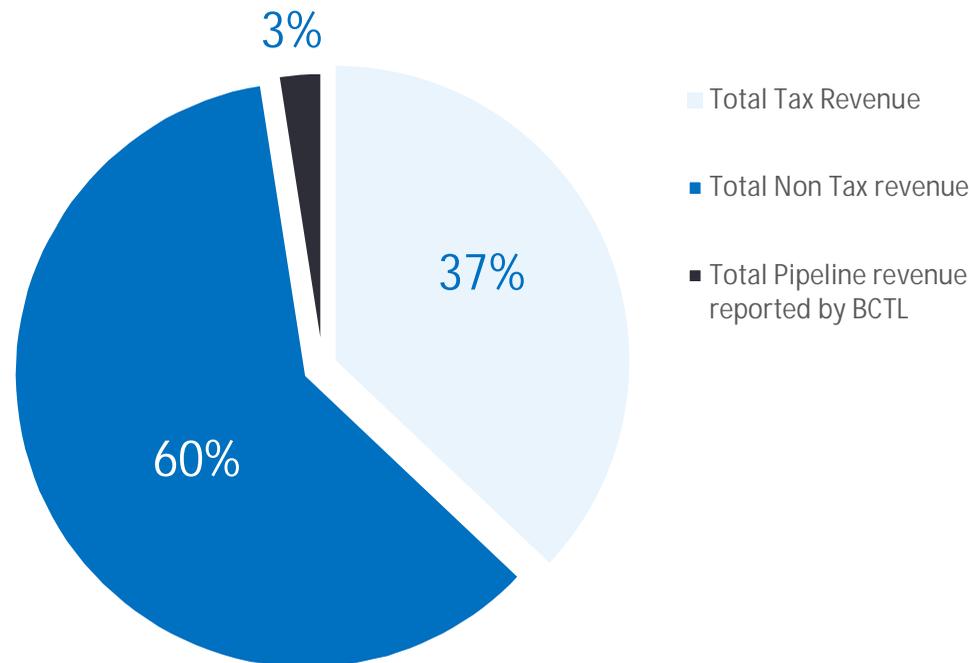
Since 2012, the revenue received by Timor-Leste has subsequently decreased. The 2016 receipt is reported as one of the lowest oil and gas revenue presented on a Timor Leste EITI report.

See below petroleum extractive sector revenue structure:

Mining Sector

Regarding the Mining sector, it should be noted that the revenue, in 2016, was less than US\$300,000 (mainly mining fees).

Petroleum extractive sector revenues
(% by revenue stream)



3.5 Employment generated from Oil & Gas Sector in Timor-Leste

There is no data being generated by the 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 job creation on employment 2016	
	National	Expats	National	Expats
ConocoPhillips (Timor Sea) Pty Ltd	-	-	-	-
ConocoPhillips (03-12) Pty Ltd	-	145	-	(4)
ConocoPhillips (03-13) Pty Ltd	-	-	-	-
ConocoPhillips (Emet) Pty Ltd	-	-	-	-
ConocoPhillips JPDA Pty Ltd	-	-	-	-
ConocoPhillips Timor-Leste Pty Ltd	33	1	5	-
Eni JPDA 03-13 Limited	-	-	-	-
Eni JPDA 06-105 Pty Ltd	6	-	(3)	(4)
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)	124	4	14	(3)
TOTAL				

Subcontractors

Company Name	Number		Net job creation on employment 2016	
	National	Expats	National	Expats
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	-	-	-	-
Amec Engineering Pty Ltd	-	26	-	26
Bluewater Services International P/L	-	-	-	-
Caltech Unipessoal Lda	167	12	(5)	(16)
Cameron Services International Pty Ltd	-	-	-	-
Cape Australia Onshore Pty Ltd	-	-	-	-
Cape East Philippines INC	-	-	-	-
Compass Group	-	-	-	-
Fircroft Australia Pty Ltd	-	1	-	(78)
FMC Technology Australia Limited	-	-	-	-
GAP -MHS Aviation TL Lda	8	1	(29)	(1)
Halliburton Australia P/L	-	19	-	(16)
Interstate Enterprises P/L	-	-	-	-
Llyod Offshore Helicopters Pty Ltd	-	-	-	-
Maersk supply service A/S	-	-	-	-
Millenium Offshore Services P/L	-	17	(14)	(3)
MMA Offshore Vessel Operations Pty Ltd.	-	-	-	-
Subsea 7 Australia Contracting	-	61	-	(72)
Svitzer Asia P/L	-	-	-	-
TOTAL	175	137	-48	-160

Please note that this information was a result of a unilateral collection 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 websites or official page(s) and make analysis about the extractive sector comparing with the Non extractive sector.

Regulatory Framework Extractive industries in 2016

Timor-Leste



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.

4.1 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 the 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)
- Decree-Law on Offshore Petroleum Operations in Timor-Leste (Decree Law No. 32/2016)

Production Sharing Contracts (PSC):

- TLEA PSC S-06-05 (Contract Area E)
- TLEA PSC TL-S0-15-01
- (more information about PSC's in Annex E)

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 entitled 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.

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

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;

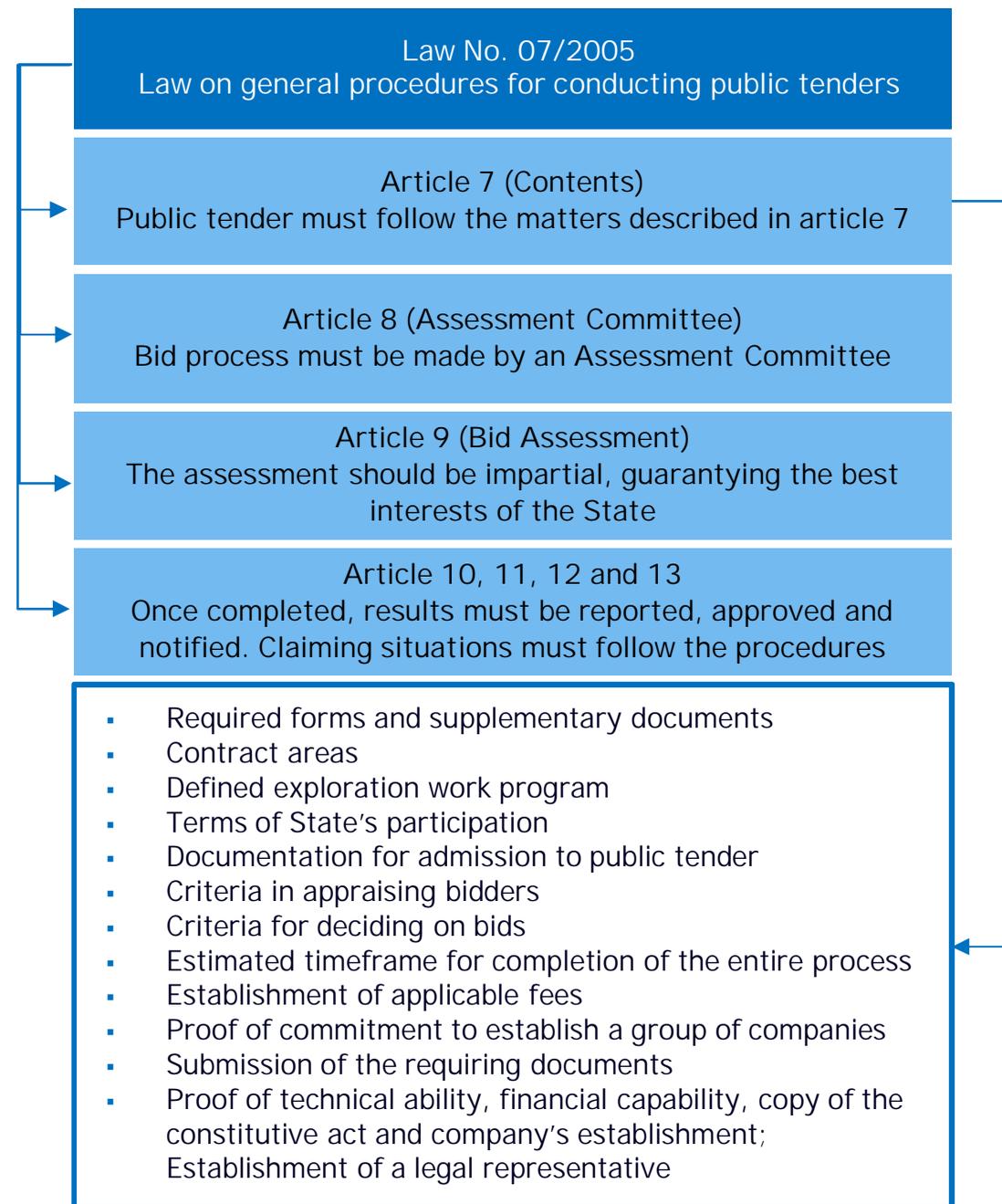
(c) If the Ministry awards an Authorization without inviting applications as set forth in paragraph 13.1(b) above, it shall provide substantiated reasons for so doing.

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 applied legislation for JPDA operation 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

Production Sharing Contracts (PSC):

The petroleum contracts include:

- JPDA PSC 03-12
- JPDA PSC 03-13
- JPDA PSC 03-19
- JPDA PSC 03-20
- JPDA PSC 06-105
- JPDA PSC 11-106

(more information about PSC's in Annex E)

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 identified petroleum resource(s) in an agreed seabed area known as the Joint Petroleum Development Area and does not determine the sovereignty and maritime boundary between the two countries. The treaty expressly state 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 Timor Leste 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.

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

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 consider it is 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).

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

Recently, under Decree Law No. 1/2016 of 9th February, the 1st amendment of Decree-Law No. 20/2008 of 19th June, the public institution Autoridade Nacional do Petróleo e Minerais (ANPM) was known to be responsible for managing and regulating petroleum and mining activities in Timor-Leste area, both offshore and onshore and in the Joint Petroleum Development Area (JPDA) in accordance with the Decree Law on the establishment of the ANPM, the Timor-Leste Petroleum Activities Law, the Timor Sea Treaty and the Mining Code.

Other notes (*):

As above mentioned, under Decree Law No. 1/2016 of February 9th, the ANPM changed its 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.

