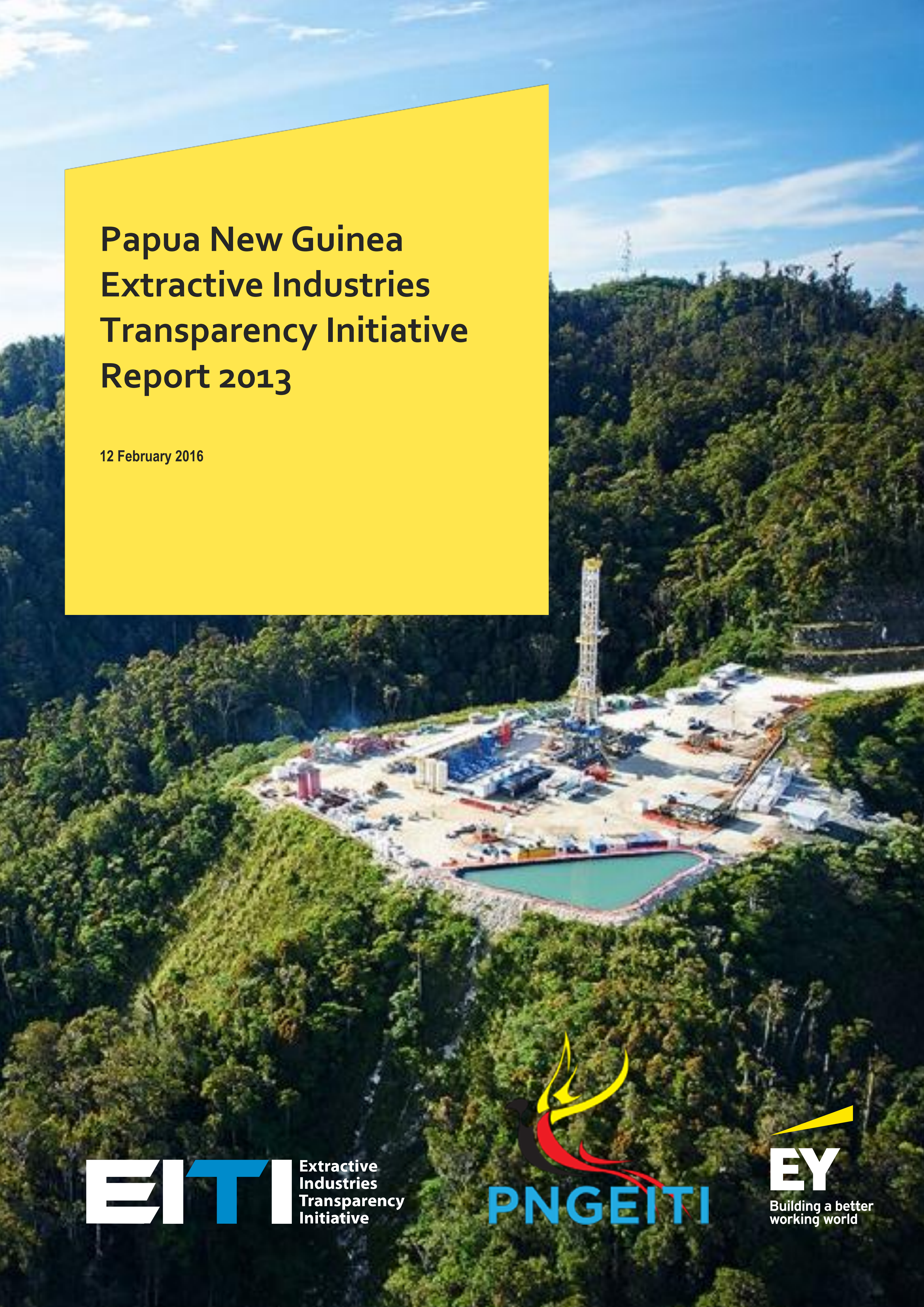
Papua New Guinea Extractive Industries Transparency Initiative Report 2013

12 February 2016



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Minister's foreword

It is with a great sense of pride that I add my endorsement to this landmark inaugural Extractive Industries Transparency Initiative report for PNG. This report for the 2013 financial year is the culmination of sustained efforts and collaboration between the PNG government, the extractive industries and civil society to deliver an informative picture of the extractives sector in PNG, its impact on our economy and our management of the revenues it generates.

I hope this report and the ones that follow will be utilised by all segments of the community to enhance the understanding of the economic impacts of this important sector. From a government perspective the report highlights the very sound fiscal settings surrounding the sector but also illustrates where information management may give rise to better systems and enhance the ease of doing business in PNG.

PNG is amongst the most geologically attractive and resource rich countries in the world. Strong growth in PNG's mining, oil and gas sector led to the country becoming the sixth fastest-growing economy in the world in 2011.[1] While current global commodity prices have experienced dramatic declines, resulting in many resource extraction projects being halted or delayed, a number of major proposed projects in PNG remain commercially sound and operators have sent a clear message to government of their intention to proceed with developments.

This report will provide investors and Papua New Guineans with additional confidence that the government of PNG is committed to transparency, an improved investment environment and enhanced development outcomes.

"The 2013 financial year report is the culmination of sustained efforts and collaboration between the PNG Government, the extractive industries and civil society to deliver an informative picture of the extractives sector in PNG, its impact on our economy and our management of the revenues it generates".

Hon. Patrick Pruaitch, CMG, MP
Minister for Treasury & Chairman,
PNG Extractive Industries Transparency Initiative

[1] http://ministers.dfat.gov.au/marles/speeches/Pages/2012/rm_sp_120309.aspx?ministerid=4

Multi-stakeholder group statement

The multi-stakeholder group (MSG) was established in 2013 to steer and oversee the EITI process in PNG, including to provide guidance and oversight over the process of compiling PNG's first reconciliation report. Since that time MSG members representing government, civil society and industry have worked together in the true spirit of collaboration towards the completion of this, the first PNG EITI Report.

This Report represents a journey we have all taken together. The MSG has been focussed on the PNG EITI objectives to ensure the Report informs:

- Improved public understanding of the management of the extractive industries;
- Improved accountability of both Government and Industry through enhanced understanding of how the extractive industries sectors are managed;
- Improved transparency of payments made to national, provincial and local level government and landowner groups; and
- Revenue generation and collection that is consistent with policy settings.

However, the activities of the MSG have not only resulted in the culmination of this report but have given rise to other opportunities for government, industry and civil society to work together and improve awareness of the extractive industries.

Some of the activities of the MSG members can be found on the PNG EITI website. The six-monthly activity reports and a range of awareness raising activities are there to examine more closely.

The MSG chaired by government has further strengthened the relationship between policy, revenue administration and regulating agencies. Inter-agency collaboration is critical to achieving the most positive resource revenue management outcomes, both in terms of collections, expenditure and transparency. Inter-agency collaboration is also important to identify opportunities to make systems and processes more user-friendly for business.

The EITI MSG process has not only allowed for better inter-agency collaboration but it has enhanced it further through greater access to industry and civil society.

Industry representatives on the MSG have been drawn from both the oil and gas and the mining sectors. Our industry representatives have worked consistently with us, with great generosity of time and resources to help advance all aspects of the EITI process. This report shows what valuable partners they are in the pursuit of our development objectives as a nation and the real contribution they make to the economy. The report is focussed on revenues produced by these sectors but also sets out the other important economic contributions such as voluntary social expenditures.

Representatives from civil society have also been critical partners in the EITI process. They provide a voice to the many Papua New Guineans from impacted areas and the community more generally who have their own perspectives on the impacts and contributions of the extractives industry. Civil society have already commenced community outreach activities which will be critical to informed public debate on how PNG should manage its immense and valuable natural resource endowments into the future. A basic civil society expectation is that responsible government and industry partners will provide verifiable and reconcilable data now and in future reports.

The MSG would like to extend their thanks to the PNG EITI Secretariat headed by Mr Lucas Alkan, for his tireless efforts, to the World Bank for their continued support and to the EITI International Secretariat for their valued advice and guidance, and to the international support for the civil society network provided by 'Publish What You Pay'. The MSG would also like to thank Deloitte for its assistance in the preparation of the scoping study and to EY for performing its duties as the independent administrator.

PNG Council of Churches

Current MSG members

Hon. Patrick Pruaitch
CMG MP Treasurer &
Chairman of PNGEITI - MSG
PNG Ministry of Treasury

Mr Dairi Vele
Secretary for Treasury &
Alternate Chairman – PNGEITI MSG
Department of Treasury

Mr Shardrick Himata
Secretary
Department of Mineral Policy &
Geo-hazards Management

Mr Rendle Rimua
Secretary
Department of Petroleum & Energy

Ms Betty Palaso
Commissioner General
Internal Revenue Commission

Mr Philip Samar
Managing Director
Mineral Resources Authority

Ms Harry Hakaua
Secretary
Department of National
Planning & Monitoring

Dr Ken Ngangan
Secretary
Department of Finance

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Business Against Corruption Alliance (BACA)

Ms Wallis Yakam
Executive Officer
Consultative Implementation and Monitoring
Council (CIMC)

Mr Paul Barker
Executive Director
Institute of National Affairs (INA)

Fr Denny Guka
Chairman
PNG Council of Churches

Mr Lawrence Stevens
Chairman
Transparency International PNG
(TIPNG)

Mr Patrick Yepe Lombaia
Executive Director
PNG Mining Watch Group Association
Inc.

Mr Thomas Paka
Executive Director
EcoForestry Forum

Mr Greg Anderson
Executive Director
PNG Chamber of Mines & Pertoleum

Mr Anthony Smare
Director
Barrick Niugini Ltd

Mr David Wissink
General Manager, Sustainability
Morobe Mining Joint Ventures (MMJV)

Mr Peter Aitsi
Country Manager
Newcrest Mining Ltd

Mr Andrew Barry
Managing Director
ExxonMobil PNG

Gerea Aopi
Executive General Manager of External
Affairs & Sustainability
Oil Search (PNG) Ltd

PNG EITI National Secretariat

Lucas Alkan
Head of National Secretariat

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Abbreviations

APT	Additional profits tax
BOPY	Barrels of oil per year
CITF	Community Infrastructure Trust Funds
CMCA	Community Mine Continuation Agreement
DPE	Department of Petroleum and Energy
EITI	Extractive Industries Transparency Initiative
FGTF	Future Generation Trust Funds
FOB	Free on board
GBT	General Business Trust
GDP	Gross Domestic Product
GST	Goods and Services Tax
IPBC	Independent Public Business Corporation
IRC	Internal Revenue Commission
ITA	Income Tax Act 1959
LNG	Liquefied natural gas
m^3	cubic metres
MA	Mining Act 1992
MAC	Mining Advisory Council
MoA	Memorandum of Agreement
MRA	Mineral Resources Authority
MRDC	Mineral Resources Development Company Limited
MMscf	Millions of standard cubic feet (gas)
Mscf	Thousands of standard cubic feet (gas)
MSG	Multi-stakeholder group
MTFS	Medium Term Fiscal Strategy 2013–2017
MYEFO	Mid-Year Economic and Fiscal Outlook
NEC	National Executive Council
NGO	Non-government organisation
OGA	Oil & Gas Act 1998
OTML	Ok Tedi Mining Ltd
oz	ounce
PGK	Papua New Guinea kina
PNG	Papua New Guinea
scf	standard cubic feet (gas)
SOE	State-owned enterprise
stbopd	standard barrels of oil per day
SWF	Sovereign Wealth Fund

Independent administrator's notes

Reporting period

This report covers the period 1 January 2013 – 31 December 2013. In some instances where figures for this year could not be obtained, the most recent available data is given. Where relevant, we have also included data subsequent to the reporting period. We have annotated data relating to years other than 2013 within the text.

Currency

Some figures in this report are given in US dollars (USD), others in PNG kina (PGK). This reflects the data as received; the independent administrator has not converted any amounts, nor have we checked conversion rates. According to OANDA, the average 2013 USD/PGK exchange rate was 1 : 2.2825.[2]

Data accuracy

The data contained in this report was compiled from a mixture of publically available information and data sourced from documents provided directly by reporting entities and members of the multi-stakeholder group. No quality assurance has been provided to confirm the accuracy of the data, meaning there could be the possibility of errors and incompleteness in the data. A discussion of quality assurance with respect to the financial data can be found on page 101.

Authors

This report was written by Mathew Nelson, Frank Bouraga, Elizabeth Rose and Jane Farago, with support from Colin Milligan, Brandley Sunico, Leonard Catalon and Rhiannon Tomlin.

[2] http://www.oanda.com/currency/historical-rates/

Executive summary

This is Papua New Guinea's first report as a candidate country under the Extractive Industries Transparency Initiative (EITI). In accordance with the EITI Standard,[3] this report has been guided by a multi-stakeholder group (MSG) comprising representatives of government, industry and civil society, and has been prepared by an independent administrator, EY.

This report covers the calendar year of 2013, and encompasses large-scale mining and oil and gas.

About Papua New Guinea

Papua New Guinea (PNG) is one of the most diverse countries on earth, with over 850 indigenous languages and at least as many traditional societies, out of a population of 7.3 million. The population is highly rural – with only 18 per cent of its people living in urban centres – and a combination of dense tropical rain forest and mountain ridges keep many areas isolated.

The nation established independence from Australia on 16 September 1975, and has experienced some political instability and civil war in its young history. The country is becoming more stable, and has progressed from 'low income' to 'lower middle income' according to World Bank classifications.[4] However, as a country still establishing infrastructure and governance structures, together with the complexities of a tribal economy, challenges to improving the wellbeing of the PNG population remain.

Poverty remains widespread, with an estimated 36 per cent of the population living on less than $US1.25 per day.[5] Most social indicators – such as health, education and gender equality – give cause for concern, with PNG failing to meet any of the benchmarks set by the UN as part of the Millennium Development Goals.[6]

Fraud and corruption are widely regarded as a challenge for PNG; the country ranked 139 out of 168 countries in Transparency International's Corruption Perception Index in 2015.[7] The PNG Government has recognised the importance of addressing these issues and improving perceptions of its attractiveness as an investment prospect.

Accordingly, the PNG Government, led by the PNG Minister for Treasury, applied for EITI candidacy in 2013 and was accepted as a candidate country in March 2014.

The extractive industries in PNG

PNG is a country rich in minerals. It ranks in the top 20 world gold and copper producers, and also produces silver, nickel and cobalt.

Mining in PNG dates back to 1888, with the modern mining industry developing during the mid-1960s.

During the reporting period, eight mines were operating in PNG, distributed over a number of provinces. These mines are described in Table 1.

[3] EITI Standard, 2015, https://eiti.org/files/English_EITI_STANDARD.pdf
[4] http://data.worldbank.org/country/papua-new-guinea
[5] http://www.pg.undp.org/content/papua_new_guinea/en/home/countryinfo/
[6] http://www.pg.undp.org/content/papua_new_guinea/en/home/presscenter/pressreleases/2015/05/27/papua-new-guinea-reckons-with-unmet-development-goals.html
[7] Transparency International, 2015, https://www.transparency.org/cpi2015#results-table

Table 1: Major mining operations by site

Mine	Operator	Primary minerals produced	Province	Year opened	Mine Life (years)	Output per annum
Ok Tedi[8]	Ok Tedi Mining Limited	Copper and gold	Western	1969	10 (from 2015)[9]	500,000 oz Au, 170,000 t Cu
Porgera	Barrick Gold	Gold and silver	Enga	1989	20	500,000 oz Au, 90,000 t Cu
Lihir	Lihir Gold Limited	Gold and silver	New Ireland	1997	15	800,000 oz Au
Hidden Valley	Newcrest and Harmony	Gold and silver	Morobe	2009	10+	200,000 oz Au
Ramu Nickel/ Cobalt mine	MCC Ramu NiCo Limited	Nickel and cobalt	Madang	2012	20+	31,000 t Ni, 3,300 t Co
Tolukuma	Petromin	Gold	Central	1983[10]	No data available	No data available
Simberi	Simberi Gold Company Limited	Gold	New Ireland	1920s	10	72,000 oz Au
Sinivit	New Guinea Gold	Gold	East New Britain		No data available[11]	No data available

New projects in development include the deep-sea mine Solwara 1 (owned by Nautilus Minerals), Frieda River (PanAust) and Wafi-Golpu (Harmony/Newcrest). Exploration activity is intensive, covering over 80 per cent of the country.

Mining companies active in PNG include international companies and a number of junior companies, together with many small- scale miners. Some 60–80,000 people are estimated to be engaged in informal alluvial/small-scale mining.

The oil and gas industry emerged in the late 1980s. Oil production is currently in slow but steady decline, averaging about 29,604 barrels per day in 2013.[12] PNG's proven crude oil reserves are estimated at 2,530,000 barrels.

During the reporting period, Oil Search was the only company actively producing hydrocarbons, in joint ventures with a number of partners including:

- ExxonMobil
- Santos
- JX Nippon (Merlin, Southern Highlands Petroleum)
- Cue Energy
- MRDC
- Petromin.

Oil and gas production is concentrated in the Southern Highlands, at:

- Kutubu
- Agogo
- Moran
- SE Mananda
- SE Gobe
- Gobe Main
- Hides

In construction during the reporting period was a major new development, the PNG LNG Project. Led by ExxonMobil, this project links a series of gas production and processing facilities via over 700 kilometres of pipelines. The first export left PNG mid-2014. At US$19 billion, the project is the largest investment made in PNG to date.

Exploration is at an all-time high, with little open exploration ground available.

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[8] Direct communication from Treasury, 2 December 2015
[9] Ok Tedi Annual Report 2013, p. 70
[10] http://www.mpi.org.au/our-work/papua-new-guinea/tolukuma/
[11] New Guinea Gold apparently ceased operating in 2014, and have allegedly since been blacklisted by the mining minister from further operations after the mine site was abandoned by the developer and cyanide pollution was found in local river systems. (source: https://ramumine.wordpress.com/tag/new-guinea-gold/)
[12] Oil Search Annual Report 2013, p.28 http://www.oilsearch.com/Media/docs/7644_OilSearch_AR13_Complete_v2-a1ee5ebb-6f17-4b50-9e57-cb2f5ac11b5e-0.pdf

Figure 1: Overview of entities in the PNG extractives sector in 2013

Government
Minerals Resource Authority
Department of Petroleum and Energy

Oil & gas companies
(excluding SOEs)
Oil Search
Cue PNG Oil Co. P/L
ExxonMobil
Nippon
Santos

State-owned enterprises
Petromin
Ok Tedi
Mineral Resources Development Company
Independent Public Business Corporation
National Petroleum Company of PNG

Mining companies
(with associated mine in parentheses)
Ok Tedi Mining *(Ok Tedi)*
Barrick Gold *(Porgera)*
Lihir Gold *(Lihir)*
MCC Ramu NiCo *(Ramu)*
Newcrest and Harmony *(Hidden Valley)*
Petromin *(Tolukuma)*
Simberi Gold Company *(Simberi)*
New Guinea Gold *(Sinivit)*

Industry association
PNG Chamber of Mines and Petroleum

Legal Framework

PNG has a robust legal framework governing the extractives industry. Implementation and enforcement of this framework, however, is weakened by multiple layers of government with decreasing capacity and increasing opacity.

Revenues from the extractive industries are collected by the Internal Revenue Commission (IRC) in accordance with the *Income Tax Act 1959*, which includes specific rules applying to resource projects. The rates of income taxation on extractive industries in PNG range from 30 to 50 per cent. PNG is currently reviewing its tax regime, with the extractive industries being a specific area of focus.

Other relevant revenue mechanisms include:

- Withholding taxes
- Fiscal stability provisions
- Additional profits tax
- Royalties, development levies and production levies where development levies are paid to the relevant local or provincial government
- Goods and services tax.

Supporting the *Income Tax Act* is the *Mining Act 1992* which is administered by the Mineral Resources Authority (MRA) and the *Oil and Gas Act 1998* and *Oil and Gas Regulation 2002* administered by the Department of Petroleum and Energy (DPE).

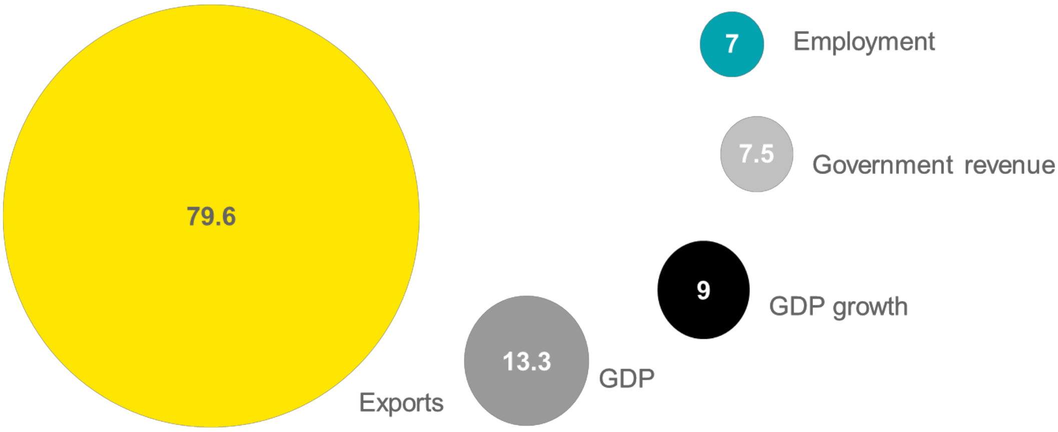
The state has the right, but not the obligation, to acquire up to 22.5 per cent of a participating interest in a designated gas or petroleum project, and up to 30 per cent of a mining project, at par value, or 'sunk cost'.

The state is required to grant free equity in resource projects to landowners from the area in which a project is located where it takes an equity participation interest. The landowners' share in projects is two per cent for petroleum projects and five per cent for mining projects, free carried by the state, and is controlled by a state nominee company managed by the Mineral Resources Development Company Ltd (MRDC).

Contribution to the economy

The extractives sector plays a significant role in the country's economy, dominating foreign investment and exports, and having some downstream impacts such as construction. However, it has a more modest impact on government revenue, GDP and employment.

Figure 2: Percentage contribution of the extractives sector to economic measures



The sector is estimated to employ 9,000 to 30,000 people out of a population of 7.3 million. The construction of the PNG LNG project produced a significant spike in employment during the reporting period, which has fallen off since the project entered its production phase. The project, is, however, expected to make an increased contribution to GDP and government revenue in future years.

The sector has both positive and negative social, economic and environmental impacts, which have been explored in detail in the United Nations Development Programme publication, *Papua New Guinea National Human Development Report 2014*. The report offers insights into why the wealth generated by the sector has not translated into a better standard of living for the majority of Papua New Guineans. Some of these insights are reinforced by the findings of this report: in particular, lack of transparency, and the under-resourcing and weak capacity of government organisations.

The Government's *Vision 2050* sets an ambition to move the economy away from dependence on the extractives sector to a broader base encompassing agriculture, forestry, fisheries, eco-tourism and manufacturing.

Production data

Mining companies provide production data to the MRA on a monthly basis as a part of the royalty return lodgement process. The data includes quantity produced, quantity shipped and export value, by mine site. The data provided for the reporting period was both incomplete and inconsistent. Significantly different data sets were provided by the MRA at different times, and both sets showed information gaps. These gaps were recognised by the MRA, which has been working with companies to update its data. The MRA reports that, since July 2014, data is now captured directly into its digital cadastre and is reliable; future EITI reports will show whether this is the case. The MRA advised it performs checks on the data but does not have the capacity to perform audits.

A summary of the more recent data set provided by MRA is provided in Table 2, below.

Table 2: Mining production data summary 2013

Commodity	Produced	Shipped	Export value (PGK)
Gold (oz)	18,400,048	17,617,999	3,279,336,669
Silver (oz)	27,386,785	27,202,125	135,817,550
Copper (tonnes)	90,775	87,467	1,256,064,946
mixed hydroxide precipitate (tonnes/kg)	104,655	138,201	286,830,995

Oil and gas companies report production data to DPE on a monthly basis. DPE is also not currently performing detailed reviews or audits of the data due to resourcing constraints.

Oil Search was the only company actively producing during the reporting period. We compared the DPE figures with those reported by Oil Search in its annual report, and found them materially consistent. The total quantities, across all oil and gas fields, is summarised in Table 3, below.

Table 3: Oil and gas production data summary 2013

Oil (stbopd)		Gas (Mscf)	Royalty (PGK)	Export value (PGK)
Production	Export	Production*		
10,811,043	10,607,139	125,351,244	48,270,964	2,413,548,196

*used domestically; not converted to LNG for export

State-owned enterprises

The state-owned enterprises (SOEs) in PNG during the reporting period were:

- Independent Public Business Corporation (IPBC)
- Mineral Resources Development Company Limited (MRDC)
- National Petroleum Company of PNG Limited (NPCP)
- Ok Tedi Mining Limited
- Petromin PNG Holdings Limited.

These showed varied levels of capacity and transparency; Ok Tedi and Petromin provide plentiful information online, while the IPBC has been described as having 'systemic lack of transparency'.[13] The MRDC was not able to provide financial data more recent than 2009, despite having submitted its 2011 accounts to the Auditor-General. Given the significant public funds managed by the MRDC, this is of particular concern; it denies the government and people of PNG adequate information about their interests, and leaves considerable scope for misappropriation.

Of the SOEs, Ok Tedi was the only operating company that made quasi fiscal payments during the reporting period. This included PGK54.75 million in payments to affected communities.

- In April 2013 the government announced plans for a significant restructuring of all state-owned assets into three new companies:
  - Kumul Petroleum Holdings Limited will now hold all hydrocarbon assets, including those of Petromin.
  - Kumul Minerals Holdings Limited will hold all state-owned mining assets, including those of Petromin and Ok Tedi.
  - Kumul Consolidated Holdings will hold all other state-owned enterprises.

This restructure is still underway at the time of writing, and it remains to be seen whether the new entities will be able to improve on the transparency performance of their predecessors.

Management and distribution of revenues

Corporate income tax and dividends from the extractive sectors are recorded in the national budget as separate line items. Other revenues are recorded in various places, most of which are considerably less transparent:

- Oil and gas royalties and licence fees are recorded in the Joint Department of Petroleum and Finance Trust Accounts
- Mining royalties, production levies and licence fees are recorded in the financial reports of the MRA
- Dividends from NPCP are recorded by the IPBC, as trustee of the GBT
- Equity in oil and gas and mining (NPCP, Petromin, and MRDC) and sale of mineral commodities (Ok Tedi, Petromin) are recorded in the annual reports of the relevant entities.

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[13] *Finding balance: Benchmarking the performance of state-owned enterprises in Papua New Guinea.* Mandaluyong City, Philippines: Asian Development Bank, 2012, ('Finding balance') p. 12 http://www.adb.org/sites/default/files/publication/29988/finding-balance-benchmarking-performance.pdf

- Development levies are recorded in Finance Trust accounts.

Some benefits to regions impacted by the extractive industries are set out in law via royalties, equity stakes, dividends and compensation arrangements. Others are included in memoranda of understanding on a case-by-case basis; the new PNG LNG project, for example, includes many benefit-sharing arrangements. However, these agreements are in most cases not public, and accountability mechanisms vary significantly.

Royalties and levies, particularly those received for oil and gas, are held in trust. The category, number and balance of trust accounts in use could not be reliably identified, even by the Auditor General. Additionally, Trust Account Spending has not been incorporated into State Budget Expenditure leaving significant risk of abuse.

Auditing of government accounts is challenging due to under-resourcing and lack of capacity both of the Auditor-General's office itself and the entities reporting to it. Recent audit reports indicate serious gaps and inconsistencies, particularly with respect to provincial and local-level governments.

Although the government publishes a number of budget papers, there is insufficient public information on the budget process. The information provided for this report indicates a reasonably robust process, which is also undergoing active reform and improvement.

An important new development is the establishment of a Sovereign Wealth Fund in July 2015, to better manage the wealth generated by the extractive sector.

Licence allocation and registration

The MRA has an online cadastre of mining licences which fulfils all EITI requirements except for commodity produced.

The MRA website includes information on the different types of licences and the application process. However, we did not receive any formal documented evidence from MRA of the assessment of financial and technical criteria as outlined. Nor is there disclosure of non-trivial deviations from the applicable regulatory regime in awarding licences.

There is also no public information relating to the transfer of licences, and this information had not been provided by the MRA at the time of writing.

The official register of oil and gas licences is maintained by the DPE in handwritten ledgers entered in date order. Current storage and handling processes present a significant risk of data loss should a fire or other incident occur at the DPE facilities. There is an urgent need for the DPE to implement a reliable modern registry system to enhance utility of the system, enable extraction and analysis of information both by the DPE and third parties, and to provide redundancy against loss.

Meanwhile, the DPE's own review reveals a 50 per cent rate of failure to comply with requirements including:

- Adherence to reporting requirements
- Validity of work programs being implemented
- Payment of licence fees.

The department does not have a website, and there is currently no publically available information on the technical and financial criteria used to award licences or non-trivial deviations from the applicable regulatory regime in awarding licences.

Beneficial ownership

The PNG government does not require companies to disclose the ultimate beneficial owners of companies producing oil and gas or minerals, and does not have a publically available register of beneficial ownership in extractives entities. We have included the information in this report, and apart from state-owned entities, the majority are public listed companies.

Social expenditure

Mandatory social expenditures are agreed on a case-by-case basis between the government and project proponents, and these agreements are not disclosed. Since agreements are confidential, there can be no way for interested parties to ensure that payments are being made in accordance with those agreements; we therefore encourage disclosure of these agreements.

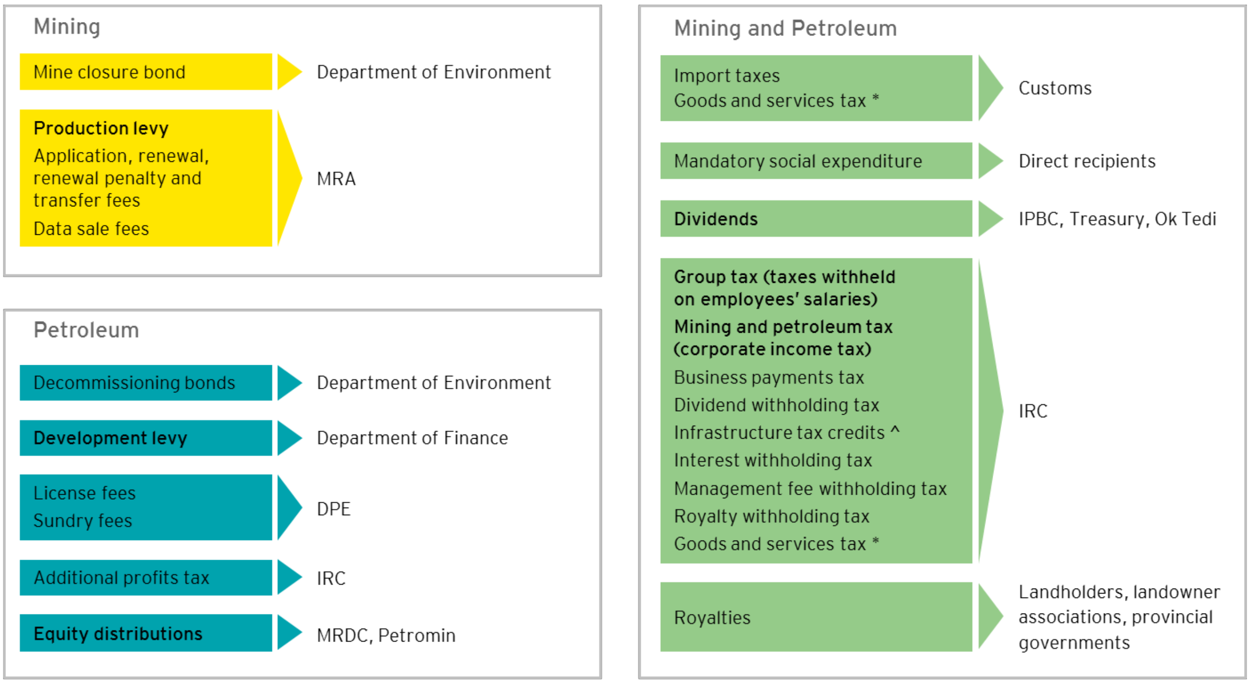
Mandatory social payments were made by Barrick Niugini, Ok Tedi Mining, Lihir Gold and MCC Ramu NiCo Ltd.

Some companies also disclosed voluntary social expenditures, which ranged from zero to millions of kina.

Reconciliation of revenue streams

Figure 3 below gives an overview of all revenue streams from the sector.

Figure 3: Revenue streams from the extractive sector, together with receiving entity



Notes
Bold = material revenue streams
* = IRC and customs
^ = reported to IRC

Our determination of materiality included all revenue streams that contribute two per cent or more to the total known revenue received by the government from the mining and oil and gas sectors. We also included some revenue streams that were below this quantitative threshold, but which were considered potentially material based on our qualitative definition of materiality.

Table 4 Revenue streams included in the reconciliation

Revenue/Payment stream	Sector		Receiving entity	% contribution to total known revenue
	Mining	Petroleum		
Mining and petroleum tax (corporate income tax)			IRC	42.66
Group tax (taxes withheld on employee salaries)			IRC	33.08
Royalties			State, provinces, landowner groups, other trusts	11.63
Equity distributions			MRDC, Petromin	5.47
Production levy			MRA	1.17
Dividends			IPBC, Treasury, Ok Tedi	1.12
Development levy			Finance	0.89

The reporting entities were identified as follows:

Table 5: Reporting entities

Mining	Oil and gas	State-owned enterprises	Government departments and statutory authorities
► Ok Tedi Mining Ltd *(Ok Tedi)* ► Barrick Gold *(Porgera)* ► Lihir Gold Ltd *(Lihir)* ► MCC Ramu NiCo Ltd *(Ramu)* ► Newcrest and Harmony *(Hidden Valley)*	► Oil Search ► ExxonMobil ► Santos ► JX Nippon ► Cue Energy^	► Independent Public Business Corporation ► Mineral Resources Development Company Limited ► National Petroleum Company of Papua New Guinea	► Internal Revenue Commission ► Minerals Resource Authority ► Department of Treasury ► Department of Finance ► Department of Petroleum and

► Petromin *(Tolukuma)* ► Simberi Gold Co. Ltd *(Simberi)* ► New Guinea Gold* *(Sinivit)*	► Petromin	► Ok Tedi Mining Limited ► Petromin	Energy ► Department of National Planning & Monitoring ► PNG Customs

*New Guinea Gold was in receivership at the time of reporting and was thus not able to report.
^Cue Energy's equity was sold to NPCP in 2014

The results of the reconciliation, identifying differences in reported amounts for key revenue streams, are provided in the table below.

Table 6: Summary of results of reconciliation of revenue streams

Company	revenue stream	Currency	Reported by company	Reported by receiving entity	Variance (absolute)	Variance (%)	Mining / oil & gas	
Barrick Gold	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		54,518,397			M	A
	Infrastructure Tax Credits	PGK	15,869,575	not provided			M	
	Production Levy	PGK	3,683,705	3,706,875	23,171	0.006	M	
	Royalties	PGK	32,868,262	15,046,512	-17,821,750	-1.184	M	
Cue Energy	Corporate Income Tax	PGK	0	0	0	0.000	OG	
	Group Tax	PGK		1,209,746			OG	A
	Infrastructure Tax Credits		not provided	not provided			OG	
	Royalties	USD	34,594	0	-34,594		OG	
ExxonMobil	Corporate Income Tax	USD	54,316,394	54,316,394	0	0.000	OG	
	Group Tax	PGK		181,340,398			OG	
	Infrastructure Tax Credits	USD	794,697	1,226,236	431,539	0.543	OG	
	Royalties	USD	0	0	0		OG	
JX Nippon (Merlin)	Corporate Income Tax	USD	42,459,652	42,507,077	47,425	0.001	OG	
	Group Tax	PGK		0			OG	A
	Infrastructure Tax Credits	USD	1,072,261	1,072,261	0	0.000	OG	
	Royalties	USD	not provided	not provided			OG	
JX Nippon (SHP)	Corporate Income Tax	USD	2,012,214	2,012,214	0	0.000	OG	
	Group Tax	PGK		0			OG	
	Infrastructure Tax Credits	USD	69,063	74,842	5,779	0.084	OG	
	Royalties		not provided	not provided	0		OG	
Lihir Gold	Corporate Income Tax	PGK	4,523,635	not provided			M	B
	Group Tax	PGK		not provided			M	A, B
	Infrastructure Tax Credits	PGK	17,137,429	not provided			M	B
	Production Levy	PGK	5,097,608	5,097,608	0	0.000	M	
	Royalties	PGK	44,597,389	not provided	-44,597,389		M	
MCC Ramu NiCo	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		16,043,311			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	16,844	16,844	0	0.000	M	
	Royalties	PGK	0	0	0	0.000	M	
New Guinea Gold	Corporate Income Tax	PGK	not provided	not provided			M	C
	Group Tax	PGK		not provided			M	A,C
	Infrastructure Tax Credits		not provided	not provided			M	C
	Production Levy	PGK	not provided	0			M	C
	Royalties	PGK	not provided	107,961			M	C
Newcrest and Harmony	Corporate Income Tax	PGK	0	0	0	0.000	M	B
	Group Tax			not provided			M	A, B
	Infrastructure Tax Credits		not provided	not provided			M	B
	Production Levy		not provided	not provided			M	
	Royalties	PGK	not provided	12,979,100			M	
Oil Search	Corporate Income Tax	USD	130,957,545	130,957,545	0	0.000	OG	
	Group Tax	PGK		83,315,927			OG	A
	Infrastructure Tax Credits	USD	8,046,328	8,046,328	0	0.000	OG	
	Royalties	PGK	48,905,606	48,270,964	-634,642	-0.013	OG	
Ok Tedi Mining	Corporate Income Tax	PGK	104,965,000	104,978,978	13,978	0.000	M	
	Group Tax	PGK		112,262,277			M	A
	Infrastructure Tax Credits	PGK	16,875,059	not provided			M	
	Production Levy	PGK	7,748,633	7,740,759	-7,874	-0.001	M	
	Royalties	PGK	48,978,341	33,154,064	-15,824,277	-0.477	M	
Petromin	Corporate Income Tax	PGK	16,109,000	15,752,426	-356,574	-0.022	OG	
	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		4,783,574			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	not provided	not provided			M	
	Royalties	USD	not provided	not provided			OG	
	Royalties	PGK	0	0	0		M	
Santos	Corporate Income Tax	USD	1,567,100	not provided		0.000	OG	D
	Group Tax	PGK		not provided			OG	A, D
	Infrastructure Tax Credits	USD	not provided	not provided			OG	D
	Royalties	USD	98,906	0			OG	
Simberi Gold Co.	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK	not required	9,180,216			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	not provided	170,222	170,222		M	
	Royalties	PGK	3,365,235	2,440,122	-925,113	-0.379	M	

Summary of findings and recommendations:

Anyone with an interest in PNG will be aware of the huge promise the country offers, and the significant frustrations of realising that promise.

The availability and reliability of data is frequently cited as a major challenge in PNG, and the country's poor statistical capacity is confirmed by World Bank indicators. Government agencies commonly report a lack of adequate resourcing and talent to carry out their role effectively. These findings have been further confirmed by this report. Without reliable systems for recording and auditing data, there is nothing to prevent fraud and corruption from occurring undetected. The implementation of robust systems and processes – and the capacity to implement them – should therefore be a priority for government agencies.

Aside from organisational capacity, we found varied levels of willingness to engage with the reporting process. While some entities were extremely helpful, many avoided contact – in one instance literally shutting the door on a representative of the independent administrator. One entity cited personal safety concerns as a barrier to reporting, having found that previous efforts towards transparency had resulted in attempts to extort funds. More common was that information was delayed, and incomplete when finally submitted. This may be allayed in future EITI reporting periods by engaging with organisations early and actively working with them to provide the necessary information.

While this report highlights many serious information gaps and inconsistencies, it is to be celebrated as a positive step forward. It brings much information to light for the first time, and equips government, industry and civil society in PNG with a good baseline from which to improve the transparency of a sector that plays a critical role in PNG's current and future economy.

Through the process of preparing our report, we identified a number of findings. In collating our findings, we have had regard to the seven key requirements of the EITI Standard. We have assigned a three stage priority ranking to each of the findings, based on our assessment of the impact of the finding on PNG's compliance with the EITI Standard. Detailed findings and recommendations, and a description of the priority ranking are provided in Chapter 12.

Table 7: Summary of findings and recommendations

Finding	Status	Recommendation
1. Effective oversight by the multi-stakeholder group		
Members of the MSG were engaged in the EITI reporting process, and recognised the importance of enhanced transparency for the extractives sector. Members of the MSG provided information to us in a timely manner, and supported us in our role as the independent administrator. Non-MSG members were, in general, less supportive of the reporting process, required much more follow-up from the independent administrator, and took longer to respond to requests for information. Importantly, we note that no SOEs were members of the MSG during the reporting period.	✪✪	In order to enhance the engagement of key reporting entities in the reporting process, we recommend that the PNG EITI National Secretariat considers inviting key SOEs to participate in the MSG. If membership of the MSG is not possible for these reporting entities, we recommend that the MSG identifies appropriate ways to maintain a dialogue with these entities regarding the EITI reporting process, including, for example: Providing regular communication of the EITI process, reporting updates, and key meetings to these organisations Inviting these companies to participate in major EITI meetings or events, such as the EITI report launch. Further, we recommend that the government of PNG considers implementing a legislative penalty regime for entities that do not cooperate with EITI reporting requirements.
2. Timely publication of EITI Reports		
The reporting period selected for PNG's first EITI Report was the 2013 calendar year. However, preparation of the EITI for the 2013 period commenced in August 2015, with publication of the report in February 2016, more than two years after the end of the reporting period. Over this period of time there were significant changes that impacted on the ability to collect and report information relating to the reporting period	✪✪	We recommend that the MSG develops and implements a long-term project plan such that preparation of EITI reports is conducted in the first half of the calendar year directly following the reporting period. However, we note that in order to action the above changes, consideration would need to be made to the availability of actual budget figures from Treasury.
3. EITI Reports that include contextual information about the extractive industries		

Finding	Status	Recommendation
We identified a number of gaps in the licence registry maintained by the MRA, including: • No information on commodity produced • Assessment of financial and technical criteria • Non-trivial deviations from the regulatory regime in awarding licences • Transfer of licences	✪✪	We recommend that the MRA: • Updates their cadastre to include information on the commodity produced. • Provides publicly available information on the transfer of licences, either via the cadastre, or on its website. • Formalises the technical and financial criteria used for assessing licence applications (if not already formalised), and communicates these to the Independent Administrator for future reporting periods. • Provides information to the Independent Administrator on non-trivial deviations from the regulatory regime applied in awarding licences.
The official register of oil and gas licenses is maintained by the DPE in handwritten ledgers entered in date order. Further, the current storage facilities represent a fire hazard and a risk of loss of data within the register.	✪✪✪	DPE must urgently implement a reliable electronic registry system, to supersede the current paper ledger system. The register should be designed to enable tracking of payments made by licence holders and their JV partners. The register should be available to the public online. DPE should establish a website and make public the process for allocating and transferring licences, and: • Formalise the technical and financial criteria used for assessing licence applications (if not already formalised), and communicates these to the Independent Administrator for future reporting periods. • Provide information to the Independent Administrator on non-trivial deviations from the regulatory regime applied in awarding licences.
We had difficulty obtaining current and complete material on some entities. Information on the SOEs' websites was often incomplete or out of date, particularly for the IPBC, or non-existent in the case of the MRDC.	✪✪✪	We recommend that measures are undertaken to engage SOEs in the EITI reporting process. This could include, for example, inviting representatives of the SOEs to participate in the MSG. Further, we recommend that the MSG conducts EITI training for the SOEs.
The production data provided for the reporting period was both incomplete and inconsistent. Materially different data sets were provided by the MRA at different times, and both sets showed information gaps.	✪✪✪	We recommend that the MRA: • Adopts standard units of measurement for reporting of each mineral commodity • Requires mining companies to provide data to them in consistent units of measurement, to mitigate any need for conversions to be applied • Conducts a detailed review of data within the digital cadastre prior to the next EITI reporting process to identify and address risk areas. • Considers implementing regular independent audits of production data and related payments, to ensure that regulatory compliance is being maintained.
Oil and gas companies report production data to DPE on a monthly basis. DPE is not currently performing detailed reviews or audits of production data. Whilst the production data from Oil Search and the DPE reconciled for this reporting period, we believe that existing systems are likely to be inadequate to maintain this performance as the industry expands over the coming years.	✪✪	We recommend that the DPE: • Develops and implements a digital database or cadastre to record licence details, periodic production data, and related payments • Develops reporting templates for monthly production reports to the DPE, including standardised units of measurement, to mitigate any need for conversions to be applied • Considers implementing regular independent audits of production data and related payments, to ensure that regulatory compliance is being maintained.

