PETROMIN
PNG HOLDINGS LIMITED

2014 ANNUAL REPORT

PETROMIN VALUES

VISION

Participate by all Papua New Guinea in the ownership and development of our minerals, oil and gas resources through profitable partnerships for our future prosperity.

MISSION

To generate and effect assets acquisitions and investments and efficiently manage shareholders interests in petroleum and minerals resources through ownership and revenue gains, including reinvesting in profit generating projects for the collective benefit of society, thereby delievering profitable returns to shareholders.

CORPORATE OBJECTIVES

Petromin's corporate objectives are defined by the enabling legislation as follows:

1. To operate as a commercial enterprise at least as efficiently as a comparable business (in the resource sector) in Papua New Guinea.
2. To maximize the value of the shareholder's investment in the company through:
   i. Developing mineral and petroleum tenements in Papua New Guinea acquired from the state & others whether directly or as a nominee of the state; and
   ii. Reinvesting in socially responsible projects which benefits society and which make a profitable return to shareholders.
3. To engage in mineral and petroleum exploration, evaluation and development, both upstream and downstream, and in the marketing, transportation and sale of minerals and petroleum products.
4. To operate in accordance with the principles of sustainable development, internationally best practices and taking account of environmental considerations.
5. To operate with a sense of social responsibility towards the best interests of affected communities.
6. To do all such things in pursuance of these objectives, anywhere in the world where alone or with others, as principle agent, contractor, trustee, joint venture partner, and regardless of whether through agents, sub-contractors, trustees, or otherwise.

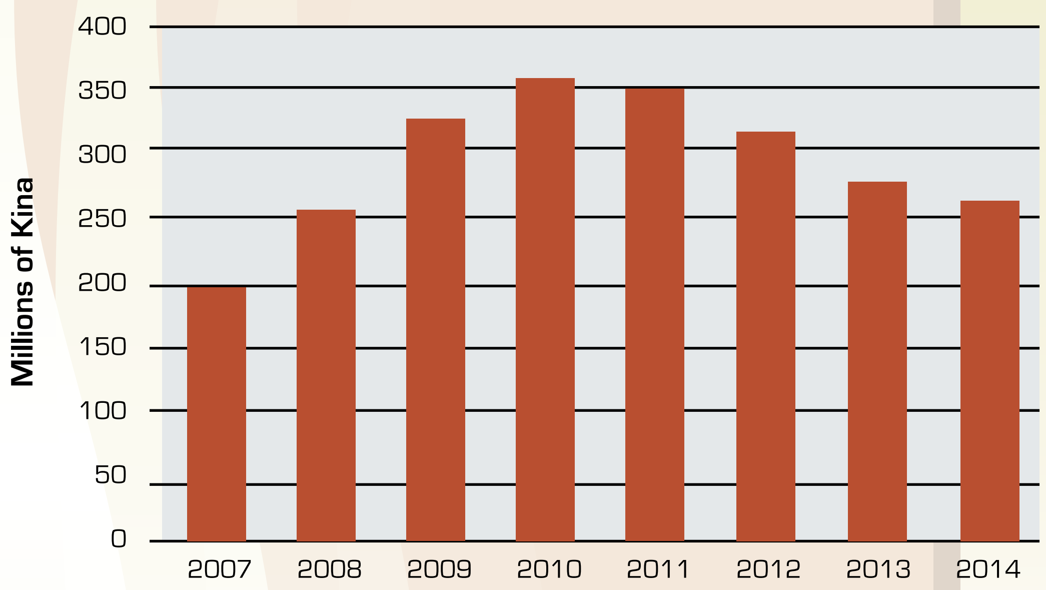
Contents

PETROMIN KEY PERFORMANCE INDICATORS FOR 2014

1. Shareholder Equity

Petromin's underlying corporate objective is to maximize its shareholder value on behalf of the people of Papua New Guinea. From inception in 2007 to 2014 the shareholder's equity increased by 32%.

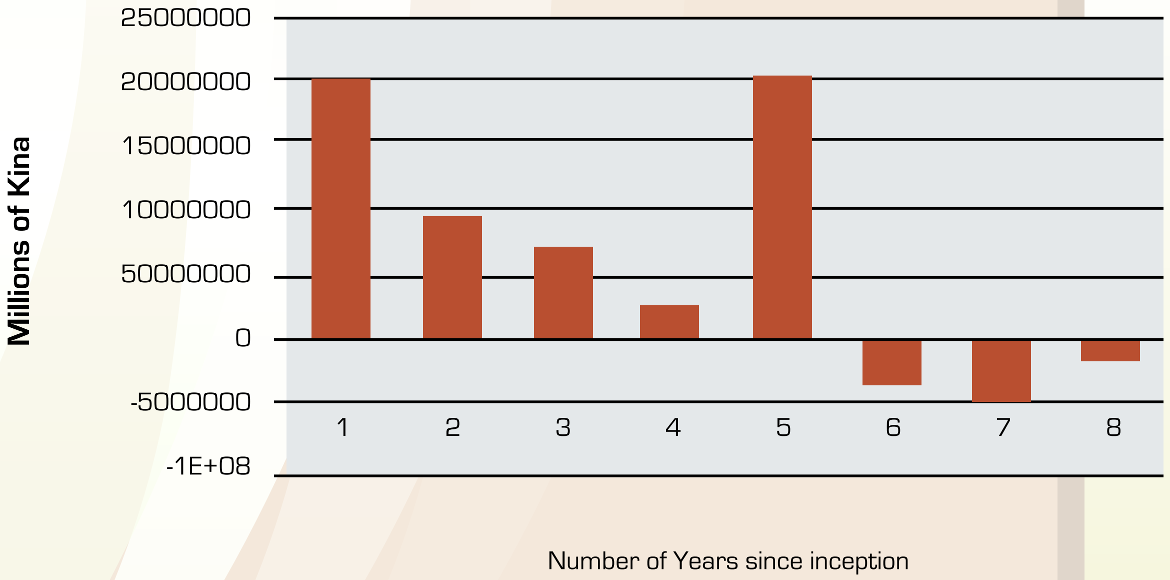
Petromin Group Equity Value



2. Comprehensive Income

Petromin's comprehensive income (loss) in 2014 was (K15 million). This was an improvement from the 2013's loss of (K49 million).

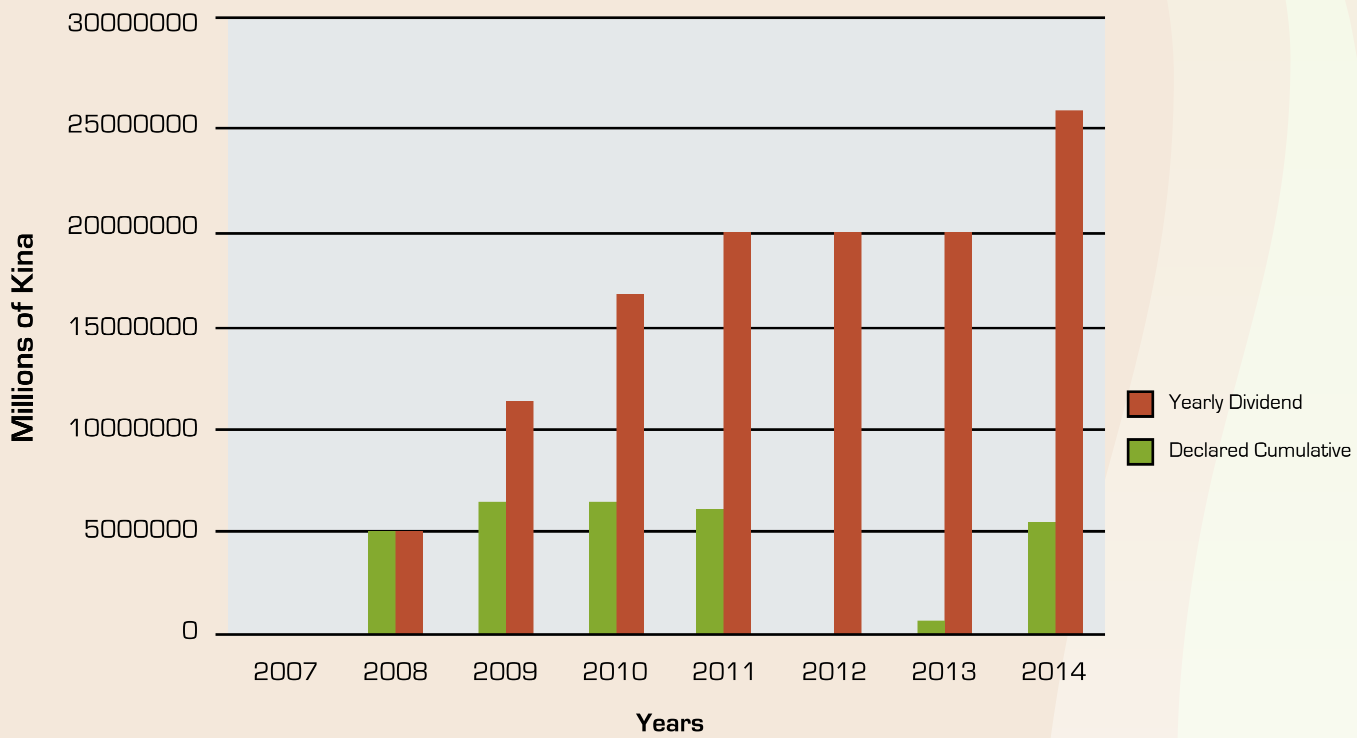
Petromin Comprehensive Income



3. Dividend

Petromin declared and paid a dividend of K5.2 million to the Shareholder in 2014.
A cumulative total dividend of K14.15 million has been paid to the Shareholder since 2007.

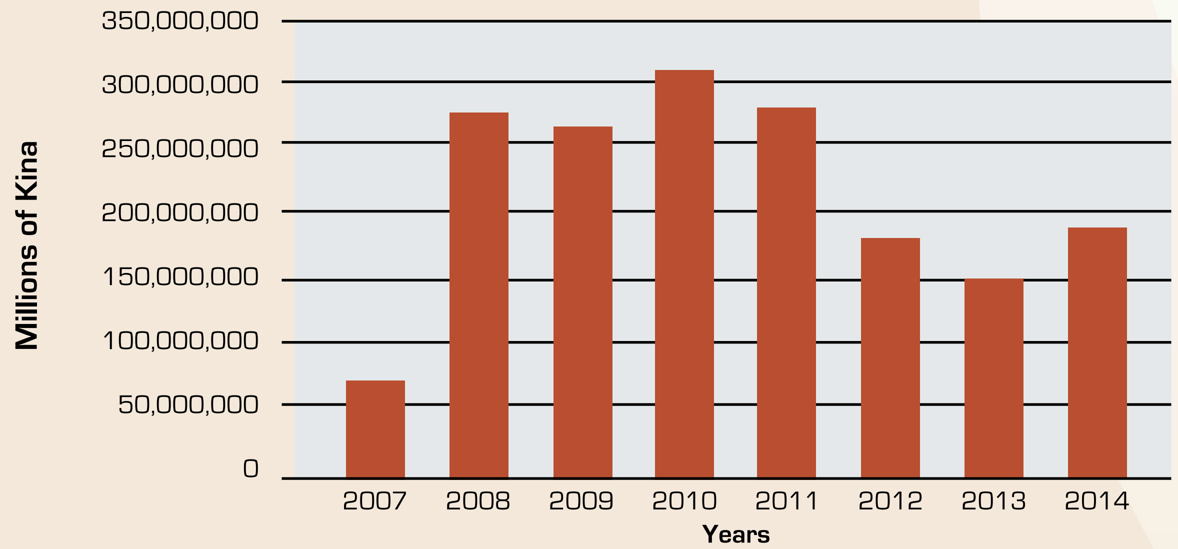
Yearly & Cumulative Dividend



4. Revenue

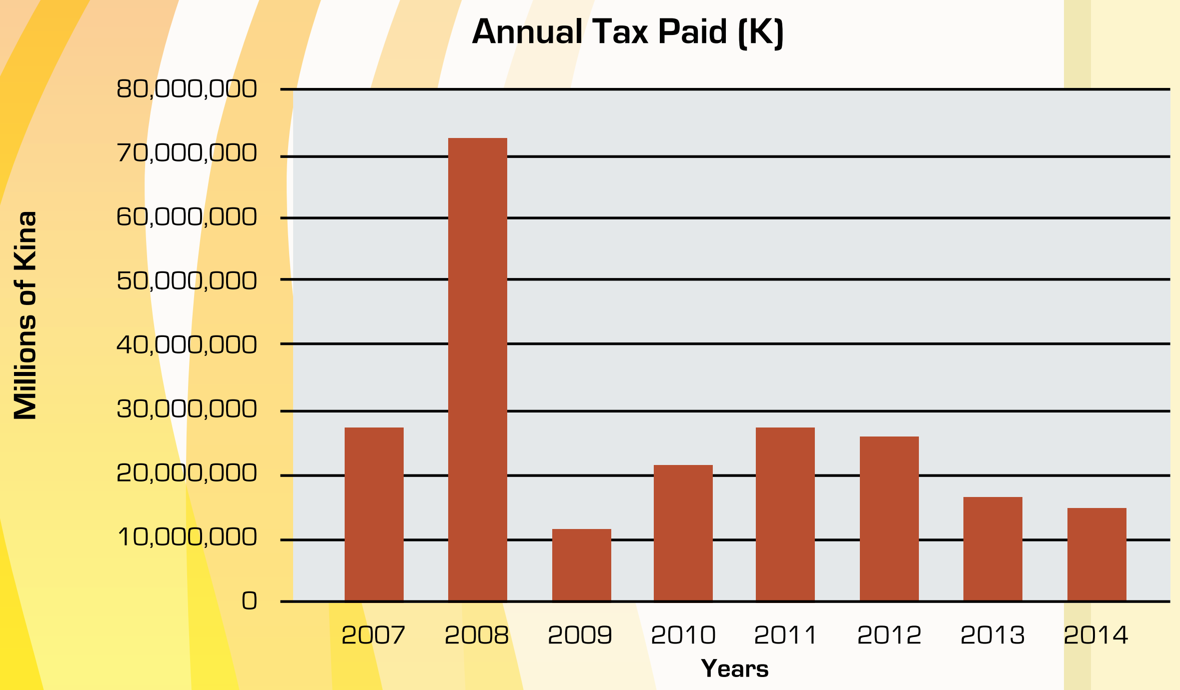
Petromin's revenue stream in 2014 totaled K187 million. In 2007, the revenue was K72 million.

Annual Revenue



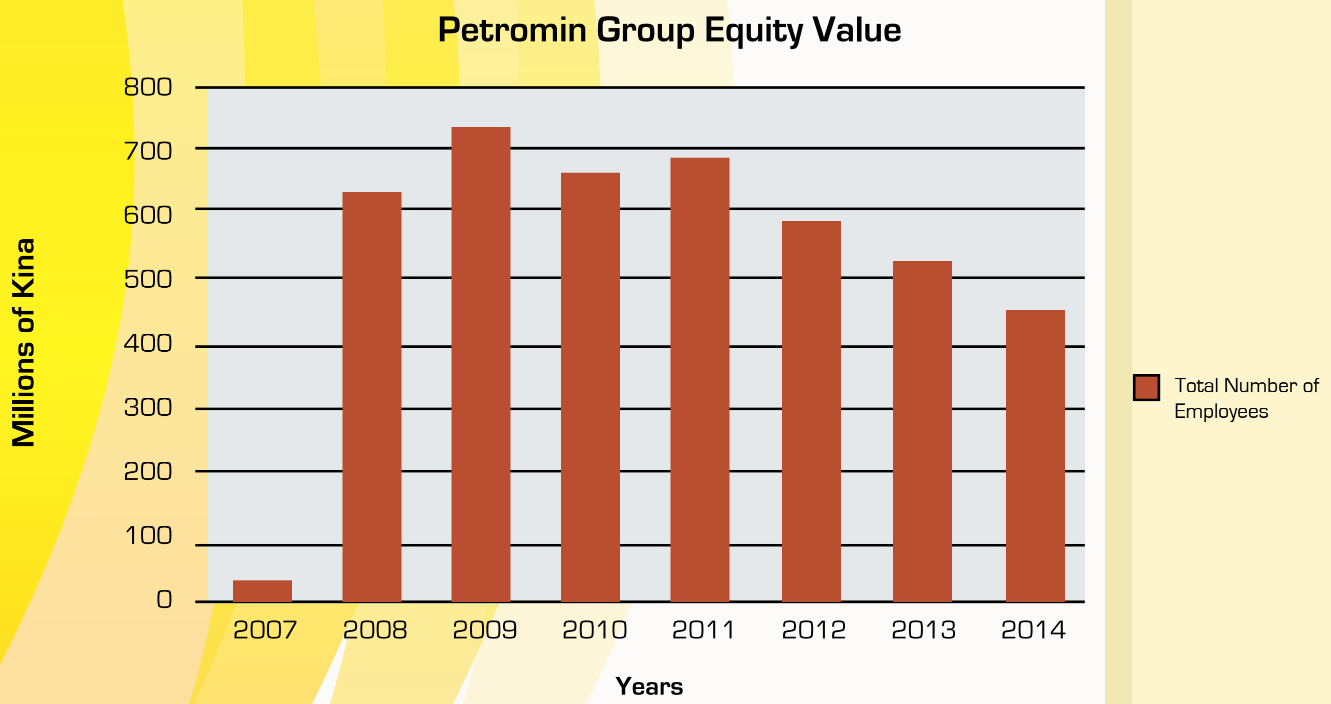
5. Tax

Petromin paid a total of K15.3 million in taxes in 2014. In 2007, the tax paid was K27 million.



1. Shareholder Equity

Petromin's underlying corporate objective is to maximize its shareholder value on behalf of the people of Papua New Guinea. From inception in 2007 to 2014 the shareholder's equity increased by 32%.



LETTER TO TRUSTEE SHAREHOLDER

Honourable Prime Minister of Papua New Guinea, Mr. Peter O'Neill, CMG, MP, it is my privilege to present to you the Petromin PNG Holdings Limited's (Petromin) Annual Report for its full of operation in 2014.

As indicated by the company's financial results, 2014 was another tough year for the Petromin Group. A net operating loss of (K15.283m) was posted, compared to the 2013 consolidated loss of K37.716 million.

The steep decline in the oil price which started in mid 2014 severely affected projected revenue for the year. This was compounded with the drop in gold prices and the continued support of TGM operations which continued to operate below break even. Although a considerable amount of time and effort as well as available funds and resources were directed towards turning TGM around, the Group simply did not have funds to meaningfully capitalize the Mine and as a result, TGM continued to adversely impact the Group's financial position in 2014.

As a direct result, the Petromin's Shareholder equity during the year decreased by (K20.484) million.

On a consolidated basis, the Petromin Group returned revenues of (K186.721) million in 2014.

In terms of taxes, Petromin contributed a total of (K15.333) million in tax to the State coffers through IRC.

However, despite a tough financial year, the Board was able to declare a dividend of K5 million which was paid to State through the Petromin Trust, as required under the Petromin Trust Deed. This is indicative of Petromin's continued commitment to maximize shareholder value and realize return on investment.

Operationally, although the uncertainty surrounding the Kumul Restructure continued, the Board continued to maintain business as usual. The appointment of former Petromin CEO Mr. Arun Basu onto the Board in 2014 added quality and depth to the board as a whole during a time when the company was positioning itself to adjust and transition into a new role in accordance with the policy direction that the State had taken toward the later part of 2014.

The two standing Committees of the Board continued to play their control functions, effectively screening all operational matters and identifying and elevating only pertinent matters which allowed the Board to concentrate on the important substantive issues requiring focused and serious deliberation. To that end, results in the strengthening of the company's corporate governance structure.

Our staff and management, whom I wish to commend, continued to persevere through a difficult phase in the short history of the company and having gained valuable experience in the extractive resource sectors over the past 7 years, are ar now well positioned to take the company forward in terms of the State's new Kumul framework. During the year, the Board continued to work closely with the State to progress the kumul restructure towards finality.

Petromin has and continues to serve the interests of the people of Papua New Guinea through the State as Beneficial Shareholder and as we look to consolidate, redefine and transition in the new year, we are reminded that change must be embraced by the company and used not only as a platform but more importantly as a catalyst to bring about real and significant impact on the lives of our people.

Prime Minister, on behalf of the Board, Management and staff of Petromin, I would like to thank you as Trustee Shareholder of Petromin for your support in 2014. We wish God's blessing to you, your family, the Government and the people of our great nation, Papua New Guinea.