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:

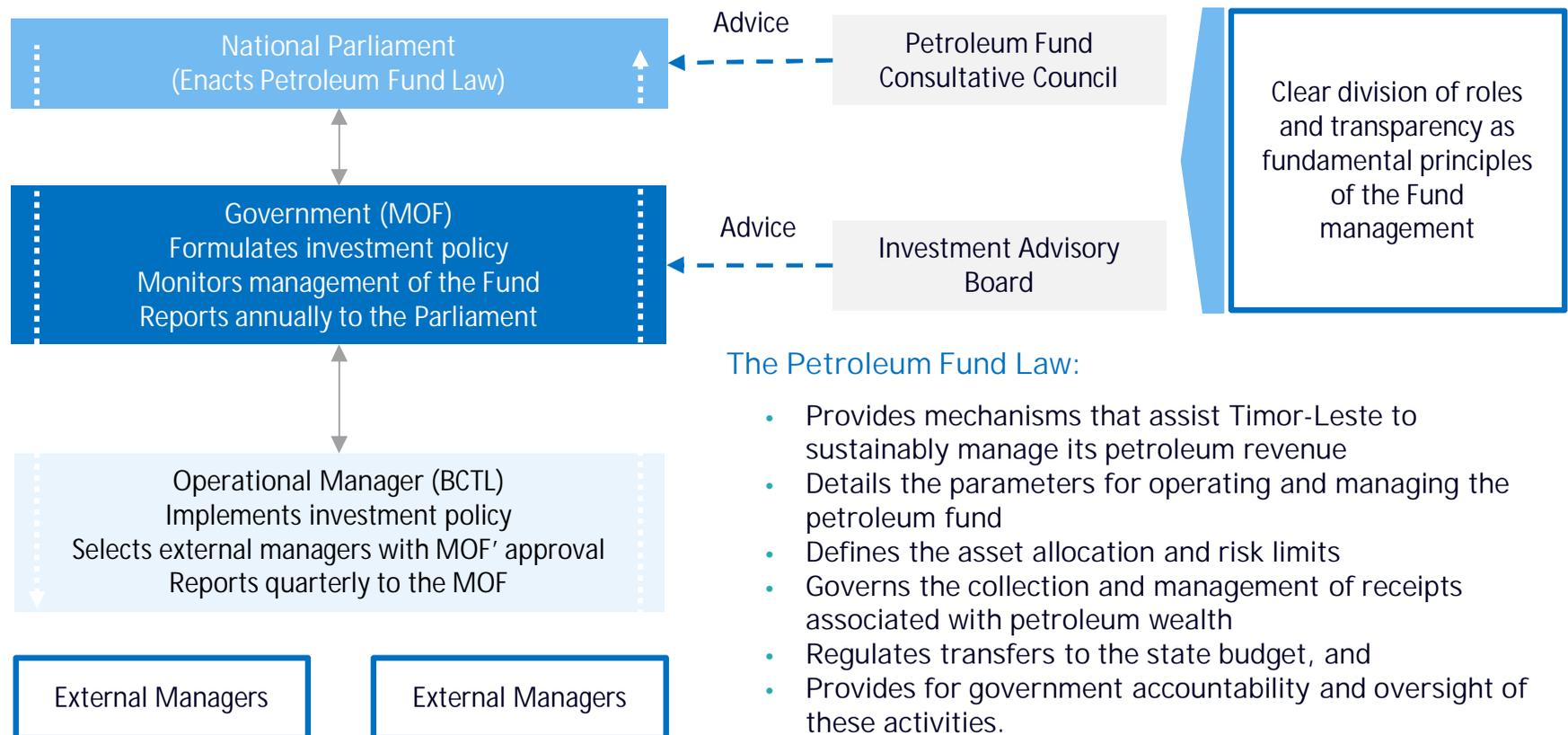
- Timor-Leste Petroleum Activities Law;
- Timor Sea Treaty;
- Mining Code.

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 interest, 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 transferred back to the central government budget, pursuant to parliamentary approval.

Source: Petroleum Fund Annual Report 2016: https://www.mof.gov.tl/wp-content/Petroleum_Fund_Annual_Report_2016.pdf

4.5 Petroleum Fund

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.

Estimated Sustainable Income (ESI)

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.

The Government has withdrawn \$8,554 million from the Fund since its inception until the end of 2016. This exceeds the cumulative ESI over that period by \$3,003 million. The excess reflects the Government's policy to front-load expenditure to enable economic development.

The implications for the Petroleum Fund's investment strategy have been carefully considered and are summarized in the Annual Report section "the advice from the Investment Advisory Board".

Source: <https://www.mof.gov.tl/wp-content/uploads/2017/09/English-Final-Report-2016.pdf>

4.5 Petroleum Fund

Transfer from Petroleum Fund

In 2016 the Fund's balance has decreased US\$373 million (from US\$16,218 million in 2015 to US\$15,844 million in 2016). This was the second annual decline since the Fund's inception.

The overall balance of the Fund is affected by petroleum revenues, the investment return and withdrawals.

Petroleum revenues and investment returns contributed \$224 million and \$648 million contributed to the Fund over the year, respectively. The total withdrawal of \$1,245 million from the Fund to finance the Government's budget resulted in the decline in the Fund's balance.

The decline on Petroleum revenues is justified by the declining of oil production, oil price and Tax settlements arrangements. Also, should note that the petroleum revenues are now derived from one single field, Bayu-Undan, which production has commenced in 2004. Kitan, the other much smaller field, started production in 2011 but was suspended in December 2015 due to the fall in oil prices.

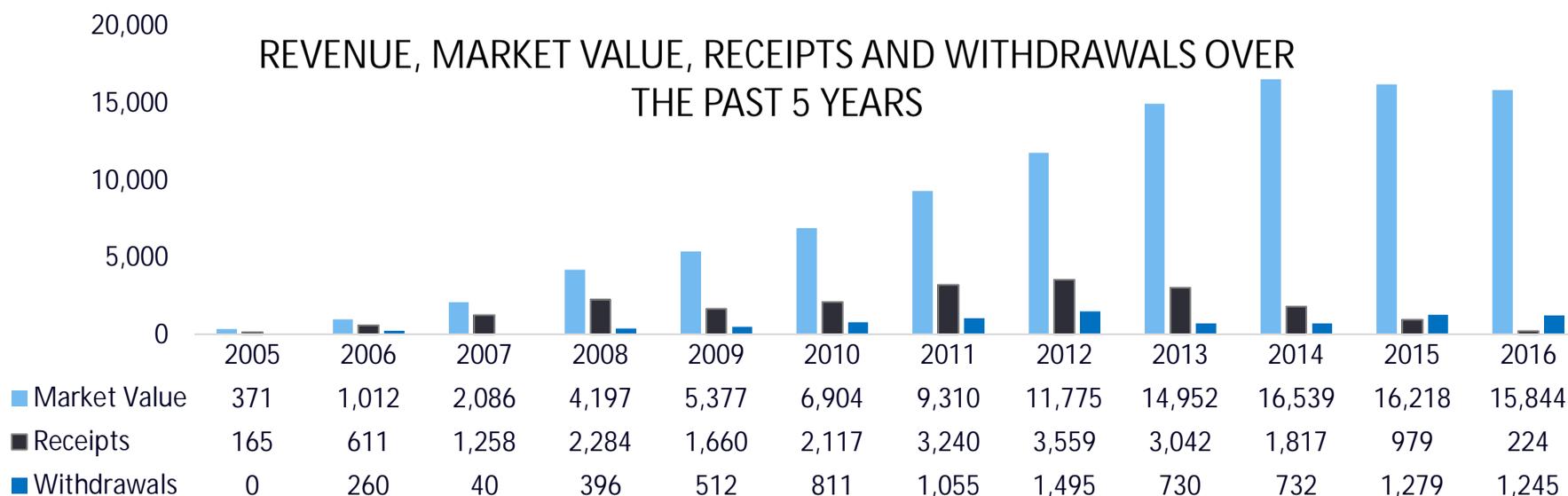
Withdrawals

The Government withdrew \$1,244.8 million from the Fund during 2016 to finance the General State Budget. This was \$700 million more than the ESI of \$545 million for the year.

The Government has withdrawn \$8,554 million from the Fund since its inception until the end of 2016. This exceeds the cumulative ESI over that period by \$3,003 million. The excess reflects the Government's policy to front-load expenditure to enable economic development.

The implications for the Petroleum Fund's investment strategy have been carefully considered and are summarized in the section regarding the advice from the Investment Advisory Board.

Source: <https://www.mof.gov.tl/wp-content/uploads/2017/09/English-Final-Report-2016.pdf>



4.5 Petroleum Fund

Net Investment Return 2016

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 ESI.

The Petroleum Fund's investments were 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. At the end of 2016 US bonds account for over 84.6% of total bonds and US companies account for almost 60.4% of the equity portfolio.

The Petroleum Fund's investment return before expenses was 10,4% in 2017, the highest annual return since inception. The real return, which accounts for US inflation, was +2% per cent in 2017 (0.78% in 2015).

Petroleum Fund performance in 2016

The Petroleum Fund posted a gain of \$647.7 million in 2016 after deducting expenses. This is a recovery from previous year small loss of \$21.4 million and follows income of \$502 million in 2014.

Details and more information of the PF can be seen in PF Annual report 2016, published at the MoF website.

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.

La'o Hamutuk's submission to Parliament on the proposed 2017 budget urged the Ministry of Finance to take a more prudent approach to projecting future investment returns, as these will provide the bulk of Petroleum Fund income now that Kitan and Bayu-Undan are mostly depleted.

At the end of 2016, the balance in the Petroleum Fund stood at \$15.84 billion. It had fallen \$760 million since the previous quarter, \$373 million since the start of the year, and was \$1.29 billion lower than its peak value in May 2015.

Withdrawals during 2016 totaled \$1.24 billion, nearly as high as in 2015 but less than was authorized in the original 2016 budget, and far less than the \$1.68 billion approved in the 2016 Rectified Budget.

During 2016, the Fund's investments returned \$623 million (a nominal return of 4.0%, below the assumed level), and oil revenues deposited into the Fund totaled \$224 million. The oil companies subtracted more than \$200 million from revenues which would have been paid to Timor-Leste, as partial payment of a settlement for over-collected taxes in 2012

The CSOs are concerned that data regarding tax disputes between the Government and Oil Company has not been published. CSO as one of the pillars of MSG suggests that, in the future there should be more disclosure of relevant data to strengthen EITI reports.

CSOs also encourage relevant parties to improve transparency in the management of oil and gas revenues and the Petroleum Fund, while providing information to the public so that all citizens can know how their resources are being received, managed and spent.

Source: <http://www.laohamutuk.org/Oil/PetFund/05PFIndex.htm#2016>

4.5 Petroleum Fund

Petroleum Fund Revenues

In 2016, there is only one gas field in the production phase, Bayu-Undan. That field has started the production phase in 2004. 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 2016 was US\$224 million. That was comprised of \$90 million in petroleum taxes, \$127 million in royalties and oil and gas profit and \$6 million in other petroleum revenues. The collections are net of a tax settlement*. These collections were in accordance with Articles 6.1 (a), (b), and (e) of the Petroleum Fund Law respectively.

According to the Petroleum Fund financial statements, in 2015 the Fund started with a beginning balance of US\$16,218 million, received around US\$224 million of petroleum revenue, as transfer to state budget -US\$1,245 million, had US\$648 million of investment profit and finish with US\$15,844 million.

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

Government of Timor-Leste and ConocoPhillips Australia settle tax disputes

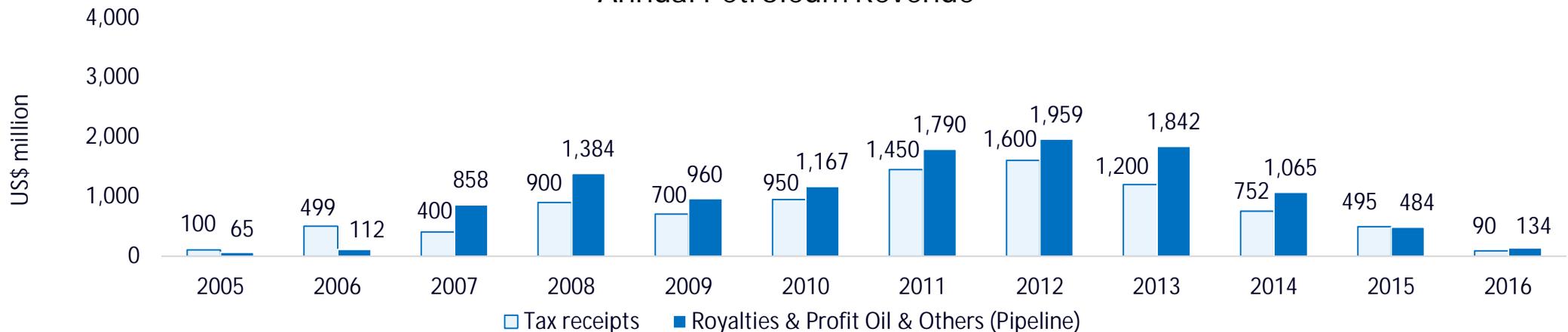
In February 2016, Timor-Leste's Government and ConocoPhillips announced a settlement of several tax disputes. In particular, the parties resolved the tax assessments related to the Bayu-Undan decommissioning plan, the drilling of Phoenix-Firebird and the Capacity Reserve Charge. The parties were unable to reach an agreement regarding the pipeline withholding tax and had agreed to leave the matter with the Singapore International Centre constituted Tribunal.