Finding	Status	Recommendation
Over the past year, the DPE has been conducting a compliance review. Early findings from this review revealed a 50 per cent rate of failure to comply with requirements including: • Adherence to reporting requirements • Validity of work programs being implemented • Payment of license fees. At the time of writing, it is unclear whether the compliance review has been finalised, and whether the DPE is in the process of implementing the recommendations provided.	✪✪✪	We strongly recommend that the DPE finalises its compliance review, and commences implementing the recommendations as soon as possible, as the findings relate to key elements of a compliant EITI Report.
4. The production of comprehensive EITI reports that include full government disclosure of extractive industries revenue, and disclosure of all material payments to government by oil, gas and mining companies		
Some agencies had few or absent controls over receipts from the extractive industries. We observed that payments were still often made via cash or cheque, with manual processes for issuing receipts. The absence of a robust system for managing payments leaves the system vulnerable to fraud, corruption, and human error.	✪✪✪	We recommend that government entities engage in a project to modernize payment systems globally. This should include, for example: • Payments being made by EFTPOS for all transactions • Implementing segregation of duties, and management oversight of cash processes • Implementing a rigorous audit program to regularly assess fraud risks.
Treasury provided significant assistance to us in preparing PNG's first EITI report. Through our discussions, we noted a number of issues that impacted on the timely preparation of the report: • The budget process was not publicly available • Underlying assumptions and methodologies for Treasury data were not always provided • Units of measurement were not always defined, or consistent with the rest of government • Time lag between data period and the availability of final numbers	✪✪	To streamline future EITI Reports, and to provide more accessible information to stakeholders, we recommend that: • Treasury should publish clear, accessible information on the budget preparation process, preferably on its website • Tables in budget documents should clearly and comprehensively list relevant assumptions and basis for calculation. • Units of measurement should be standardized between government departments, particularly with respect to production data. • Treasury should consider options to fast track the availability of Budget actuals, to enable more timely completion of annual EITI Reports.
Reliable reporting on EITI requirements depends in turn on robust systems for collecting and sharing data; for example production data and export data as well as revenue streams. Data reported to us from different agencies – or in some cases even from the same agency at different times – did not match, which obscures whether correct payments have been made.	✪✪✪	Systems should be established to enable productive sharing of information between government agencies. This should include establishing common units for measure, conversion factors and foreign exchange rates.
This document is PNG's first report under the EITI, and as such, formal processes and procedures were either non-existent, or in their infancy. Further, companies and government entities had no legal obligation to participate in the EITI process, which resulted in difficulty obtaining the required information in some instances.	✪✪	The PNG Government should develop and implement new legislation to enshrine EITI reporting requirements in law. Specifically, this legislation should include, for example: • Criteria for identification of reporting entities • Materiality thresholds • Details of revenue streams required to be reported, and by which entity • Details of production data required, including standardised units of measurement • Time frames for reporting • Audit and assurance requirements

Finding	Status	Recommendation
Some information that is required for EITI reporting was protected by confidentiality agreements, disclosure restrictions within the laws of PNG, or other restrictions including: • Tax payments made to IRC • Contracts between extractives industry and the government (e.g. no details of social payments) In order to obtain the information, we were required to either implement labour-intensive work-arounds (such as confidentiality waiver letters), or obtain information directly from the source. In some cases, we were unable to source information from any source due to these confidentiality restrictions.	✪✪	We recommend that the Government of PNG amends legislation to enable information required for EITI reporting to be disclosed to the Independent Administrator, for the purpose of reporting in the EITI report. We also recommend that the Government of PNG considers removing confidentiality clauses from contracts with the resources industry, where information is required for EITI reporting. This could be limited to certain elements of the contracts.
Mandatory social expenditures are agreed on a case-by-case, and these agreements are not disclosed.	✪✪	Disclosure of both agreements and payments should be encouraged. When agreements are confidential, there can be no way for interested parties to ensure that payments are being made in accordance with those agreements. Companies should be encouraged to disclose their social expenditure, including beneficiaries and evidence of outcomes.
Information relating to sub-national transfers and payments was difficult to obtain. Some benefits to regions impacted by extractives are set out in law via royalties, equity stakes, dividends and compensation arrangements. Others are included in memoranda of understanding on a case-by-case basis. However, these agreements are in most cases not public, and accountability mechanisms vary significantly.	✪✪✪	We recommend that the MSG engages the Department of Finance in a detailed review of subnational payments and transfers prior to the next EITI reporting process. The review should specifically identify all recipients of payments, account details, nature of payments or transfers being received and itemised payments during the period. Importantly, details of the payer (whether national government or extractive industry company) should be noted. Further, we recommend that the NEFC considers amending future Budget and Fiscal Reports to collect information on subnational payments and transfers in line with the EITI requirements.
5. A credible assurance process applying international standards		
Due to limited time available for preparing this first report, the MSG and the Independent Administrator agreed that reporting entities would need to have submissions signed by an authorised company representative. This is a very low level of quality assurance, as no audit or review of the reported amounts was requested or obtained.	✪✪✪	We would strongly encourage the MSG to implement the recommendations provided in this report. In order to do this, we suggest that the MSG integrates key actions into the PNG EITI work plan, allocates persons responsible, and tracks progress against these.
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate		
At the time of finalising this report, we had not been advised whether the report would be translated into either Tok Pisin or Hiri Motu, the second and third official languages of PNG, after English. Further, we were not aware of whether a PNG sign language translator would attend the launch event.	✪	For future reporting periods, and in line with leading practice, we recommend that the MSG considers whether further measures to circulate the report would be appropriate. This could include, for example: • Publicising a summarised EITI Report in both Tok Pisin and Hiri Motu, if appropriate. • Arranging for a PNG sign language translator to attend the launch event.
7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation		
Members of the MSG are very keen to understand the issues identified through our research, and our recommendations and next steps.	✪✪✪	We would strongly encourage the MSG to implement the recommendations provided in this report. In order to do this, we suggest that the MSG integrates key actions into the PNG EITI work plan, allocates persons responsible, and tracks progress against these.

Chapter 1: Introduction

The Extractive Industries Transparency Initiative (EITI) was established in 2002 with a goal of increasing industry transparency and accountability. The EITI is a global organisation of sponsoring countries, civil society representatives and companies developing a framework for transparency. Participating countries issue annual reports reconciling payments from the extractive industries to receipts by governments. The adoption of standards is discretionary, and must be incorporated into individual countries' laws to be binding. There are currently 28 compliant countries, with an additional 16 candidate countries in the process of adopting the standards. For more information, see the EITI website.

About PNG EITI

The development of the wealth of natural resources in Papua New Guinea (PNG) presents a significant opportunity for the PNG Government to reduce poverty, increase wealth and improve the wellbeing of its citizens. Key to this process is ensuring the fair and transparent collection and distribution of revenue raised through prudent, well planned and regulated investment in the development of natural resources.

The country ranked 139 out of 168 countries in Transparency International's *Corruption Perception Index* in 2015.[14] Similarly challenging assessments of corruption and attractiveness for foreign investment have been published by the World Bank,[15] Natural Resource Governance Institute[16] and the Fraser Institute.[17]

The PNG Government has recognised the importance of addressing fraud and corruption, and improving perceptions of its attractiveness as an investment prospect. It understands the importance of transparency and accountability in paving the way for these improvements.

Accordingly, the PNG Government, led by the PNG Minister for Treasury, applied for EITI candidacy in 2013. In March 2014, the country was accepted as a candidate country.

The EITI International Secretariat requires publication of the first country report within 18 months of becoming a candidate country. In February 2015, the multi-stakeholder group (MSG) agreed to use the 2013 financial year as the basis to produce PNG's first EITI report. In order to maintain its candidature, and demonstrate progress towards compliance, PNG is required to submit this EITI report.

Through working towards EITI compliance, PNG is seeking to achieve:

- Improved public understanding of the management of the extractive industries
- Improved accountability of both government and industry through enhanced understanding of how the extractive industries sectors are managed and attractiveness of PNG as a destination for foreign investment
- Fair and transparent collection and distribution of revenue raised from prudent investment in the development of natural resources
- Improvement in the country's systems and processes for receiving and distributing revenue and payments to provincial and local-level government and landowner groups
- Revenue generation and collection that is consistent with policy settings.

PNG's multi-stakeholder group

The EITI standard requires candidate countries to form a multi-stakeholder group as the key decision-making body for implementation. The MSG represents government, civil society and industry. An informal group first met in PNG in early 2012, and the group was formalised on 1 November 2013 via a Memorandum of Understanding.[18] The MSG is chaired by the PNG Treasurer, and comprises:

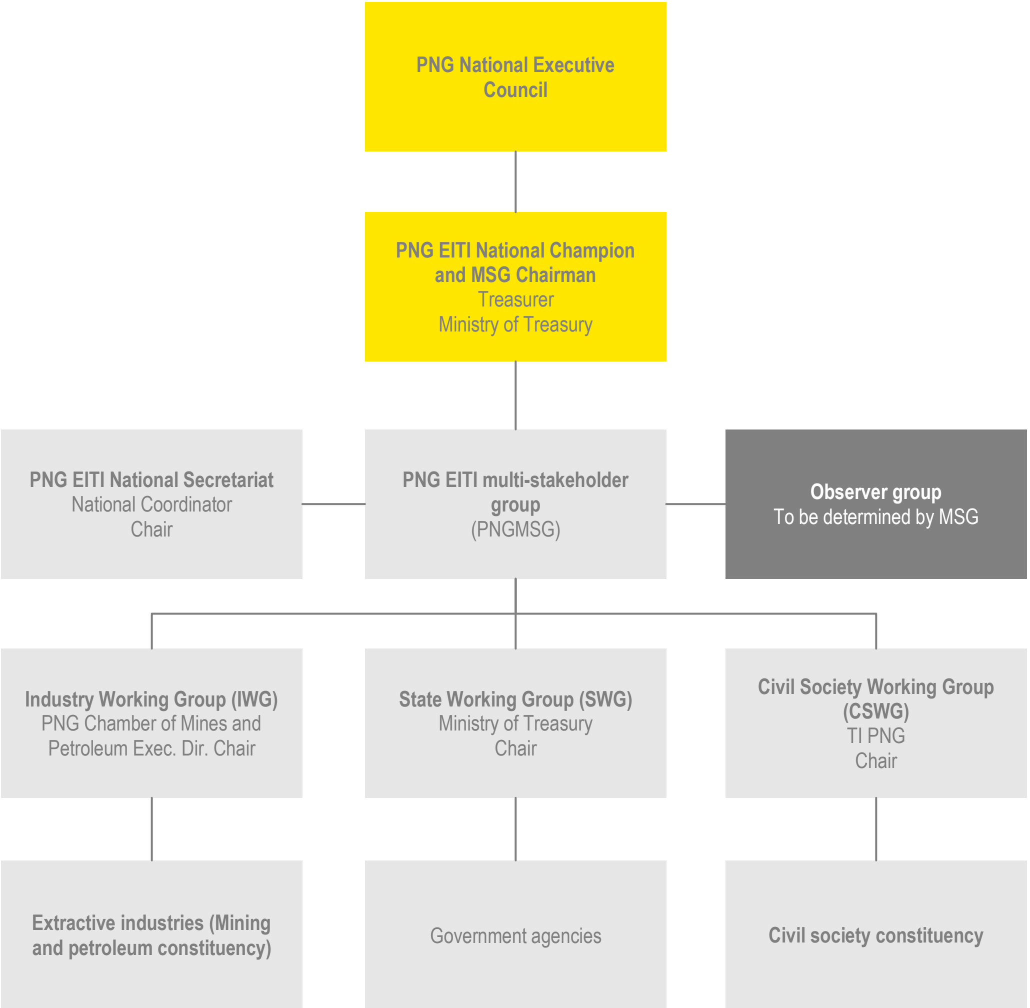
- Seven representatives from the Government of PNG, selected from the State Working Group[19] through internal processes and through direct engagement with participating ministries, agencies and departments
- Seven representatives from civil society, selected through a democratic process based on agreed criteria, representing a range of perspectives and constituencies
- Seven representatives from the extractive industries, selected through a democratic process based on agreed criteria, in collaboration with the PNG Chamber of Mines and Petroleum

[14] Transparency International, 2015, https://www.transparency.org/cpi2015#results-table
[15] World Bank, 2015, http://www.doingbusiness.org/reports/global-reports/doing-business-2015
[16] Natural Resource Governance Institute, http://www.resourcegovernance.org/rgi
[17] Fraser Institute, 2014, http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/survey-of-mining-companies-2014.pdf
[18] PNG EITI National Secretariat, 2013, http://www.treasury.gov.pg/html/misc/Special%20Projects/PNGEITI/PNGEITI%20Multi%20Stakeholder%20Group%20-%20MoU.pdf
[19] The SWG was convened to investigate EITI and make recommendations to the PNG Government https://eiti.org/supporters/companies/oil-search-limited

Each MSG member has a primary and two alternate representatives; a proxy vote can be given to others in case these representatives are unable to join the meeting. The organisational structure is shown in Figure 4 below.

The PNG EITI National Secretariat assists the Chairman in providing coordination, facilitation and administrative support to the MSG, and ensures that activities are carried out efficiently and effectively. It is governed by specific terms of reference approved by the MSG.

Figure 4: PNG EITI organisational chart

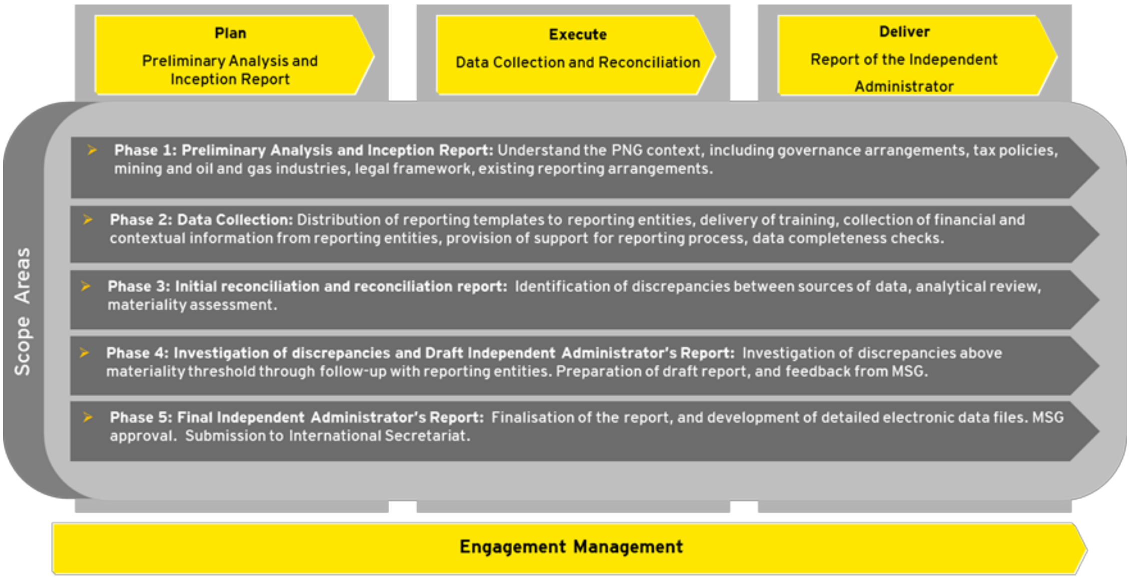


The role of the independent administrator

EY has been engaged by the PNG EITI National Secretariat to provide the role of independent administrator. The detailed responsibilities of the independent administrator are outlined within the terms of reference issued by the PNG EITI National Secretariat. EY's approach to meeting these responsibilities is outlined in Figure 5: below and includes:

- Preliminary analysis and delivery of an inception report
- Data collection
- Initial reconciliation and delivery of the initial reconciliation report
- Follow-up investigation of discrepancies and delivery of the EITI report

Figure 5: EY approach to the role of independent administrator



In executing the above approach EY has:

- Adopted an open and pragmatic approach to supporting PNG in meeting all of the specific requirements of the *EITI Standard*, and where there were barriers to achieving this, ensured that exclusions were disclosed along with the reasons for exclusion and the steps being taken towards future inclusion
- Built on the existing work undertaken by the MSG and the scoping study with our own analysis
- Used the process of compiling the Report to engage with stakeholders and work towards disclosure solutions
- Mapped out a realistic pathway to full transparency and disclosure over the coming years.

About Papua New Guinea

Papua New Guinea (PNG) is a country in Oceania, occupying the eastern half of the island of New Guinea and numerous offshore islands. Its capital, and one of its few major cities, is Port Moresby.

PNG is one of the most diverse countries on earth, with over 850 indigenous languages and at least as many traditional societies, out of a population of over 7.3 million.[20] It is also one of the most rural, with only 18 per cent of its people living in urban centres.

The country is one of the world's least explored, culturally and geographically. Nearly 85 per cent of the main island is carpeted with tropical rain forest. The central part of the island rises into a wide ridge of mountains known as the Highlands, a territory that is densely forested and remained isolated until recent decades.[21]

The nation established independence from Australia on 16 September 1975. It has experienced minimal political instability, although Prime Ministers have change a number of times following votes of no confidence. There has been one significant internal conflict, the Bougainville crisis, which began as a result of tensions related to the Bougainville Copper mine Panguna, and ran from 1988 until 1998. The country has now experienced 14 years of consecutive economic growth, progressing from 'low income' to 'lower middle income' according to World Bank classifications.[22] However, as a country still establishing infrastructure and governance structures, together with the complexities of a tribal society with a substantially non-monetised economy, challenges to improving the wellbeing of the PNG population remain.

[20] PNG National Statistical Office http://www.nso.gov.pg/index.php/population
[21] EY, Investors Guide to Papua New Guinea, 2013 Edition; World Bank East Asia and Pacific Economic Update October 2015
[22] http://data.worldbank.org/country/papua-new-guinea

Poverty remains widespread, with an estimated 36 per cent of the population living on less than $US1.25 per day.[23] PNG currently ranks 156 out of 187 countries in the United Nations' *Human Development Index* (HDI) with an HDI of 0.466.[24] Most social indicators – such as health, education and gender equality – give cause for concern, with PNG failing to meet any of the benchmarks set by the UN as part of the Millennium Development Goals[25] (since superceded by the Sustainable Development Goals).

Figure 6: The Millennium Development Goals

Levels of inequality are measured by the Gini coefficient, which ranges from 0 (complete equality) to 1 (complete inequality). PNG's Gini coefficient in 2009 (the latest available data), was 0.439, ranking 56 out of 76 countries.[26] PNG has regional inequality, partly driven by the extractive industries operations; government estimates from 2010 show poverty more prevalent in rural than in urban areas, at 42 per cent and 29 per cent, respectively. And gender inequality is a pervasive and serious problem, with PNG ranked 134 out of 148 countries on the *Gender Inequality Index* (GII).[27] Table 8 below compares a selection of economic and social indicators for PNG against other countries in the region, and with similar income levels.

Over the next five years, GDP growth is expected to average 3.5 per cent. The challenge for PNG is to ensure this growth benefits its people.

The findings and recommendations of this Report will not only assist PNG to capture maximum benefit from its natural resources, but will also be relevant to ensuring robust systems and processes in other areas of its developing economy.

[23] http://www.pg.undp.org/content/papua_new_guinea/en/home/countryinfo/
[24] ibid
[25] http://www.pg.undp.org/content/papua_new_guinea/en/home/presscenter/pressreleases/2015/05/27/papua-new-guinea-reckons-with-unmet-development-goals.html
[26] http://data.worldbank.org/indicator/SI.POV.GINI?order=wbapi_data_value_2009+wbapi_data_value&sort=asc&page=1
[27] PNG NHDR 2014

Table 8: PNG's World Development Indicators, compared with global benchmarks[28]

	Indicator	PNG	Lower middle income countries	East Asia & Pacific (all income levels)	Measure	Data year
	Surface area	462,840	20,523,269	24,825,178	sq. km	2013
population	Population, total	7,308,864	2,836,264,486	2,248,867,116		2013
population	Population growth	2.13	1.52	0.67	annual %	2013
population	Population density	16.14	139.53	92.22	people per sq. km of land area	2013
economy	GDP	15,413m	5,462,831m	20,807,939m	current US$	2013
economy	GDP growth	5.54	5.80	4.24	annual %	2013
economy	GNI per capita, Atlas method	2,030	1,961	9,528	current US$	2013
economy	GNI per capita, PPP	2,510	5,670	14,020	current international $	2013
economy	GNI, Atlas method	14,806m	5,563,070m	21,427,798m	current US$	2013
economy	GNI, PPP	18,380m	16,080,644m	31,528,595m	current international $	2013
economy	Inflation, GDP deflator	2.21	4.17	1.72	annual %	2013
economy	Net official development assistance and official aid received	656m	45,811m	11,875m	current US$	2013
economy	Poverty headcount ratio at $1.90 a day (2011 PPP)	39.31	26.32		% of population	2009 (av.)
health	Fertility rate, total	3.78	2.83	1.81	births per woman	2013
health	Life expectancy at birth, total	62.43	66.60	74.89	years	2013
health	Mortality rate, under five	60.90	56.80	18.76	per 1,000 live births	2013
education	Adjusted net enrolment rate, primary	86.78	90.67		% of primary school age children	2012
education	Primary completion rate, total	78.13	90.86	105.29	% of relevant age group	2012
education	School enrolment, primary	114.23	106.95	116.97	% gross	2012
education	School enrolment, secondary	40.16	65.60	84.66	% gross	2012
infrastructure	Improved sanitation facilities	18.90	50.55	75.50	% of population with access	2013
infrastructure	Improved water source	39.90	88.17	92.89	% of population with access	2013
infrastructure	Access to electricity, rural	10.35	68.17	92.97	% of rural population	2012
infrastructure	Access to electricity, urban	72.01	94.91		% of urban population	2012
infrastructure	Internet users	6.50	19.54	44.41	per 100 people	2013
infrastructure	Mobile cellular subscriptions	40.98	83.32	98.30	per 100 people	2013

[28] http://data.worldbank.org/country/papua-new-guinea#cp_wdi

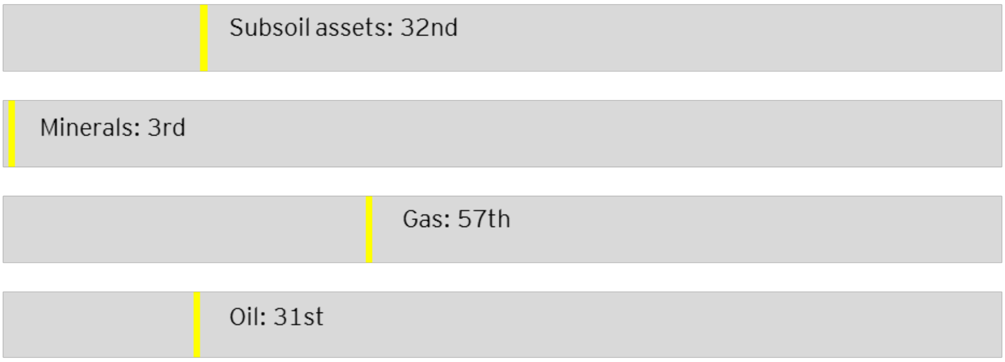
Chapter 2: Overview of the extractive industries in PNG

EITI Standard, requirement 3.3

This chapter provides an overview of the extractive industries, including any significant exploration activities.

For the purposes of this report, the MSG agreed that the extractive industries include mining, oil and gas. Quarrying, forestry and fisheries have been excluded.[29]

PNG has a wealth of subsoil assets. A 2005 World Bank survey of 152 countries ranked PNG's per capita subsoil assets as follows: [30]



Mining

PNG is a country rich in minerals. It ranks in the top 20 world gold and copper producers, and also produces silver, nickel and cobalt.

Mining in PNG began in 1888, when the discovery of gold on Sudest Island in Milne Bay sparked thirty years of small-scale alluvial gold mining that spread into the mainland with a gold rush in the 1920s and 1930s. Miners from the Australian goldfields brought social changes through the contact with westerners and technology. From 1932, large-scale mining interests began exploiting the rich goldfields that had recently been discovered. Most of the profits from this flowed offshore, with limited local economic impact, although it did lead to some infrastructure and the development of other industries such as forestry.

The modern mining industry began with the discovery of the large copper/gold porphyry deposit on Bougainville in 1963, followed by the discoveries at Ok Tedi, Frieda River, Porgera, Misima and Lihir. These mines continue to form the core of the current minerals industry. The industry has had significant economic impact on PNG; positive and negative social impacts; and sometimes controversial and serious environmental impacts.[31]

The past decade has seen an unprecedented level of exploration and development activity. Exports of nickel and cobalt began in March 2012.[32]

During the reporting period, eight mines were operating in PNG, including operations owned by the PNG government, and others by international resources companies.

[29] Minutes of MSG meeting #2, 27 March 2015
[30] wealth per capita, 2005, 'Total and per capita wealth of nations', World Bank 2005; wealth per capita, 2005 data.worldbank.org/sites/.../total_and_per_capita_wealth_of_nations.xls, accessed 18 Jan 2016
[31] http://pubs.iied.org/pdfs/G01003.pdf
[32] http://pngchamberminpet.com.pg/mining-in-png/

Overview of mining operations

Table 9 provides an overview of mines operating in PNG during the reporting period. The smaller gold mines (Tolukuma, Simberi and Sinivit), with their lower levels of mineral production and revenue, also tend to provide fewer opportunities in terms of human development compared to the larger operations, although each has distinctive features. Commodity price fluctuations have a more significant impact on these smaller operations, and both Tolukuma and Sinivit have gone through partial (or total) shutdown for periods of time.

New Guinea Gold ceased operations in 2014 and the company is now in administration.

Table 9 Major mining operations by site[33]

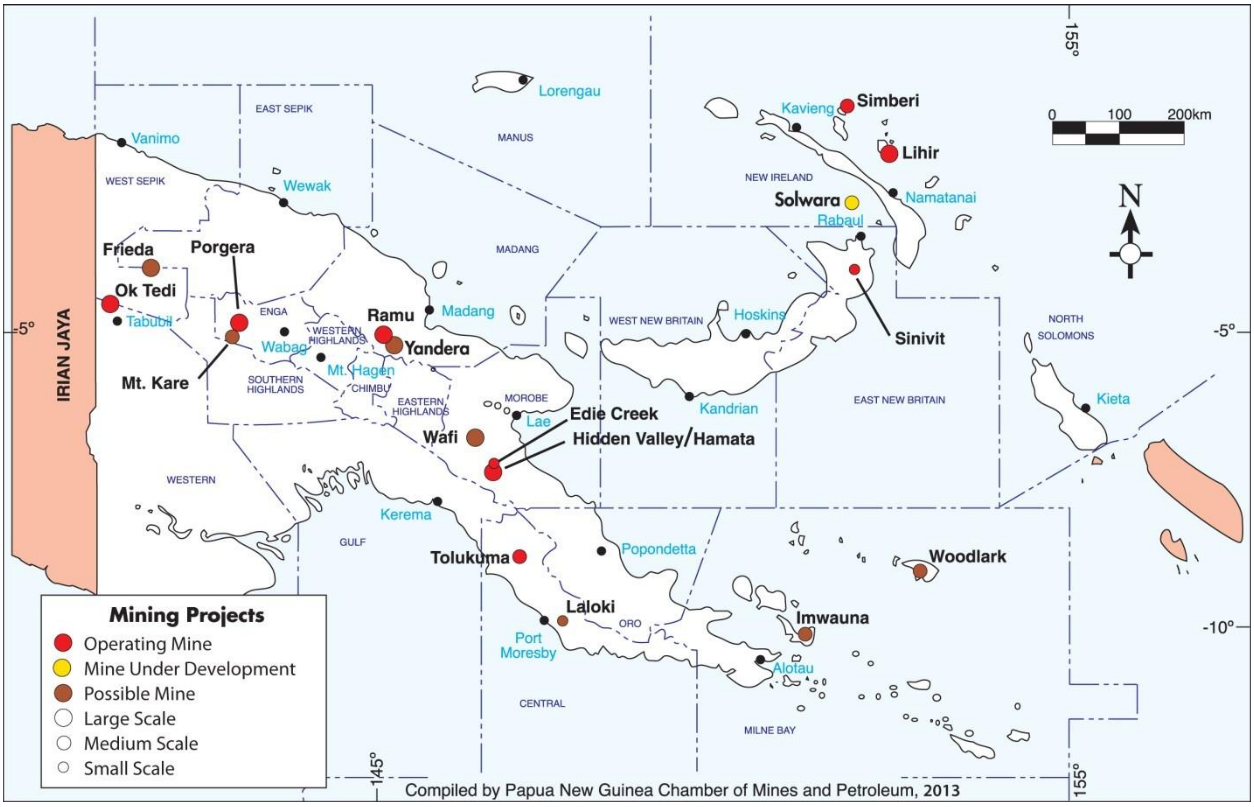
Mine	Operator	Primary minerals produced	Province	Year opened	Mine Life (years)	Output per annum*
Ok Tedi[34]	Ok Tedi Mining	Copper and gold	Western	1969	10 (from 2015)[35]	500,000oz Au, 170,000t Cu
Porgera	Barrick Gold	Gold and silver	Enga	1989	20	500,000oz AU, 90,000t Cu
Lihir	Lihir Gold	Gold and silver	New Ireland	1997	15	800,000oz Au
Hidden Valley	Newcrest and Harmony	Gold and silver	Morobe	2009	10+	200,000oz Au
Ramu Nickel/ Cobalt mine	MCC Ramu NiCo	Nickel and cobalt	Madang	2012	20+	31,000t Ni, 3,300t Co
Tolukuma	Petromin	Gold	Central	1983[36]	No data available	No data available
Simberi	Simberi Gold Company	Gold	New Ireland	1920s	10	72,000oz Au
Sinivit	New Guinea Gold	Gold	East New Britain		No data available[37]	No data available

* Figures have not been verified by the independent administrator, and should be taken as indicative rather than exact.

These mines are distributed over a number of provinces, as shown in Figure 7 below.

[33] Sources: Scoping study, company websites; data on lifespan and output from http://pngchamberminpet.com.pg/mining-in-png/
[34] Direct communication from Treasury, 2 December 2015
[35] Ok Tedi Annual Report 2013, p. 70
[36] http://www.mpi.org.au/our-work/papua-new-guinea/tolukuma/
[37] New Guinea Gold apparently ceased operating in 2014, and has allegedly since been blacklisted by the mining minister from further operations after the mine site was abandoned by the developer and cyanide pollution was found in local river systems. (source: https://ramumine.wordpress.com/tag/new-guinea-gold/)

Figure 7: Mining projects in PNG[38]



New mining projects

Foremost among new projects is the deep-sea mining venture of Nautilus Minerals, which will mine copper and gold from massive seafloor deposits 1600 metres below the surface of the Bismarck Sea at the Solwara 1 project site, scheduled to start production in 2018.[39] These new projects are summarised in Table 10, below.

Table 10 New mining projects in PNG[40]

Potential Project	Type	Stage	Company
Solwara 1	Submarine massive sulfide (deep sea mining)	Mining Licence (ML) granted January 2011, mining expected to commence in 2018	Nautilus Minerals (and state equity)
Woodlark	Medium epithermal gold	ML granted in July 2014	Kula Gold
Hessen Bay	Iron sands	ML application	Katana Iron
Frieda River	Large porphyry Cu-Au	Feasibility	PanAust
Yandera	Large porphyry Cu-Mo	Feasibility	Marengo Mining
Wafi-Golpu	Epithermal hold (Wafi) and large porphyry Cu-Au (Golpu)	Pre-feasibility	Harmony/Newcrest Mining

[38] http://pngchamberminpet.com.pg/mining-in-png/ accessed 19 Jan 2016
[39] Nautilus Minerals Inc. Annual Report 2014, p. 15, http://www.nautilusminerals.com/irm/content/annualreport/2014/5.pdf
[40] http://pngchamberminpet.com.pg/mining-in-png/

The PNG Chamber of Mines and Petroleum reported that by March 2012 the country had 299 exploration licences and 275 applications for exploration licences, taken by an estimated 132 different companies.[41] Almost 80–90 per cent of the country was under tenements in 2012 compared with less than five per cent in 2006, just prior to the establishment of MRA.[42]

Mining companies active in PNG

Mining companies active in PNG include large international companies and a large number of junior companies, together with many small scale miners. Some of these companies are listed below.[43]

- Anglo American
- Barrick
- BHP
- Crater Gold Mining
- Era Resources (formerly Marengo Mining)
- Harmony Gold
- Highlands Pacific
- Kula Gold
- MCC Ramu NiCo
- MMJV
- Nautilus Minerals
- Newcrest Mining
- Newmont
- Ok Tedi Mining
- PanAust
- Petromin PNG
- Rio Tinto
- St Barbara
- Vale
- Xstrata
- Zijin

There are also more than 20 juniors engaged in exploration in all 19 provinces and offshore, and 60,000 small-scale miners.

Oil and gas

Oil exploration commenced in the 1920s. The oil and gas industry emerged in the late 1980s, with an abundance of gas discoveries, including the large Hides gas field. PNG's first commercial oil field, the Kutubu field, went into production in 1992.[44]

Production

Oil production is currently in slow but steady decline, averaging about 29,604 barrels per day in 2013.[45] PNG's proven crude oil reserves are estimated at 2,530,000 barrels, ranking 99 out 103 countries with proven reserves.[46]

Liquefied natural gas (LNG) production is a relatively new commodity, with large estimated reserves and long-term prospects. Exports commenced in May 2014 and, despite current reduced prices, are expected to have a significant long-term impact on the economy and result in material changes to government revenues.

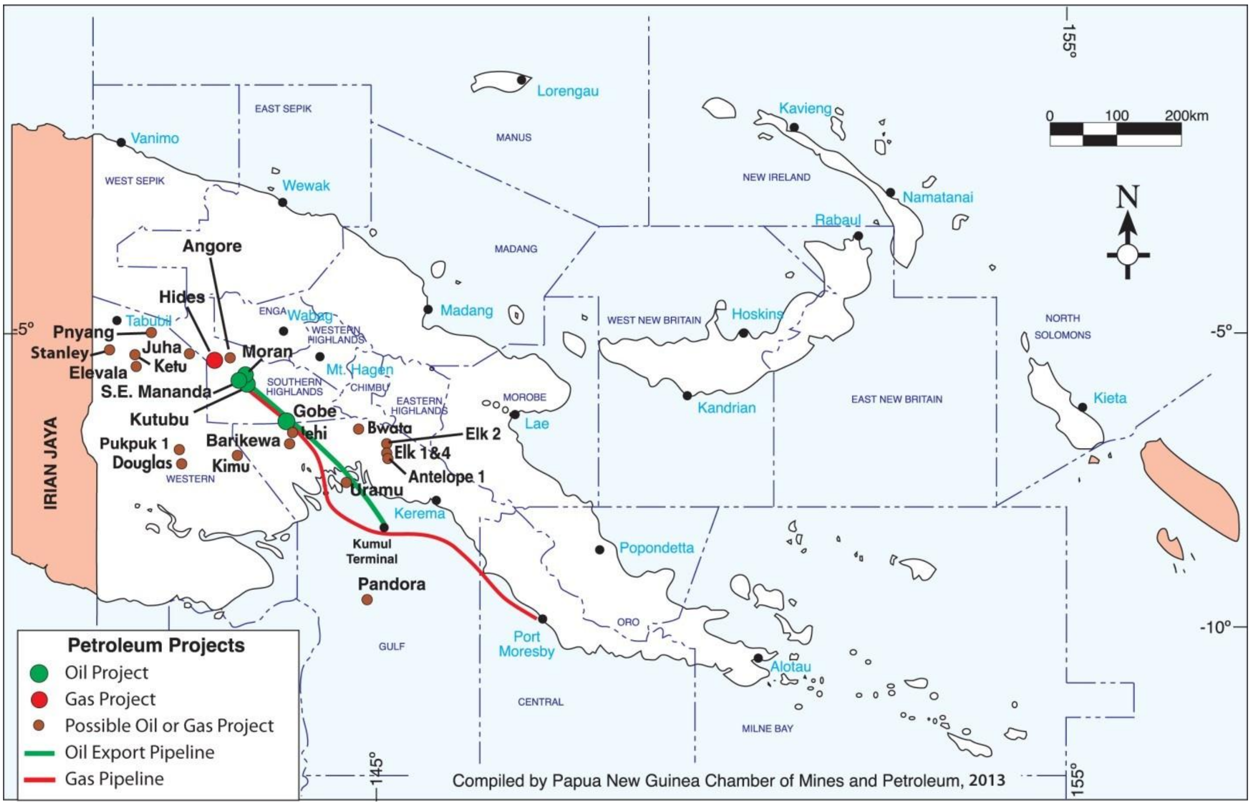
During the 2013 reporting period, Oil Search was the only company with operational control over production licences. Their unincorporated joint venture partners for these production licences include:

- ExxonMobil
- Santos
- JX Nippon (Merlin, Southern Highlands Petroleum)
- Cue Energy.

The physical distribution of oil and gas resources is shown in Figure 8 below.

[41] http://pngchamberminpet.com.pg/mining-in-png/
[42] MRA Mining and Exploration Bulletin for January to June 2012, cited in http://pngchamberminpet.com.pg/mining-in-png/
[43] http://pngchamberminpet.com.pg/mining-in-png/ and information from MSG
[44] http://www.aapg.org/publications/news/explorer/column/articleid/2257/png-gas-finds-push-lng-plans#sthash.fARVMzb3.dpuf
[45] Oil Search Annual Report 2013, p.28 http://www.oilsearch.com/Media/docs/7644_OilSearch_AR13_Complete_v2-a1ee5ebb-6f17-4b50-9e57-cb2f5ac11b5e-0.pdf
[46] http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=57&aid=6

Figure 8: Oil and gas projects in PNG[47]



PNG LNG Project

This major new project was not in operation during the reporting period, but construction was underway, impacting employment and GDP (see more below in Chapter 4: Contribution of the extractive industries to the economy). The PNG LNG Project is an integrated development that includes gas production and processing facilities in the Southern Highlands, Hela, Western, Gulf and Central Provinces of PNG. There are over 700 kilometres of pipelines connecting the facilities, which includes a gas conditioning plant in Hides and liquefaction and storage facilities near Port Moresby with capacity of 6.9 million tonnes of gas per year. The project is jointly owned as follows:

ExxonMobil PNG (operator)	33.2%
Oil Search	29.0%
National Petroleum Company of PNG	17.0%
Santos	13.5%
Japan PNG Petroleum	4.7%
Mineral Resources Development Corporation	2.8%
Petromin	0.2%

It is the largest investment made in PNG to date; at US$19 billion, it is worth more than all other existing extractive projects in PNG combined. The project, operated by ExxonMobil, began production operations in May 2014, with exports going to customers in Japan, China and Taiwan.[48]

[47] http://pngchamberminpet.com.pg/wordpress/wp-content/uploads/png11-3PetroleumProjectMap.pdf

[48] In order to meet lender commercial structure and loan security expectations, PNG LNG Global Company LLC ('GloCo') was incorporated to facilitate joint marketing, ship chartering and financing for PNG LNG. Owned by the sponsors' project participant companies in proportion their equity interest in PNG LNG, GloCo became the borrower, LNG seller and ship charterer for the project. Agreements were put into place to ensure that the sponsors' participant companies stood by the obligations of GloCo. For example, the agreements require that all LNG required for sales to the customers be sold by the participant companies to GloCo and that all loans are lent to the participating companies who guarantee those obligations. Revenue to the state from PNG LNG is derived from a mix of different payment streams; the largest long-term revenue generators are Petroleum Tax (corporate income tax) and sales proceeds distributed to the state through GloCo, as well as royalty and development levies. All payments are made in accordance with the *Oil and Gas Act* and relevant PNG laws. ExxonMobil PNG does not pay equity distributions or dividends to any government or commercial co-venture (CoV) partners related to the PNG LNG Project. The gas and liquids produced by PNG LNG are jointly marketed through GloCo. GloCo provides sales proceeds to partners net of lender and operating cost obligations on a periodic basis in accordance with CoV equity interest. These sales proceeds are assumed to be included on government and CoV partner profit & loss statements. GloCo is operated on behalf of all CoVs by ExxonMobil, but it is not an ExxonMobil affiliate or subsidiary.

Other gas projects in development

The PNG LNG Project is expected to be the first of a series of potential gas developments, including the:

- InterOil condensate stripping/LNG project centred on the Elk/Antelope discoveries close to the lower Purari River in the Gulf Province
- Stanley condensate stripping project
- Potential development of the P'nyang field to support PNG LNG Project expansion
- Possible aggregation of a number of gas accumulations in the Western Province
- Offshore Pandora field for a possible LNG development.[49]

Exploration

Oil and gas exploration is at an all-time high across PNG. There are currently 71 Petroleum Prospecting Licences and over 15 applications pending, covering large parts of the country, and much of the near-shore environment.[50]

Oil and gas companies active in PNG [51]

PNG has a broad cross-section of companies in the sector. Talisman (since bought by Repsol) and its joint venture partners have been very active in the southwest of the country, focused on a group of licences covering large parts of Western Province. ExxonMobil and Oil Search are focused on the Fold Belt, which follows a northwest-southeast trend in the central part of the mainland, incorporating the existing oilfields and the Hides/Angore/Juha gas fields, while InterOil is active in the Gulf region. Key players in the petroleum sector are:

- ExxonMobil
- Sasol
- Oil Search
- Mitsubishi
- Talisman/Repsol
- InterOil
- Mitsui
- Nippon Oil
- Petromin PNG
- Santos
- Horizon Oil

Plus 10 more juniors engaged in exploration in onshore/offshore.

Concluding comments

PNG has well-established extractive industries, largely driven and controlled by foreign corporations, but with support from local groups and individuals, and investment by the State through state-owned entities (SOEs). With major new ventures and intensive exploration activities underway, the sector continues to offer opportunities for growth. The challenge for the Government of PNG is to ensure that revenue generated from the extractive industries is distributed across the appropriate channels to meet PNG's future economic and social development objectives.