Chairman, Sir Brown Bai KBE, CBE, CSM, FPNGID

MANAGING DIRECTOR'S OVERVIEW

As with all other players in the extractive resources industry, the year 2014 was a challenging one for the company due in large to the unprecedented drop in oil prices and the continued general decline in the price of precious metals. Whilst austerity measures were put in place to cushion the effect of the reduced revenue on the operation of the company, Management continued the business as usual, in a year where a final and definitive State policy on the consolidated of its mining and petroleum assets looked to be in sight. Former CEO Mr. Arun Basu ceased as head of Petromin on 31 July 2014 and for the remainder of the year, Mr. Jerry Wemin took over the reigns as Acting Managing Director until, my appointment by the board as Managing Director on 15 January 2015. I highly commend them for guiding and managing the company through the various challenges faced during the year.

PETROLEUM ASSETS

The primary revenue generating asset for the Petromin Group in 2014 was the Eda Oil Limited held interest of 11.275% in the Greater Moran Oil Project. Eda Oil's total share of oil production for the year was 453,067 barrels, compared to 451,409 barrels of oil originally forecasted for the full year. Although the natural decline in production is noticeable, the asset continues to perform strongly.

On the PNG LNG front, the Petromin Group interest held by its subsidiary Kumul LNG Limited in the Project is 0.203709%. This small equity is derived from Petromin's 11.275% interest in the Moran Unitized Field. Three products are extracted from this project; LNG, being the major component, condensate which is the recovered and blended with the Kutubu crude and exported separately at the Kumul Marine Terminal and finally, Naphtha, a by –product.

The LNG Plant was commissioned in early 2014 and commenced production two months before the schedule startup date of late April 2014. The first shipment of the LNG cargo was made on 25th May 2014. To date, the Plant has been performing well above its name plate and expectation as evidenced by the 55 shipments of LNG cargo, two shipment of Naphtha and thirteen shipments of condensate blend made between May and December 2014. From these early sales proceeds, Kumul LNG Limited has received US$5 million following the financial completion in February 2015 which triggered the payments previously held in the escrow accounts.

MINERAL ASSETS

The only mining of the Petromin Group, Tolukuma Gold Mine (TGM) continued to be a significant challenge in 2014, the operation produced 112,636 tonnes of ore at a reconciled grade of 4.7g/t in 2014 for a total gold production of 14,895 ounces in the year.

Despite a refurbishment of the processing facilities and the purchase of new mining equipment, mining at Tolukuma throughout 2014 remained challenging. Costs were well in excess of the income generated from sales and with depleted Resources and minimal development drilling, continuing the operation was no longer viable.

In the late 2014 the TGM Board resolves to cease operations and place the mine in care and maintenance to allow the Group to pursue divestment options through Petromin as the Shareholder.

The Tolukuma epithermal gold system remains the highly prospective for further potential discoveries, and TGM remains confident that the ML104 and surrounding exploration license areas will be of interest to a new investor.

FINANCE & ADMINSTRATION

The Moran Oil fields' consistent performance resulted in a net operating profit of K73.947 million for the hydrocarbon portfolio of assets. However, the minerals division recorded a net loss of K65.836 million due to continuous challenges faced by the TGM operation together with decline in gold price. This included an impairment provision of K14.444 million.

While the parent company recorded a net loss of K64.330 million, on consolidation the net result was a loss after tax of K 15.283 million. The company's current assets remained positive at K263.950 million with cash reserves of 73.977 million.

The company was proud to get on board the 2015 Pacific Games sponsors' band-wagon in 2014, with a sponsorship of K1 million, as well as a Gold sponsorship of the 2014 Chamber of Mines and Petroleum Conference held in Sydney late in the year.

THE FUTURE

In the new year, the operations of the company will be more focused and geared towards achieving a smooth transition into our new role and mandate, as envisaged by the Government. The company in its anticipated new form of Kumul Minerals Holdings Ltd, will continue to remain committed to serve in the best interest of the State, on behalf of the people of Papua New Guinea.

I wish to take this opportunity to thank all the past and present employees and directors as well stakeholders who have contributed one way or another to building this company into what it is today. The petromin model has been a tested and proven commercial vehicle that the State can rely on in establishing the proposed Kumul entities to ably manage and maximize the value of the State's interest in the minerals and petroleum sectors in the future.

Thomas Abe
Managing Director

A BRIEF HISTORY OF PETROMIN

2007

Petromin was incorporated under the companies act of 1997 after the National Parliament passed the Petromin Act, through which the Government aims to 'hold and develop mining and petroleum tenements in PNG'. Operations commenced with a staff of 5 employees under the direction of the founding Managing Director and CEO, Joshua Kalinoe. Eda Oil Asset acquired from MRDC through commercial arrangements, becoming the first acquisition for Petromin.

2008

Petromin acquired 100 % of Tolukuma Gold mine and its tenements from Emperor Mines Ltd.

Petromin also signed a key agreement with InterOil Corporation for participation in the Elk/Antelope gas fields.
The company continued to establish key operational strategies and brand identity through a new HR Management policy, launch of a corporate logo, development of a corporate plan and held its inaugural AGM. 2008 also saw the Company's Trustee Shareholder, Prime Minister Grand Chief Sir Michael Somare officially adopted Fit & Proper Guidelines for the appointment of Petromin Directors to strategically direct Petromin's activities. These guidelines were retrospectively applied to the MD and Board.

2009

Petromin's activities continued developing at a rapid rate. Saki Prospect exploration activity is launched, whilst InterOil successfully drills and flares the Antelope-1 well and Water quality investigations into the Angabanga River are completed.
In December, PNGLNG project was sanctioned where Petromin was a signatory and Final Investment Decision (FID) on the project was taken and project agreement for Elk/Antelope Project is executed between State and Liquid Niugini Gas Ltd. The second company AGM is held in June with a first impressive dividend payment of K5million being declared.

2010

Exploration activity commenced at the Saki Prospect and Tolukuma mine and an exploration camp was established at Ipi River Prospect, including preparations for planned 3D IP survey. Petromin expanded its business opportunities through the opening of a new office in Singapore and completion of the construction of 'Petromin Haus', the company's new head office in Port Moresby. The NEC approved Petromin & Partners LNG FPSO Project and the Petromin Constitution was amended to improve corporate transparency and accountability.

2011

Petromin's operations expanded further through the grant of its first Petroleum Prospecting License, PPL345 in the New Ireland basin, the signing of the Strategic Alliance Agreement with Royal Dutch Shell and the award of PPL328 to JV Partners Twinza Oil &Petromin. Petromin also became the State Nominee for upcoming mining projects; Frieda, Wafi-Golpu & Yanderra, and for 10 PRL's in the Papuan Basin. Petromin Haus was officially opened on 4th March and Mr Kalinoe renewed his contract as MD & CEO for a term of 4 years. Petromin staff numbers have grown from 5 employees in 2007, to 675 in 2011. Papua New Guineans make up 98 % of staff numbers.
Petromin made its final payment to Mineral Resources Development Company (MRDC) for the transfer of Eda Oil Limited, which has an11 % stake in the Moran Project (PDL 5). Petromin acquired Eda Oil Limited in 2008 and began payments from that year. Construction of the PNG LNG Project neared its end with more than three quarters of the project completed at the end of December 2012.
The highlight of the construction phase was achieving 100% mechanical completion of the Offshore Pipeline (EPC3). PNG LNG is now estimated to have "first gas" by second quarter 2014. The State awarded Petromin nine (9) new Petroleum Prospecting Licenses (PPL) over the New Ireland basin effective from May 2012.

2012

Petromin is the State nominee for anticipated mining projects Wafi- Golpu (Newcrest Harmony), Frieda (Xstrata), Yanderra (Marengo) and Woodlark (Kula Gold). Wafi-Golpu and Frieda River Projects completed their Pre-Feasibility Studies (PFS) and commenced work on their respective Definitive Feasibility Studies (DFS). Yanderra and Woodlark completed work on their respective DFS and an application for Mining Licences, respectively, is anticipated in 2013. Tolukuma was also granted an 'interim extension' on ML104 while Petromin prepares its submission to MRA for an extension on its existing Mining Licence. Petromin's Environment team successfully completed its Environmental Annual Report for Tolukuma which was submitted to Department of Environment and Conservation (DEC), which was subsequently approved by the DEC. Golder's and Associates completed an exploration resource estimate of 40,0000 to 70,000 ounces from 47 drill holes in the first phase drilling program for Saki.

2013

The PNG Government through the National Executive Council in 2013 made a decision to restructure the State's Mineral and Petroleum interests and assets as well as the State Owned Enterprises (SOEs). The restructure would see the dismantling of Petromin PNG Holdings Limited and IPBC and State assess and interests consolidated and managed under three separate new entities namely Kumul Petroleum Holdings, Kumul Mining Holdings and Kumul Corporation.

The Government's objective of the restructure is to ensure the State owned entities focus on maximising and delivering the real benefits to our people. The Government has been pursuing this policy initiative, but how long the restructure will take to be fully implemented is unclear at this stage. The fact remains: the restructure has created uncertainty to the existence of Petromin and displaces its business plans and strategies going forward. However, Petromin will co-operate with the State to see the implementation of the restructure.

2014

The PNG Government maintained its position for the restructure of Petromin under the proposed legislature amendements.

BOARD OF DIRECTORS

Sir Brown Bai, KBE, CBE, CSM, FPNGID
CHAIRMAN
Chairman of the PETROMIN Nominations & Remunerations Committee

Sir Brown Bai was appointed to the PETROMIN Board as director and as Chairman on 6 June 2007. He also serves as Chairman and as Managing Director of PNG Palm Oil Producers Association, as Chairman of the PNG Oil Palm Counsel (POC) and as Chairman of the Rural Industries Council. He is a Honorary Fellow of the PNG Institute of Directors.

He also sits on the Boards of various organisation including Hargy Oil Palms Limited, Goodman Fielder (PNG) International, Galley Reach Holdings Limited, New Britain Palm Oil Limited and Heduru Moni Limited.

He is a distinguished former Public Servant, including Ambassador to Brussels and the European Community. He was a former Secretary for the Department of Treasury, Department of Primary Industries and Department of Prime Minister & NEC. He was also a former Managing Director of PNG Banking Corporation and a former Board member of the PNG Central Bank. He holds a degree in Economics from the University of Papua New Guinea.

William Searson, CBE
INDEPENDENT DIRECTOR

William Searson was appointed to the PETROMIN Board on 18 February 2008. He also serves as Chairman of the Board of PETROMIN'S wholly owned Company Eda Kopa (Solwara) Limited. He also sits on the Board of Minerals Resources Development Company Limited.

He has advised as an independent consultant on a number of mining projects in PNG including Lihir, Simberi, Ramu, Hidden Valley and Gold Ridge in the Solomon Islands. He has extensive mining and administrative experience in PNG. He was PNG's first national geologist. He holds a degree in Geology from the University of Papua New Guinea.

Arunava Basu
INDEPENDENT DIRECTOR

Arunava Basu was appointed to the PETROMIN Board on 13 October 2014. He also sits on the Board of several wholly owned subsidiaries of PETROMIN. He is a Fellow of the Institute of Chartered Accountants in India, Associate of the Papua New Guinea Institute of Certified Practising Accountants and Member of the Papua New Guinea Institute of Directors.

He has extensive mining and oil and gas advisory experience in PNG including negotiating of national and international mining and oil and gas ventures and project financing on behalf of PETROMIN. He also has over twenty years of progressive experience in finance and administration, taxation and assurance. His areas of expertise include corporate finance, banking, taxation, commercial ventures, acquisitions, human resource management and administration.Prior to his current appointment, he held various senior management positions with PETROMIN including Chief Financial Officer and CEO.

Ian Goddard
INDEPENDENT DIRECTOR

Ian Goddard was appointed to the PETROMIN Board on 17 March 2009. He also serves as Chairman of the Board of PETROMIN'S wholly owned company, Tolukuma Gold Mines Limited and as director of another wholly owned company, Eda Kopa (Solwara) Limited. He is a Member of the Australasian Joint Ore Reserves Committee (JORC) and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO). He was the former Chairman of India Gold Limited.

He is a Honorary Fellow of the Australasian Institute of Mining and Metallurgy, CP, a Fellow of the Australian Institute of Directors and Member of the PNG Institute of Directors.

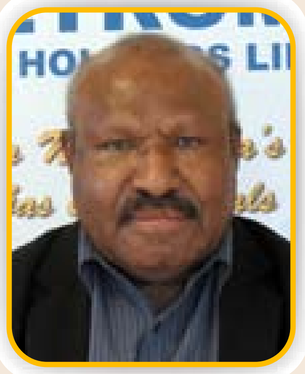
He has extensive mining experience in Australia and abroad, having led mining companies in PNG, Indonesia and New Zealand. His areas of expertise include corporate management, industry associations, strategic planning, the development and operations of large mines, exploration management, project finance, government relations, public listings, commercial ventures, acquisitions and mergers.

He holds a degree in Engineering (Mining) with First Class Honours from the University of Queensland, a Master of Science in Advanced Mining with Distinction from the University of London (Royal School of Mines), a degree in Economics from the University of Queensland, and a Queensland First Class Metallierous Mine Manager's Certificate.

Jerry Wemin
EXECUTIVE DIRECTOR

Jerry Wemin was appointed to the PETROMIN Board on 6 June 2007. He was the Chairman of the PETROMIN Human Resources & Administration Committee (appointed 14 May 2010, ceased 1 July 2014. He was appointed as PETROMIN'S Acting Managing Director on 1 July 2014. He is currently an advisor to the Sanap Wantim PNG Australia HIV/AIDS programme. He also serves as the President and Chairman of the Board of the PNG Human Resources Institute. He is also Chairman of the Board of Trustees of the PNG Tertiary Students Christian Fellowship and member of the Board (University Counsel) of the University of Papua New Guinea.

He has advised as a freelance consultant on human resources management matters for a number of high profile corporate organisations in PNG. He is a Human Resource Management Specialist with over 16 years human resources management experience.



Richard Tengdui
INDEPENDENT DIRECTOR

Richard Tengdui was appointed to the PETROMIN Board on 5 May 2010. He is the chairman of PETROMIN Finance, Audit & Compliance Committee. He also serves on the Board of PETROMIN'S wholly owned company, Tolukuma Gold Mines Limited and as director of another wholly owned company, Eda Kopa (Solwara) Limited. He is currently the Principal of Tengdui and Associates Certified Practising Accountants. He is a Member of the Papua New Guinea Institute of Certified Practising Accountants. He is also the Company Secretary of Pacifica Motors Limited and is Company Secretary of Pactrade PNG Ltd.

He has done several successful audits as an independent consultant for State owned Institutions including the Coffee Industry Corporation, the PNG Forest Authority, the Cocoa Board of PNG and the Medical Research Institute. His areas of expertise include auditing, liquidation, taxation, accounting and general business consultancy. He holds a degree in Accounting from the University of Technology, PNG and a Post Graduate Diploma in Accounting and Financial Managment from the University of New England, NSW, Australia.

Thomas Abe
INDEPENDENT DIRECTOR

Thomas Abe was appointed to the Petromin Board on 27 November, 2013. He also serves on the Board of Petromin's wholly owned company; Tolukuma Gold Mines Limited and Chairman of Board HR Committee. He was a former Board member of Larus Energy Limited. Currently he is the inaugural CEO of PNG Chamber of Commerce. He was the founding Commissioner/CEO of the Independent Consumer Competition Commission (ICCC); founding Chairman of the East Asia Pacific Infrastructure Regulatory Forum, former Managing Director of Investment Promotion Authority;

Former Managing Director of Independent Public Business Corporation; former Chairman of the National Petroleum Company PNG and former Board member of Be-mobile Limited. Mr Abe also served in senior positions in Department of Foreign Affairs and Trade and Department of Commerce and Industry.

He holds a degree in economics from the University of Papua New Guinea.

Darren Ninkama
Company Secretary

Darren Ninkama is the Company Secretary since 17 October 2013. He joined PETROMIN in 25/05/2009 as a Graduate Trainee Legal Officer. He is also the Company Secretary of all the companies within the PETROMIN Group and Secretary to the PETROMIN Trust. He spent 3 years with the Public Prosecutors Office before joining PETROMIN. He is an Associate of the PNG Institute of Directors and Member of the Society of Petroleum Engineers. He has a Bachelor of Law from the University of Papua New Guinea.

EXECUTIVE MANAGEMENT

JERRY WEMIN
ACTING MANAGING DIRECTOR

Mr Wemin is a Founding Member of the PNG Institute of Company Directors and Member of Australian Institute of Company Directors. He is Fellow of the PNG Institute of Management and Fellow of PNG HR Institute. He has a Masters Degree in Development Management (NTU-Aust) and a Bachelor of Arts Degree from University of PNG (UPNG). He has International Certificates of Distinctions in Total Quality and Human Resource (HR) Management. Mr Wemin is President of the PNG Human Resource Institute and represents the country on the Board of Asia Pacific Federation HRM.

He serves as Council Member of the University of PNG. He has been appointed as Independent Audit Committee Member by the Department of Finance and serves as Chairman of Audit Committees of the Department of Works and University of Papua New Guinea. Mr Wemin is a Human Resource Management (HRM) Specialist and Management Consultant.

He was employed as HR Specialist with Air Niugini and became the Group Executive Manager HR for the former PNG Banking Corporation (now BSP) and Finance Pacific Group of Companies. He has served as foundation CEO of the Institution of Engineers PNG. He is guest senior lecturer with UPNG School of Business' Masters programs. He is also National Training Council accredited national trainer and conducts professional and executive development programs. He has also served as advisor on three AUSAID Development programs in PNG. He has provided professional services to Government, NGOS, Multinationals, International Aid Agencies and many prominent PNG based companies.

SAKI IPATA BCACPNGUT
MBAUPNG ACPAPNG
CHIEF FINANCIAL CONTROLLER

Saki Ipata has a Bachelor of Commerce in Accountancy from the PNG University of Technology and MBA from the University of Papua New Guinea. He is an Associate Member of PNG Institute of Accountants (CPA) and is a registered Tax Agent of the Internal Revenue Commission. A registered accountant, he has over seventeen years work experience with Accounting/Finance, Audits and Taxation. He was previously Financial Controller of the Coffee Industry Corporation (2005 – 2008). Prior to this he held number of senior management positions with the Coffee Industry Corporation Limited (1998 – 2005), and from 1994 to 1997 he was with Price Water house Coopers as the Accountant with Business Advisory Services Division.

WILFRED LUS,
BSC (HONS), PHD
DEPUTY GENERAL MANAGER & CHIEF GEOLOGIST, MINERALS

Wilfred Lus holds a BSc (Hons, First Class) in Geology from University of Papua New Guinea (UPNG); a PhD in Geology and Experimental Petrology from the Australian National University. He was a lecturer in Geology at UPNG from 2000-2005 and has published in a number of internationally refereed geological journals. He has over 18 years as a field geologist in the mineral industry in PNG and abroad with CRA Explorations, Solomon Gold, Australian Resource Management and Magma Mines. His experience also included marine geology work in Manus Basin and offshore Aitape where he completed a number of manned submersible dives with Japan Marine Science and Technology Centre (JAMSTEC). Prior to his appointment with Petromin in 2009, he was project manager and senior geologist with Barrick Gold. Dr. Lus is a full member of Australasian Institute of Mining and Metallurgy (AusIMM).

BERNARD PAWIH,
BSC, MSC
DEPUTY GENERAL
MANAGER, PETROLEUM

Bernard Pawih has a Master of Science, Geology, from the University of Sydney and a Bachelor of Science, Geology from UPNG. He has 26 years experience as a geologist and in-depth knowledge of the PNG petroleum sector. Mr Pawih was a senior member of the State Technical Team overseeing the PNG Gas Pipeline Project. He is an active member of the American Association of Petroleum Geologists (AAPG) and a member of the PNG Section of the Society of Petroleum Engineers (SPE). He was the acting Secretary of the Department of Petroleum and Energy. He previously served the department as both a Deputy Secretary and Director, Petroleum Division.

ROGER AVINAGA,
BA (HONS), MSC
DEPUTY GENERAL MANAGER, COMMERCIAL DIVISION

Roger Avinaga holds a Master of Petroleum Finance and Taxation from Dundee University, UK. He graduated from UPNG with a Bachelor of Arts (Hons) in International Relations. He has 16 years of commercial experience in; finance, economics, fiscal, taxation and policy relating to the petroleum and mineral sectors. He is skilled in economic modelling, financial and cash flow analysis, petroleum cost reporting, drafting policies and business plans/ strategies. He is also knowledgeable on; gas project and international gas business, petroleum finance and accounting principles, petroleum financial management, international petroleum marketing and petroleum policy management.