The Timor-Leste MSWG discussed the issue regarding publishing the amount of the tax settlement. The government has agreed for tax settlement to be published on aggregate level. However, due to time constraint to reconcile and to reach agreement by relevant parties, it was not included in this report. The relevant parties will make effort disclosing total amount of the tax settlement in next report.

*Source:

- <http://timor-leste.gov.tl/?p=14540&lang=en>
- <https://www.mof.gov.tl/wp-content/uploads/2017/09/English-Final-Report-2016.pdf>
- <http://www.conocophillips.com.au/newsroom/news-releases/story/timor-leste-and-conocophillips-australia-settle-tax-disputes/>
- <https://www.laohamutuk.org/Oil/tax/2016/TLCPSettleTax17Feb2016en.pdf>

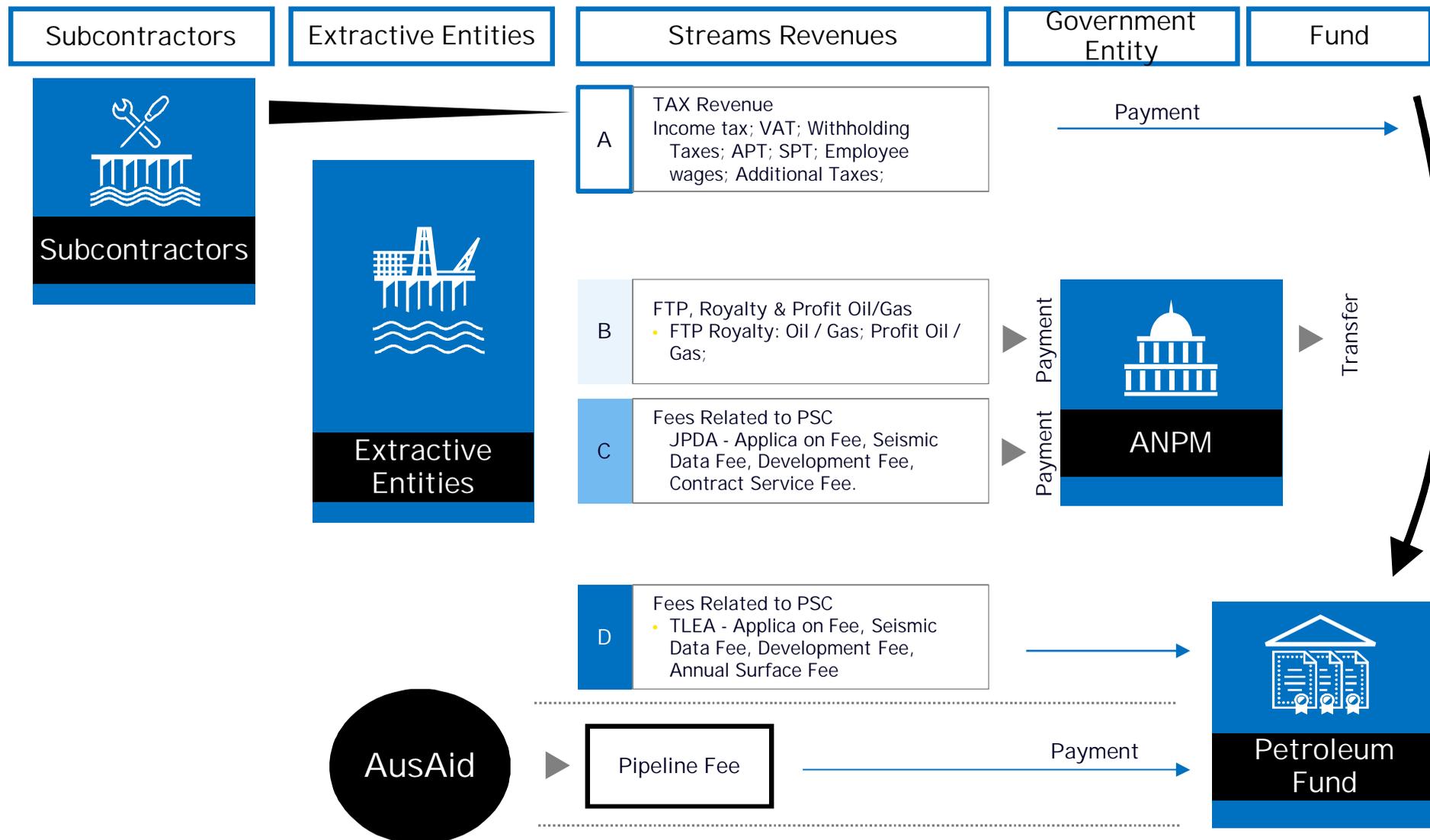
Annual Petroleum Revenue



4.6 Summary of payments process

Summary of Payment Process

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



4.7 State Owned Enterprise (SOE's)

The 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 a 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.

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 2016 Annual Report.

The company is a 60% quota holder GAP-MHS Aviation Lda (GAP-MHS). No dividend was declared during the 2016 financial year (2015: \$1.357,038). GAP-MHS contributed with a share profit of \$419,959 (2015: \$403,861) to the consolidated results of the group.

Its activities vary from Onshore to Offshore and National to International. In 2016 TIMOR GAP have:

- 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.
- As disclosed in 2015 EITI report, 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.
- In 2016 the onshore block area was assigned to TIMOR GAP by the Ministry of Petroleum and Mineral Resources, with the approval of the Council of Ministers (see more details in "Brief Note on direct TIMOR GAP award"). In light of the above, farm out opportunities were promoted for the onshore blocks, as a result of which, on 16th November, a Commercial Agreement was signed between TIMOR GAP and TIMOR RESOURCES PTY LTD. The PSC is expected to be signed on early 2017.
- 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 2016 the government grant paid to TIMOR GAP was US\$6 million (2015: US\$9.7 million).

From the analysis made, TIMOR GAP did not have any related quasi-fiscal expenditures for social services that can be reported in 2016.

Source:
<https://www.timorgap.com/databases/website.nsf/vwAll/Annual%20Reports>

4.7 State Owned Enterprise (SOE's)

Brief Note on Onshore direct award to TIMOR GAP

TIMOR GAP, E.P., the national oil company of Timor-Leste, was awarded the exclusive hydrocarbon exploration rights to the Onshore Block (Figure 1) by Government Resolution 44/2017 in December 2015. Subsequently the Onshore Block was divided into 3 sub-blocks (A, B & C), each with an area of approximately 1000km². In April 2017 Blocks A & C.

Source:

https://www.researchgate.net/publication/326060398_TIMOR_GAP's_Onshore_Block_A_Preliminary_Assessment_of_Prospectivity_in_Onshore_Timor-Leste

TIMOR GAP, through TIMOR GAP Onshore Block Unipessoal Lda, form the Partner for the joint venture for the purposes of entering into a PSC in the onshore block. This goal was achieved when, in November 2016, TIMOR GAP entered into a Commercial Agreement with TIMOR RESOURCES, pursuant to which the latter acquired a participating interest in the Block A and C. Consequently the full PSC exploration areas (PSCs TL-OT17-08 and TL-OT-17-09 respectively) in 50:50 partnership were signed in April 2017, with Timor Resources assuming operatorship.

Source: TIMOR GAP 2016 annual report

<https://www.timorgap.com/databases/website.nsf/vwAll/Annual%20Reports>

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.

The role of TIMOR GAP E.P. in the onshore exploration is key to achieving the maximum benefits for Timor and maximum participation of Timorese citizens. As noted in the Program of the Sixth Constitutional Government the operation and activity of the company is "central to the strategy of developing our petroleum industry" and provides "an avenue for Timor-Leste to have a direct business stake in and benefit from the expansion of the sector."

Source: <http://timor-leste.gov.tl/?p=17711&lang=en>

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://web01.anpm.tl/webs/anptlweb.nsf/pgLafaekPSCList>

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 & Onshore) 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 Annex 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 Indonesia occupation and not much more information exists about the application date or the process (the Annex E PSC - was inherited from Indonesia ZOCA Regime). The 2006 PSC has an application date of May 2006.

PSC 11-106 was awarded in 2013 and PSC TL-SO-15-01 in 2015. Those process was already disclosed on the EITI TL 2013 and 2015 report respectively.

No license has been given in 2016 however a Commercial Agreement has been signed between Timor gap and TIMOR RESOURCE in November 2016, as previous mentioned in "Brief Note on Onshore direct award to TIMOR GAP"

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.

Timor-Leste



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

NOTE: At the date of the publish of this report the Tax regime for JPDA is under negotiation and reform due to the new boundaries agreement between Government of Timor Leste and Australia. However for 2016 (scope of the report) the presented regime was applied.

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

5.1 JPDA – Annex F

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

Wages Income Tax

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

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

In the case of an employee who is a non-resident the flat WIT rate is 20% x 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%*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 Act No./2005, replaced by Taxes and Duties Act on Decree law No. 8/2008
- 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%).

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.

Supplemental Petroleum TAX (SPT)

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

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

Where:

ANR - accumulated net receipts of the contractor;

r - Income tax (currently 30%)

A - Accumulated net receipts from prior years;

B - Net receipts for the current year

I - Interest expense

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%.

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.

Import Duty

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

Decommissioning costs for Timor-Leste petroleum activities.

Abandonment provision

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

Supplemental Petroleum TAX (SPT)

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

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

Where:

ANR - accumulated net receipts of the contractor;

r - Income tax (currently 30%)

A - Accumulated net receipts from prior years;

B - Net receipts for the current year

I - Interest expense

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.



Overview of Timor-Leste extractive industries in 2016 - Mining

Outline

Timor-Leste has already (through Ministerial Diploma) distinct between definitions of artisanal, medium and large. Small-scale mining are not considered in the definitions due to the actual activity (production and fees collected) being a small portion, compared to Oil & Gas sector and even comparing with other economy sectors.

Moreover, artisanal refers to pure manual mining with the maximum use of 60 tons/month of construction materials.

According to the available data, the mining sector in Timor-Leste is the artisanal small scale and the decision was to use EITI standard guidance (according with volume / activity) and disclose the information available about the sector with some additional information about revenue (licensing revenue).

Timor-Leste

EITI Extractive
Industries
Transparency
Initiative

6.1 Legal framework

In 2008, the government approved the Ministerial Diploma No. 1/2008 of 30 July, on specific rules for the licensing of extraction activities of mineral masses (mines and quarries) and its mining at an industrial scale. This ministerial diploma was amended twice in:

- 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 minerals.

Recently, 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 (see all licenses per year in Annex D).

Legislation:

- Ministerial Diploma No.64/2016 of 16 November
- Government Resolution No.35/2016 of 19 October
- Decree-Law No. 5/2011 Environmental Licensing

Source: New mining code:
<http://web.anpm.tl/>

Ministerial Diploma No.64/2016 of 16 November

The Timor-Leste Ministerial Diploma No.64/2016 of November 16 clarifies the need to further improve the administrative process for licensing, general obligations of the license holder, classification of activities and their associated fees' assessment, improve technical requirement for evaluation, planning, implementation and monitoring, inspection, audit and reporting of mining activities.

This Diploma promote participation of cooperatives or Timorese companies incorporated under the Law of Timor-Leste in research and exploration related to construction material with minimum participation interest of more than 50% owned and controlled by Timorese.

