

TIMOR-LESTE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (TL-EITI)

INDEPENDENT EITI RECONCILIATION REPORT FOR THE YEAR 2013

December 2015



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LIST OF ABBREVIATIONS

APT	Additional Profit Tax
BOE	Barrel of Oil Equivalent
CBTL	Central Bank of Timor-Leste
CMATS	Certain Maritime Arrangement In The Timor Sea
EITI	Extractive Industries Transparency Initiative
ESI	Estimated Sustainable Income
ETRS	East Timor Revenue Services
FTP	First Tranche Petroleum
GDP	Gross Domestic Product
GDS	General Directorate of Statistics
Govt	Government
IPMC	Interim Petroleum Mining Code
IUA	International Unitisation Agreement
JC	Joint Commission
JPDA	Joint Petroleum Development Area
LNG	Liquefied Natural Gas
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MPMR	Ministry of Petroleum and Mineral Resources
MSG	Multi-Stakeholder Working Group
NDPMR	National Directorate Petroleum and Minerals Revenue
NPA	National Petroleum Authority
O&G	Oil & Gas
PF	Petroleum Fund
PMC	Petroleum Mining Code
PSC	Production Sharing Contract
RDTL	Democratic Republic of Timor-Leste
SERN	Secretary of State for Natural Resources
SOE	State-Owned Enterprise
SPT	Supplemental Petroleum Tax
TDA	Taxes and Duties Act
TLEA	Timor-Leste Exclusive Area
TOR	Terms of Reference
TSDA	Timor Sea Designated Authority
TST	Timor Sea Treaty
UNTAET	United Nation Transition Administration in East Timor
VAT	Value Added Tax
WHT	Withholding Tax
ZOCA	Zone Cooperation Area

Messages

Message from Minister of Petroleum and Mineral Resources

Timor-Leste 2013 EITI Report is the country's second report after the issuance of 2013 new EITI Standards. The 2013 EITI Report was prepared with its best endeavour to comply with the 2013 EITI Rules with some adaptation to Timor-Leste's context. This can be evident with the inclusion of information regarding State Owned Enterprise, local content and Corporate Social Responsibility and Contextual Information has been further elaborated.

As an example, the reader will find that the Timor Leste Petroleum Fund investment return for 2013 reached \$865 million this was more than the amount of \$730 million, which was transferred to the state budget during 2013.

Timor-Leste's total petroleum produced 65,200,780 BOE in 2013 a reduction of 12.4% from the previous year.

The challenges of the new EITI standard are beginning to surface and it is testing the capabilities of the TL-MSG to meet the new standard and work out their differences in a timely manner.

During 2013 TL-MSG continued its engagement with the community through its dissemination workshops.

Congratulations to TL-MSG for the 2013 EITI Report.



Alfredo Pires

Alfredo Pires
Minister of Petroleum and Mineral Resources

Message from Timor-Leste Multi Stakeholder Group

It is with pleasure to announce that the MSG has approved to publish the 6th TL-EITI report which covers information for FY ending 31 December 2013. This is the second report published this year, following the publication of 5th TL-EITI report for FY ending 31 December 2012 in February 2015.

It was not an easy path to take, in particular to fully adopt the new EITI standard into both reports. The challenge was how to strike the balance between meeting the EITI requirements, especially on disclosure of information and the unique circumstances faced by Timor-Leste's extractive industry sector.

Apart from these two reports, Timor-Leste was one of the five countries chosen to undertake a pilot pre-validation project conducted by the International EITI Secretariat in November 2015. The result was not a pleasant one and the fact that with limited time for MSG to consider those findings in the 2013 report, the MSG decided to publish the 2013 at its current stage.

The MSG also decided in its meeting held on 15th and 22nd December to address those issues in 2016 through a publication of a supplemental report to address the pre-validation findings and recommendations in Q1 2016, including from 2012 and 2013 reports; also the need to develop a better work plan with clear timeframe to avoid delays and to better guide the MSG's discussion on issues related to the implementation of the EITI standards in Timor-Leste.

Industries

Government

Civil Society

Timor GAP

1. INTRODUCTION

1.1. Background

The Democratic Republic of Timor-Leste (RDTL) Extractive Industries Transparency Initiative Reconciliation exercise covering the period from 1 January to 31 December 2013, was carried out by Moore Stephens in accordance with our Service Contract dated 18 September 2014 and as approved by the Multi-Stakeholder Working Group (MSG).

It is the fifth Reconciliation Report since RDTL became an EITI compliant country on 1 July 2010. To date five (5) annual EITI Reports have been published covering the period from 1 January 2008 until 31 December 2012. A summary of the reports is shown below:

Year Covered	Publication Date	Sectors Covered	Government Revenues (USD million)	Company Payments (USD million)	Number of Companies Reporting	Reconciler
2008	October 2009	Oil & Gas	2,510	2,510	16	Deloitte
2009	February 2011	Oil & Gas	1,764	1,764	17	Deloitte
2010	November 2012	Oil & Gas	2,150	2,150	20	Moore Stephens LLP
2011	December 2012	Oil & Gas	3,453	3,453	20	Moore Stephens LLP
2012	February 2015	Oil & Gas / Mining	3,800	3,800	20	Moore Stephens LLP

Timeline

The MSG should undertake the validation process within October 2015. The following table summarises the timeline of the EITI in RDTL:

Year	Detail
2003	Government of RDTL announces Commitment to EITI.
2004	Production begins at Bayu-Undan oil well.
2005	Petroleum Fund of RDTL established by Law n°9-2005.
2006	Government invites formation of EITI Working Group.
2007	First meeting of EITI Working Group.
2008	ANP established by Law n°2-2008.
2008	EITI Secretariat established.
2008	RDTL becomes Candidate country.
2009	2008 EITI Report published.
2009	EITI Guidelines finalised by EITI Working Group.
2010	RDTL Designated Compliant country.
2011	2009 EITI Report published.
2012	2010 EITI Report published.
2012	2011 EITI Report published.
2015	2012 EITI Report published.
Oct. 2015	Deadline for next Validation.

1.2. Objective of the assignment

The assignment consisted of a detailed reconciliation of the payments made and declared by the extractive sector (hereafter referred to as “Companies”) with the revenue data provided by various entities and Entities of the Government of RDTL (hereafter referred to as “Government Entities”).

The overall objectives of the EITI reconciliation exercise is to:

- promote openness and accountable management of natural resources;
- strengthen government and company systems, inform public debate, and enhance trust;

- provide oversight and help RDTL citizens be informed about how much the Government of RDTL is receiving from their country's natural resources; and
- promote more openness around how RDTL manages its natural resource wealth, necessary to ensure that these resources can benefit all citizens.

1.3. Nature and extent of our work

The Reconciliation was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference (TOR) annexed to the Service Contract referenced RFP/01/MPRM-2014 and approved by the MSG.

We set out our findings in this report and associated appendices. The reconciliation procedures carried out were not designed to constitute an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements and as a result we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures other matters might have come to our attention that would have been reported.

The report provides a brief background, scope and objectives, our methodology and approach to the reconciliation process. It then provides details of our findings, recommendations for improvement and the way forward for the reconciliation process.

Our report incorporates information received up to and including 11 November 2015 relating to the year ended 31 December 2013. Any information received after this date is not included in our report. Confirmations which did not affect data or reconciliations that were received subsequently, have been included.

2. EXECUTIVE SUMMARY

2.1. Limitations to the reconciliation exercise

The work to be undertaken is set out in the TOR for the engagement. It includes obtaining contextual information from Government Entities. However, during our work we were unable to obtain the following information related to the extractive sector in RDTL:

- Data with regards to employment in the extractive industry in absolute terms and as a percentage of total employment, as this data is not required to be reported by the reporting template.
- Data with regards to production by commodity, as this data is not required to be reported by the reporting template.

However, and except for the effects of the matters described above, we can reasonably conclude that our Report duly covers all other aspects of the EITI Standard.

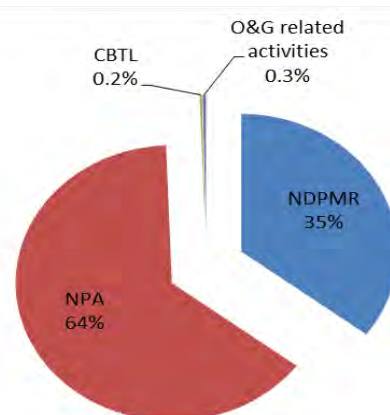
2.2. Revenue generated from extractive sector

RDTL revenues generated from the Extractive Sector decreased by **USD 529 Million** or **15%**, from **USD 3,583 Million** in 2012 to **USD 3,054 Million** in 2013.

The table below shows the split by type between 2012 and 2013:

Revenues generated from Extractive Sector	2013 USD Million	2012 USD Million	Variance USD Million	%
National Directorate Petroleum and Minerals Revenue (NDPMR)	1,150	1,600	(450)	-28%
National Petroleum Authority (NPA)	2,093	2,181	(88)	-4%
Central Bank of Timor-Leste (CBTL)	8	9	(1)	-8%
Revenues generated from Oil & Gas extractive activities	3,252	3,790	(538)	-14%
Revenues generated from Oil & Gas related activities (non extractive)	11	10	1	9%
Revenues generated from Oil & Gas Sector	3,263	3,800	(537)	-14%
Revenues generated from Mining Sector	0.04	0.04	(0.01)	-
Revenues generated from Extractive Sector	3,263	3,800	(537)	-14%
Part of the revenue allocated to Australia ¹	(209)	(217)	8	-4%
Part of the revenue allocated to RDTL	3,054	3,583	(529)	-15%

This variance is mainly explained by the decrease of payments received by NDPMR during 2013 **(-USD 450 Million)** especially through additional taxes² which decreased by **USD 249 Million**. We noted that the structure of the Extractive sector's Revenues is nearly the same as that of 2012. The diagram below shows the split of Extractive Sector Revenues received during 2013:



¹ According to the Timor Sea Treaty (TST) governing the Joint Petroleum Development Area (JPDA), Australia shall have title to 10% of petroleum produced in JPDA. Please refer to section 4.1.2.

² The additional taxes include other tax assessments and penalties.

2.3. Oil & Gas Production Data

Oil and Gas production have decreased by **9,266,232 barrels** or **12.4%** between 2012 and 2013. The table below summarises the Oil & Gas production during 2012 and 2013 split by field¹:

Field	2013	2012	Variance	
	Barrel (BOE)	Barrel (BOE)	Barrel (BOE)	%
Bayu-Undan	59,319,171	60,866,794	(1,547,623)	-2.5%
Kitan	5,881,609	13,600,218	(7,718,609)	-56.8%
Total	65,200,780	74,467,012	(9,266,232)	-12.4%

Bayu-Undan Field

As is the case with any oil and gas resources, production declines over time and this is true of the Bayu-Undan field, predominantly due to increasing water production from natural aquifer influx. ConocoPhillips' current forecast includes the drilling of additional wells to maintain alignment with the Bayu-Undan Development Plan and the long term gas contract that has Bayu-Undan gas fully contracted until the end of 2022.

Kitan field

Kitan oil production decline was mainly due to reservoir natural depletion and water production increase.

Production "In Kind"

Unlike other countries, production allocated to host country can be In-Kind, RDTL entitlement to production sold is in Dollar terms.

Value of production

Value of Production in barrel of equivalent is determined based on the average realised price in 2013 against the total volume produced for the relevant financial year.

It is important to note that value of production is a rough estimate derived from total production multiplied by the average price, it provides an indicative value only. The actual revenues collected is presented in Section 2.2 of this report.

NPA has published in its website Lafaek Database that contains information in relation to Bayu-Undan and Kitan field production, contracts, etc. This information is generally publicly accessible. Some contracts were not publicly available due to confidentiality concerns but summary explanations have been published in Jornal de Republica.

2.4. Completeness and accuracy of data

- A schedule of payments made to Government Entities, broken down by company was used as the basis for our reconciliation. All payments have been selected and approved by the MSG were included in the reconciliation.
- The list of the extractive companies selected by the MSG for the 2013 reconciliation exercise included 20 Oil and Gas companies.
- 18 Oil and Gas companies included in the reconciliation scope have retuned their reporting templates. They are listed as follows:

Oil and Gas companies	
Woodside Petroleum	Oilex Ltd
Eni JPDA 03-13 Ltd	ConocoPhillips (Timor Sea) Pty Ltd
Eni JPDA 06-105 Pty Ltd	ConocoPhillips (03-12) Pty Ltd

¹ Source: NPA.

Oil and Gas companies	
Eni Timor Leste S.p.A.	ConocoPhillips (03-13) Pty Ltd
Talisman Resources (JPDA 06-105) Pty Ltd	ConocoPhillips (03-19) Pty Ltd
Tokyo Timor Sea Resources	ConocoPhillips (Emet) Pty Ltd
Inpex Sahul Ltd	ConocoPhillips JPDA Pty Ltd
Inpex Timor Sea Ltd	AusAid
Santos JPDA (91-12) Pty Ltd	Timor Gap (11-106)

- 2 Oil and Gas companies included in the reconciliation scope have not returned their reporting templates. They are listed as follows:

Oil and Gas companies	
Japan Energy Corporation	Minza Oil and Gas Ltd

- All Government Entities included in the reconciliation scope have returned their reporting templates.
- On this basis, we can reasonably conclude that this Report duly covers all significant payments made, in 2013, by the extractive companies to the revenues of RDTL.

2.5. Payment Reconciliation

- The net difference between the payments declared by Oil and Gas companies and Government Entities, at the beginning of the reconciliation amounted to **USD 8,549,069** or **0.26%** of the total amount declared by the Government, which is detailed as follows:

Amounts in USD

	Oil and Gas companies	Government Entities	Difference	%
Total payments declared	3,260,408,233	3,251,859,164	8,549,069	0.26%

- At the end of our reconciliation, the remaining net differences amounted to **USD (465,032)** or **0.014%** of the total payments declared by the Government. This difference mainly relates to reporting templates not submitted by extractive companies.