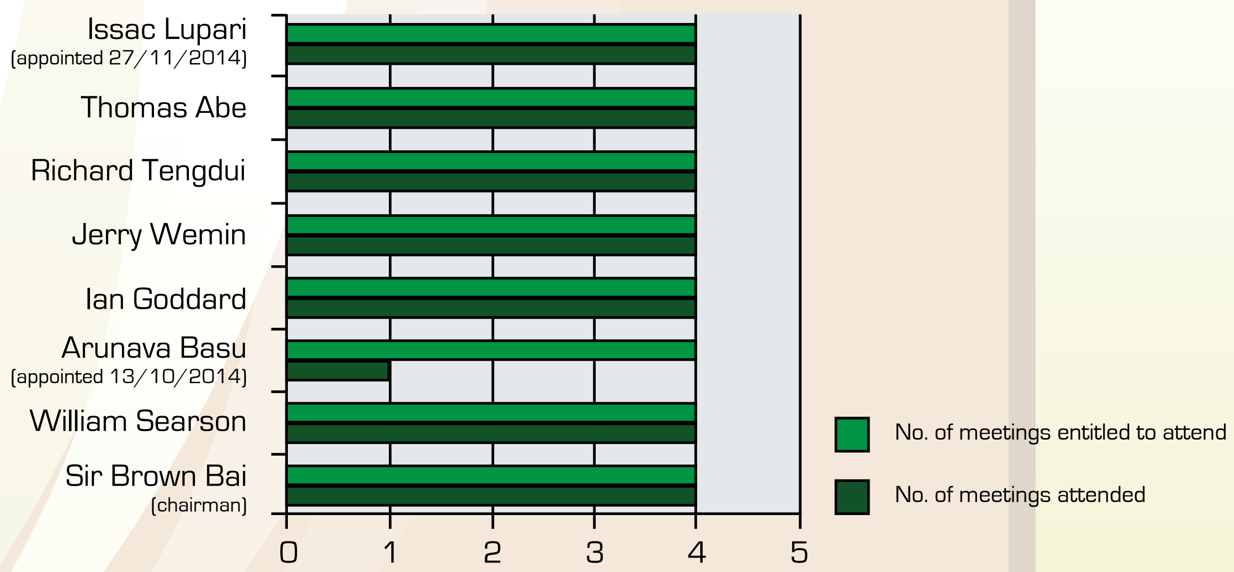
He has spent over a decade working with the Department of Petroleum and Energy until joining Petromin in 2008 was the Assistant Director for Petroleum Policy and Senior Petroleum Economist.

KARO LELAI, LLB, MBA
GENERAL COUNSEL

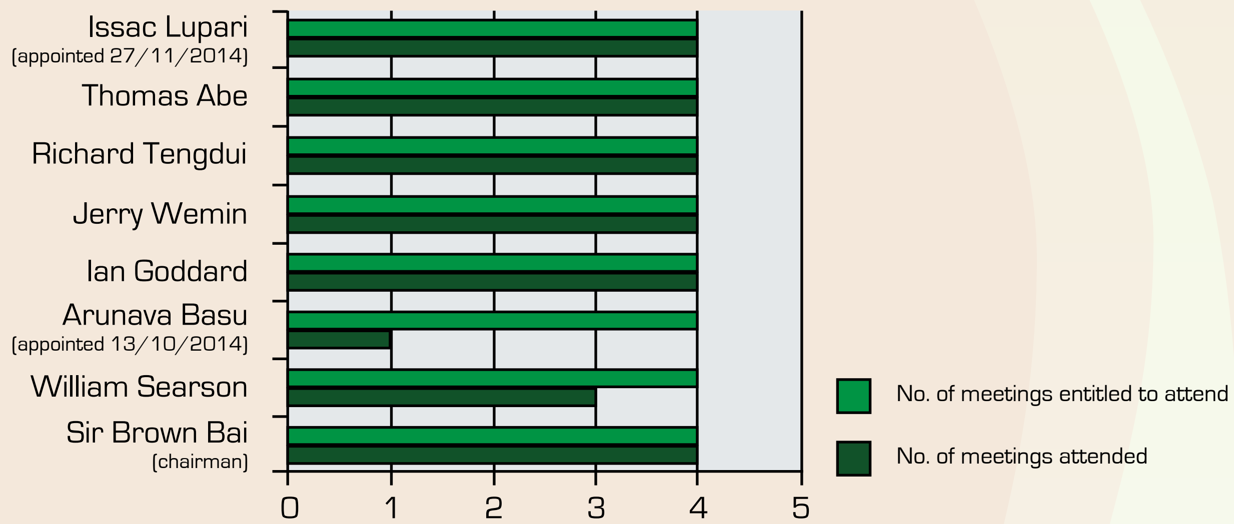
Karo Lelai graduated from the University of PNG with a Bachelor of Law in 1997. She received a certificate of training from the Legal Training Institute in 1998. Mrs Lelai has nine years of commercial law experience with reputable commercial law firm Posman Kua Aisi Lawyers, prior to joining Petromin in early 2008 and is a graduate member of the Australian Institute of Company Directors. She completed a Masters in Business Administration at the University of PNG in 2012. Mrs. Lelai is also Deputy Chairman of the PNG Athletes Commission and is a Board member of the PNG Sports Federation and Olympic Committee. She is a registered member of the PNG Law Society. Mrs Lelai is a registered professional member of the PNG Institute of Directors.

2014 Board Meetings

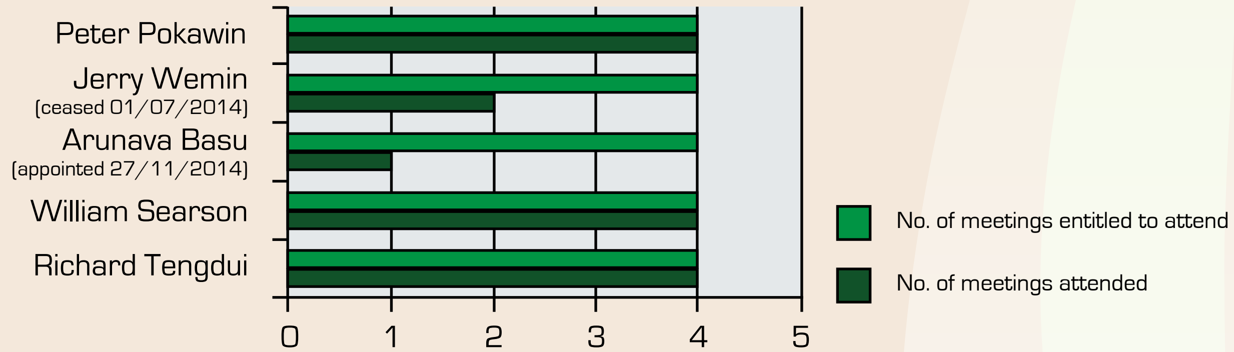
Main Board - Board of Directors



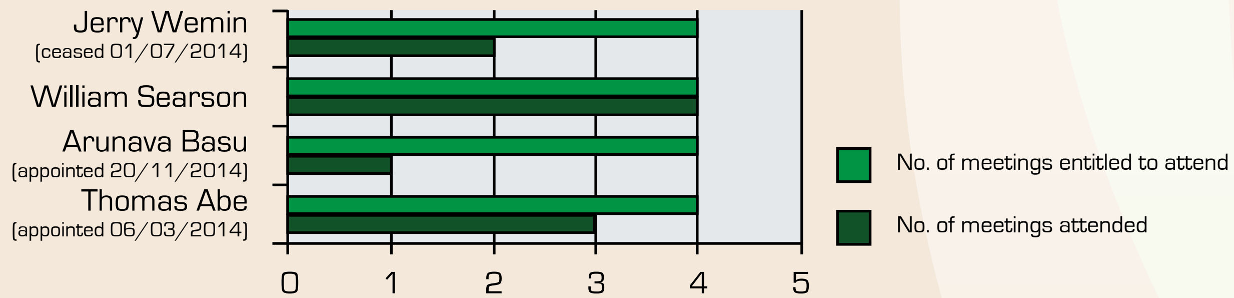
Special Board Meetings - Board of Directors



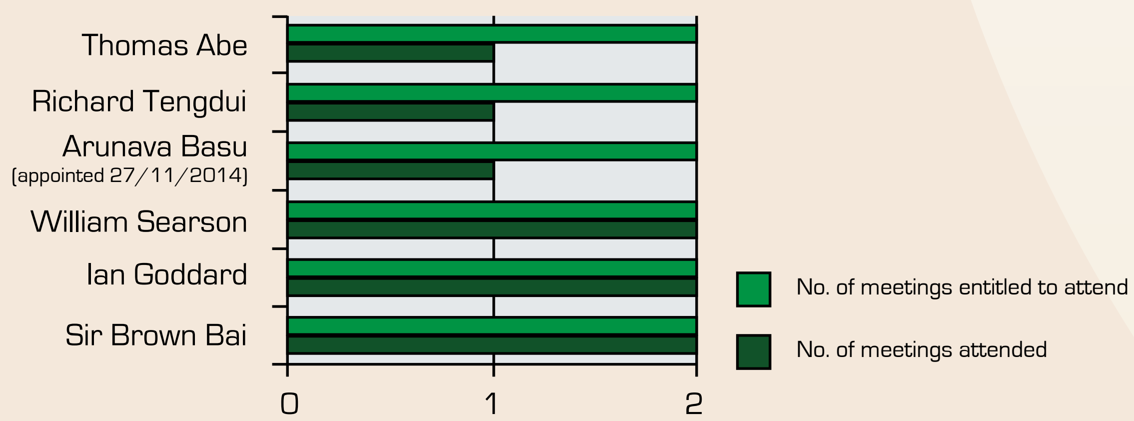
Finance, Audit & Compliance Committee Meetings



Human Resource & Administration Committee Meetings



Nominations & Remuneration Committee Meetings



CORPORATE STRATEGY

CORPORATE STRATEGY

Our Corporate Strategy forms the basis of the development of the Business Plan and the respective Business Unit Action Plans. Petromin's Vision and Mission statements are all in line with our legislative mandate and our Corporate Strategy promotes our purpose.

In 2008 the Board established the 'Petromin Corporate Strategy' to guide the development of business policies and plans over the next five to ten years. The decision to adopt this Corporate Strategy was based on a detailed functional analysis that identified six key components.

STATEMENT OF PURPOSE

This comprises our Vision, Mission, and Corporate Objectives, and compels the Board and the Executive Management Team to achieve the shareholders' noble aspirations.

STRATEGIC DRIVE

The Strategic Drive identifies Petromin's competitive direction through the application of Critical Success Factors. These factors recognize the complex nature of the business and the difficult and competitive environment in which it operates.

CORE BUSINESS FUNCTIONAL AREAS

Our Core Business Functional Areas consist of the Petroleum, Mining and New Ventures and Business Development divisions. These business units focus on delivering the six core functions of the Company and ensuring Petromin's corporate strategy is in line with its mandate.

RESOURCE ALLOCATION & SUPPORT FUNCTIONAL AREAS

These areas of the Company comprise Corporate Services and Financial Operations, Corporate Governance and Stakeholder Relations. These business units ensure the Core Business divisions deliver by providing business strategies, policies, systems and administrative support.

IMPLEMENTATION STRATEGIES

These strategies are budget driven and provide the overarching priorities in terms of policies, resources and detailed business plans. Performance Indicators and Lead Business Units are identified.

MONITORING AND REVIEW STRATEGIES

These strategies assess performance and undertake "SWOT" analysis from time to time to ascertain the need for change. The Critical Success Factors and Corporate Values will be applied to ensure maintenance of Petromin's competitive edge, good asset growth and timely delivery of profitable returns to shareholders, namely the people of Papua New Guinea and our business partners.

"PETROMIN"S VISION AND MISSION STATEMENTS ARE IN LINE WITH OUR LEGISLATIVE FRAMEWORK AND OUR CORPORATE STRATEGY PROMOTES THAT"

CORPORATE GOVERNANCE

Mandate
Petromin was incorporated under the companies Act 1997 on 29th March 2007.

Petromin was established for purposes of implementing the Petromin PNG Holdings Limited Authorization Act 2007 (Petromin Act).

Petromin is wholly owned by the independent state of Papua New Guinea (State) through a unique shareholding structure established under the Petromin Trust Deed dated 6th June 2007.

Section 4(2) of the Petromin Act states the company's mandate "to operate as a commercial enterprise at least as efficiently as a comparable business in Papua New Guinea and to maximize the value of the shareholder's investment in the company."

Petromin was purposely intended to operate independently of the state (as regulator and legislator) but for the benefit of the state (as beneficial shareholder).

Its unique corporate structure was put in place purposely to ensure stability at the Board and top Management level, to facilitate achievement of its National mandate as set out in section 4(2) of the Petromin Act.

Section 4(4), in particular, sets out Petromin's principal objectives which is "to hold and develop mining and petroleum projects in PNG on behalf of the state or Petromin may commercially acquire such interests on its own accord.

To this end, Petromin may be participate in the entire value chain in the mining and petroleum industries from exploration and evaluation to development.

Petromin Board
The Board governance framework broadly encompasses the Board structure, appointment of directors and the composition with the principal intention of enhancing the current Board's processes and practices for effective governance of the Company.

For the period up to 31 December, 2014, the Board was made up of the Chairman, the Acting Managing Director and six Non-Executive Directors. A list of the current Directors, with their biographies, is detailed out on page12.

The Board meets 4 times a year and has a formal schedule of matters. These include the consideration of long term strategy, plan and budget, monitoring of management performance and the Company's performance review, financial reporting and assurance. Items that are of material risks to PETROMIN are identified and systems for risk management and control are put in place to mitigate such risk.

Special meetings may be requested by the Chairman or the Managing Director as and when required.

The Board has a Charter which sets out the Board's role, composition and responsibilities within the corporate governance structure of the Company and its wholly owned subsidiaries. The Charter is reviewed every two years by the Board to ensure it remains consistent with the Board's objectives and responsibilities.

On 22 August 2014, the Board had approved the formation of a new Board Committee, i.e. the Nomination and Remuneration Committee to assist the Board in discharging its duties and to enable the Board members to focus on the more strategic and critical issues.

On 17 November, 2014, the Trustee Shareholder approved a number of amendments to the Company's Constitution, which amendments mostly relate to the composition of the Board and aim to strengthen Petromin's corporate governance structure that is currently in place.

Role of Directors
The Chairman's role is to provide leadership to the Board, facilitate the meeting process and ensure that the Board and its Committees function effectively. The Chairman is also tasked with setting the agenda for the Board in consultation with the Managing Director & CEO and with the support of the Company Secretary.

The Managing Director & CEO bears the responsibility for providing leadership to the Management and direction for the implementation of the strategies and business plan as approved by the Board and the overall management of the business operations Group-wide.

Non-Executive Directors
The Non-Executive Directors are expected to bring independent judgment on issues of strategy, performance and risks as well as international business experience to PETROMIN through their contribution at Board meetings and the Board Committee meetings.

The Non-Executive Directors are appointed subject to the provision of the Company's Constitution relating to the appointment and re-appointment, the stringent requirements of the Company's Fit & Proper Guidelines for Appointment of Directors and the provision of the PNG Companies Act 1997.

All the Non-Executive Directors are considered by the Board to be independent.

BOARD COMMITTEES
There are three Board Committees, namely the Finance, Audit and Compliance Committee, the Human Resources and Administration Committee and the Nomination and Remuneration Committee.

Finance, Audit and Compliance Committee
The PETROMIN Board Finance, Audit and Compliance Committee was established on 9 May 2008 to assist the Board in fulfilling its oversight functions in relation to internal controls, risk management, legal and regulatory compliance and financial reporting of the Company.
The Committee provides the Board with the assurance of the quality and reliability of the financial information issued by the Company whilst ensuring the integrity of the Company's assets. The Terms of Reference of Committee are detailed in the Committee's Charter.

Membership of the Committee comprises a majority of Non-Executive Directors and one external Non-Director nominated by the PNG Institute of Certified Public Accountants. The members are Richard Tengdui (Chairman of the Committee with effect from 4 March 2011), William Searson, Arunava Basu, Jerry Wemin and Peter Pokawin (independent external Certified Practicing Accountant nominated by the PNG Institute of Certified Public Accountants).

Human Resources and Administration Committee

The PETROMIN Board Human Resources and Administration Committee was established on 14 May 2010 to assist the Board in fulfilling its oversight functions in relation to all human resource and administrative matters and activities of the Company. The Committee also reviews and recommends to the Board appropriate organizational structure and performance and remuneration of Management. The Terms of Reference of Committee are detailed in the Committee's Charter.

Membership of the Committee comprises a majority of Non-Executive Directors and the Managing Director. The members are Jerry Wemin (Chairman of the Committee with effect from 14 May 2010 to 1 July 2014), William Searson, Sumasy Singin (Member of the Committee with effect from 4 March 2011 to 6 March 2014) and Thomas Abe (Chairman of the Committee with effect from 1 July 2014).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established to assess the performance of the Board and is responsible for identifying,
nominating and orientating new directors, including the Managing Director. The delegation of this responsibility to the Committee helps ensure that the recruitment
matters are discussed in depth, allowing the Board to instead focus on its strategic and oversight functions. The Committee also reviews and recommends to the Board appropriate remuneration/compensation of the Board, the Managing Director and certain Senior Management's compensation. The Committee determines and agrees with the Board the remuneration policy for the Board and the Managing Director.

The members of the Nomination and Remuneration Committee are Sir Brown Bai (Chairman of the Committee with effect from 26 September, 2014), Ian Goddard, William Searson, Arunava Basu and Richard Tengdui.

Other Board Committees

Ad hoc Board Committees are established as and when required for special purposes and then disbanded.

Accounting Policies and Procedures

All the required accounting policies and procedures are in place for Petromin and each of its operating subsidiaries. Petromin is full compliance with the requirements of the Companies Act and has been up to date with statutory reporting requirements under the Act since incorporation in 2007. Petromin's accounts are maintained and audited in accordance with international accounting standards.

"PETROMIN'S MANDATE ALLOWS IT TO PARTICIPATE IN THE ENTIRE VALUE CHAIN IN THE MINING AND PETROELUM INDUSTRIES FROM EXPLORATION AND EVALUATION TO DEVELOPMENT"

Petromin Management

Below the Managing Director, are two tiers of Management, General Managers and the line Managers. Together they implement Board policies, decisions and directions.

Subsidiaries

Schedule 4 of the Petromin Constitution specifies a form of constitution for all wholly owned subsidiaries, which mirrors the provisions of the Petromin Constitution, to ensure
control rests in the hands of Petromin Board. For examples, the prescribed form of constitution for subsidiaries also has the same list of matters that require shareholders approval from Petromin. Such approval is required to be given in the form of a Holding Company Notice signed by two
Petromin Directors or one Director and the Company
Secretary. The Petromin Board has approved a policy for the management of all wholly owned subsidiaries to be comprised of senior members of Petromin Management. This ensures control and consistency at this critical infancy stage of each subsidiary.

Shareholding Structure

On 6 June 2007, the Petromin Trust was launched. Under the Petromin Trust, the Prime
Minister is the legal owner of the one issued share in
Petromin (Trustee Shareholder), being the only share on issue, holding the share on trust for the benefit of the state as Beneficial Shareholder. The Trustee Shareholder has all the powers of a shareholder. However, the Trustee
Shareholder cannot exercise his shareholding power
independently of the Managers of Petromin Trust. All exercise of shareholders powers must be done in accordance with an unanimous resolution of the Petromin Trust Manager. In the event that one Individual Trust Manager does not agree on a resolution, the casting vote will be decided by the Trustee Shareholder.

Under the Trust Deed, the Petromin Trust Manager is comprised of three
Individual Trust Managers being –

1. The President of the PNG Law Society or his nominee. The former President and/or the Minister for Justice and Attorney General, Kerenga Kua, nominated Mr. Robert Bradshaw, a senior and well-respected legal practitioner in PNG.

2.The President of Certified Practicing Accountants (PNG) or his nominee. Mr. Douglas Anayabere was appointed as nominee of the then President , Mr. Peter Pokawin, prior to Mr. Pokawin's terms as President ending in late 2010. Under the Trust Deed, the appointment of a nominee continues regardless of the appointer ceasing as President; and

3. The State Solicitor of PNG, Mr. Daniel Rolpagarea currently holds the position of Individual Trust Manager in his capacity as State Solicitor.

The Trust Deeds also specifies that the person appointed as the Petromin Company Secretary is also the Secretary to the Trust. Hence, all records of the Trust are maintained, on a confidential basis, in the Office of the Petromin Company Secretary.

The Petromin Trust has its own funds and banks accounts, which are maintained separately from those of the Company and its subsidiaries. The Trust's operations are managed solely by the Manager of the Petromin Trust.

The Trust Deed requires the Trust to conduct an annual audit and annual reports are provided to the Trustee Shareholder on the Trust's operations which include audited financial reports.

2013 Annual General Meeting

The 2013 Annual General Meeting (AGM) was held on 20 June 2013. The Board, the Manager of the PETROMIN Trust in its own right and as the duly appointed proxy of the Trustee Shareholder attended the AGM.