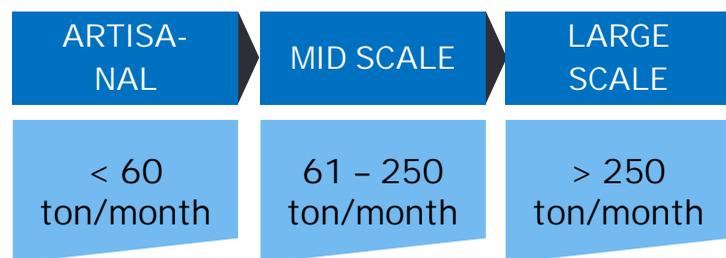
The license given by ANPM such as Prospecting License, Exploration License and Mining License, except for the dimension and ornamental stone, all licenses have duration of one (1) year, unless the respective approval order stipulates otherwise.

6.2 License process

Fees and classification

The Fees and Classification for Mineral License in 2016 apply according to Ministerial Diploma No. 2/2014 of 19 February from January to November 2016 and Diploma No. 64/2016 of November 16 applies from December 2016 to present.

The classification of the artisanal, medium and large scale and the license fees are as illustrated below.



Licensee Fee – Art. 7

The license fees applied for the different activities as above classification are as follows:



Mining / Extraction Fee – Art. 8

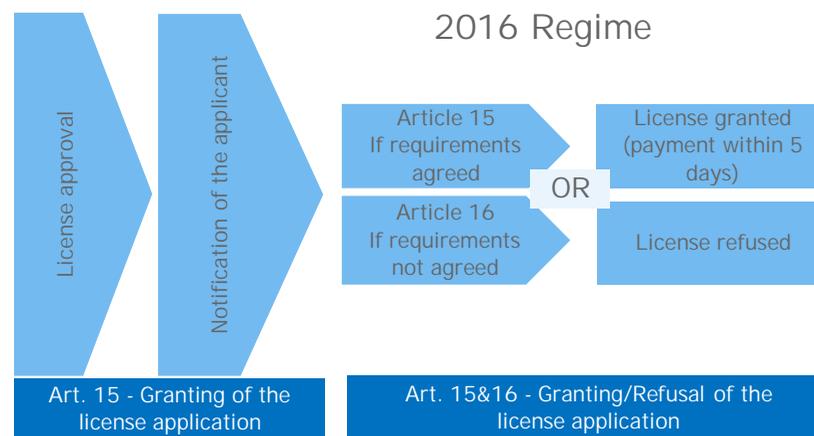
The exploration rates according with the different volume and classification are as follows:

Jornal da República

	MATERIAIS DE CONSTRUÇÃO (em USD/ton exploradas)		MATERIAIS DE TRANSFORMAÇÃO (em USD/ton exploradas)			RÓCHAS ORNAMENTAIS (em USD/ton exploradas)	
	Outros >16mm	Areia (dimensão =16mm)	Calcário	Argila	Gesso	Calcário, Granito e Mármore	Outros previstos no artigo 28
Artisanal	0.00	0.00	N/A	N/A	N/A	N/A	N/A
Escala Média							
Grande Escala	3.00	2.00	0.75	0.50	0.75	8.00	7.00

Licensing

The license scope include scientific research, prospecting license and mining license (article 12 and 13 of DM 64/2016 of 16 November). The license requirement should be applied as the following:



6.3 Timor Leste Mining Activity

Number of licenses

From 2006 to 2016, the number of licenses recorded by the Direcção Nacional de Minerais, MPM and ANPM (2016) have been increasing (see Annex D). Also significant is the increase verified in 2015 and 2016 comparing to prior years. This was justified by the introduction of the 2nd amendment and the new regulation which made the adjustments in the licensing application process easier and better guided. See more details on licenses in Annex D.



Revenue

Since 2014, the revenue obtained from the extraction and the license fees in mineral sector has been growing as indicated in the following graph. This is mainly justified by the legislation and the several controls implemented by the Ministry of Petroleum and Minerals.

Total Extractive and License fees \$US '000



6.4 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’s mining sector, due to the actual activities (production and fees collected), is considered a very small scale (specially compared to Oil & Gas sector).

The MSWG have 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 therefore it was concluded in the scoping phase, that the mining revenues are still immaterial.



Methodology and approach

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

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7.1 Scope and IA

Independent Administrator

As Independent Administrator, EY has also 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.

Scope of work

The scope of the 9th report is the 2016 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 2016. This threshold permits to capture approximately 99% of the revenues received by the Government from petroleum activities in 2016.

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 2016 (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 43 in 2016, including sub-contractors – see Annexes 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 2016, the basis for determining the scope of the report was accomplished.

7.2 Materiality thresholds for company disclosures

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 2016 Report. The MSWG have defined materiality in terms of a minimum value of payment to the government (US\$100,000).

Sectors

The Oil & Gas sector covers more than 99% of tax and non tax revenues received from the extractive industry in 2016. 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 2016 (less than US\$ 300 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.

Subcontractors

The MSWG have decided 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 4.12% of the total revenue received related with oil & gas activities in Timor-Leste.

7.2 Materiality thresholds for company disclosures

Scope Entities

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

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

Sub-contractors

Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	Compass Group (Australia) P/L*	MMA Offshore Vessel Operations Pty*
Amec Engineering P/L	CHC Lloyd Helicopters Australia P/L	Subsea 7 Australia Contracting
Bluewater Services International P/L	Fircroft Australia P/L*	Svitzer Asia P/L
Caltech Unipessoal Lda	FMC Technology Australia Limited	
Cameron Services Inter. P/L	GAP -MHS Aviation TL Lda	
Cape East Philippines INC	Halliburton Australia P/L	
Cape Australia Onshore P/L*	Interstate Enterprises P/L	
Amec Engineering P/L & Clough Engineering Integ. Solutions Services Pty Ltd	Maersk Supply Services A/S*	
Amec Engineering P/L	Millenium Offshore Services P/L	

7.2 Materiality thresholds for company disclosures

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 payments 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. It 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 countries.

7.3 Data collection

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 representative.
- 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 maintain in the reporting templates to address the EITI requirements and maintain the score issued by EITI's International secretariat on last validation.

7.4 Data 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 subjected 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 performances are 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 that capture the procedures and 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).

7.5 Other considerations

Transportation

Bayu-Undan field development plan, consisted of 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).

However there Local Commitments (mandatory and voluntary) that are presented in Section 10.

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.

Reconciliation of tax and other payments

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 2016;
- To reconcile the data from extractive companies and government authorities on each type of payments for each company in 2016
- 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) the discrepancies remain unexplained, then this shall be indicated on the EITI report

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8.1 General results of payments reconciliation

Revenues generated from Oil & Gas extractive activities and supported activities

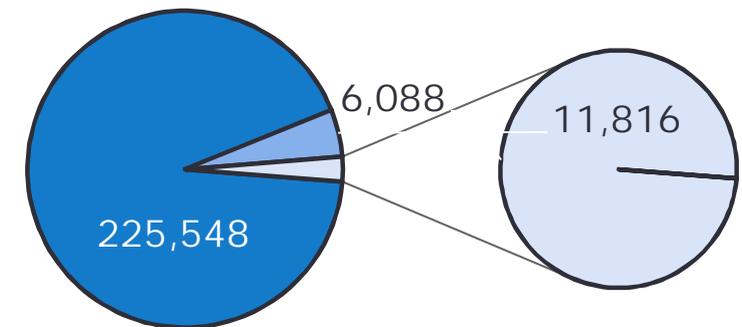
In the table below there is a brief description and a summary of the total amount of revenue received by Government entities from the Oil & Gas sector and the amounts in scope:

Revenues generated in 2016 (Thousands USD)	Total	Scope	% Scope
Total Non Tax revenue reported by ANPM	147,037	147,034	100.00%
Total Tax Revenue Contractors	78,511	78,503	99.99%
Total Revenue Contractors *	225,548	225,537	100.00%
Total Pipeline revenue reported by BCTL	6,088	6,088	100.00%
Total Tax Revenue Sub-contractors **	11,816	10,034	85.27%
Not in scope		1,793	0.72%
TOTAL	243,452	243,452	100.00%

* Disaggregation on Annex A

** Disaggregation on Annex B

Total Revenue in US\$'000



- Oil & Gas extractive activities
- Oil & Gas supported activities
- Pipeline Fee

8.1 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 25 companies that have payments on petroleum activities to Government entities (DNRP, ANPM, BCTL and Petroleum Fund), 23 are in scope (accumulated payments above the threshold). The 2 entities not in scope were: Japan Energy EP JPDA Pty Ltd and Oilex (JPDA 06-103) Ltd. The detail of the amounts received by the Government from these entities are detailed on Annex A and represents US\$ 11 thousand of total revenue.

Entities	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	Surface Rental Fee	Interest Received	Total reported by Government
Inpex Sahul Ltd	-	-	-	-	330,484	-	-	-	29,717,786	-	-	-	-	309	30,048,579
Inpex Timor Sea Ltd	-	-	-	-	8,651	-	-	-	309	-	-	-	-	-	8,960
Conocophillips (03-12) Pty Ltd	2,252,768	7,461,051	2,085,410	2,109,990	829,457	-	12,163,874	-	28,270,094	160,000	5,279,750	-	-	-	60,612,394
Conocophillips (Timor Sea) Pty Ltd	1,861,660	3,044,941	-	-	64,906	-	-	-	-	-	-	-	-	-	4,971,507
Conocophillips (Emet) Pty Ltd	2,727,247	357,005	-	-	7,655	-	-	-	-	-	-	-	-	-	3,091,907
Conocophillips JPDA Pty Ltd	2,615,854	5,865,799	-	-	125,871	-	-	-	-	-	-	-	-	-	8,607,524
Conocophillips (03-13) Pty Ltd	4,234,470	2,045,735	-	-	44,059	-	-	-	-	320,000	-	-	-	-	6,644,264
Conocophillips Timor Leste	-	-	-	292,608	11,482	-	-	-	-	-	-	-	-	-	304,090
Woodside Energy Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Woodside Petroleum (Timor Sea 03-19) Pty Ltd	-	-	-	24,066	600	-	-	-	-	160,000	-	-	-	-	184,666
Woodside Petroleum (Timor Sea 03-20) Pty Ltd	-	-	-	-	-	-	-	-	-	160,000	-	-	-	-	160,000
Santos JPDA (91-12) Pty Ltd	1,771,758	6,821,005	-	-	276,231	-	-	-	27,881,870	-	-	-	-	-	36,750,864
Tokyo Timor Sea Resources Pty Ltd	12,840,477	5,617,664	-	-	461,632	-	-	-	24,005,011	-	-	-	-	217	42,925,001
Eni JPDA 03-13 Limited	5,814,793	1,639,186	-	-	226,973	-	-	-	18,136,532	-	-	-	-	-	25,817,484
Eni JPDA 06-105 PTY LTD	-	-	2,453,402	200,063	1,803,529	-	-	73,950	-14,982	160,000	325,000	-	-	-	5,000,962
Eni JPDA 11-106 P/L	-	-	-	-	106	-	-	-	-	80,000	-	-	-	-	80,106
Eni Timor - Leste S.P.A (PSC area 4)	-	-	-	-	28,862	-	-	-	-	-	-	-	154,000	-	182,862
TIMOR GAP PSC JPDA 11-106	-	-	-	850	-	-	-	-	-	-	-	-	-	-	850
TIMOR GAP Offshore Unipessoal	-	-	-	133,486	-	-	-	-	-	-	-	-	-	-	133,486
TIMOR GAP, Onshore Block ,UNIPESSOAL, LDA	-	-	-	7,879	-	-	-	-	-	-	-	-	-	-	7,879
TIMOR RESOURCES PTY LTD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Talisman Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Others	3,663	-	-	-	-	-	-	-	-	-	-	-	-	-	3,663
Total	34,122,690	32,852,386	4,538,812	2,768,942	4,220,498	0	12,163,874	73,950	127,996,620	1,040,000	5,604,750	0	154,000	526	225,537,048