Amounts in USD

	Oil and Gas companies	Government Entities	Difference	%
Total payments declared	3,251,498,861	3,251,963,893	(465,032)	-0.014%

- After adjustment, the net difference of **USD (465,032)** represents the aggregate of the positive differences amounting to **USD 19** and the negative differences of **USD (465,051)** which are detailed in Section 6.4 of this report.
- Details of adjustments made to the reporting entities' initial amounts and the unresolved residual differences are presented in Sections 6.3 of this report.
- We present in the tables below a summary of the unreconciled differences by company after the reconciliation work:

Amounts in USD

Company	Oil and Gas companies	Government entities	Difference
Minza Oil and Gas Ltd	-	429,368	(429,368)
Japan Energy Corporation	-	30,158	(30,158)
Non material differences relating to others companies	3,251,498,861	3,251,504,367	(5,506)
Total payments	3,251,498,861	3,251,963,893	(465,032)

The unreconciled differences is mainly due to companies that failed to submit their reporting template despite several reminders.

- We present in the table below a summary of the unreconciled differences by payment and by Government Entity after the reconciliation work:

Amounts in USD

Revenue stream	Oil and Gas companies	Government Entities	Difference
National Directorate Petroleum and Minerals Revenue (NDPMR)	1,149,903,151	1,150,284,052	(380,901)
Income Tax	603,177,015	603,177,540	(525)
Value Added Tax (VAT)	17,400,822	17,607,462	(206,640)
Withholding Taxes	12,449,944	12,608,587	(158,643)
Additional Profit Tax (APT)	491,040,635	491,041,244	(609)
Other taxes (Employee wages)	8,640,735	8,654,678	(13,943)
Additional Taxes	17,194,000	17,194,540	(540)
National Petroleum Authority (NPA)	2,093,308,510	2,093,392,641	(84,131)
FTP Royalty : Oil / Gas & Profit Oil / Gas	2,088,395,220	2,088,399,351	(4,131)
JPDA - Development Fee	3,901,950	3,901,950	-
JPDA - Contract Service Fee	880,000	960,000	(80,000)
TLEA - License / Surface Rental Fee	131,340	131,340	-
Central Bank of Timor-Leste (CBTL)	8,287,200	8,287,200	-
Pipeline fee (AusAid)	8,287,200	8,287,200	-
Total Basic payments	3,251,498,861	3,251,963,893	(465,032)



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29 December 2015

3. APPROACH AND METHODOLOGY

Prior to requesting data for the 2013 reconciliation process, we carried out a review of the scope of the EITI Report approved by MSG. We also prepared written instructions explaining how to complete and submit the reporting templates.

3.1. Opening meeting

Our assignment started on 22 September 2014 by an opening meeting with the RDTL-EITI Secretariat during which we were able to:

- discuss the objectives of the assignment;
- request all documents and information required for the scoping work;
- schedule all interviews to be conducted with key people of Government Entities and extractive companies.

3.2. Inception Phase

In accordance with our terms of reference, we carried out a preliminary analysis of the EITI reporting process to ensure that the scope was been clearly defined, including the reporting templates, data collection procedures, and the schedule for publishing the EITI Report. Our work included a review of the following:

- materiality threshold for receipts and payments;
- taxes and revenues to be covered;
- companies and Government Entities required to report; and
- assurances to be provided by reporting entities to ensure credibility of the data made available to us.

3.2.1. Meetings with Authorities and Companies

We conducted interviews with key officials of Government Entities and companies. During these meetings, we explained that this phase would involve understanding and documenting the size of RDTL Extractive industries, established practices and tax system and the payment flows within the extractive industry as well as the identification of all extractive companies and Government Entities involved.

In addition, we were able to identify the various taxes paid by the extractive companies, the nature of the information available within the various administrations and procedures implemented. Administrations and public entities contacted in this regard are as follows:

Organisation	Name	Function
RDTL-EITI Secretariat	Elda Guterres da Silva	National Coordinator
	Trifonio Flor Sarmiento	Outreach Officer
	Ana Paula de Araujo	Assistant Administration
	Sonia do Rosario Boavida	Administration Officer
Ministry Petroleum and Mineral Resources (MPMR)	Alfredo Pires	Minister of Petroleum and Mineral Resources
	Elga Anita Torrezao Pereira	Director National of Mineral
National Petroleum Authority (NPA)	Emanuel Angelo Lay	Commercial Director
	Oscar Sanches Faria	Senior Officer - Finance & Fiscal Assurance
National Directorate Petroleum and Minerals Revenue (NDPMR)	Agostinho Gregorio Ramos	Senior staff and Head of Compliance Department
	Filipe Nery Bernardo	Petroleum Fund Analysis
Central Bank of Timor-Leste (CBTL)	Fernando da Silva Carvalho	Chief Accountant
General Directorate of Statistics (GDS)	Paulina Rita Cruz Viegas	National Director of Economic and Social Statistics

We also held meeting with major operating companies in the Oil and Gas sector in RDTL and discussed on the type of payments made to the Government and the procedures implemented for preparation of tax declarations and collecting tax receipts. We also reviewed the problems encountered during the reconciliation work during previous years in order to ensure that the information requested in the reporting template would be available.

Companies visited during our inception phase are as follows:

Organisation	Name	Function
Woodside	Antonio Campos dos Santos	Country Representative and Community Relations Advisor
Eni	Angelina Baptista Branco	Country Representative
Timor-Gap	Luis Martins	Director of Business & Development
	Jacinta Paula Bernardo	Director of Corporate Service
	Francisco Alegria	Public Relation Advisor to the President & CEO

3.2.2. Data collection and analysis

Following interviews held with the entities referred to above, we obtained data which formed the basis of our preliminary analysis for the extractive sector in RDTL.

In order to understand and document the size of RDTL extractive sector, the tax systems and the payment flows, we collected relevant documents and gained an understanding of the following:

- the legislation applicable to the extractive sector;
- the structure of the extractive sector in RDTL, define its size and main stakeholders;
- statistics and financial indicators of the extractive sector in terms of production and contribution in RDTL's revenue performance;
- all changes which occurred during the reconciliation period with regards to legislation, new contracts or agreements that could impact the extractive sector; and
- the main conclusions and issues raised in the previous reconciliation reports.

In order to identify all payment flows as well as relevant entities in the extractive sector, we carried out the following:

- collection of all receipts made by the State from companies operating in the extractive sector;
- reconciliation of data collected from a sample of extractive companies with those provided by Government Entities;
- checking the list of companies included in the reconciliation scope of previous years to ensure comparability between all fiscal years;
- consolidation of revenues collected by Government Entities by type of flow and by company; and
- calculation of the impact of the consolidation results on the materiality analysis.

3.3. Reconciliation process

3.3.1. Data Gathering

A Reporting Template was prepared and approved by the MSG was sent to extractive companies and Government Entities to report all required data. This reporting template was sent by the Independent Reconciler electronically to the stakeholders. The companies and Government Entities were required to report directly to the reconciler, to whom they were also requested to direct any questions on the reporting template.

3.3.2. Data compilation and resolution of differences

The process of compiling data and resolving or justifying differences was carried out during November and December 2014. In carrying out the reconciliation, we performed the following procedures:

- figures reported by Oil and Gas companies were compared item-by-item to figures reported by Government Entities. As a result, all differences identified have been listed item-by-item in relation to each Government Agency and extractive company;
- where data reported by Oil and Gas companies agreed with the data reported by Government Entities, the Government figures were considered to be confirmed and no further action was undertaken; and
- the Government Entities and the Companies were asked to provide supporting documents and/or confirmation for any adjustments to the information provided on the original data collection templates.

For the purpose of the reconciliation work, we have retained the threshold of USD 10 thousand to define a material deviation of an individual financial flow. All discrepancies exceeding this amount will be investigated and will ultimately require the submission of justification from reporting entities in order to proceed with its analysis and adjustment.

In cases where we were unable to resolve differences, we asked additional supporting documentation evidencing the payments declared. In certain cases, these differences remained unresolved, which we have summarised in Section 6.4 of this report.

3.4. Reliability and credibility of EITI data

In order to comply with EITI standard and to ensure the reliability and credibility of data submitted:

- companies and Government Entities were requested to send their reporting templates signed by a Senior Official attesting that the reporting template is complete and based on accurate records; and
- all revenues declared by Government Entities were checked with different audit reports produced in relation to the Oil Sector in RDTL¹.

On this basis, we can reasonably conclude that this Report includes reliable and credible information about the revenues generated by the extractive sector in Timor-Leste.

3.5. Basis of reporting

The reconciliation has been carried out on a cash basis. Accordingly, payments made prior to 1 January 2013 have been excluded. The same applies to payments made after 31 December 2013.

¹ All payments receipts reported by Government entities has been subject to an Independent audit engaged by ANP on annual basis based on the Australian Auditing Standards.

4. OVERVIEW OF THE EXTRACTIVE SECTOR IN RDTL

4.1. Oil and Gas sector

4.1.1. Background and profile of the Oil and Gas sector in RDTL

The RDTL officially obtained its independence on 20 May 2002. RDTL's independence resulted from the August 1999 UN-sponsored referendum. Prior to 2002, the administration of RDTL was taken over by the UN through the United Nation Transition Administration in Timor-Leste (UNTAET). During the transition period, UNTAET represented RDTL's government to renegotiate the sharing of petroleum resources of the Joint Petroleum Development Area (JPDA).

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

TST created the Joint Commission (JC) to establish policies and regulations for petroleum activities in JPDA, together with the creation of the Timor Sea Designated Authority (TSDA). It was then replaced by the Zone Cooperation Area (ZOCA) under the Timor Gap period.

TSDA was headed by an Executive Director to administer the petroleum activities in JPDA. The Joint Commission comprises a minimum of one Australian representative and two Timorese representatives.

The National Petroleum Authority (NPA) was established by Decree n°20/2008. This public institute manages all petroleum explorations and exploitations in both jurisdictions namely JPDA and TLEA (Timor-Leste Exclusive Area).

4.1.2. Legal context

RDTL Oil and Gas sector consists of two (2) different jurisdictions with relevant legal framework: TLEA and JPDA.

The table below summarises the legal framework for each jurisdiction:

Jurisdiction	TLEA	JPDA
Overview	TLEA refers to the Territory of RDTL as defined by the Petroleum Act (Law No.13/2005) of RDTL. This Law provides that the petroleum operations in the territorial sea, together with its exclusive economic zone and continental shelf where, by international law, RDTL has sovereign rights for the purposes of exploring for and exploiting its Petroleum but excluding any onshore area.	The TST between the Governments of RDTL and Australia in 2002 established the JPDA in the Timor Sea. Under the Treaty RDTL and Australia jointly control, manage and facilitate the exploration and exploitation of the petroleum resources in the JPDA for the benefits of the people of RDTL and Australia.
Main legal framework for petroleum operations	1. Petroleum Activities Law (Law N°13/2005) 2. National Petroleum Authority (NPA) (Decree-Law N°2/2008) 3. Public Tendering in Respect of Petroleum Contracts Award (Decree-Law N°7/2005)	1. TST 2. Interim Petroleum Mining Code (IPMC) 3. Petroleum Mining Code (PMC) 4. Interim Regulations issued under Article 37 of the Interim Petroleum Mining Code 5. Interim Directions issued under Article 37 of the Interim Petroleum Mining Code 6. Interim Administrative Guidelines for the JPDA 7. Greater Sunrise - International Unitisation Agreement 8. Greater Sunrise - Memorandum of Understanding 9. Certain Maritime Arrangement In The Timor Sea Treaty (CMATS)
Existing Production Sharing Contracts (PSCs)	Block E PSC (PSC S06-04)	JPDA PSC 06-101 A / JPDA PSC 06-103 / JPDA PSC 06-105 / JPDA PSC 11-106 / JPDA PSC 03-12 / JPDA PSC 03-13 JPDA PSC 03-19 / JPDA PSC 03-20

National Petroleum Authority (NPA) (Decree N°2/2008)¹

Considering that petroleum resources owned by RDTL are a strategic component of its economy, and have potentially high economic value, if these resources are managed properly, they will generate significant revenues and direct benefits to the economy of the country. The RDTL Government created NPA in order to establish and supervise compliance with the enacted rules and regulations covering the exploration, development, production, transportation and distribution of petroleum and natural gas resources.

NPA is a public institute vested with administrative and financial autonomy, a budget and property rights of its own, that abides by the regulatory framework regulating the financial administration of autonomous self-financed institutions. The NPA's objective is to act as the regulatory authority for petroleum, gas and related industries, in accordance with the provisions of the Petroleum Activities Law, PMC and TST.

NPA has been preparing offshore technical regulation for the TLEA area to ensure proper guidelines on Health Safety and Environment and Safe operation. On the Downstream sector, NPA also finalised Downstream Decree Law, which is a Regulation related to downstream business.

In October 2013, a new Exploration license was granted to ENI JPDA 11-106 BV in JPDA ^(a). Operators in both jurisdictions focused mostly on 3D seismic, Geological and Geophysical studies.

^(a) Brief Note on how PSC 11-106 was awarded

The oil and gas sector in Timor-Leste consists of two different jurisdictions, which are the Timor-Leste Exclusive Area (TLEA) and the Joint Petroleum Development Area (JPDA). The PSC 11-106 is an offshore oil field that is located in the JPDA area. This PSC was granted to ENI JPDA 11-106 BV as the operator (incorporated under Netherlands Law) and its joint ventures such as Inpex Offshore Timor-Leste, Ltd (incorporated under Japanese Law), and Timor Gap PSC 11-106 Unipessoal Limitada (the National Oil Company) in October 2013. Each company holds shares as follow: ENI 40.533%, Inpex 35.467% and Timor Gap with 24%.

The basis for awarding this PSC was mainly because Eni as the operator of Kitan field, PSC 06-105, is obliged to relinquish the exploration area. Under the contract, the exploration area outside the development area shall be relinquished. However, the existing contract does not allow Eni to continue to retain such area. Eni - as the initial holder of the contract area - had identified the relinquished area as a prospective area for further development.

Eni approached the ANP in early 2012, indicating its interests to develop the relinquished exploration area of Kitan PSC. Both parties started to work on the "termsheet" in mid-2012 resulting in an agreed terms and conditions in the draft PSC negotiation.

One of the reasons that ANP decided to award this PSC to Eni directly, was based on the consideration that Eni has been working in the area for a significant amount of time with good understanding of the geological and petroleum systems in the JPDA. In addition, the participation of TIMOR GAP, E.P in this PSC was considered a milestone for the progress of the National Oil Company.

With the consent from the Joint Commissioners, PSC was awarded in April 2013, where the Contractor had 60 days to meet the requirements under the preceding conditions. The 22 October 2013 was declared as the PSC's effective date after the Contractor fulfilled all the requirements such as the completion of the Joint Operating Agreement, appointment of Operatorship, insurance and Parent Company Guarantee.