[49] http://pngchamberminpet.com.pg/petroleum-in-png/ and information from MSG
[50] ibid
[51] ibid

Chapter 3: Legal framework governing the extractive industry

EITI Standard, requirement 3.2

This chapter describes the legal framework and fiscal regime governing the extractive industries, including the level of fiscal devolution, an overview of the relevant laws and regulations and information on the roles and responsibilities of the relevant government agencies. It also documents relevant government reforms underway.

National governance structures

PNG has a constitutional monarchy and is a member of the Commonwealth of Nations. The Head of State is Her Majesty Queen Elizabeth II, represented by a Governor-General elected by Members of the National Parliament.

PNG has three levels of government: national, provincial and local. The National Parliament is a unicameral legislature elected for five-year terms. The Parliament is led by a Prime Minister and Cabinet, known as the National Executive Council (NEC). The Supreme Court, National Court, and local and village courts form an independent justice system.

Members of the National Parliament are elected from 89 single-member electorates and 22 regional electorates. The regional electorates correspond to PNG's 20 provinces, plus the Autonomous Region of Bougainville and the National Capital District. Members from regional electorates also serve as provincial governors. To date, all national governments have been coalitions. Each province has its own provincial assembly and administration.

Ownership of subsoil assets

According to the Mining Act and the Oil and Gas Act, subsoil assets belong to the State.

Section 5 of the *Mining Act 1992* states 'All minerals existing on, in or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State.'[52]

Section 6 of the *Oil & Gas Act 1998* states: 'Subject to this Act, but notwithstanding anything contained in any other law or in any grant, instrument of title or other document, all petroleum and helium at or below the surface of any land is, and shall be deemed at all times to have been, the property of the State.'[53]

There has been a proposal to alter the constitution to state that 'hydrocarbons and minerals in their natural state are, and always have been, the property of Papua New Guinea.' This has been seen as a response by the PNG Government to calls from some quarters for the ownership of PNG's resources to be vested in landowners, unsettling some investors.[54] This was to be put before Parliament in the final sitting on 2015.[55]

Taxation

The Internal Revenue Commission (IRC) is mandated by Parliament under the various taxation acts and regulations and is tasked with the administration and collection of taxation, including taking action against parties that choose to avoid or evade tax.[56] It collects the majority of PNG's revenue including income tax, company tax and tax on salary and wages. It also collects indirect taxes such as GST and assists Treasury with the development of taxation policy. The IRC is managed by the Commissioner General of the IRC with support from the Commissioner Taxation and Commissioner Services.

The Commissioner Taxation oversees the tax wing, which comprises teams that collect taxes, assess and prioritise, manage debt, policy advice and tax audits. The Commissioner Services oversees the Services Wing, which comprises Corporate Services, the Office of the Commissioners, Internal Audits and Integrity, Information Communication and Technology and Legal Services.

PNG Customs was part of the IRC, but since 2009 has become a separate entity. In addition to border and community protection and trade facilitation, it is responsible for collecting government revenue from imports and exports.

[52] Department of Mining, Mining Act 1992 and Regulation. Port Moresby: Department of Mining, 1992. Web content. Accessed online 20/1/2016: http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf
[53] Department of Petroleum. Independent State of Papua New Guinea. No. 49 of 1998 AN ACT Entitled Oil And Gas Act 1998. Port Moresby: Department of Petroleum, 1998.
[54] Allens Linklaters, 'Client Update: PNG's ownership of minerals and hydrocarbons', 29 April 2014, accessed 20 January 2016: http://www.allens.com.au/pubs/asia/cuasia29apr14.htm
[55] http://www.pm.gov.pg/index.php/news-centre/391-pm-o-neill-budget-to-confront-global-challenges-other-issues-before-parliament-include-mineral-and-hydrocarbon-sector-transparency-icac-and-dual-citizenship-laws
[56] 'Tax avoidance' generally refers to aggressive tax planning – for instance transfer pricing or treaty shopping; 'tax evasion' refers to fraudulent activity.

Revenues from the extractive industries are collected via income tax and additional profits tax as set out in the primary tax legislation, the *Income Tax Act 1959* (ITA) and goods and services tax as set out in the *Goods and Services Act 2003*. The ITA includes specific rules which apply to resource operations depending on the type of resource being extracted. These are contained within Division 10 'Mining, Petroleum and Gas Projects' and include:

- Subdivision A: General provisions applicable to mining, petroleum and designated gas projects
- Subdivision B: Specific provisions applicable to mining
- Subdivision C: Specific provisions applicable to petroleum
- Subdivision D: Specific provisions applicable to designated gas projects
- Subdivision E: Additional Profit Tax

The *Oil and Gas Act 1998* (OGA) governs the exploration and production of petroleum (including oil and gas) in the onshore and offshore areas of PNG, and the *Mining Act 1992* (MA) governs the discovery, appraisal, development and exploitation of minerals deposits in PNG (see further comments below). The OGA also governs the calculation of royalties and development levy.

The rates of income taxation on extractive industries in PNG are set out in Table 11 below.

Table 11: Rates of income taxation in PNG (%)

	Resident[57]	Non-resident companies	Comments
Mining	30	40	–
Petroleum – older projects	50	50	Projects that existed and derived assessable income prior to 31 December 2000
Petroleum – new projects	45	45	Projects that did not derive any assessable income prior to 31 December 2000
Petroleum – incentive rate	30	30	Projects that arise out of a petroleum prospecting licence granted during the period 1 January 2003 to 31 December 2007 from which a development licence is granted before 31 December 2017
Gas	30	30	–

The taxation regime for extractive industries is designed such that all costs incurred in the exploration and development phases of a resource project are accumulated and then amortised once production commences. Generally exploration costs are amortised at the lesser of 25 per cent or over the remaining life of the project. Generally development costs are classified as short-life or long-life. Short-life costs are amortised at the lesser of 25 per cent or over the remaining life of the project whereas long-life costs at the lesser of 10 per cent or the remaining life of the project. During the production phase, ordinary operating and administrative expenses can be immediately deducted, but there are deduction limits in relation to certain expenditure such as interest and management fees.

Where a taxpayer has multiple resource projects, the tax regime operates to assess the taxpayer on a project basis ('ring fencing'), effectively taxing each project like a separate taxpayer. This means that revenue, expenses and losses from each project are effectively quarantined from each other, with any expense attributable to more than one project apportioned to the projects on a reasonable basis. However, the regime does allow some concessions to ring fencing in respect to exploration expenditure and carried forward expenditure from discontinued projects.

Although company income tax is the primary method of collecting revenue from resource projects, there are additional forms of taxation and concessions that influence the amount of revenue that the state collects from resource projects:

Withholding taxes – withholding taxes are concessional for resource taxpayers, with the dividend withholding tax rate being nil for dividends paid out of petroleum or gas income and 10 per cent for dividends paid by companies carrying on mining operations. Likewise, interest withholding tax rate on interest paid by resource companies on funds borrowed directly from a non-resident lender is nil.

Fiscal stability – a resource project has the option of adding two per cent premium to the applicable rates of taxation noted above in exchange for receiving fiscal stability for a period equal to the financing period or 20 years, whichever is shorter (*Resource Contracts Fiscal Stabilisation Act 2000)*. In the case of a gas project, the stability period is the period of time necessary to produce a foundation volume or quantity of resource as defined in the relevant gas agreement. The purpose of fiscal stability is to provide certainty to foreign investors that they will be protected from changes to fiscal law that apply to their investments, thereby encouraging positive investment decisions in PNG.[58]

[57] A resident company is defined in the ITA 59 as a company which is incorporated in PNG, or carries on business in PNG, and has its central management and control in PNG.
[58] Note that the Tax Review included the following recommendation (no. 47) in relation to fiscal stability:

Additional profits tax (APT) – applies only to designated gas projects (APT for mining and petroleum projects was abolished from 6 June 2002) and is essentially a tax on positive cash flows arising from a gas project in excess of a hurdle rate of return. The purpose of additional profits tax was to provide a progressive tax instrument to tax economic rents of highly profitable resource projects. Naturally, where a designated gas project is not highly profitable, then no APT applies.

Royalties, Development Levy and Production Levy – Resource projects are subject to a royalty which is equal to two per cent of the gross revenue from resource sales or wellhead value in the case of oil and gas projects. Since 2001, new petroleum and gas projects are also subject to a development levy which again is equal to two per cent of the wellhead value. Where a petroleum or designated gas project is liable for both royalty and development levy, and the total amount of royalty and development levy exceeds two per cent of the wellhead value of petroleum or gas sales for that year, the excess may be claimed as a credit against income tax payable. Whilst royalties are for the benefit of the state, development levies are paid to the relevant local or provincial government. The production levy applicable to mining projects is calculated at 0.25 per cent (or up to 0.5 per cent at the Mining Minister's discretion) of Free on Board (FOB) production sales, and is used to fund the activities of the Mineral Resources Authority, the statutory authority charged with regulating the mining industry.

Goods and Services Tax (GST) - Supplies to resource companies, other than the supply of cars, are zero rated for GST purposes. Export sales by resource companies are zero rated. Domestic sales by a resource company will be subject to GST, with the exception of the domestic supply of crude oil sourced from a field in PNG which is a GST zero rated supply.

Infrastructure Tax Credits (ITCs) - 0.75% of assessable income (in addition to that under the general ITC) may be claimed as credit against tax payable for expenditure on infrastructure by mining and oil and gas companies. Unused credits can be carried forward for two years. Expenditure in excess of 0.75/1.5 per cent can be carried forward to succeeding years of income.

Regulation of the mining industry

The principal laws that regulate mining activities in PNG are the *Mining Act 1992*, which sets out how mining projects should be administered and regulated, and the *Mining Safety Act 1977*, which stipulates safety requirements on mine sites. These two pieces of legislation are currently under review and it is anticipated that the MA will be revised to include regulations for offshore mining, mine closures, and standards for employing mine workers. Use of water resources within mining and exploration tenements is governed by the *Water Resources Act 1982*.

The Mineral Resources Authority (MRA), established through the *Mineral Resources Authority Act 2005*,[59] is a government agency that collaborates with other government departments to deal with a range of matters concerning the exploration and exploitation of minerals in PNG. Its functions are executed on behalf of the Government of PNG and include:

- Promoting PNG as a destination for exploration and mine development
- Licensing all mining and exploration activity in the sector
- Facilitating and encouraging exploration through the provision of relevant exploration and geological data
- Closely monitoring mining projects and providing support to operating companies, landowners, and other stakeholders
- Encouraging sustainable development
- Receiving production levies and royalties from mineral resource projects.

Although the MRA issues all licences (or leases) in relation to mining, once the application process for a licence or lease has been completed, the application will be forwarded to the Mining Advisory Council, which will make a recommendation to the Minister for Mining on the suitability of the licence.

The Minister of Mining is responsible for approving all mining and exploration leases, with the exception of Special Mining Leases, which are approved by the Governor-General of PNG, on advice from the National Executive Council.

Regulation of the petroleum industry

The petroleum industry in PNG is governed by the *Oil and Gas Act 1998* and the *Oil and Gas Regulation 2002* under the administration and management of the Department of Petroleum and Energy (DPE), headed by the Minister for Petroleum and Energy. The OGA spells out regulatory instruments for oil and gas development activities such as:

- Licensing, exploration, development, processing, storage, transportation, and sale of products
- Directing monetary benefits to state oil companies and resource area landholders, and also non- monetary benefits such as infrastructure development, training, employment, business development and community participation
- Compliance mechanisms relating to health, safety, security, environmental protection, and project monitoring and reporting.

The Minister for Petroleum and Energy performs a number of functions under the OGA including:

Restrict any fiscal stability agreements to key rates of tax and duty and to major deductions listed in the agreement. Agreements should be symmetrical (no one-way bets). They should not contain most favoured project rules. The premium requirement can be discontinued for new projects.

[59] The former Department of Mining, now the Department of Mineral Policy and Geohazards Management, is now solely responsible for policy development.

- The granting of various prospecting, retention, development, pipeline and process facility licences and imposing supplementary conditions upon the holders of those licences (such as the requirement to lodge security deposits) or varying existing licence conditions.
- The disbursement of royalties in accordance with a development agreement to be agreed between project area landowners, affected local-level governments and affected provincial governments or, where there is no agreement, the Minister determines the proportionate disbursement of royalties.

Resource development agreements

Developers of resource projects will generally enter into a resource development agreement with the State of PNG in addition to obtaining a resource development licence for the extraction of the relevant resource under either the OGA or MA (see further comments below in relation to regulation). Currently the DPE and MRA do not disclose contractual information, in accordance with the confidentiality provisions of the OGA and MA and the relevant resource development agreement. Agreements are confidential unless both the DPE/MRA (whichever is relevant) and the company that is party to the agreement approve the public release. This is an issue which civil society organisations in particular seek to change in the interests of greater transparency; for many companies this may already be required under legislation from their home countries.

In addition to giving the state an equity interest in the resource project, these agreements often modify the general operation of PNG's revenue laws with specific application to that resource project (e.g. to grant project-specific concessions such as exempting a designated gas project from APT). In practice, tax arrangements may be negotiated on a case-by-case basis between resources companies and the State, and the arrangements are included in the particular project agreement between the resource companies and the State. As the terms of the project agreements are confidential, information on the extent to which tax rates are negotiable is unclear. Since the operation of those agreements is not always reflected in the ITA and other relevant pieces of revenue law, it usually necessary to consider the terms of a resource development agreement to determine the tax profile of a specific resource project.

State's equity participation right

As noted above, the State has the right, but not the obligation, to acquire up to 22.5 per cent of a participating interest in a designated gas or petroleum project, and up to 30 per cent of a mining project, at par value, or 'sunk cost'. This means the State can acquire a share in a project by paying its share of the project's historic cost (including exploration cost), and an ongoing share of future costs.

In return, the State can receive a share of the project profits, paid as dividends,[60] in accordance with its right as a shareholder. As the state does not always have the resources to buy into the project or pay cash calls on resource projects as they incur expenses during the development phase, the development agreement may allow for the government to forego their shares of resource income (dividends) to meet the state's accumulated liability.

Other stakeholder equity participation rights

Currently, the State has an established practice of granting free equity in resource projects to landowners from the area in which a project is located where it takes an equity participation interest. The landowners' share in petroleum projects is prescribed in section 167 of the OGA, and landowners' share in mining projects is up to five per cent, free carried by the State, and is controlled by a state nominee company managed by the MRDC.

In addition to the equity benefit granted by the State, project area landowners and affected local-level governments may acquire further participating interests in the resource projects by negotiation with licence holders on freely negotiated commercial terms.

Changes to the taxation system

In 2013, the PNG Government committed to comprehensively review PNG's revenue regime to ensure that PNG's revenue regime remains relevant, efficient and effective. The objectives of the review are to:

- Align PNG's revenue system with its development aspirations of being a competitive middle-income nation in the Asian century
- Improve the competitiveness and efficiency of PNG's tax system so as to encourage investment, employment and economic development
- Enhance the fairness and simplicity of PNG's taxation system
- Recommend practical options to change PNG's tax mix between the levels of taxation on land (including resources), capital and labour

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[60] Note that 'dividend' here has a different meaning from shareholder dividends. State entities, like other consortium partners, are paid their share of profits based on equity interests, in line with related agreements.

- Improve taxpayer compliance, including considering options to enhance services to taxpayers and reduce the cost of compliance through the use of modern and user-friendly technology
- Review PNG's non-tax revenues with the aim of ensuring that fees are appropriate and fair.

As part of the review, the Tax Review Committee (made up of distinguished Papua New Guineans with significant experience in tax policy and administration, trade and business) drafted a series of issue papers and requested submissions from stakeholder groups in respect to various aspects of PNGs fiscal policy. Two are of particular relevance here:

- *Issues Paper 1* explored PNG's mining and petroleum fiscal regime and posed a number of questions in relation to specific fiscal instruments that are or could be utilised. The questions covered various topics including the process of awarding licences, the usefulness of current tax concessions, the introduction of a rent tax and international tax aspects.
- *Issues Paper 3* discussed the broad direction of reform, including the comparative benefits of state equity participation and a resources rent tax. Whilst it did note some merit in a resources rent tax, it also noted the stakeholder desire for stability in the mining and petroleum taxation regime and the strong sentiment for state equity participation.

The Tax Review Committee lodged its report to government in October 2015. The report contained 91 recommendations, seven of which related to the extractives industry. The recommendations included reducing levels of state equity participation, extending the additional profits tax to the mining and petroleum sector, and changing the terms and availability of fiscal stability agreements. A number of recommendations that were not specific to the extractives sector would nonetheless be relevant, including the introduction of a capital gains tax regime and a tightening up of tax concessions.

The government indicated that there would be significant additional consultation prior to any recommendations being accepted and implemented. For further information, the Taxation Review Committee could be accessed through http://taxreview.gov.pg

Government policy on disclosure of contracts

The details of contracts and licences are protected by confidentiality provisions in Section 163 of the MA, and Section 159 of the OGA. Contracts are held and maintained by the Solicitor General's office. Without legislative amendment, at this stage agreements could only be made public with the approval of both the company and the relevant government authority. The MRA and the DPE do not disclose contractual information, and to date no contracts have been made publically available. The principle of freedom of information is enshrined in the constitution, under the 'Goals and Directive' principles, under 'Basic Rights (d) freedom of conscience, of expression, of information and of assembly and association' and, specifically under Sections 51 and 52 on enforceability of those rights. Specific clauses clarifying public access to the content of agreements signed by or with the State on resource projects would be valuable.[61]

The MSG discussed issues relating to disclosure of resource agreements during their meeting on 27 March 2015. The MSG felt that mining companies may feel comfortable disclosing agreements, but that oil and gas companies, being more exposed to global market dynamics, may feel that agreement details would reveal their strategy, and would thus be more commercially sensitive.[62]

[61] Scoping study
[62] MSG Meeting #2, 27 March 2015

Chapter 4: Contribution of the extractive industries to the economy

EITI Standard, requirement 3.4

This chapter sets out the contribution of the extractive industries to PNG's economy, including:

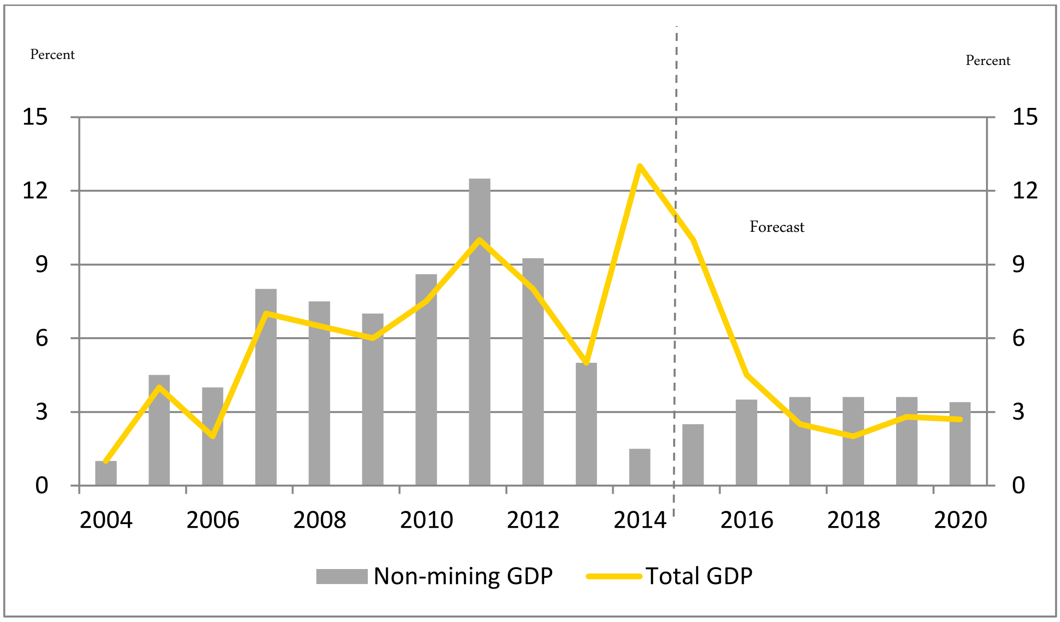
- The size of the extractive industries in absolute terms and as a percentage of GDP, including an estimate of sectoral activity
- Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues
- Exports from the extractive industries in absolute terms, and as a percentage of total exports
- Employment in the extractive industries in absolute terms and as a percentage of the total employment
- Key regions/areas where production is concentrated.

Economic overview and forecasts

PNG's Gross Domestic Product (GDP) in 2013 was PGK34,275.9m[63] (US$15.41b).[64]

The PNG economy is expected to have grown by 9.9 per cent in 2015, a downward revision from the *Mid-Year Economic and Fiscal Outlook* (MYEFO) estimate of 11.0 per cent and the 2015 Budget estimate of 15.5 per cent.[65] The recent and forecast growth is shown in Figure 9 below.

Figure 9: Economic Growth 2004–2020



Source: Department of Treasury

The oil and gas sector is estimated to grow at 67.9 per cent in 2015, following historic growth of 1,101.5 per cent in 2014 with the commencement of first LNG production in May 2014, several months ahead of schedule.[66] The growth of the LNG industry is expected to assist in offsetting the decline in revenues from the production of oil and condensate, once the mainstay of PNG's petroleum industry.

At one stage the PNG LNG project was predicted to contribute to GDP growth of 21 per cent in 2015.[67] The project has remained the main driver of growth, but the downward revisions reflect low international energy prices.[68]

[63] http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf Vol 1, Appx 3, Table 10(ii) p. 118
[64] http://data.worldbank.org/country/papua-new-guinea
[65] Direct communication from Treasury, 2 Dec 2015
[66] ibid
[67] Asian development outlook 2014. Fiscal policy for inclusive growth. Mandaluyong City, Philippines: Asian Development Bank, 2014 http://adb.org/sites/default/files/pub/2014/ado-2014.pdf p.239
[68] Pacific Economic Monitor, Mid-Year Review July 2015, http://www.adb.org/sites/default/files/publication/161669/pem-july-2015.pdf

The mining sector contracted in 2015 due to low commodity prices, rising input costs, unfavourable weather conditions, depleted resources in the maturing mines, and some major new investment for further production (notably at Ok Tedi). Mines are managing these impacts through cost cutting measures. However, prolonged drought and other factors led to the shutdown of the Ok Tedi mine in July 2015 and briefly the closure of the Porgera mine. Ok Tedi is expected to remain closed until early 2016 and this has significantly downgraded growth in the sector in 2015. The sector is estimated to contract by 3.7 per cent in 2015 compared to growth of 10.8 per cent estimated in the MYEFO and the 2015 Budget estimate of 12.0 per cent.[69]

With depressed commodity prices and the reduction in government expenditure, activity in non-mining sectors appears to have slowed, most notably in the agriculture, forestry and fisheries, manufacturing, construction, wholesale retail and trade, and community social and personal services sectors. On the upside there has been increased activity in the transport, communication, finance and electricity sectors in 2015. As a result of these developments, total non-mining GDP has been revised down to 2.4 per cent in 2015 from 3.3 per cent growth estimated at MYEFO and the 2015 Budget estimate of 4.0 per cent.[70]

GDP growth is expected to slow to five per cent in 2016.[71]

Impact of the extractive sectors

The extractive sectors dominate foreign investment and exports, and have some downstream impacts such as construction. However, it has a more modest impact on government revenue, GDP and employment.[72]

Over the three years from 2011 to 2013, the extractive industries in PNG were valued at PGK4,935.6 million on average, or around 15.6 per cent of GDP.

The last published figures in the 2015 Budget suggest that the extractive industries comprised PGK4,612.9 million or 13.44 per cent of GDP in 2013 (see Table 12). This includes quarrying, which Treasury advises comprised about three per cent of the 'mining and quarrying' total.[73] These figures are given as an estimate.

Table 12: 2013 gross domestic product by economic activity at current and constant prices (PGK million)[74]

	Total GDP	Oil and gas extraction	Mining and quarrying	Total non-mining GDP
Nominal	34,321.6	1,364.8	3,248.1	29,708.7
Rate of nominal growth	8.6			9.9
Deflator	237.3	847.2	467.0	
Real	14,465.2	161.1	695.6	13,608.6
Rate of real growth	5.0	-2.86	9.9	4.9

For the purposes of this report, Treasury provided an updated figure of PGK4,471.1 million excluding quarrying, which equates to 13 per cent of GDP.[75]

The industry has increased in size dramatically since 2013, driven by the commencement of the PNG LNG Project and other developments in the oil and gas sector and the mining and quarrying sector. The size of the industry in 2014 was estimated at PGK11,524.2 million or around 26.6 per cent of GDP and is projected to increase to PGK17,093.2 million in 2015, or around 33.5 per cent of GDP. This forecast does not include the informal sector activities due to data limitations.[76]

Treasury figures indicate that the extractive industries contributed 0.6 per cent to a 5.5 per cent growth in GDP over the reporting period (see Table 13). The construction of the PNG LNG project would have played a significant role in the 2.6 per cent delivered by construction activities, but a more detailed breakdown is not available.

Table 13: Contributions to growth in real gross domestic product (% points) during 2013[77]

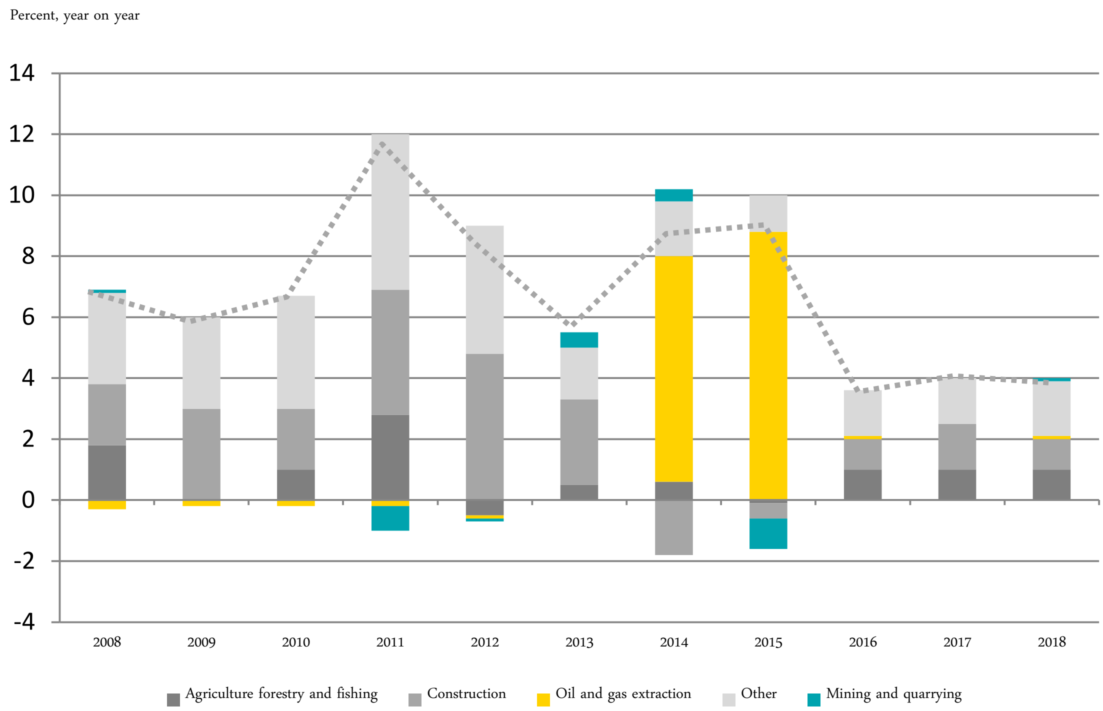
	2013 actual
Agriculture, forestry and fishing	0.5

[69] Direct communication from Treasury, 2 Dec 2015
[70] ibid
[71] Pacific Economic Monitor, Mid-Year Review July 2015, http://www.adb.org/sites/default/files/publication/161669/pem-july-2015.pdf
[72] PNG NHDR 2014 2014
[73] Direct communication from Treasury, 2 Dec 2015
[74] 2015 Budget, Volume 1, table 1, http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf p.134 (listed as estimate)
[75] Direct communication from Treasury, 22 Jan 2016
[76] Direct communication from Treasury, 2 Dec 2015
[77] http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf p.136

Oil and gas extraction	0.0
Mining and quarrying	0.5
Manufacturing	0.3
Electricity, gas and water	0.1
Construction	2.6
Wholesale and retail trade	0.5
Transport, storage and communication	0.3
Finance, real estate and business services	0.1
Community, social and personal services	0.6
Total GDP	5.5[78]
Total non-mining GDP	4.9

World Bank figures indicate that the extractive industries contributed 0.5 per cent to a 5.5 per cent growth in GDP over the reporting period.[79] The World Bank forecast figures show that oil and gas are the dominant drivers of GDP growth during 2014 and 2015, followed by a return to growth being driven by construction, agriculture, forestry and fishing, and other for 2016 and beyond.

Figure 10: GDP growth forecast[80]



Contribution to government revenue

Figures drawn from the 2015 Budget indicate that the mining and petroleum sectors contributed 7.5 per cent of government revenue in 2013, as shown in Table 14:

Table 14: Contribution of the mining and oil and gas sectors to government revenue[81]

78 Note that this figure is given as 5.0 in the budget papers, but Treasury have advised this is an error (direct communication 21 January 2016)
79 World Bank East Asia And Pacific Economic Update October 2015, p.118-20; http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/414911444005973491/pdf/EAP-Economic-Update-2015-10.pdf
80 World Bank East Asia And Pacific Economic Update October 2015, p.118-20; http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/414911444005973491/pdf/EAP-Economic-Update-2015-10.pdf
81 http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf; 2015 Budget volume 1 table 8

	PGK million
Total tax and non-tax revenue (excluding grants)	8,862.3
Mining and petroleum tax	666.7
Mining and petroleum dividends	0

This surprisingly low figure could be attributed to a combination of low commodity prices and production, and some newer projects having concessional arrangements whereby taxation is nil or low for some years into production.

Over the past decade, around 16 per cent of the value of mineral exports has been captured by the government, with around 90 per cent of this coming from company tax, with dividends on state equity holdings making up the bulk of the remainder.[82]

Revenue flows to the government from the extractives industry are volatile, since the financial performance of the individual operations can fluctuate due to factors including commodity prices, and the changing cost of inputs (especially fuel).[83]

Exports

The value of total mineral exports for 2013 was PGK10,607.2 million, comprising 79.6 per cent of total export value. A breakdown of the value of exports by commodity is provided in Table 15, below.

Table 15*:* 2013 exports from the extractive industries in absolute terms and as a percentage of total exports

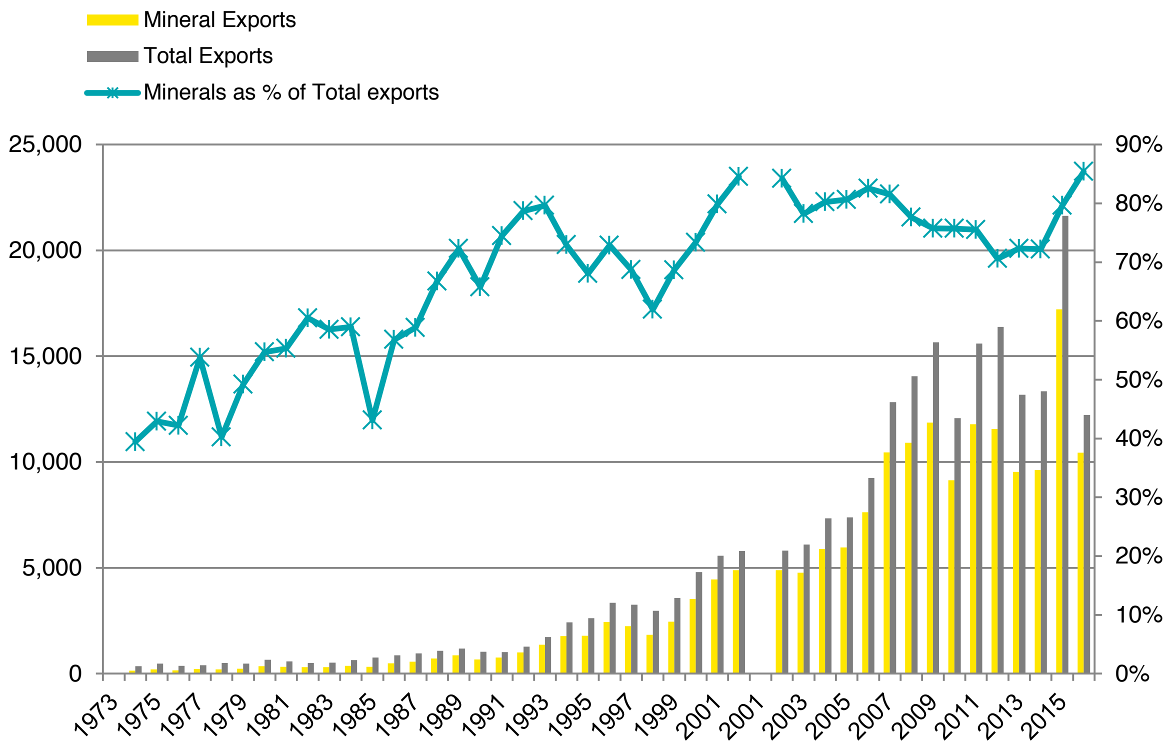
Commodity	PGK million
Gold	5,414.60
Copper	1,524.80
Silver	102.40
Oil	2,030.90
Nickel	426.90
Cobalt	129.10
Refined petroleum products	978.50
Total mineral exports	10,607.20
Total exports	13,331.90
extractives as % of total	79.56

[84]

Exports from the extractives industry have long made up the majority of total exports (see Figure 11: Mineral exports as a proportion of total exports, 1973–2015Figure 11).[85] The high proportion of exports from the extractives sector, combined with the limited range of commodities being exported, leaves the PNG economy vulnerable to commodity price fluctuations. The government has made attempts to manage this, such as in the new Sovereign Wealth Fund, discussed further below (p.75).[86]

[82] PNG NHDR 2014
[83] ibid
[84] http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf p. 139 (Volume , 1 Appx 3, p.15, Table 5)
[85] PNG NHDR 2014
[86] ibid

Figure 11: Mineral exports as a proportion of total exports, 1973–2015[87]

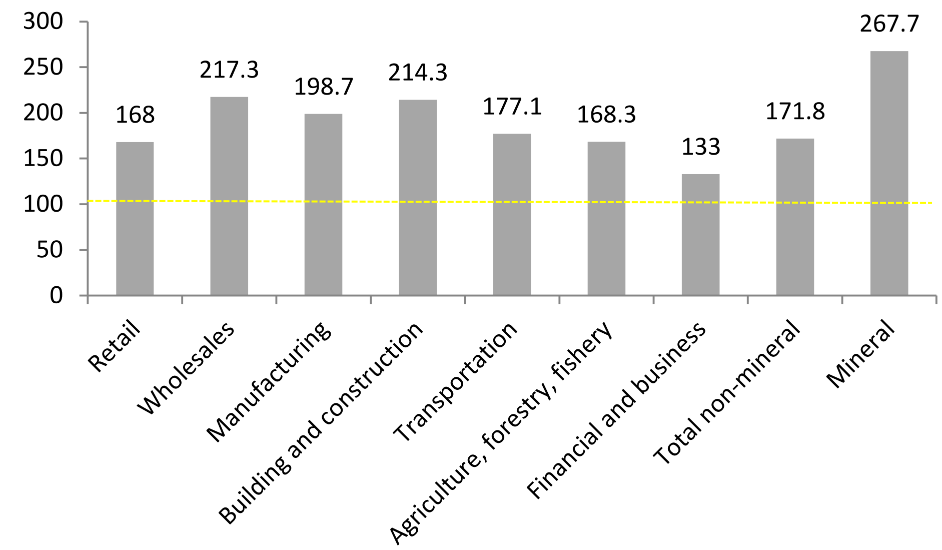


Employment

There is no reliable employment data for PNG. The employment data used by Treasury is an index sourced from the Bank of PNG through its Business Liaison Surveys of around 400 private sector business entities across different regions and industries. The surveys request the number of employees for the reference quarter. Where companies respond in consecutive quarters, the change in numbers is used to calculate a quarterly growth rate which then moves the index. The survey does not distinguish between national and non-national employees or between permanent and casual employees. The index has a base of 100 set for the March 2002 quarter. Figure 12 below indicates that employment in the extractives sector is up by 167.7 basis points since 2002. It shows the strong growth of employment in that sector compared with others, but does not give us a comparison of actual employment numbers.[88]

[87] Data provided directly by BPNG, 31 December 2015
[88] Direct communication from Treasury, 31 December 2015

Figure 12: 2013 Employment index[89]



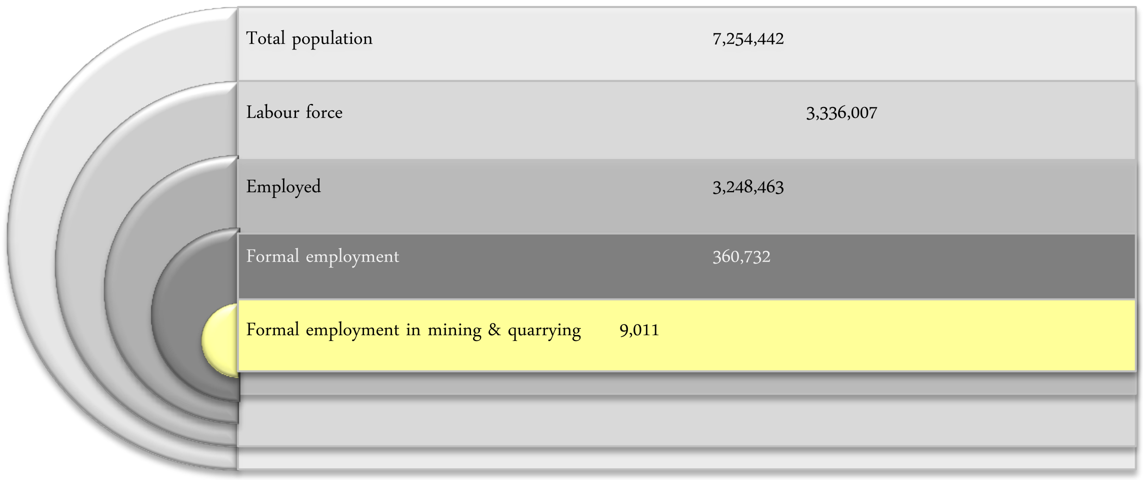
*Relative to March 2002 = 100

Estimates of actual numbers employed vary considerably. For the purpose of this report, Treasury sourced figures from the Bank of PNG which suggest that in 2013 the extractive industry contributed around seven per cent of total employment.[90]

Similarly, the United Nations Development Programme suggests that 'the sector provides no more than 10 per cent of the formal sector employment', or around 30,000 people.[91]

The 2011 census estimated formal employment in the mining and quarrying sector at 9,011, representing just 2.5 per cent of formal employment, as illustrated in Figure 13 below.[92]

Figure 13: 2011 census employment data



Another recent study put direct employment in the sector at 14,000, and indirect at 45,800, including employment of locally owned businesses.[93]

The 2011 census indicated that, along with education as a close second, the sector provides by far the highest median wages. Furthermore, a recent study adds:

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89 http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf 2015 budget papers p.141
90 Direct communication from Treasury, 8 December 2015
91 PNG NHDR 2014
92 Unpublished census data 2011, cited in 'Luke. T. Jones and Paul. A. McGavin, 'Grappling afresh with labour resource challenges in Papua New Guinea: a framework for moving forward', Institute of National Affairs, June 2015, p. 139
93 Richard T. Jackson, 'The Development and Current State of Landowner Businesses Associated with Resource Projects in Papua New Guinea', March 2015, Papua New Guinea Chamber of Mines and Petroleum 2015, https://espace.library.uq.edu.au/view/UQ:367396/UQ367396_OA.pdf

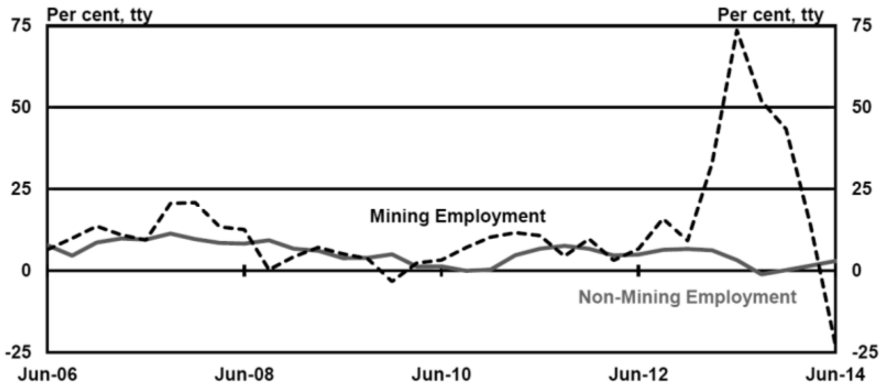
'Although mining and quarrying only provides limited direct employment, in practice it supports a significant amount of employment in other sectors of the economy. For example, during the construction phase of mineral and hydrocarbon resource projects, employment is classified in the construction sector even though its primary purpose is to support the mining and hydrocarbon sector. Moreover, many of the other domestic sectors primarily serve the mining industry or gain significant increases in trade as a result of an increase in activity in the mineral and hydrocarbon sectors.'[94]

PNG's total formal labour market provides livelihoods to less than 12 per cent of the working-age population. A much larger informal labour market, centred on semi-subsistence agriculture, forestry, and fisheries, generates livelihoods for most of the remaining working-age population.[95] Seen in this context, the sector is not a major employer. Furthermore, women are less likely than men to benefit from employment in the sector.[96]

Nevertheless, the extractive industries have been important to the growth of formal sector employment over the last decade. Figure 14 below illustrates employment in the extractives sector over time, including a spike in 2013 due to Ramu Nickel mine coming into full operation, LNG-related recruitment and training, and an increase in exploration activity by a mining company on Simberi Island in the New Ireland province. However, mining employment has since fallen below previous levels of employment in the industry. According to information from the Bank of PNG *Quarterly Economic Bulletin*, the sharp reduction in mining employment in the June quarter 2014 was associated with:

- Restructuring at Ok Tedi and Tolukuma mines to respond to low commodity prices
- Completion of LNG-related contracts; slowdown in exploration activity
- The termination of a number of workers in Morobe following an industrial dispute earlier in 2014
- Completion of a work program at one of the major mines; and closure of a small gold mine.[97]

Figure 14: Mining and non-mining employment growth[98]



Large mines may employ over 2000 staff and similar numbers of contractors,[99] and mine development contracts may require mining companies to employ local staff. The PNG LNG project provided a significant number of jobs in recent times during its construction (peaking at 21,200 in 2012) but this number declined dramatically as the project moved into production.

Construction jobs related to the extractives industry are captured in the 'Building and construction' category of the employment index rather than the 'Mineral' category. The Bank of PNG commented that employment numbers for the construction phase of the LNG project were understated, as most companies involved were based overseas and not part of the index survey.[100]

The extractive industries also create employment through procurement, contracting and service delivery, and many firms have local procurement policies, or are obliged through their mine development contracts to buy local. Porgera, for example, has issued contracts to national firms worth PGK1.2billion over its life, while Ok Tedi has made purchases from PNG firms of over PGK3.5billion over the last decade.[101]

[94] Luke. T. Jones and Paul. A. McGavin, 'Grappling afresh with labour resource challenges in Papua New Guinea: a framework for moving forward', Institute of National Affairs, June 2015.
[95] PNG NHDR 2014
[96] ibid
[97] Direct communication from Treasury 2 Dec 2015
[98] http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf 2015 budget papers p. 18
[99] World Bank 2013b cited in PNG NHDR 2014
[100] Direct communication from Bank of PNG, 31 December 2015
[101] UNDHR

Regions of production

For an overview of the key regions where production is concentrated, refer to the maps on pages 34 and 36.