8.1 Extractive companies - Reconciliation results

The reconciliation process was as described in Section 8.1. Below are displayed the differences noted between amounts paid from oil & gas extractive activities and amounts received by Government Entities:

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

Entities	Reported by Entity	Reported by Government	Results of initial request	Adjustments by the entities	Adjustments by the Government	Reported by Entity	Reported by Government	Unreconciled differences
Inpex Sahul Ltd	30,048,579	30,048,579	0			30,048,579	30,048,579	0
Inpex Timor Sea Ltd	23,491	8,961	-14,530		14,838	23,491	23,799	308
Conocophillips (03-12) Pty Ltd *	60,512,394	60,612,394	100,000			60,512,394	60,612,394	100,000
Conocophillips (Timor Sea) Pty Ltd *	4,521,507	4,971,507	450,000			4,521,507	4,971,507	450,000
Conocophillips (Emet) Pty Ltd *	2,191,907	3,091,907	900,000			2,191,907	3,091,907	900,000
Conocophillips JPDA Pty Ltd *	7,257,524	8,607,524	1,350,000			7,257,524	8,607,524	1,350,000
Conocophillips (03-13) Pty Ltd *	6,314,264	6,644,264	330,000			6,314,264	6,644,264	330,000
Conocophillips Timor Leste	304,089	304,089	0			304,089	304,089	0
Woodside Energy Ltd			0			0	0	0
Woodside Petroleum (Timor Sea 03-19) Pty Ltd	184,667	184,666	-1			184,667	184,666	-1
Woodside Petroleum (Timor Sea 03-20) Pty Ltd	160,000	160,000	0			160,000	160,000	0
Santos JPDA (91-12) Pty Ltd	44,909,561	36,750,864	-8,158,697	-8,158,702		36,750,859	36,750,864	5
Tokyo Timor Sea Resources Pty Ltd	38,293,722	42,925,001	4,631,279	2,641,254	-1,990,025	40,934,976	40,934,976	0
Eni JPDA 03-13 Limited	26,448,876	25,817,483	-631,393		631,393	26,448,876	26,448,876	0
Eni JPDA 06-105 PTY LTD	4,369,220	5,000,963	631,743		-631,393	4,369,220	4,369,570	350
Eni JPDA 11-106 P/L	80,106	80,106	0			80,106	80,106	0
Eni Timor - Leste S.P.A (PSC area 4)	182,862	182,862	0			182,862	182,862	0
TIMOR GAP PSC JPDA 11-106	1,515	850	-665	-665		850	850	0
TIMOR GAP Offshore Unipessoal	151,761	133,486	-18,275	-4,517		147,244	133,486	-13,758
TIMOR GAP, Onshore Block ,UNIPESSOAL, LDA	26,093	7,879	-18,214	-4,425		21,668	7,879	-13,789
TIMOR RESOURCES PTY LTD			0			0	0	0
Talisman Group			0			0	0	0
Total	225,982,138	225,533,385	-448,753	-5,527,055	-1,975,187	220,455,083	223,558,198	3,103,115

* Please note that the amounts presented are the net amounts after the application of the tax settlement agreed between MoFand Conoco Phillips (see section 4.5.)

8.1 Extractive companies – Adjustments by the Government

	Income Tax	APT Installment	VAT – JPDA	Wages Withholding Tax	Withholding Tax Payments	Royalties	Profit Oil	Offset	Total	Notes
Inpex Timor Sea Ltd					14,838				14,838	1)
Tokyo Timor Sea Resources Pty Ltd	-	-	-	-	-	-1,224,481	-765,544		-1,990,025	2)
Eni JPDA 03-13 Limited	-284,997	916,390							631,393	3)
Eni JPDA 06-105 PTY LTD			-580,994	-123,560	73,161	-14,982	14,982		-631,393	3)
Total	-284,997	916,390	-580,994	-123,560	87,999	-14,982	-1,209,499	-765,544	-1,975,187	

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

- Tax offset;
- Tax received reported but incorrectly classified by type of tax or entity;

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

1) Adjustments on amount reported to INPEX

2015 adjustment in ANPM Royalties/Profit Oil Payments for Kitan Lifting. We have obtained the supporting documentation.

2) Adjustments on amount reported to Tokyo Timor Sea Resources Pty Ltd

Tax offset reported by Tokyo Timor Sea Resources in amount of US\$765,544 not initially reported by DNRP. This income tax of 2016 offset is related to corporate income overpayment in 2015.

The other adjustment is related to profit oil reported for 2016 exceed the value that should have been paid (2M USD).

3) Adjustments on amount reported to Eni

Several payments register in different tax revenue streams and reporting entities. Adjustment was made based on the entity information and support. The total amount reported had no differences.

8.1 Extractive companies – Adjustments by the Entity

	Income Tax	APT Installment	Profit Oil	Withholding Tax Payments	Total	Notes
TIMOR GAP PSC JPDA 11-106				-665	-665	1)
TIMOR GAP Offshore Unipessoal				-4,517	-4,517	1)
TIMOR GAP, Onshore Block ,UNIPESSOAL, LDA				-4,425	-4,425	1)
Santos JPDA (91-12) Pty Ltd	-381,028	-7,731,638		-46,036	-8,158,702	2)
Tokyo Timor Sea Resources Pty Ltd			2,641,254		2,641,254	3)
Total	-381,028	-7,731,638	2,641,254	-55,643	-5,527,055	

1) Adjustments on amount reported to TIMOR GAP

The adjustments made were justified by the amounts recognized as 2016 taxes (TIMOR GAP report) and the actual amount paid in 2016 (adjustments made) less small bank charges (25 USD per transaction). Even knowing that there was an unreconciled amount at the date of the publication of this report, we were informed that both parts (TIMOR GAP and MOF) are still making all the efforts to reconcile the unreconciled amount.

2) Adjustments on amount reported to Santos JPDA (91-12) Pty Ltd

The difference between the entity disclosures and the amounts related to the amounts withheld under settlement agreements with MoF as result of overpaid tax in prior years and the offset of the refund due on lodgement of the 2015 income tax return that were not included in entity initial report.

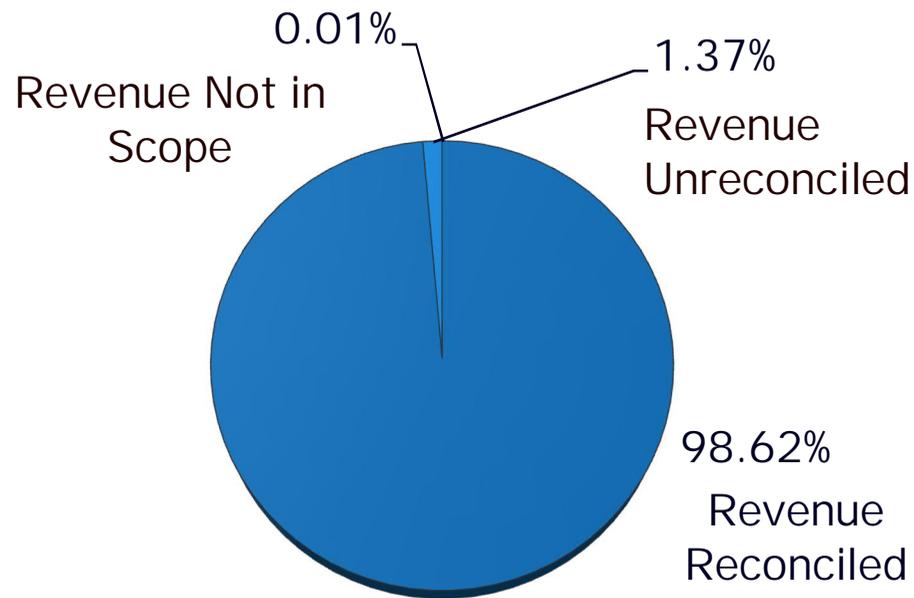
3) Adjustments on amount reported to Tokyo Timor Sea Resources Pty Ltd

The entity have reported the tax estimate instead of the payments made 2016.

8.1 Extractive companies - Unreconciled differences

Based on the final results the difference not reconciled are approximately US\$ 5 million. This amount represents around 2% of total revenue of extractive activities.

The chart below shows the final results and the fact that 97,73% of the payments from operators were reconciled.



■ Revenue reconciled ■ Revenue unreconciled ■ Revenue not in Scope

Entities	Amount in US\$ Unreconciled differences
ConocoPhillips *	3,130,000
Timor GAP EP *	-27,522
Others	637
Total	3,103,115

*IA did not receive additional support information that could permit to conclude that the amount was reconcile

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8.2 Payments from Oil & Gas 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 36 subcontractors that have paid tax amounts to DNRP, we have identified 19 entities that have made payments (to the revenue streams) above the threshold to Government entities in scope.

Subcontractors Companies	Income Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Tax	Total reported by Government (USD)
Amec Engineering P/L & Clough Engineering	159,172	8,247	963,069	21,832	1,152,320
Amec Engineering Pty Ltd	-	145,120	-	-	145,120
Bluewater Services International Pty Ltd 1	-	323,749	-	-	323,749
Caltech Unipessoal Lda 384	92,468	449,568	2,108	-	544,145
Cameron Services International Pty Ltd	36,365	93,139	-	-	129,504
Cape Australia Onshore Pty Ltd	-	186,589	-	-	186,589
Cape East Philippines Inc.	-	125,680	-	-	125,680
Compass Group	447,528	118,893	302,409	-	868,830
Fircroft Australia P/L	62,026	208,621	-	-	270,647
FMC Technology Australia Limited	-	276,885	-	-	276,885
GAP MHS Aviation TL Lda	-	35,358	51,092	1,531,536	1,617,986
Halliburton Australia P/L	464,430	36,376	13,950	-	514,755
Interstate Enterprises P/L	23,265	198,967	-	1,400	223,632
Lloyd Offshore Helicopters Pty Ltd	-	523,294	-	660	523,954
Maersk supply service A/S	-	109,671	-	-	109,671
Millenium Offshore Services P/L	2,318,385	83,333	81,881	-	2,483,599
MMA Offshore Vessel Operations Pty Ltd.	-	138,077	48,215	-	186,292
Subsea 7 AU Contracting PL	-	72,954	85,457	-	158,411
Svitzer Asia P/L	-	192,552	-	-	192,552
Total in Scope	3,603,639	3,327,074	1,548,181	1,555,428	10,034,322

8.2 Subcontractors - Reconciliation results

The reconciliation process was as described in section 8.1. Below are displayed the differences noted between amounts paid from oil & gas subcontractors and amounts received by Government Entities:

Amount in US\$

Subcontractors Companies	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
Amec Engineering P/L & Clough Engineering	481,831	1,152,320	670,488	572,089	-	1,053,920	1,152,320	98,399
Amec Engineering Pty Ltd	157,687	145,120	-12,567	-	-	157,687	145,120	-12,567
Bluewater Services International Pty Ltd 1	1,390,098	323,749	-1,066,349	-1,066,349	-	323,749	323,749	-
Caltech Unipessoal Lda 384	541,085	544,145	3,060	9,731	-	550,816	544,145	-6,671
Cameron Services International Pty Ltd	-	129,504	129,504	-	-	-	129,504	129,504
Cape Australia Onshore Pty Ltd	-	186,589	186,589	-	-	-	186,589	186,589
Cape East Philippines Inc.	-	125,680	125,680	-	-	-	125,680	125,680
Compass Group	-	868,830	868,830	-	-	-	868,830	868,830
Fircroft Australia P/L	141,338	270,647	129,309	129,309	-	270,647	270,647	-
FMC Technology Australia Limited	-	276,885	276,885	-	-	-	276,885	276,885
GAP MHS Aviation TL Lda	579,214	1,617,986	1,038,772	-36,219	-1,076,081	542,995	541,905	-1,091
Halliburton Australia P/L	514,968	514,755	-212	-	-	514,968	514,755	-212
Interstate Enterprises P/L	-	223,632	223,632	187,953	-	187,953	223,632	35,678
Lloyd Offshore Helicopters Pty Ltd	-	523,954	523,954	-	-	-	523,954	523,954
Maersk supply service A/S	-	109,671	109,671	109,671	-	109,671	109,671	-
Millenium Offshore Services P/L	1,387,240	2,483,599	1,096,359	2,115,468	-	3,502,708	2,483,599	-1,019,109
MMA Offshore Vessel Operations Pty Ltd.	-	186,292	186,292	-	-	-	186,292	186,292
Subsea 7 AU Contracting PL	173,747	158,411	-15,336	-	-15,336	173,747	143,076	-30,671
Svitzer Asia P/L	-	192,552	192,552	-	-	-	192,552	192,552
Total	5,367,208	10,034,322	4,667,114	2,021,654	-1,091,417	7,388,862	8,942,905	1,554,043