PSC 11-106 is currently at exploration stage. Two main prospects were identified as the hub for future development where the satellite fields will be linked back to the main hub.

The NPA Lafaeak Database has been publicly accessible since 2008 and contains information on contract, coordinates of license area, and the duration of license including production data on weekly update. For contract disclosure purpose, the NPA website is also publicly accessible.

¹ Source: Decree-Law n°2/2008 related to NPA.

Public Tendering in Respect of Petroleum Contracts Award in TLEA

Decree N°7/2005 establishes the general procedures for conducting public tenders in respect of the award of contract areas and entering into petroleum contracts. The table below summarises the main provisions of the Decree-Law on Public Tendering in Respect of Petroleum Contracts Award:

Reference	Main provisions / Details
Article 3 Petroleum contract	1. Petroleum contracts to be entered into with selected companies and/or groups of companies shall take the form of Production Sharing Contracts. (PSC)
Article 4 Bidding	1. The companies and/or groups of companies shall be selected on the basis of submitted bids.
Article 6 Advertising by public notice	1. The launch of a public tender in respect of petroleum contract awards shall be advertised by a provisional public notice, to be published in the Official Gazette, and in the media as the Minister of Natural Resources, Minerals and Energy Policy deems it appropriate, no later than 15 days before the launch of such a tender. 2. The final and definitive notice, which shall also be published in the Official Gazette, and in the media as MPRM ¹ deems it appropriate, shall be published no later than 45 days before the deadline for submitting bids.
Article 8 Assessment Committee	1. The assessment of submitted bids shall be made by an Assessment Committee ("the Committee") consisting of an odd number of members, not fewer than 5 and not more than 9. 2. Committee members are appointed by MPRM and include the Director of Petroleum, Gas and Energy. 3. Committee decisions are made in a plenary session by a majority vote, with a two-thirds quorum requirement.
Article 12 Notification and publication	1. The results of the assessment of bids are notified to the bidders within 3 business days of the date of approval of the report. 2. The decision approving the report, a brief note on the results of the assessment of bids and a substantial summary of the report shall be published in the Official Gazette, and in the media as MPRM deems it appropriate, within 10 business days of the date of approval.
Article 13 Challenge	1. Bidders for a given a contract area may file a claim against the approval decision regarding that contract area with MPRM, and the right to do so must be exercised within 10 business days of the date of the publication. 2. The claim shall be filed in writing, together with an indication of the grounds therefor. 3. All other bidders for the contract area shall be notified of the contents of the claim in order that they may, if they so wish, make a pronouncement within 5 business days of receiving the notice. 4. A decision regarding the claim shall be made within 10 business days of the date of expiry of the deadline mentioned in sub-article 13.3, with an indication of the grounds therefor and covering any claims and/or allegations that may have been made by other bidders. 5. The decision referred to in sub-article 13.4, and the grounds therefor, are published in the Official Gazette, and in the media as the MPRM deems it appropriate, within 15 business days of the date the decision is made.

Timor Sea Treaty (TST) governing the Joint Petroleum Development Area (JPDA)

TST was signed on 20 May 2002 and established the JPDA. RDTL and Australia shall jointly control, manage and facilitate the exploration, development and exploitation of the petroleum resources of JPDA for the benefit of the people of RDTL and Australia. The table below summarises the main articles related to TST:

Reference	Main provisions / Details
Article 4: Sharing of petroleum production	RDTL and Australia shall have title to all petroleum produced in JPDA of which 90% shall belong to Timor-Leste and 10% shall belong to Australia.
Article 22: Duration of the Treaty	TST shall be in force until there is permanent seabed delimitation between RDTL and Australia or for 50 ² years from the date of its entry into force, whichever is sooner. This Treaty may be renewed by agreement between RDTL and Australia.

Interim Petroleum Mining Code (Interim PMC)

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

¹ Previously known as Minister of Natural Resources, Minerals and Energy Policy (MNRMEP).

² This duration was initially for 30 years. However it was extended to 50 years by the Certain Maritime Arrangements in the Timor Sea (CMATS), Article 3.

PSC	Operator	Expiry Date ¹
03-12	ConocoPhillips	06/02/2022
03-13	ConocoPhillips	17/12/2021
03-19	Woodside Petroleum	03/10/2026
03-20	Woodside Petroleum	15/11/2026

The table below summarises the main articles related to the interim PMC:

Reference	Main provisions / Details
Article 4 Rights conferred by contract	PSC shall also specify within 30 days after the end of each calendar year, adjustments and cash settlements between the contractor and the Designated Authority shall be made on the basis of the actual quantities, amounts and prices involved, in order to ensure that the Designated Authority receives the correct share of petroleum production for each calendar year.
Article 17 Approval to produce petroleum	The contract operator shall not construct any production structures without the approval of the Designated Authority. The Designated Authority shall not unreasonably withhold approvals.
Article 18 Approval to construct pipeline	The contract operator shall not construct a pipeline for the purpose of conveying petroleum within or from JPDA without the approval of the Joint Commission (JC), nor shall the contract operator operate or remove that pipeline without the approval of the JC.
Article 32 Prospecting approval	The Designated Authority may issue a prospecting approval to any person to carry out petroleum exploration activities in blocks not in contract areas. The prospecting approval shall specify those conditions to which the person shall be subject. The conditions of a prospecting approval shall not include any preference for or rights to enter into a contract over those blocks. All data reports resulting from such activities shall be submitted to the Designated Authority for its own free use.
Article 41 Auditing of contractor's books and accounts	The contractor's books and accounts shall be subject to audit by the Designated Authority, which shall be conducted annually. The Designated Authority may issue regulations and directions with respect to the auditing of books and accounts.
Article 48 Termination of contracts	Where the contractor has not complied with the provisions of this PMC, the regulations and directions issued by the Designated Authority, or the terms of the contract, the Designated Authority may recommend to the JC that the contract be terminated. The Designated Authority shall give 30 days' written notice to the contractor of the Designated Authority's intention to recommend termination of the contract.

Petroleum Mining Code (PMC)

PMC was adopted in accordance with Article 7(a) of TST to govern the exploration, development and exploitation of Petroleum within JPDA, as well as the export of Petroleum from JPDA. PMC repealed the Interim PMC which continues to apply only in relation to PSC referred to above.

The contracts awarding process is similar to that provided by the Interim PMC but with the changes cited below:

- the applicant's proposals must be in respect of Health, Safety and the Environment ; and
- the applicant's proposals must be in respect of Training and Employment, and Local Goods and Services.

Otherwise, PMC does not give figures for fees contrary to the Interim PMC.

Greater Sunrise - International Unitisation Agreement (IUA)

The Greater Sunrise IUA regulates petroleum activities in the Unit Area and Unit Reservoirs²: Sunrise and Troubadour deposits, collectively known as Greater Sunrise).

The table below summarises the main articles related to the Greater Sunrise IUA:

Reference	Main provisions / Details
Article 7 Apportionment of Unit Petroleum	Production of Petroleum from the Unit Reservoirs shall be apportioned between JPDA and Australia according to the Apportionment Ratio 20.1 / 79.9 , with 20.1 respectively.
Article 4 Application of Laws	(a) TST shall be deemed to apply to petroleum activities within JPDA and petroleum activities attributed to JPDA pursuant to the Apportionment Ratio; (b) Australian legislation shall be deemed to apply to petroleum activities attributed to Australia pursuant to the Apportionment Ratio.

¹ Source: Interim Petroleum Mining Code, Article 7.

² Unit Area and Unit Reservoirs mean the area described in Annex I of the Greater Sunrise - IUA.

Reference	Main provisions / Details
Article 11 Taxation Applying in relation to Unit Property	For the purposes of company taxation, resource taxation, cost recovery and production sharing in relation to Unit Property: (a) receipts and expenditures for that part of production attributed to JPDA in accordance with the Apportionment Ratio shall be taxed in accordance with arrangements specified in the Timor Sea Treaty and elsewhere in the IUA; (b) receipts and expenditure for that part of production attributed to Australia in accordance with the Apportionment Ratio shall be taxed in accordance with Australia's domestic taxation arrangements.
Article 12 Development Plan	Production of petroleum shall not commence until a Development Plan for the effective exploitation of the Unit Reservoirs, which has been submitted by the Unit Operator and contains a programme and plans agreed in accordance with Joint Ventures' Agreements, has been approved by the Regulatory Authorities. The Unit Operator shall submit copies of the Development Plan to the Regulatory Authorities for approval.

Greater Sunrise - Memorandum of Understanding (MOU)

The Greater Sunrise MOU sets the fees value relating to the Unitisation of the Greater Sunrise which the Government of Australia will transfer to the Government of RDTL. These fees are set out in the table below¹:

Fee Due Date	Fee (USD)	Note	Frequency	Comment
At the beginning of installation of facilities in the Unit Area	1,000,000	In freely disposable United States currency free of exchange and service charges.	Per annum	The transfer of this sum will commence in the year in which installation of facilities in the Unit Area for the purposes of production begins or five years before production from the Unit Area is scheduled under the Development Plan. This transfer continues each year thereafter, up to and including the year in which production from the Unit Area begins.
At the beginning of production in the Unit Area	10,000,000	In freely disposable United States currency free of exchange and service charges.	Per annum	The transfer of this sum will commence in the calendar year in which production from the Unit Area begins, and continue each year thereafter up to but not including the calendar year in which production from the Unit Area ceases.

Certain Maritime Arrangement in the Timor Sea (CMATS)

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

Petroleum Fund (PF)

The PF was established in 2005 in the context of RDTL's Constitution through its Article 139 related to natural resources. The Petroleum Fund shall contribute to wise management of petroleum resources for the benefit of both current and future generations. It shall be a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interests of Timor-Leste's citizens². The table below summarises the main articles related to the PF Law:

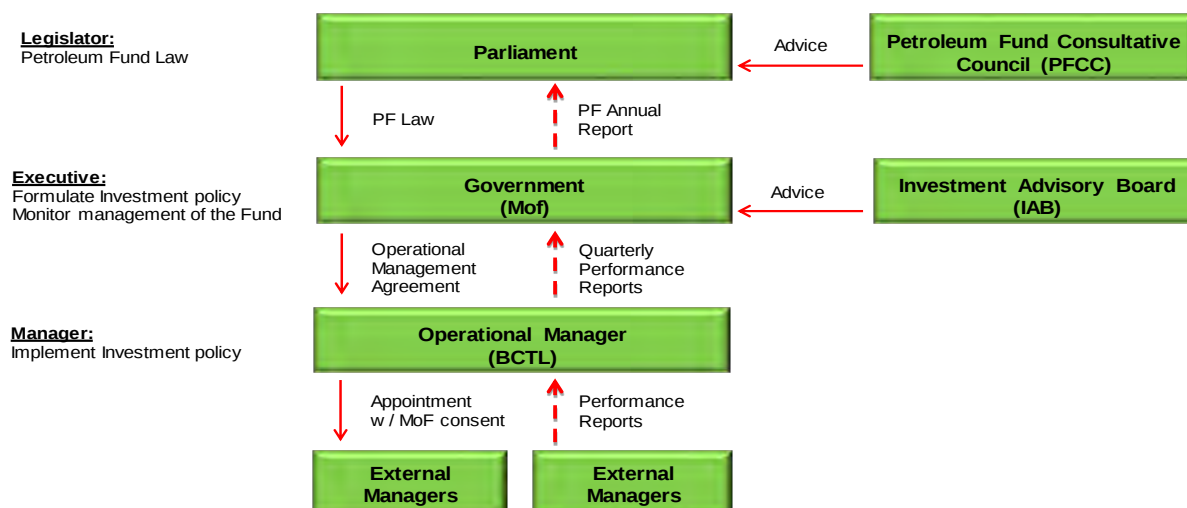
Reference	Main provisions / Detail
Article 6 Petroleum Fund Receipts	Receipts of the PF are as follows: a. Gross Revenue, including Tax Revenue of RDTL from any petroleum operations, including prospecting or exploration for, and development and exploitation, transportation, sale or export of petroleum, and other activities relating thereto. b. Any amount received by RDTL from the Designated Authority pursuant to the Treaty. c. Any amount received by RDTL from the Investment of Petroleum Fund Receipts. Any amount received by RDTL from direct or indirect participation of RDTL in Petroleum operations. e. Any amount received by RDTL relating directly to petroleum resources not covered in § a and b above.

¹ As per NPA, no revenues were received from the Australian government until now

² Source: Law n°9/2005 of 3 August 2005 related to Petroleum Fund.

Reference	Main provisions / Detail
Article 7 Transfers	The total amount transferred from the PF for a fiscal year shall not exceed the appropriation amount approved by Parliament for the Fiscal Year. The Estimated Sustainable Income (ESI) for a fiscal year is the maximum amount that can be appropriated from the PF in that fiscal year. ESI = Petroleum wealth * 3%

The PF governance structure is presented as follows¹:



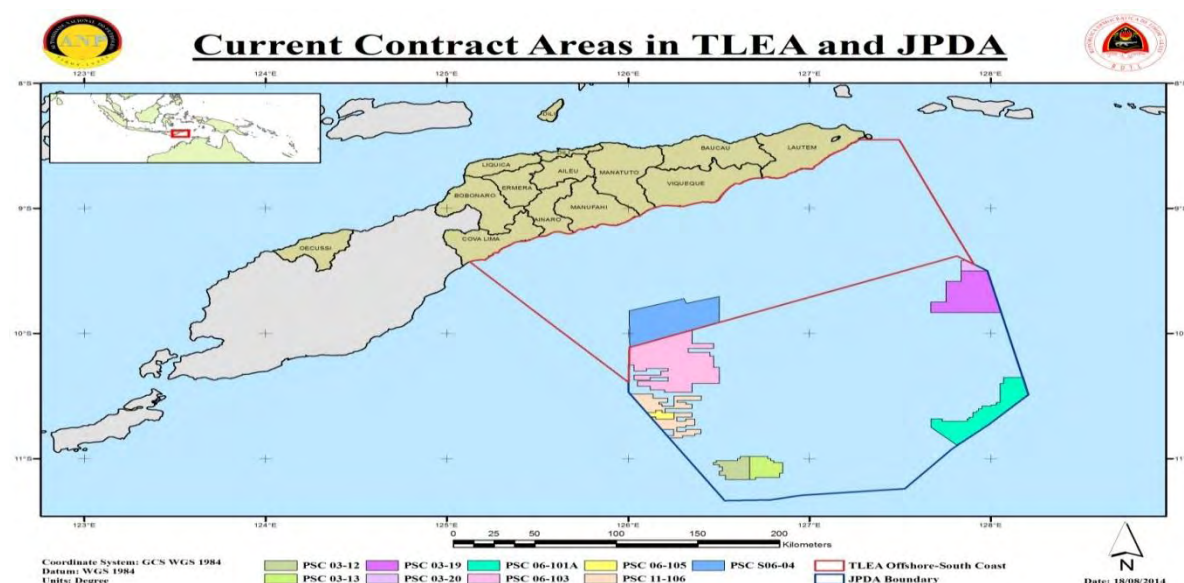
4.1.3. Production

At the end of 2013, there were two (2) production fields in JPDA, whilst at TLEA, there is yet to be any commercial discovery.