The Trustee Shareholder, through the Trust Manager as duly appointed proxy on the unanimous recommendation of the PETROMIN Board and the Manager of the PETROMIN Trust;

(i) Accepted the 2013 audited financial statements of the Company and the PETROMIN Group;
(ii) Approved the appointment of Pricewaterhouse Coopers as the PETROMIN Groups auditor for 2014.

PETROMIN GROUP OF COMPANIES

Petromin PNG Holdings Limited is an Independent company created by the State of Papua New Guinea to hold the State's assets.

Its prime purposes are to maximise indigenous ownership and revenue gains in the mineral and petroleum sectors. It is empowered as the vehicle to better leverage the State's equity holdings and encourage more production and downstream processing of oil, gas and minerals in PNG through proactive investment strategies either wholly or in partnership with other investors.

Petromin has six wholly owned operating subsidiaries as at 31st December 2012.

EDA OIL LIMITED	**OWNERSHIP:** Wholly owned subsidiary Moran Petroleum Project	**EDA LNG LIMITED**	**OWNERSHIP:** Wholly owned subsidiary Elk/Antelope LNG Project
TOLOKUMA GOLD MINES LIMITED	**OWNERSHIP:** Wholly owned subsidiary Tolokuma Gold Mine	**EDA MINERALS LIMITED**	**OWNERSHIP:** Wholly owned subsidiary Mineral Exploration
KUMUL LNG LIMITED	**OWNERSHIP:** Wholly owned subsidiary PNG LNG Project	**EDA ENERGY LIMITED**	**OWNERSHIP:** Wholly owned subsidiary Petroleum Exploration

"THE PETROMIN HOLDINGS GROUP OF COMPANIES INCLUDES SIX WHOLLY-OWNED SUBSIDIARIES. THE PURPOSE IS TO MAXIMISE INDEGENIOUS OWNERSHIP AND REVENUE GAINS IN THE MINERAL AND PETROLEUM SECTOR."

Petroleum Exploration and Development

PETROMIN PNG HOLDINGS LIMITED - PETROLEUM PROJECTS

New Ireland Basin Petroleum Prospecting Licences

The surrender of Petromin's ten New Ireland Basin Petroleum Prospecting Licences (PPLs) was finalised during the last quarter of 2014. This followed an earlier Board decision, and the Minister's approval of consent to surrender dated 18th of September 2014.

PPL 328 Pasca Gas Field

Over three years of exploration work has so far been conducted over PASCA within PPL 328 by the Operator, Twinza Oil Limited. The work accomplished to date indicates sufficient hydrocarbon resource remaining in place following the blowout of PASCA A3 well in 1983.

The Operator has progressed preliminary plans to develop the PASCA gas field and initiated discussions with both Petromin and the Government through the Department of Petroleum and Energy. This plan comes as latest studies indicate potential for sufficient liquids rich resource to underpin a standalone offshore liquids stripping project.

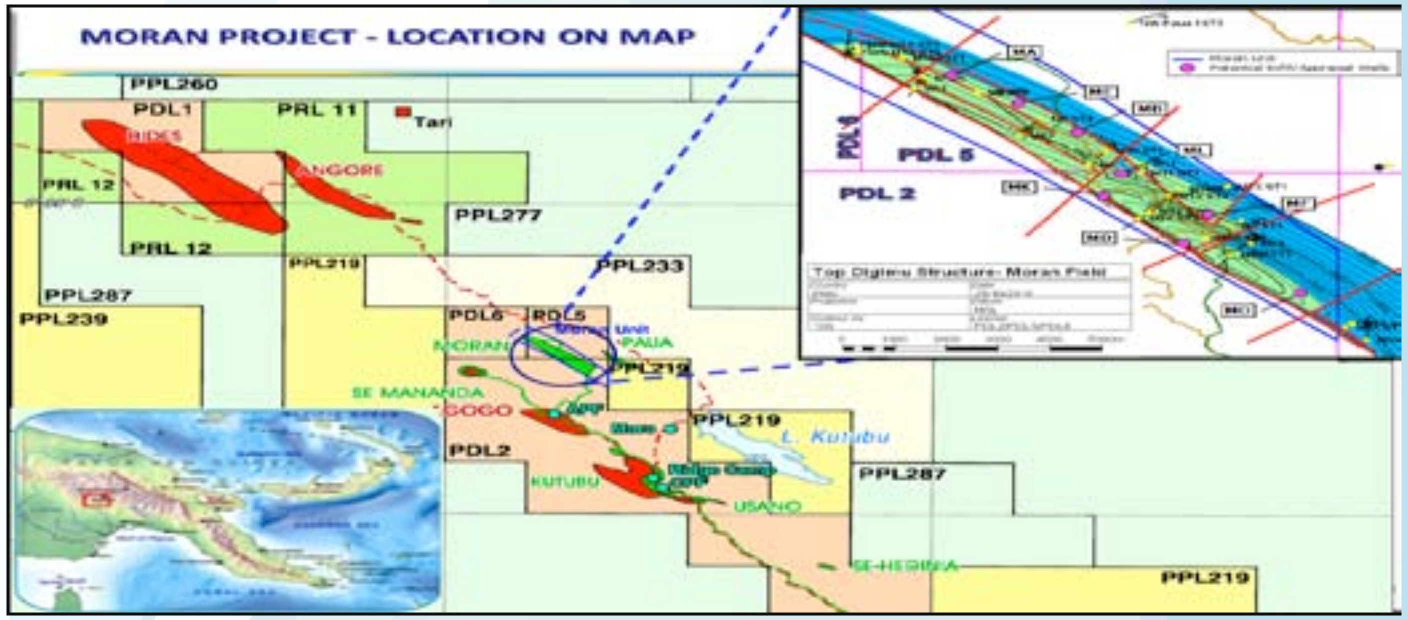
Petromin, through its wholly owned subsidiary Eda Energy Limited (EEL), is currently the only JV partner with 10% interest in the Pasca gas field. Twinza Oil Limited holds the remaining 90%.

PDL 5 Moran Oil Project

The Moran Oil Field is located in the Southern Highlands of Papua New Guinea. Oil Search Limited is the Operator of the Greater Moran Unit (GMU) under a unitized field development agreement (GMFUA) with other joint venture partners from PDL-2, PDL-5 and PDL-6.

The Moran Field currently produces from a total of 10 wells with the aid of 4 gas re-injection wells. The re-injection wells are necessary to provide reservoir pressure to enhance oil production, and to preserve gas for the PNG LNG Project. Oil production from Moran is processed at the Agogo Production Facility (APF) and liquids are then piped to the Central Production Facility (CPF) for further processing, storage and export through the export pipeline.

Petromin through Eda Oil, a 100% wholly owned subsidiary has an interest of 20.5% in the PDL 5 which equates to 11.275% in the Greater Moran Unit.



Moran Project Location - Hela Province, PAPUA NEW GUINEA

Moran Project Location – Southern Highlands Province, Papua New Guinea

Moran oil field commenced production in 1998, with an initial 2P (proven +probable) reserves of 107 million barrels of oil. Cumulative oil production to end December 2014 is estimated at about 83 million barrels whilst the remaining 2P reserves of 24 million barrels remain to be produced.

PNG LNG Project

Despite all the challenges especially due to the rugged terrain, wet weather and landowner issues, the PNG LNG Project was well managed by the Operator, and it was completed ahead of schedule by roughly two months, which meant cost savings and early revenue for the co-venturers and the Government.

Production from the PNG LNG Project commenced in April 2014 and reached full operating capacity in late July 2014, ahead of schedule following a largely trouble-free ramp-up. All components of the LNG production facilities are now operating in line with, or better than expectations, which is a very pleasing outcome. Productions from the six producing wells were beyond expectation which is also a positive for the project. Since the first shipment of LNG cargo on the 25th of May 2014, a total of fifty five (55) shipments of LNG cargoes have been shipped as of December 2014.
Kumul LNG Ltd, a wholly owned subsidiary of Petromin has a 0.203% interest in the project by way of its equity in the Moran oil field.

- A total volume of 8,218,858.3 cubic metres of LNG was shipped, of which Kumul LNG share was about 16,742.55cubic metres;
- Two (2) shipments of Naphtha were made totalling 183,630 barrels of which Kumul LNG share was about 374.07 barrels; and
- Thirteen (13) shipments of Condensate blended with the Kutubu Crude have been shipped. The total volume of condensate produced in 2014 was 6,157,722.8 barrels of which Kumul LNG share was about 12,543.84 barrels.

The main focus now is to increase reliable operations of Hides Gas Conditioning Plant (HGCP), stabilize the Operation of the LNG Plant, and completion of the 120-day Operability test at the Plant sites to support the Lenders Operational Completion Testing Requirements. The test commenced on September 16th 2014 and remains on schedule to be concluded in the first quarter of 2015.
Studies are currently underway at the LNG Plant to debottleneck the process to increase volume output of LNG and Naphtha.

LNG Daily Production

Since July 24th 2014, the LNG daily production had been ranging between 30,000 cubic metres per day and 45,000 cubic metres per day. However, in the 4th Quarter the volume has picked up significantly and is now ranging between 40,000 and 45,000 cubic metres per day. This range is within the Production Forecast level for the year at 41,500+ cubic metres per day and is attributed to greater LNG Plant reliability.

Naphtha Daily Production

Since production commenced on July 24th, Naphtha daily production had been ranging between 1,200 barrels per day and 1,600 barrels per day. During the 4th Quarter production picked up significantly and is currently ranging between 1,400 and 1,800 barrels per day. However, this rate is still below the Production Forecast level for the year at 2,000 barrels per day.

Condensate Daily Production

The Condensate daily production also commenced on July 24th and had been ranging between 20,000 barrels per day and 30,000 barrels per day, but towards the 4th Quarter the volumes have increased significantly, ranging between 25,000 and 35,000 barrels per day. This rate is within and above the Production Forecast level for the year at 26,000 barrels per day and is attributed to greater HGCP Plant reliability.

MINERALS EXPLORATION & DEVELOPMENT

MINERAL DIVISION

The Minerals division is a core business unit of Petromin that is responsible for carrying out Petromin's mission to generate and effect asset acquisitions and investment and effectively manage shareholders interests in the mineral resources sector through ownership and revenue gains in terms of reinvesting in profitable revenue generating projects, for the collective benefits of the society and delivering profitable returns to the shareholder. These major functions are being carried out by the division and its three subsidiaries;

1) Tolukuma Gold Mine
2) Eda Minerals
3) Eda Kopa

Currently there are two sub-units of the Mineral Division.

1. MINING PROJECTS AND DEVELOPMENT UNIT

This unit comprise of a Project Manager, two mining engineer, a resource geologist and a metallurgist. Its main function is to monitor all the State nominated projects by communicating and liaising with the Operator and follow up for updates on projects progresses. The team conducts in-house project evaluations in terms of the geology; engineering and economical aspects while working alongside with the New Venture & Business Development Division for Financial Models and the Legal Division for Agreements and other legal issues and update the Senior Managements.

The team also conducts due diligence studies of other interesting and upcoming projects that are not within the Nominated requirement to recommend to the Management for Investment purposes.

2. MINERAL EXPLORATION UNIT

This unit comprises of a team of exploration geologists, and a GIS specialist working under the leadership of Dr. Wilfred Lus, the Chief Geologist and Manger Exploration as well as the Deputy General Manager of the Mineral Division.

Their main task is to actively manage and conduct mineral exploration activities within the eight (8) Exploration Tenements under Eda Minerals Ltd .

MINING PROJECTS AND DEVELOPMENT UPDATES.

1.0 Tolukuma Gold Mines.

Tolukuma gold mine is managed by the subsidiary Tolukuma Gold Mine (TGM) Ltd. The mine operates with the support from the Holdings Company financially and manpower occasionally however; productivity has dropped during the year due to the decline in the gold price which had a greater impact on the operations. Since the mine is operated on Helicopter alone, weather was a cause to when most consumables couldn't arrive on site on time and further, there are other operational issues as well.

A strategic plan was put in places to cut cost and increase the resources in the mine. To start with, TGM carried out a major redundancy exercise to reduce cost and in December 2014, TGM engaged a drilling company; Deepcore Exploration Company to further drill and define the extent of the Ore body and update resource model. In the same month, Petromins Senior Engineer Kelly Mende seconded to the mine by the TGM management to assist with the operations, that boosted the moral and the technical understanding of the operations which showed one of the best productions output for the year in that month pouring 2015 ounces of gold in the month of December alone.

STATE NOMINATED PROJECT UPDATES.

Petromin has been nominated by the Stateto carry out its mission by taking up the 30% state equity in the four upcoming mines shown on the map below. As such the Mineral Division have been conducting evaluation and following the progress of the progress since the announcement.

Fig: Papaua New Guinea Mining Projects and upcoming Mines.

1. SOLWARA 1 –NAUTILUS MINERALS

The Solwara 1 Project is an important asset for Petromin. It is the only project Petromin has invested in on the basis of State Nominations. Petromin, through its subsidiary Eda Kopa Limited (EKS) has acquired 15% in the Solwara 1 project in December 2014 at a cost of US$120M. The breakup of this 15% is that the State through EKL will hold 10% while 5% is for the New Ireland (NIP) and East New Britain (ENB) provincial Governments. The distribution of the 5% between has been the two provincial governments has been an ongoing issue. The MRA and the Treasury Department have met on number of occasion in 2014 but the two provincial governments haven't compromised to a breakup yet, thus the next meeting will be held in March 2015 to negotiate the breakup. Further EKL has the right to acquire up to 15 % on commercial bases upon first productions that is scheduled to commence in 2018.

Petromin Board members with the Nautilus Executives after the signing of the 15% Equity at Grand Papua, 2014.

EKL and Nautilus Minerals have reached an agreement for a Vessel Charter Requirement Deed on the 31st October 2014. The Historical project environmental baseline datasets composed of approved Environmental Statement (EIS) and additional datasets from independent studied engaged by Nautilus Minerals during the baseline study period were reviewed by Nautilus and Petromin's Environmentalist, John Mosoro on the 4th of December 2014.

PROJECT HIGHLIGHTS

- A Processing Concept Report was compiled in house to assess the processing aspect of the mined ore. Dewatering Processing facility on the Production Support Vessel (PSV) and concentrate is loaded on to separate barges for overseas export based. Nautilus initial plan to erect a Processing Facility at Haslobe Bay on the western coast of East New was disbanded due to benefit sharing issues arising between Nautilus and NIPG as NIPG claimed ownership of the project benefits such as royalties and other benefits.
- There are three key components of the Project include; Seafloor Mining Tools (SMT), Riser and Lifting System (RALS) and Production Support Vessel (PSV). These equipments and vessels are anticipated to be still under construction and/or are nearing completion.
- A Environment Management & Monitoring Plan (EMMP) is currently being reviewed and developed by Nautilus subject to the initial submission to DEC. Petromin as JV partner have been invited to attend the first workshop with DEC. EMMP reviews are ongoing until a fully plan is developed which will then be reviewed by external experts for final before submission to DEC for approval.
- First production is anticipated to commence in 2018 after completion of all the mining equipments. The Nautilus president and CEO, Mike Johnston also provided a project update to Petromin Board & Management and Trustee Mangers in Sydney on December 4th 2014 during the PNG Mining & Petroleum Investment Conference.
- Petromin will continue monitor the progress and participate in different activities as and when required.

2.0 WAFI - GOLPU PROJECT

Wafi-Golpu project is operated by the Wafi-Golpu a subsidiary of Morobe Mining Joint Venture of the parent accompanies; Newcrest and Harmony Gold. The project hosts one of the highest grade porphyry copper systems in south-east Asia region comparable with other world class systems such as Ok Tedi and Bougainville, also in Papua New Guinea. Petromin as a state nominee in the project as attended project meetings held by the operator every quarter at MRA and updates management of the status of the project from time to time.

During the year a team from the Mineral Division visited the Project Site from 21st to 23rd July 2014 to observe the latest developments and get updates the progress and the data of the project.

Petromin Team, Dr. Lus, Kelly Mende, Junior Koipi and Raphael Apa at Wafi camp site during the site visit in July 2014.

The project is scheduled for a Pre feasibility study (PFS) after completing the current geotechnical drilling campaign to assess the ground condition for the triple decline to be constructed. The final outcome of the project engineering and economics will become known once the PFS is completed during the fourth quarter of this year 2015.

A project update was presented to Petromin Board & Management and Trustee Mangers in Sydney on December 4th 2014 during the PNG Mining & Petroleum Investment Conference.
Petromin as a State nominee will continue to monitor the project very closely since the project economics from the Scoping Study is looking very positive.

3.0 Frieda Rive Copper Gold Project

PanAust acquired its shares in Xstrata Frieda River Ltd in November 2013 and is now the new owner of the project. The transaction was completed on 25 Aug 2014 with Panaust having 80% while Highlands holds 20% of the project. PNG Government has an option to acquire, on a sunk cost basis, up to 30% of Frieda River through Petromin. The project is now scheduled to have its first production in 2018 with a mine life of 20-years producing at a rate of 30Mt/pa.

Petromin has initiated contacts with PanAust during the year and was invited to a consultative meeting between PanAust and the East Sepik Provincial Government and the West Sepik Provincial Government. This was attended by Dr. Lus at Village Inn Hotel in Wewak in November.

The PanAust senior management team provided a project update to Petromin Board & Management and Trustee Mangers in Sydney on December 4th 2014 during the PNG Mining & Petroleum Investment Conference.

4.0 Yandera Project:

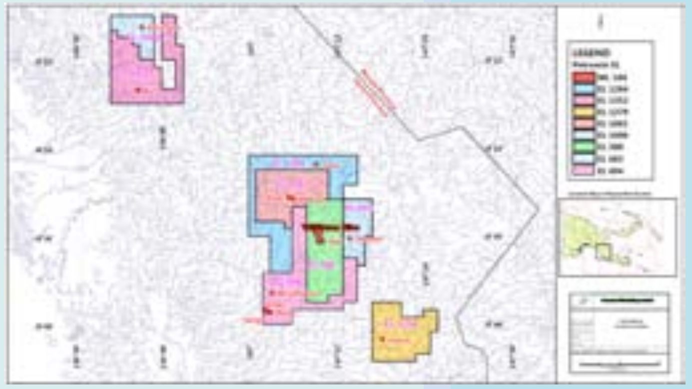
Petromin as the State Nominee has been monitoring this project since 2008 by doing in-house study and project evaluations on the project for management updates.

A confidentiality Agreement has been signed for exchange of information and further a Cooperate Agreement too has been sign for the Mineral divisional staff to take part in activities to leading up to the development of the project however, the project is still in its advance stage of drilling and therefore PHL is not actively involved in the project. PHL is awaiting the final Feasibility report to be submitted before they can develop some understanding to involving in the project.

A comprehensive evaluation of the project in the fourth quarter of 2014 concluded that further exploration work and development work is required in order for a Feasibility study to eventuate therefore the FS was put on hold. Currently more additional drill holes and other related work are being carried out to further define the resources and reserve of the project to add into its final FS which will be presented to MRA when all the drilling is done.

MINERAL EXPLORATION UPDATES

PHL has eight exploration license under its subsidiary; Eda Minerals Ltd. Six near mine tenements envelopes the Tolukuma Mine while the other two are Regional Tenements are located further Northwest of the near mine tenements.



recently worked.

EL 580

This EL surrounds the Tolukuma Gold Mine and holds one of Petromins Advanced project, Saki. This project had been through two phase of Exploration drilling programs under Emperor Mines in 2002 and Petromin in 2009 respectively totalling 4609.85 m from 47 drill holes. Saki currently has an estimate of 630,000 to 1000,000 tones at a grade of 2.0g/t as estimated by Golder Associates from the available data to date. There are several other prospect, Seriseri, Milihamba, Mt Sen, Kimono and Kunda, in their order of priority however, Saki is currently the focuss in terms of availability of information and level of confidence. Other prospects have received little attention.

In May 2014 – grid soil sample program undertaken, also undertaking geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target. Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

EL683

This prospects has been rated as less prospective however, the company has been doing most of its reconnaissance work on the Samanalan prospect following recommendations from early explorers as the geology is favourable, due to the tectonic and structural regime of the area which is conducive to ease of mineralisation

In June 2014 – ridge and spur soil and selected rock chips sampling program undertaken, also undertaking geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target. Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

EL894

EL comprised four prospects namely Etasi, Badim, Genga and Hula, all listed in order of priority. Successive field programs have indicated that the four prospects have the potential to host different styles of ore mineralisation which are significant in terms of commodities of interest.

Following past recommendations, Petromin has proven the significant results from the previous prospectors and confirms that this area has a potential of hosting a deep seated porphyry system with various signatures of skarns and epithermal systems.

In August 2014 – grid soil and selected rock chips sampling program undertaken, also undertaking geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target. Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

EL1264

EL comprised numerous targets. Successive field programs have indicated that more attention is required to define potential targets. Recent field work identifies two targets to the western and south western part of the tenement.

In September 2014 a grid soil sampling and selected rock chips sampling program was undertaken in the Tokio prospect. The program also did geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target.