8.2 Subcontractors - Reconciliation results

The total amount of initial difference is represented as follow:

Description	Amount in US\$	% Final amount reported Government
Total amount reported initially by the Government	10,034,322	100%
Adjustments by the Government entities	<u>-1,091,417</u>	-11%
Final tax amount reported by the Government	<u>8,893,523</u>	
Total amount reported initially by Subcontractors	5,367,208	53%
Adjustments by the entities	<u>2,021,654</u>	20%
Final tax amount reported by the Subcontractors	<u>7,388,862</u>	
Entities not answered	2,490,287	28%
Diference on amount not conciliated	-936,243	-9%

- The total amount not reported initially by entities was US\$ 2,021,654 and is described by entity on the next pages.
- The total amount not reported initially by Government was -US\$1,091,417 and is described on the next pages.
- The total amount not conciliated is -US\$ 936,243, an amount not significant compared with the total amount validated. This amount was not validated since we were not able to obtain an answer from the respective entities.

Out of 19 entities in scope, we have not obtained an answer for 8 entities: Cameron Services International Pty Ltd, Cape Australia Onshore Pty Ltd , Cape East Philippines Inc., Compass Group, FMC Technology Australia Limited, Lloyd Offshore Helicopters Pty Ltd , MMA Offshore Vessel Operations Pty Ltd. and Svitzer Asia P/L. The total amount reported by the Government for which we have not obtained answers was US\$ 2,490,287.

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

Description	Amount in US\$ Reported by Government
Income Tax	483,893
Wages Withholding Tax	1,655,110
Withholding Tax Payments	350,624
Additional Taxes	<u>660</u>
	<u>2,490,287</u>

8.2 Subcontractors- Adjustments by Entities

Adjustments by the subcontractors

Amount in US\$

Subcontractors	Income Tax	Branch Profits Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Taxes	Total
Amec Engineering P/L & Clough Engineering	26,529			545,560		572,089
Bluewater Services International Pty Ltd			-1,066,349			-1,066,349
Caltech Unipessoal Lda 384	3,404		6,327			9,731
Firecroft Australia P/L	-2,307		131,616			129,309
GAP MHS Aviation TL Lda	-43,574		7,035	320		-36,219
Interstate Enterprises P/L			186,553		1,400	187,953
Maersk supply service A/S			109,671			109,671
Millenium Offshore Services P/L					2,115,468	2,115,468
Total	-15,948	0	-625,147	545,880	2,116,868	2,021,654

Adjustments on amount reported

All the identified adjustments, except for Bluewater Services International P/L, were explained by fact the Entity initially reported the tax payable of 2016 instead of tax amount actually paid in 2016. We have obtained the adequate evidence for all adjustments.

Regarding Bluewater, the entity reported the total value of the base subjected to taxes, instead of reported only the amount of the additional tax. After discussions the amount reported as paid was confirmed.

8.2 Subcontractors- Adjustments by Government

Adjustments by the Government entities

Amount in US\$

Subcontractors	Income Tax	Branch Profits Tax	Wages Withholding Tax	Withholding Tax Payments	Additional Taxes	Total
Bluewater Services International Pty Ltd			-212,020	212,020		0
Firecroft Australia P/L	9,985		-9,985			0
GAP MHS Aviation TL Lda					-1,076,081	-1,076,081
Subsea 7 AU Contracting PL				-15,336		-15,336
Total	9,985	0	-222,005	196,684	-1,076,081	-1,091,417

Adjustments on amount reported

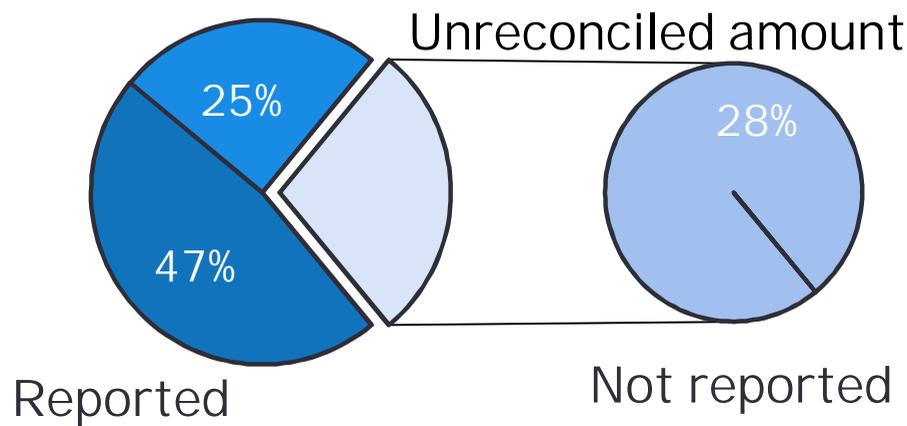
All the adjustments identified, except for GAP Aviation were explained by fact the government entities correctly reported the received tax but incorrectly classified by type of tax.

Regarding the GAP Aviation, MoF reported the total value of wages subjected to taxes, instead of reporting only the amount of the tax.

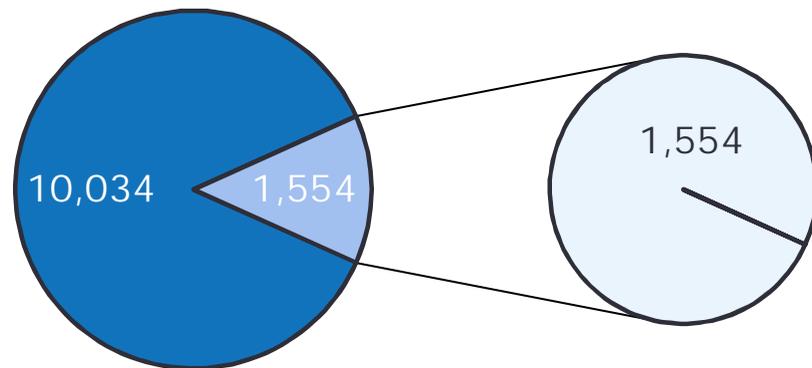
8.2 Subcontractors- Unreconciled differences

Based on the final results, the difference not reconciled are approximately US\$ 1,554,043 . These amounts represent around 15% of total revenue of extractive activities.

See below the final results and the fact that 76% of the payments of contractors was reconciled.



- Revenue reconciled
- Revenue unreconciled
- Not reported



- Total in scope
- Diference amount not reconcilled

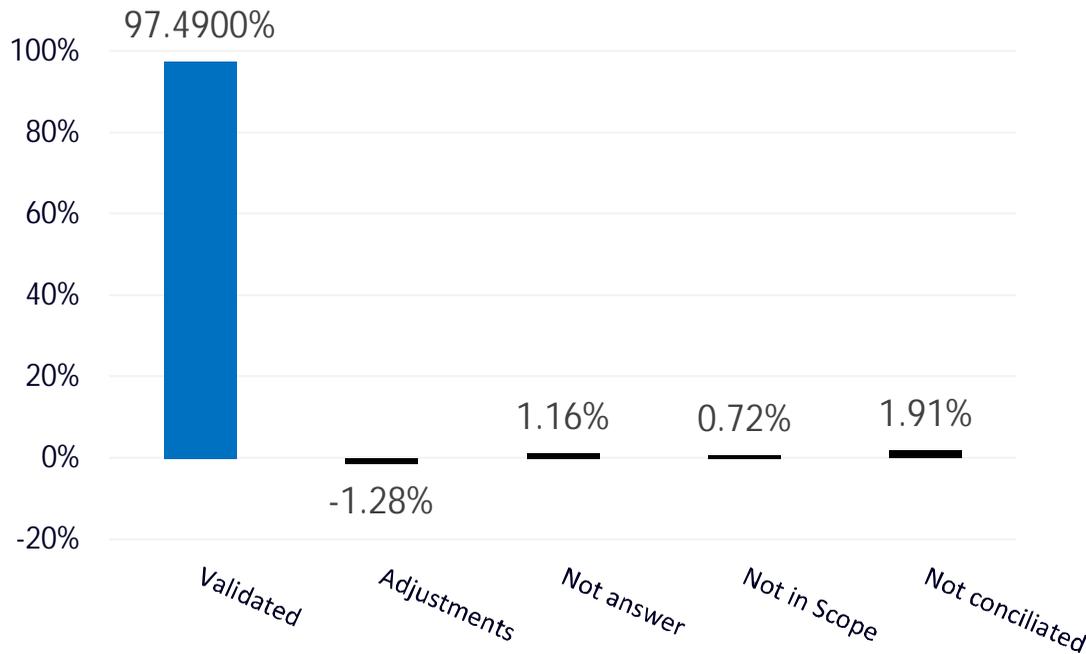
Amount in US\$

Subcontractors Companies	Reported by Entity	Reported by Government	Results after Reconciliation
<u>Differences not reconciled</u>			
Amec Engineering P/L & Clough Engineering	1,053,920	1,152,320	98,400
Amec Engineering Pty Ltd	157,687	145,120	-12,567
Caltech Unipessoal Lda 384	550,816	544,144	-6,672
GAP MHS Aviation TL Lda	542,995	541,905	-1,090
Halliburton Australia P/L	514,968	514,755	-213
Interstate Enterprises P/L	187,953	223,631	35,678
Millenium Offshore Services P/L	3,502,708	2,483,599	-1,019,109
Subsea 7 AU Contracting P/L	173,747	143,076	-30,671
Total Differences not reconciled		-10%	<u>-936,243</u>
<u>Not reported</u>			
Cameron Services International Pty Ltd	-	129,504	129,504
Cape Australia Onshore Pty Ltd	-	186,589	186,589
Cape East Philippines Inc.	-	125,680	125,680
Compass Group	-	868,830	868,830
FMC Technology Australia Limited	-	276,885	276,885
Lloyd Offshore Helicopters Pty Ltd	-	523,954	523,954
MMA Offshore Vessel Operations Pty Ltd.	-	186,292	186,292
Svitzer Asia P/L	-	192,552	192,552
Total Not reported		28%	<u>2,490,287</u>
Total			<u><u>1,554,044</u></u>

8.3 Reconciliation results of MoF - summary

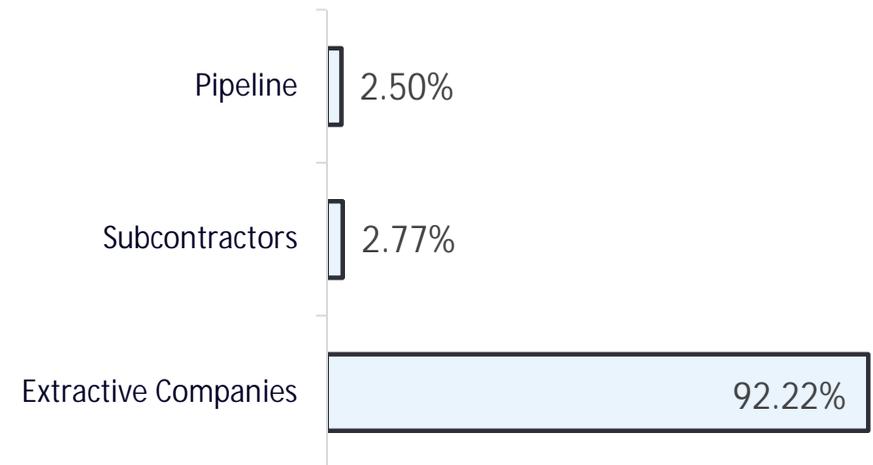
The summary of reconciliation results:

RECONCILIATION RESULTS



Payments from Oil & Gas extractive activities represent 92,22% of the total receipts validated and subcontractors amount validated represents 2,77% of the total amount of receipts validated.