The table below summarises the two production fields' characteristics:

N°	Field	Operator	Joint Venture with
1	Bayu-Undan	ConocoPhillips	ENI / Santos / INPEX / Tokyo Timor Sea Resources Pty
2	Kitan	Eni	INPEX Timor Sea Ltd / Talisman Resources Pty Ltd

The map below shows the contract areas in TLEA and JPDA at the end of 2013:



¹ Source: Petroleum Fund Annual Report, 2013.

4.1.4. Contribution of the Oil and Gas sector to RDTL's economy¹

RDTL's GDP is reliant on revenues from Oil and Gas. The table below summarises the variance of RDTL's GDP split by sector:

GDP data	2013		2012		Variance	
	USD Million	%	USD Million	%	USD Million	%
Oil sector GDP	4,276	76%	5,512	81%	(1,236)	-22%
Non-oil sector GDP	1,319	24%	1,295	19%	24	2%
Total GDP	5,596	100%	6,807	100%	(1,211)	-18%

The oil sector fell in 2013. In fact, volume extracted in the oil sector were considerably lower than those of 2012.

Exports / Imports

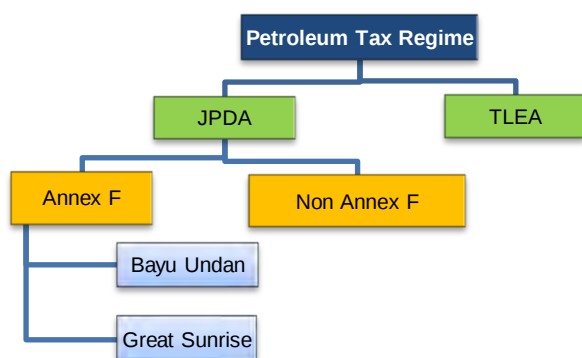
The table below summarises the exports and imports variance by sector:

Exports / Imports data	2013		2012		Variance	
	USD Million	%	USD Million	%	USD Million	%
Oil sector Exports	5,217	98%	6,401	98%	(1,184)	-18%
Non-oil sector Exports	101	2%	125	2%	(24)	-19%
Total Exports of goods & services	5,318	100%	6,526	100%	(1,208)	-19%
Oil sector Imports	1,002	44%	951	37%	51	5%
Non-oil sector Imports	1,265	56%	1,592	63%	(327)	-21%
Total Imports of goods & services	2,266	100%	2,543	100%	(277)	-11%
Trade balance	3,051		3,983		(932)	-23%

As per the figures above, Oil-sector exports represent 98% of goods exports.

4.1.5. Taxation

Petroleum tax regime is dependent of the jurisdiction area as presented below²:



¹ Source: Timor-Leste's National Accounts 2000-2013, Statistics and Analysis. Figures in Current prices.

² Source: NDPMR.

The Petroleum Tax Regime is set per jurisdiction in Timor-Leste, as well as per JPDA and TLEA area. Taxes collected also depend on the type of petroleum activities undertaken. The table below illustrates the petroleum tax regime:

Jurisdiction area and Type of Tax	Taxes Rate and its Activities	Sources Income	Legal Bases
A. JPDA annex F			
Wages Income Tax (resident employment)	10%, 15% and 30% on gross Income of the resident employee's salaries and wages or similar remuneration.	Bayu-Undan Great Sunrise project	UNTAET reg. no. 1999/1, Timor sea treat (TST), Taxation of Bayu-Undan Contractor Act (ToBuca) and Income Tax law with Circulars, and UNTAET Reg. No. 2000/18
Wages Income Tax (Non-resident employment)	20% on gross Income of the nonresident employee's salaries and wages or similar remuneration.		
Withholding Tax	Varies tax rate on gross Income of Goods and Services from a supplier company		
Value add Tax (VAT)	9% (90% $\times$ 10%) on gross Income of goods and services from a supplier company		
Corporate Income Tax (CIT)	30% on taxable Income on annual Income from operators and their JV contractors.		
Additional Profit Tax (APT)	22.50% on ANR calculation with formula : $ANR \times 22.50\% / (1-r)$, and $ANR = ((Ax116.50\%) - (Ix(1-r))) + B$ APT will applied against a contractor who has a positive amount of the ANR for the petroleum operations for a tax year is liable to pay APT for that year.		
B. JPDA non Annex F and TLEA			
B.1 : JPDA non Annex F			
Wages Income Tax (resident employment)	Up to US\$ 550 =10% Above US\$ 550 =30% on gross Income of the resident employee's salaries and wages or similar remuneration	JPDA excluding Annex F	UNTAET reg. no. 1999/1, TST, Taxation Duties Act with Decree law no. 8/2008, and Circular Letter (SE) of the Director General of Taxation (Dirgentax), and UNTAET Reg. No. 2000/18
Wages Income Tax (Non-resident employment)	20% on gross Income of the nonresident employee's salaries and wages or similar remuneration		
Withholding Tax	5.4% (90% $\times$ 6%) on all services (Goods and Services)		
Value add Tax (VAT)	9% (90% $\times$ 10%) on gross income of Goods and Services		
Corporate Income Tax (CIT)	30% on taxable Income of annual Income from operators and their JV contractors.		
Supplemental Petroleum Tax (SPT)	22.50% on ANR calculation with formula : $ANR \times 22.50\% / (1-r)$, and $ANR = ((Ax116.50\%) - (Ix(1-r))) + B$. SPT will applied against a contractor who has a positive amount of the ANR for the petroleum operations for a tax year is liable to pay SPT for that year		
B.2. Timor-Leste Exclusive Area (TLEA)			
Wages Income Tax (resident employment)	Up to US\$ 550 =10% Above US\$ 550 =30% on gross Income of the resident employee's salaries and wages or similar remuneration	Petroleum activities on offshore or onshore in Timor-Leste sovereign area	UNTAET reg. no. 1999/1, TST, Taxation Duties Act with Decree law no. 8/2008, and UNTAET Reg. No. 2000/18
Wages Income Tax (Non-resident employment)	20% on gross Income of the nonresident employee's salaries and wages or similar remuneration.		
Withholding Tax	6% on all services (Goods and Services)		
Corporate Income Tax (CIT)	30% on taxable Income of annual Income from operators and their JV contractors.		
Supplemental Petroleum Tax (SPT)	22.50% on ANR calculation with formula : $ANR \times 22.50\% / (1-r)$, and $ANR = ((Ax116.50\%) - (Ix(1-r))) + B$ SPT will applied against a contractor who has a positive amount of the ANR for the petroleum operations for a tax year is liable to pay SPT for that year		

4.1.6. TIMOR GAP, E.P. (State-Owned Enterprise)

As a State Owned Company that is established by Decree-Law no 31/2011, TIMOR GAP receives a government injection of funds in the form of an annual public transfer for the purpose of supporting its operational activities in accordance with the State Budget Law. The public transfer to TIMOR GAP is made through to the Ministry of Petroleum and Mineral Resources' (MPRM) annual budget. The Funds allocated to TIMOR GAP are based on the company's annual plan that is approved by the Council of Ministers.

An agreement on the budget execution and reporting is signed every year between MPRM and the TIMOR GAP, before the disbursement of the funds to TIMOR GAP's designated bank account. Under Art. 4 of the Decree Law no 31/2011, TIMOR GAP is obliged to submit the report on quarterly basis to MPRM on the use of the public transfer accordingly. Details of transfers are mentioned on TIMOR GAP's 2013 Annual Report (page. 8).¹

TIMOR GAP did not make any reinvestments or third-party financing during 2013.

TIMOR GAP is mandated to manage the Tasi Mane project on behalf of the Government. The expenditures on Tasi Mane projects that taken from TIMOR GAP's annual budget are mostly on economic and environmental studies, travel and related expenses including community liaison expenditures, in which we believe they are not quasi-fiscal expenditures. Therefore, TIMOR GAP did not have any related quasi-fiscal expenditures for social services that can be reported in 2013.

TIMOR GAP's revenue received in 2013 is already included in the 2013 audited financial statement reported in the company's annual report (page. 37). No revenue was received from subsidiaries in 2013.

TIMOR GAP's subsidiaries:

PSC 11-106 Unipessoal, Lda and GAP-MHS.

TIMOR GAP is part of the Joint Venture (JV) with ENI and Inpex for PSC 11-106 in the JPDA area with an effective date of 23 October 2013. TIMOR GAP has **24%** of share in the JV partnership. For further details, please refer to TIMOR GAP 2013 Annual Report (page 16). As a JV partner TIMOR GAP PSC 11-106 Unipessoal Ltd, is governed by confidentiality requirements within the PSC and the Joint Operating Agreement, and as such is not allowed to disclose further information.

GAP-MHS Aviation Lda

TIMOR GAP has **60%** of the shares in this partnership with MHS Aviation (TL) Lda. No revenue from this subsidiary has been reported in 2013 as the revenue received in the form of dividends was only paid in 2014. For further details of this subsidiary please refer to TIMOR GAP 2013 Annual Report (page 24).

4.1.7. Distribution of revenues from the extractive industries

According to the Petroleum Law, the total amount transferred from the PF for a fiscal year shall not exceed the appropriation amount approved by Parliament for the Fiscal Year. The Estimated Sustainable Income (ESI) for a fiscal year is the maximum amount that can be appropriated from the PF in that fiscal year.

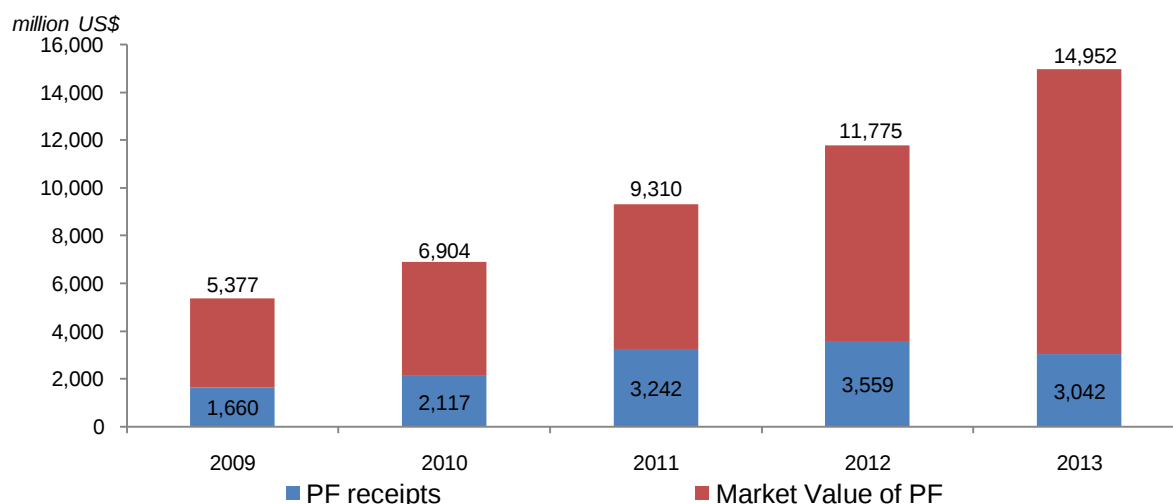
During 2013, USD 730 Million was transferred to the state budget. The table below summarises the evolution of the Petroleum Fund's Market Value over the last five years²:

¹ The 2013 Annual Report can be uploaded on <http://timorgap.com/databases/website.nsf/vwAllNew2/Annual%20Reports>

² Source: Independent Auditor's Reports to the Ministry of Finance, in respect of the Petroleum Fund Annual Financial Report for the years 2008-2012.

Amounts in USD Million					
Period	2009	2010	2011	2012	2013
Market Value of the PF at the Beginning	4,197	5,377	6,904	9,310	11,775
<u>Total Petroleum Fund Receipts</u>	<u>1,660</u>	<u>2,117</u>	<u>3,242</u>	<u>3,559</u>	<u>3,042</u>
Budget transfer	(512)	(811)	(1,055)	(1,495)	(730)
Refunds of taxation	-	-	(2)	-	-
Investment return	31	221	221	401	865
Market Value of the PF at the End	5,377	6,904	9,310	11,775	14,952
Changes in value	1,180	1,527	2,406	2,465	3,177
Changes in %	28%	28%	35%	26%	27%

The diagram below depicts the increase in market value of the PF over the last five years:



4.1.8. Beneficial ownership

Most of the Contractors in JPDA and TLEA are subsidiaries of publicly listed companies on the Australian Stock Exchange. During the financial year that EITI report covered, there has been no change in the beneficial ownership of the respective companies.

Contractor in JPDA and TLEA	Publicly Listed
Woodside Timor Sea Petroleum	Australia Stock Exchange
Eni JPDA 06-105 / Eni JPDA 11-106 / Eni TLEA S06-03, S06-04	Milan Stock Exchange
Oilex 06-103	Australia Stock Exchange

4.2. Mining Sector

4.2.1. Background and profile of the mining sector in RDTL

The mining sector is not significant to date in RDTL. During 2013, eight mining companies operated through eight licenses, mainly in Gravel and Sand as following:

N°	Company record (DNM)	Unit	Type of mineral	Quantity extract / Year	Month of payment	Location
1	Montana Diak Unipersoal Lda	m3	Sands	1,400	January	Hera, M. Dili
2	Montana Diak Unipersoal Lda	m3	Gravel	3,800	January	M. Liquiça
3	Weng Enterprise Group Co. Ltd	m3	Sands	4,300	January	M. Liquiça
4	Suai Indah Contruction	m3	Gravel	2,592	January	M. Manatuto
5	Libama Consorcio	m3	Sands	4,000	June	M. Liquiça
6	Yefa Unipessoal Lda	m3	Sands	200	April	M. Dili
7	RMS Engineering & Construction Pty Lda	m3	Sands	5,000	April	M. Dili
8	Empat Saudara Lda	m3	Gravel	936	June	M. Oecusse

The total receipts from mining companies amounted approximately to USD 37,000 as detailed in Annex 7 of this report. This represents 0.001% of the revenue collected from Oil and Gas companies.