EL1352

EL comprised three prospects namely Ipi, Variza and Bulls Eye, all listed in order of priority. Successive field programs have indicated the three are prospective and have the potential to host different styles of ore mineralisation which are significant in terms of commodities of interest. Ipi River prospect is currently the flagship prospect that has the potential for a large tonne low grade porphyry deposit. As such this prospect has undergone detail work programs to add to the enormous surface data. With the available surface data, geophysical data and data from the three drill holes and, the project would be refined to plan additional drill holes to further test the target.

In July 2014 a similar work program to EL 1264 was carried out; grid soil and selected rock chips sampling program, geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, and add confidence to the potential target.

Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

EL1379

EL is generally a Greenfield. Successive field programs have indicated that more attention is required to define potential targets.

In November 2014 – grid soil and selected rock chips sampling program undertaken, also undertaking geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target. Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

EL1661

EL regarded as highly prospective and adjacent to ML104, known prospects include Mt Olom and Kone which have been extensively explored and drill tested. The area is known for small scale mining in the EL is predicted by successive explorers to have the potential to host economic ore deposits. Geology is similar to EL580; however, mineralisation is confine to structures as well as in some ore

mineral bearing intrusive.
No field work in 2014 due to landowner issue.

EL1696

EL is generally a Greenfield. Successive field programs so far have yet to define potential targets.

In August 2014 – grid soil and selected rock chips sampling program undertaken, also undertaking geochronology and geochemical studies of intrusive rocks to provide base line geologic information about the geochemical character and age, a potential prospecting target. Environmental Studies was also undertaken to assess water quality within the confines of the scoping area.

Dr. Lus also presented the results of the exploration work focusing on the exciting results of EL894 in Sydney on December 3rd 2014 during the PNG Mining & Petroleum Investment Conference.

ONGOING COLLABORATION WITH OK TEDI

Petromin has liaised with Ok Tedi for a JV agreement to fund the Ipi Porspect. Ok Tedi has shown much interest in the project by doing site visits and accessing information through a Confidentiality Agreement signed in 2014 to access information and data for evaluations. As part of the partnership, Ok Tedi has invited Minerals staff to undergo training program in Ok Tedi in the areas of Safety, " Handling of Dangerous Goods" and " Chainsaw Training and in resource modelling using the **"Mine site"** modelling software. The team was also invited for a site visit attended by Dr. Lus; Chief Geologist and Deputy General Manager and Mining Engineer; John Willie for a two days visit to build a mutual understanding between the two companies to part take in trainings and create the working relationship.

Dr. Lus on a two day visit as an on-going collaboration with OK Tedi to build mutual understanding between the two companies to part take training and working relationship

Dr Lus did a presentation of Ipi River Exploration Project to the OTML management to OTML senior management for possible farm-in and JV. Petromin through its wholly owned subsidiary, Eda Minerals is seeking JV partners to further fund and develop its Ipi River project consisting of EL1352 and EL1696 and it is likely to form a commercial partnership with OTML in early 2015.

The collaboration with OTML has provided opportunity for five (5) Minerals Division personnel to attend logistics and technical training at Ok Tedi Mine. Such programs have greatly enhanced Petromin's partnership with Ok Tedi and the division hope to maintain that for mutual benefits of the two companies.

"Petromin's Mine Engineer John Willie at OK Tedi as an on-going collaboration with OTML"

"Dr Lus on a two day visit as an on-going collaboration with OK Tedi to build mutual understanding between the two companies to part take training and working relationship"

COMMERCIAL DIVISION

COMMERCIAL DIVISION
A. Key Performance Indicators
B. Business Plan

The Petromin Business Plan is a road map that brings together Petromin's goals, plans, strategies and resources to conduct its day to day business operations. The plan identifies the various investment opportunities in the mining and petroleum sectors and sets out resource allocation plans to explore and further develop these investment opportunities.

The Business Plan identifies and prioritizes the various investment opportunities into areas of priority as follows;

i) Immediate Investment Opportunities (Priority 1 Projects)

ii) Probable Investment Opportunities (Priority 2 Projects)

iii) Possible Investment Opportunities (priority 3 Projects)

Changes in the political, economic and investment landscapes of the country has a direct impact on the Business Plan. It is therefore reviewed and rewritten on an annual basis upon oversight by the company's Board of Directors. Because Petromin conducts its business in the ever challenging and high risk mining and petroleum industry, investment priorities may be altered during the course of any year with approval from the Board. The Petromin Board in one of its meetings in mid 2014 directed Management to review the Business Plan with instructions to split it into two distinct plans; one focusing on investment opportunities in the mining industry and the other on opportunities in the Petroleum industry. This was done in light of the government's decision to restructure and consolidate all its assets in the two industries. The Board further directed management to work on a Five Year Business Plan for the company in late 2014. This Plan would focus exclusively on the investment opportunities available in the mining industry alone as the Petroleum assets of Petromin would soon be transferred over to the new Kumul Petroleum.

C: Risk Management

Risk is inherent in the oil, gas and minerals business. Being a player in these two industries, Petromin's business activities are no exception. Continuous risk assessment and adoption of appropriate strategies to mitigate risks inherent to Petromin's business operations is a fundamental aspect to the company's operations.

Given this overarching challenge, the Board of Petromin approved the establishment of a risk management mechanism to identify, manage and report on risks which are considered inherent to Petromin's business.

The risk management mechanism is reviewed on a quarterly basis, highlighting the status of all the identified risks including their mitigating strategies and reported to management and the Board for their oversight.

i) Risk Management Process

Petromin's risk management process is simple with a clear frame work for managing and reporting risks associated to the group's operations to the Board. The process aims to minimize risks as much as possible and maximize returns by allowing Petromin to;

- Understand the specific risks associated to the company's operations and the potential exposure of Petromin;
- Determine how best to deal with each risk in order to manage overall potential exposure;
- Manage all identified major risks in an ap propriate manner for reporting
- Monitor and improve on the effectiveness of the risk management mechanism;
- Report to management and Board on a quarterly basis on the status of risks, and the improvements that are required.

"CONTINUOUS RISK ASSESSMENT AND ADOPTION OF APPROPRIATE STRATEGIES TO MITIGATE RISKS INHERENT TO PETROMIN'S BUSINESS OPERATIONS IS A FUNDAMENTAL ASPECT TO THE COMPANY'S OPERATIONS"

ii) Petromin's Risk Mechanism

Petromin's risk management mechanism (register) covers the following aspects of the company's business activities;

- Project and type of risk
- Details of risks identified
- Probability weighting of the potential implications
- Description on the consequences of risk materializing
- Mitigation Strategies
- Risk Owner (officer responsible)

The respective divisions of Petromin are responsible for the prudent management and monitoring of risks associated with their day to day operations via the respective divisional risk registers. Reviews and assessments on registers are done on a quarterly basis and reported up to management and subsequently the board.

The following are some of the major risks associated to the operations of Petromin and captured on its master risk register (corporate risk register);

1. Environmental Risk
2. Management Risk
3. Political Risk
4. Market Risk
5. Logistical Risk
6. Corporate Governance Risk
7. Investment Risk

CORPORATE SERVICES

Functions of Corporate Services Division

Corporate Services is the support division of Petromin. The division plays supportive roles to two key divisions; the Mineral and Petroleum Division as well as the Commercial Division.

The Division's primary supportive role is advancing Petromin's commercial interests through active interactions and consultations with relevant political leaders, government and statutory bodies, provincial and local level governments, communities and public at large to enhance continuing support of Petromin's operations and activities, including State nominated major petroleum and mining projects.

The Division also plays a unique role in development of Environment, Health and Safety (HSE) Policies and integration of international business best practices standards as Petromin's major investments are influenced by internationally recognized practices such as ISO 14001 EMS, World Bank and International Finance Corporation (IFC) standards and guidelines. Some of the key international standards have been reviewed by the Division and will be integrated into the model software in the following years ahead.

The Division also plays important roles including the implementation of Petromin's Corporate Social Responsibilities (CSR) commitments, and promotion through various media advertisements, publications, sponsorship package, and community assistance.

Highlights of 2014

The year has been a tough year for Petromin given the Government decision to restructure state owned entities including Petromin. The appointment of a new Acting Managing Director of the Company also had some effects on the operation of the Division with regard to the implementation of its board approved duties and responsibilities.

Maintaining Corporate Regulatory Compliance

The Division was assigned new roles to take on regulatory compliance and government affairs to establish better understanding and working relationship with regulators. The division has established strong working relationship with the key regulators; Mineral Resources Authority (MRA), Department of Petroleum and Energy (DPE), Department of Environment and Conservation (DEC) and Department of Finance & Treasury.

Integrating International Business Standards

Petromin's investments are internationally funded by international financiers and banks therefore it must comply with internationally recognised business standards and so the company is required to integrate applicable standards either financing or certification in the long term business plan.

The division has established mutual understanding with PNG National Institute of Standards & Industrial technology and international standards such as International Standards Organisation (ISO) for the ISO 14001 Environment Management System, ISO 9000 Quality Assurance Standards and World Bank & IFC guidelines for Extractive Industry practices (Mining & Petroleum).

Maintaining Stake holder Consultation and Commitment

PNG 2015 Pacific Games Gold Sponsorship presentation at Petromin Haus

Other roles which Corporate Services play are corporate marketing and implementing the company's corporate social responsibility programs through the Public Relations and Media Desk. This is driven by the desire of improving Petromin's corporate image/presence in the communities and also the foot prints of the company's operation.

One of the major programs undertaken was the Memorandum of Understanding (MOU) with the Department of Health to support the awareness campaign on lifestyle diseases including mouth cancer and TB and others on EMTV. The Board approved K50, 000 each year for this program. In 2014 Petromin donated K49, 000 to the Department of Health for Media awareness on TB and Cancer as required under the Company CSR commitment to the public and the community. The program will be fully implemented in 2015. (Insert a photograph)

Gold Sponsor of Pacific Games 2015
Other programs include supporting and promoting sports in PNG among the younger generations and athletes.

In 2014 Petromin sponsored 1 million kina to the 2015 Pacific Games as a Gold Sponsor. The Gold Sponsor was approved by the Petromin Board which was based on Petromin's CSR obligation to support community activities through sports. The Pacific Game is the only important national event that was sanctioned by the Government. The Petromin Board has considered the Government's decision and approved K 1 Million sponsorship to show the Government that Petromin supports government policies and initiatives under the company's CSR initiatives.

Environment Assessment of Priority Projects

The Division supported Company's Minerals Division in the Exploration Activities to carry out environment assessment and water quality sampling. To ensure that regulatory compliance obligations set by Mineral Resources Authority (MRA) is met and making sure Petromin's activities are compliant in accordance with the conditions of approval under the Mining Act 1992 and Environment Act 2000.

1. Solwara 1 project

The division actively participated with Nautilus Minerals on the Solwara 1 Project to ensure that environmental aspects stated in the Environment Permit condition are integrated into the design, building and operation of Mining Support Vessel, Riser Lift System and the Mining Tools in consultation with DEC, MRA, NFA and NMSA.

On the other hand the division actively participates as a partner in the design of Environment Management and Monitoring Plans and sub-plans. These to ensure at the outset that Precautionary principle (PP) and preventive measures are in place in accordance with international best practice are adhered to in such a frontier project. The division also represented Petromin in the Solwara 1 Project community consultation and awareness program to educate the people of West Coast, New Ireland about the project and get their views and ensure communities continued support and confidence in the project.

2. Pasca A development project

Pasca A development project is a frontier project that involves the extraction of hydrocarbon liquids from the offshore of Gulf Province and is considered to be first offshore hydrocarbon extraction project in the country. The division was initially involved in the scoping and review of baseline datasets for the Environment Inception Report (EIR) that was prepared by the project proponent, Twinza Oil Limited.

3. Tolukuma Gold Mine

The division effectively involved in the environmental management and monitoring work of the mine with TGM CEO and the General Manager. One of important tasks accomplished during the year involved the collaborative work with Department of Environment & Conservation to engage independent environmental auditors from Australia to conduct compliance audit of Tolukuma Gold Mine (TGM).

On the other hand the division actively participates as a partner in the design of Environment Management and Monitoring Plans and sub-plans. So that necessary preventive and precautionary measures are in place in accordance with international best practice in consultation with Papua New Guineans regulatory agencies.

Corporate service division also participates in the Solwara 1 Project community consultation and awareness program to educate the people of West Coast, New Ireland about the project and get their views and ensure communities continued support and confidence in the project.

Environment Assessment of Petromin's Exploration Licences
The Division was involved in baseline studies with Minerals Division on the following aspects of the mineral exploration work;

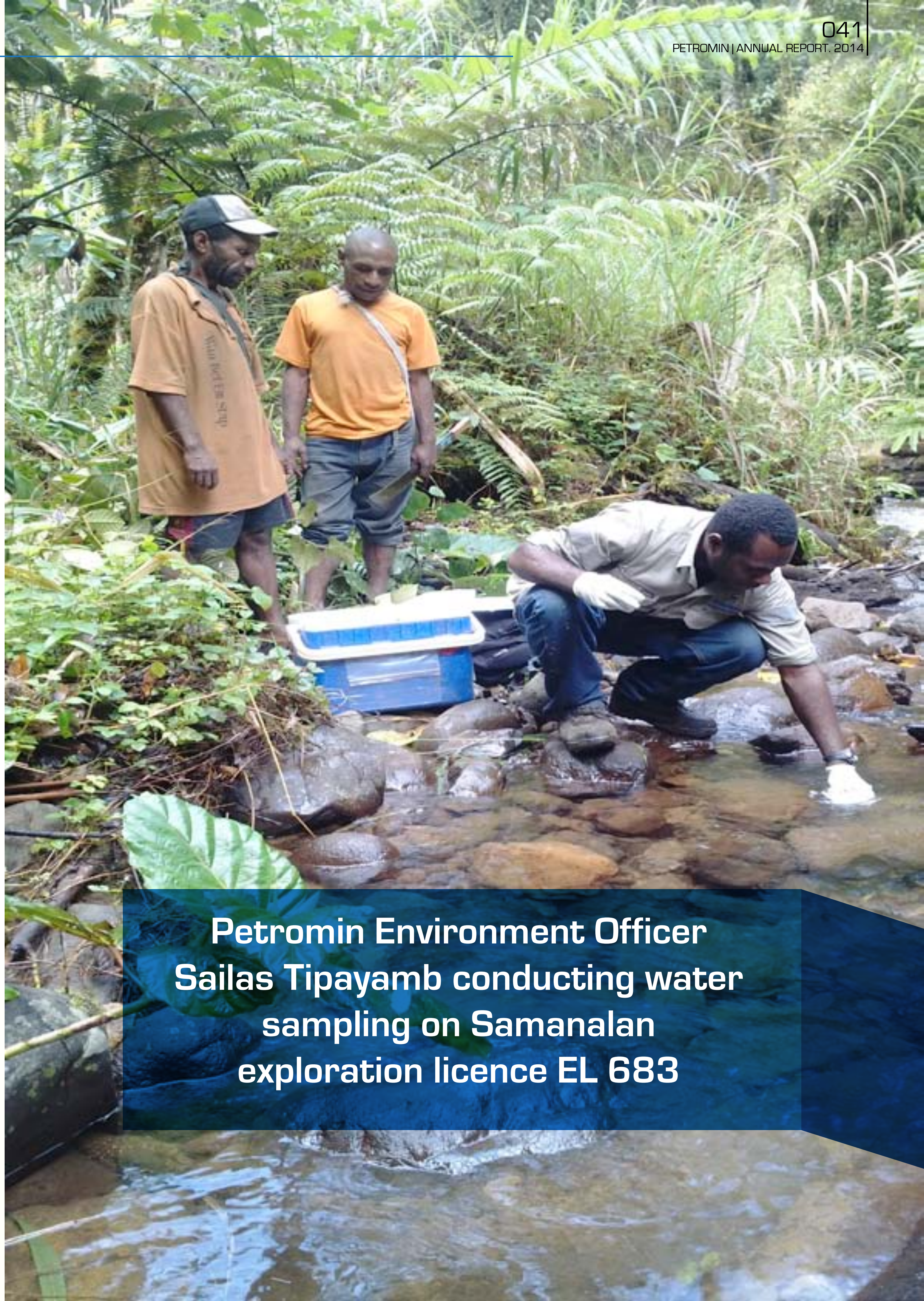
Environment assessment and water quality sampling were conducted for all exploration licences. Environment assessment was conducted to determine the level of disturbance to the environment during the geological sampling program.

Water quality sampling was conducted to establish the background level of water quality parameters. Future changes in the trend on the concentration of the water quality parameters can be determined by referring back to the baseline and appropriate mitigation measures implemented.

Petromin has six (6) near mine exploration licences and two (2) regional exploration licences. Out of the eight (8) exploration licences, environment assessment and water quality sampling was conducted on seven (6) exploration licences. One (1) exploration licence is pending in accordance with the approved work program under the Mining Act 1992. Environment assessment and water sampling was not conducted on Exploration Licence 1264 due to prior work commitments on other major investment projects.

Laboratory Used

Australian Laboratory Services (ALS) in Brisbane, Australia was used for analysis of the water samples as it is NATA accredited laboratory meeting ISO 17025. The water samples were handled and dispatch in accordance with best international scientific procedures, AQIS requirements and laboratory's recommendations.



Petromin Environment Officer Sailas Tipayamb conducting water sampling on Samanalan exploration licence EL 683

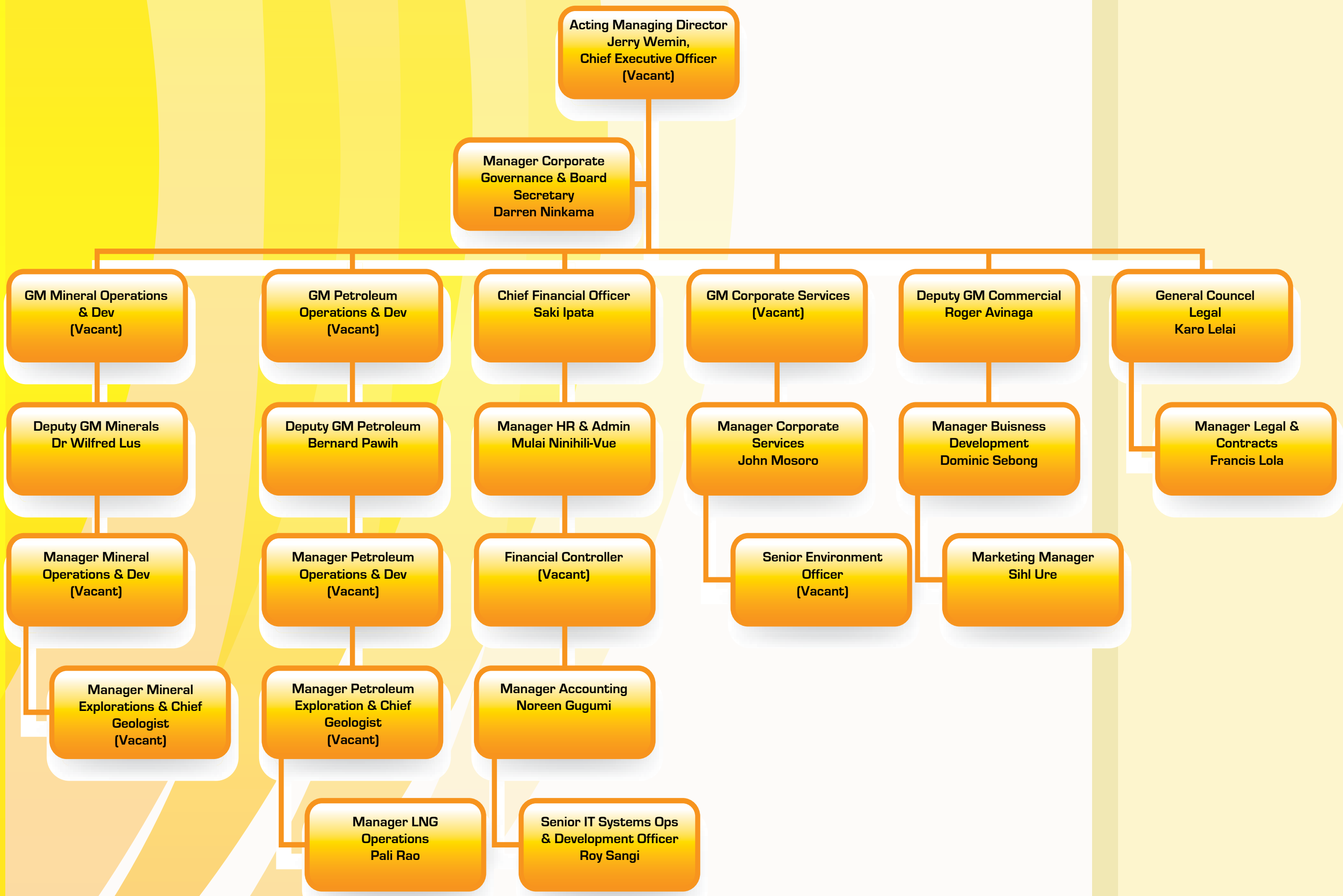
HUMAN RESOURCE & ADMINISTRATION

Human Resources Management

2014 has been a challenging year. The main challenge is ambiguity attributed to implementation of the NEC Decision 264/2014 – Kumul consolidation exercise. In addition, the declining commodity prices and its effect on Petromin's ongoing liquidity that influences management to review its workforce and reconsolidate for the future. Employee relations coexisted with the challenges posed but Petromin Management rose above through appointment of Acting Managing Director to oversee the management of human resources whilst the technical team provided technical support on the other hand during the half of the year.