% RECEIPTS VALIDATED BY TYPE OF COMPANY



The graph above represents the unreconciled amount in US Dollars, for each category. The amounts not conciliated are around US\$ 4,6 million, being that more than US\$ 3 million come from ConocoPhillips.

During the reconciliation process, the total receipts from the Government entities have decreased 1.28% and only 1.91% of the total amount initially reported by the government was not conciliated.

Beneficial Ownership

Regulatory Reform for Beneficial Ownership disclosure

According to EITI 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 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 of them is the next page.

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9.1 List of extractive companies (listed) 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/
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	Repsol SA.	Talisman was acquired by Repsol on May 8th, 2015.	https://www.repsol.energy/en/shareholders-and-investors/index.cshtml
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	https://www.woodside.com.au/investors

1 Social & Economic expenditures

Outline

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

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10 Social & Economic expenditures

Local content commitments (Mandatory)

Social expenditures is not considered as mandatory expenditures for companys. However, there are expenditures to be forecast within the annual plan agreed between Operators and the ANPM, which are considered as cost recoverable and controlled by the ANPM. (denominated local commitments or Local Content – LC).

Those expenditures are recommended under the Production Sharing Contract (PSC) and pre approved within the approved Work Program & Budget (WPB).

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	15,243,011
Eni (JPDA 06-105)	264,111
Sub-Total	15,507,122
Government Entities	
TIMOR GAP EP	6,000
Total	15,513,122

10 Social & Economic expenditures

Local content commitments (Mandatory)

Oil and Gas companies operating in both TLEA and JPDA are recommended to procure goods and services produced or supplied by providers in Timor-Leste (and Australia for JPDA). In TLEA, oil & gas companies are required to give preference in employing Timor-Leste nationals and training of Timorese. For the JPDA, companies are encouraged to employ and train Timorese.

The amounts reported by Operators were confirmed by ANPM and are identified on the annual local content reports prepared and sent annually to ANPM.

Annually PSC Operators report regulatory 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 (03-12) Pty Ltd	1,113,228	1,113,228	0	-	-
Other - Local goods and Services	ConocoPhillips (03-12) Pty Ltd	446,780	446,780	0	-	-
Other - Contractors Timor-Leste employees	ConocoPhillips (03-12) Pty Ltd	4,896,290	4,896,290	0	-	-
Others - contractors Timor-Leste good & Services	ConocoPhillips (03-12) Pty Ltd	5,186,625	5,186,625	0	-	-
Others - ConocoPhillips Dill office employee	ConocoPhillips Timor-Leste Pty Ltd	386,014	386,014	0	-	-
Others - Local goods and services - Dill Office	ConocoPhillips Timor-Leste Pty Ltd	492,302	492,300	-2	-	-
Eni - Goods and Services: Decommissioning Phase	Eni	264,111 (1)	264,111	0	-	-
Total		12,785,350	12,785,348	-2	-	-

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.

(1) - Reported local content expenditure for Eni is based on Eni's contractor's expenditures.

More information available in the Financial Statements of ANPM: <http://www.anpm.tl/2016-annual-report/>

10 Social & Economic expenditures

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 working 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 is still in its conceptual design development. The project is estimated to commence in 2021. 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 of the PSC JPDA 11-106 Eni and the Joint Venture Partners (JVP) are committed to contribute to establish a Data Tape and core Storage Facility in Hera. This is 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 and IPG. 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 occurred in 2016.

Expenditure reported by Government Entities

One Government entity reported Social Expenditures as follow:

Description Social Expenditure	Company Name	Amount in US\$
Financial support for Off-road	TIMOR GAP E.P.	6,000
Total		20,500

The expenses reported by TIMOR GAP were voluntary.

10 Social & Economic expenditures

Voluntary expenditure

Expenditure reported by Contractors:

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

Description Social Expenditure	Company Name	Amount in US\$ Extractive Entity Payments
Government Initiative - E&I vocational training CEGELEC and CNEFP Tibar*	ConocoPhillips (03-12) Pty Ltd	565,772
Government Initiative - IADE Innovative Business Plan Competition	ConocoPhillips (03-12) Pty Ltd	23,484
Scholarship Programs - Fullbright-SERN Scholarship (Manged by IIE)*	ConocoPhillips (03-12) Pty Ltd	109,245
Others - COP Offshore Timor-Leste Employee Training	ConocoPhillips (03-12) Pty Ltd	217,397
Others - Contractors' Timor-Leste Employee Training	ConocoPhillips (03-12) Pty Ltd	1,399,217
Others - COP Dili Office Employee Training	ConocoPhillips Timor-Leste Pty Ltd	51,769
Donation - SEISM World Science Day Celebration	ConocoPhillips (03-12) Pty Ltd	30,000
NGOs Programs (Water, Sanitation, Health, Sports Events) - St John of God Nursing Development & Pathology Program	ConocoPhillips (03-12) Pty Ltd	200,000
NGOs Programs (Water, Sanitation, Health, Sports Events) - Alola Foundation Mother & Child Health Program	ConocoPhillips (03-12) Pty Ltd	65,000
NGOs Programs (Water, Sanitation, Health, Sports Events) - NGO Santalum Reforestation Project	ConocoPhillips (03-12) Pty Ltd	35,010
NGOs Programs (Water, Sanitation, Health, Sports Events) - Rotary Liaison Office in TL - ROMAC Emergency Flight	ConocoPhillips (03-12) Pty Ltd	9,877
Support to National Event - First Lady Fun Run	ConocoPhillips (03-12) Pty Ltd	15,000
Total		2,721,772

(*) Voluntary activity but with cost recoverable (considered JV cost to be deducted to profit gas)

Recommendations

Lack of EITI law

We have noticed that although Timor-Leste is one of EITI active participants since 2010, the legal framework defining the roles and responsibilities of stakeholders in the EITI process is not yet created.

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

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11 Recommendations

Publication of statistics and 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 sectors as the revenue streams and the correspondent amounts per year, all the extractive operators, contextual information and statistics.

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

It is vital that the EITI Secretariat should ensure that there is a comprehensive database of extractive companies to be able to identify with confidence all the companies making material payments. It would not be necessary for the EITI Secretariat to maintain the database, rather to ensure that there is such a database within government and that it is properly prepared, and current, and complete. 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

According EITI 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 EITI Standard. The country does not maintain a public register (registry of companies) with basic information on corporate entities.

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 and gas sector.

However, up to date, no significant impact is expected due to the fact that almost all extractive entities are listed and information is available (see section Beneficial Ownership).

In March 2017, the Multi-Stakeholder Working Group (MSWG) published a beneficial ownership roadmap, which documents activities and actions toward full beneficial ownership disclosures of extractive companies in the country.

The MSWG has launched a consultation to initiate the feasibility study to identify the road map to implement the regulatory reform aimed at bringing the Timor-Leste disclosure rules and regulations in par with internationally acceptable standards.

Those steps constitute a progressive move on the current and previous recommendations suggested by EY, nonetheless the creation of a regulatory reform should be the most suitable endorsement.

11 Other considerations

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, except 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.

11 Recommendations

Follow up of recommendations of previous EITI Reports (continuation)

Nr	Issue	Detail of the issue	Recommendation	Status of implementation 2016 Timor-Leste's EITI Report (Yes/No/Ongoing)
1	Lack of EITI law	We noted that although Timor-Leste's EITI reports have been reconciled for 8 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
2	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

Annexes

Timor-Leste



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

Entities	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	Surface Rental Fee	Interest Received	Total reported by Government
Inpex Sahul Ltd	-	-	-	-	330,484	-	-	-	29,717,786	-	-	-	-	309	30,048,579
Inpex Timor Sea Ltd	-	-	-	-	8,651	-	-	-	309	-	-	-	-	-	8,960
Conocophillips (03-12) Pty Ltd	2,252,768	7,461,051	2,085,410	2,109,990	829,457	-	12,163,874	-	28,270,094	160,000	5,279,750	-	-	-	60,612,394
Conocophillips (Timor Sea) Pty Ltd	1,861,660	3,044,941	-	-	64,906	-	-	-	-	-	-	-	-	-	4,971,507
Conocophillips (Emet) Pty Ltd	2,727,247	357,005	-	-	7,655	-	-	-	-	-	-	-	-	-	3,091,907
Conocophillips JPDA Pty Ltd	2,615,854	5,865,799	-	-	125,871	-	-	-	-	-	-	-	-	-	8,607,524
Conocophillips (03-13) Pty Ltd	4,234,470	2,045,735	-	-	44,059	-	-	-	-	320,000	-	-	-	-	6,644,264
Conocophillips Timor Leste	-	-	-	292,608	11,482	-	-	-	-	-	-	-	-	-	304,090
Woodside Energy Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Woodside Petroleum (Timor Sea 03-19) Pty Ltd	-	-	-	24,066	600	-	-	-	-	160,000	-	-	-	-	184,666
Woodside Petroleum (Timor Sea 03-20) Pty Ltd	-	-	-	-	-	-	-	-	-	160,000	-	-	-	-	160,000
Santos JPDA (91-12) Pty Ltd	1,771,758	6,821,005	-	-	276,231	-	-	-	27,881,870	-	-	-	-	-	36,750,864
Tokyo Timor Sea Resources Pty Ltd	12,840,477	5,617,664	-	-	461,632	-	-	-	24,005,011	-	-	-	-	217	42,925,001
Eni JPDA 03-13 Limited	5,814,793	1,639,186	-	-	226,973	-	-	-	18,136,532	-	-	-	-	-	25,817,484
Eni JPDA 06-105 PTY LTD	-	-	2,453,402	200,063	1,803,529	-	-	73,950	-14,982	160,000	325,000	-	-	-	5,000,962
Eni JPDA 11-106 P/L	-	-	-	-	106	-	-	-	-	80,000	-	-	-	-	80,106
Eni Timor - Leste S.P.A (PSC area 4)	-	-	-	-	28,862	-	-	-	-	-	-	-	154,000	-	182,862
TIMOR GAP PSC JPDA 11-106	-	-	-	850	-	-	-	-	-	-	-	-	-	-	850
TIMOR GAP Offshore Unipessoal	-	-	-	133,486	-	-	-	-	-	-	-	-	-	-	133,486
TIMOR GAP, Onshore Block ,UNIPESSOAL, LDA	-	-	-	7,879	-	-	-	-	-	-	-	-	-	-	7,879
TIMOR RESOURCES PTY LTD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Talisman Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Oilex (JPDA 06-103) Ltd	-	-	-	-	647	-	-	-	-	-	-	-	-	-	647
Japan Energy E P JPDA Pty Ltd	-	-	-	-	10,441	-	-	-	-	-	-	-	-	-	10,441
Others	3,663	-	-	-	-	-	-	-	-	-	-	-	-	-	3,663
Total	34,122,690	32,852,386	4,538,812	2,768,942	4,231,586	0	12,163,874	73,950	127,996,620	1,040,000	5,604,750	0	154,000	526	225,548,136