4.2.2. Legal context

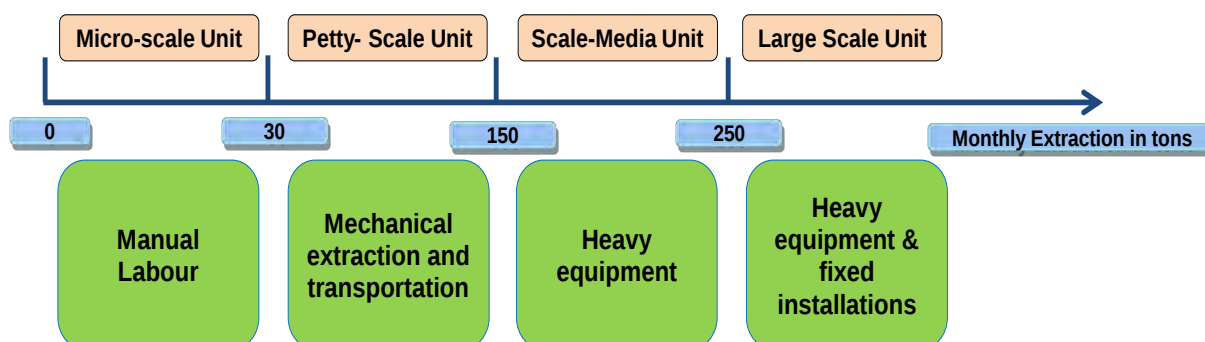
The mining sector is regulated by Ministerial Diploma N°1/2008 dated 30 July 2008 which provides specific rules on licensing of extractive activities (mining and quarrying) of mineral masses.

For the mining sector licences are granted for one year and are subject to renewal, with no stringent requirements on technical and financial review of the license holders. The existing mining licenses were awarded for middle scale activities, no bidding round was carried out.

The table below shows the different type of minerals according to Article 4 of this Ministerial Diploma:

Minerals extracted for later use in construction	Rocks
Sand – Grit – Sandstone – Andesine – Basalt – Diorite – Gabbro	Limestone – Marble

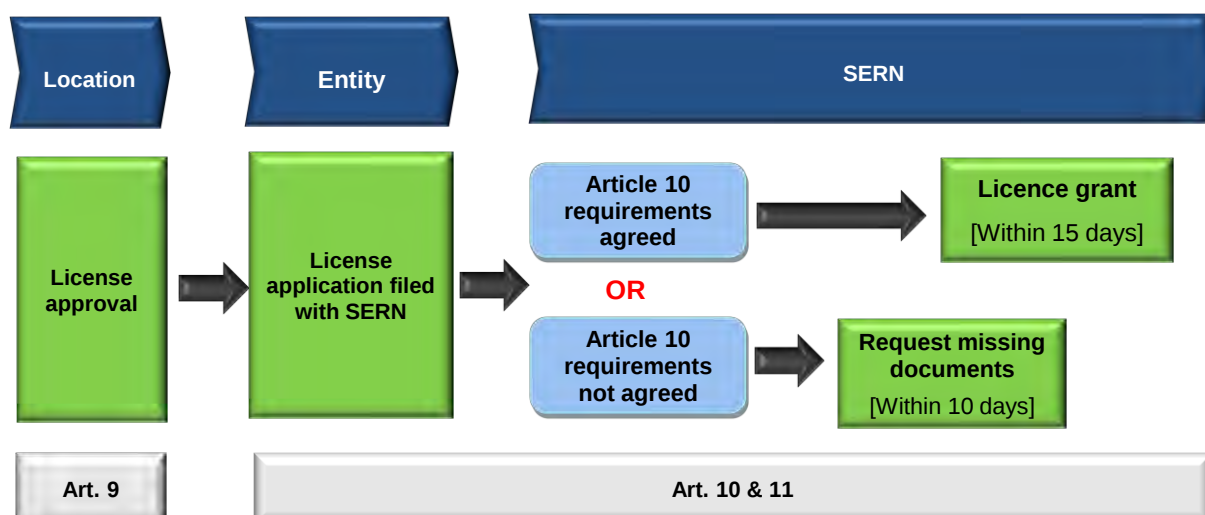
The diagram below shows the four (4) mining categories activities according to Article 7 of this Ministerial Diploma:



4.2.3. Licensing

The mining sector is regulated by Ministerial Diploma N°1/2008 dated 30 July 2008, which provides the licensing process which differs depending on the size of the mining unit.

The schema below describes the licensing process for Medium-Scale Units:



4.2.4. Taxation

Mining companies have to pay two fees as summarised in the table below:

Reference	Receipt	Middle-Scale Unit
Article 8	Fee per tons in USD	Sand and Grit : 1.5 Limestone : 2 Marble: 10
Article 19	Cost of License in USD	100 to 1,000

5. RECONCILIATION SCOPE

Our work included a preliminary analysis of the EITI reporting process to ensure that the scope has been clearly defined, including the reporting templates, data collection procedures, and the schedule for publishing the EITI Report. We also consulted with Government Entities in order to collect relevant information on the size of the extractive sector in RDTL and its contribution to the economy and to Government revenues.

We have taken into account all available information presented to us during our fieldwork, including subsequent comments and information received from the RDTL's EITI MSG.

5.1. Selection of reconciliation scope

The reconciliation scope of the flows to be considered for extractive companies and Government Entities to be selected for the purpose of this report was defined by the RDTL's EITI MSG. In addition the Reporting Template to be used by the reporting entities for declaring payments were also prepared and approved by MSG.

We present in the sections below the reconciliation scope used for the preparation of the 2013 RDTL's EITI Report.

5.2. Extractive companies involved in the EITI reconciliation

5.2.1. Oil & Gas Sector

The extractive companies and Government Entities involved in the EITI reconciliation was fixed by the TOR issued in June 2014 (section 5). Accordingly, twenty (20) extractive companies and three (3) Government Entities were selected for the 2013 reconciliation exercise.

The companies are listed in the table below:

1 AusAid ¹	11 Inpex Sahul Ltd
2 ConocoPhillips (Timor Sea) Pty Ltd	12 Inpex Timor Sea Ltd
3 ConocoPhillips (03-12) Pty Ltd	13 Japan Energy Corporation
4 ConocoPhillips (03-13) Pty Ltd	14 Minza Oil and Gas Ltd
5 ConocoPhillips (03-19) Pty Ltd	15 Oilex Ltd
6 ConocoPhillips (Emet) Pty Ltd	16 Petronas ²
7 ConocoPhillips JPDA Pty Ltd	17 Santos JPDA (91-12) Pty Ltd
8 Eni JPDA 03-13 Ltd	18 Talisman Resources (JPDA 06-105) Pty Ltd
9 Eni JPDA 06-105 Pty Ltd	19 Tokyo Timor Sea Resources
10 Eni Timor Leste S.p.A.	20 Woodside Petroleum

5.2.2. Mining sector

The mining sector in Timor-Leste includes only medium-scale operations specialised in sand and gravel. Mining companies pay royalties and fees to the National Directorate of Minerals at the beginning of the contract. Government receipts from the mining sector are not material compared to the total revenues of the extractive sector (0.001%). As a result, mining companies were excluded from the reconciliation exercise.

¹ AusAid is a non-governmental organization (NGO) which pay per annum pipeline fee payment.

² For Petronas, no payment was reported by NDPMR neither NPA. It was replaced by TIMOR GAP E.P.

5.3. Taxes and revenues covered

According to information made available to us by NPA, NDPMR and CBTL all payment streams relating to the oil and gas taxes were included in the reconciliation scope. Accordingly, sixteen (16) payment flows were selected for the 2013 reconciliation exercise. These payments are listed in the table below:

No.	Revenue stream	Description
National Directorate Petroleum and Minerals Revenue (NDPMR)		
1	Income tax	Tax on taxable income of tax payer for each tax year. Taxable income is calculated as the assessable gross income derived by the taxpayer in the tax year less deductions allowed under the present Regulation for expenses incurred to derive gross income.
2	Additional Profits Tax/ Supplemental Profit Tax	Additional income tax payable by a Contractor that has a positive amount of accumulated net receipts derived from the Bayu-Undan Project for a tax year.
3	Branch Profits Tax	Tax applicable to foreign subsidiary companies at 15% after income tax. This tax is conceptually similar to dividend tax.
4	VAT	Tax on Goods and Services.
5	Withholding Tax (WHT)	This is a tax where any person or company making certain payments is required to deduct from such payments and remit to the National Directorate Petroleum and Minerals Revenue (NDPMR). The payments that attract WHT are payment to services which includes include management and consultancy fees, commissions, rent dividends and payments to non-resident contractors.
6	Wages Tax	Tax on the wages of employees.
7	Additional taxes ¹	Additional taxes were paid through the Tax assessment which related to the failure to deliver tax forms, tax payment, understatement of tax and failure to create and retain records.
National Petroleum Authority (NPA)		
8	FTP	A production payment made pursuant to a PSC between the RDTL Government and a Company relating to sales of Oil and Gas.
9	Profit oil & gas payments	A production payment made pursuant to a PSC between the RDTL Government and a Company relating to profit on sale of Oil and Gas.
10	JPDA - PSC Application Fee	Fee to be lodged with application for a PSC.
11	JPDA - Seismic Data Fee	Fee payable to NPA when a company acquires seismic data in JPDA.
12	JPDA - Development Fee	Applies when a commercial discovery is declared by the contractor. Fees based on the size of the discovery of the oil and gas reserve.
13	JPDA - Contract Service Fee	Fee payable to Contract area acquired based on fix amount for JPDA and size /km in TLEA.
14	TLEA - PSC Application Fee	Fee payable when a company applies to compete in licensing round.
15	TLEA - Seismic Data Fee	Fee payable to NPA when a company acquires seismic data in TLEA.
Central Bank of Timor-Leste (CBTL)		
16	TLEA - License Fee/Surface Fee	A fee levied in connection with a licence. A licence is an arrangement between an extractive Company and the Government regarding specific geographical or geological areas and mineral operations relating thereto. A licence is also used to define a permit, an acreage position, a contract area, a lease or a block.

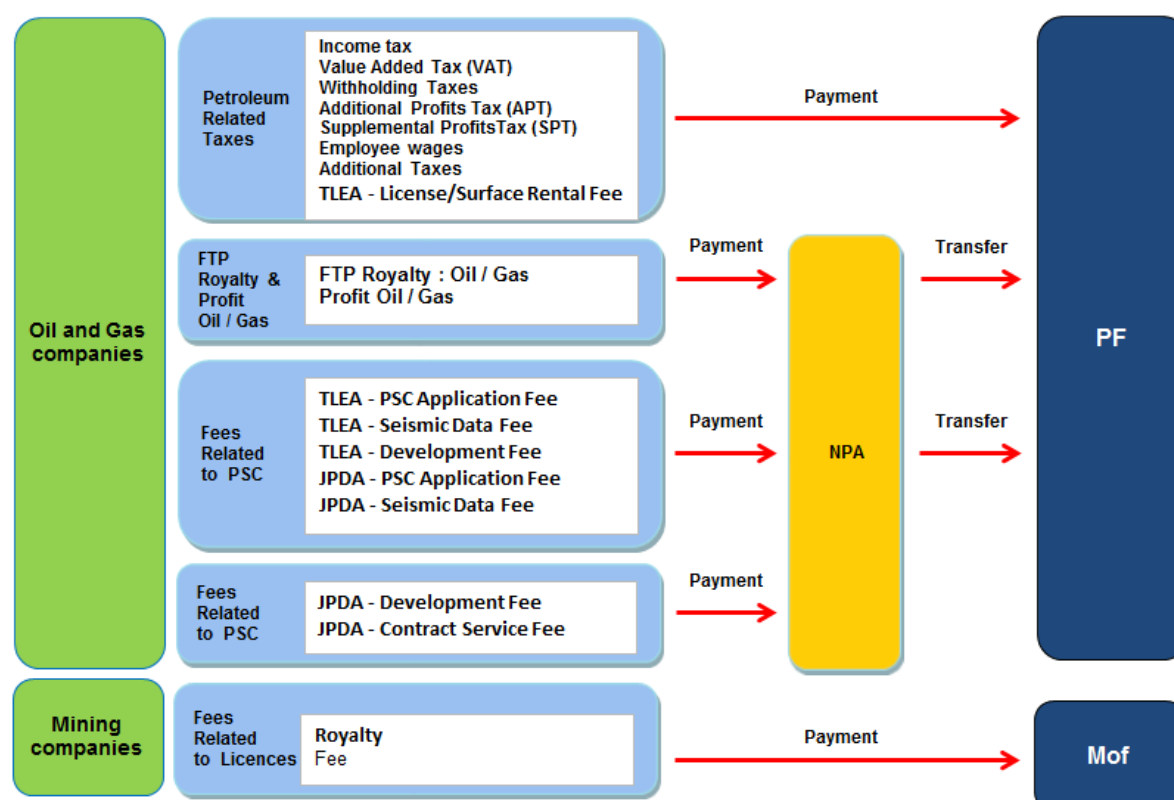
5.4. Government Entities

Based on the proposed list of extractive companies and payment streams, the Government Entities which were involved in the reconciliation exercise ended 31 December 2013 are detailed as follows:

Central Entities	
1	National Directorate Petroleum and Minerals Revenue (NDPMR)
2	National Petroleum Authority (NPA)
3	Central Bank of Timor-Leste (CBTL)

¹ The definition of "additional Taxes" in this report is not the same as the definition of "Additional Taxes" within the TL Tax Law.

5.5. Flow chart of payment flows for the extractive sector



6. RECONCILIATION RESULTS

We present below detailed results of our reconciliation exercise, as well as differences noted between amounts paid by extractive companies and amounts received by Government Entities. We have highlighted the amounts initially reported and the adjustments made following our reconciliation work, as well as the final amounts and unreconciled differences.