Informal mining sector

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease from the MRA, but miners using sluice boxes and gold pans can operate without a licence.[102] Estimates suggest there are 2,500 licences issued for artisanal and small-scale mining.[103] The MRA was unable to confirm the number of licences for 2013.

The MRA website states that between 60,000 and 80,000 small scale miners earn a living out of alluvial mining using non-mechanical methods.[104] The *Household Income and Expenditure Survey* of 2010/11 recorded 0.4 per cent of people in the informal sector as being employed in 'mining'.[105]

The MRA recorded official production from the sector of 97,000 ounces in 2013[106] (worth PGK308 million), but noted in 2012 that gold leaving the country illegally across borders could total the same amount again.[107]

Treasury acknowledges the contribution from the small-scale/alluvial mining in PNG, but does not have access to reliable information to fully capture activity in this sector.[108]

Commentary on the contribution of the extractives sector to the economy

The United Nations Development Programme surveys the impacts of the extractive industries on PNG's economy in their *Papua New Guinea National Human Development Report 2014*.[109] The report offers a detailed overview of the positive and negative social, economic and environmental impacts of the extractive industries, and suggests why the wealth generated by these sectors has not translated into a better standard of living for the majority of Papua New Guineans. It notes that 'despite 14 consecutive years of economic growth, there has been little change in poverty levels in the country. In fact the level of inequality in the country has increased.'

The reasons for this are complex, but include:

- The particular geographic and demographic challenges of the country
- Lack of transparency, increasing at sub-national levels
- Under-resourcing and weak capacity of government organisations
- Corruption
- Weak connections between the extractive industries and the rest of the economy
- Revenue from the extractive industries flowing offshore due to foreign ownership
- Adverse effects of the extractive industries offsetting benefits.

PNG presents unique challenges: its seven million people comprise hundreds of cultural and linguistic groups, with a highly rural population spread widely over varied geographies, many of which are remote and inaccessible. To respond to this, the government is highly decentralised, with five layers from national to provinces, districts, local level governments and wards. While the Government sets strong policy and has a relatively robust legislative regime and fiscal control, implementation through these layers is challenging due to weak capacity and a lack of accountability at local levels. The Asian Development Bank has called for greater transparency in sub-national government resource revenue flows.[110]

This lack of transparency also leaves the way open for corruption.[111] In 2013, the former Anti-Corruption Taskforce Sweep claimed that 40 per cent of the government's development budget had been misused or was unaccounted for. [112] There are moves to address corruption at various levels, but it is still regarded as a serious problem.

Low capacity within government to implement development projects and under-resourcing of government authorities is a common theme,[113] as illustrated by the disparity between ambition and reality in the 2013 budget allocation for public investment, below, compiled by the Asian Development Bank.

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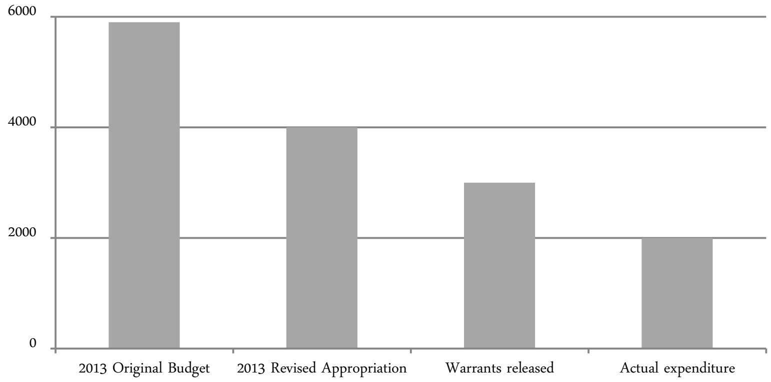
[102] Application Process for Alluvial Mining Lease, MRA, http://www.mra.gov.pg/Portals/2/Tenements/AML%20Application%20Process2013.pdf
[103] Mek 2011, cited in PNG NHDR 2014
[104] http://www.mra.gov.pg/GeologyMining.aspx
[105] HIES 2010/2011, cited in PNG NHDR 2014
[106] Direct communication from the MRA 4 December 2015
[107] PNG NHDR 2014
[108] Direct communication from Treasury 2 Dec 2015
[109] PNG NHDR 2014
[110] *Asian Development Outlook 2015: Financing Asia's Future Growth*, Asian Development Bank 2015, http://www.adb.org/sites/default/files/publication/154508/ado-2015.pd p. 256
[111] Wiltshire 2013, cited in PNG NHDR 2014
[112] PNG NHDR 2014

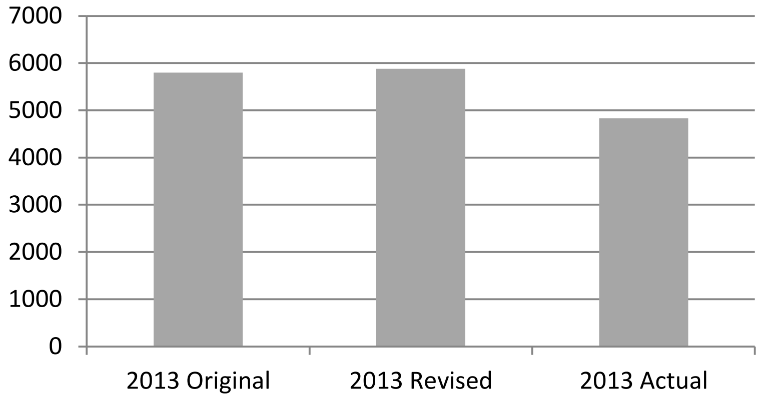
Figure 15: 2013 Public Investment Program implementation (PGK millions)[114]



Note: Warrant release and actual expenditure figures are as of 1 November 2013.

Treasury figures, however, suggest a more positive story:

Figure 16: Development budget 2012–13 (PGK million)[115]



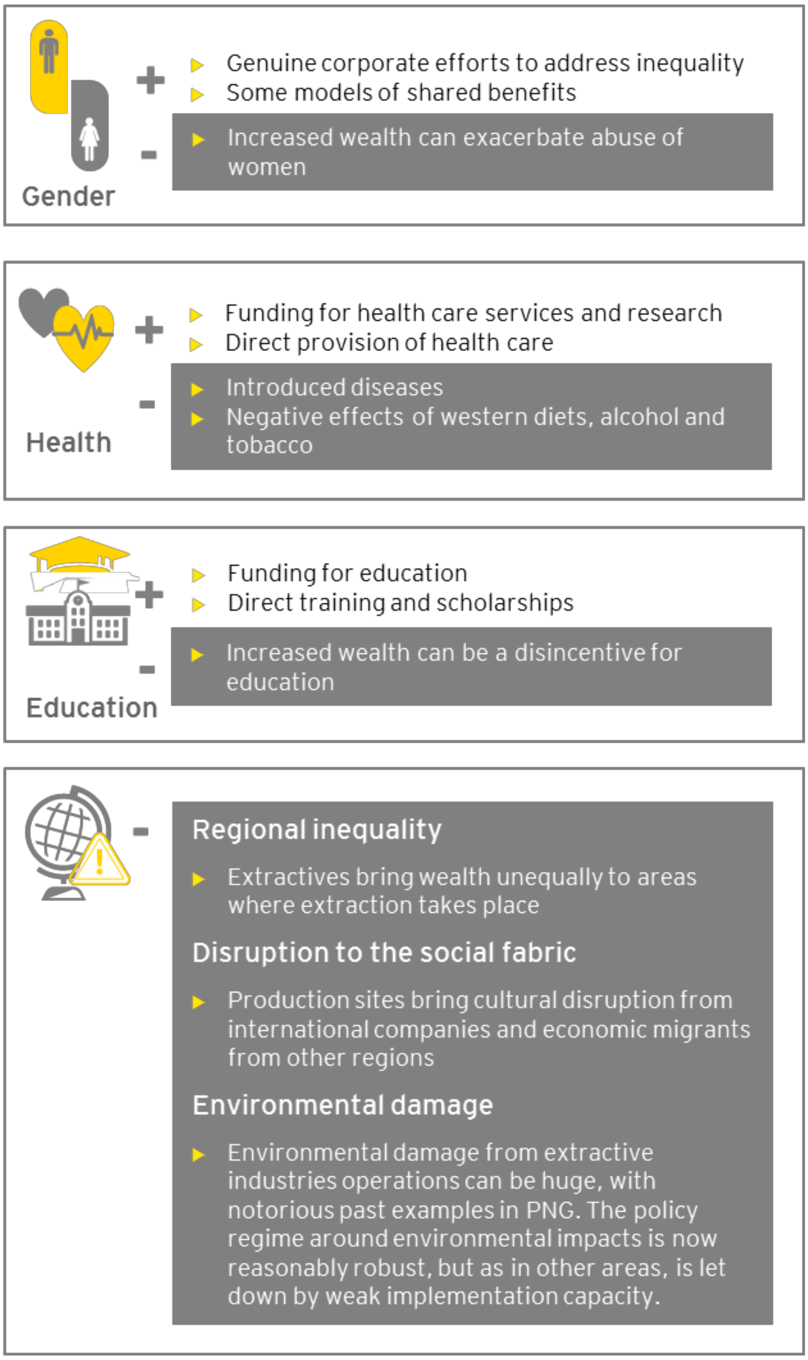
Where government organisations are under-resourced, there may be a disparity between their capacity and that of multinational corporations operating in the country.

At the level of communities, extractives operations do generate significant revenue flows, yet this may not be invested in sustainable improvements. Further, they may give rise to disputes, inequality and other social and cultural problems. 'In-migration' to operations areas can lead to pressure on local social infrastructure (e.g. schools, health care), environmental health and social tensions.[116]

Even positive social contributions from operators may have unintended adverse consequences. For example, a company may set up good health care facilities for its local community, but this has the effect of drawing capacity away from government health care, thus weakening it.

[113] E.g. http://www.adb.org/sites/default/files/publication/154508/ado-2015.pdf p.256, PNG NHDR 2014
[114] National budget documents (2014), cited in Pacific Economic Monitor, Budget Analysis 2013, ADB, http://www.adb.org/sites/default/files/publication/31142/pacmonitor-dec2013.pdf
[115] www.treasury.gov.pg/html/national_budget/files/2014/budget_documents/Related%20Budget%20Documents/2013%20Final%20Budget%20Outcome.pdf, p. 9
[116] PNG NHDR 2014

Figure 17: Extractive industries social impacts[117]



Extractives-based wealth is often problematic, as is widely recognised in the notion of the 'resource curse'. Revenues are volatile, and benefits may be offset by costs; in PNG, these costs have included civil war and environmental disasters.

The government's *Vision 2050* sets an ambition to move the economy away from dependence on the extractives sector to a broader base encompassing agriculture, forestry, fisheries, eco-tourism and manufacturing.[118]

[117] ibid
[118] 'Vision 2050', 2009, PNG Govt, cited in PNG NHDR 2014

Chapter 5: Production data

EITI Standard, requirement 3.5

This chapter discloses production data for the reporting period, including total production volumes by commodity, and the value of exports by commodity.

Overview

Table 16: Overview of exports from the extractive industries[119]

	Volume[120]	Volume measure	Price (US$)[121]	Price measure (US$ per)	Value (PGK million)
Mineral exports					
Gold	55.0	tonnes	1411	ounce	5,414.60
Silver		tonnes		ounce	102.4
Copper	92.9	tonnes	7331	ton	1,524.80
Nickel	15,884	tonnes	15,030	tonne	426.9
Cobalt	1,405	tonnes	24,600	tonne	129.1
Total mineral exports					7,597.8
Petroleum product exports					
Oil	5.7	million barrels	104	barrel Kutubu Crude	2,030.90
Refined petroleum products					978.5
Total petroleum exports					3,009.4
Total mineral and petroleum exports					10,607.2
All PNG exports					13,331.9

Notes:

- Table 16 is drawn from figures in the 2015 National Budget, covering the 2013 reporting period, which cites the Bank of PNG for actual data. We have not been able to confirm these figures directly with the Bank of PNG, and there are some discrepancies with the figures cited below, received from DPE and MRA.
- No volume or price is given for silver, although an overall value is cited. The Bank of PNG explained that this was due to silver being only a minor export commodity.[122] Figures from MRA indicate silver exports of 2,892,892 oz.
- No volume or price is given for refined petroleum, although an overall value is cited.
- Note that LNG production and export had not commenced in 2013.

[119] http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf 2015 budget papers, Volume 1, Tables 3, 4 & 5 p.136ff, (actuals from BPNG)
[120] ibid p.138 (actuals from BPNG)
[121] ibid p.137 (actuals from BPNG)
[122] Direct communication from Bank of PNG, 31 December 2015

Mining

Mining companies provide production data to the MRA on a monthly basis as a part of the monthly royalty return lodgement process. The MRA advised us that it performs reasonableness checks on the monthly data; however, it does not yet audit the data in detail although it has the authority to do so under the *MRA Act*. The MRA is still a relatively new institution and is currently building capacity to undertake a more rigorous approach to checking production data. The MRA has the ability to compile the data by commodity and province.

MRA advised us that, since July 2014, data has been captured in its FlexiCadastre system and it considers this data to be reliable.[123] At the time of writing, the MRA was in the process of updating its earlier data, including that of the reporting period, which had been captured in a manual system.

Table 17and Table 18 below represent data submitted for this report by the MRA on 14 December 2015. They indicate which amounts have and have not yet been verified against hard copy reports from companies. The MRA has been contacting companies in relation to missing data.

These figures still have significant gaps and also significant discrepancies from the information previously submitted by MRA for the scoping study for this report, being in many cases less than the previously reported quantity. However, we have accepted these figures as the most reliable current data.

It is noted that Treasury cites Bank of PNG as its source of production data. We attempted to obtain data directly from the Bank of PNG but have so far been unsuccessful.

Table 17: Production by mine site 2013[124]

Mine/commodity		Unverified	Verified	Total	Units
Hidden Valley					
gold	produced		5,718	5,718	oz
	shipped		24,023	24,023	oz
	FOB value		568,731,291	568,731,291	PGK
silver	produced		236,012	236,012	oz
	shipped		247,489	247,489	oz
	FOB value		97,002,544	97,002,544	PGK
Lihir					
gold	produced	435,176	259,287	694,463	oz
	shipped	373,412	311,919	685,331	oz
	FOB value	546,695,608	408,950,711	955,646,319	PGK
Ok Tedi					
gold	produced		9,971,447	9,971,447	oz
	shipped		9,563,883	9,563,883	oz
	FOB value		850,730,756	850,730,756	PGK
silver	produced		25,616,668	25,616,668	oz
	shipped		25,530,137	25,530,137	oz
	FOB value		35,018,983	35,018,983	PGK
copper	produced		90,775	90,775	tonnes
	shipped		87,467	87,467	tonnes
	FOB value		1,256,064,946	1,256,064,946	PGK
Porgera					
gold	produced	1,234,685	6,438,893	7,673,578	oz
	shipped	1,540,103	5,749,026	7,289,129	oz
	FOB value	140,063,672	588,961,209	729,024,881	PGK
silver	produced	249,421	1,248,319	1,497,740	oz
	shipped	314,147	1,084,666	1,398,813	oz
	FOB value	441,925	1,947,717	2,389,642	PGK
Ramu Nickel					
Mixed hydroxide precipitate*	produced	32,069	72,586	104,655	tonnes/Kg
	shipped	64,030	74,171	138,201	tonnes/Kg
	FOB value	76,605,664	210,225,331	286,830,995	PGK
Simberi					

123 Email communication from MRA, 4 December 2015

124 Data provided by email from MRA, 14 December2015

Mine/commodity		Unverified	Verified	Total	Units
gold	produced	18,357	27,437	45,794	oz
	shipped	18,564	27,512	46,076	oz
	FOB value	54,473,421	89,406,407	143,879,828	PGK
silver	produced	4,659	4,330	8,989	oz
	shipped	4,659	4,330	8,989	oz
	FOB value	223,324	232,587	455,911	PGK
Sinivit					
gold	produced		1,134	1,134	oz
	shipped		1,067	1,067	oz
	FOB value		3,480,047	3,480,047	PGK
silver	produced		317	317	oz
	shipped		288	288	oz
	FOB value		15,925	15,925	PGK
Tolukuma					
gold	produced		7,914	7,914	oz
	shipped		8,490	8,490	oz
	FOB value		27,843,547	27,843,547	PGK
silver	produced		27,059	27,059	oz
	shipped		16,409	16,409	oz
	FOB value		934,545	934,545	PGK

*During the reporting period, Ramu mine reported mixed hydroxide precipitate. It has recently begun reporting the percentage content of nickel and cobalt in addition to mixed hydroxide precipitate.

Table 18: Total production by commodity 2013[125]

Commodity		Not Verified	Verified	Total	
gold	produced	1,688,218	16,711,830	18,400,048	oz
	value*	647,676,616	2,704,104,193	3,424,903,822	PGK
	shipped	1,932,079	15,685,920	17,617,999	oz
	FOB value	741,232,701	2,538,103,968	3,279,336,669	PGK
silver	produced	254,080	27,132,705	27,386,785	oz
	value*	530,186	136,406,056	136,739,539	PGK
	shipped	318,806	26,883,319	27,202,125	oz
	FOB value	665,249	135,152,301	135,817,550	PGK
copper	produced		90,775	90,775	tonnes
	value*		1,303,569,294	1,303,569,294	PGK
	shipped		87,467	87,467	tonnes
	FOB value		1,256,064,946	1,256,064,946	PGK
mixed hydroxide precipitate	produced	32,069	72,586	104,655	tonnes/kg
	value*	38,367,438	205,732,913	217,207,529	PGK
	shipped	64,030	74,171	138,201	tonnes/kg
	FOB value	76,605,664	210,225,331	286,830,995	PGK

*value of production has been calculated by the IA at the same rate as FOB value.

[125] Data provided by email from MRA, 14 December2015

Table 19: Royalty and export value data as given in the scoping study[126]

Company name provided by MRA	Royalty (PGK)	Export value (PGK)
Porgera Joint Venture	36,214,337	1,810,716,850
Lihir Gold Limited	40,870,463	2,043,523,150
Ok Tedi Mining Limited	39,971,605	1,998,580,250
Morobe Mining Joint Venture	13,000,390	650,019,511
Simberi Gold Mine	2,919,782	145,989,112
Ramu Nickel & Cobalt Mine	*TBD	*TBD
Mt Sinivit	99,030	4,951,494
Tolukuma Gold Mine	336,457	16,822,846

Qualifying notes from scoping study

* To be determined since Ramu Nickel & Cobalt Mine (MCC) has not yet paid royalty for 2013

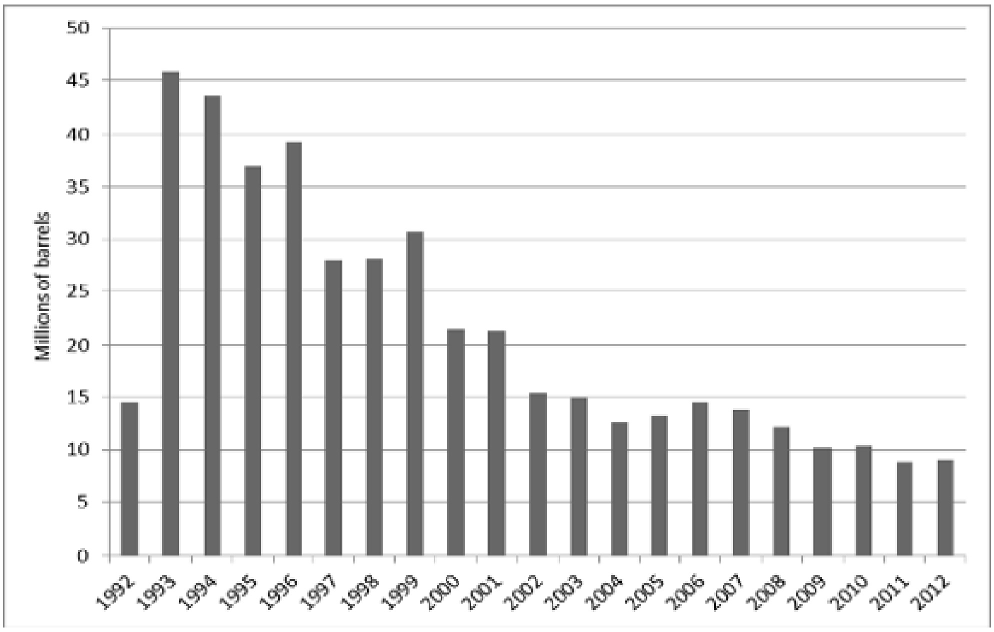
- Data is provided by the MRA
- Data does not include total production and export value by commodity
- The lump sum of export value is recalculated from the royalty figures

Oil and gas

Oil and gas companies report production data to DPE on a monthly basis. DPE is not currently performing detailed reviews or audits of the data due to resourcing constraints.[127] This puts the onus on companies to self-regulate.

Oil production in PNG has been in steady decline since 1993.

Figure 18: PNG Oil Production, 1992–2012[128]



Gas production, by contrast, is just taking off with the new PNG LNG project; the first shipment of LNG left PNG in May 2014.[129] The project is expected to produce 6.9 million tonnes of LNG per year.[130] Since production had not commenced during the reporting period, the contribution of this significant project is not reflected in the figures below.

Table 20: Summary oil & gas production volumes for the fiscal year ending 31 December 2013[131]

[126] Scoping Study Appx 10 p.145, sourced to MRA
[127] ibid p.153
[128] PNG NHDR 2014 - Figure 3.4, sourced to BPNG 2013
[129] http://pnglng.com/news/png_lng_ships_first_lng_cargo.html
[130] http://pnglng.com/project/index.html

Fields	Oil (stbopd)		Gas (Mscf)	Royalty (PGK)	Export value (PGK)
	Production	Export*	Production^		
Kutubu	4,415,696	-	55,937,488	25,440,227	1,272,011,374
Agogo	1,368,731	-	18,318,565	-	-
Moran	4,123,793	-	21,590,759	7,592,408	379,620,410
SE Mananda	27,090	-	435,594	8,069,613	403,480,642
SE Gobe	358,453	-	9,870,164	2,408,875	120,443,739
Gobe Main	517,280	-	13,783,497	1,682,026	84,101,286
Hides	See detail below	-	5,415,177	3,077,815	153,890,745
Total Production / Export	**10,811,043**	**10,607,139**	**125,351,244**	**48,270,964**	**2,413,548,196**

* Oil export volumes by region were not supplied.

^ There were no gas exports in the reporting period.

Hides: 2013 total gas sales to Porgera gold mine plus condensate, diesel, naptha and residue sales					
	Gas	Condensate	Naptha	Diesel	Residue
	(mmscf)	(m^3)	(m^3)	(m^3)	(m^3)
Total	**5,415.2**	**18,418.7**	**13,521.8**	**3,268.8**	**953.5**

Notes to Table 20[132]

1. A small amount of Hides Gas is sold to the Porgera Joint Venture by way of gas to electricity. A microstill unit (mini refinery) is also used to refine petroleum products including condensate, naptha, diesel and residue at Hides. Most of these products are sold to the Porgera Joint Venture while some are locally consumed and at times given as charity to nearby health centres and schools
2. All gas produced from oil fields during the reporting period was used as fuel gas, used in gas lifted wells, or reinjected. In the future, most gas will be provided to the PNG LNG project.
3. Figures as recorded by DPE and supplied for this report by the MSG. This table agrees with the figures previously supplied by DPE for the scoping study.

Oil Search was the only company actively producing during the reporting period. We compared the DPE figures with those reported by Oil Search in their annual report in Table 21, and found the totals to be materially consistent, although there were some variances on a field-by-field basis.[133]

[131] Scoping study, Appx 10 p. 149, sourced to DPE
[132] ibid
[133] Oil Search Annual Report 2013, p.28 http://www.oilsearch.com/Media/docs/7644_OilSearch_AR13_Complete_v2-a1ee5ebb-6f17-4b50-9e57-cb2f5ac11b5e-0.pdf

Table 21: Comparison of Oil Search production figures

Field	Annual report data (convert to BOPY)	DPE data (units corrected to BOPY)	% variance oil production
Kutubu	5,784,520	4,415,696	-23.66
Agogo	4,122,675	4,123,793	0.03
Moran	358,430	517,280	44.32
SE Moran	515,380	358,453	-30.45
SE Gobe	24,455	27,090	10.77
Gobe Main	Not reported	1,368,731	
Hides	118,625	More information needed re Naptha, residue, diesel etc.	
Total	**10,924,085**	**10,811,043**	**1.05**
	Gas production		
	Annual report data (Convert to SCF/year)	DPE data (Convert to SCF/year)	% variance gas production
	5,515,150,000	5,415,177,000	1.85

Chapter 6: State-owned enterprises

EITI Standard, requirement 3.6

This chapter explores the structure of state-owned entities (SOEs) in PNG, including the legal basis for the entities, the financial relationships between the SOEs and the government, the source of revenue from the extractive industries, their interests in the extractive industries, and any relationships such as loans or guarantees.

Legal basis

The state holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or 'sunk cost'. In return, the state can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder. Further information on the state's equity participation rights is provided on page 41.

- The state-owned enterprises (SOEs) in PNG during the reporting period were:
- Independent Public Business Corporation
- Mineral Resources Development Company Limited
- National Petroleum Company of PNG Limited
- Ok Tedi Mining Limited
- Petromin PNG Holdings Limited.

In April 2013 the PNG government announced plans for a significant restructuring of all state-owned assets into three new companies:

- **Kumul Petroleum Holdings Limited** (previously National Petroleum Company of Papua New Guinea Limited) is a special purpose vehicle with a mandate to hold and manage the state's 16.57 per cent interest in the ExxonMobil-led PNG LNG project and will now hold all hydrocarbon assets, including those held by another SOE, Petromin.
- **Kumul Minerals Holdings Limited** will hold all state-owned mining assets, including those held by Petromin, the Ok Tedi mine and the State's interests in Nautilus Minerals' future Solwara 1 project.
- **Kumul Consolidated Holdings** (previously Independent Public Business Corporation) holds a portfolio of state-owned enterprises including Air Niugini, PNG Power, Telikom PNG and PNG Ports.

Previously, various government departments, including Treasury, were holding shares on behalf of the state. The restructure was intended to establish active, independent management of these state assets.[134] This restructure was still underway at the time of writing.

The Independent Public Business Corporation

Creation, ownership and structure

The Independent Public Business Corporation (IPBC) of PNG, a 100 per cent state-owned statutory corporation, was formed under an act of parliament (2002, amended in 2012).[135] Most SOEs in PNG are not owned directly by the state, but by a trust, the PNG General Business Trust (GBT). The IPBC (now Kumul Consolidated Holdings) manages the GBT, with the dual role of trustee and SOE owner monitor.[136]

The Asian Development Bank comments on this atypical structure, 'While this structure may have been originally adopted to improve transparency and accountability in the management of the SOEs, in practice this does not appear to have been achieved. Indeed the trust structure may have instead facilitated the systemic lack of transparency that has characterised IPBC over the past decade.'[137]

Of the SOEs considered here, only NPCP was owned by the GBT, with the others being directly held by the state.

IPBC has been restructured since the reporting period under a new act of parliament.[138] The *Independent Public Business Corporation of PNG Act 2002* has been renamed the *Kumul Consolidated Act 2002*. IPBC has been renamed Kumul Consolidated Holdings, but remains a statutory corporation with the same legal identity. Kumul Consolidated Holdings remains the trustee of the GBT and there is no change to the trust structure. The State continues to be the beneficiary of the GBT. During the reporting period, the IPBC was also the owner of NPCP (see discussion below). However, the new entity Kumul Consolidated Holdings is no longer the owner of NPCP, which has become Kumul Petroleum Holdings Ltd.

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[134] http://www.businessadvantagepng.com/kumul-restructure-to-be-complete-by-start-of-2016-prime-minister-oneill/
[135] http://www.ipbc.com.pg/
[136] Finding balance
[137] Finding balance, p.12
[138] Independent Public Business Corporation of Papua New Guinea (Kumul Consolidated Holdings) (Amendment) Act (2015).

IPBC's projects and fiscal arrangements

The portfolio of assets vested with the IPBC/Kumul Consolidated Holdings include Air Niugini, Post PNG, Water PNG, Eda Ranu, Motor Vehicles Insurance, PNG Ports, PNG Dataco, PNG Power, Telikom PNG. The IPBC has also initiated key impact projects such as power, ports and sanitation projects.

The GBT is entitled to any dividends from SOEs. Some of this may be returned to the State through dividend declaration, apart from monies allocated to IPBC for its operations. The monthly budgetary allocation is disclosed in the IPBC's operating budget, which is approved by the NEC.

IPBC's social and quasi fiscal expenditure

IPBC has not responded to requests to disclose any social or quasi fiscal expenditure for the reporting period. The MSG (meeting #2, 27 March 2015) implied that IPBC made no quasi fiscal expenditures.

Mineral Resources Development Company Limited

Creation, ownership and structure

The Mineral Resources Development Company Limited (MRDC) is a 100 per cent state-owned enterprise, established by an act of parliament. MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. MRDC outlines its role as:

- Acquiring, financing and managing equity interest in mining and petroleum projects for and on behalf of the State, Landowners and provincial governments in the most cost effective way
- Payment of royalty and equity to petroleum project landowners
- Holding and managing of landowner and/or provincial government interests in mining and petroleum projects
- Making prudent investments in diversified and safe businesses to sustain income beyond the mine, oil and gas years when those non-renewable resources are exhausted
- Developing community infrastructure and assisting with providing basic services to project area landowners.

Under the *PNG Oil and Gas Act* MRDC is responsible for managing petroleum royalties, future generation and community infrastructure trust funds. An NEC decision (date not disclosed in evidence provided) gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.[139]

> Financial information provided to us by MRDC was dated 2009. We were advised that this is the most recent available information on MRDC's equity and interests. Without robust, transparent, publicly available information about how the MRDC manages the state's interests in the extractive sector, and how revenues are managed, there is a significant risk of inaccurate information being included in this report and, ultimately, misappropriation of funds.

MRDC's projects and fiscal arrangements

The MRDC has three mechanisms by which it holds or manages interests on behalf of the government of PNG:

- Direct equity in resource projects
- Subsidiary companies which hold equity interests for landowners. The boards of these companies are chaired by landowners.[140]
- Management of landowner / provincial government interests in resources projects, as trustee, under a management agreement.

The beneficiaries are government-recognised incorporated land groups (ILGs) or clans of the particular project area. The activities and management of the trusts are set out in a trust deed, which specifies who the beneficiaries are, rules under which the trust is operated and who the trustee is. Petroleum trusts specify the composition of the board of directors for the trusts, which includes the Managing Director of the MRDC, the Secretary of DPE and three landholder representatives.[141]

Table 22 below has been compiled from a variety of sources, and lists all MRDC interests for the reporting period as far we can determine.

While some information provided by MRDC suggested that they hold direct equity in the PNG LNG project, other data suggests that this is instead comprised of holdings in underlying PDLs by seven or eight 'Gas Resources' companies. It is not clear whether these are subsidiaries of MRDC or landholder owned with a management agreement.

[139] Company Profile document emailed from MRDC, p. 5
[140] Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', p. 4, 2014?, provided directly by MRDC, 24 Nov 2015
[141] ibid

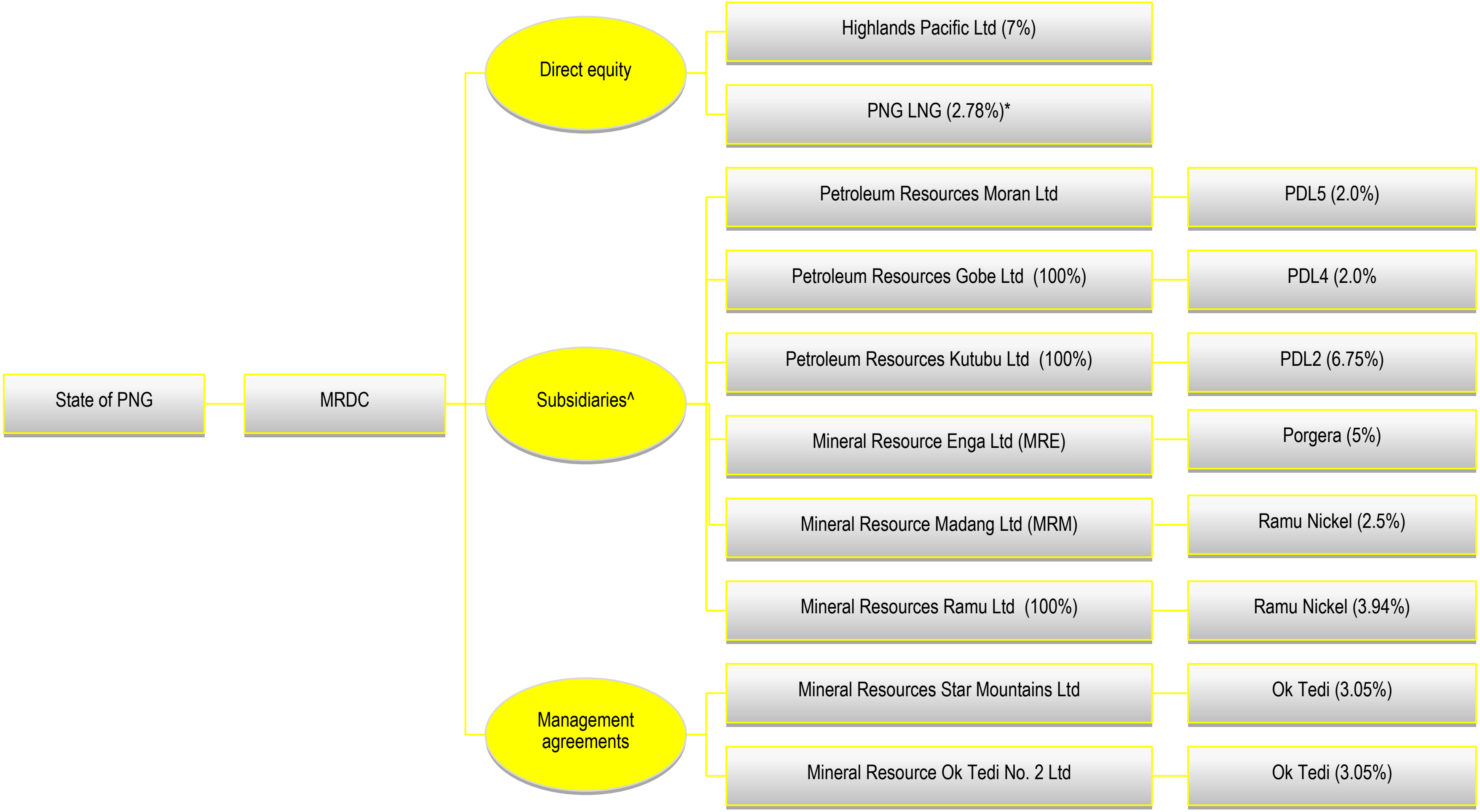
Table 22: MRDC interests as at 2013[142]

Company	% ownership of asset	Asset	Beneficiary
Direct equity			
MRDC	7.0	Highlands Pacific Ltd	
	2.78	PNG LNG project	See below
Subsidiaries holding equity interests on behalf of landowners			
Mineral Resources Ramu Ltd (wholly owned subsidiary of MRDC)	3.94	Ramu Nickel Project	State
Mineral Resource Enga Ltd (MRE)	5.0	Porgera	Porgera Landowners and Enga Provincial Government
Petroleum Resources Kutubu Ltd (PRK) (wholly owned subsidiary)	6.75	PDL 2	Southern Highlands Provincial Government (1.1575%) Gulf Provincial Government (1.125%) Southern Highlands landowners: Fasu (1.1553%) and Foe (0.696%) Gulf landowners (Kikori (1.8%)
Petroleum Resources Gobe Ltd (PRG) (wholly owned subsidiary)	2.0	PDL 4 Gobe Oil fields	Landowners in the Southern Highlands Province and Gulf Province
Petroleum Resources Moran Ltd (PRM)	2.0	PDL 5	Landowners in the Southern Highlands Province
Landowner/ provincial government interests managed by MRDC as trustee*			
Mineral Resources Star Mountains Ltd (MRSM)	3.05	Ok Tedi	10 Ok Tedi landowning communities
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	3.05		Fly River Provincial Government
Mineral Resources Star Mountains Ltd (MRSM)	6.1	Ok Tedi	10 Ok Tedi landowning communities
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	6.1		Fly River Provincial Government
Mineral Resource Madang Ltd (MRM)	2.5	Ramu Nickel Project	Ramu landowners
PNG LNG holdings^			
Gas Resources Angore	0.13	PNG LNG Project (2.78%) (from document provided by MRDC, p.4) (sums to 2.7235)	Not identified
Gas Resources Gigira	1.10		
Gas Resources Gobe	0.023		
Gas Resources Hides	0.22		
Gas Resources Juha	0.13		
Gas Resources Kutubu	1.10		
Gas Resources Moran	0.02		
Gas Resources North West Moran	0.0005		
Gas Resources Angore Ltd	0.1327	PNG LNG Project (2.8%) (Scoping study, sourced to now-defunct MRDC website) (sums to 2.8283)	Not identified
Gas Resources Gigira Ltd	0.0237		
Gas Resources Gobe Ltd	0.0237		
Gas Resources Hides 4 Ltd	1.3519		
Gas Resources Juha Ltd	0.1324		
Gas Resources Kutubu Ltd	1.1440		
Gas Resources Moran Ltd	0.0199		

* The most recent information provided by MRDC indicated 3.05% holdings in Ok Tedi, whereas the Ok Tedi website suggests 6.1%
^ MRDC provided two sets of conflicting information on landowner interests. Neither matched a third set of data provided to us by ExxonMobil.

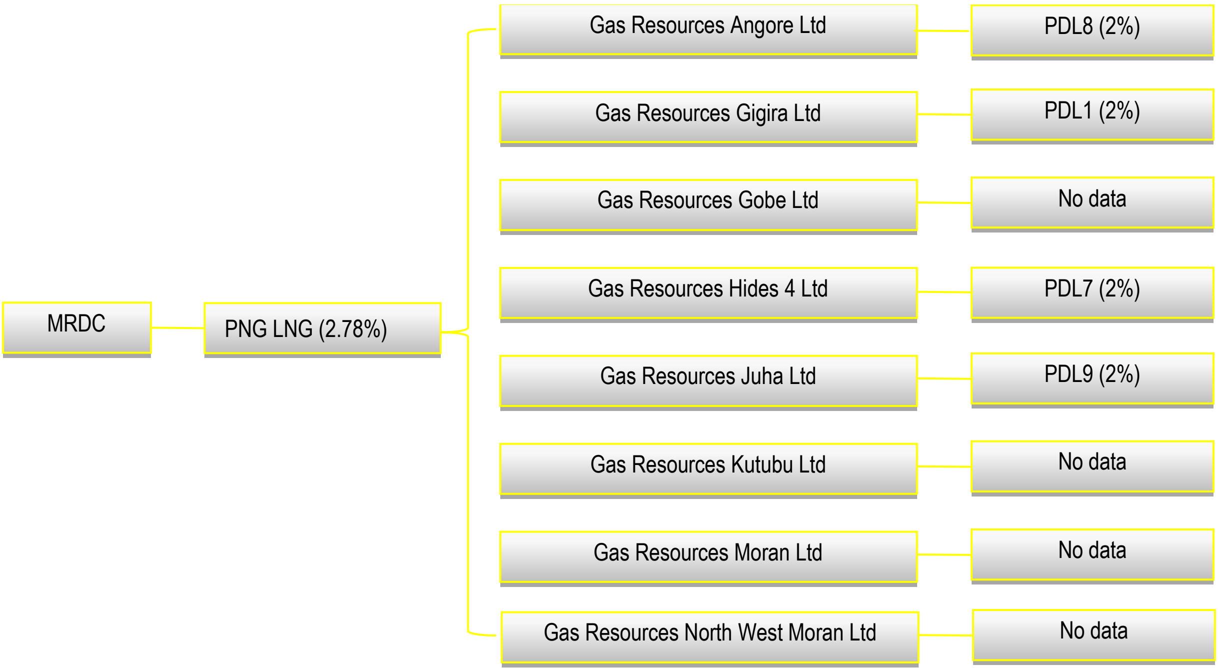
[142] Compiled from multiple sources including documents provided by MRDC and publically available information

Figure 19: Ownership structure of MRDC



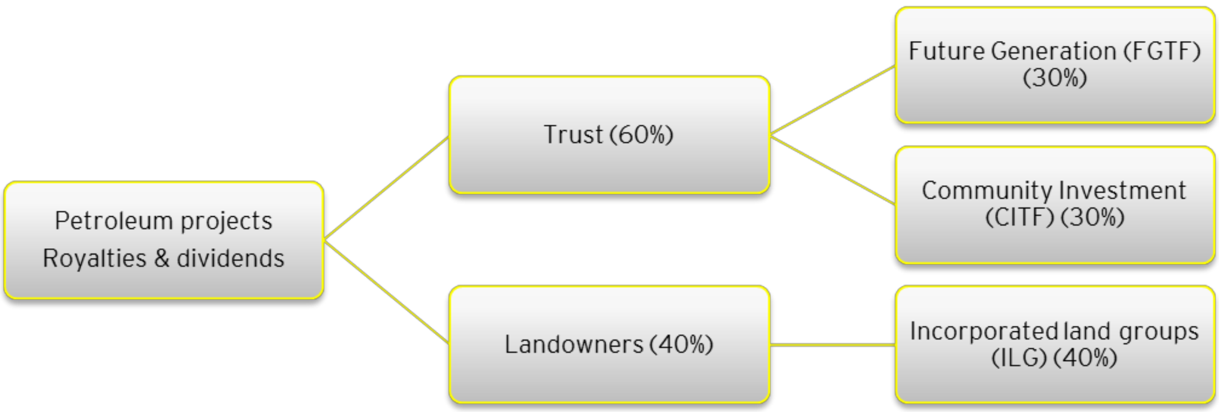
*See Figure 20: MRDC holdings in the PNG LNG project
^We have indicated where subsidiaries are wholly owned, as indicated by the MRDC. Ownership of the other subsidiaries is unclear.

Figure 20: MRDC holdings in the PNG LNG project



The Treasury Division of MRDC manages group funds, ensuring liquidity for each subsidiary company. It is responsible for the administration of oil sales and also administers the landowner trust fund accounts, including the Community Infrastructure Trust Funds (CITF) and Future Generation Trust Funds (FGTF) managed for the beneficiary comparisons for the Kutubu, Moran and Gobe oil projects areas. The FGTF is focused on investment for the long-term, while the CITF 'ensures that some of the revenue is invested in infrastructure for the whole community to improve quality of life'.[143] Various community infrastructure programmes have now been funded under the CITF.[144]

Under the *PNG Oil and Gas Act*, 60 per cent of royalty and equity dividend payments are placed in trust accounts (30 per cent to CITF and 30 per cent to FGTG) and 40 per cent is paid as cash to landowners. Provincial government and local level government payments are made to the respective governments in full.



The most recent financial data provided to us by MRDC was dated to 2009. However, their 2010 accounts have been audited by the Auditor-General,[145] and their 2011 accounts have been submitted for audit,[146] so these at least should be readily available.