B 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
Air Energy Group Singapore P/L	-	42,788	-	-	42,788
Amec Engineering P/L & Clough Engineering	159,172	8,247	963,069	21,832	1,152,320
Amec Engineering Pty Ltd	-	145,120	-	-	145,120
B2B engineering P/L	-	2,164	-	-	2,164
Bluewater Services International Pty Ltd 1	-	323,749	-	-	323,749
Brunel Energy Pty Ltd	5,160	73,416	379	-	78,955
Caltech Unipessoal Lda 384	92,468	449,568	2,108	-	544,145
Cameron Services International Pty Ltd	36,365	93,139	-	-	129,504
Cape Australia Onshore Pty Ltd	-	186,589	-	-	186,589
Cape East Philippines Inc.	-	125,680	-	-	125,680
CGG Services (Singapore) P/L	-	-	49,382	-	49,382
Clough Amec Engineering Integrated Solutions Services Pty Ltd	79,586	1,030,595	294,909	-	1,405,091
Compass Group	447,528	118,893	302,409	-	868,830
Competentia Pty Ltd.	-	36,671	-	-	36,671
Contract Resources P/L	-	-	-	-	-
Farstad Shipping (Indian Pacific) P/L	-	-	-	-	-
Firecroft Australia P/L	62,026	208,621	-	-	270,647
FMC Technology Australia Limited	-	276,885	-	-	276,885
GAP MHS Aviation TL Lda	-	35,358	51,092	1,531,536	1,617,986
Halliburton Australia P/L	464,430	36,376	13,950	-	514,755
Interstate Enterprises P/L	23,265	198,967	-	1,400	223,632
Kakivik Asset Management, LLC	-	8,794	-	-	8,794
Konnekto Unipessoal Lda	-	4,896	-	-	4,896
KT Maritime Services Australia	-	-	-	-	-
Llyod Offshore Helicopters Pty Ltd	-	523,294	-	660	523,954
Maersk supply service A/S	-	109,671	-	-	109,671
Millenium Offshore Services P/L	2,318,385	83,333	81,881	-	2,483,599
MMA Offshore Vessel Operations Pty Ltd.	-	138,077	48,215	-	186,292
Neptune Asset Integrity Services Pty Ltd	-	2,953	4,786	-	7,739
Prosafe Personnel P/L	-	-	-	695	695
Sedco Forex	-	-	-	-	-
SGS Australia Pty Ltd	11,819	58,647	10,732	-	81,198
Solar Turbines International Co	39,309	14,722	-	-	54,031
Subsea 7 AU Contracting PL	-	72,954	85,457	-	158,411
Svitzer Asia P/L	-	192,552	-	-	192,552
Weatherford Australia P/L	-	-	-	-	-
Wood Group PSN Inter. P/L	1,132	5,081	3,435	-	9,648
Total	3,740,645	4,607,801	1,911,805	1,556,123	11,816,374

C Annex C – Mining Operation Royalty Collection 2016

MINERAL OPERATION ROYALTY COLLECTION 2016 PERIOD

No.	Name of Proponent	Origin	Type of Activities	Type of Payment	Mining Category	Total Amount Paid (USD \$)
1	China Nuclear Industry 22 nd Construction Co., Ltd., R.P.	International	Construction	Mining License	Construction Materials	\$ 22,600.00
2	China Nuclear Industry 22 nd Construction Co., Ltd., R.P.	International	Construction	Mining License	Construction Materials	\$ 13,600.00
3	Chongqing International Construction Corporation, R.P.	International	Construction	Mining License	Construction Materials	\$ 72,400.00
4	Chongqing International Construction Corporation, R.P.	International	Construction	Mining License	Construction Materials	\$ 11,500.00
5	China Shandong International Company Lda.	International	Construction	Mining License	Construction Materials	\$ 2,782.00
6	China Shandong International Company Lda.	International	Construction	Mining License	Construction Materials	\$ 11,833.60
7	TL Cement	Local	Commercial	Prospecting	Construction Materials	\$ 1,000.00
8	Worldview Enterprise	Local	Commercial	Prospecting	Construction Materials	\$ 1,000.00
9	R.D. Interior Junior Construction	International	Construction	Mining License	Construction Materials	\$ 10,631.44
10	R.D. Interior Junior Construction	International	Construction	Mining License	Construction Materials	\$ 4,227.76
11	R.D. Interior Junior Construction	International	Construction	Mining License	Construction Materials	\$ 5,876.20
12	R.D. Interior Junior Construction	International	Construction	Mining License	Construction Materials	\$ 3,786.40
13	Sinohydro Corporation Limited, R.P	International	Construction	Mining License	Construction Materials	\$ 2,692.00
14	Shanghai Construction Group Co., LTD., R.P	International	Construction	Mining License	Construction Materials	\$ 12,127.00
15	Sinohydro Corporation Limited, R.P	International	Construction	Mining License	Construction Materials	\$ 1,180.00
16	China Nuclear Industry 22 nd Construction Co., Ltd., R.P.	International	Construction	Mining License	Construction Materials	\$ 2,920.00
17	Shabryca Construction Unipessoal, Lda.	Local	Commercial	Mining License	Construction Materials	\$ 6,184.00
18	Jonize Construction Unipessoal, Lda.	Local	Commercial	Mining License	Construction Materials	\$ 16,444.00
19	Aspalink, Lda.	Local	Construction	Mining License	Construction Materials	\$ 5,230.00
20	Aspalink, Lda.	Local	Construction	Mining License	Construction Materials	\$ 1,780.00
21	Carya Timor Leste, Lda.	Local	Construction	Mining License	Construction Materials	\$ 12,660.00
22	Weng Enterprise Group, Co., Ltd.	Local	Commercial	Mining License	Construction Materials	\$ 12,060.00
23	Weng Enterprise Group, Co., Ltd.	Local	Commercial	Mining License	Construction Materials	\$ 10,716.00
24	City Development Group, Lda.	Local	Commercial	Mining License	Construction Materials	\$ 7,704.00
25	Montana Diak Unipessoal, Lda.	Local	Construction	Mining License	Construction Materials	\$ 14,890.00
26	Montana Diak Unipessoal, Lda.	Local	Construction	Mining License	Construction Materials	\$ 4,087.00
27	Montana Diak Unipessoal, Lda.	Local	Construction	Mining License	Construction Materials	\$ 1,632.00
28	Suai Indah Ltd.	Local	Construction	Mining License	Construction Materials	\$ 3,700.00
29	Montana Diak Unipessoal, Lda.	Local	Construction	Mining License	Construction Materials	\$ 6,498.00
Total Revenue Receipts Deposited For The Year						\$ 283,741.40

Source: <http://web.anpm.tl/webs/anptlweb.nsf/vwLafaek/Lafaek513FCD90134B062FCA2577090016CDE9>

D Annex D - Mining: List of Licenses 2006 – 2016

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 Unipesoal 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

D Annex D - Mining: List of Licenses 2006 – 2016

2010		
No.	Name of License	License No.
1	Always Construction Pty. Ltd.	No. 0001/LT/DNGRM/II/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/II/2011
11	Suai Indah Construction Lda.	No. 0001/LT/DNGRM/II/2011
12	Weng Enterprise Group Co. Ltd.	No. 0014/LT/DNGRM/XII/2011

D Annex D - Mining: List of Licenses 2006 – 2016

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

D Annex D - Mining: List of Licenses 2006 - 2016

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

D Annex D - Mining: List of Licenses 2006 - 2016

2016		
No.	Name of License	License No.
1	China Nuclear Industry 22nd Construction Lda. (CNI)	02/2016
2	China Nuclear Industry 22nd Construction Lda. (CNI)	03/2016
3	CHONGQING INTERNATIONAL CONSTRCUTION CORPORATION (CICO)	06/2016
4	CHONGQING INTERNATIONAL CONSTRCUTION CORPORATION (CICO)	05/2016
5	China Shandong International Company Lda. (CSI)	03/2016
6	China Shandong International Company Lda. (CSI)	04/2016
7	TL Cement	01/2016
8	Worldview Enterprise	03/2016
9	R.D. Interior Junior Construction	07/2016
10	R.D. Interior Junior Construction	08/2016
11	R.D. Interior Junior Construction	11/2016
12	R.D. Interior Junior Construction	12/2016
13	Sinohydro Corporation Limited, R.P	09/2016
14	Shanghai Construction Group Co., LTD., R.P	13/2016
15	Sinohydro Corporation Limited, R.P	10/2016
16	China Nuclear Industry 22nd Construction Lda. (CNI)	14/2016
17	Shabryca Construction Unipessoal, Lda.	19/2016
18	Jonize Construction Unipessoal, Lda.	24/2016
19	Aspalink, Lda.	20/2016
20	Aspalink, Lda.	21/2016
21	Carya Timor Leste, Lda.	22/2016
22	Weng Enterprise Group, Co., Ltd.	26/2016
23	Weng Enterprise Group, Co., Ltd.	26/2016
24	City Development Group, Lda.	23/2016
25	Montana Diak Unipessoal, Lda.	18/2016
26	Montana Diak Unipessoal, Lda.	16/2016
27	Montana Diak Unipessoal, Lda.	17/2016
28	Suai Indah Ltd.	25/2016
29	Montana Diak Unipessoal, Lda.	15/2016

E 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

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

Operator / Contract	Activity 2016
Eni - JPDA PSC 06-105	<p>Kitan is an oil field located approximately 170 km from Timor-Leste South coast and over 500 km north-west of Darwin, Australia. The field is operated by Eni JPDA 06-105 Pty Ltd and produced from 3 productions wells, hydrocarbon produced was processed and stored for offloading on FPSO facility.</p> <ul style="list-style-type: none"> ▶ No production for Kitan field as Kitan field was Shut-in on 16.December 2015. Risers were disconnected and completed topside process cleaning by flushing and purging of production plant. FPSO departed from Kitan field on 27 February 2016. ▶ ANPM is in continuous discussion with Eni on the method and time for final abandonment.
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.</p> <ul style="list-style-type: none"> ▶ In 2016 the field has 11 producing wells, 3 gas injection wells, 2 water disposal wells available. ▶ The average liquid production (Condensate and LPG) from January to December 2016 was 32 kbpd (37.8 kbpd in 2015) and the exported gas to Darwin LNG remains steady at an average of 565 MMscf/day (588 MMscf/day in 2015) ▶ The field performance was continuously declining due to natural reservoir pressure depletion, lean gas breakthrough and water encroachment in the most productive wells. The liquids production varied over the year due to interventions, process shutdown, some wells were coming on and offline due to higher water production and difficult to unload. The average gas exported was slightly affected by DLNG Shutdown to avoid tank top at the DLNG plant.
Minza Limited - JPDA PSC 06-101 A	<ul style="list-style-type: none"> ▶ During the period of 2016 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. ▶ After several communications with the appointed liquidator, the ANPM 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. A joint study on third party opinion the Sunrise-Troubador Resources estimate conducted by a third party on behalf on both Australian and Timor-Leste Joint Commissions ▶ In 2016 ANPM 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. ▶ Due to the technical studies, operator and the regulator after several communications agreed to defer the two commitments well drilling to the last period of the PSC terms.
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-SO-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 is 100 per cent fully operated by TIMOR GAP Offshore Unip. Lda, a subsidiary of the TIMOR GAP, EP ▶ By December 2016, the operator successfully completed the acquisitions and processing the Crocodile 3D Broadband Seismic data.

Source: ANPM annual report 2016. The interpretation of the acquired data is expected to be carried for the within the first quarter of 2017

G Annex G – Timor-Leste undersea oil and gas resources