Human Resources team is setting a phase for change through reviewing its current polices and guidelines on employee learning and development, policy and planning, employee relations, remuneration and benefits to attract and retain good staff to drive the affairs of Petromin forward. The revised policies will be presented at the Board Meeting in 2015. There remains a strong need to further modernize Petromin human resources practices through challenging its existing 'status quo' that provides the company a valued work environment and the competitive edge over its competitors in the same or similar business environment.

Petromin Organisational Structure
Recruitment & Retention



There are 133 approved positions, and currently 85 positions are occupied. Forty Eight positions are vacant. Petromin will be rightsizing its manpower needs to accommodate its successor entity, the Kumul Minerals Holdings Limited. This means that all vacant position will be reviewed and may not be necessarily filled. Recruitment activities have been frozen in 2014. There were few exceptions based on business needs for example, the positions of Manager Legal & Contracts, Manager Human Resources & Administration, Assistant Account, Personal Assistant, IT Officer, Receptionist, Janitor, etc externally. There were also internal promotions in the year, for example, General Counsel, Manager Marketing and Manager Business Development

Employee Benefits and Remuneration

Petromin remains competitive in its terms and conditions with a room for innovative salary and remuneration Packaging. It will explore innovative Schemes to establish and maintain a highly motivated work-force.

Performance Management

Petromin Team has tolerance for cultural diversity of its workforce and this experienced through team work, innovation, creativity and adaptability in changing circumstances. Effective and meaningful employee engagement and involvement to date has been acceptable. A greater focus on accountability and management of key objectives to ensure agreed budget drivers are met or bettered. There is strong emphasis on high performance and productivity focused work culture result in certain percentage (%) of bonus payment in the year.

Staff Learning and Development

Petromin management support for employee learning and development has been highly commendable and consistent throughout in 2014. Much of the training were on Mining Seminar Fee, Taxation, Withholding Tax Training, Executive PA Excellence and CPA Conference fee to enable Petromin's Mining engineers/geologist and accountants to attend and participate in these professional conferences. The Payroll Officer also trained with South Pacific Software and one Economist on project management with Daltron.

The Acting Managing Director also initiated and established a non-Manager's Mentoring Program with a view to assist young non-managers to develop in all of their personal and professional competence. This can be further enhanced with high level of innovative staff learning and development including career path planning for staff and an ongoing Succession planning for the organisations' long term sustainability.

Employee Relations

The company employees' relations practices are deemed fair and just when it comes to deals with employee issues. This is evident in the minimal legal issues raised or reported. There were a total of seven (7) employees terminated in 2014. This composed of two (2) Managers and (4) officers who resigned in 2014 and one (1) officer were terminated with cause. One (1) deceased.

The Properties and Security Teams in the Corporate Services Division have been re-assigned administratively reporting directly to Manager Human Resources and Administration under the Finance and Administration Division. The remainder of the Corporate Services Division sections report to the Office of the Managing Director.

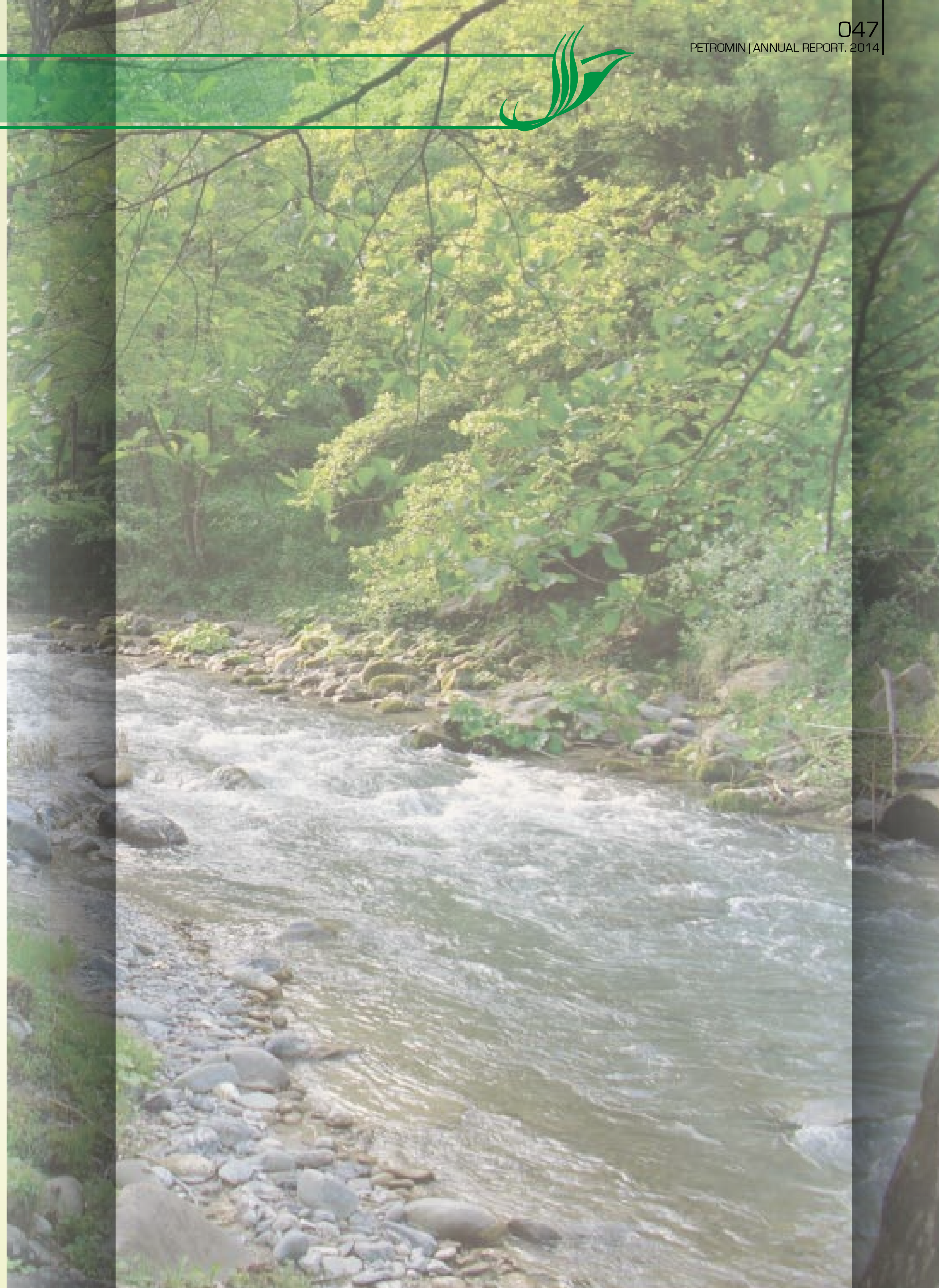
SHAREHOLDER INFORMATION

Petromin PNG Holdings Limited has only one issued Share which is held by the Prime Minister of the Day as the trustee shareholder. It is held on behalf of the people of Papua New Guinea through the State as their Beneficial Shareholder.

The Trustee Shareholder's powers are managed by the Manager of the Petromin Trust (Trust Manager) in accordance with the Petromin Trust Deed. The Trust Manager operates independently of the Petromin Board and the Trustee Shareholder in managing the Trustee Shareholder's powers. Dividends declared by Petromin are paid by the Trustee Shareholder, through the Trust Manager, to the Consolidated Revenue Fund of the State, as the Beneficial Shareholder. Income Taxes are paid directly to the Internal Revenue Commission.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2014

Contents



DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors of Petromin PNG Holdings Limited submit herewith the annual financial report of the Company for the year ended 31 December 2014. In order to comply with the provisions of the Companies Act 1997, the directors report as follows:

The names and particulars of the directors and office holders of the Company during or since the end of the financial year are:

DIRECTORS

Name	**Executive/non-executive director**
Sir Brown Bai, KBE, CBE, CSM	Non Executive/Chairman (Reappointed Director and Chairman on 6 June 2011.
Richard Tengdui	Non Executive (Appointed 6 June 2010).
Jerry Wemin	Non Executive (Reappointed 6 June 2011).
Ian Goddard	Non Executive (Reappointed 4 March 2012).
William Searson, CBE	Non Executive (Reppointed on 18 February 2011).
Thomas Abe	Non Executive Director (Appointed on 1 December 2013).
Arun Basu	Non Executive (Appointed on 13 October 2014)
Issac Lupari	Non Executive (Appointed on 27 November 2014)
Samsay Singin, OBE	Non Executive (Resigned on 2 May 2014)
Muri Bin Mohammad	Non Executive (Resigned on 25 March 2014)

COMPANY SECRETARY

The Company Secretary is Darren Ninkama (Appointed 17 October 2013).

REVIEW OF OPERATIONS

The Group reported a loss of K15,286,289 (2013:net loss K36,716,193) after accounting for net income tax credit of K4,505,897 (2013: charge of K17,225,742).

PRINCIPAL ACTIVITIES

The Company's principal activities are to engage in the mineral exploration, evaluation and development and the production and recovery of minerals and petroleum from its petroleum and mining interests.

CHANGES IN STATE OF AFFAIRS

Subsequent to the year end, in a Policy Decision No 93/2015 dated 29 April 2015, the NEC recommended that the Petromin Act be repealed and replaced by the Kumul Minerals Holdings Act. It is Directors' understanding that the Company will continue to operate under this new lesgislation as Kumul Minerals Holdings Limited. Although the legislation is yet to be gazetted, according to the draft legislation Kumul Minerals Limited will hold the State's interests in all mineral projects.

The Petroleum assets currently owned by the Company will be transferred to Kumul Petroleum Holdings Limited in due course. The actual implementation and the financial implications are yet to be assessed and quantified.

EMPLOYEES

As of 31 December 2014, the group has 459 regular employees (2013 - 514 employees). This includes 1 casual employee (2013 - 24 employees).

DONATIONS AND SPONSORSHIPS

The group has made donations and sponsorships of K1,276,000 to various charitable organisations in 2014 (2013: K451,245) as part of the company's social responsibility. The main sponsorship being the

K1 million Gold sponsorship towards the South Pacific Games.

DIRECTOR'S REMUNERATION

	Short-Term employee benefits			Post-employment benefits				Share-based payment			
								Equity - settled			
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Other	Other fees/ benefits	Term-nation benefits	Shares & units	Options & rights	Cash settled	**Total**
	K	K	K	K	K	K	K	K	K	K	K
Petromin											
Sir Brown Bai, KBE, CBE, CSM Chairman	115,000	-	-	-	-	34,483	-	-	-	-	149,483
Thomas Abe	96,250	-	-	-	-	-	-	-	-	-	96,250
Peter Pokawin (FAC)	20,000	-	-	-	-	-	-	-	-	-	20,000
Ian Goddard	260,183	-	-	-	-	-	-	-	-	-	260,183
Sumasy Singin, OBE	23,750	-	-	-	-	-	16,321	-	-	-	40,071
Jerry Wemin	98,500	-	-	-	-	-	-	-	-	-	98,500
William Searson, CBE	152,778	-	-	-	-	34,483	-	-	-	-	187,261
Muri Bin Muhammad	32,117	-	-	-	-	-	16,473	-	-	-	48,590
Richard Tengdui	197,000	-	-	-	-	34,483	-	-	-	-	231,483
	995,578	-	-	-	-	**103,449**	**32,794**	-	-	-	**1,131,821**

REMUNERATION ABOVE K100,000 PER ANNUM

The number of employees not being directors of the company, whose total remuneration and the other benefits received from Petromin PNG Holdings Limited falls within the following bands are:

Range			
K	K	2014	2013
100,000	110,000	2	6
110,000	120,000	1	2
120,000	130,000	1	3
130,000	140,000	1	2
140,000	150,000	1	2
150,000	160,000	2	1
160,000	170,000	3	1
180,000	190,000	2	-
210,000	220,000	-	3
220,000	230,000	3	-
240,000	250,000	1	-
270,000	280,000	1	1
280,000	290,000	-	1
290,000	300,000	1	-
300,000	310,000	-	1

Range			
K	K	2014	2013
330,000	340,000	-	2
340,000	350,000	1	1
350,000	360,000	1	-
360,000	370,000	-	2
380,000	390,000	-	1
390,000	400,000	1	-
440,000	450,000	1	1
450,000	460,000	1	-
510,000	520,000	1	1
530,000	540,000	-	-
590,000	600,000	1	-
620,000	630,000	-	1
920,000	930,000	-	1
1,010,000	1,020,000	-	1
1,630,000	1,640,000	1	-

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

INDEPENDENT AUDIT REPORT

The financial statements have been audited by PricewaterhouseCoopers and should be read in conjunction with the independent audit report on pages 45 to 46. Fees in respect of audit, audit related and non audit services paid to PricewaterhouseCoopers are shown in note 6.

DIVIDENDS

During the year, an interim dividend of K5.2million was paid, (2013: K450,000).

SUBSEQUENT EVENTS

Other than the above, there or (other than disclosed in note 29) there has not been any matter or circumstances, other than that referred to in the financial statements in notes thereto, that has risen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the company, the results of those operations, or the state of affairs of the Group in future financial years.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

____

Richard Tengdui
Non Executive Director
Port Moresby,______________2015

____

Sir Brown Bai, KBE, CBE, CSM
Chairman
Port Moresby,______________2015

DIRECTOR'S DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Companies Act 1997, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

____

Richard Tengdui
Non Executive Director
Port Moresby______________2015

____

Sir Brown Bai, KBE, CBE, CSM
Director
Port Moresby______________2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	The Group		The Company	
		2014 K'000	Restated 2013 K'000	2014 K'000	2013 K'000
Revenue	4	186,721	153,657	8,630	7,431
Cost of sales	5	(163,614)	(133,113)	-	-
Gross profit		23,107	20,544	8,630	7,431
Administrative expenses	6	(39,497)	(38,637)	(171,456)	(28,016)
Other income	7	97	70	100,000	58,000
Operating profit (loss)		(16,293)	(18.023)	(62,826)	37,415
Finance costs	8	(8,937)	(15,803)	(1,957)	(8,996)
Finance income	8	5,438	14,336	452	12,559
Profit/(Loss) before tax		19,792	(19,490)	(64,331)	40,978
Income tax expense	9	4,506	(17,226)	-	-
Profit/(Loss) after tax		(15,286)	(36,716)	(64,331)	
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**(15,286)**	**(36,716)**	**(64,331)**	**(40,978)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	The Group			The Company	
		Restated				
		2014 K'000	2013 K'000	1 Jan 2013* K'000	2014 K'000	2013 K'000
Current assets						
Cash and cash equivalents	15	73,977	112,343	113,183	33,809	9,148
Trade and other receivables	16	36,045	28,641	25,181	4,194	5,754
Inventories	17	8,307	13,516	28,848	-	-
Total current asstes		118,329	154,500	167,212	38,003	14,902
Non-current assets						
Due from related parties	18	-	-	-	14,685	103,266
Oil and gas and LNG assets	10,23	271,037	182,529	165,817	-	-
Deferred costs	12,23	399,776	179,117	137,051	-	-
Property, plant and					32,045	33,001
equipment	14	41,772	52,553	47,739	99,776	99,776
Investment in subsidiaries	21	-	-	-	278	630
Deposits		278	630	467	146,784	236,673
Total non-current assets		712,863	414,829	351,074	184,787	251,575
Total assets		831,192	569,329	518,286		
Current liabilities						
Trade and other payables	19	26,761	32,936	26,906	18,769	1,740
Income tax payable		10,993	51,691	35,133	-	-
Provisions	13	21,019	6,930	6,843	512	891
Borrowings	20	22,698	28,655	3,277	-	3,370
Total current liabilities		81,471	120,212	72,159	19,281	6,001
Non-current liabilities						
Other non-current liability		533	-	-	-	-
Borrowings	20,23	443,109	129,248	88,103	179	11,122
Net deferred tax liabilities	9,23	24,637	6,356	22,522	-	-
Provisions	13	17,493	29,079	26,761	1,037	631
Total non-current liabilities		485,772	164,683	137,386	1,216	11,753
Total liabilities		567,243	284,895	209,545	20,497	17,754
Net assets		263,949	284,434	308,741	164,290	233,821
Equity						
Share capital	22	1	1	1	1	1
Retained earnings	23	263,948	284,433	308,740	164,289	233,820
Total equity		**263,949**	**284,434**	**308,741**	**164,290**	**233,821**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

The Group

	Notes	Share Capital K'000	Retained Earnings K'000	Share Capital K'000
Balance at 1 January 2013		1	316,273	316,274
Prior year adjustment	23	-	(7,533)	(7,533)
Restated balance at 1 January 2013		1	308,740	308,741
Prior period reclassification of deferred costs	23	-	12,860	12,860
Loss for the year- restated		-	(36,716)	(36,716)
Dividend paid		-	(450)	(450)
Balance at 31 December 2013		1	284,434	284,835
Loss for the year		-	(15,286)	(15,286)
Dividends paid		-	(5,200)	(5,200)
Balance at 31 December 2014		1	**263,948**	**263,949**

The Company

	Notes	Share Capital K'000	Retained Earnings K'000	Share Capital K'000
Balance at 1 January 2014		1	193,292	193,293
Profit /(loss) for the year		-	40,978	40,978
Dividends paid		-	(450)	(450)
Balance at 31 December 2014		1	233,820	233,821
Profit/(loss) for the year	23	-	(64,331)	(64,331)
Dividends paid		-	(5,200)	(5,200)
Balance at 31 December 2013		1	**164,289**	**164,290**

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	The Group 2014 K'000	The Group 2013 K'000	The Company 2014 K'000	The Company 2013 K'000
Cash flows from operating activities					
Receipts from customers and related parties		179,317	187,341	8,630	7,431
Payments to suppliers, employees and related parties		(188,389)	(165,256)	(63,327)	(73,378)
Cash provided by/(used in) operations		(9,072)	22,085	(54,697)	(65,947)
Tax paid		(15,333)	(16,109)	-	-
Interest received		1,737	2,136	366	1,790
Dividend received		-	-	100,000	58,000
Interest paid		(5,066)	(1,285)	(580)	(1,264)
Net cash provided by (used in) operating activities		(27,734)	6,827	45,089	(7,421)
Cash flows from investing activities					
Purchase of property, plant and equipment		-	-	-	-
Exploration & development		(4,066)	(32,737)		(305)
expenditures/deferred costs		(340,171)	(25,245)	(351)	-
Refund/(Payment) to short term deposits		40,999	(9,418)	(564)	-
Net cash used in investing activities		(303,238)	(67,400)	(915)	(305)
Cash flows from financing activities		-			
Dividend paid		(5,200)	(450)	(5,200)	(450)
Borrowings		297,807	44,533	(14,313)	171
Other non-current borrowings		-	15,649	-	-
Investment in subsidiaries		-	-	-	(48)
Net cash provided by financing activities		292,607	59,732	(19,513)	(327)
Net decrease on cash and cash equivalents		(38,365)	(841)	24,661	(8,053)
Cash and cash equivalents					
Beginning of year		112,342	113,183	9,148	17,201
End of year	24	**73,977**	**112,342**	**33,809**	**9,148**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. General information

Petromin PNG Holdings Limited (the Company) was established for purposes of the Petromin PNG Holdings Limited Authorisation Act (Petromin Act 2007) and was also incorporated in Papua New Guinea under the Companies Act 1997. The Company holds in trust, manages, nurtures and grows the assets in petroleum and mining projects on behalf of the Government of Papua New Guinea ("the State") and its people. The Company was established in order to retain legal title to assets that are beneficially owned by the State. The Prime Minister honorable Peter O'Neill is the registered shareholder of the Company. The share is held on behalf of and in trust for the State subject to the constitution of the Company and The Trust Deed of 6 June 2007.

Petromin PNG Holdings' registered office and its principal place of business is located at Level 3, Petromin Haus,Section 45, Lot 5,Sir Hubert Murray Highway, Port Moresby, National Capital District.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but did not have a significant impact on the entity:

- Amendments to IFRS 10: Consolidated financial statements, IFRS 12 and IAS 27 for in vestment entities
- Limited scope amendment to IAS 36: Impairment of assets
- Amendments to IFRS 32: Financial instruments: Presentation – offsetting financial assets and financial liabilities
- Amendments to IAS 39, Financial Instruments: recognition and measurement in relation to novation of derivatives.
- IFRIC 21: Levies in relation to the clarification of obligating event.