At the end of 2009 the funds stood at:

CITF	PGK69,358,487
FGTF	PGK88,473,343

[143] 'Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', p.4, undated (2014?), provided directly by MRDC, 24 Nov 2015
[144] Divisional Profile [provided directly by Kumul Petroleum], p. 19
[145] Part 4, Report of the Auditor-General 2012, Auditor-General's Office of Papua New Guinea, http://www.ago.gov.pg/images/Part_IV_2012.pdf
[146] Part 4, Report of the Auditor-General 2013, Auditor-General's Office of Papua New Guinea, http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf

Payments made to project area beneficiaries were last documented in 2009:

Table 23 Summary of royalty and dividend payments in 2009 (PGK) [147]

Project area	Royalty	Dividends	ILGs	CITF (30%)	FGTF (30%)	SHPG (23.30%)	GPG (16.70%)
Kutubu	7,924,768.86	15,000,000.00	6,769,907.54	5,077,430.66	5,077,430.66	3,495,000.00	2,505,000.00
Moran	3,796,261.18	1,000,000.00	2,518,504.47	1,138,878.35	1,138,878.35	-	-
Gobe*	-	-	-	-	-	-	-
MRE	N/A	4,000,000.00	-	-	-	-	-
MRSM	N/A	10,000,000.00	-	-	-	-	-
MROT	N/A	4,000,000.00	-	-	-	-	-
TOTAL	**11,721,030.04**	**18,000,000.00**	**9,288,412.01**	**6,216,309.01**	**6,216,309.01**	**3,495,000.00**	**2,505,000.00**

* Gobe Royalty received but not distributed to beneficiaries due to ongoing landownership identification disputes

Notes

- SHP and Gulf Provincial Governments royalties are paid by Finance Department.
- Mining royalties are paid by MRA.

Key

ILGs: Incorporated Land Groups
CITF: Community Infrastructure Trust Funds
FGTF: Future Generation Trust Funds
SHPG: Southern Highlands Provincial Government
GPG: Gulf Provincial Government
MRE: Mineral Resources Enga
MRSM: Mineral Resources Star Mountains Limited
MROT: Mineral Resources Ok Tedi Limited

Table 24 Payments made to project area beneficiaries up to 2009 (PGK)[148]

Project area	Royalty	Dividends	ILGs	CITF (30%)	FGTF (30%)	SHPG (23.30%)	GPG (16.70%)
Kutubu	57,133,125.68	160,790,845.23	72,744,707.98	39,087,034.27	58,203,890.56	37,063,507.44	26,564,831.65
Moran	38,537,146.94	15,250,000.00	21,337,941.71	16,224,602.08	16,224,602.08	-	-
Gobe	39,322,836.05	7,500,000.00	18,729,134.42	14,046,850.82	14,046,850.82	-	-
TOTAL	**134,993,108.67**	**183,540,845.23**	**112,811,784.11**	**69,358,487.17**	**88,475,343.46**	**37,063,507.44**	**26,564,831.65**

MRDC's social and quasi fiscal expenditure

MRDC has not disclosed whether there were any social or quasi fiscal expenditure for the reporting period. The MSG (meeting #2, 27 March 2015) implied that MRDC made no quasi fiscal expenditures.

National Petroleum Company of Papua New Guinea (Kumul Petroleum)

Creation, ownership and structure

This SOE has been through a series of changes of structure and name since it was first incorporated in June 2008 under the name Kroton No. 2 Limited. In 2010 the name was changed to National Petroleum Company of PNG (Kroton) Limited (NPCP Kroton), at which time it was mandated by the state to be a special purpose vehicle to hold and manage the state's 16.574481 per cent interest in the PNG LNG Project.

In 2011, the NEC directed that NPCP Kroton become a business unit of IPBC, with the company itself retained as a shelf company. However, on 30 January 2013, the NEC rescinded this decision, and directed that the company be revived and its full functions be restored.

On 2 September 2014, the NEC approved the establishment of NPCP Holdings Ltd as a wholly-owned subsidiary of IPBC and directed that all petroleum assets of the state, including the Oil Search shares held by the Department of Treasury, all petroleum assets held through Petromin and the NPCP Kroton shares held by IPBC, be consolidated into NPCP Holdings Ltd. The shares of NPCP Kroton Ltd held by IPBC were transferred to NPCP Holdings Ltd on 17 December 2014.

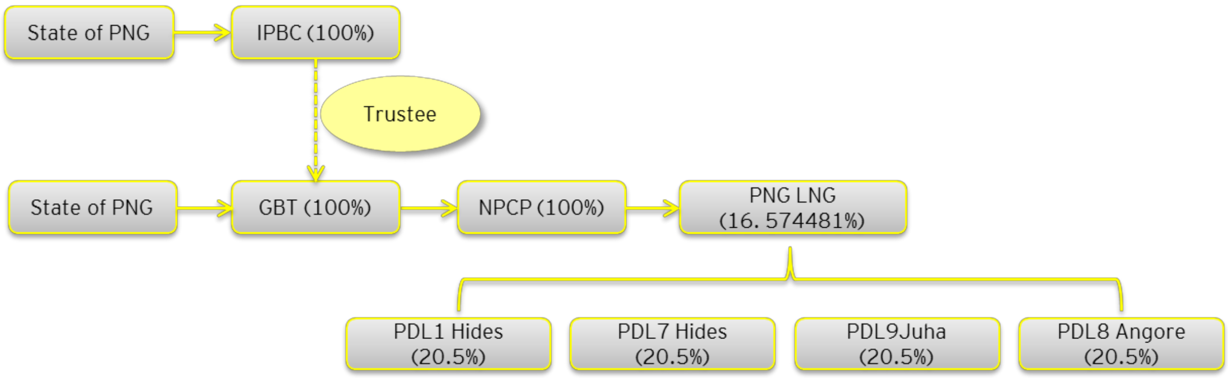
147 ibid p. 20
148 ibid

The *Kumul Petroleum Holdings Limited Authorization Act 2015* was passed in June 2015, changing the name of NPCP Holdings Ltd to Kumul Petroleum Holdings Ltd, and making it the state nominee for all commercial matters relating to oil and gas projects.[149]

NPCP's projects and fiscal arrangements

In the reporting year, NPCP held a 20.5 per cent interest in four petroleum development licences: PDL 1 Hides, PDL 7 Hides, PDL 8 Angore and PDL 9 Juha.[150] Together, these equate to a 16.574481 per cent interest in the PNG LNG project. NPCP's participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. NPCP participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.[151] NPCP has not made any loans to the project.

Figure 21: Ownership structure of NPCP



In December 2014, Kumul Petroleum Holdings Limited purchased Cue PNG Oil Company Pty Ltd, and subsequently renamed it NPCP Oil Company Pty Ltd. NPCP Oil Company Pty Ltd has a participating interest of 5.57 per cent in Petroleum Development Licence 3 (South East Gobe) which includes JV partners Oil Search Limited, Santos, MRDC and Southern Highlands Petroleum Limited. Santos is the operator of PDL 3.[152]

Smaller interests acquired since 2013 include:[153]

- Petroleum Retention Licence 9 (Barikewa): 14.89 per cent
- Petroleum Retention Licence 14 (Cobra, Iehi & Bilip): 10.94 per cent

NPCP confirmed verbally that they had no loan agreements with the government.

NPCP's social and quasi fiscal expenditure

Information provided by Kumul Petroleum was that 'the PNG LNG Projects fund all social obligations.'[154] The MSG (meeting #2, 27 March 2015) implied that NPCP made no quasi fiscal expenditures during the reporting period.

OK Tedi Mining Company

Creation, ownership and structure

Ok Tedi Mining Limited (OTML) is a 100 per cent state-owned company that operates an open-pit copper, gold and silver mine located in the Star Mountains of Western Province. The company holds a large portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations and is actively undertaking near-mine exploration.[155]

The operating subsidiaries as at 2015 are Ok Tedi Development Foundation Limited, Ok Tedi Power Limited and Ok Tedi Australia Pty Limited. Table 25 sets out Ok Tedi's investments in these subsidiaries:[156]

Table 25: Subsidiaries of Ok Tedi Mining Company

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[149] Direct communication from Kumul Petroleum, 20 November 2015; http://kumulpetroleum.com/about-us/history/
[150] http://kumulpetroleum.com/pnglng-project/
[151] Direct communication from Kumul Petroleum, 20 November 2015
[152] ibid
[153] ibid
[154] Direct communication from Kumul Petroleum (date?)
[155] http://www.oktedi.com/
[156] http://www.oktedi.com/about-us/our-subsidiaries

Subsidiary	Ordinary shares	% Shareholding
Ok Tedi Development Foundation Limited	3	75
OTML Shares in Success	2	100
Ok Tedi Australia Pty Limited	10,000	100

In 2013, the Prime Minister announced a restructure of the management at Ok Tedi to ensure funds from the company were managed in PNG and allowed local landowners to have greater inclusion in the management and future of mine.[157] Figure 22 below shows the current ownership structure.

Figure 22: Ownership structure of Ok Tedi Mining Ltd

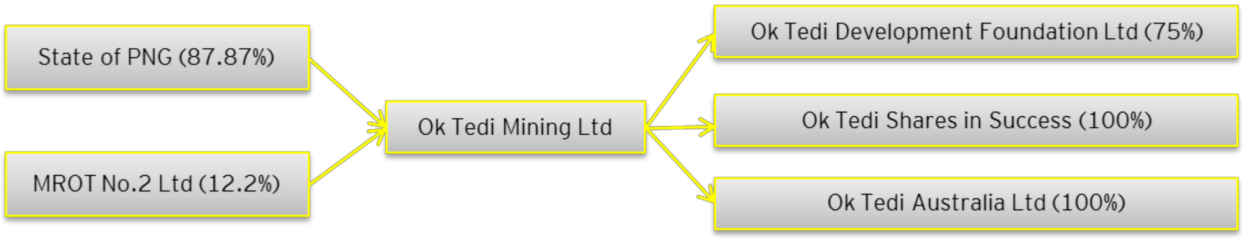
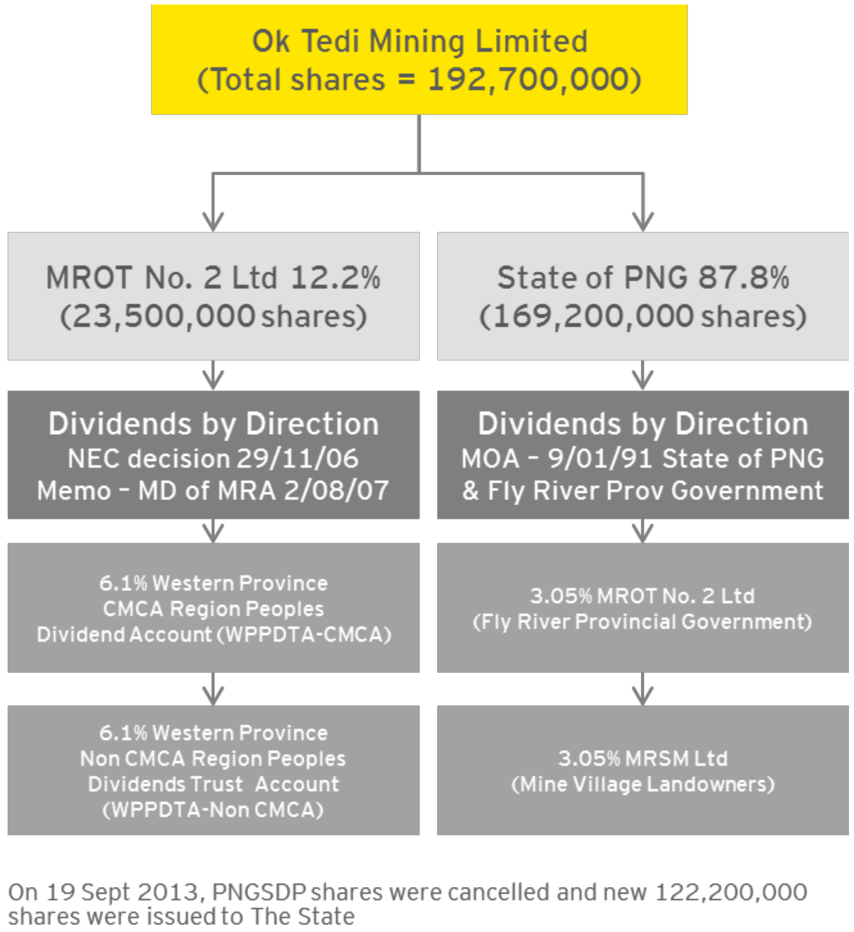


Figure 23 shows the distributions of shares issued by the state with the passing of the *Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013* by Parliament. The resulting shareholder structure is now such that the company is a 100 per cent SOE, with the state directly holding 87.8 per cent and the people of the Western Province holding a 12.2 per cent beneficial interest. All of the financial benefits from the mine are directed (as dividend streams) to Western Province, Community Mine Continuation Agreement (CMCA) communities, Mine Area Villages, the Fly River Provincial Government (FRPG) and the State.[158] Ok Tedi Mining Limited is negotiating with the affected communities (Community Mine Continuation Agreement communities) an equitable compensation and development package to reflect the 100 per cent shareholding, as required by law.[159]

[157] http://www.businessadvantagepng.com/oneill-flags-major-restructure-of-all-state-owned-assets/
[158] Ok Tedi Mining Limited Annual Review 2013, p.4; http://www.oktedi.com/media-items/publications/annual-review/220-2013-annual-review/file
[159] Ok Tedi Mining Limited Annual Review 2013, p.18; http://www.oktedi.com/our-corporate-social-responsibility/mine-continuation-consultation

Figure 23: Distribution of shares issued by the state with the passing of the *Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013*[160]



State control of the entity is exercised by the OTML board, which hold the highest level of responsibility for the company. However, as an SOE, certain other governance provisions come into effect under the *Independent Public Business Corporation Act* and the powers of the NEC, particularly in the appointment of members of the board. With the change in ownership of OTML, whereby the state now holds a shareholding of 87.8 per cent, there has been a restructuring of the board, chairman and director's positions in the latter part of 2013, as sanctioned by the NEC and duly gazetted.[161]

Ok Tedi's projects and fiscal arrangements

Table 26: Ok Tedi financial data

Ok Tedi 2013 financial data[162]	PGK '000
Total assets	4,059,085
Cash equivalent	423,470
Other current financial assets	39,610
Accounts receivables from related companies trade and sundry	295,744
Third party loans	'Home ownership scheme loans receivable company K'000 15,309'

Ok Tedi's social and quasi fiscal expenditure

The MSG noted in its Meeting #2, 27 March 2015 that Ok Tedi was the only operating company that provides quasi fiscal payments.

[160] Ok Tedi Mining Limited Annual Review 2013, p.18
[161] ibid, p. 16
[162] ibid, pp.118–19

Table 27: Quasi fiscal payments/ social contributions[163]

Types of social services, public infrastructure, fuel subsidies and national debt servicing provided				
Health	**Education**	**Roads, Bridges, Airports & Buildings**	**Utilities**	**CMCA Payments**
Balimo Hospital – redevelopment (Stage 2) - PGK0.9m (US$0.4m)	Oksapin High School development project - PGK3.3m (US$1.4m) Telefomin High School repair & maintenance - PGK2.8m (US$1.3m) Raiakam Primary School development - PGK0.6m (US$0.3m)	Rehabilitation of existing jetties and one new jetty - PGK6.2m (US$2.7m)	Kiunga town water supply upgrade - PGK11.9m (US$5.2m)	Mine landowners (six village communities) PGK2.68m (US$1.18m) Development Fund PGK15.96m (US$7.02m) Women & Children's Fund PGK 4.91m (US$2.16m) Investment Fund PGK7.19m (US$3.16m) Special compensation PGK22.18m (US$9.76m) Logi, Kawok, Komokpin villages PGK1.83m (US$0.81m) **Total** PGK54.75m (US$24.09m)

Ok Tedi Mining confirmed verbally that they had no loan agreements with the government.

Petromin

Creation, ownership and structure

Petromin PNG Holdings Limited (Petromin) is an independent company created in 2007 to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral and oil and gas sectors. The organisation is 100 per cent state owned. Petromin leverages the state's equity holdings, encouraging more production and downstream processing of oil, gas and minerals in PNG through proactive investment strategies either wholly or in partnership with other investors. Petromin is headed by a professional board with national and international standing.[164]

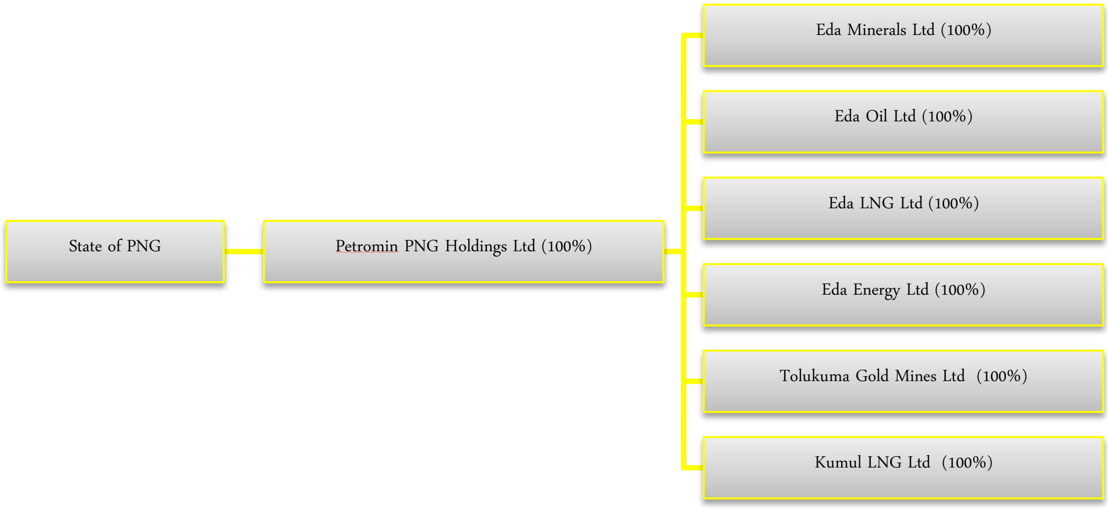
Petromin will become Kumul Minerals Holdings Ltd in early 2016, as per the restructure of SOEs discussed above.[165]

Petromin had six wholly owned operating subsidiaries during the reporting period: EDA Oil Limited, EDA LNG Limited, Tolukuma Gold, EDA Minerals, Kumul LNG Limited and EDA Energy Limited.[166] Petromin, through its subsidiary Eda Oil Limited holds a 20.5 per cent interest in PDL5. This equates to an 11.28 per cent interest in the Moran Oil Field – one of the producing oil fields in the Southern Highlands.

The site is operated by Oil Search Limited as Greater Moran Unit under a combined development agreement with the other joint venture partners ExxonMobil, Nippon Oil and MRDC.[167] This 20.5 per cent interest in PDL5 also equates to a 0.24 per cent interest in the PNG LNG project.[168]

163 Ok Tedi Mining Limited Annual Review 2013, p. 82 & 83
164 2013 Petromin Annual Report, pp. 12, 13 & 14 http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf
165 http://www.businessadvantagepng.com/in-brief-redundancies-at-petromin-papua-new-guinea-after-oil-price-slump-and-other-business-news/
166 2013 Petromin Annual Report, p. 30 http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf
167 ibid
168 http://pnglng.com/project/co-ventures.html

Figure 24: Ownership structure of Petromin



Petromin dividends are paid to an account maintained by a professional trust manager acting on behalf of the State. The trust manager forwards the declared dividends to the Department of Finance, and they are administered as an in-flow to the national budget income.[169]

Petromin's projects and fiscal arrangements

Table 28: Petromin financial data*[170]*

Petromin 2013 financial data	PGK '000
Total assets	632,129
Cash equivalent	112,343
Other current financial assets Trade and other receivables)	28,641

Petromin's social and quasi fiscal expenditure

Details of Petromin's social expenditure can be seen in Chapter 10: Social expenditure by the extractive industries**.**

The MSG meeting #3, 17 April 2015 confirmed that Petromin did not make any quasi fiscal payments in 2013.

Petromin confirmed verbally that they had no loan agreements with the government.

[169] Direct communication from Petromin, 22 December 2015
[170] 2013 Petromin Annual Report, p. 61 http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf

Chapter 7: Management and distribution of revenues

EITI Standard, requirements 3.7 and 3.8

This chapter sets out how the Government of PNG manages revenue from the extractive industries, including recording of revenues in the national budget, allocation of revenues, and the budget and audit process.

How extractive industry revenues are recorded

Mining and Petroleum Tax (Corporate Income Tax received from these sectors) is a line item in the national budget (see e.g. 2015 budget p.35). Dividends from mining and petroleum are also a separate line item under non-tax revenue (e.g. 2015 budget p.37).

Other revenue sources are not listed in the national budget, but are recorded as follows:

- Oil and gas royalties and licence fees are recorded in the Joint Department of Petroleum and Finance Trust Accounts
- Development levies are recorded in Finance Trust Accounts.
- Mining royalties, production levies and licence fees are recorded in the financial reports of the MRA
- Dividends from NPCP are recorded by the IPBC, as trustee of the GBT
- Equity in oil/gas and mining (NPCP, Petromin, and MRDC) and sale of mineral commodities (Ok Tedi, Petromin) are recorded in the annual reports of the relevant entities.[171]

The independent administrator has not been able to confirm this data from the scoping study, or establish whether these reports are publically available.

Treasury classifies the state budget and the public accounts using *Government Financial Statistics Manual 1986* (GFSM 1986). It has begun a process to update to *Government Financial Statistics Manual 2001* (GFSM 2001). This will be a significant change that is likely to impact on how revenues will be reported going forward from the 2016 State Budget. The government reports on a cash basis of accounting.[172] (Note that GFSM 2014 has now been released.)

Revenues earmarked for specific programmes or geographic regions

Specific data on relevant trust accounts and payments to provincial governments was not obtained for this report. Both the primary trustee companies – the IPBC and the MRDC – did not respond to disclosure requests, and information from provincial governments and other sources proved extremely difficult to access.

Mining

The National Economic and Fiscal Commission Provincial Government Budget Reports outline the revenues that provincial governments received on page 11 of its 2013 Report:[173]

The most significant regional allocations are for:

1. **Royalty**: A royalty benefit of two per cent is provided by the state to landowners, affected provincial governments and local level governments.
2. **Equity:** Landowners have equity stakes in mining projects such as Porgera and Ok Tedi.
3. **Dividends:** Western Province government receives dividends from Ok Tedi.
4. **Compensation Payments:** Landowners such as those on the Fly River receive a percentage of dividends from Ok Tedi.
5. **Special Support Grant** is appropriated by the national government to the mine host provincial government(s) to be used on approved social and economic infrastructure development projects. The grant shall be equivalent to 0.25 per cent of net sales value of mine products from the project;[174] a minimum of 20 per cent of which must be spent in the 'mine affected areas'. The administration and implementation of the grant is conducted in accordance with the Special Support Grant Guideline, through the Department of National Planning and Monitoring.

Accountability mechanisms vary significantly depending on the entity receiving the allocation. Audits of provincial, local government and landowners groups should occur on an annual basis but capacity constraints within both the local and provincial

[171] Scoping study
[172] Scoping study p.136
[173] http://www.nefc.gov.pg/assets/publications/fiscalReports/2013_Budget_Fiscal_Report.pdf
[174] The PNG Chamber of Mines and Petroleum advised that SSG rate have now been standardised to 0.25%, but for existing projects its up to 2% (direct communication 4 February 2016)

governments and the Auditor General prevent this from occurring. Other mechanisms such as board review or government oversight also vary considerably depending on the entity receiving the distribution.

Oil and Gas

The *Oil and Gas Act 1988* sets out the process for benefits sharing, including payments earmarked for specific regions. An example is the arrangements for the new PNG LNG project:[175]

1. **Royalty**: A royalty benefit of two per cent is provided by the state to landowners, affected provincial governments and local level governments. Royalty is calculated on a 'wellhead value' basis per the terms of the OGA and will apply to volumes produced and then sold from the licenced area(s).
2. **Equity:** The Umbrella Benefits Sharing Agreement (UBSA) provides a total of 2.78 per cent free equity participating interest in PNG LNG to project area landowners and local level governments for greenfield areas. UBSA also provides to project area landowners and provincial governments the opportunity to buy into indirect PNG LNG equity up to a collective maximum of 4.22 per cent between 1 January and 30 June 2016.
3. **Development levy:** A development levy of two per cent of the wellhead value, calculated per the provision of the OGA and the LNG Gas Agreement, is available to the provincial governments and the local level governments.
4. **Infrastructure development grants:** An amount of PGK1.2b has been allocated by the state equally over two five-year periods, commencing in 2010, for infrastructure development and maintenance in the affected project areas and provinces.
5. **Business development grants:** The state has provided PGK120million to assist landowner companies in business development activities under the PNG LNG project.[176]

Budget process

The government publishes:

- An annual Budget Strategy Paper, which is to assist the understanding of the fiscal situation, the fiscal parameters, the government's proposed budget strategies and key focus areas.
- A Mid-year Economic and Fiscal Outlook (MYEFO) report, released by the end of July each year, which provides an update on the fiscal performance of the past six months, economic forecasts for the next six months and the medium-term budget and economic forecast
- A Final Budget Outcome report, released within three months of the end of the financial year, which includes annual expenditure.

The scoping study notes that royalties and levies, particularly those received for oil and gas, are held in trust. The category, number and balance of trust accounts in use could not be reliably identified, as highlighted by the Auditor General's report. Additionally, Trust Account Spending has not been incorporated into State Budget Expenditure reporting.[177]

The formulation of national government budgets in past years has been through a public consultative process. Early in the first quarter of every year, the Department of Treasury calls for policy submissions from the public. Treasury also sends out a circular to all spending agencies of government, including provincial governments, to submit their budget requirements for the following year. This leads to a budget screening and consultation with spending agencies that takes place around August to September, which enables Treasury to set ceilings and allocate resources largely dictated by the Budget Strategy Paper, the Medium Term Fiscal Strategy and the Debt Strategy.

The following information has been provided directly by the Treasury of PNG, in the absence of clear public information on PNG's budget process.[178]

The above basic elements of PNG's budget process have been in place for almost 20 years. The 2016 budget involved a two-stage approach for the first time, as well as setting ceilings for both the operational and capital components. The first stage calls for new activities in order of priority. The second stage covers ongoing operating costs and projects.

In recent years there has been an effort to introduce rules-based constraints so that the budget process is directed towards achieving sound fiscal policy. This is reflected in the Medium Term Fiscal Strategy 2013–2017 (MTFS), the Medium Term Debt Strategy, the *Papua New Guinea Fiscal Responsibility Act*, the *Public Financial Management Act* and the recently enacted legislation for establishment of a Sovereign Wealth Fund. The MTFS sets fiscal rules regarding the size of the deficit and debt,

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[175] ExxonMobil, 2015, http://pnglng.com/commitment/hot-topics/benefits-sharing.html
[176] Scoping study p.139
[177] Scoping study p.140
[178] information provided directly by Treasury, email 3 December 2015

but it has been amended in the context of the annual budget. The *Fiscal Responsibility Act* contains a debt limit (debt-to-GDP ratio) of 35 per cent (increased from 30 per cent via an amendment in 2013).

A strategic element has been introduced to the process through the Budget Strategy Paper, which sets out high-level fiscal parameters and broad policy strategy for the coming budget. This is required to be released by 31 August each year, once the Mid-year Economic and Fiscal Outlook for the current year is completed. The Budget Strategy Paper was produced for the 2015 budget but was reflected in the published budget documents rather than being released as a separate document.

PNG places emphasis on development planning as reflected in the *Vision 2050* report, *PNG Development Strategic Plan 2010–2030* and the *Medium Term Development Plan 2011–2015*.[179] In an effort to have the budget reflect development goals, the budget process has historically been split, where the Department of National Planning and Monitoring assesses and advises Cabinet on development projects proposed in the budget, and Treasury assesses the operational side of the budget. This process has shortcomings. In 2014, a reform process commenced to merge the two budgets with the aim of producing more consistent outcomes mitigating misalignments between capital and operational spending.

The budget has traditionally had a single-year focus. While there are forward estimates (future projections) of expenditures in the budget, the main focus is on the first year's estimates, which become the budget appropriations once approved by Parliament. As the budget reforms progress, the forward estimates will increasingly play a role in formulating the subsequent budget.

Comprehensive budget documents are published with the approved budget – which includes comprehensive estimates for each agency as well as a Public Investment Program with information regarding both ongoing and new projects that received appropriations.

Current institutional arrangements

The budget process is led by the Department of Treasury.

Several committees are established to assist in steering the budget process and supporting fiscal decision-making. At the bureaucratic level, this includes the Strategic Budget Committee (SBC) and a Central Agencies Coordinating Committee. At the political level, a Senior Ministerial Budget Committee (introduced in 2012) and a Ministerial Economic Committee comprising the Prime Minister, the Treasurer, Minister for Planning, Minister for Finance and other key economic Ministers has been established to drive budget strategy setting and to advise the NEC on the budget.

[179] Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections.

Current budget process timeline

The figures below outline the key stages in the budget process and their intended timing.

Figure 25: Old budget process (simplified)

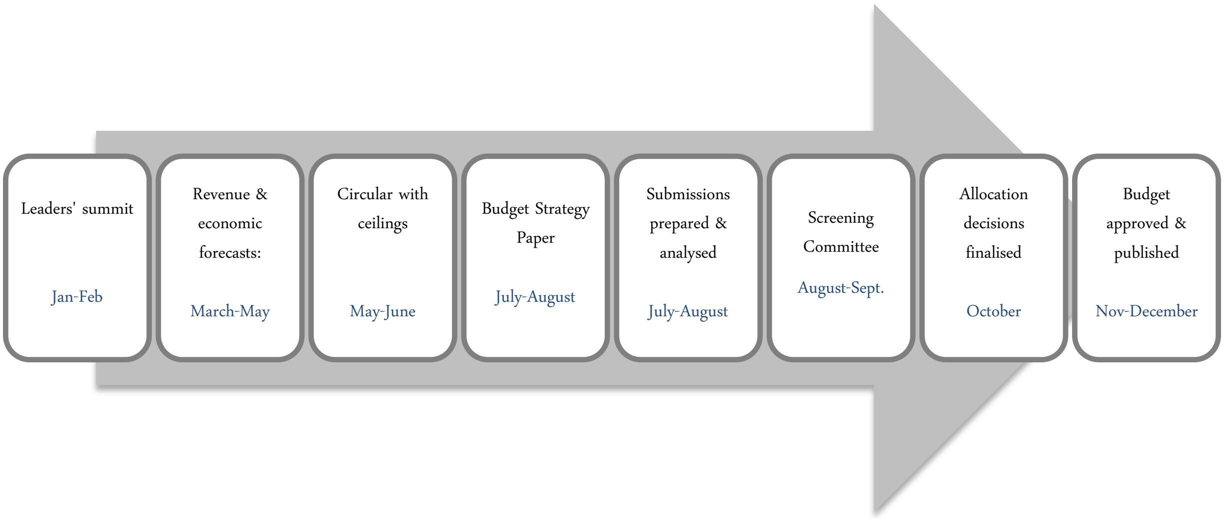
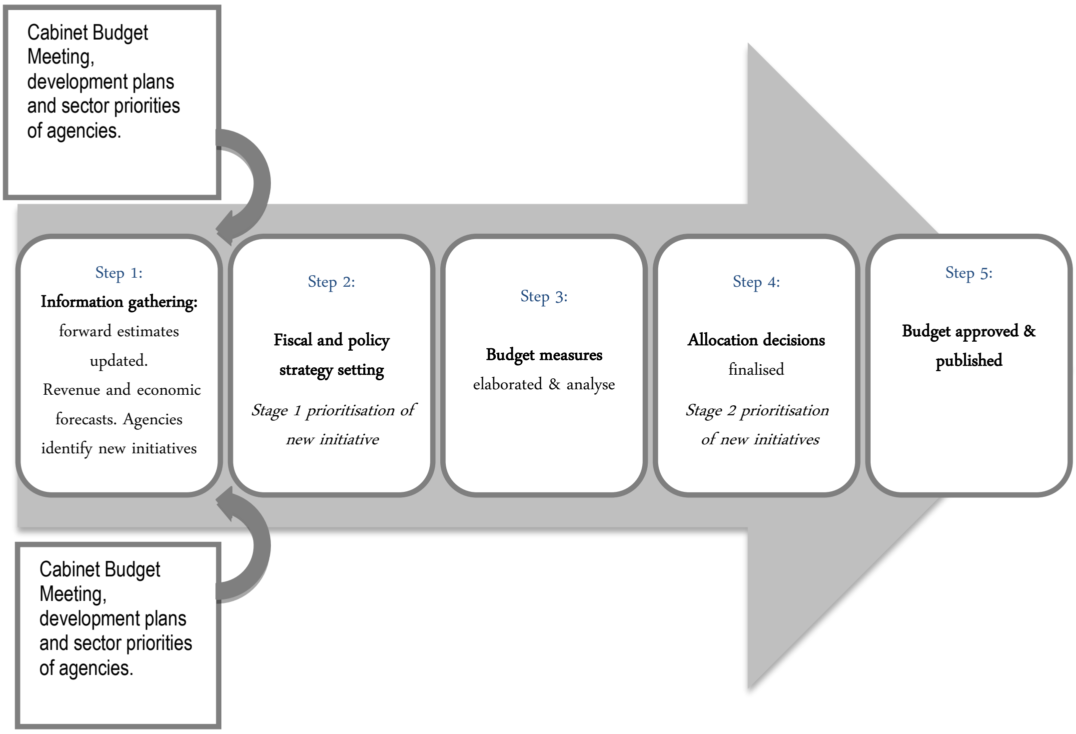


Figure 26: New budget process (simplified)



The budget process commences around March of each year, at which time Treasury undertakes forecasting of key economic indicators and revenues. For the 2016 budget process, the formal submission of economic indicators and revenues was delayed.

A Budget Circular is issued in May or June (later for the 2016 budget process), providing agencies with instructions for preparing budget submissions, including expenditure ceilings for each agency. The process for setting ceilings includes:

- Treasury determines an aggregate expenditure ceiling having regard to macroeconomic conditions and fiscal rules.
- The operational ceilings are prepared based on the appropriations for the prior year – adjusted for some parameter changes such as agreed salary increase. These ceilings are provided to agencies via the Integrated Financial Management System.
- The capital ceiling is based on ongoing projects and the available fiscal space.

In response to the Budget Circular in 2014, introducing the integration of the two budget components, agencies prepared detailed budget submissions, one for the operational component and another for the capital component. For the 2014 budget, submissions were due on 28 June – around five weeks after the circular was issued. For 2015, a single submission was required which included both capital and operational items and required greater detail on the linkages between the operational and capital costs of new spending.

A Budget Screening Committee holds meetings with agencies during late August and September to discuss and negotiate the submissions received. In practice, agency submissions are large and ambitious and it is difficult to sort proposed funding for new activities from funding for existing programs and projects. A key focus of these meetings is to try to bring budget requests within ceilings.

In practice, the Budget Screening Committee is where most decisions are made regarding a new policy or initiative. It is in this forum that the Department of National Planning and Monitoring (DNPM) and Treasury seek consensus at executive level regarding the prioritisation of new development and operational spending. It is only at the margins, and very late in the process, that Cabinet-level engagement is sought around the most contentious resource allocation decisions.

A proposed final budget is then submitted to NEC for endorsement. In early November, the budget is presented to Parliament and the budget is approved before the start of the coming fiscal year.

Sub-national payments and transfers

The 2013 NEFC Report identifies the following sub-national government entities as receiving payment streams:

- Western Province
- Gulf
- Central
- South Highlands
- Enga
- Morobe
- New Ireland

The scoping study identifies that these sub-national government entities receive the following revenue streams from the extractive sector:

- **Mining:** Direct payments of royalties and dividends
- **Oil and gas:** Redistributions at provincial and local government level of unspecified payments made to the State. Direct payments of rates and local licence fees are likely immaterial

Information relating to sub-national transfers and payments was difficult to obtain. Some benefits to regions impacted by extractives are set out in law via royalties, equity stakes, dividends and compensation arrangements. Others are included in memoranda of understanding on a case-by-case basis. However, these agreements are in most cases not public, and accountability mechanisms vary significantly.

Royalties and levies, particularly those received for oil and gas, are held in trust. The category, number and balance of trust accounts in use could not be reliably identified, even by the Auditor General. Additionally, Trust Account Spending has not been incorporated into State Budget Expenditure. Again, this situation leaves significant scope for abuse.

In collecting the information, we referred to the *NEFC 2013 Budget and Fiscal Report*. However, the information collected by the NEFC does not currently align to the EITI reporting requirements, such as differentiating between payments and transfers.

Auditing of government accounts is challenging due to under-resourcing and lack of capacity both of the Auditor-General's office itself and the entities reporting to it. Recent audit reports indicate serious gaps and inconsistencies, particularly with respect to provincial and local-level governments.

Auditing of the public accounts

The Auditor-General of PNG is responsible for auditing public accounts, and reporting to Parliament at least once in every fiscal year. The Auditor-General is a Constitutional Officer appointed by the Head of State; their functions, mandate and powers are set out in Section 214 of the Constitution of Papua New Guinea and in the Audit Act 1989.

The Auditor-General's responsibilities extend to:

- Departments of the National Public Service and arms, agencies and instrumentalities of the national government
- Provincial governments, and arms, agencies and instrumentalities of provincial governments

- Bodies established by statute or act of the National Executive.[180]

The Auditor-General presents the annual financial audit reports to Parliament in four parts:

Part 1	Public accounts of Papua New Guinea (last report 2011)
Part 2	National government departments and agencies (last report 2013)
Part 3	Provincial governments and local-level governments (last report 2013)
Part 4	Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (last report 2013)

The report on provincial governments for 2011–13[181] notes that the report was significantly delayed due to a range of issues that are common themes in this EITI report, such as resource constraints of Auditor-General's own organisation and of those reporting to them, lack of capacity, inadequate systems and inaccurate data. The report's conclusion on the financial statements of provincial and local-level governments was that 'material errors, uncertainties and lack of adequate records resulted in the overall financial position and results of operations that were not reliable.'

The report cites a range of problems in the financial management of sub-national governments, including an absence of adequate monitoring, coordination and communication between national and sub-national governments, and 'considerable abuse and diversion of government money that has gone unpunished for a long period of time.'[182]

The most recent audit report of the national accounts relates to 2011. It cites similar delays and issues, and the following 'significant non-compliance with Legislation and Accounting Principles:

- The Public Account of the Government of PNG, the records and their transactions were not kept in the manner as provided for in the Finance Instructions;
- The receipts, payments, investment of moneys, the acquisition and disposal of assets during the period covered by the financial statements have not been in accordance with the Public Financial Management Act (PFMA) requirements; and
- The Directions from the Secretary for Treasury for budget transfers under all the Appropriations Acts for 2010 were not published in the National Gazette and therefore the legitimacy of the transfers could not be validated in accordance with the requirements of the Appropriation Acts.'

Recent reforms and current priorities[183]

In 2012, the government introduced a major public financial management reform to enhance the budget process. The major areas of focus of the budget reforms to date have been:

Integrated budget

- Treasury requested agencies to submit their capital and operational budgets as one. Integrating the development and operational budgets into two forms of expenditure under one budget is intended to curb duplication of work, and to ensure funding for both activities are aligned to complement each other.
- Agencies were also requested to have Ministerial sign off on their budget submissions to ensure connection between the agencies and their Minister's direction.

Sector budgeting

- The sector budget is to focus funding allocations to related service responsibilities and evenly distribute funding to the government's priority areas. The sector budget was implemented through increasing four sectors to the current nine sectors in the 2015 budget.
- This would enable sector agencies to align their functions and priorities for a more focused outcome which would alleviate disconnections between sector programs and operations.
- Allocating funding by sectors also allows for efficiency in resource allocation and mitigates duplication of responsibilities.

Forward year estimates

- The 2014 budget included four-year forward estimates at an aggregated level and more detailed forward estimates were included in the 2015 budget. The four-year estimate period is aimed to ensure clarity on project funding implementation into the forward years and provide for proper planning.

Ministerial Lead Budget

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[180] http://www.ago.gov.pg/about-the-ago
[181] Auditor General's Office, 2013, http://www.ago.gov.pg/images/Annual_Reports/Part_3/Part_III_2011-2013.pdf
[182] Part III, Report of the Auditor-General, 2011–13, On the accounts of provincial and local-level governments and associated entities, http://www.ago.gov.pg/images/Annual_Reports/Part_3/Part_III_2011-2013.pdf
[183] information provided directly by Treasury, email 3 December 2015

- The Ministerial Lead Budget seeks to bring greater ministerial engagement and leadership in the budget process. This ensures that Ministers set the platform for the make-up of the budget and to ensure that bureaucratic planning, budgeting and direction is in line with Ministerial priorities.

In addition, the supporting processes and systems such as the Integrated Financial Management System have been continually developed to support budget reforms, and updating the Global Financial Statistics budget papers presentation to the 2014 version.

PNG Sovereign Wealth Fund[184]

The PNG Sovereign Wealth Fund (SWF) is an important mechanism to manage external shocks to the economy, to support the budget to fund priority areas such as education, health and infrastructure, and to invest for the benefit of future generations.

The Organic Law on the Sovereign Wealth Fund was passed by the Parliament in July 2015 and the fund will come into operation in 2016. The SWF comprises two funds: the Stabilisation Fund and the Savings Fund.

Tax revenues received from mining and petroleum projects, including the PNG LNG project, will be directed to the Stabilisation Fund, and be available to be drawn down, in accordance with a five-year moving average, into the budget to fund expenditure needs. When revenue flows are large, the excess will be deposited into the Savings Fund, according to the SWF Organic Law.

The Stabilisation Fund and the Savings Fund will each receive a proportion of the mining and petroleum dividends paid by state-owned enterprises. The Savings Fund will also receive some of the proceeds of state-owned assets that the government agrees to sell.

The SWF Board will invest these funds offshore to diversify risk and, over time, build up financial assets.

In 2016, the government will appoint an experienced and well-qualified board and set up a secretariat to support the board. The government will provide an investment mandate to the board, expressing the government's expectations for the management of the funds.

Current priorities

The government's current areas of focus can be seen in the 2016 budget papers and associated documents such as the annual Budget Strategy Paper, Mid-year Economic and Fiscal Outlook report, and Final Budget Outcome report, all of which can be found on the Treasury website.

[184] ibid

Chapter 8: Licence allocation and registration

EITI Standard, requirements 3.9 and 3.10

This chapter sets out how mining and oil and gas licences are allocated, transferred and recorded. The term licence in this context refers to any licence, lease, title, permit, or concession by which the government confers on a company(ies) or individual(s) rights to explore or exploit oil, gas and/or mineral resources.

Entities seeking to undertake mining or petroleum activities in PNG must first obtain a formal licence from either the MRA (mining projects) or the DPE (oil and gas projects). The licence application, allocation and registration processes are legislated via the following instruments:

- *Mining Act 1992*
- *Oil and Gas Act 1998*

This chapter provides an overview of the requirements and procedures for obtaining mining or petroleum licences in PNG. It also provides a list of the holders of mining and petroleum production licences in PNG.

Mining

Register of licences

PNG has an online cadastre of current mining licences, which is maintained and regularly updated by the MRA. The cadastre can be accessed via an interactive online map, please refer to link here.[185] The cadastre includes all the information necessary to meet the EITI Standard except for the commodity produced at each mine site, which can be found in Table 9 on page 31.