6.1. Reconciliation by extractive Company

The table below summarises the differences between the payments reported by Oil and Gas companies and revenues received by Government Entities.

Amounts in USD										
No.	Company	Templates originally lodged			Adjustments			Final amounts		
		Company	Govt	Difference	Company	Govt	Difference	Company	Govt	Difference
1	Eni Timor Leste S.p.A.	153,602	118,011	35,591	-	35,591	(35,591)	153,602	153,602	-
2	Eni JPDA 06-105 Pty Ltd	143,173,989	143,115,443	58,546	-	58,836	(58,836)	143,173,989	143,174,279	(290)
3	Eni JPDA 03-13 Ltd	306,779,778	292,017,625	14,762,153	(14,761,045)	1,088	(14,762,133)	292,018,733	292,018,713	20
4	Woodside Petroleum	486,544	486,544	-	-	-	-	486,544	486,544	-
5	Inpex Sahul Ltd	308,159,493	308,156,190	3,303	-	3,303	(3,303)	308,159,493	308,159,493	-
6	Santos JPDA (91-12) Pty Ltd	311,849,040	311,849,995	(955)	-	-	-	311,849,040	311,849,995	(955)
7	Talisman Resources (JPDA 06-105) Pty Ltd	96,813,465	102,720,132	(5,906,667)	5,906,667	1,515	5,905,152	102,720,132	102,721,646	(1,514)
8	Oilex Ltd	116,545	116,545	-	-	-	-	116,545	116,545	-
9	Minza Oil and Gas Ltd	-	429,368	(429,368)	-	-	-	-	429,368	(429,368)
10	Tokyo Timor Sea Resources	238,694,330	238,694,330	-	4,396	4,396	-	238,698,726	238,698,726	-
11	ConocoPhillips (03-12) Pty Ltd	953,872,232	953,846,411	25,821	(28,588)	-	(28,588)	953,843,645	953,846,411	(2,766)
12	ConocoPhillips (03-13) Pty Ltd	144,173,896	144,168,300	5,596	(5,596)	-	(5,596)	144,168,300	144,168,300	-
13	Conocophillips (Timor Sea) Pty Ltd	212,362,632	212,354,388	8,245	(8,245)	-	(8,245)	212,354,388	212,354,388	-
14	Conocophillips (Emet) Pty Ltd	25,042,836	25,041,863	972	(972)	-	(972)	25,041,863	25,041,863	-
15	Conocophillips JPDA Pty Ltd	412,082,198	412,066,210	15,988	(15,988)	-	(15,988)	412,066,210	412,066,210	-
16	ConocoPhillips (03-19) Pty Ltd	1,673	1,673	-	-	-	-	1,673	1,673	-
17	TIMOR GAP (11-106)	2,592	2,592	-	-	-	-	2,592	2,592	-
18	Japan Energy Corporation	-	30,158	(30,158)	-	-	-	-	30,158	(30,158)
19	Inpex Timor Sea Ltd	98,356,187	98,356,187	-	-	-	-	98,356,187	98,356,187	-
20	AusAid	8,287,200	8,287,200	-	-	-	-	8,287,200	8,287,200	-
Total		3,260,408,233	3,251,859,164	8,549,069	(8,909,371)	104,729	(9,014,100)	3,251,498,861	3,251,963,893	(465,032)

6.2. Reconciliation by revenue stream

The table below shows the total payments reported by Oil and Gas companies and Government Entities:

Amounts in USD										
N°	Description of payment	Templates originally lodged			Adjustments			Final amounts		
		Company	Govt	Difference	Company	Govt	Difference	Company	Govt	Difference
NDPMR		1,143,996,484	1,150,284,652	(6,288,168)	5,906,667	(600)	5,907,267	1,149,903,151	1,150,284,052	(380,901)
1	Income Tax	597,306,290	602,930,950	(5,624,661)	5,870,725	246,590	5,624,136	603,177,015	603,177,540	(525)
2	Value Added Tax (VAT)	17,400,822	17,607,462	(206,640)	-	-	-	17,400,822	17,607,462	(206,640)
3	Withholding Taxes	12,432,323	12,608,587	(176,264)	17,621	-	17,621	12,449,944	12,608,587	(158,643)
4	Additional Profit Tax (APT)	491,040,635	491,287,834	(247,199)	-	(246,590)	246,590	491,040,635	491,041,244	(609)
5	Other taxes (Employee wages)	8,622,413	8,655,278	(32,864)	18,321	(600)	18,921	8,640,735	8,654,678	(13,943)
6	Additional Taxes	17,194,000	17,194,540	(540)	-	-	-	17,194,000	17,194,540	(540)
NPA		2,108,124,549	2,093,287,312	14,837,236	(14,816,038)	105,329	(14,921,367)	2,093,308,510	2,093,392,641	(84,131)
7	FTP Royalty Oil / Gas & Profit Oil / Gas	2,103,211,259	2,088,389,050	14,822,209	(14,816,038)	10,301	(14,826,340)	2,088,395,220	2,088,399,351	(4,131)
8	JPDA - Seismic Data Fee	80,000	-	80,000	(80,000)	-	(80,000)	-	-	-
9	JPDA - Development Fee	3,901,950	3,983,200	(81,250)	-	(81,250)	81,250	3,901,950	3,901,950	-
10	JPDA - Contract Service Fee	640,000	880,000	(240,000)	240,000	80,000	160,000	880,000	960,000	(80,000)
11	TLEA - PSC Application Fee	160,000	-	160,000	(160,000)	-	(160,000)	-	-	-
12	TLEA - License / Surface Rental Fee	131,340	35,063	96,278	-	96,278	(96,278)	131,340	131,340	-
CBTL		8,287,200	8,287,200	-	-	-	-	8,287,200	8,287,200	-
13	Pipeline fee (AusAid)	8,287,200	8,287,200	-	-	-	-	8,287,200	8,287,200	-
Total Basic payments		3,260,408,233	3,251,859,164	8,549,069	(8,909,371)	104,729	(9,014,100)	3,251,498,861	3,251,963,893	(465,032)

6.3. Adjustments

6.3.1. Oil and Gas companies' adjustments

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

Amounts in USD

Adjustments to extractive company payments	Total
Tax paid not reported (a)	5,911,063
Tax amount incorrectly reported (b)	(14,820,434)
Total added/deducted to amounts originally reported	(8,909,371)

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

Amounts in USD

Company	Tax paid not reported (a)	Tax amount incorrectly reported (b)	Total
Talisman Resources (JPDA 06-105) Pty Ltd	5,906,667	-	5,906,667
Tokyo Timor Sea Resources	4,396	-	4,396
Eni JPDA 03-13 Ltd	-	(14,761,045)	(14,761,045)
ConocoPhillips (03-12) Pty Ltd	-	(28,588)	(28,588)
ConocoPhillips (03-13) Pty Ltd	-	(5,596)	(5,596)
Conocophillips (Timor Sea) Pty Ltd	-	(8,245)	(8,245)
Conocophillips (Emet) Pty Ltd	-	(972)	(972)
Conocophillips JPDA Pty Ltd	-	(15,988)	(15,988)
Total adjustments	5,911,063	(14,820,434)	(8,909,371)

The detail of these adjustments by Revenue stream is detailed in the table below:

Amounts in USD

Revenue stream	Tax paid not reported (a)	Tax amount incorrectly reported (b)	Tax incorrectly classified (c)	Total
NDPMR	5,906,667	-	-	5,906,667
Income Tax	5,906,667	-	(35,942)	5,870,725
Withholding Taxes	-	-	17,621	17,621
Other taxes (Employee wages)	-	-	18,321	18,321
NPA	4,396	(14,820,434)	-	(14,816,038)
FTP Royalty Oil / Gas & Profit Oil / Gas	4,396	(14,820,434)	-	(14,816,038)
JPDA - Seismic Data Fee	-	-	(80,000)	(80,000)
JPDA - Contract Service Fee	-	-	240,000	240,000
TLEA - PSC Application Fee	-	-	(160,000)	(160,000)
Total adjustments	5,911,063	(14,820,434)	-	(8,909,371)

(a) Tax paid not reported

These are payment flows paid by Oil and Gas companies but which were not included in their reporting templates. After having received and examined details of payments sent by Oil and Gas companies we noted that the amounts originally recorded in the reporting templates were incorrect. The table below summarises the two adjustments made:

Amounts in USD

Company	Revenue stream	Total	Detail
Talisman Resources (06-105) Pty Ltd	Income Tax	5,906,667	December 2012 Installment paid not reported.
Tokyo Timor Sea Resources	FTP Royalty Oil / Gas & Profit Oil / Gas	4,396	Interests paid not reported.
Total		5,911,063	

(b) Tax amount incorrectly reported

These amounts were incorrectly reported. The main difference was for USD 14,761,045 and related to Profit Oil / Gas reported twice by Eni JPDA 03-13 Ltd.

(c) Tax incorrectly classified

These amounts were incorrectly classified in the templates. The table below summarises the adjustments made:

Amounts in USD

Company	JPDA - Contract Service Fee	TLEA - PSC Application Fee	JPDA - Seismic Data Fee	Withholding Taxes	Other taxes (Employee wages)	Income Tax	Total
Eni JPDA 06-105 Pty Ltd	160,000	(160,000)	-	-	-	-	-
Oilex Ltd	80,000	-	(80,000)	(18,321)	18,321	-	-
Tokyo Timor Sea Resources	-	-	-	35,942	-	(35,942)	-
Total	240,000	(160,000)	(80,000)	17,621	18,321	(35,942)	-

6.3.2. Government Entities' adjustments

The adjustments were carried out on the basis of confirmations received from Oil and Gas companies or from Government Entities. These adjustments are detailed as follows:

Amounts in USD

Adjustments to Government payments	Total
Tax received not reported (a)	186,579
Tax received reported but outside the period covered (b)	(81,250)
Tax amount incorrectly reported	(600)
Total added/deducted to amounts originally reported	104,729

Detailed adjustments by company are presented in the table below:

Amounts in USD

Company	Tax received not reported (a)	Tax received reported but outside the period covered (b)	Tax amount incorrectly reported	Total
Eni Timor Leste S.p.A.	96,278	-	(60,686)	35,591
Eni JPDA 06-105 Pty Ltd	80,000	(81,250)	60,086	58,836
Eni JPDA 03-13 Ltd	1,088	-	-	1,088
Inpex Sahul Ltd	3,303	-	-	3,303
Talisman Resources (06-105) Pty Ltd	1,515	-	-	1,515
Tokyo Timor Sea Resources	4,396	-	-	4,396
Total	186,579	(81,250)	(600)	104,729

The detail of these adjustments by payment is presented in the table below:

Amounts in USD

Revenue stream	Tax received not reported (a)	Tax received reported but outside the period covered (b)	Tax amount incorrectly reported	Tax incorrectly classified	Total
NDPMR	-	-	(600)	-	(600)
Income Tax	-	-	-	246,590	246,590
Additional Profit Tax (APT)	-	-	-	(246,590)	(246,590)
Other taxes (Employee wages)	-	-	(600)	-	(600)
National Petroleum Authority (NPA)	186,579	(81,250)	-	-	105,329
FTP Royalty Oil / Gas & Profit Oil / Gas	10,301	-	-	-	10,301
JPDA - Development Fee	-	(81,250)	-	-	(81,250)
JPDA - Contract Service Fee	80,000	-	-	-	80,000
TLEA - License / Surface Rental Fee	96,278	-	-	-	96,278
Total	186,579	(81,250)	(600)	-	104,729

(a) Tax received not reported

Due to timing difference in recognition, these are revenue flows received from Oil and Gas companies but which were not included in NPA's reporting templates. The table below summarises the adjustments made:

<i>Amounts in USD</i>			
Company	Revenue stream	Amount	Detail
Eni Timor Leste S.p.A.	TLEA - License / Surface Rental Fee	96,278	Omission
Eni JPDA 06-105 Pty Ltd	JPDA - Contract Service Fee	80,000	Omission
Tokyo Timor Sea Resources	FTP Royalty Oil / Gas & Profit Oil / Gas	4,396	Profit oil interests
Inpex Sahul Ltd	FTP Royalty Oil / Gas & Profit Oil / Gas	3,303	Profit oil interests
Talisman Resources (06-105) Pty Ltd	FTP Royalty Oil / Gas & Profit Oil / Gas	1,515	Profit oil interests
Eni JPDA 03-13 Ltd	FTP Royalty Oil / Gas & Profit Oil / Gas	1,088	Profit oil interests
Total		186,579	

(b) Tax received reported but outside the period covered

This amount was related to JPDA - Development Fee paid by Eni JPDA 06-105 Pty Ltd on 08 January 2014 that is why it was excluded from 2013 Reconciliation.

6.4. Unreconciled differences

Following our adjustments, the total unreconciled residual differences on payments amounted to **USD (465,032)** representing **0.014%** of total payments reported by Government Entities.

This is the sum of positive differences of **USD 19** and negative differences amounting to **USD (465,051)**. These unreconciled differences can be analysed as follows:

<i>Amounts in USD</i>	
	Total
Reporting template not submitted by the extractive company (a)	(459,526)
Not material difference < USD 10,000	(5,506)
Total differences	(465,032)

(a) Reporting template not submitted by extractive companies

This final unreconciled difference relates to 2 companies that failed to submit their reporting template despite several reminders. These companies are listed as follows:

<i>Amounts in USD</i>	
	Total
Minza Oil and Gas Ltd	429,368
Japan Energy Corporation	30,158
Total	459,526

7. REPORTED DATA

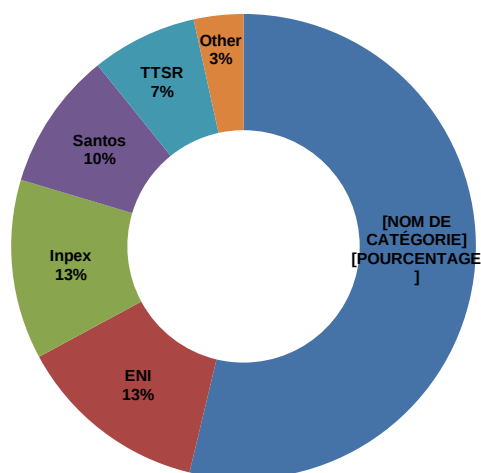
7.1. Analysis of Government revenues

7.1.1. Analyses of payments by companies' contribution

The analysis of Government revenues by companies' contribution indicates that the top 5 companies contributed approximately 97% of the total Government revenues during 2013 and ConocoPhillips accounts for almost 54% of the country's Oil and Gas revenues for the same period.