2.2 New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2014 and not early adopted

- Narrow scope amendment to IAS 19 regarding defined benefit plans
- Annual improvements 2012
- Annual improvements 2013
- Amendment to IFRS 11 Joint arrangements on acquisition of an interest in a joint operation
- Amendment to IAS 16 Property, plant and equipment and IAS 41 Agriculture, regarding bearer plants
- Amendment to IAS 16 and IAS 38 on depreciation and amortisation based on revenue
- IFRS 14: Regulatory deferral accounts
- Amendments to IAS 27 Separate financial statements on the equity method
- Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in as sociates and joint ventures

2.2 New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2014 and not early adopted (continued)

- Annual improvements 2014
- IFRS 15: Revenue from contracts with customers
- IFRS 9: Financial Instruments on the classification and measurement of financial assets and liabilities, hedge accounting and recognition of impairment losses

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of Petromin PNG Holdings Limited and its subsidiaries (the Company) has been prepared in accordance with the Papua New Guinea Companies Act 1997 and comply with International Financial Reporting Standards (IFRS), including International Financial Reporting Interpretations Committee (IFRIC) interpretations, and other generally accepted accounting practices in Papua New Guinea.

The functional currency used is Papua New Guinea kina (PGK) and figures rounded off to the nearest thousands.

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degrees of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.28.

3.1.1 Restructure of the Group

The National Government made a policy decision in 2013 to restructure its interests in mineral and petroleum projects including the restructure of the company and its interests mineral and petroleum projects. The detail of actual implementation of this policy decision and its financial implications remained uncertain at that time.

Subsequent to the year end, the National Government through the National Executive Council made a decision (No 93/2015) dated 29 April 2015.This decision approved the drafting instructions for the draft legislations including Kumul Mineral Holdings Authorisation Act 2015 and approved the distribution of the legislations to Parliament once drafted by the legislative counsel. As part of this legislative process Petromin PNG Holdings Limited Authorisation Act 2007 will be repealed.

3.1.1 Restructure of the Group (continued)

It is expected that the company will continue to operate as Kumul Mineral Holdings Limited ("KMHL") under the new legislation and will hold the State's back in right in all mineral projects. The Petroleum assets currently owned by the Company are expected to be transferred to Kumul Petroleum Holdings Limited and the commercial negotiations for such transfers are currently ongoing. However, the details regarding the timing and the financial implications of such transfers are not finalised at the current time and it may have impact on the carrying value of the petroleum assets when such details are finalised.

The financial statements have been prepared as a going concern on the basis that:

- The company will continue to operate under new legislation as Kumul Minerals Holdings Limited and it will hold all of the State's share of mineral interests

- Company's current interests in Petroleum assets will continue to be held by Kumul Minerals Holdiings Limited until such time the minerals interests generate income for the group or other alternative arrangements are put in place.

- The petroleum assets currently held by the company will be eventually transferred at fair value.

The Company continues to engage with a broad range of its stakeholders in order to determine an optimal restructuring solution. The directors believe that the Group will be successful in its efforts and have prepared the financial statements on that basis. However, the outcome of the legislative proceedings remains uncertain at the time of finalising the group financial statements and represents a material uncertainty for the Company and the Group. "

3.2 Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identificable net assets adquired is recorded as part of retained earnings.

If the cost of the acquisition is less than fair value of the net assets for the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The consolidated financial statements include the financial statements of the Company and its subsidiaries controlled by the Company. Subsidiaries are consolidated from the date on which every effective control is obtained and are no longer consolidated from the date of disposal.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions.

3.4 Foreign currency

(a) Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').These consolidated financial statements are presented in Papua New Guinea Kina (Kina), which is the Group's functional and presentation currency.

(b) Transactions and balances

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Kina using the exchange rates in effect at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are restated at the year-end exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items measured at cost in foreign currencies are translated using the historical exchange rates at the date when the costs are determined.

3.5 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three or less from dates of acquisition and that are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Short term investments are short term placements with local banks with original maturities of more than three months. The short-term investments can be withdrawn at any time the need to fund operational bank accounts arise.

3.6 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision recognized in the statement of comprehensive income is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

i. materials, which include drilling and maintenance stocks, are valued at the cost of acquisition; and
ii. petroleum products, comprising extracted crude oil and condensate stored in tanks and pipeline systems, are valued using the full absorption cost method.
iii. Inventories of broken ore, concentrate, work in process and metal comprises direct material, labour and transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the year in which such inventories were produced.

Net relisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Low value by-products which are obtained as a result of the production process for a primary product are valued at net realisable value with that value being offset against the cost of producing the main products. Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

3.7 Inventories (continued)

Replacement and capital (or circulating) spare parts are capitalised, and depreciated over the same remaining life as the equipment with which they are associated.

3.8 Oil and gas assets

The cost of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and on-going costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and building.

Costs in relation to producing areas are amortized on a production output basis.

3.9 Deferred costs

(a) Mining

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which rights of tenure are current and where:

i. such costs are expected to be recouped through successful development and exploitation of area of interest, or
ii. exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relations to the area are continuing.

(b) Oil and gas

Exploration and evaluation expenditures are accounted for under the successful efforts method. Exploration licence acquisition costs for established areas are initially capitalised except for new unexplored areas which are expensed as incurred. For exploration wells, costs directly associated with the drilling of wells are initially capitalised pending evaluation of whether potentially economic reserves of hydrocarbons have been discovered. Costs are expensed where the well does not result in the successful discovery of potentially economically recoverable hydrocarbons, unless the well is to be used in the recovery of economically recoverable hydrocarbons.

3.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment, if any. Historical cost includes expenditures that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred

3.10 Property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of each asset less residual value over its estimated useful life as follows:

Buildings	20% and 3%
Plant and equipment	20%
Office equipment	10% - 20%
Furniture and Fittings	7.5%
Motor Vehicles	20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income.

3.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12 Trade and other payables

Trade and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are measured at amortised costs, normally equal to its nominal amount.

3.13 Provisions

A provision for restoration and rehabilitation is recognized when the Group has a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites/wells and restoring the affected areas.

Provisions are measured at the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

3.14 Financial assets

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss; (b) loans and receivables; (c) held-to-maturity investments; and (d) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At balance date the Group did not have financial assets in categories (a) and (c).

a) Classification

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables consist of trade and other receivables and cash and cash equivalents.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

3.14 Financial assets

b) Initial recognition and derecognition

Regular purchases and sales of investments are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statements of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership

c) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the statements of income within 'other operating income' in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in the statements of income as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

d) Determination of fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3.15 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

3.15 Employee benefits

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

3.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

The following specific recognition criteria must be net before revenue is cocognised;

(i) Crude oil

Revenue from the sale of crude oil is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and benefits of ownership of sale of crude oil;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the crude oil sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Gold and silver

Gold and silver revenue is recognised upon delivery which is when the risks and benefits of ownership are transferred to the buyer, including when title passes.

(iii) Interest revenue

Interest revenue is recognised using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable.

(iv) Management fees

The core responsibility of Petromin PNG Holdings Limited (Petromin) is administration of various State owned petroleum and minerals assets. Petromin will manage the entities and incur related expenses. Petromin's expenses will be funded through a monthly management fee payable by the entities in accordance with the respective Management Services Agreements. Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement

(v) Dividends

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

3.17 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is rec ognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3.18 Cost and expenses

Cost and expenses are recognized when incurred.

3.19 Leases

Leases, where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to statements of income on a straight-line basis over the period of the lease.

3.20 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the group's consolidated financial statements in the year in which the dividends are approved by the shareholders.

3.21 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the Papua New Guinea income tax laws enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax liabilities are recognised to the extent that it is probable that future taxable temporary differences exists. The Group reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax liabilities.

3.22 Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.23 Related party relationships and transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3.24 Joint arrangements

Exploration development and production activities of the group are primarily carried on through joint arrangements with other parties. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint venture. The group has assessed the nature of its joint arrangements and determined that they comprise investments in joint operations.

3.25 Joint operations

The group has accounted for its direct rights and obligations by recognising its share of jointly held assets, liabilities, revenue and expenses.These have been incorporated in the financial statements under appropriate headings. Details of the joint operations are set out in note 11.

3.26 Comparatives

Comparative amounts are, where appropriate, reclassified so as to be comparable with the amounts presented for the current financial year.

3.27 Events after the balance sheet date

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3.28 Critical accounting estimates

In preparing the Group's financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates, assumptions and judgments used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent the summary of these significant accounting estimates, assumptions and judgments and their related impact and associated risks on the financial statements:

(a) Provision for restoration and rehabilitation

As part of the Groups's environmental and social responsibility for mining and petroleum operations, they will incur expenses to rehabilitate the environment operated in, so as to reduce hazards and to the extent possible allow regrowth to occur naturally in restoring the area back to former condition. The level of provision is based on past spending for rehabilitated areas and other factors such as labor and equipment usage estimated by external consultants and contractors as quoted to management.

(b) Unit of production method

The Groups's oil and gas assets and mine development costs are amortized based on unit of production which the assets is expected to be available and productive. In making this judgment, the Group evaluates, among other factors, the recent exploration, evaluation and development associated with the production of proved reserves. It is possible, however, that future results of operations could be materially affected by changes in the expected production of proved reserves.

An increase in production of oil and gas would increase the amortization expense and decrease the costs of oil and gas assets as shown as non-current asset in the statement of financial position

(c) Estimated useful lives

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

(d) Allowance for impairment of inventories

Allowance for impairment of inventories is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is based on past experience and other factors affecting the impairment of inventory items. An evaluation of inventories, designed to identify potential changes to allowance, is performed in a continuous basis throughout the year. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future utilization. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. An increase in allowance for impairment of inventories would increase the Group's recorded expenses and decrease current assets.

(e) Foreign currency

The Group's transactions are denominated in Kina, US Dollar and Australian Dollar. Exploration costs are paid in Kina and US Dollar. On a monthly basis, the Kina transactions are greater than transactions denominated in US and Australian Dollar. The Board of Directors considers the Kina as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Kina is the currency of the primary economic environment in which the Group operates. It is the currency in which the Group measures its performance and reports its results.

As the indicators are mixed, management has applied its judgment in accordance with the Group accounting policy on foreign currency translation (Note 3.4) and has chosen Kina as the functional currency.

(f) Restructure

There is uncertainty related to the outcome of certain legislative proceedings in relation to a proposed restructure of the company and its interests in certain subsidiaries. Management has applied judgement as to the possible outcome and impact. Such estimation is based on the available draft legislation and other information available to management; See Note 3.1.1.

(g) Classification of joint arrangements

Each arrangements has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exits. Where the arrangement has the same legal form as joint operation but is not subject to joint control, the group accounts for its interest in accordance with the contractual agreement by recognizing its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. Summary of significant accounting policies (continued)
3.28 Critical accounting estimates (continued)

(g) Classification of joint arrangements

Each arrangements has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exits. Where the arrangement has the same legal form as joint operation but is not subject to joint control, the group accounts for its interest in accordance with the contractual agreement by recognizing its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

4. Revenue

		The Group		The Company	
		2014	2013	2014	2013
	Notes	K'000	K'000	K'000	K'000
Oil sales		120,166	126,686	-	-
Gold and silver sales		50,026	26,971	-	-
LNG sales		16,529	-	-	-
Management fees		-	-	8,630	7,431
		186,721	153,657	8,630	7,431

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continue)

5. Cost of Sales

		The Group		The Company	
		Restated			
		2014	2013	2014	2013
	Notes	K'000	K'000	K'000	K'000
Transport and logistic cost		28,452	25,346	-	-
Joint venture expenses		29,266	27,557	-	-
Direct mining cost		16,316	13,730	-	-
Mobile maintenance		9,261	8,387	-	-
Amortisation of oil and gas assets	10	25,349	15,719	-	-
Impairments		14,445	1,018	-	-
Provision for rehabilitation costs		4,760	2,580	-	-
Milling cost		8,160	7,744	-	-
Power generation & maintenance		7,170	6,750	-	-
Royalties		2,677	2,408	-	-
Development levy		1,768	2,047	-	-
Community relation expenses		1,025	751	-	-
Exploration costs	14	4,535	2,899	-	-
Depreciation		5,062	4,985	-	-
Stock movement		2,046	9,595	-	-
Other operating expenses		3,322	1,597	-	-
		163,614	133,113	-	-

6. Administrative expenses

	The Group		The Company	
	2014	2013	2014	2013
	K'000	K'000	K'000	K'000
Staff costs	23,019	22,283	16,566	18,071
Consultancy and professional fees(i)	3,325	2,792	1,851	1,839
Travel & accommodation	575	1,215	575	1,215
Office and property rental	1,225	1,295	-	-
Board expenses	1,717	1,397	1,418	1,341
Insurance cost	1,458	1,714	886	816
Utilities	1,383	1,492	812	806
Mining levies	626	609	-	-
Bank charges	199	293	31	59
Sponsorships and donations	1,276	451	17	268
Subscriptions	285	234	259	234
Repairs and maintenance	306	207	306	207
Conference	414	116	414	116
Transport and fuel	256	209	256	209
Licence fees	84	106	-	-
Provision for doubtful debts – related parties	-	-	145,125	-
Other operating costs	3,349	4,224	2,939	2,835
	39,497	38,637	171,455	28,016

(i) Consultancy and professional fees include auditor's remuneration as follows:

	The Group		The Company	
	2014	2013	2014	2013
	K'000	K'000	K'000	K'000
Audit fees	395	413	224	95
Taxation fees	-	37	-	37
	395	450	224	132

7. Other income

	The Group		The Company	
	2014	2013	2014	
	K'000	K'000	K'000	
Dividend/ other income	97	70	100,000*	58,000*

*The dividend relates to intercompany dividend paid by Eda Oil Limited.

8. Finance costs and income

	The Group		The Company	
	2014	2013	2014	
	K'000	K'000	K'000	
Finance costs	(1,870)	(11,187)	(1,346)	(7,647)
Foreign exchange losses	(5,920)	(1,264)	(422)	(1,264)
Interest expenses	(1,147)	(3,352)	(189)	(85)
Borrowing costs	(8,937)	(15,803)	(1,957)	(8,996)
Finance income	3,701	11,672	-	10,769
Foreign exchange gains	1,737	2,664	452	1,790
Interest revenue	5,438	14,336	452	12,559

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continue)

9. Current and deferred taxes

Reconciliation between the provision for income tax computed at the statutory tax rate (50% and 30%) and the actual income tax provision as shown in the statements of income for the years ended December 31 follows:

	The Group		The Company	
	Restated			
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Profit/(Loss) before tax	(19,792)	(19,490)	(64,329)	40,978
Prima facie tax at 30%	(5,937)	(5,847)	(19,299)	12,293
Add (deduct): Amounts not deductible (taxable) in the calculation of taxable income:				
Deferred tax assets not recognised	20,320	528	49,299	-
Income not taxable	-	-	(30,000)	(12,293)
Effect of difference in subsidiary tax rate	10,561	13,190	-	-
Othe permanent differences	11,150	528	-	-
Previous year (over)/under provisions	(40,600)	(15,278)	-	-
Income tax expense/(income) for the year	(4,506)	17,226	-	-

The details of income tax expense as shown in the statements of income for the years ended December 31 follows:

Current	17,812	33,392	-	-
Movement in deferred tax balances	18,282	(16,166)	-	-
Prior year over statement	(40,600)	-	-	-
	(4,506)	17,226	-	-

The movements in the net deferred income tax assets/(liabilities) is as follows:

	The Group		The Company	
	Restated			
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Opening balance at beginning of the year	(6,356)	(22,522)	-	-
Movement during the year	(18,281)	16,166	-	-
	(24,637)	(6,356)	-	-

9. Current and deferred taxes (continued)

The movements in the net deferred income tax assets/(liabilities) is as follows:

	The Group		The Company	
	Restated			
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Deferred tax liabilities :				
Unrealised foreign exchange loss and provisions	-	3,376	-	-
Deferred tax on site restoration	7,618	7,618	-	-
Provision for audit fee	22	57	-	-
Carried forward losses	-	-	-	-
Fixed assets / Oil and gas assets	(32,277)	(17,407)	-	-
	(24,637)	(6,356)	-	-

10. Oil and gas assets

	The Group		The Company	
	Restated			
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Cost or valuation:				
At 1 January	399,360	366,928	-	-
Additions during the year	8,501	32,432	-	-
Transfers from deferred costs	105,355	-	-	-
At 31 December	513,216	399,360	-	-
Accumulated amortisation:				
At 1 January	216,830	201,112	-	-
Amortisation for the year	25,349	15,719	-	-
At 31 December	242,179	216,831	-	-
Net book amount	271,037	182,529	-	-

11. Joint arrangements

The Group participates in various petroleum projects in the Southern Highlands Province of Papua New Guinea through joint arrangements. The principal activities of the joint arrangements include the exploration and production of hydrocarbons,mining projects in the Bismark Sea in Papua New Guinea and deep sea exploration for copper.

The Group's interests is as follows:

	2014 K'000	2014 K'000
Petroleum Development License – Moran Oil Fields. (This equates to an 11.275% interest in PDL 5)	20.5%	20.5%
PNG Liquefied Natural Gas – South East Hedina Fields	0.203%	0.2037%
Solwara 1 - Deep Sea Bed Mining – Bismark Sea	15%	15%
Elk/Antelope LNG Project	22.5%	22.5%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continue)

12. Deferred costs

	The Group		The Company	
	Restated			
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Petroleum assets				
Deferred restoration costs (i)	4,048	7,575	-	-
Investment in LNG FEED (ii)	105,355	95,829	-	-
Transfers to Oil & Gas Assets	(105,355)	-	-	-
Exploration and development costs (iii)	49,033	49,033	-	-
Sub Total – Petroleum deferred costs	53,081	152,437		
Mining assets				
Precious metal exploration (iv)	15,774	10,660	-	-
Impairment Tolukuma Gold Mine costs (iv)	(4,665)	-	-	-
Exploration and development costs (v)	335,586	16,020	-	-
Sub Total – Mining deferred costs	346,695	26,680		
Total deferred costs	**399,776**	**179,117**	**-**	**-**

(i) Provision for well site restoration of Eda oil.
(ii) Relates to exploration and feed expenses of PNG LNG through Kumul LNG Limited.
(iii) Exploration costs in Elk Entelope operated by InterOil through Eda LNG Limited.
(iv) Relates to exploration costs of Eda Minerals Limted. A pre-tax impairment charge of K4.7 million (post-tax 3.3 million) was recognised during 2014 primarily related to the Tolukuma Gold Mine Ltd's deferred rehabilitation costs and mining development costs.
(v) Exploration costs in Eda Kopa for Solwara 1 project operated by Nautilus, Eda LNG Stanley, Petromin Energy and Eda Energy for the New Ireland Basin licenses.

13. Provisions

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Current				
Employee entitlements	1,339	1,758	512	891
Royalties	2,155	2,982	-	-
Mining levy	1,726	2,190	-	-
Rehabilitation and restoration costs(i)	15,799	-	-	-
	21,019	6,930	512	891
Non-current				
Long service leave	2,256	2,803	1,037	631
Rehabilitation and restoration costs(i)	15,237	26,276	-	-
	17,493	29,079	1,037	631
Total provisions	38,512	36,009	1,549	1,522
Provision for rehabilitation and restoration costs				
Balance at 1 January			26,276	23,694
Provisions			4,760	2,582
Balance at 31 December			31,036	26,276

13. Provisions

Provision for restoration relates to the estimated costs associated with the restoration of sites for Tolukuma Gold mines Limited based on a report dated 1 January 2012 by external consultants, ENV Asia Pte Limited of Singapore. The cost is capitalised and will be amortised based on the expected life of mine using straight line method. In 2014 the company recognised additional provision based on the revised mine closure plan. Also included in the provision for restoration are the estimated costs associated with the restoration of sites for Eda Oil Limited operations that will be incurred at the conclusion of the economic life of the producing assets in which the company holds a participating interest. In 2014, the company did not recognise any additional provision based on the operator's report. The K31.036 million comprises K15.799 million and K15.237 million for Tolukuma and Eda Oil respectively.