Tenement listings, including all applications lodged in 2013 and their status, can be found in Register of mining licences. Tenement coordinates for the 2013 data can be found in an additional document supplementary to this report.

Allocation of licences

Mining tenements in PNG are administered by the MRA and are issued by the Mining Minister on recommendation from the Mining Advisory Council under the Mining Act 1992. The Head of State, acting on advice from the NEC, issues the Special Mining Lease, whilst the Minister for Mining issues other licence types, including:

- Exploration Licence
- Mining Lease
- Alluvial Mining Lease
- Lease for Mining Purpose
- Mining Easement.

The MRA website includes information on the different types of licences and the application process, including a step-by-step flow chart outlining the process, fees and minimum expenditures. This information can be accessed on the MRA website here.[186]

The Tenements Section of the MRA is responsible for the assessment of licence applications in accordance with the *Mining Act 1992*. Relevant technical and financial criteria are provided in Part V of the act. In summary, these include:

- Completion of application forms, including:
  - Form 8 – Application form
  - Form 17 – Boundary description form
  - Form 20 – Exploration work program form
- Evidence of registration with the Investment Promotion Authority,[187] as either a new company registered in PNG, or as an overseas company, registered under the laws of another country
- Statements and evidence of financial and technical capacities
- Payment of an application fee
- Minimum annual expenditure requirements related to acquisition and interpretation of exploration data, including related laboratory and feasibility work
- Requirement to comply with approved program of work.

[185] Scoping study, p. 136
[186] http://www.mra.gov.pg/Licence.aspx
[187] Investment Promotion Authority, http://www.ipa.gov.pg/

At the time of writing, we had not received any formal documented evidence from MRA of the assessment of financial and technical criteria as outlined above.

Non-trivial deviations from the applicable regulatory regime in awarding licences are not disclosed. Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments).

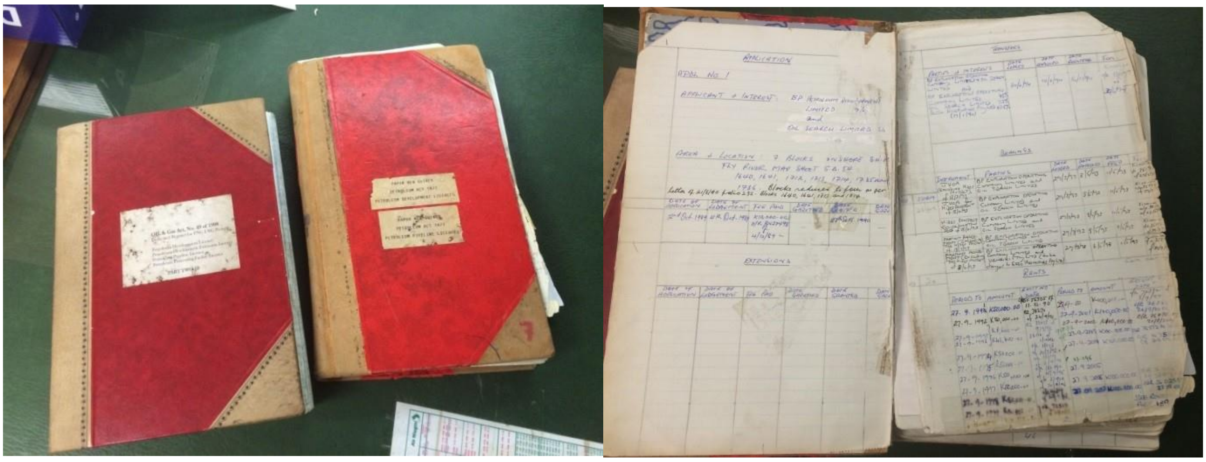
Development projects are negotiated on a project-by-project basis. These terms are not disclosed.[188] There is no public information relating to transfer of licences, nor could we obtain information from the MRA.

Oil and gas

Register of licences

The official register of oil and gas licenses is maintained by the DPE in handwritten ledgers (see Figure 27 below). This ledger is not organised sequentially on the basis of licence numbers; new entries are made when applications are made. The scoping study indicated that an additional spreadsheet is used to record which licencees have paid their fees, which is updated on an ad-hoc basis. However, the independent administrator was not able to sight this spreadsheet. In principle the register is publically accessible, but clearly this is not a practical reality.

Figure 27: Oil and gas licence registers



Also of concern is that the current reliance on hard copy documentation, coupled with sub-optimal file storage, poses a significant fire risk, which could result in a catastrophic data loss should a fire occur at DPE's premises.

This is a striking embodiment of a broader problem of government capacity, an issue that is frequently cited by a range of commentators. The situation may be partially explained by the history of DPE: it was established in 1997, and by 2000 had 56 professional staff and 14 support staff. With training and support, the level of experience within the division increased steadily. Plans were made for the division to transition into an authority body, but with no current political support for this transition, the number of staff reduced by two thirds with this 'brain drain' having an enormous effect on the capacity of the division to carry out its role effectively.[189]

Table 29 shows the different types of licences and the number of licence applications by type as at November 2013.

Table 29: DPE licence statistics (as at 30 November 2013)[190]

Licence type	Abbreviation	Number of applications
Petroleum Development Licence	PDL	9
Application for PDL	APDL	2
Petroleum Retention Licence	PRL	10
Application for PRL	APRL	1
Petroleum Prospecting Licence	PPL	72
Application for PPL	APPL	49
Petroleum Processing Facility Licence	PPFL	2

[188] Scoping study, p. 138
[189] Petroleum division – an overview (internal document provided by email from MRA)
[190] ibid, p. 18

Licence type	Abbreviation	Number of applications
Application for PPFL	APPFL	1

In accordance with the requirements of the EITI standard, we have transcribed the register of petroleum development licences held as at November 2013, which appears in Appendix D.

At the time of writing this Report, a review was being undertaken to assess whether the following functions of the DPE were being undertaken in compliance with regulatory requirements:

- Adherence to reporting requirements
- The validity of work programs being implemented
- Payment of licence fees.

Early work on the compliance review indicated that 50 per cent of all licences did not comply with work program requirements of the *Oil and Gas Act and Regulations*.[191] We requested details of progress on the compliance review from the DPE, but these were not made available to us at the time of finalising this Report.

Allocation of licences

Oil and gas licences are allocated by the DPE, according to the process illustrated in Figure 28 below.

[191] Scoping study

Figure 28: Process for DPE licence allocation[192]

Receipt of application

Application is published in the national gazette

Petroleum Advisory Board (PAB) considers the application and recommends to minister

Minister considers report from PAB and offers to grant application or refuses to grant application

Minister awards PPL for an initial six-year term

Acceptance of the offer

Ministers offer to grant PPL with draft licence conditions including annual rental and security

Information on the technical and financial criteria for petroleum prospecting licences is set out in the Petroleum Policy Handbook, and includes the following criteria for considering applications for licences: [193]

> When granting a prospecting licence the Minister must be satisfied that the applicant has a coherent exploration strategy for the licence area as well as the technical and financial resources to carry out the required work programme. The following information should therefore be included in an application;
>
> (a) The full name of the individuals or companies who are to be the licence holders;
>
> (b) If more than one individual or company is to hold the licence, the respective participating interests and the identity of the operator;
>
> (c) The specific blocks over which a licence is being sought, and a sketch map indicating their position;

[192] Petroleum division – an overview, p. 21
[193] Petroleum policy handbook, pp. 8 and 9, 2003

(d) An outline of the technical resources of the applicant, including prior experience in PNG and descriptions of similar exploration programmes carried out elsewhere, as well as the resumes of key individuals to be involved in the proposed programme;

(e) Details of the financial and asset resources of the applicants including the most recent financial statements and where appropriate outlines of similar ventures undertaken;

(f) Detailed work and expenditure programmes proposed for the first two years of the initial licence period;

(g) Indicative work and expenditure programmes proposed for the final four years of the initial licence period;

(h) A synopsis of the technical rationale used in developing the work programme proposed;

(i) Postal, fax and email addresses of the applicants; and

(j) Any other information which might be relevant to the application.

There is no evidence that licences are awarded in a competitive bidding process.

The DPE does not have a website, and there is currently no publically available information on the technical and financial criteria used to award licences or non-trivial deviations from the applicable regulatory regime in awarding licences.

Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments).[194] The process to transfer a licence is a negotiation between companies. The DPE and Minister approve these transactions and will undertake an assessment of the transferee.[195] Development projects are negotiated on a project-by-project basis. These terms are not disclosed.[196]

The current interests in oil and gas production licences are listed below.

Table 30: Production licence holders 2014[197]

Permit	Operator/Partners	% Interest
PDL 1 Hides	*Esso Highlands Ltd[198] (ExxonMobil) Oil Search (Tumbudu) Ltd Santos (Hides) Ltd Lavana Ltd (Santos) Kroton No. 2 Ltd Gas Resources Gigira Ltd	36.81 16.66 19.38 4.65 20.50 2.00
PDL 1 (Hides GTE)	*Oil Search (Tumbudu) Ltd	100.00
PDL 2 Iagifu Kutubu Field Complex Hedinia Usano Agogo	*Oil Search (PNG) Ltd Ampolex (PNG Petroleum) Inc. (ExxonMobil) Merlin Petroleum Co. (NOEX) Merlin Pacific Oil Co. NL (ExxonMobil) Petroleum Resources Kutubu Ltd	60.05 11.61 18.69 2.91 6.75
PDL 2 Kutubu Export Line	*Oil Search (PNG) Ltd Ampolex (PNG Petroleum) Inc. (ExxonMobil) Petroleum Resources Kutubu Ltd Merlin Pacific Oil Co. NL (ExxonMobil)	60.05 11.61 12.69 2.91
SE Mananda	*Oil Search (PNG) Ltd Merlin Petroleum. Co. Ltd (NOEX) Petroleum Resources Kutubu Ltd	72.27 19.84 7.90
PDL 3 SE Gobe	*Barracuda Ltd (Santos) Oil Search (PNG) Ltd Southern Highlands Petroleum Co. Ltd (JPE) Cue PNG Oil Co. P/L Petroleum Resources Gobe Ltd	15.92 36.36 40.15 5.57 2.00
PDL 4 Gobe Main	*Oil Search (PNG) Ltd Merlin Petroleum Co. Ltd (NOEX) Ampolex (Highlands) Ltd (ExxonMobil) Petroleum Resources Gobe Ltd	10.00 73.48 14.52 2.00
SE Gobe Unit PDL 3: 59.0% PDL 4: 41.0%	*Oil Search (PNG) Ltd Merlin Petroleum Co. Ltd (NOEX) Southern Highlands Petroleum Co. Ltd (JPE) Barracuda Ltd (Santos)	25.55 30.13 23.69 9.39

194 Scoping study, p. 139
195 ibid, p. 144
196 ibid
197 ibid
198 Esso Highlands was renamed ExxonMobil PNG in early 2014

Permit	Operator/Partners	% Interest
	Ampolex (Highlands) Ltd (ExxonMobil)	5.95
	Cue PNG Oil Co. P/L	3.29
	Petroleum Resources Gobe Ltd	2.00
Gobe Common Facilities SEG: 50% GM: 50% (Includes PL3)	*Oil Search (PNG) Ltd	17.78
	Merlin Petroleum Co. (NOEX)	51.80
	Southern Highlands Petroleum Co. Ltd	11.84
	Ampolex (Highlands) Ltd (ExxonMobil)	10.24
	Petroleum Resources Gobe Ltd	2.00
	Cue PNG Oil Co. P/L	1.64
PDL 5 Moran	*Esso Highlands Ltd (ExxonMobil)	36.81
	Oil Search (PNG) Ltd	40.69
	Eda Oil Ltd {Petromin(PNG Govt)}	20.50
	Petroleum Resources Moran Ltd	2.00
PDL 6 NW Moran	*Oil Search (PNG) Ltd	71.07
	Ampolex (Highlands) Ltd (ExxonMobil)	18.36
	Merlin Petroleum Co. (NOEX)	8.58
	Petroleum Resources North West Moran Ltd	2.00
Greater Moran Field PDL 2: 44% PDL 5: 55% PDL 6: 1%	*Oil Search (PNG) Ltd	49.51
	Esso PNG Moran Ltd (ExxonMobil)	20.25
	Eda Oil Ltd {Petromin(PNG Govt)}	11.28
	Merlin Petroleum Co. (NOEX)	8.31
	Ampolex (PNG Petroleum) Inc. (ExxonMobil)	5.11
	Ampolex (Highlands) Inc. (ExxonMobil)	0.18
	Petroleum Resources Kutubu Ltd	2.97
	Merlin Pacific Oil Co. NL (ExxonMobil)	1.28
	Petroleum Resources Moran Ltd	1.10
PDL 7	*Esso Highlands Ltd (ExxonMobil)	36.81
	Oil Search (Tumbudu) Ltd	40.69
	National Petroleum Company of PNG (Kroton) Ltd	20.50
	Gas Resources Hides No.4 Ltd	2.00
PDL 8	*Esso Highlands Ltd (ExxonMobil)	36.81
	Oil Search (Tumbudu) Ltd	40.69
	National Petroleum Company of PNG (Kroton) Ltd	20.50
	Gas Resources Angore Ltd	2.00
PDL 9	*Esso PNG Juha Ltd (ExxonMobil)	21.71
	Oil Search (Tumbudu) Ltd	24.42
	Ampolex (Papua New Guinea) Ltd (ExxonMobil)	21.68
	National Petroleum Company of PNG (Kroton) Ltd	20.50
	Nippon Papua New Guinea LNG LLC	9.69
	Gas Resources Juha No.1 Ltd	2.00

Chapter 9: Beneficial ownership

EITI Standard, requirement 3.11

This chapter sets out information regarding the beneficial owners of entities active in the extractives industry. A beneficial owner is a person who ultimately owns or controls a corporate entity; they may be publicly listed companies, state owned entities, trusts, or individuals.

The PNG government does not require companies to disclose the ultimate beneficial owners of companies producing oil and gas or minerals, and does not have a publically available register of the beneficial owners of the corporate entities in the sector.

For the purpose of this EITI Report, the beneficial ownership arrangements of each of the operating mines and producing oil and gas licences have been established through reference to corporate websites and annual reports.

Note that the information provided below relates to the 2013 calendar year, and that the ownership of a number of the projects and assets has since changed.

The state's beneficial interests in extractive industries

During the 2013 calendar year, the state held interests in both mining and oil and gas projects through its SOEs, including the IPBC, MRDC, NPCP, Ok Tedi and Petromin. The structure of these reporting entities is detailed in Chapter 6: State-owned enterprises.

Beneficial owners of mining projects

Of the eight mines operating in PNG during 2013, two were owned and operated by SOEs, and the remainder were owned by publicly listed companies, either directly or via joint venture arrangements. Whilst there was no centrally maintained register of beneficial ownership, all required information was publicly available on corporate websites. The operators and ownership structure for each of the mines operating in PNG is provided in Table 31, below.

Table 31: Beneficial ownership data for mines operating during the 2013 calendar year[199]

Mine	Operator	Ownership structure
Ok Tedi	Ok Tedi Mining Limited	► State of PNG, 87.8% ► Mineral Resources Ok Tedi (MROT) No.2 Ltd, 12.2%, owner Fly River Provincial government
Porgera	Barrick (Niugini) Limited	► Barrick (Niugini) Ltd, 95%. Barrick Gold Corporation and Zijin Mining Group each own 50% of Barrick (Niugini) Ltd ► Mineral Resources Enga (MRE), 5%. Divided between the Enga Provincial government (2.5%) and local landowners (2.5%).
Lihir	Lihir Gold Limited	► Lihir Gold Limited is a wholly owned subsidiary of Newcrest Mining Limited, a publicly listed company
Ramu	MCC Ramu NiCo Limited	Joint venture between: ► Highlands Pacific Limited, 8.56% ► PNG government and Landowners, 6.44% ► MCC Ramu Nico Ltd, 85%. MCC-JJJ Mining Development Company Ltd holds a 61% interest in MCC Ramu Nico Ltd, with the remaining 39% held by a number of other Chinese entities. MCC JJJ is a subsidiary of China Metallurgical Group Corporation, listed in Shanghai and Hong Kong.
Hidden Valley	Newcrest and Harmony	JV between subsidiaries of Newcrest (50 per cent) and Harmony Gold Mining Company Limited South Africa (50 per cent) – both of which are publicly listed companies
Tolukuma[200]	Petromin	Owned by Petromin PNG Holdings Ltd (100% state owned company). Tolukuma was sold to Asidokona Mining Resources in December 2015.[201]
Simberi	Simberi Gold Company Limited	Wholly owned subsidiary of Nord Pacific Limited - operates as a subsidiary of Allied Gold Limited – publicly listed company. Allied Gold was acquired by St Barbara in September 2012.
Sinivit	New Guinea Gold Corporation	Canadian publicly listed company.[202]

[199] Scoping study
[200] Whilst Tolukuma was operating during 2013, it has been in care and maintenance since April 2015.
[201] Petromin press release, http://www.petrominpng.com.pg/news/Press%20Release%20TGM%20Sale%20Completion%2010%20Dec%202015.pdf
[202] http://www.newguineagold.ca/default.html

Beneficial owners of oil and gas projects

Oil Search Limited was the only operator of production licences that were producing oil or gas during the 2013 calendar year. Each production licence had a number of joint venture partners, each of them forming an unincorporated joint venture, with Oil Search as the operator. The respective interest of each party is determined commercially in accordance with their contribution. A detailed breakdown of these interests is listed in Table 30 on page 81.

Further information on interests held in oil and gas production licences in PNG is available here: http://www.oilsearch.com/Our-Activities/Licence-Interests.html.

Chapter 10: Social expenditure by the extractive industries

EITI Standard, requirement 4.1e

This chapter discloses social expenditures by the extractive industries, including:

- Material mandated and voluntary social expenditures by companies
- In-kind social expenditures

Note that social expenditures are typically made by operators rather than JV partners.

The following section covers social expenditure by reporting companies. This information was compiled from direct reporting by companies, internal documents provided by companies, and public information on their websites. No information was received to indicate whether any of social expenditure was provided in-kind (with the exception of ExxonMobil, who noted that part of its 2013 construction voluntary social spend was in-kind). Details of the beneficiaries were not given other than where specified below, and it is unclear whether or not all beneficiaries are state-owned.

Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include compensation, infrastructure or services such as health and education. They are separate to the development levy. In PNG, mandatory social payments are agreed between the state and operators on a case-by-case basis, as allowed for under the MA and OGA.[203] These agreements are confidential and have not been sighted by the independent administrator. We requested that, where benefits are provided in-kind, the nature and deemed valued of the in-kind transaction be disclosed, and that, where the beneficiary is a third party (i.e. not a government agency), the name and function of the beneficiary be disclosed. Further information on Resource Development Agreements is provided on page 42.

Voluntary (or discretionary) social expenditure refers to any payments to government or third parties over and above mandatory social payments. This may include, for example, sponsorships and voluntary contributions to health and education programs.

Quasi-fiscal expenditure encompasses payments for social services, public infrastructure, fuel subsidies and national debt servicing. There may be some overlap between the projects funded by the infrastructure tax credits and quasi fiscal expenditure.

As agreed by the MSG (meeting #3, 17 April 2015), mandatory and voluntary payments have been reported unilaterally by companies, and we have relied on their information to distinguish between mandatory and voluntary payments. Not all reporting companies have disclosed their social expenditure.

Table 32: Overview of mandatory and voluntary social spending by reporting company[204]

Company	Mandatory Social Spending	Voluntary Social Spending
Barrick Niugini (95% owner of Porgera Joint Venture)	PGK4,031,835	PGK4,078,122
Ok Tedi Mining Ltd	PGK164,132,575	PGK11,146,312
Petromin (Tolukuma)	None disclosed	None disclosed
Lihir Gold Ltd (Lihir)	PGK84,821,585	PGK68,447,157
MCC Ramu NiCo Ltd (Ramu)	PGK2,005,548.17	PGK578,391.52
Simberi Gold Co. Ltd	Nil	PGK350,000
Oil Search	None disclosed	US$130,390,000
ExxonMobil	Note that ExxonMobil, Santos and JX Nippon are included as JV partners of Oil Search. The input into voluntary social spending was through their equity interests in the Oil Search operated oil fields.	
Santos		
JX Nippon (Merlin)		
IPBC (Kumul Consolidated Holdings)	None disclosed	None disclosed
NPCP (Cue Energy)	Nil	Nil

* Where companies have disclosed a nil payment or not disclosed any payment (field left blank), this implies that no mandatory social payments were required. However, since agreements are confidential, the independent administrator cannot confirm this.

Information on the nature of individual payments, including whether the payments were cash or in-kind, and the specific beneficiary, were not always provided to us. Where information is available, we have provided it on a company-by-company basis in the sections below. In many cases, the information available to us was general in nature.

[203] Scoping study
[204] Internal company documents

Barrick Gold (Porgera)

Barrick Gold provides community support through community investments, scholarships, cash and in-kind donations. It should be noted that the mandatory and voluntary social spending information provided by Barrick Gold in Table 32 is different to the information on community development payments provided in their *2014 Responsible Mining Report*, which can be accessed here.[205] Barrick Gold has not identified specific beneficiaries of its community investment program on its website, although it lists community groups with which it engages.

The Porgera operation is notable for the substantial levels of compensation and other revenue flows to the local community: it has been argued that the basic template for the economic returns to local stakeholders for all resource developments has its origins at Porgera.[206]

In 2010, Barrick Gold and Porgera Joint Venture (PJV) received a number of claims reporting violence against women, including sexual assaults, in and around the Porgera mine. PJV resolved the situation by conducting an internal investigation and interviewing about 700 workers, resulting in the termination of contract of the implicated employees.

PJV and Barrick Gold Corporation established a *Remedy Framework* in 2012, which is aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and has paid, by 2014, over PGK 2 million in benefits to 120 claimants. Table 33 shows the range and average value of the individual remedy packages for rape and sexual assaults in the PNG formal justice sector.

Table 33: Individual remediation package valuation

Package type	PGK
Highest value package	32,740
Lowest value package	23,040
Average package value	23,630

In addition to financial assistance, the Remedy Framework offers other benefits for claimants, such as counselling sessions, medical examination, corrective surgery, dental treatment, business skills training, school fees and return to home assistance.

Ok Tedi Mining Ltd

Ok Tedi Mining is the single largest business in the Western Province and contributes economically to the communities both directly through services and infrastructure and through facilitating community access to services and infrastructure. Table 34 shows the breakdown of Ok Tedi Mining Ltd mandatory and voluntary social spending during the reporting period. Additional social contribution payments from 2013 can be seen on page 81of the OK Tedi 2013 Annual Report, please refer to link here.

Table 34: Ok Tedi Mining Ltd social spending 2013[207]

Mandatory social spending	PGK
Tabubil Hospital	35,230,988
Ok Tedi Development Foundation	29,984,354
CMCA Compensation	51,490,098
Land Lease	2,044,603
General Compensation	13,447,410
Special Compensation	457,808
Tabubil Kiunga Highway Maintenance	23,315,807
Tabubil Airport	799,259
Tabubil Municipality	6,822,248
Kiunga Town Water & Sewerage	540,000
Voluntary social spending	PGK
North Fly Health Services Development	6,135,906
Donations	1,170,406
Kiunga Town Power	3,840,000

The beneficiaries of Ok Tedi's social investment program include:

- Health services, such as the provision of the Tabubil Hospital and the North Fly Health Services Development Program.

[205] http://s1.q4cdn.com/808035602/files/responsibility/2014-Responsibility-Report.pdf p.104-5
[206] PNG NHDR 2014
[207] Internal company documents

- Education programs, such as those for women and children, to enable women to be more active, educated and better agents of change in its communities.

Petromin (Tolukuma)

Petromin's mandatory and voluntary social spending was not disclosed to us for the 2013 reporting year. However, Petromin's 2013 Annual Report (here) indicates spending of over PGK200,000 on corporate social responsibility programs, including PGK50,000 annually working with the Department of Health on awareness campaigns on lifestyle diseases; assistance to health programs such as Port Moresby General Hospital's Physiotherapy Division (>PGK10,00), support of local schools and community organisations.[208]

Lihir Gold Ltd (Lihir)

Lihir's Sustainability Report outlines that the operation provides land use compensation, investments in public infrastructure and a range of indirect economic benefits. The local community also receive the social and economic development programs delivered by Lihir to landowners by providing public infrastructure and services, including access to health services, the provision of electrical power and water to local villages.[209] Further qualitative and quantitative data can be found in the Newcrest Mining Limited 2013 Sustainability Report, please refer to link here.

By 2013, Lihir Gold's workforce comprised 2,200 employees, of which 90 per cent were from PNG.

Between 1997 and 2013, Lihir claims its direct contribution to the PNG economy was up to PGK7,000 million; please refer to this link for further information.

MCC Ramu NiCo Ltd (Ramu)

MCC Ramu NiCo Ltd disclosed both mandatory and voluntary social spending in 2013. As of 2011 they also provided medical services to local villages and organised awareness campaigns for the prevention of HIV/AIDS, along with supplying building materials for local schools. The Community Affairs Department offered programs focusing on women and youth development and business opportunities for the community.[210] They also ensured profits from business development are equitably distributed to landowner families in the project area as per Ramu Memorandum of Agreement.[211]

More information on MCC Ramu NiCo social expenditure and initiatives can be found on their website, please refer to the link here.

By 2011, MCC Ramu Nico had spent PGK710 million on social investments. Table 35 displays the expenditure made on local communities.[212]

Table 35: Aggregated community expenditure by 2011

Social contribution	PGK
Local supplies	500,000,000
Local business development	200,000,000
Compensation to landowners	10,000,000
Total contribution	710,000,000

Newcrest and Harmony (Hidden Valley)

Hidden Valley provides social contributions through investments in public infrastructure and support for local suppliers. Hidden Valley has implemented a local supplier policy and gives preference to suppliers from Morobe Province and PNG where appropriate.

The Hidden Valley mine operates in accordance with a Memorandum of Agreement with local landowners and government, which sets out a preference for employment of landowners and local residents ahead of those from other provinces and offshore employees when qualifications are equivalent.

Indirect economic benefits from the Hidden Valley mine includes increased spending on goods and services in the PNG economy, which contribute to a larger and more diversified economy and spread the benefits from mining beyond the Morobe Province; further details are available here.[213]

[208] 2013 Petromin Annual Report, p. 48 http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf
[209] http://www.newcrest.com.au/media/sustainability_reports/Newcrest-Sustainability-Report-2013.pdf p.32
[210] http://www.ramunico.com/plus/list.php?tid=271
[211] http://www.ramunico.com/plus/list.php?tid=160
[212] http://www.highlandspacific.com/_literature_5433/Ramu_Article_from_Profile_12th_Edition_2013_Magazine
[213] http://www.newcrest.com.au/media/our_business/4365_Newcrest_FS_HiddenValley_October2015_LR.pdf

Simberi Gold Co. Ltd (Simberi)

Simberi Gold did not make any mandatory social payments in 2013. The company sponsors the Leonora Foundation Day and the Songroom initiative at the Leonora District School. It has provided funding for the development of a purpose-built learning centre at the local kindergarten.[214]

New Guinea Gold (Sinivit)

At the time of reporting there was no available information on the social expenditure for New Guinea Gold, which ceased operation in PNG in 2014 and is now in administration.

Oil Search

In 2013 Oil Search made reported voluntary social payments of US$130,390,000. No mandatory social payments were reported. Oil Search provides social expenditure payments through community development projects, such as community investments, start-up loans, tertiary scholarships and health services. Detailed information on Oil Search's extensive social expenditure can be found in their Sustainability Data Book 2013 here.[215]

Oil Search made social expenditures to communities on behalf of its JV partners. Each of the JV partners contributed to these social payments made by Oil Search in accordance with their equity stake in the projects. Oil Search's JV partners each contributed to Oil Search's social expenditures in accordance with their equity stake in the projects.

ExxonMobil

No ExxonMobil subsidiary was producing during this reporting period, thus there was no requirement to report. As advised by ExxonMobil to the MSG there are no mandatory social payments relating to the PNG LNG Project.

However, as a partner in the Oil Search operated oilfields, ExxonMobil funding to the oil fields was used to support the full range of expenditures, including social spending, in line with its equity percentage. Meanwhile, ExxonMobil advised that during construction activities in 2013 the PNG LNG Project partners invested some US$23.8 million in social expenditure, split between charitable giving to community programs; direct community support activities; and in-kind support (including transferring project facilities to the Government). Since 2010 PNG LNG has invested more than US$240 million in community programs and infrastructure.

The beneficiaries of ExxonMobil's corporate social responsibility initiatives in PNG include, for example:

- Embedding of three doctors from the Texas Children's Hospital in the Port Moresby General Hospital to support maternal and childcare and teach at the University of PNG's School of Medicine and Health Science
- Partnership with the PNG Institute for Medical Research (IMR) and the University of Papua New Guinea to open the National Infectious Disease Diagnostic and Research Laboratory, the country's first high-quality laboratory facilities that allows young PNG scientists to develop their skills in biomedical research.
- Development of a comprehensive Partnership in Health Program with PNG IMR and the government to develop a sustainable world-class health monitoring and surveillance system (iHDSS) that has provides objective and publicly available scientific data covering a huge range of health and social key performance indicators, many tied to Millennium Development Goals.
- Support for the PNG Women's Forum's, an initiative co-led by the U.S. Embassy and the PNG Department of Community Development to raise women's empowerment issues to the national level.
- Sponsorship of Global Women in Management (GWIM) program, which provides training to non-profit and civil society women leaders to manage and grow their organizations. To date a total of 52 women from across PNG have been sent to the month long training program. These women have established an alumni secretariat aimed at maintaining their network and follow up development opportunities.
- Support for and board membership on the Business Coalition for Women (BCFW), an organization supported by the International Finance Corporation (IFC) and Australian Department of Foreign Affairs and Trade, focused on improving work place policies and environments for women.
- Various biodiversity, community education and health programs.

Further information on ExxonMobil's corporate social responsibility program in PNG is available here.

Santos

[214] http://www.stbarbara.com.au/sustainability/community/

[215] http://socialresponsibility.oilsearch.com/wp-content/uploads/2015/04/Oil-Search-2013-Sustainability-Databook-Rev2.pdf p. 11

As a partner in the Oil Search operated oilfields, Santos contributed to social expenditures, including social spending, in line with its equity percentage. In addition, they provided US$4,695 in sponsorship to government (provision of catering and venue for political functions) and industry; please refer to the link here for further details.[216]

JX Nippon

JX Nippon did not disclose whether any mandatory or voluntary social payments were made for the reporting period. However, they likely contributed financially to the social payments made by Oil Search, based on their equity stake in Oil Search's operations.

IPBC (now Kumul Consolidated Holdings)

IPBC did not disclose whether any mandatory or voluntary social payments were made for the reporting period.

NPCP

NPCP did not make any mandatory or voluntary social payments during the reporting period.

[216] https://www.santos.com/media/1278/2013_sustainability_report.pdf, p. 8

Chapter 11: Reconciliation of revenue streams

EITI requirement 4

This chapter sets out government disclosures of extractive industry revenues and disclosure of all material payments to government by oil, gas and mining companies.

The reporting process

In 2013, the PNG EITI Report covered all mining and oil and gas companies who had interests in operations that were producing saleable commodities, together with all SOEs and government entities that received payments from them. The reporting entities are summarised in Table 36, below.

Table 36: Reporting entities

Mining	Oil and gas	State-owned enterprises	Government departments and statutory authorities
► Ok Tedi Mining Ltd *(Ok Tedi)* ► Barrick Gold *(Porgera)* ► Lihir Gold Ltd *(Lihir)* ► MCC Ramu NiCo Ltd *(Ramu)* ► Newcrest and Harmony *(Hidden Valley)* ► Petromin *(Tolukuma)* ► Simberi Gold Co. Ltd *(Simberi)* ► New Guinea Gold* *(Sinivit)*	► ExxonMobil ► Santos ► JX Nippon ► Cue Energy (now NPCP) ► Petromin	► Independent Public Business Corporation ► Mineral Resources Development Company Limited ► National Petroleum Company of Papua New Guinea ► Ok Tedi Mining Limited ► Petromin	► Internal Revenue Commission ► Minerals Resource Authority ► Department of Treasury ► Department of Finance ► Department of Petroleum and Energy ► Department of National Planning & Monitoring ► PNG Customs

*New Guinea Gold was in receivership at the time of reporting and thus, not able to report.

Each of the reporting entities in Table 36 was sent via email a reporting template, which set out each of the relevant revenue/payment streams to be reported. The independent administrator arranged meetings with each of the entities to walk through the reporting templates, provide guidance on the information provided, and to answer any questions.

Each of the mining and oil and gas companies was also issued with a Tax Waiver Letter (TWL), which they were asked to sign and return to the IRC. The TWL explicitly waived the entities' rights to confidentiality of payments to the IRC (which is otherwise provided by legislation), and enabled the IRC to disclose their relevant payments to the independent administrator.

The reporting entities were given a period of four weeks initially to complete the templates, although this was extended, with information ultimately collected over a four month period.

Whilst all of the reporting entities, above, ultimately provided some information to us, there were significant gaps and discrepancies in the reported amounts. At the time of finalising this Report, many gaps and discrepancies remained unexplained.

Materiality

For the purpose of this report, both qualitative and quantitative definitions of materiality were considered. For the purposes of providing independent assurance under audit standards, materiality is typically defined as:

> 'the magnitude of an omission or misstatement that, individually or in aggregate, makes it probable that the judgment of a person relying on the information would have been changed or influenced by the omission or misstatement.'

The Global Reporting Initiative has an even broader definition:

> 'material topics are those that may reasonably be considered important for reflecting [..] economic, environmental and social impacts, or influencing the decisions of stakeholders' and that 'materiality is the threshold at which Aspects become sufficiently important that they should be reported.' [217]

[217] Global Reporting Initiative https://www.globalreporting.org/

Although the information captured in an EITI Report is typically financial in nature – and therefore generally suited to a quantitative materiality – the underlying objective of the report is to assist in addressing fraud and corruption, improving perceptions of attractiveness as an investment prospect and generally to improve transparency and accountability. We therefore adopted a broader definition of materiality in which we have selected revenue streams that were likely to exceed a pre-defined quantitative level of materiality, are defined by law, or may be of significant interest or benefit to the PNG population.

The scope of this Report, which covers the calendar year from 1 January to 31 December 2013, has therefore been established based on a defined view of materiality, the specific requirements of the EITI Standard, PNG's legal and regulatory framework governing payments by the extractive industries, and the particular challenges identified by the scoping study.

As discussed above, although applying for EITI candidacy is voluntary, in order to be compliant, a candidate country must meet all requirements of the EITI Standard, including reporting of all relevant revenue streams. The definition of materiality (both quantitative and qualitative) is therefore applied in order to inform the level of data and supporting evidence collection required to support a disclosure and the expectations for accuracy of a particular revenue steam, rather than as the basis of a threshold for determining that a revenue stream is *de minimis*. Specifically, we have included all revenue streams that contribute two per cent or more to the total known revenue received by the government from the mining and oil and gas sectors. Two per cent has been selected as the threshold as it is within the range usually applied in auditing financial accounts, it is broadly consistent with materiality thresholds used for other EITI compliant countries, and lowering the materiality threshold further would not have significantly increased coverage of the report. Further, we have included those revenue streams that are below this quantitative threshold, but which are considered potentially material based on our qualitative definition of materiality. Together, this equates to approximately 96 per cent of total known revenue from the sector.

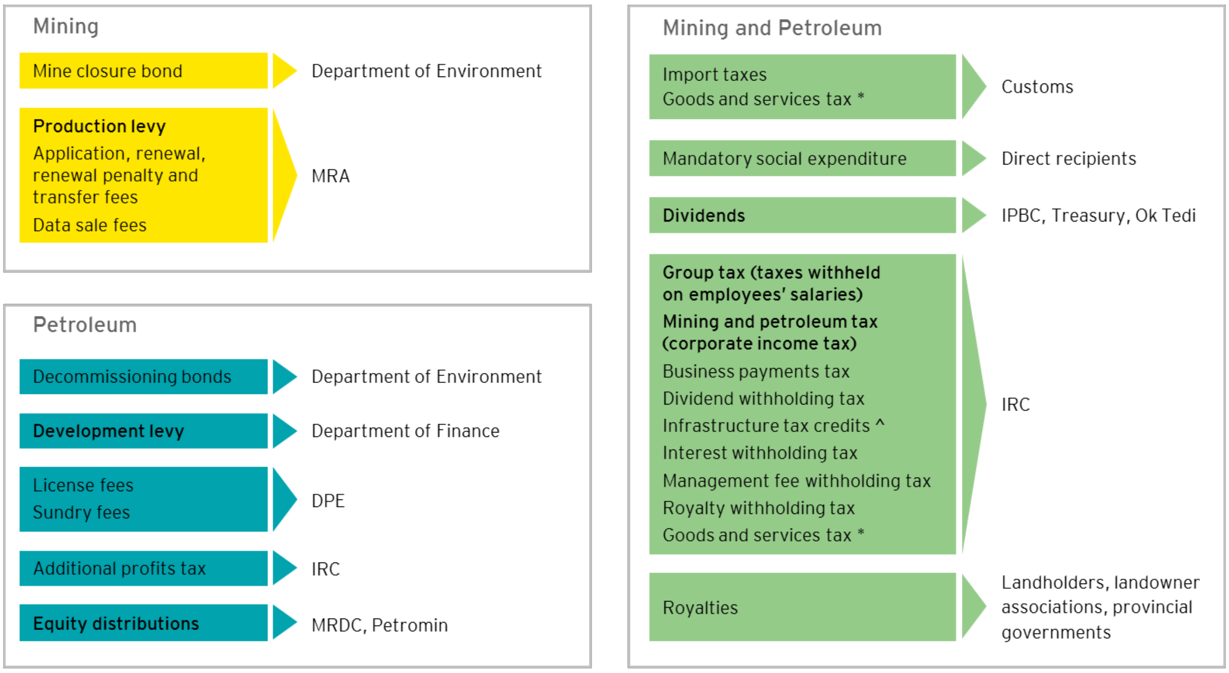
Based on the outcomes of our regulatory assessment and preliminary analysis and applying our quantitative materiality, the scope of the EITI report included the revenue streams outlined in the following section.

Revenue streams

The complete set of revenue streams relevant to the extractives sector, with their relative contribution where possible, is shown in Figure 29 below.[218] Through the data collection process, we attempted to obtain data from both the paying and receiving entity, although this was not always possible.

We did not identify any revenue that is received by the State in-kind, rather than cash.

Figure 29: Revenue streams from the extractive sector, together with receiving entity



Notes

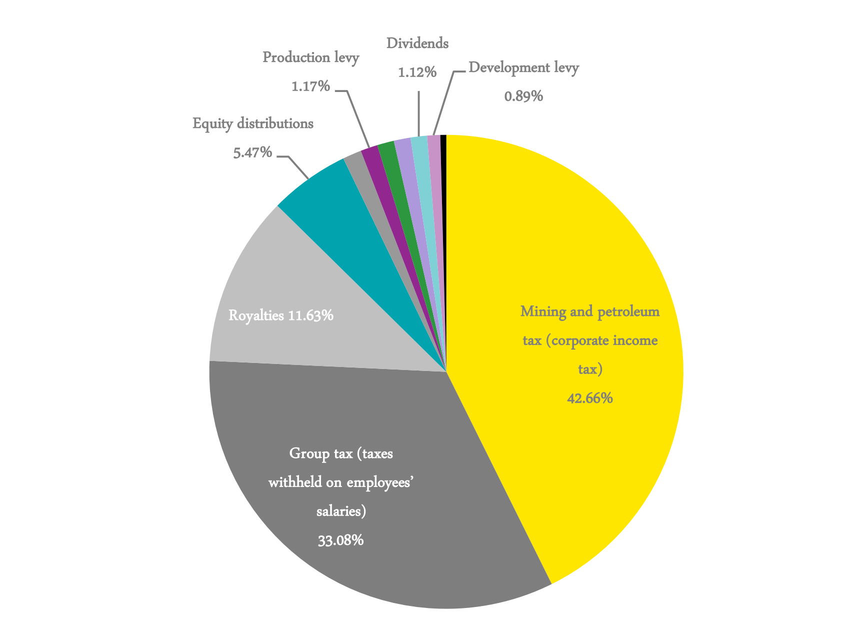
Bold = material revenue streams

* = IRC and customs

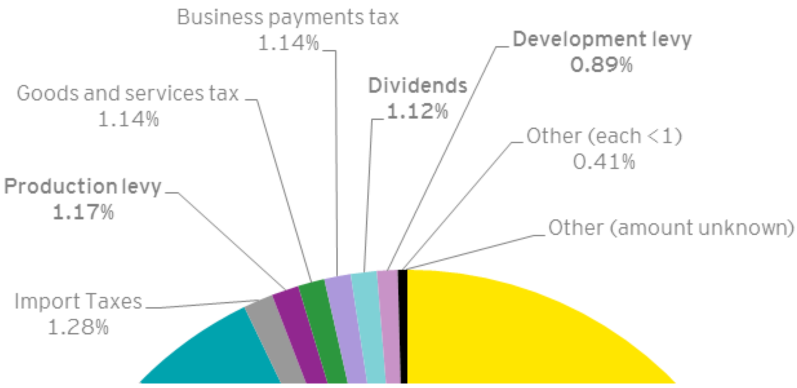
^ = reported to IRC

[218] Scoping study

Figure 30: Revenue streams by percentage contribution[219]



See detail of smaller percentages below



Reporting entities

In 2013, the scope of the EITI Report covered all petroleum and mining companies that were producing saleable product during the 2013 period. These companies are listed in Table 37 below.

[219] Scoping study p. 175

Table 37: Extractive industry companies required to report in 2013

Mining companies	Oil and gas companies
There were eight mining companies in production during the reporting period. These are (with relevant mine in parenthesis): • Ok Tedi Mining Ltd (Ok Tedi) • Barrick Gold (Porgera) • Lihir Gold Ltd (Lihir) • MCC Ramu NiCo Ltd (Ramu) • Newcrest and Harmony (Hidden Valley) • Petromin (Tolukuma) • Simberi Gold Co. Ltd (Simberi) • New Guinea Gold (Sinivit).	Oil Search was the only operator of production licences that were producing oil or gas during the 2013 calendar year. Tax was also payable by the following companies in respect of their equity in Oil Search-operated licences: • ExxonMobil • Santos • JX Nippon • Cue Energy (equity sold to NPCP in 2014) • Petromin • MRDC For most revenue streams identified in the report, only the operators are required to report. However, all of the partners in the unincorporated joint ventures for each of the producing PDLs must provide information on corporate income tax paid.

We included all SOEs in the study, including both those who operated mining or oil and gas projects, and those who received equity distributions or dividends. The SOEs are listed in Table 38 below.

Table 38: State-owned entities required to report in 2013

State-owned enterprises (SOEs)
Five SOEs were included in the list of SOEs who were required to report: • Independent Public Business Corporation • Mineral Resources Development Company Limited • National Petroleum Company of Papua New Guinea • Ok Tedi Mining Limited • Petromin and their subsidiaries.

Finally, all government departments and statutory authorities that received material payments from the extractive industries were required to provide information. These government entities are listed in Table 39 below.