The table and the diagram below summarise the Top 5 Companies' 2013 Revenues:

Company	Government revenues USD	% of total revenues
ConocoPhillips (6 entities)	1,747,478,845	54%
ENI (3 entities)	435,346,594	13%
Inpex (2 entities)	406,515,680	13%
Santos	311,849,995	10%
Tokyo Timor Sea Resources	238,698,726	7%
Other companies (7 companies)	112,074,053	3%
Total Oil & Gas sector	3,251,963,893	100%

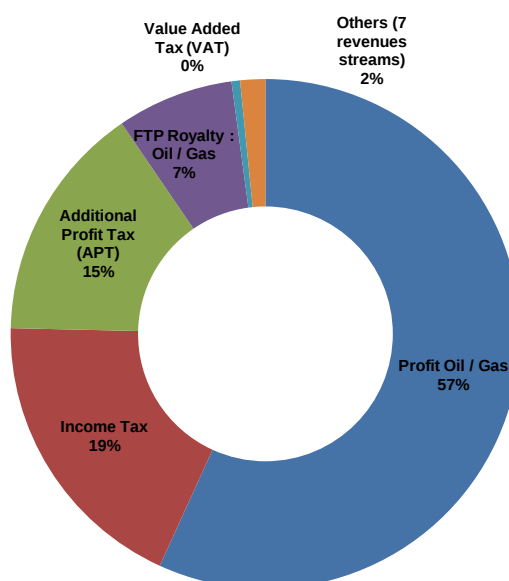


7.1.2. Analyses of payments by flow contribution

The analysis of the payments by flow contribution shows that the Top 5 Taxes contributed for 98% of the total Government Oil & Gas revenues. We also note that Profit on Oil & Gas accounts more than the half of total government revenues.

The table and the diagram below summarise the Top 5 Revenues streams during 2013:

Revenue stream	Government revenues USD	% of total revenues
Profit Oil / Gas	1,847,432,543	57%
Income Tax	603,177,540	19%
Additional Profit Tax (APT)	491,041,244	15%
FTP Royalty : Oil / Gas	240,966,808	7%
Value Added Tax (VAT)	17,607,462	1%
Others (7 revenue streams)	51,738,295	2%
Total Oil & Gas sector	3,251,963,893	100%



7.2. Corporate social Responsibility

The companies were requested to report social payments made during 2013. We set out in the tables below the amounts as reported by the Oil and Gas companies which have sent us their reporting templates:

Local Content - Recoverable Expenditure:

Company	Amounts in USD
Eni Timor Leste S.p.A.	89,497
Eni JPDA 06-105 Pty Ltd	1,029,891
ConocoPhillips (03-12) Pty Ltd	11,334,000
Total	12,453,388

Corporate Initiative (CSR) - Non Recoverable Expenditure:

Company	Amounts in USD
ConocoPhillips (03-12) Pty Ltd	1,066,000
Total	1,066,000

Local content can be in form of employment and provision of goods and services, where in TL context, expenditure relating to LC are recoverable.

CSR is not a mandatory social payment in TL context, hence CSR is voluntary. Therefore CSR is not a cost recoverable expenditure unless agreed otherwise with the Government.

8. RECOMMENDATIONS

Recommendations of previous years' Reports were not implemented. We present in the section below additional measures to be implemented in order to improve the EITI process in RDTL.

Follow-up of previous years' Reports is presented in section 8.2 further below.

8.1. Lessons learned from the 2012 / 2013 reconciliation

8.1.1. Lack of EITI law

We noted that although RDTL's EITI reports have been reconciled for 5 years, the legal framework defining the roles and responsibilities of stakeholders in the EITI process has yet to be created.

We recommend the enactment of an EITI law as soon as possible. This law will provide a better understanding of the EITI process by all stakeholders and ensure that the reconciliation process is successful.

8.1.2. Limitations of the reporting template

The reporting template used for the data collection was prepared and approved by MSG. Although our terms of reference foresee that the Independent Administrator should provide advice to MSG on the reporting template, we were informed not to make any changes to the format set. Despite this, feedback from some members of MSG indicated that the form of the reporting template was not completely followed.

The reporting template has several limitations as follows:

- it foresees only the declaration of annual figures from reporting entities. No schedules were included to set out the amounts in detail: by date and by payment. Details of payments are necessary documents for the reconciliation work. It would have been more efficient if all reporting entities were requested to send details of their payments along with their reporting templates; some entities did not provide details of payments with the reporting template. We were obliged to request this information after receiving the reporting.
- much of the information foreseen in the EITI Standard was not requested in the reporting template from extractive companies such as exports, beneficial ownership, audit of financial statements and employment statistics.

MSG should improve the reporting template format in future in order to make the reporting process more efficient with regards to the work to be carried out by the Independent reconciler. In addition the reporting template should be more comprehensive and elaborate in order to include all requirements foreseen in the EITI standard.

8.2. Follow up of recommendations of previous EITI Reports

N°	Issue	Detail of the issue	Recommendation	Status of implementation 2013 RDTL's EITI Report (Yes/no/ongoing)
1	RDTL-EITI database	It appears that to date, the RDTL-EITI Secretariat does not have a comprehensive database of all extractive companies operating in the oil sector. We understand that this situation arises because there is no formal communication between the EITI Secretariat and the Government Entities with regard to the oil companies operating in the oil sector. In some cases making contact with extractive companies can be difficult as no contact details are available.	We recommend that the RDTL-EITI Secretariat should create a database of extractive companies following our reconciliation exercise. The Secretariat should then liaise with the Government Entities to ensure it obtains adequate information regularly and updates its database accordingly. To this end, we believe it is vital that any new entrants to the oil sector are registered with the RDTL-EITI Secretariat as part of the process before or at the same time as they obtain their operating licence. A regular review with the Government Entities of the list of oil companies licensed to operate in the sector is recommended.	No
2	Reconciliation scope – Scoping study	We note that two oil companies operating in RDTL were not included in the reconciliation scope, i.e. Japan Energy and AusAid. We further note that there are some fees paid to CBTL, such as annual pipeline fees and an exploration fee which were not included in the reporting template prepared and approved by the MSG. On the other hand there were several revenue streams included in the reporting template for which no payments were made by oil companies. This situation caused delays in collecting the data from the oil companies and Government Entities and the preparation of the report.	We recommend for future years that a scoping study is carried out before each exercise in order to define the reconciliation scope including: • the activities to be considered (oil, gas, minerals, etc...); • the revenue streams to be reconciled; • the extractive companies that will report; and • the government Entities included in the process. The scoping study will also lead to the definition and design of the reporting template to be used for the declaration of payments and receipts by the oil companies and the Government Entities.	No

ANNEXES

Annex 1: Major Oil & Gas Companies' details and revenues

We present in the table below the major oil and gas companies in RDTL during 2013:

No.	Company	Founding date	Activity	Nationality
1	ConocoPhillips	1917	Oil & Gas	USA
2	Eni	1926	Oil & Gas	Italy
3	Santos	1954	Oil & Gas	Australia
4	Inpex	1986	Oil & Gas	Australia

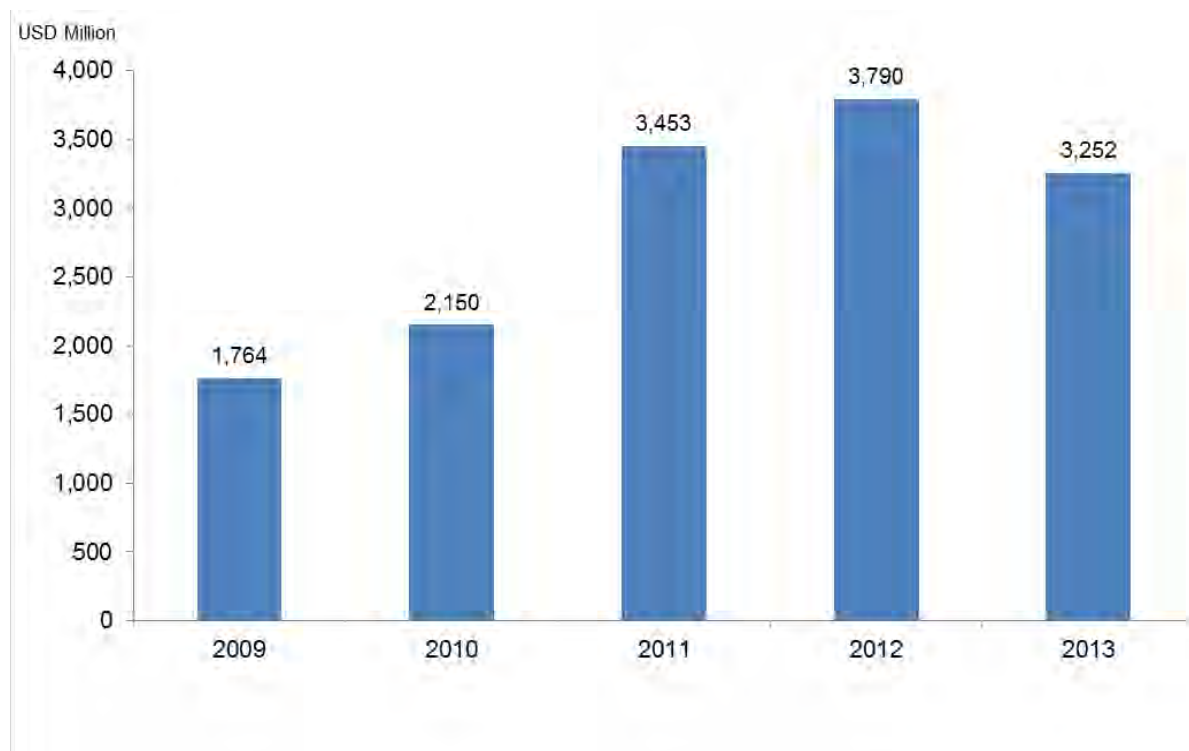
Revenue paid to RDTL by company 2012 / 2013

The table below shows the variance of Oil & Gas Revenues between 2012 & 2013 split by company:

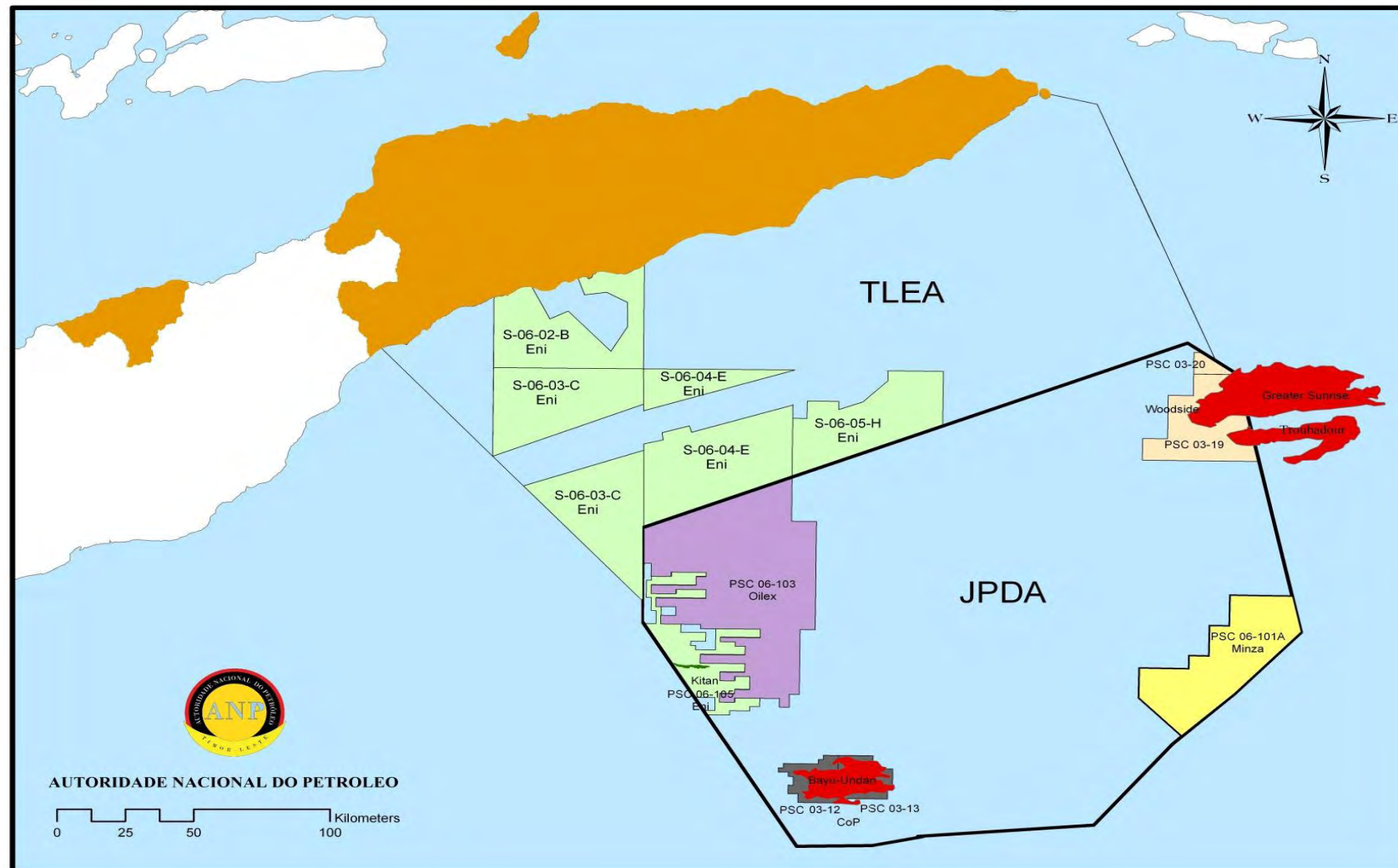
Company	2013	2012	Variance	
	USD Million	USD Million	USD Million	%
ConocoPhillips (6 entities)	1,747	2,006	(259)	-13%
ENI (3 entities)	435	528	(93)	-18%
Inpex (2 entities)	407	492	(86)	-17%
Santos	312	330	(18)	-5%
Tokyo Timor Sea Resources	239	279	(41)	-15%
Talisman Resources	103	119	(16)	-14%
Other companies (6 companies)	9	35	(25)	-73%
Total	3,252	3,790	(538)	-14%