14. Property, plant and equipment

(a) The Group

	Land & Building at Cost K'000	Motor Vehicles at Cost K'000	Furniture & Fittings at Cost K'000	Plant & Equipment at Cost K'000	Office Equipment at Cost K'000	Capital work-in Progress at Cost K'000	Total K'000
Cost							
At 1 January 2014	39,729	6,002	2,199	98,536	5,980	6,816	159,262
Additions	125	179	40	-	119	1,883	2,346
Transfers to/(from) Capital work in progress	-	146	-	3,359	99	(3,604)	-
Disposals	-	(1,703)	-	(7,216)	-	(939)	(9,858)
At 31 December 2014	39,854	4,624	2,239	94,679	6,198	4,156	151,750
Accumulated depreciation							
1 January 2014	(9,832)	(5,088)	(1,167)	(86,880)	(3,742)	-	(106,709)
Depreciation	(833)	(554)	(107)	(3,169)	(399)	-	(5,062)
Write back on disposal	-	1,703	-	7,151	-	-	8,854
Impairment loss	-	-	-	(5,159)	-	(1,902)	(7,061)
31 December 2014	(10,665)	(3,939)	(1,274)	(88,056)	(4,141)	(1,902)	(109,978)
Net book amount 2014	29,189	685	965	6,623	2,057	2,254	41,772
Net book amount 2013	29,897	914	1,032	11,657	2,236	6,817	52,553

14. Property, plant and equipment (continued)

(b) The Company	Land & Building at Cost K'000	Motor Vehicles at Cost K'000	Furniture & Fittings at Cost K'000	Office Equipment at Cost K'000	Total K'000
Cost					
At 1 January 2014	32,031	1,121	1,358	3,116	37,626
Additions	125	179	40	118	462
Disposals	-	(111)	-	-	(111)
At 31 December 2014	32,156	1,189	1,398	3,234	37,977
Accumulated depreciation					
At 1 January 2014	2,176	660	312	1,477	4,625
Charges	800	209	107	302	1,418
Disposals	-	(111)	-	-	(111)
At 31 December 2014	2,976	758	419	1,779	5,932
Net book amount 2014	29,180	431	979	1,455	32,045
Net book amount 2013	29,855	461	1,047	1,638	33,001

15. Cash and cash equivalents

	The Group 2014 K'000	The Group 2013 K'000	The Company 2014 K'000	The Company 2013 K'000
Cash at bank	58,968	56,339	31,952	7,865
Petty cash	10	6	16	6
Short term deposits	14,999	55,998	1,841	1,277
Cash and cash equivalents	73,977	112,343	33,809	9,148

16. Trade and other receivables

	The Group 2014 K'000	The Group 2013 K'000	The Company 2014 K'000	The Company 2013 K'000
Trade receivables	23,571	19,025	-	-
Prepaid expenses	8	40	8	40
Other receivables	12,466	9,576	4,186	5,714
	36,045	28,641	4,194	5,754

17. Inventories

	The Group 2014 K'000	The Group 2013 K'000	The Company 2014 K'000	The Company 2013 K'000
Gold in circuit	1,496	3,328	-	-
Oil stock	2,321	563	-	-
LNG/Condensate	108	-	-	-
Consumable stock	12,990	15,466	-	-
Impairment	(2,718)	-	-	-
Less: Allowance for inventory obsolescence	(5,890)	(5,841)	-	-
	8,307	13,516	-	-

18. Related party transactions and balances

During the financial year, the following transactions occurred between related parties:

- Management fees to Petromin PNG Holdings Limited from Eda Oil Limited of K8.1 million and K0.5 million from Eda Kopa (Solwara) Limited.

The group in its regular conduct of its business has entered into transactions with its subsidiaries consisting of cash advances and reimbursements of expenses and managements. Balances arising from these transactions outstanding at the reporting date are as follows:

	The Group 2014 K'000	The Group 2013 K'000	The Company 2014 K'000	The Company 2013 K'000
Non-current				
Due from subsidiaries				
Tolukuma Gold Mine Limited	-	-	145,125	78,438
Provision for Doubtful debts	-	-	(145,125)	-
Eda Oil Limited	-	-	-	213
Eda Minerals Limited	-	-	4,780	3,526
Kumul LNG Limited	-	-	-	2,274
Eda LNG Limited	-	-	2,454	2,444
Eda Kopa Limited	-	-	2,946	12,117
Eda LNG (Stanley) Limited	-	-	177	169
Eda Energy Limited	-	-	2,351	2,211
Petromin Energy Limited	-	-	1,977	1,874
	-	-	14,685	103,266
Current				
Due to subsidiaries				
Eda Oil Limited	-	-	-	-

Directors' remuneration

	Short-Term employee benefits			Post-employment benefits				Share-based payment			
								Equity - settled			
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Other	Other fees/ benefits	Term-nation benefits	Shares & units	Options & rights	Cash settled	**Total**
	K	K	K	K	K	K	K	K	K	K	K
Petromin											
Sir Brown Bai, KBE, CBE, CSM Chairman	115,000	-	-	-	-	34,483	-	-	-	-	149,483
Thomas Abe	96,250	-	-	-	-	-	-	-	-	-	96,250
Peter Pokawin (FAC)	20,000	-	-	-	-	-	-	-	-	-	20,000
Ian Goddard	260,183	-	-	-	-	-	-	-	-	-	260,183
Sumasy Singin, OBE	23,750	-	-	-	-	-	16,321	-	-	-	40,071
Jerry Wemin	98,500	-	-	-	-	-	-	-	-	-	98,500
William Searson, CBE	152,778	-	-	-	-	34,483	-	-	-	-	187,261
Muri Bin Muhammad	32,117	-	-	-	-	-	16,473	-	-	-	48,590
Richard Tengdui	197,000	-	-	-	-	34,483	-	-	-	-	231,483
	995,578	-	-	-	-	**103,449**	**32,794**	-	-	-	**1,131,821**

18. Related party transactions and balances (continued)

Key management compensation

Key management personnel comprises of the Petromin PNG Holdings Limited Board of Directors and Petromin Executive management team.

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Salaries and wages	5,154	5,142	5,154	5,142
Other short term benefits	-	-	-	-
	5,154	5,142	5,154	5,142

19. Trade and other payables

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Current				
Trade payables	26,710	32,923	8,625	1,724
Other creditors	51	13	48	16
Payable to subsidiaries	-	-	10,096	-
	26,761	32,936	18,769	1,740

20. Borrowings

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Current				
Current	-	1,349	-	-
Bank Loan – ANZ	-	2,021	-	-
ANZ Lease	22,698	25,285	-	22,698
Bank Loan – ANZ	22,698	28,655	-	22,698
Non current				
Bank Loan – ANZ	-	11,122	-	11,122
Bank Loan – ANZ	34,792	50,568	-	-
Bank Loan – BSP	330,483	-	-	-
ANZ Lease Motor Vehicles	179	-	179	-
Gloco Loan	77,655	67,558	-	-
	443,109	129,248	179	11,122

Bank South Pacific Facility – Eda Kopa Solwara 1 Project

On April 24 2014, the Group secured a loan facility to fund acquisition as State Nominee of 15% participating interest in JV Project 1 Solwara. The facility limit as at December 31, 2014 was PGK 375 million for a term of seven years. As at December 31, 2014, K314 million had been drawn down with interest accruing for the year amounting to K16.2 million.

Interest is charged at Indicator Lending rate published in Post Courier minus 3.45%, and the weighted

average interest rate was 10.3% for the year.

ANZ Revolving Crude Oil Facility

The ANZ bank pre-export finance facility of USD30million was entered into in December 2013 at interest rate of 4.5% (interest plus LIBOR) for 3 years. The first drawdown of USD15 million was made in December 2012 and second in February 2013. The balance at 31 December 2014 was K57.5 million equivalent to USD 21.9 mil (2013:K75.9 million is the Kina equivalent of the USD30 million).

Gloco Loan (Kumul LNG)

Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the "Borrower") was organised to conduct certain activities of the Project outside of PNG, including the borrowing and on-lending to the Participants of Senior Debt, and the purchase and re-sale of Project LNG and Project Liquids. The Borrower is owned by each Participant in a percentage equal to its Project Interest.
The aggregate carrying amount of borroewings is the Participant's share in a percentage equal to its Project Interest

21. Investment in subsidiaries

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Eda Oil Limited	-	-	40,030	40,030
Eda Minerals Limited	-	-	13,048	13,048
Eda LNG Limited	-	-	46,691	46,691
Petromin Energy	-	-	7	7
	-	-	99,776	99,776

*The company also has investments in Eda Kopa and Eda Energy Limited. The value of the shares in both subsidiaries is less than one thousand.

The group has the following subsidiaries at 31 December 2014:

Name of subsidiary	Shareholding	Country of Incorporation	Reporting date
Eda Oil Limited	100%	PNG	31 December
Eda Minerals Limited	100%	PNG	31 December
Eda LNG Limited	100%	PNG	31 December
Eda Kopa	100%	PNG	31 December
Eda Energy	100%	PNG	31 December
Petromin Energy	100%	PNG	31 December
Tolukuma Gold Mines Limited	100%	PNG	31 December

In the prior year, on performance of impairment analysis, Management, identified an impairment of 2013: K10.75 million was identified and processed in relation to Tolukuma Gold Mines Limited. This investment has been provided for in full as there was no active market or alternative impartial valuation method available.

22. Share capital

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
1 fully paid ordinary share @ K1.00	1	1	1	1

23. Prior Period Adjustments

Prior period adjustments – Oil and gas assets and Deferred Tax Liabilities

Balances reported in the prior year financial statements relating to the oil and gas assets were overstated due to an error in the computation of the amortisation charge computed using a unit of production method.

Errors in the computation of the deferred tax liability in prior years were also identified during the course of the year which resulted in an overstatement of the deferred tax liability in the previous year.

Futhermore deferred costs and borrowing costs were understated in the previous year as the interest cost relating to the Gloco loan was not recognised previously.

These errors have been subsequently corrected during the current year and the comparative balances restated.

The table below shows the impact of the prior period adjustments :

	31-Dec-13	Increase/ (Decrease)	December 2013 Restated	31-Dec-12	Increase/ (Decrease)	December 2012 Restated
Oil & Gas Assets and LNG Assets	240,620	(58,091)	182,529	217,618	(51,801)	165,817
Deferred costs	172,775	6,342	179,117	137,051	-	137,051
Other Borrowings	(61,216)	(6,342)	(67,558)	(45,567)	-	(45,567)
Net Defered tax liability	(70,047)	63,691	(6,356)	(66,790)	44,268	(22,522)
Net Assets	**278,834**	**5,600**	**284,434**	**316,274**	**(7,533)**	**308,741**
Retained earnings/loss	**(278,833)**	**(5,600)**	**(284,433)**	**(316,273)**	**7,533**	**-308,740**

Extract of the statement of Comprehensive Income

	31-Dec-13	Increase/ (Decrease)	December 2013 Restated
Cost of sales	126,824	6,289	133,113
Taxation expense	36,648	(19,422)	17,226

In December 2013, exploration costs incurred and expensed by the Group on behalf of non operation subsidiaries Eda Kopa, Petromin Energy, Eda Energy and Eda LNG (Stanley) amounting to K12.9 million were reclassified to deferred exploration costs.

24. Reconciliation of cash and cash equivalents

	The Group		The Company	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Cash and cash equivalents, net of bank overdrafts	58,978	56,345	33,146	7,871
Short term deposits	14,999	55,998	663	1,277
	73,977	112,343	33,809	9,148

25. Commitments for expenditure

a) Capital expenditure

Capital commitments outstanding as at 31 December 2014 is K34,386,519 being Eda LNG's share of cost in relation to capital expenditure the Elk Antelope Project. Under the new Kumul re-structure, this remaining commitment will be transferred to National Petroleum Company (Pty) Ltd (NPCP).

(b) Cancellable commitments

The Group has significant commitments in respect of its interest in PDL 5 through Eda Oil Limited and the Elk, Antelope project with InterOil Corporation. InterOil Corporation's commitment is considered voluntary and awaiting PDL issue. The Eda Oil (PDL-5) is binding under the existing Joint Venture Operating Agreement (JVOA).

26. Financial risk management

26.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rat e risk, cash flow interest rate and commodity price risk) ex, credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the Board of Directors (BOD). Management identifies and evaluates financial risks in close cooperation with the Group's local management.

The Group's financial assets and liabilities comprise of cash and cash equivalents, trade and other receivables, provisions and trade and other payables which arise directly from its operations.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates and oil prices.

The Group measures the market risk exposures by cash flow forecasting. There has been no change from the prior year to the types of market risks the consolidated entity is exposed to.

26. Financial risk management (continued)

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures primarily with respect to the US Dollar for oil sales and Australian Dollar for gold sales. Foreign exchange risk arises when recognized assets and liabilities and future commercial transactions are denominated in a currency that is not an entity's functional currency.

The Group's significant foreign currency denominated monetary assets and liabilities as of 31 December are as follows:

In US Dollars

	2014 K'000	2013 K'000
Cash	9,783	17,354
Trade receivables	9,428	7,524
Borrowings	(51,811)	-
Net foreign currency denominated assets	(32,600)	24,878
Year-end exchange rate	0.3855	0.3955
Kina equivalent	(84,565)	62,903

In Australian Dollars

	2014 K'000	2013 K'000
Cash	16,080	-
Trade receivables	-	-
Borrowings	-	6,178
Net foreign currency denominated assets	16,080	6,178
Year-end exchange rate	0.4737	0.4443
Kina equivalent	33,945	13,905

Foreign currency sensitivity analysis

The effect on profit (loss) for the period on reasonably possible changes in exchange rates are as follows:

	Net foreign currency denominated assets (liabilities)	Changes in foreign exchange rates	Effect on profit (loss) in Kina ('000
At 31 December 2014			
US Dollars	US$32,600	US$32,600	US$32,600
AU Dollars	AUD 16,080	AUD 16,080	AUD 16,080
At 31 December 2013			
US Dollars	US$7,524	+/- 10%	+/-K1.5
AU Dollars	(AU$6,178)	+/- 10%	+/-K1.2

26. Financial risk management (continued)

The sensitivity rates used represent the rates of exchange between the foreign currency exchange rate at 31 December 2014 and 2013 and the use of hypothetical foreign currency exchange rates determined 30 days from the reporting date, during which management is expected to receive or settle the Group's most significant financial assets or liabilities.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period according to computed percentage based on average movement of exchange rates during the year.

(ii) Interest rate risk

As the group has significant interest-bearing deposits, the group's income and operating cash flows are substantially dependent on the changes in market interest rates.

Interest earned from term deposit for 2014 was K1.7 million (2013: K 2.7 million) at an average interest rate of 2.5% (2013: 4.4%). A 100 basis point increase/decrease in the interest rate with all other variables held constant would have resulted in an increase/decrease of post-tax profit for the year of K0.680 million (2013 - K 0.510 million).

(iii) Price risk

The group is exposed to crude oil price and gold price fluctuations and it is not the group policy to hedge this exposure.

A 10% increase/decrease in the gold price, with all other variables held constant would have resulted in an increase/decrease in post-tax profit for the year of K14.8 million (2013 – K14 million).

A 10% increase/decrease in the oil price, with all other variables held constant would have resulted in an increase/decrease in post-tax profit for the year of K12.3 million (2013 – K11 million).

(b) Credit risk

The group uses an agent to ensure sales transactions are undertaken only with major oil companies. Payment terms are maintained at 30 days, in accordance with standard oil industry practice.

Gold sales are made direct to AGR Matthey Refinery. Payment terms are in accordance with standard industry practice.

The aging of the Group's financial assets at 31 December that are subject to credit risk are as follows:

	Carrying amount (K'000)	Neither past due nor impaired (K'000)
At 31 December 2014		
Cash and cash equivalents	73,977	73,977
Trade receivables	36,045	36,045
Deposits	278	278
	110,300	110,300

26. Financial risk management (continued)

26.1 Financial risk factors (continued)

The aging of the Group's financial assets at 31 December that are subject to credit risk are as follows:

	Carrying amount (K'000)	Neither past due nor impaired (K'000)
At 31 December 2014		
Cash and cash equivalents	112,342	112,342
Trade receivables	28,734	28,734
Deposits	630	630
	141,706	141,706

Neither past due nor impaired

(i) Cash and cash equivalents
To minimize credit risk exposure from its cash, the Company's cash in banks and short-term deposits are deposited in banks that normally have good credit ratings.

(ii) Trade receivables
The credit quality of receivables can be assessed by reference to past experience with the customer and its counterparty default rates. The customer has no significant credit and history of default risk. The account is fully collectible and no provision for allowance for doubtul was provided as of 31 December 2014 and not impaired (Note 16).

(iii) Other receivables
Other receivables consist of prepayments and goods and services tax and are deemed collectible by company management.

(iv) Deposits
This account consist of term deposits with commercial banks in Papua New Guinea and Australia.

(b) Liquidity risk
The Company aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities. Liquidity is not considered a significant risk to the Company as all its funds are held as cash in the bank. At 31 December 2014, the Company had K73.98 million in cash and cash equivalents (2013 – K112.3 million). The Company's financial liabilities are trade payables, other payables and current income tax set out in the balance sheet. These financial liabilities are expected to be settled within 12 months from the balance date.

Prudent liquidity risk management implies maintaining sufficient cash and funds. The Group aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets assets or the availability of funding through uncommitted credit facilities. Liquidity is not considered a significant risk to the Group as all its funds are held as cash in the bank. The Group only places funds in short-term placements which exceed the Company's cash requirements. Placements are made based on cash planning assumptions and covers only a short period of time.

The Group's current liabilities amounting to K81.5 million as of 31 December 2014 (2013 – K120 million) comprise of trade and other payables, current income tax payable and provisions. On the other hand, current assets amounting to K118 million as of 31 December 2014 (2013 – K155 million) comprise of cash and cash equivalents, trade and other receivables, inventories and income tax receivable. The Company aims to maintain flexibility in funding its operations through efficient collection strategies and maintaining sufficient and available cash.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year K'000	**Between 1 And 2 years K'000**	**Between 2 And 5 years K'000**	**Over 5 years K'000**
At 31 December 2014				
Trade and other payables	26,761	530	-	-
Borrowings	22,698	55,836	499,806	-
	49,459	56,366	499,806	-
At 31 December 2013				
Trade and other payables	32,937	61,216	-	-
Provisions	6,930	29,078	-	-
Borrowings	28,655	61,691	-	-
	68,522	151,985	-	-

26.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks or related parties and issue new shares or sell assets to reduce its debt.

27. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Finance Department with the cooperation of the Board of Directors that are used to make strategic decisions.

The management considers the business from a product perspective since these are operated in one geographic location. The business are segregated into investment, hydrocarbons and minerals.

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2014 is as follows:

	Investment	Hydro carbons	Minerals	Total
Revenue	-	136,695	50,026	186,721
Cost of sales	-	(57,991)	(105,623)	(163,614)
Gross profit	-	78,704	(55,597)	23,107
Administrative expenses	(19,295)	(2,094)	(18,108)	(39,497)
Other income	86	-	11	97
Operating profit/(loss)	(19,209)	76,610	(73,694)	(16,293)
Finance cost	(1,926)	(6,605)	(406)	(8,937)
Finance income	366	3,940	1,132	5,438
Profit (loss) before tax	(20,769)	73,945	(72,968)	(19,792)
Income tax credit/(expense)	-	1,590	2,916	4,506
Profit (loss) for the period	(20,769)	75,535	(70,052)	(15,286)

Impairments
Included in the cost of sales is an impairment loss recognized on the property plant and equipment of Tolukuma Gold Mine Ltd a 100% owned subsidiary of Petromin Holdings Limited. The impairment loss recognized amounted to K14,444,547.

Impairment followed management's decision to cease gold production, formalise staff redundancies and establish a mine closure plan.

28. Contingent liabilities

In 31 December 2014, the group had contingent liabilities in respect of legal claims arising in the ordinary course of business. The group has disclaimed liability in all cases and is vigorously defending these actions. It is not practical to estimate the potential effect of these claims but legal advice indicates that any liability that may arise in the unlikely event these claims are successful will not be significant. No provisions have been recorded in respect of these items in the consolidated financial statements for the year ended 31 December 2014.

29. Subsequent Events

Tolukuma Gold Mine Ltd
In March 2015, the Board of Directors resolved to cease production of gold effective April 2015 and place Tolukuma Gold Mine into care and maintenance pending the finalisation of the mine closure plan.

The assets of Tolukuma Gold Mine have been written down to their estimated recoverable amounts. This resulted in further impairment of K14,444,547.

Change in the state of affairs

Subsequent to the year end, in a Policy Decision No 93/2015 dated 29 April 2015, the NEC recommended that the Petromin Act be repealed and replaced by the Kumul Minerals Holdings Act. It is Directors' understanding that the Company will continue to operate under this new lesgislation as Kumul Minerals PNG Holdings Limited. Although the legislation is yet to be gazetted, according to the draft legislation Kumul Minerals Limited will hold the State's interests in all mineral projects. The Petroleum assets currently owned by the Company will be transferred to Kumul Petroleum Holdings Limited in due course. The actual implementation and the financial implications are yet to be assessed and quantified.

30. Approval of financial statements

The date the financial statements were approved by the board of directors and authorised for issue is shown in the directors' report.