Table 39: Government departments and statutory authorities who provided information for the 2013 report

Government departments and statutory authorities
The following government entities were required to report for the 2013 report: • Internal Revenue Commission • Minerals Resource Authority • Department of Treasury • Department of Finance • Department of Petroleum and Energy • Department of National Planning and Monitoring • PNG Customs

Of the reporting entities listed above, only New Guinea Gold did not respond to requests for information, as the company is currently in administration. However, reported information from a number of entities was incomplete, and some tax waiver letters were outstanding at the time of writing, preventing the IRC from disclosing government receipts for those entities. The completeness of information received from each of the reporting entities is summarised in the table below:

Table 40: Summary of information provided by reporting entities

	Reporting Template		Signed Tax Waiver
	Draft	Signed	
Mining Industries			

	Reporting Template		Signed Tax Waiver
	Draft	Signed	
Ok Tedi Mining Ltd	Yes	No	Yes
Barrick Gold	Yes	No	Yes
Lihir Gold Ltd (Newcrest)	Yes	No	No
Newcrest and Harmony (Morobe Mining JV)	No	No	No
MCC Ramu NiCo Ltd	Yes	No	Yes
Petromin	Yes	Yes	Yes
Simberi Gold Co. Ltd	Yes	Yes	Yes
New Guinea Gold	N/A	N/A	N/A
Oil and Gas			
Exxon Mobil	Yes	Yes	Yes
Oil Search	Yes	Yes	Yes
Santos	Yes	Yes	Yes
JX Nippon (Merlin)	Yes	Yes	Yes
JX Nippon (Southern Highlands Petroleum)	Yes	Yes	Yes
Cue Energy (equity sold to NPCP in 2014)	Yes	Yes	Yes
Government			
Internal Revenue Commission (IRC)	Partially provided	Partially provided	N/A
Mineral Resources Authority (MRA)	Yes	No	N/A
Department of Treasury	Yes	Yes	N/A
Department of Finance (DOF)	Yes	No	N/A
Department of Petroleum and Energy (DPE)	Yes	No	N/A
National Planning	No	No	N/A
Customs	Yes	No	N/A
Conservation and Environment Protection Authority (CEPA) formerly Dept. of Environment and Conservation	Yes	No	N/A
DMPGM	N/A	N/A	N/A
SOEs			
IPBC	Yes	Yes	N/A
NPCP Holdings Ltd	Yes	Yes	N/A
MRDC	No	No	No

On this basis, we have prepared a consolidated data set with details of payments of taxes, royalties, distributions, dividends and levies in the sections below. Where information is incomplete, we have highlighted this in the tables, and provided commentary below.

Table 41: Overview of payments and variances for key revenue streams, by company

Company	revenue stream	Currency	Reported by company	Reported by receiving entity	Variance (absolute)	Variance (%)	Mining / oil & gas	
Barrick Gold	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		54,518,397			M	A
	Infrastructure Tax Credits	PGK	15,869,575	not provided			M	
	Production Levy	PGK	3,683,705	3,706,875	23,171	0.006	M	
	Royalties	PGK	32,868,262	15,046,512	-17,821,750	-1.184	M	
Cue Energy	Corporate Income Tax	PGK	0	0	0	0.000	OG	
	Group Tax	PGK		1,209,746			OG	A
	Infrastructure Tax Credits		not provided	not provided			OG	
	Royalties	USD	34,594	0	-34,594		OG	
ExxonMobil	Corporate Income Tax	USD	54,316,394	54,316,394	0	0.000	OG	
	Group Tax	PGK		181,340,398			OG	
	Infrastructure Tax Credits	USD	794,697	1,226,236	431,539	0.543	OG	
	Royalties	USD	0	0	0		OG	
JX Nippon (Merlin)	Corporate Income Tax	USD	42,459,652	42,507,077	47,425	0.001	OG	
	Group Tax	PGK		0			OG	A
	Infrastructure Tax Credits	USD	1,072,261	1,072,261	0	0.000	OG	
	Royalties	USD	not provided	not provided			OG	
JX Nippon (SHP)	Corporate Income Tax	USD	2,012,214	2,012,214	0	0.000	OG	
	Group Tax	PGK		0			OG	
	Infrastructure Tax Credits	USD	69,063	74,842	5,779	0.084	OG	
	Royalties		not provided	not provided	0		OG	
Lihir Gold	Corporate Income Tax	PGK	4,523,635	not provided			M	B
	Group Tax	PGK		not provided			M	A, B
	Infrastructure Tax Credits	PGK	17,137,429	not provided			M	B
	Production Levy	PGK	5,097,608	5,097,608	0	0.000	M	
	Royalties	PGK	44,597,389	not provided	-44,597,389		M	
MCC Ramu NiCo	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		16,043,311			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	16,844	16,844	0	0.000	M	
	Royalties	PGK	0	0	0	0.000	M	
New Guinea Gold	Corporate Income Tax	PGK	not provided	not provided			M	C
	Group Tax	PGK		not provided			M	A,C
	Infrastructure Tax Credits		not provided	not provided			M	C
	Production Levy	PGK	not provided	0			M	C
	Royalties	PGK	not provided	107,961			M	C
Newcrest and Harmony	Corporate Income Tax	PGK	0	0	0	0.000	M	B
	Group Tax			not provided			M	A, B
	Infrastructure Tax Credits		not provided	not provided			M	B
	Production Levy		not provided	not provided			M	
	Royalties	PGK	not provided	12,979,100			M	
Oil Search	Corporate Income Tax	USD	130,957,545	130,957,545	0	0.000	OG	
	Group Tax	PGK		83,315,927			OG	A
	Infrastructure Tax Credits	USD	8,046,328	8,046,328	0	0.000	OG	
	Royalties	PGK	48,905,606	48,270,964	-634,642	-0.013	OG	
Ok Tedi Mining	Corporate Income Tax	PGK	104,965,000	104,978,978	13,978	0.000	M	
	Group Tax	PGK		112,262,277			M	A
	Infrastructure Tax Credits	PGK	16,875,059	not provided			M	
	Production Levy	PGK	7,748,633	7,740,759	-7,874	-0.001	M	
	Royalties	PGK	48,978,341	33,154,064	-15,824,277	-0.477	M	
Petromin	Corporate Income Tax	PGK	16,109,000	15,752,426	-356,574	-0.022	OG	
	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK		4,783,574			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	not provided	not provided			M	
	Royalties	USD	not provided	not provided			OG	
	Royalties	PGK	0	0	0		M	
Santos	Corporate Income Tax	USD	1,567,100	not provided		0.000	OG	D
	Group Tax	PGK		not provided			OG	A, D
	Infrastructure Tax Credits	USD	not provided	not provided			OG	D
	Royalties	USD	98,906	0			OG	
Simberi Gold Co.	Corporate Income Tax	PGK	0	0	0	0.000	M	
	Group Tax	PGK	not required	9,180,216			M	A
	Infrastructure Tax Credits		not provided	not provided			M	
	Production Levy	PGK	not provided	170,222	170,222		M	
	Royalties	PGK	3,365,235	2,440,122	-925,113	-0.379	M	

Remarks:

Variance was calculated only when both parties provided data.

A. Group tax was reported unilaterally by the IRC; companies were not requested to report group tax
B. The IRC was not able to disclose data because the company either did not provide a tax waiver letter (or provided it after the cut-off date for reporting)
C. New Guinea Gold was in receivership, so data was not provided.
D. Data from the IRC received after the close of data collection

Corporate income tax

Table 42: Reconciliation of corporate income tax payments from the extractive industries to the IRC

		Amounts reported by Extractive Industries	Amounts reported by IRC			
Extractive Industry Company	Currency	Corporate Income Tax (PGK or USD)	Corporate Income Tax (PGK or USD)	Variance(absolute , PGK or USD)	Variance (%)	Remarks
Mining Industry						
Ok Tedi Mining Ltd (Ok Tedi)	PGK	104,965,000.00	104,978,978.21	13,978.21	0.013%	A
Barrick Gold (Porgera)	PGK	-	-	-	0.000%	
Lihir Gold Ltd (Lihir)	PGK	4,523,634.52				B
MCC Ramu NiCo Ltd (Ramu)	PGK	-	-	-	0.000%	C
Newcrest and Harmony (Hidden Valley)	PGK	-	-	-	-	D
Petromin (Tolukuma)	PGK	-	-	-	0.000%	
Simberi Gold Co. Ltd (Simberi)	PGK	-	-	-	0.000%	
New Guinea Gold (Sinivit)	PGK	*(Data not available - company in receivership)*		-		
Oil and gas industry						
Oil Search	USD	130,957,545.00	130,957,545.00	-	0.000%	
ExxonMobil	USD	54,316,394.00	54,316,394.00	-	0.000%	
Santos	USD	1,567,100.00			0.000%	C
JX Nippon (Merlin)	USD	42,459,652.00	42,507,077.00	47,425.00	0.112%	A
JX Nippon (SHP)	USD	2,012,214.00	2,012,214.00	-	0.000%	
Cue Energy (now NPCP)	PGK	0	0	-	0.000%	C
Petromin	PGK	16,109,000.00	15,752,426.07	- 356,573.93	-2.214%	A

Remarks:

A. The difference noted is immaterial.
B. Tax waiver is not received yet, thus, IRC is unable to provide information.
C. Delayed submission of tax waiver from reporting entities, thus IRC was unable to provide information.
D. Tax waiver and reporting template are yet to be provided by the reporting entity.

Infrastructure tax credits

Under section 219C of the ITA, resource companies are able to claim tax credits for approved expenditure on infrastructure in the area in which the resource project is located. In some cases approval is granted for infrastructure development outside the project area. Generally approved expenditure is in respect of schools, medical clinics or hospitals, aid posts and roads.

Because the resource companies obtain a tax credit for the expenditure there is no net cost to the resource company on approved infrastructure projects. In general the amount that may be claimed as a tax credit in one year is limited to 0.75 per cent of the assessable income though in respect of some projects an additional amount of up to 1.25 per cent of assessable income applied. If the maximum amount able to be claimed as credit in a particular year was not expended the unused amount may be utilised in the following two years, in addition to the normal available limit in those years.

The amount of tax credit that can be claimed in any year is limited to the tax otherwise payable in that year. Where the approved expenditure in a year is more than the tax otherwise payable in that year the excess is able to be carried forward indefinitely and claimed against future year's tax liabilities.

Although the ITC data is included on the tax returns and Advance Payments Tax estimates submitted by reporting entities to the IRC, this information is not retained electronically by the IRC. The data would need to be manually extracted from hard copy returns, and we were advised by the IRC that this would be very difficult or impossible. We were therefore unable to reconcile the company ITC data against IRC data in this report.

We were subsequently advised that ITC data may also be available from the Economic Sector within DNPM. At the time of finalising this report, we were awaiting the data to be approved for release to us by DNPM senior management.

The incomplete ITC data we had received at the time of publishing this report is provided in

Table 43, below.

Table 43: Reconciliation of infrastructure tax credits

		Amounts reported by Extractive Industries	Amounts reported by IRC			
Extractive Industry Company	Currency	Infrastructure tax credit (PGK or USD)	Infrastructure tax credit (PGK or USD)	Variance (absolute, PGK or USD)	Variance (%)	Remarks
Mining Industry						
Ok Tedi Mining Ltd (Ok Tedi)	PGK	16,875,059.00		n/a		A
Barrick Gold (Porgera)	PGK	15,869,575.00		n/a		A
Lihir Gold Ltd (Lihir)	PGK	17,137,429.00		n/a		A
MCC Ramu NiCo Ltd (Ramu)				-		
Newcrest and Harmony (Hidden Valley)				-		
Petromin (Tolukama)				-		
Simberi Gold Co. Ltd (Simberi)				-		
New Guinea Gold (Sinivit)		*(Data not available - company in receivership)*				
Oil and gas industry						
Oil Search	USD	8,046,328.00	8,046,328.00	-	-	
ExxonMobil	USD	794,697.00	1,226,236.00	431,539.00	0.54	
Santos	USD			-		
JX Nippon (Merlin)	USD	1,072,261.00	1,072,261.00	-	-	
JX Nippon (SHP)	USD	69,063.00	74,842.00	5,779.00	0.08	
Cue Energy (now NPCP)	USD					

Remarks

A. Unreconciled due to the delayed in submission of the reporting template.

Group tax

Group tax (taxes withheld on employee salaries) is to be unilaterally declared by the IRC. Group tax is only payable by companies that paid salaries in PNG during the reporting period; predominantly these were operators of facilities.

Table 44: Group Tax provided by IRC

Extractive Industry Company	Currency	Group Tax (PGK)	Remarks
Mining Industry			
Ok Tedi Mining Ltd (Ok Tedi)	PGK	112,262,277.28	
Barrick Gold (Porgera)	PGK	54,518,397.01	
Lihir Gold Ltd (Lihir)	PGK		A
MCC Ramu NiCo Ltd (Ramu)	PGK	16,043,310.69	
Newcrest and Harmony (Hidden Vall	PGK		A
Petromin (Tolukama)	PGK	4,783,574.41	
Simberi Gold Co. Ltd (Simberi)	PGK	9,180,216.00	
New Guinea Gold (Sinivit)	PGK	*(Data not available - company in receivership)*	
Oil and gas industry			
Oil Search	PGK	83,315,926.67	
ExxonMobil	PGK	181,340,398.29	
Santos	PGK		B
JX Nippon (Merlin) ($US)	PGK	-	C
JX Nippon (SHP) ($US)	PGK	-	C
Cue Energy (now NPCP)	PGK	1,209,746.17	

Remarks

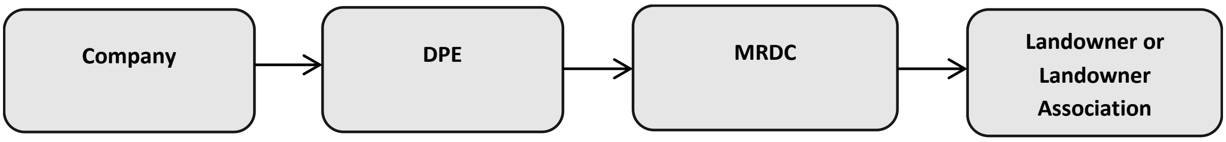
A. Tax waiver is not yet received, thus IRC is unable to provide information.
B. Delayed submission of the tax waiver, thus IRC was unable to provide information.
C. Company did not pay group tax in 2013.

Royalties

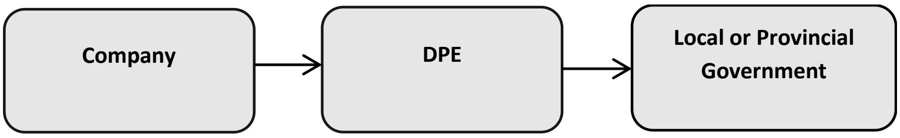
Resource projects are subject to a royalty which is equal to two per cent of the gross revenue or wellhead value as applicable from resource sales. Royalties are paid as per Figure 31 below.

Figure 31: Royalty payments[220]

Oil and gas royalties paid to landowners



Oil and gas royalties paid to provincial and local Governments



Mining royalties

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Table 45: Reconciliation of royalties paid by the extractive industries to either MRA or DPE

		Amounts reported by Extractive Industries	Amounts reported by MRA or DPE			
Extractive Industry Company	Currency	Royalties (PGK or USD)	Royalties (PGK or USD)	Variance (absolute, PGK or USD)	Variance (%)	Remarks
Mining Industry						
Ok Tedi Mining Ltd (Ok Tedi)	PGK	48,978,340.72	33,154,064.00	- 15,824,276.72	-48%	A , B
Barrick Gold (Porgera)	PGK	32,868,262.45	15,046,512.00	- 17,821,750.45	-118%	A
Lihir Gold Ltd (Lihir)	PGK	44,597,389.00		- 44,597,389.00		A
MCC Ramu NiCo Ltd (Ramu)	PGK	-	-	-		
New Crest Harmony (Hidden Valley)	PGK		12,979,100.00	12,979,100.00	100%	A, C
Petromin (Tolukuma)	PGK	-	-	-		
Simberi Gold Co. Ltd (Simberi)	PGK	3,365,235.00	2,440,122.00	- 925,113.00	-38%	A
New Guinea Gold (Sinivit)	PGK	*(Data not available - company in receivership)*	107,961.00	-	0%	
Oil and gas industry						
Oil Search	PGK	48,905,606.00	48,270,963.91	- 634,642.09	-1%	A
ExxonMobil	USD	-	-	-		
Santos	USD	98,906.00	-			A
JX Nippon (Merlin)	USD			-		
JX Nippon (SHP)	USD			-		
Cue Energy (now NPCP)	USD	34,594.18	-	- 34,594.18		A
Petromin	USD					

Remarks

A. Absence of detailed schedules and evidences that would support the balances shown in the reporting template provided by either the Company or either MRA or DPE.
B. Ok Tedi reported royalties paid to Fly River Provincial Government of 25,117,098 and to Mine Area Landowners amounting 23,861,243. MRA stated that the amount also includes payments to all entities (landowners and government).
C. Reporting template is yet to be provided by the reporting entity.

MRA has retrieved hard copy reports from the reporting entities and compared with the data; however, there are still missing reports. We were advised that MRA sent letters to those companies who did not report based on their system and will endeavour to complete the data entry for years 2013 to 2015. MRA is in the process of performing the required compliance activities to ensure that mining companies comply with the reporting requirements.

Equity distributions

Of the reporting entities, only Ok Tedi disclosed equity distribution of PGK10.5 million in 2013.

Production levy

Mining companies pay a production levy to the MRA. The results of the reconciliation are provided below.

Table 46: Reconciliation of production levy payments from mining companies to the MRA

		Amounts reported by Extractive Industries	Amounts reported by MRA			
Extractive Industry Company	Currency	Production Levy (PGK)	Production Levy (PGK)	Difference (absolute, PGK)	Difference (%)	Remarks
Mining Industry						
Ok Tedi Mining Ltd (Ok Tedi)	PGK	7,748,633.00	7,740,758.51	- 7,874.49	-0.102%	A
Barrick Gold (Porgera)	PGK	3,683,704.57	3,706,875.21	23,170.64	0.625%	
Lihir Gold Ltd (Lihir)	PGK	5,097,608.00	5,097,608.00	-	0.000%	B
MCC Ramu NiCo Ltd (Ramu)	PGK	16,843.65	16,843.65	-	0.000%	A
Newcrest and Harmony (Hidden Valley)	PGK			-		
Petromin (Tolukama)	PGK			-		
Simberi Gold Co. Ltd (Simberi)	PGK		170,221.59	170,221.59		A
New Guinea Gold (Sinivit)	PGK	*(Data not available - company in receivership)*	-	-		

Remarks

A. Unreconciled due to the absence of detailed schedules and evidences that would support the template provided by either the company or the government agency.

B. Information in the MRA template is based on a manual spreadsheet which is not yet checked against the forms submitted by the reporting entities.

C. MRA did not confirm whether they retrieved the 2013 forms filed by the reporting entities.

D. The amount reported by Lihir Gold pertained to the 2012 calendar year production levy which was settled in 2013, while the MRA information pertained to accrual for 2013, which was settled by Newcrest in 2014.

The balances shown above are based on information provided by MRA after reviewing the hard copy reports submitted by the reporting entities. There is no material discrepancy noted, thus, further procedure is waived.

Dividends

Where the state holds an interest in mining or petroleum projects, it can receive a share of the profits of the project, paid as dividends, in accordance with its right as a shareholder.

We understand that Oil Search makes dividend payments to the General Business Trust (GBT), which is administered by the IPBC. Oil Search declared dividend payments of USD7,864,000 (PGK18,464,619) for 2013. Note that IPBC declared dividend payments of zero for the period, which we understand is because payments are made to the GBT. Treasury also advised that they do not receive direct dividend payments from Oil Search. We have sighted this amount in the GBT accounts, and Oil Search has provided receipts from their Computershare registry as evidence.

Ok Tedi reported that they did not make dividend payments to Treasury during the reporting period.

Petromin has declared dividend payments to a government trust account of PGK450,000, but has not specified which trust account. We have not been able to reconcile this number.

Development levy

The development levy is paid by oil and gas companies to the Department of Finance, who then redistribute the monies to provincial and local governments.[221]

We were advised that there was only one development levy trust account during 2013: the Central Moran Petroleum Development Levy Trust with ANZ bank. We were advised that DPE receives the payments, and deposits these directly into the nominated account. The Trust Branch within the Department of Finance only administers the payments out of the trust account.

During the 2013 period, the following payments were deposited into the trust account by DPE:

- June 2013: PGK57,919,667.17
- September 2013: PGK216,224.72
- Less bank charges (unspecified)
- Total at 31 December 2013: PGK58,135,891.

The origin of these payments is not clear. We were advised that no payments were transferred out of the account in 2013.

Quality Assurances

We have performed agreed procedures with respect to information disclosed in the reporting templates of reporting entities and government. Our engagement was undertaken in accordance with International Standards on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information.* The agreed-upon procedures were performed in accordance with the first implementation of the Extractive Industries Transparency Initiative project in Papua New Guinea and ultimately in the preparation of reconciliation report.

Because the procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE), we do not express any assurance on the information detailed in the Templates based on the said standards.

Had we performed additional procedures or performed audit or review of the financial information as reported in the templates in accordance with ISA or ISRE, other matters might have come to our attention that would have been reported. This report relates

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only to information disclosed in the reporting templates submitted by companies and the government, and does not extend to the financial statements taken as a whole.

Auditing of accounts

Table 47 below gives an overview of whether reporting entities have had their accounts for the reporting year audited:

Table 47: Auditing of reporting entities

Mining	Year audited	Qualifications/comments	Source
Ok Tedi Mining Ltd	2013	Audit by PwC. No qualifications noted.	http://www.oktedi.com/media-items/publications/annual-review/220-2013-annual-review/file
Barrick Gold	2013	Audit by PwC. No qualifications noted.	http://s1.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2013.pdf
Lihir Gold Ltd	2013	Audit by EY. No qualifications noted.	http://www.newcrest.com.au/media/annual_reports/FINAL_AR_2013_72dpi_web.pdf
MCC Ramu NiCo Ltd	2014	Audit by Deloitte. No qualifications noted.	http://www.mcc.com.cn/mccen/resource/cms/2015/11/2015110203215021599.pdf
Newcrest and Harmony	2013	Audit by EY. No qualifications noted.	http://www.newcrest.com.au/media/annual_reports/FINAL_AR_2013_72dpi_web.pdf
Petromin	2013	Audit by Deloitte. No qualifications noted.	http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf
Simberi Gold Co. Ltd	2013	Audit by KPMG. No qualifications noted.	http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/2013_Annual_Report__web_.pdf
New Guinea Gold	not found		http://www.newguineagold.ca/

Oil and gas			
ExxonMobil	2013	Audit by PwC. No qualifications noted.	http://cdn.exxonmobil.com/~/media/Global/Files/Investor-Reports/2014/2013_ExxonMobil_Financials.pdf
Santos	2013	Audit by EY. No qualifications noted.	https://www.santos.com/media/1111/annual_report_2013.pdf
JX Nippon	2013	Audit by EY. No qualifications noted.	http://www.hd.jx-group.co.jp/english/ir/library/annual/2012/pdf/jx_en_ar_fy2012.pdf
Cue Energy	2013	Audit by BDO. No qualifications noted.	http://www.cuenrg.com.au/IRM/PDF/1648/AnnualReport2013
Petromin	2013	Audit by Deloitte. No qualifications noted.	http://www.petrominpng.com.pg/about/Petromin%202013%20Annual%20Report.pdf
State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea			
Independent Public Business Corporation	2012	Qualification and several issues raised 2013 accounts have been submitted for audit	http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf
Mineral Resources Development Company Limited	2010	Qualification and several issues raised: 2011 accounts have been submitted for audit	http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf http://www.ago.gov.pg/images/Part_IV_2012.pdf
National Petroleum Company of Papua New Guinea	2010	Qualification and several issues raised; 2011 accounts had been submitted for audit; more recent accounts had not been submitted 'despite repeated reminders'	http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf
Ok Tedi Mining Limited	2013	See above	
Petromin	2013	See above	
Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea			
Internal Revenue Commission	2012	'Audit indicated that there were significant weaknesses in the control framework. The controls activities, such as delegations, authorisations, reconciliations, data processing, segregation of duties and system access were not sufficiently robust to prevent defect or correct errors or fraud.'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 151
Minerals Resource Authority	2010	'Because of the significance of the matters described in the basis for Disclaimer of Opinion, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 57
Department of Treasury	2013-12	'The results of my audit indicate that overall, there were notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliations, data processing, segregation of duties, system access, management monitoring, etc. were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 90

Department of Finance	2012	'notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliation, data processing, segregation of duties, system access and management monitoring were not sufficiently robust to prevent, detect or correct errors or fraud.'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 141
Department of Petroleum and Energy	2012	'The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 197
Department of National Planning & Monitoring	2012	'The results of my audit indicate that there were significant weaknesses in the control framework. The control activities were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 163
PNG Customs	2012	'my audit indicated that there were weaknesses noted in the control framework'	http://www.ago.gov.pg/images/Annual_Reports/Part_2/Part_II_2012-2013.pdf p. 226

Completeness and discrepancies

Of the 14 reporting entities initially covered in the report, 12 reporting entities were able to provide their reporting templates. Two entities who did not participate are New Guinea Gold, which is in receivership, and Newcrest and Harmony (Hidden Valley). The table below indicates the percentage of total corporate income tax represented by participating companies:

	PGK million
Mining and petroleum tax*	666.7
Total corporate income tax disclosed by reporting entities	657.8
% of participating companies	98.7%

* 2013 amount as given in the 2015 Budget

Based on the above, the impact of non-participation is not material to the reconciliation, representing only 1.3 per cent of the total.

The table below also shows the amount of corporate income tax reported by IRC as compared with that disclosed by the reporting entities.

	PGK million
Mining and petroleum tax (as per reporting entities)	657.8
Mining and petroleum tax (as per IRC)	645.6
% of amount confirmed by IRC	98.15%

Certain reporting entities either did not provide a tax waiver or provided their tax waiver after the cut-off date for reporting, and, consequently, IRC was unable to disclose information. Nonetheless, the impact was not material, representing only 1.85 per cent of the total.

Chapter 12: Findings and recommendations

We identified a number of findings from conducting our research, which are outlined below. Some of the findings are included to provide the PNG EITI National Secretariat and the MSG with feedback regarding areas that could benefit from process improvements, as identified by our procedures. Other findings are presented to provide feedback in relation to leading practice. We have also assigned a priority to our findings, as set out in Table 48, below.

Table 48: Definitions of priority rankings for findings

Priority	Explanation
✪✪✪ = Key	Implement actions in the short term, as the finding identified may materially affect the integrity and robustness of the EITI report, and may impact on the outcome of the validation process for PNG's EITI report for the 2014 calendar year.
✪✪ = Important	Implement actions in the medium term, as: • The finding identified may affect the verifiability of the reported amounts; and/or • The finding relates to a requirement of reporting 'in accordance' with the EITI standard.
✪ = Discretionary	Implement actions in the long term, as: • The finding relates to better practice for the calculation and reporting of EITI contextual information or data; and/or • The finding relates to leading practice that goes beyond EITI compliant reporting.

We recommend that the PNG EITI National Secretariat and the MSG takes action to address the 'key' findings prior to the commencement of the 2014 EITI report as this key finding could potentially impact the validation of the 2014 report. The 'important' findings should be addressed over the next year, and the 'discretionary' findings relate to leading practice advice and should be addressed in the longer term.

EITI Requirement	Status	Finding	Recommendation
1. Effective oversight by the multi-stakeholder group		Breadth of companies, government agencies and CSOs participating in the MSG In preparing the report, we drew heavily on the support, guidance, and networks of the MSG. Members of the MSG were engaged in the EITI reporting process, and recognised the importance of enhanced transparency for the extractives sector. Members of the MSG provided information to us in a timely manner, and supported us in our role as the independent administrator. A number of reporting entities were not members of the MSG. These included some government departments, mining companies and oil and gas companies. Through engaging with these entities during the conduct of our procedures, we noted that non-MSG members were, in general, less supportive of the reporting process, required much more follow-up from the independent administrator, and took longer to respond to requests for information. Importantly, we note that no SOEs were members of the MSG during the reporting period. Whilst Ok Tedi, Petromin and the NPCP were engaged and supportive of the data collection process, we had considerable difficulty engaging with Kumul Consolidated Holdings (IPBC) and MRDC. These entities often failed to respond to information requests, and provided out-of-date and conflicting information. As SOEs who manage the State's investment in the extractive industries on behalf of the people of PNG, the quality and accuracy of information provided by the Kumul Consolidated Holdings and MRDC is critical to this report. Their lack of prior engagement in the EITI process may have been a factor in their low level of support for the first EITI report.	In order to enhance the engagement of key reporting entities in the reporting process, we recommend that the PNG EITI National Secretariat considers inviting key SOEs to participate in the MSG. If membership of the MSG is not possible for these reporting entities, we recommend that the MSG identifies appropriate ways to maintain a dialogue with these entities regarding the EITI reporting process, including, for example: • Providing regular communication of the EITI process, reporting updates, and key meetings to these organisations • Inviting these companies to participate in major EITI meetings or events, such as the EITI report launch. Further, we recommend that the government of PNG considers implementing a legislative penalty regime for entities that do not cooperate with EITI reporting requirements.

EITI Requirement	Status	Finding	Recommendation
2. Timely publication of EITI Reports	✪✪	Time lag between reporting period and preparation of the EITI Report The reporting period selected for PNG's first EITI Report was the 2013 calendar year. However, preparation of the EITI for the 2013 period commenced in August 2015, with publication of the report in February 2016, more than two years after the end of the reporting period. Over this period of time there were significant changes that impacted on the ability to collect and report information relating to the reporting period, including: • Changes to the companies participating in the sector, including through acquisition, divestment and closure • Changes to key management personnel • Changes to the structure of SOEs • Amendments to legislation Implementation of new systems and processes subsequent to the reporting period, requiring data to be extracted from legacy (and sometimes unsupported) systems Due to these changes subsequent to the reporting period, we were unable to collect some information. Also, in compiling information related to the national budget process, we noted that figures for a range of key economic indicators and revenue streams published by Treasury in the budget papers were not finalised until the release of the 2016 budget papers. There is a risk that delays in obtaining final budget data from Treasury may impact on the accuracy of data reported in the EITI Report.	Following the validation of PNG's 2014 report, we recommend that the MSG develops and implements a long-term project plan such that preparation of EITI reports is conducted in the first half of the calendar year directly following the reporting period. To achieve this, it would be necessary to arrange for two reports to be prepared concurrently. This could involve, for example, both the 2015 and 2016 EITI Reports being prepared in the first half of 2017. However, we note that in order to action the above changes, consideration would need to be made to the availability of actual budget figures from Treasury.
3. EITI Reports that include contextual information about the extractive industries	✪✪	Assistance in collecting and analysing contextual information In collecting contextual information, we relied on both public reports and information provided directly by government, companies and CSOs. However, we were unable to access reliable information for some key elements of the contextual data including, for example: • Licence allocation and registration • State-owned entities • Sub-national transfers These are addressed individually below.	

EITI Requirement	Status	Finding	Recommendation
	✪✪	Mining licence allocation and registration The licence registry for the mining industry is maintained by the MRA, which maintains an online cadastre of mining licenses. The register fulfills all EITI requirements except for commodity produced. The MRA website includes information on the different types of licenses and the application process. However, we did not receive any formal documented evidence from MRA of the assessment of financial and technical criteria as outlined above. Nor is there disclosure of non-trivial deviations from the applicable regulatory regime in awarding licenses. There is no public information relating to transfer of licenses, nor could we obtain information from the MRA.	To address these gaps, we recommend that the MRA: • Updates their cadastre to include information on the commodity produced. • Provides publicly available information on the transfer of licences, either via the cadastre, or on their website. • Formalises the technical and financial criteria used for assessing licence applications (if not already formalised), and communicates these to the Independent Administrator for future reporting periods. • Provides information to the Independent Administrator on non-trivial deviations from the regulatory regime applied in rewarding licences.

EITI Requirement	Status	Finding	Recommendation
(3 Continued)	✪✪✪	Petroleum licence allocation and registration The DPE maintains the license registry for the petroleum industry. Through discussions with DPE, we established that the official register of oil and gas licenses is maintained by the DPE in handwritten ledgers entered in date order. Further, the current storage facilities represent a fire hazard and a risk of loss of data within the register. The handwritten ledgers were used to record licence type, location, JV partners and interests, and payment information. In the process of transcribing these registers (which can be found at Appendix B: Petroleum licences (as at 30 November 2013)), we identified a number of potential inconsistencies, such as incorrect licence type (PDLs being recorded as APDLs), and JV partner interests that were out of date. The nature of these hand-written documents means that there are likely other inconsistencies that were beyond the scope of the Independent Administrator to detect. The department does not have a website, and there is currently no publically available information on the technical and financial criteria used to award licenses or non-trivial deviations from the applicable regulatory regime in awarding licenses. The process and criteria were obtained for this report.	DPE must urgently implement a reliable electronic registry system, to supersede the current paper ledger system. The system should be designed with regard to OGA and EITI requirements, including: • Names of licence holders • Coordinates of the licence area • Date of application, date of award and duration of the licence • In the case of production licences, the commodity being produced In addition, the register should be designed to enable tracking of payments made by licence holders and their JV partners. The register should be available to the public online. To improve the security of data and personnel within the DPE, we recommend that the DPE considers moving to a modern office facility with improved safety, security, data storage and work flows. All DPE staff should be trained on and apply the OGA in daily business. DPE should establish a website and make public the process for allocating and transferring licences and: • Formalise the technical and financial criteria used for assessing licence applications (if not already formalised) and communicate these to the Independent Administrator for future reporting. • Provide information to the Independent Administrator on non-trivial deviations from the regulatory regime applied in rewarding licences. The government should ensure that DPE is adequately funded to implement the above.
(3 Continued)	✪✪✪	State-owned enterprises In preparing the contextual information for the SOEs, we had difficulty	Since SOEs play a key role in managing and distributing PNG's

EITI Requirement	Status	Finding	Recommendation
		obtaining current and complete material on some entities. Information on the SOEs' websites was often incomplete or out of date, particularly for the IPBC, or non-existent in the case of the MRDC. The SOEs showed varied levels of capacity and transparency; Ok Tedi, Kumul Petroleum Holdings (NPCP) and Petromin provide plentiful information online, and were responsive to our queries, while Kumul Consolidated Holdings (IPBC) has been described as having 'systemic lack of transparency', and we struggled to extract outdated data from the MRDC. Given the significant public funds managed by the MRDC and Kumul Consolidated Holdings (as administrator of the GBT), this is of particular concern; it denies the government and people of PNG adequate information about their interests, and leaves considerable scope for misappropriation. This has resulted in some relevant contextual data being out of date, conflicting with other sources of information, or unavailable to include in the report.	wealth, the transparent disclosure of their processes for managing funds, and transferring to beneficiaries (landowners, subnational governments, etc.) is critical to a comprehensive EITI report. To improve the quality, accuracy and timeliness of information provided by the SOEs, we recommend that measures are undertaken to engage them in the EITI reporting process. This could include, for example, inviting representatives of the SOEs to participate in the MSG. Further, we recommend that the MSG conducts EITI training for the SOEs, which specifically addresses: • The importance of EITI reporting as a tool for improving governance and transparency • The information required to be reported under the EITI on an annual basis, including trust funds and beneficiaries • The provision of contextual data templates, with detailed explanation of each revenue stream • Quality assurance of contextual information
(3 Continued)		Mining production data Mining companies provide production data to the MRA on a monthly basis as a part of the monthly royalty return lodgment process. The production data provided for the reporting period was both incomplete and inconsistent. Materially different data sets were provided by the MRA at different times, and both sets showed information gaps. These gaps were acknowledged by the MRA, who said they were updating their records and working with companies to address the issue. We note that production data is now captured directly into the MRA's digital cadastre. Future EITI reports will show whether the cadastre system addresses these shortcomings.	To address the inconsistencies in production data, we recommend that the MRA: • Adopts standard units of measurement for reporting of each mineral commodity • Requires mining companies to provide data to them in consistent units of measurement, to mitigate any need for conversions to be applied • Conducts a detailed review of data within the digital cadastre prior to the next EITI reporting process to identify and address risk areas. • Considers implementing regular independent audits of production data and related payments, to ensure that regulatory compliance is being maintained.
		Oil and gas production data	

EITI Requirement	Status	Finding	Recommendation
		Oil and gas companies report production data to DPE on a monthly basis. DPE is not currently performing detailed reviews or audits of production data. Oil Search was the only company actively producing during the reporting period. We compared the DPE figures with those reported by Oil Search in their annual report, and found them materially consistent. However, it is our belief that this is largely a reflection of having only one producing company, which limits opportunity for misstatement. As the industry expands over the coming years, existing systems are likely to be inadequate to maintain this performance.	To address the risk of inaccurate reporting of oil and gas production data in future reporting periods, we recommend that the DPE: • Develops and implements a digital database or cadastre to record licence details, periodic production data, and related payments • Develops reporting templates for monthly production reports to the DPE, including standardised units of measurement, to mitigate any need for conversions to be applied • Considers implementing regular independent audits of production data and related payments, to ensure that regulatory compliance is being maintained.
(3 Continued)		Implementation of DPE compliance review Over the past year, the DPE has been conducting a compliance review. Early findings from this review revealed a 50 per cent rate of failure to comply with requirements including: • adherence to reporting requirements • validity of work programs being implemented • payment of license fees. At the time of writing, it is unclear whether the compliance review has been finalised, and whether the DPE is in the process of implementing the recommendations provided.	We strongly recommend that the DPE finalises its compliance review, and commences implementing the recommendations as soon as possible, as the findings relate to key elements of a compliant EITI Report.
4. The production of comprehensive EITI reports that include full government disclosure of extractive industries revenue, and disclosure of all material payments to government by oil, gas and mining companies		Barriers to comprehensive disclosure of revenue streams Through conducting the research for the EITI report, we identified a number of barriers to publishing a comprehensive EITI report, including: • No legal imperative for the identified reporting entities to participate in the EITI process • Confidentiality of many revenue streams is protected under PNG law • Lack of information in relation to transfers and payments to sub-national entities • Some EITI definitions and indicators had no equivalent definition in PNG law	

EITI Requirement	Status	Finding	Recommendation
(4 Continued)		Adequate controls to monitor movement of funds Cash and cheque payments remain in use. We did note through our discussions that some agencies had few or absent controls over receipts from the extractive industries. Whilst examination of controls relating to cash receipts and accounting were beyond the scope of this engagement, we observed that payments were still often made via cash or cheque, with manual processes for issuing receipts. The absence of a robust system for managing payments leaves the system vulnerable to fraud, corruption, and human error.	We recommend that government entities engage in a project to modernize payment systems globally. This should include, for example: • Payments being made by EFTPOS for all transactions • Implementing segregation of duties, and management oversight of cash processes • Implementing a rigorous audit program to regularly assess fraud risks.
		Budget process In preparing this report, we requested data from many government agencies. Key amongst these was Treasury, which provided information on the budget process for this report, and technical review of information related to the regulatory regime supporting the extractive industries. We appreciate the time and effort invested by Treasury in supporting the preparation of this report. However, we note that the process could have been streamlined if information relating to the Treasury budget process was publically available. Further, through our research we identified that the Budget tables do not always list underlying assumptions or methodologies. Nor were the units of measurement always defined, or consistent with those used by other government agencies (e.g. production data). Finally, Budget actuals show significant lag, with some 2013 figures (e.g. GDP) remaining as 'estimate' in the 2015 Budget.	To streamline future EITI Reports, and to provide more accessible information to stakeholders, we recommend that: • Treasury should publish clear, accessible information on the budget preparation process, preferably on its website • Tables in budget documents should clearly and comprehensively list relevant assumptions and basis for calculation. • Units of measurement should be standardised between government departments, particularly with respect to production data. • Treasury considers options to fast track the availability of Budget actuals, to enable more timely completion of annual EITI Reports.

EITI Requirement	Status	Finding	Recommendation
(4 Continued)	✪✪✪	Inter-agency collaboration and standardisation Reliable reporting on EITI requirements depends in turn on robust systems for collecting and sharing data; for example production data and export data as well as revenue streams. Data reported to us from different agencies – or in some cases even from the same agency at different times – did not match, which obscures whether correct payments have been made.	Systems should be established to enable productive sharing of information between government agencies. This should include establishing common units for measure, conversion factors and foreign exchange rates.
	✪✪	Development of a legal framework to support EITI reporting This document is PNG's first report under the EITI, and as such, formal processes and procedures were either non-existent, or in their infancy. Further, companies and government entities had no legal obligation to participate in the EITI process, which resulted in difficulty obtaining the required information in some instances.	To formalise the EITI reporting process within government, and to provide reporting entities with a regulatory requirement to cooperate with the reporting process, we recommend that the PNG Government develops and implements new legislation to enshrine EITI reporting requirements in law. Specifically, this legislation should include, for example: • Criteria for identification of reporting entities • Materiality thresholds • Details of revenue streams required to be reported, and by which entity • Details of production data required, including standardised units of measurement • Time frames for reporting • Audit and assurance requirements Alternatively, the PNG Government may consider incorporating disclosures for EITI reporting in sectoral legislation, such as the MA, OGA or implementing regulations. We recommend that the PNG Government seeks advice from other EITI compliant countries in developing any legislation.

EITI Requirement	Status	Finding	Recommendation
(4 Continued)	✪✪	Access to confidential information Some information that is required for EITI reporting was protected by confidentiality agreements, disclosure restrictions within the laws of PNG, or other restrictions including: • Tax payments made to IRC • Contracts between extractives industry and the government (e.g. no details of social payments) In order to obtain the information, we were required to either implement labour-intensive work-arounds (such as confidentiality waiver letters), or obtain information directly from the source. In some cases, we were unable to source information from any source due to these confidentiality restrictions. These restrictions limit opportunities for transparent reporting, and for additional verification and checking by the Independent Administrator of the obtained information.	We recommend that the Government of PNG amends legislation to enable information required for EITI reporting to be disclosed to the Independent Administrator, for the purpose of reporting in the EITI report. We also recommend that the Government of PNG considers removing confidentiality clauses from contracts with the resources industry, where information is required for EITI reporting. This could be limited to certain aspects of the contracts such as: • Social payments • Special tax rates • State interest in the project
		Social expenditure Mandatory social expenditures are agreed on a case-by-case, and these agreements are not disclosed. The MSG indicated that only Ok Tedi made mandatory social payments during the reporting period, and these were all publicly disclosed. Some companies also disclosed voluntary social expenditures, which ranged from zero to millions of kina.	Disclosure of both agreements and payments should be encouraged. When agreements are confidential, there can be no way for interested parties to ensure that payments are being made in accordance with those agreements. Companies should be encouraged to disclose their social expenditure, including beneficiaries and evidence of outcomes.

EITI Requirement	Status	Finding	Recommendation
(4 Continued)		Sub-national transfers Information relating to sub-national transfers and payments was difficult to obtain. Some benefits to regions impacted by extractives are set out in law via royalties, equity stakes, dividends and compensation arrangements. Others are included in memoranda of understanding on a case-by-case basis. However, these agreements are in most cases not public, and accountability mechanisms vary significantly. Royalties and levies, particularly those received for oil and gas, are held in trust. The category, number and balance of trust accounts in use could not be reliably identified, even by the Auditor General. Additionally, Trust Account Spending has not been incorporated into State Budget Expenditure. Again, this situation leaves significant scope for abuse. In collecting the information, we referred to the NEFC 2013 Budget and Fiscal Report. However, the information collected by the NEFC does not currently align to the EITI reporting requirements, such as differentiating between payments and transfers. Auditing of government accounts is challenging due to under-resourcing and lack of capacity both of the Auditor-General's office itself and the entities reporting to it. Recent audit reports indicate serious gaps and inconsistencies, particularly with respect to provincial and local-level governments.	We recommend that the MSG engages the Department of Finance in a detailed review of subnational payments and transfers prior to the next EITI reporting process. The review should specifically identify all recipients of payments, account details, nature of payments or transfers being received, and itemised payments during the period. Importantly, details of the payer (whether national government or extractive industry company) should be noted. Further, we recommend that the NEFC considers amending future Budget and Fiscal Reports to collect information on subnational payments and transfers in line with the EITI requirements.