Annex 2: Oil & Gas Revenues' evolution between 2009-2013

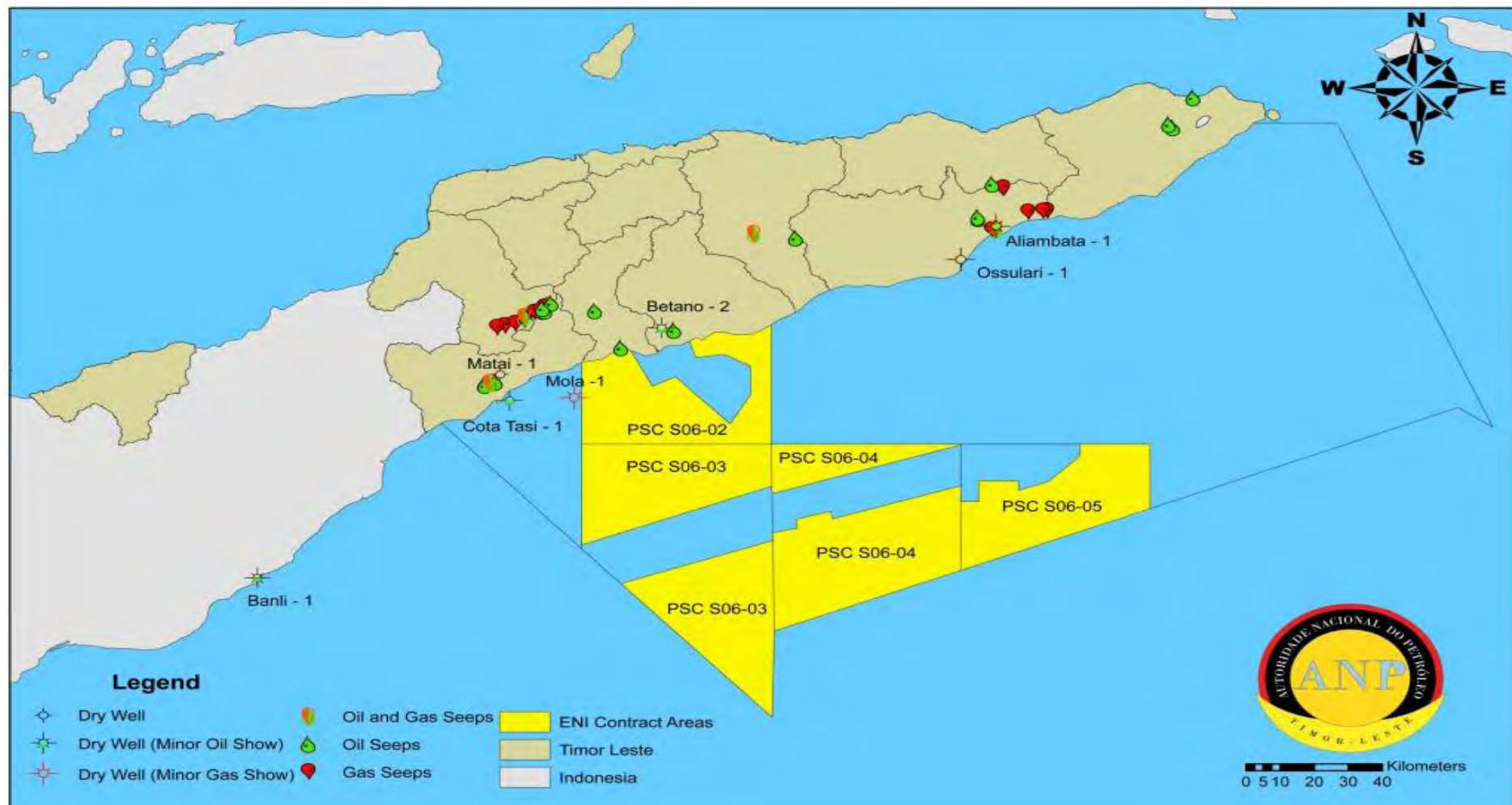
The diagram below summarise the Oil & Gas Revenues' evolution between 2009-2013



Annex 3: Contract areas in TLEA and JPDA



Annex 4: Onshore Oil and Gas Seeps in RDTL



Annex 5: Extractive companies' profile

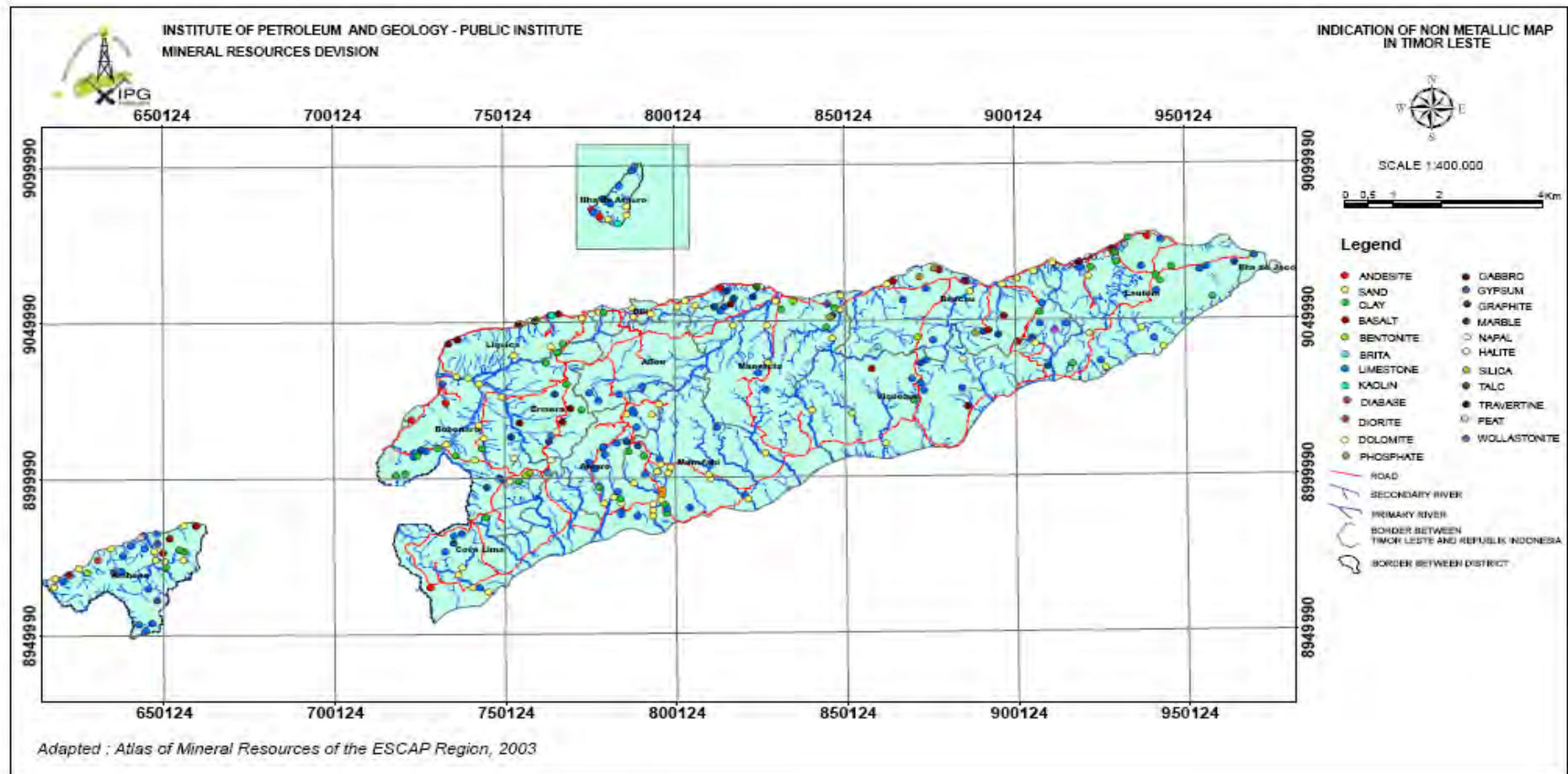
Petroleum Exploitation licences active during 2013

No.	Company Name	Project Area Name	Licence Number	Licence Issued Date	Current Expiry Date	Period in years	Total Surface Area in km ²	Type of minerals extracted
1	ENI JPDA 06-105 Pty Ltd (Operator) Inpex Talisman	JPDA	JPDA 06-105	22/09/2006	Not indicated	-	83	Light Crude Oil
2	ConocoPhillips (Operator) Santos Inpex Sahul	JPDA	JPDA 03-12	02/04/2003	06/02/2022	19	316	Condensate, LPG, LNG
3	ConocoPhillips (Operator) Eni Tokyo Timor Sea Resources	JPDA	JPDA 03-13	02/04/2003	16/12/2021	19	330	Condensate, LPG, LNG
4	Woodside Petroleum (Operator) Shell Development Osaka Gas Sunrise ConocoPhillips	JPDA	JPDA 03-19	02/04/2003	03/10/2026	24	1,092	Gas
5	Woodside Petroleum (Operator) Shell Development Osaka Gas Sunrise ConocoPhillips	JPDA	JPDA 03-20	02/04/2003	15/11/2026	24	90	Gas

Petroleum Exploration licenses active during 2013

No.	Company Name	Project Area Name	Licence Number	Licence Issued Date	Current Expiry Date	Period in years	Total Surface Area in km ²
1	ENI JPDA 11-106 BV (Operator) INPEX Offshore Timor-Leste Ltd TIMOR GAP PSC 11-106 Unipessoal Limitada	JPDA	JPDA 11-106	23/10/2013	23/10/2016	3	662
2	Minza Limited	JPDA	JPDA 06-101 A	09/03/2007	09/03/2014	7	1,082
3	Oilex Ltd (Operator) Japan Energy Corporation Videocon Bharat Petro Resources GSPC Pan Pacific Petroleum	JPDA	JPDA 06-103	15/01/2007	15/01/2014	7	1,971
4	ENI Timor Leste SPA (Operator) GALP Exploracao Producao Petrolifera Korea Gas Corporation	TLEA	S-06-02 (Block B)	03/11/2006	03/11/2013	7	1,530
5	ENI Timor Leste SPA (Operator) GALP Exploracao Producao Petrolifera Korea Gas Corporation	TLEA	S-06-03 (Block C)	03/11/2006	03/11/2013	7	2,841
6	ENI Timor Leste SPA (Operator) GALP Exploracao Producao Petrolifera Korea Gas Corporation	TLEA	S-06-04 (Block E)	03/11/2006	03/11/2013	7	2,314
7	ENI Timor Leste SPA (Operator) GALP Exploracao Producao Petrolifera Korea Gas Corporation	TLEA	S-06-05 (Block H)	03/11/2006	03/11/2013	7	1,422

Annex 6: Mineral Resources in RDTL



Annex 7: Persons contacted or involved in the 2013 RDTL's EITI reconciliation

Reconciler – Moore Stephens LLP		
Tim Woodward	Partner	
Ben Toorabally	Head of Office / Mission Director	
Radhouane Bouzaiane	Senior Manager / Team Leader	
Hedi Zaghouani	Audit Senior	
Rita Freitas	Audit Assistant	
EITI Secretariat of RDTL		
Elda Guterres da Silva	National Coordinator	
Trifonio Flor Sarmiento	Outreach Officer	
Ana Paula de Araujo	Programme Officer	
Sonia do Rosario Boavida	Administration Officer	
Ministry Petroleum and Mineral Resources (MPMR)		
Alfredo Pires	Minister of Petroleum and Mineral Resources	
Elga Anita Torrezao Pereira	Director National of Mineral	
National Petroleum Authority (NPA)		
Emanuel Angelo Lay	Commercial Director	
Oscar Sanches Faria	Senior Officer – Finance & Fiscal Assurance	
Honesia Araujo	Marketing and Revenue Management Officer	
Nuno V. F. Alves	Finance & Fiscal Assurance Officer	
Isabel Joanila da Silva	Oil Marketing and Revenue Management Assistant	
National Directorate Petroleum and Minerals Revenue (NDPMR)		
Agustinho Ramos	Senior staff and Head of Compliance Department	
Ministry of Finance (MoF)		
Filipe Nery Bernardo	Petroleum Fund Analyst	
Central Bank of Timor-Leste (CBTL)		
Fernando da Silva Carvalho	Chief Accountant	
General Directorate of Statistics (GDS)		
Paulina Rita Cruz Viegas	National Director of Economic and Social Statistics	
Oil Companies	Responsible	Function
Woodside Petroleum	Antonio Campos dos Santos	Country Representative and Community Relations Advisor
Woodside Petroleum	Susana Jardim	Management Accountant
Eni	Angelina Baptista Branco	Country Representative
Eni	Mark Sewell	Joint Venture Accounting Coordinator
Eni	Andrew Tay	Joint Venture Accountant
Eni	Kelvin Aw-Yang	Joint Venture Financial Auditor
Inpex	Kenji Kawano	Managing Executive Officer & Senior Vice President
Inpex	Yae Miyamoto	Planning Coordination Unit
Talisman	Read Keith	Director
Talisman	Millar Colleen	Senior Accountant Finance and Planning
Minza Oil and Gas Ltd	Dino Gandara	Former Vice President
Minza Oil and Gas Ltd	Martin Wollaston	Director
Timor Gap	Luis Martins	Director of Business & Development

Oil Companies	Responsible	Function
Timor Gap	Jacinta Paula Bernardo	Director of Corporate Service
Timor Gap	Francisco Alegria	Public Relation Advisor to the President & CEO
Timor Gap	Amandio Ribeiro	Finance Manager
Timor Gap	Henrique D.C Monteiro	Manager - Project Economics and Finance
Timor Gap	Francisco da Costa Monteiro	President & CEO
Tokyo Timor Sea Resources	Shinsuke Tsujita	Public Relations
Tokyo Timor Sea Resources	Yuhi Harada	Manager, Planning & Commercial
Australian Embassy, Dili	Peter M. Macfarlane	First Secretary
Santos	David Di Blasio	Finance Manager
Santos	Joe Ariyaratnam	Manager – Browse Timor Bonaparte and Technical Services