EITI Requirement	Status	Finding	Recommendation
5. A credible assurance process applying international standards		Quality assurance Requirement 5.2 of the EITI standard specifies that reporting entities should provide quality assurances in relation to the data provided, where required by the MSG and the Independent Administrator. Due to limited time available for preparing this first report, the MSG and the Independent Administrator agreed that reporting entities would need to have submissions signed by an authorised company representative. This is a very low level of quality assurance, as no audit or review of the reported amounts was requested or obtained.	For future reporting periods, we recommend that reporting entities be required to obtain independent assurance or review of the reported amounts. We recommend that the MSG considers a staged approach to increasing the level of quality assurance over the data. The MSG could consider aligning this approach to the three levels of assurance outlined in EITI Standard requirement 5.2 (c), including: • Sign off from a senior official of the reporting entity • Confirmation letter from the entity's external auditor to confirm that the reported amounts are consistent with their audited financial statements • A letter of certification as to the accuracy of the disclosures from the entity's external auditors. In the future, the MSG could consider moving to a more rigorous audit program, to enhance the quality and completeness of data, through adoption of a staged approach, such as: • First reporting period: Agreed-upon procedures over the reported amounts, conducted by the reporting entity's independent auditor. • Second reporting period: Independent limited assurance statement in relation to the reported amounts, conducted by the reporting entity's independent auditor. • Third reporting period: Independent reasonable assurance over the reported amounts.

EITI Requirement	Status	Finding	Recommendation
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate	✪	Launch event, with wide circulation list The MSG has demonstrated a strong commitment to ensuring that its first EITI report is both readable and accessible to a wide audience. These measures include, for example: • Scheduling a launch event, with invitees across sectors and geographies • Providing access to the report both online and in hard copy. At the time of finalising this report, we had not been advised whether the report would be translated into either Tok Pisin or Hiri Motu, the second and third official languages of PNG, after English. Further, we were not aware of whether a PNG sign language translator would attend the launch event.	We commend the MSG on its efforts to ensure that its first EITI Report is publicised and widely circulated. For future reporting periods, and in line with leading practice, we recommend that the MSG considers whether further measures to circulate the report would be appropriate. This could include, for example: • Publicising a summarised EITI Report in both Tok Pisin and Hiri Motu, if appropriate. • Arranging for a PNG sign language translator to attend the launch event.
7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation	✪✪✪-	MSG keen focus on recommendations, including providing suggestions to us for inclusions Based on discussions with the MSG, we have found that key members of the group are very keen to understand the issues identified through our research, and our recommendations and next steps.	We would strongly encourage the MSG to implement the recommendations provided in this report. In order to do this, we suggest that the MSG integrates key actions into the PNG EITI work plan, allocates persons responsible, and tracks progress against these.

Appendix A: Register of mining licences

Note that coordinates of licences are provided as a separate file, available at: <link>

AML: Alluvial Mining Lease

EL: Exploration Licence

ML: Mining Lease

LMP: Lease for Mining Purpose

MAC: Mining Advisory Council

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
AML 595	Jeremiah Geme, Itama Mosapip, Ninga Yawa	Pending Renewal - Hearing Complete	23 Nov 2007	28 Nov 2008	27 Nov 2013	-	-	27 Nov 2013	0
AML 596	Douglas Tuvelo, Ephrain Yakam, Ninga Yawa, Eric Ben	Pending Renewal - Hearing Complete	23 Nov 2007	28 Nov 2008	27 Nov 2013	-	-	27 Nov 2013	0
AML 598	Ninga Yawa	Pending Renewal - Hearing Complete	20 Dec 2007	28 Nov 2008	27 Nov 2013	-	-	27 Nov 2013	0
AML 694	Joe Kelly	Active	17 Jul 2013	17 Feb 2015	16 Feb 2020	03 Feb 2015	-	-	0
AML 695	Joe Kelly	Active	17 Jul 2013	17 Feb 2015	16 Feb 2020	03 Feb 2015	-	-	0
AML 696	Dawantem Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 697	Dawantem Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 698	Dawantem Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 699	Dawantem Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 700	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 701	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 702	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 703	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 704	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 705	Brulla Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 706	Tama Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 707	Tama Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 708	Tama Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 709	Tama Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
AML 710	Ok Temka Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 711	Ok Temka Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 712	Ok Temka Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 713	Ok Temka Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
AML 714	Ok Temka Clan	Active	11 Nov 2013	29 Sep 2014	28 Sep 2019	28 Aug 2014	-	-	0
EL 193	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)	Active	25 Mar 1970	18 Dec 1970	26 Feb 2016	24 Jun 2015	-	30 Oct 2013	22
EL 440	Wafi Mining Ltd (50%), Newcrest PNG 2 Ltd (50%)	Active	29 Mar 1978	11 Mar 1980	10 Mar 2016	13 Oct 2014	-	10 Dec 2013	17
EL 485	Lihir Gold Ltd	Pending Renewal - Assessment Complete	02 Feb 1983	19 Jun 1983	31 Mar 2014	09 Dec 2015	-	12 Dec 2013	14
EL 1140	Niugini Gold Ltd (90%), Goldmines of Niugini Holdings Ltd (10%)	Pending Renewal - Matter with Minister Refusal	12 Dec 1994	11 May 1995	10 May 2013	28 Aug 2014	-	22 Jan 2013	8
EL 1178	MCC Ramu NiCo Ltd (85%), Mineral Resources Madang Ltd (9%), Mineral Resources Ramu Ltd (4%), Ramu Nickel Ltd (2%)	Expired	25 Apr 1996	28 Feb 1997	27 Feb 2015	-	27 Feb 2015	15 Jan 2013	8
EL 1304	Dae Han Resources Development Ltd	Renewal Application Refused	05 Jul 2001	11 Jan 2002	10 Jan 2014	19 Aug 2015	-	09 Oct 2013	5
EL 1322	Vangold (PNG) Ltd	Renewal Application Refused	12 Jun 2002	01 May 2003	30 Apr 2013	04 Dec 2014	-	24 Jan 2013	4
EL 1323	Vangold (PNG) Ltd	Renewal Application Refused	16 Jul 2002	01 May 2003	30 Apr 2013	04 Dec 2014	-	24 Jan 2013	4
EL 1324	Vangold (PNG) Ltd	Pending Renewal - Assessment Complete	06 Sep 2002	01 May 2003	30 Apr 2013	-	-	24 Jan 2013	4
EL 1379	Tolukuma Gold Mines Ltd (50%), Eda Minerals Ltd (50%)	Expired	26 Jul 2004	03 May 2005	02 May 2015		02 May 2015	01 Mar 2013	4
EL 1380	Pristine Pacific Ltd	Expired	30 Jul 2004	03 May 2005	02 May 2015		02 May 2015	31 Jan 2013	4
EL 1383	Nautilus Minerals Niugini Ltd	Expired	10 Sep 2004	10 Jun 2005	09 Jun 2009		16 Jul 2014	07 Mar 2013	1
EL 1386	Nautilus Minerals Niugini Ltd	Expired	03 Dec 2004	14 Sep 2005	13 Sep 2011		16 Jul 2014	11 Jun 2013	2
EL 1388	Nautilus Minerals Niugini Ltd	Expired	03 Dec 2004	14 Sep 2005	13 Sep 2009		16 Jul 2014	11 Jun 2013	1
EL 1391	Kawari Ltd	Pending Renewal - Hearing Complete	19 Jan 2005	20 Dec 2005	19 Dec 2013			19 Sep 2013	3

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
EL 1396	Titan Metals Ltd (90%), TVI Pacific Inc (10%)	Active	08 Apr 2005	20 Dec 2005	19 Dec 2015	19 Jun 2014		06 Dec 2013	4
EL 1424	Suckling Minerals Ltd (90%), Papuan Precious Metals Ltd (10%)	Expired	08 May 2006	01 Jun 2007	31 May 2015		31 May 2015	26 Feb 2013	3
EL 1436	Taaka Investment Ltd	Renewal Application Refused	07 Jul 2006	04 May 2007	03 May 2013	03 Feb 2015		05 Apr 2013	2
EL 1453	Brothers and Together PNG Ltd	Pending Renewal - Assessment Complete	21 Aug 2006	04 May 2007	03 May 2013	09 Dec 2015		21 Mar 2013	2
EL 1470	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	26 Oct 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1474	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	08 Nov 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1475	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	08 Nov 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1476	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	08 Nov 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1477	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	10 Nov 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1480	Nautilus Minerals Niugini Ltd (PNG Co. No 1 - 24459)	Expired	10 Nov 2006	03 Aug 2007	02 Aug 2009		16 Jul 2014	29 Apr 2013	0
EL 1486	Nautilus Minerals Niugini 2 Ltd	Expired	16 Nov 2006	30 Jun 2007	29 Jun 2009		16 Jul 2014	26 Mar 2013	0
EL 1487	Nautilus Minerals Niugini 2 Ltd	Expired	16 Nov 2006	07 Dec 2007	06 Dec 2009		16 Jul 2014	30 Aug 2013	0
EL 1547	Goldminex Ltd	Expired	08 Dec 2006	30 Jun 2007	29 Jun 2015		29 Jun 2015	02 Apr 2013	3
EL 1606	Goldminex Ltd	Expired	20 Sep 2007	03 Nov 2008	02 Nov 2015		02 Nov 2015	30 Aug 2013	2
EL 1625	Titan Metals Ltd	Surrendered	28 Nov 2007	20 Oct 2009	19 Oct 2011		05 Mar 2014	18 Oct 2013	0
EL 1663	Fairway No.23 Ltd	Cancelled	23 May 2008	10 Sep 2013	09 Sep 2015		29 Sep 2014		0
EL 1666	NVL (PNG) Ltd	Surrendered	12 Jun 2008	07 Jul 2009	06 Jul 2011		14 May 2013	27 Mar 2013	0
EL 1667	NVL (PNG) Ltd	Surrendered	12 Jun 2008	07 Jul 2009	06 Jul 2011		14 May 2013	27 Mar 2013	0
EL 1668	NVL (PNG) Ltd	Application - Withdrawn	12 Jun 2008	07 Jul 2009	06 Jul 2011		14 May 2013	27 Mar 2013	0
EL 1708	Harmony Gold (PNG) Exploration Ltd	Surrendered	05 Jan 2009	07 Jul 2009	06 Jul 2015		05 Jun 2014	04 Apr 2013	2
EL 1710	NVL (PNG) Ltd	Surrendered	16 Mar 2009	17 Aug 2009	16 Aug 2011		05 Aug 2013	24 Apr 2013	0
EL 1727	Quintessential Resources (PNG) Ltd	Pending Renewal - Matter with Minister Grant	18 May 2009	19 Feb 2010	18 Feb 2014	03 Feb 2015		19 Nov 2013	1
EL 1730	Aries Mining Ltd	Expired	26 May 2009	16 Mar 2011	15 Mar 2015		15 Mar 2015	13 Mar 2013	1

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
EL 1731	Aries Mining Ltd	Expired	26 May 2009	28 Sep 2013	27 Sep 2015		27 Sep 2015		0
EL 1750	Waterford Ltd	Expired	31 Aug 2009	21 Mar 2011	20 Mar 2013		03 Jun 2013	14 Mar 2013	0
EL 1751	Waterford Ltd	Expired	31 Aug 2009	21 Mar 2011	20 Mar 2013		03 Jun 2013	14 Mar 2013	0
EL 1752	Waterford Ltd	Expired	31 Aug 2009	21 Mar 2011	20 Mar 2013		03 Jun 2013	14 Mar 2013	0
EL 1762	Kair Engineering Ltd	Expired	13 Nov 2009	21 Mar 2011	20 Mar 2015	13 Oct 2014	20 Mar 2015	20 Mar 2013	1
EL 1763	Kair Engineering Ltd	Expired	13 Nov 2009	21 Mar 2011	20 Mar 2015		20 Mar 2015	20 Mar 2013	1
EL 1766	Aries Mining Ltd	Expired	03 Dec 2009	16 Mar 2011	15 Mar 2015		15 Mar 2015	13 Mar 2013	1
EL 1767	Rockwell Exploration SA	Renewal Application Refused	16 Dec 2009	04 Feb 2011	03 Feb 2013	31 May 2014	21 Jul 2014	01 Feb 2013	0
EL 1782	Copper Quest PNG Ltd	Pending Renewal - Hearing Complete	22 Feb 2010	25 Sep 2013	24 Sep 2015			25 Jun 2015	0
EL 1785	Harmony Gold (PNG) Exploration Ltd	Surrendered	22 Feb 2010	15 Mar 2013	14 Mar 2015		22 Jul 2014		0
EL 1857	Alexander Mining Ltd	Active	28 Jul 2010	23 Jan 2012	22 Jan 2016	06 Dec 2013		22 Nov 2013	1
EL 1900	Goldminex Resources (PNG) Ltd	Expired	04 Oct 2010	17 Nov 2011	16 Nov 2013	13 Oct 2014	16 Nov 2013	29 Oct 2013	0
EL 1916	New Global Mining (PNG) Ltd	Expired	08 Nov 2010	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 1917	NVL (PNG) Ltd	Surrendered	19 Nov 2010	27 May 2013	26 May 2015		05 Aug 2013		0
EL 1927	Morobe Exploration Ltd (50%), Newcrest PNG 3 Ltd (50%)	Renewal Application Refused	06 Dec 2010	12 Mar 2012	11 Mar 2014	18 Sep 2014		10 Dec 2013	0
EL 1942	Gog River Ltd	Pending Renewal - Registration Complete	24 Jan 2011	11 Nov 2013	10 Nov 2015			10 Nov 2015	0
EL 1966	Viva No. 20 Ltd	Pending Renewal - Hearing Complete	04 Apr 2011	27 Jun 2013	26 Jun 2015			23 Jun 2015	0
EL 1967	Viva No. 20 Ltd	Pending Renewal - Registration Complete	04 Apr 2011	28 Nov 2013	27 Nov 2015			28 Aug 2015	0
EL 1968	Viva No. 20 Ltd	Pending Renewal - Registration Complete	04 Apr 2011	28 Nov 2013	27 Nov 2015			28 Aug 2015	0
EL 1976	Newcrest PNG Exploration Ltd	Surrendered	21 Apr 2011	15 Mar 2013	14 Mar 2015		12 Jan 2015		0
EL 1984	Pacific Niugini Minerals (PNG) Ltd	Expired	09 May 2011	20 May 2013	19 May 2015		19 May 2015		0
EL 1988	Viva No.39 Ltd	Expired	16 May 2011	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2000	Parchee Gold Ltd	Expired	01 Jun 2011	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2006	Pristine No. 18 Ltd	Pending Renewal - Hearing Scheduled	09 Jun 2011	25 Sep 2013	24 Sep 2015			21 Sep 2015	0
EL 2023	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	03 Jul 2013	02 Jul 2015		07 Apr 2014		0
EL 2024	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	03 Jul 2013	02 Jul 2015		07 Apr 2014		0
EL 2025	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	03 Jul 2013	02 Jul 2015		07 Apr 2014		0

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
EL 2027	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	11 Nov 2013	10 Nov 2015		07 Apr 2014		0
EL 2028	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	11 Nov 2013	10 Nov 2015		07 Apr 2014		0
EL 2029	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	11 Nov 2013	10 Nov 2015		07 Apr 2014		0
EL 2030	Pacific Mining Partners Ltd	Cancelled	24 Jun 2011	11 Nov 2013	10 Nov 2015		07 Apr 2014		0
EL 2038	Pacific Mining Partners Ltd	Surrendered	24 Jun 2011	27 Jun 2013	26 Jun 2015		11 Aug 2014		0
EL 2049	Aries Mining Ltd	Expired	22 Jul 2011	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2054	Raffcu Resources Ltd	Expired	29 Jul 2011	22 Oct 2013	21 Oct 2015		21 Oct 2015		0
EL 2065	Pacific Mining Partners Ltd	Surrendered	18 Aug 2011	27 Jun 2013	26 Jun 2015		11 Aug 2014		0
EL 2066	Pacific Mining Partners Ltd	Surrendered	18 Aug 2011	25 Sep 2013	24 Sep 2015		24 Sep 2014		0
EL 2067	Pacific Mining Partners Ltd	Surrendered	18 Aug 2011	25 Sep 2013	24 Sep 2015		24 Sep 2014		0
EL 2068	Pacific Mining Partners Ltd	Surrendered	18 Aug 2011	25 Sep 2013	24 Sep 2015		24 Sep 2014		0
EL 2069	Pacific Mining Partners Ltd	Surrendered	18 Aug 2011	25 Sep 2013	24 Sep 2015		24 Sep 2014		0
EL 2129	Kilclare Ltd	Pending Renewal - Registration Complete	05 Dec 2011	11 Nov 2013	10 Nov 2015			10 Nov 2015	0
EL 2147	Redrock Australasia Pty Ltd	Cancelled	16 Dec 2011	27 May 2013	26 May 2015		16 Jul 2015		0
EL 2148	Redrock Australasia Pty Ltd	Cancelled	16 Dec 2011	27 May 2013	26 May 2015		16 Jul 2015		0
EL 2149	Titan Metals Ltd	Pending Renewal - Registration Complete	20 Dec 2011	25 Sep 2013	24 Sep 2015			23 Sep 2015	0
EL 2152	Mayur Exploration PNG Ltd	Expired	22 Dec 2011	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2162	Quintessential Resources (PNG) Ltd	Expired	03 Apr 2012	11 Nov 2013	10 Nov 2015		10 Nov 2015		0
EL 2163	Kawari Ltd	Cancelled	11 Apr 2012	27 Jun 2013	26 Jun 2015		16 Jul 2015		0
EL 2166	Goldminex Resources (PNG) Ltd	Expired	16 Apr 2012	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2170	Sarawaget Minerals Ltd	Expired	27 Apr 2012	27 Jun 2013	26 Jun 2015		26 Jun 2015		0
EL 2178	Kilclare Ltd	Application Refused	02 May 2012	27 Jun 2013	26 Jul 2015		12 Aug 2013		0
EL 2179	Regency Mines PLC	Cancelled	03 May 2012	25 Sep 2013	24 Sep 2015		27 Jul 2015		0
EL 2180	Crater Gold Mining Ltd	Pending Renewal - Hearing Deferred	04 May 2012	27 Jun 2013	26 Jun 2015			25 Mar 2015	0
EL 2190	Gold Rising Resources (PNG) Ltd	Expired	21 May 2012	20 Jul 2013	19 Jul 2015		19 Jul 2015		0
EL 2200	W.T Gold Resources (PNG) Ltd	Expired	25 May 2012	03 Jul 2013	02 Jul 2015		02 Jul 2015		0
EL 2201	W.T Gold Resources (PNG) Ltd	Expired	25 May 2012	03 Jul 2013	02 Jul 2015		02 Jul 2015		0
EL 2202	W.T Gold Resources (PNG) Ltd	Expired	25 May 2012	03 Jul 2013	02 Jul 2015		02 Jul 2015		0
EL 2213	Lifese Exploration (PNG) Ltd (50%), Lifese Engineering (PNG) Ltd (50%)	Expired	01 Jun 2012	20 Jul 2013	19 Jul 2015		19 Jul 2015		0

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
EL 2214	Lifese Engineering (PNG) Ltd (50%), Lifese Exploration (PNG) Ltd (50%)	Expired	01 Jun 2012	20 Jul 2013	19 Jul 2015		19 Jul 2015		0
EL 2228	Lava Ltd	Pending Renewal - Matter with Minister Grant	27 Jun 2012	27 May 2013	26 May 2015	14 Oct 2015		18 May 2015	0
EL 2233	Ok Tedi Mining Ltd	Application - Withdrawn	16 Jul 2012				05 Aug 2013	13 Mar 2013	
EL 2244	Kair Engineering Ltd	Surrendered	14 Aug 2012	11 Nov 2013	10 Nov 2015		20 Mar 2015		0
EL 2245	Kair Engineering Ltd	Surrendered	14 Aug 2012	11 Nov 2013	10 Nov 2015		20 Mar 2015		0
EL 2249	Anomaly Ltd (90%), Terenure Ltd (8%), Celtic Minerals Ltd (2%)	Pending Renewal - Hearing Complete	20 Aug 2012	11 Nov 2013	10 Nov 2015			11 Aug 2015	0
EL 2251	Mayur Exploration PNG Ltd	Application - Withdrawn	31 Aug 2012				15 Apr 2013	17 May 2013	
EL 2252	ENDEAVOR MINING LTD	Expired	14 Sep 2012	03 Jul 2013	02 Jul 2015		02 Jul 2015		0
EL 2253	ENDEAVOR MINING LTD	Surrendered	14 Sep 2012	28 Nov 2013	27 Nov 2015		23 Sep 2015		0
EL 2254	ENDEAVOR MINING LTD	Surrendered	14 Sep 2012	28 Nov 2013	27 Nov 2015		23 Sep 2015		0
EL 2256	Ok Tedi Mining Ltd	Active	12 Oct 2012	20 May 2013	19 May 2017	14 Oct 2015		16 Mar 2015	1
EL 2274	Manase Group (PNG) Ltd	Expired	18 Dec 2012	11 Nov 2013	10 Nov 2015		10 Nov 2015		0
EL 2275	Manase Group (PNG) Ltd	Expired	18 Dec 2012	03 Jul 2013	02 Jul 2015		02 Jul 2015		0
EL 2276	Ok Tedi Mining Ltd	Pending Renewal - Hearing Scheduled	08 Jan 2013	10 Sep 2013	09 Sep 2015			12 Jun 2015	0
EL 2277	Papuan Minerals Ltd	Application - Withdrawn	11 Jan 2013				09 May 2013		
EL 2278	Papuan Minerals Ltd	Application - Withdrawn	11 Jan 2013				09 May 2013		
EL 2279	Eda Minerals Ltd	Application - Withdrawn	21 Feb 2013				05 Aug 2013	21 Feb 2013	
EL 2280	Titan Mines Ltd	Application - Withdrawn	13 Mar 2013				12 May 2015		
EL 2281	Titan Mines Ltd	Active	13 Mar 2013	03 Feb 2014	02 Feb 2016				0
EL 2282	Pento Resources PNG Ltd	Active	05 Apr 2013	19 Dec 2014	18 Dec 2016	04 Dec 2014			0
EL 2283	Sierra Mining (PNG) Ltd	Application - Withdrawn	15 Apr 2013				04 Sep 2013		
EL 2284	Mayur Iron PNG Ltd	Active	15 Apr 2013	14 May 2014	13 May 2016				0
EL 2285	IBC Pacific Ltd	Active	23 Apr 2013	27 Oct 2014	26 Oct 2016	13 Oct 2014			0
EL 2286	Kair Engineering Ltd	Application Refused	26 Apr 2013			19 Aug 2015	21 Oct 2015		
EL 2287	Simbu Limestone Development Corporation Ltd	Active	26 Apr 2013	25 Feb 2014	24 Feb 2016				0
EL 2288	Simbu Limestone Development Corporation Ltd	Active	26 Apr 2013	25 Feb 2014	24 Feb 2016				0
EL 2289	Ok Tedi Mining Ltd	Pending Renewal - Hearing Scheduled	29 Apr 2013	19 Nov 2013	18 Nov 2015			07 Aug 2015	0

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
EL 2290	Resources Exploration Niugini Ltd	Application Refused	02 May 2013			19 Jun 2014	05 Aug 2014		
EL 2291	Resources Exploration Niugini Ltd	Expired	02 May 2013	25 Sep 2013	24 Sep 2015		24 Sep 2015		0
EL 2292	Resources Exploration Niugini Ltd	Application Refused	02 May 2013			19 Jun 2014	05 Aug 2014		
EL 2293	Resources Exploration Niugini Ltd	Application Refused	02 May 2013			19 Jun 2014	05 Aug 2014		
EL 2294	Resources Exploration Niugini Ltd	Application - Withdrawn	02 May 2013				25 Jul 2013		
EL 2295	Resources Exploration Niugini Ltd	Application Refused	02 May 2013			22 Apr 2015	08 May 2015		
EL 2296	Kair Engineering Ltd	Application Refused	09 May 2013			19 Aug 2015	21 Oct 2015		
EL 2297	Mayur Iron PNG Ltd	Application - MAC Deferred	13 May 2013			09 Dec 2015			
EL 2298	Double Team Holding Ltd	Application Refused	17 May 2013			28 Aug 2014			
EL 2299	Premier -AMR Developments (PNG) Ltd	Application Refused	21 Jun 2013			03 Dec 2014	16 Feb 2015		
EL 2300	Nan Jiang (PNG) Holdings Ltd	Application - Withdrawn	28 Jun 2013				02 Sep 2013		
EL 2301	Hazelvale Ltd	Application Refused	08 Aug 2013			28 Aug 2014	29 Sep 2014		
EL 2302	Canterbury Resources (PNG) Ltd	Pending Renewal - Registration Complete	19 Aug 2013	25 Feb 2014	24 Feb 2016			10 Nov 2015	0
EL 2303	Mayur Iron PNG Ltd	Active	22 Aug 2013	14 May 2014	13 May 2016				0
EL 2304	Mayur Iron PNG Ltd	Active	22 Aug 2013	14 May 2014	13 May 2016				0
EL 2305	Mayur Iron PNG Ltd	Active	22 Aug 2013	14 May 2014	13 May 2016				0
EL 2306	Khor ENG Hock & Sons (PNG) Ltd	Application - Hearing Complete	14 Oct 2013						
EL 2307	Goldminex Resources (PNG) Ltd	Application - Withdrawn	18 Oct 2013			13 Oct 2014	10 Oct 2014		
EL 2308	Goldminex Resources (PNG) Ltd	Application Refused	18 Oct 2013			22 Apr 2015	08 May 2015		
EL 2309	Rio Tinto Exploration (PNG) Ltd	Active	23 Oct 2013	10 Sep 2014	09 Sep 2016	19 Jun 2014			0
EL 2310	Harmony Gold (PNG) Exploration Ltd	Active	25 Oct 2013	24 May 2014	23 May 2016				0
EL 2311	Resources Exploration Niugini Ltd	Application Refused	25 Oct 2013			22 Apr 2015	08 May 2015		
EL 2312	Aus PNG Mining Ltd	Application - Withdrawn	31 Oct 2013				21 Feb 2014		
EL 2313	Newcrest PNG 3 Ltd (50%), Morobe Exploration Ltd (50%)	Active	12 Dec 2013	24 Dec 2014	23 Dec 2016	13 Oct 2014			0
LMP 86	Lihir Gold Ltd	Application - Withdrawn	23 Apr 2012	20 May 2013	19 May 2035		23 Sep 2013		
LMP 87	Ok Tedi Mining Ltd	Active	16 Aug 2012	10 Oct 2013	09 Oct 2035				
LMP 88	Ok Tedi Mining Ltd	Active	16 Aug 2012	10 Oct 2013	09 Oct 2035				
ML 156	Katana Iron Ltd	Application Refused	14 Nov 2013			24 Apr 2014	16 May 2014		

Code	Parties/Applicant	Status	Application Date	Grant Date	Expiry Date	MAC Date	Inactive Date	Last Renewal Application Date	Renewal Period
ML 506	Kuh Chun Ltd (51%), Dae Han Resources Development Ltd (49%)	Active	12 Jan 2012	18 Jan 2013	17 Jan 2033				
ML 507	Kawari Wiem Ltd	Active	02 May 2012	26 Mar 2013	25 Mar 2033				
ML 509	Hells Gate Exploration Ltd	Application - Matter with Minister Grant	31 Jul 2013			19 Oct 2014			

Appendix B: Petroleum licences (as at 30 November 2013) [222]

Licence type	
PDL	Petroleum Development Licence
APDL	Application for Petroleum Development Licence
APPL	Application for Petroleum Prospecting Licence
APRL	Application for Petroleum Retention Licence

Licence no.	Field	Applicants a Interests (100% unless otherwise indicated)	Area a location	Map ref	Date of application	Date Lodged	Date granted	Date Gazetted	Fees Paid Amount	OR No.	OR Date	Duration of e licence	Commodity	Block Numbers	Term	Period To	Amount	Description/ miscellaneous info
PDL 1	Main Gas Reservoir at Hides Field	Esso (ExxonMobil subsidiary)	4 Graticular blocks, onshore, SHP	Block Nos 1640, 1641, 1713 a 1714	11 Sep 2009		27 Sep 2015					20 years	Gas	Block Nos 1640, 1641, 1713 a 1714				underpinning the PNG LNG Gas Project,
PDL 2	Oil Fields at Kutubu	Oil Search PNG Ltd	Graticular blocks -12 onshore SHP	Block Nos 2005, 2006, 2077, 2078, 2079, 2150, 2151, 2152, 2224, 2225, 2297 a 2398	27 Aug 2009		10 Dec 2015					20 years	Oil	Block Nos 2005, 2006, 2077, 2078, 2079, 2150, 2151, 2152, 2224, 2225, 2297 a 2398				Associated gas from these fields will be used for the PNGLNG Project
PDL 3	South East Gobe Oil Field	Oil Search PNG Ltd											Oil					but not part of the PNGLNG Project
PDL 4	Gobe Main Oil Field	Oil Search PNG Ltd	4 Graticular blocks situated adjacent to and access the Southern Highlands/Gulf Province boundaries	Block Nos 2373, 2445, 2446 a 2519	27 Aug 2009		24 Dec 2021					20 years	Oil	Block Nos 2373, 2445, 2446 a 2519				Associated Gas from this field will be used for the PNG LNG Project
PDL 5	Moran Oil Fields and some parts of Kutubu Oil Fields	Esso	1 Graticular block, onshore in SHP	Block No. 1934	27 Aug 2009		17 Dec 2026					20 years	Oil	Block No. 1934				Associated Gas will be used for the PNG LNG Project
APDL 6	North West Moran Oil Field	Oil Search	1 Graticular block, onshore in SHP	Block No. 1933	27 Aug 2009		30 Apr 1933					20 years	Oil	Block No. 1933				Associated Gas will be used for the PNG LNG Project
APDL 7	South East Hides Gas Field		3 Graticular blocks onshore SHP															
APDL 8	Angore Gas Field		5 Graticular blocks onshore SHP															
APDL 9	Juha Gas Field		10 Graticular blocks onshore in SHP															
APDL 10	Stanley																	

[222] *Petroleum division – An overview*, p. 19, internal documents provided by DPE

Licence no.	Field	Applicants a Interests (100% unless otherwise indicated)	Area a location	Map ref	Date of application	Date Lodged	Date granted	Date Gazetted	Fees Paid Amount	OR No.	OR Date	Duration of e licence	Commodity	Block Numbers	Term	Period To	Amount	Description/ miscellaneous info
	Gas/Condensate Field																	
APDL 11		Oil Search (PNG) Ltd - 71.25%	3 graticular blocks - onshore Southern Highlands Province	Fly River map sheet Sb.54	16 Aug 2013	16 Aug 2013	Nil	Nil	K50, 000	E 33270	20 Aug 2013			1931, 1932 a 2004	25 Years	16 Aug 2014	K100, 000	
APDL 11		Merlin Petroleum Company - 8.75%														16 Aug 2015	K100, 000	
APDL 11		Nippon Oil Exploration (Niugini) Pty Ltd - 20%														16 Aug 2016	K100, 000	
																16 Aug 2017	K100, 000	
APPL 459		Wagaman Petroleum Exploration Ltd	4 graticular blocks in Western Province	Fly River map sheet Sb.54	07 Jan 2013	09 Jan 2013	Nil	22 Jan 2013 in GN#34 at page 1	K10,000	E 33116	09 Jan 2013			2360, 2432, 2433 a 2505. All blocks inclusive	Nil	Nil	Nil	Nil
APPL 461		Sabrage Ltd	18 graticular blocks onshore In Western Province	Fly River map sheet Sb.54	19 Mar 2013	22 Mar 2013	30 Jul 2014	5 Apr 2013 Gno: 143 at page 1	K10,000	E 33168	25 Mar 2013			2866, 2938, 3010-3012, 3082-3088, 3154-3158 a 3161. All blocks inclusive	6 years	20 Jul 2020	K54,000	G294124, 29 Jul 2014
APPL 473		New Guinea Energy Ltd	10 graticular 1/11/13 blocks located onshore and offshore of Western Province	Fly River map sheet Sb.54	25 Oct 2013	25 Oct 2013	Nil	Nil	K10,000	E 33313	29 Oct 2013			3380, 3381, 3452 a 3453	Nil	Nil	Nil	Nil
APPL 474		S.P.I (210) Ltd	59 graticular blocks onshore of Gulf Province (Top-File application over PPL 236)	Lae map sheet Sb.55	10 Oct 2013	16 Oct 2013	06 Mar 2014	12 Nov 2013 Gno: 494 at page 1	K10,000	E 33317	30 Oct 2013			3195, 3267, 3335-3339, 3341, 3408, 3410, 3411, 3413 a 3414	6 years	06 Mar 2015	K29, 500	G294015
As above		As above	As above	Port Moresby map sheet Sc.55	As above	As above	As above	As above	As above	As above	As above			24-26, 29, 30, 98-103, 171-175, 244, 245, 316-318, 388-390, 461-463, 534, 535, 607-609, 679-681, 751-754, 823-826 a 896-898	06 Mar 2020	As above	As above	27 Feb 2014
																06 Mar 2020	K147,500	G294269, 23 Feb 2015
APPL 475		S.P.I (220) Ltd - 68.430%	43 graticular blocks onshore of Gulf Province (Top-File application over PPL 237)	Lae map sheet Sb.55	10 Oct 2013	16 Oct 2013	06 Mar 2014	12 Nov 2013 GNO.G492 at page 2	K10, 000	E 33318	30 Oct 2013			2454-2456, 2528-2531, 2601-2603, 2671-2677, 2743-2749, 2815-2821, 2887-2895 a 2695-2697		06 Mar 2020	K62,500	G294014 27-Feb-14 G294270 23-Feb-15

Licence no.	Field	Applicants a Interests (100% unless otherwise indicated)	Area a location	Map ref	Date of application	Date Lodged	Date granted	Date Gazetted	Fees Paid Amount	OR No.	OR Date	Duration of e licence	Commodity	Block Numbers	Term	Period To	Amount	Description/ miscellaneous info
As above		Pacific Rubiales PNG Ltd - 12.90%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above		As above	As above	As above
As above		Interoil Partners Ltd - 18.664%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above		As above	As above	As above
APPL 476		SPI (208) Ltd	58 graticular blocks onshore of Gulf Province (Top-File application over PPL 237)	Lae map sheet Sb.55	10 Oct 2013	16 Oct 2013	06 Mar 2014	12 Nov 2013 GN: 494 at page 2	K10, 000	E 33319	30 Oct 2013			2392, 2393, 2463-2465, 2532-2536, 2604, 2605, 2607, 2608, 2680-2682, 2752-2758, 2824, 2825, 2827-2830, 2896, 2897, 2899-2902, 2968-2974, 3041, 3043, 3045, 3046, 3117-3119, 3189-3192 a 3262-3265. All blocks inclusive	6 years	06 Mar 2020	174000	G294013 27-Feb-14 G294271 23-Feb-14
APPL 477		S.P.I (208) Ltd	30 graticular blocks onshore of Gulf Province (Top-File application over PPL 238b)	Lae map sheet Sb.55	10 Oct 2013	16 Oct 2013	06 Mar 2014	12 Nov 2013 GNO: 494 at page 3	K10, 000	E 33320	30 Oct 2013			2247-2250, 2317-2322, 2324, 2325, 2389-2391, 2394, 2395, 2397, 2462, 2466, 2469, 2539-2542, 2612, 2613 a 2683-2685. All blocks inclusive	6 years	06 Mar 2020	K45,000	G294016 27-Feb-14 G294272 23-Feb-15
APPL - 478		Helios No.56 Ltd	1 Graticular Block onshore Kutubu Fold Belt Southern Highlands Province	Fly River map sheet Sb.54	31 Oct 2013	08 Nov 2013	Nil	14 Nov 2013 GNO: 499 at page 1	K10, 000	E 33330	11 Nov 2013			2007	Nil	Nil	Nil	Nil
APPL - 479		M & A Energy Corporation Ltd	2 graticular blocks onshore Papua Foreland in Gulf Province	Fly River map sheet Sb.54	11 Oct 2013	11 Oct 2013	Nil	12 Nov 2013 in NO.G493	K10, 000	E 3331	12 Nov 2013			2080 a 2081. All blocks inclusive	Nil	Nil	Nil	Nil
APPL - 480		M & A Energy Corporation Ltd	27 graticular onshores Papua foreland in Gulf Province	Fly River map sheet Sb.54	11 Sep 2013	11 Oct 2013	Nil	12 Nov 2013 in GN No. G493	K10, 000	E 3332	12 Nov 2013			201-203, 273-275, 345-347, 417-419, 489-491, 460-463, 632-635 a 704-707. All blocks inclusive	Nil	Nil	Nil	Nil
APPL -		T & S Petroleum Ltd	200 graticular blocks	Admirality map	08 Oct	14 Nov	Nil	20 Nov 2013	K10, 000	E 33335	15 Nov			3322-3348 a	6 years	Nil	Nil	Nil

Licence no.	Field	Applicants a Interests (100% unless otherwise indicated)	Area a location	Map ref	Date of application	Date Lodged	Date granted	Date Gazetted	Fees Paid Amount	OR No.	OR Date	Duration of e licence	Commodity	Block Numbers	Term	Period To	Amount	Description/ miscellaneous info
481			located offshore South Bismark Plate in Madang Province	sheet Sa.55	2013	2013		NO.G516 at page 2			2013			3394-3420				
As above		As above	As above	Lae map sheet Sb.55	As above	As above	As above	As above	As above	As above	As above			10-40, 82-112, 156-184, 229-256 a 302-328. All blocks inclusive	As above	As above	As above	As above
APPL - 482		T & S Petroleum Ltd	192 graticular blocks located offshore South Bismark Plate Within Madang Province	Lae map sheet Sb.55	08 Oct 2013	14 Nov 2013	Nil	20 November 2013 NO.G516 at page 2	K10, 000	E 33336	15 Nov 2013			379-400, 452-472, 597-616, 671-688, 743-760, 815-832, 887-904, 959-976 a 1031-1048. All blocks inclusive	6 years	Nil	Nil	Nil
APPL - 483		T & S Petroleum Ltd	82 graticular blocks located onshore & offshore in Madang Province	Lae map sheet Sb.55	08 Oct 2013	14 Nov 2013	Nil	20 Nov 2013 NO.G516 at page 1	K10, 000	E 33337	15 Nov 2013			1102-1120, 1174-1192, 1246-1264, 1323-1336 a 1399-1408. All blocks inclusive	6 years	Nil	Nil	Nil
APPL - 484		M & A Energy Corporation Ltd	12 graticular blocks located onshore of Papuan foreland within Gulf Province	Fly River map sheet Sb.54	11 Nov 2013	21 Nov 2013	Nil	22 Nov 2013 NO.G527 at page 2	K10, 000	E 33344	22 Nov 2013			2294, 2366, 2367, 2430-2441, 2512-2514 a 2584-2585	6 years	Nil	Nil	Nil
APPL - 485		M & A Energy Corporation Ltd	1 Graticular block located onshore Papuan foreland within Gulf Province	Fly River map sheet Sb.54	11 Nov 2013	21 Nov 2013	Nil	22 Nov 2013 NO.G527 at page 1	K10, 000	E 33344	22 Nov 2013			3070. All block inclusive	6 years	Nil	Nil	Nil
APPL - 486		Heritage PNG 319 Ltd - 80%	25 graticular blocks - onshore Gulf Province	Fly River map sheet Sb.54										2664. All blocks inclusive				
		Telemu No.18 Ltd - 20%		Lae map sheet Sb.55	25 Nov 2013	25 Nov 2013	16 Jun 2014	17 Dec 2013 NO.G561 a G292 8 Jul 2014	K10, 000	E 33352	25 Nov 2013				6 years	16 Jun 2017	K37,500	G294083 3-Jun-14 G294359 15-Jun-14
APRL 30		Horizon Oil (Papua) Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sb.55	14 Mar 2013	15 Mar 2013	Nil	Nil	K10, 000	E 33155	15 Mar 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
APRL 31		Arrabco International Ag United LNG	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	13 Mar 2013	09 Apr 2013	Nil	Nil	K10, 000	E 33178	09 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
APRL 32		Telopea Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	09 Apr 2013	10 Apr 2013	Nil	Nil	K10, 000	E 33187	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All	Nil	Nil	Nil	Nil

Licence no.	Field	Applicants a Interests (100% unless otherwise indicated)	Area a location	Map ref	Date of application	Date Lodged	Date granted	Date Gazetted	Fees Paid Amount	OR No.	OR Date	Duration of e licence	Commodity	Block Numbers	Term	Period To	Amount	Description/ miscellaneous info
														blocks inclusive				
APRL 33		PNG Prime Energy Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	27 Mar 2013	10 Apr 2013	Nil	Nil	K10, 000	E 33186	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
APRL 34		Twinza Oil (Paora) Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	10 Apr 2013	10 Apr 2013	Nil	Nil	K10, 000	E 33185	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
APRL 35		Hillsborough Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	09 Apr 2013	10 Apr 2013	Nil	Nil	K10, 000	E 33188	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
APRL 36		Eaglewood Energy (BVI) Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	10 Apr 2013	10 Apr 2013	Nil	Nil	K10, 000	E 33189	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163. All blocks inclusive	Nil	Nil	Nil	Nil
As above		PTT Public Company Ltd	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	As above	As above	As above	As above
As above		Mega Fortune International Ltd	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	As above	As above	As above	As above
APRL 37		PNG EPCM Ltd	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	08 Apr 2013	10 Apr 2013	Nil	Nil	K10, 000	E 32542	26 Nov 2010			947-949, 1019-1021, 1091, 1092 a 1163	Nil	Nil	Nil	Nil
APRL38		Talisman Energy Niugini Ltd - 25%	9 Blocks offshore Gulf Province	Port Moresby map sheet Sc.55	10 Apr 2013	10 Apr 2013	29 Nov 2013	Nil	K10, 000	E 33190	10 Apr 2013			947-949, 1019-1021, 1091, 1092 a 1163	5 years	28 Nov 2018	150,000	E 33305 24-Oct-13 G294200 24-Nov-14
As above		Barracuda Ltd - 10%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	29-Nov-18	As above	As above	As above
As above		Kina Petroleum Ltd - 25%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	As above	As above	As above	As above
As above		Cott Oil & Gas (PNG) Ltd 1-81836 - 40%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	As above	As above	As above	As above
APRL -39		SPI (220) Ltd-68.433980%	9 Blocks onshore Gulf Province	Lae map sheet Sb.55	17 Mar 2013	8 Mar 2013	20 Dec 2013	Nil	K10, 000	E 33156	15 Mar 2013			2455, 2456, 2528, 2529, 2530, 2531, 2601, 2602 a 2603	5 years	20 Dec 2017	K30,000	G294017 27-Feb-14 G2940217 8-Dec-14
As above		Pacific Rubiales PNG Ltd - 12.903226%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above	20-Dec-18	As above	As above	As above
As above		Interoil Partners Ltd - 18.662794%	As above	As above	As above	As above	As above	As above	As above	As above	As above			As above		As above	As above	As above