

Papua New Guinea Extractive Industries Transparency Initiative (PNG EITI)

Report for 2016

21 December 2017



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Contents

List of figures	v
List of tables.....	vii
Index to EITI Standard	viii
Independent administrator’s notes.....	ix
Abbreviations	x
Minister’s foreword	xi
Multi-stakeholder group statement	xiii
Executive Summary.....	1
1. Introduction	11
1.1 About the Extractive Industries Transparency Initiative	11
1.2 EITI implementation in Papua New Guinea	11
2. Revenue streams and reporting entities.....	16
2.1 Materiality.....	16
2.2 Reporting entities	17
2.3 Revenue streams	18
3. Contribution of the extractive industries to the economy	22
3.1 About Papua New Guinea	22
3.2 PNG economic overview for 2016	24
3.3 Post-2016 developments and projections	24
3.4 Impact of the extractive industries	25
3.5 Contribution to GDP	26
3.6 Contribution to government revenue	27
3.7 Contribution to exports	28
3.8 Contribution to employment	29
3.9 Commentary on the contribution of the extractives sector to the economy	32
4. Legal framework and fiscal regime	34
4.1 National governance structures	34
4.2 Ownership of subsoil assets	34
4.3 Taxation	35
4.4 Regulation of the mining industry.....	37
4.5 Regulation of the petroleum industry.....	39
4.6 Resource development agreements.....	40
4.7 State’s equity participation right	40
4.8 Other stakeholder equity participation rights.....	40
4.9 Changes to the taxation system	40
4.10 Government policy on disclosure of contracts.....	42
4.11 Disclosure of beneficial ownership.....	43
4.12 Relevant legislation and agreements	45
5. Management and distribution of revenues	46
5.1 Budget process.....	46
5.2 Recent reforms to the budget process	49

5.3	Commentary on the budget process	50
5.4	PNG Sovereign Wealth Fund	50
5.5	Budget priorities	51
5.6	How extractive industry revenues are recorded	52
5.7	Subnational payments and transfers.....	54
5.8	Auditing of the public accounts	58
6.	Social expenditure	60
6.1	Mandatory social expenditure	61
6.2	Discretionary social expenditure	61
6.3	Use of infrastructure tax credits.....	61
6.4	Quasi-fiscal expenditure	61
6.5	Mandatory and discretionary social expenditure reported for the 2016 reporting period.....	62
6.6	Social expenditure during exploration and development phase.....	63
7.	Mining	64
7.1	Overview of mining operations in 2016.....	64
7.2	Mines operating in 2016.....	65
7.3	New mining projects.....	74
7.4	Advanced exploration mining projects	75
7.5	Mining production data.....	76
7.6	Regulation of the mining sector.....	79
7.7	Register of tenements	79
7.8	Allocation of tenements	80
7.9	Public Investment Program.....	83
8.	Oil and gas	84
8.1	Oil and gas companies active in PNG.....	85
8.2	Overview of producing operations in 2016.....	86
8.3	Beneficial owners of oil and gas projects	89
8.4	New oil and gas projects	92
8.5	Oil and gas production data	93
8.6	Regulation of the oil and gas sector	94
8.7	Register of licences.....	95
8.8	Allocation of licences	95
9.	State-owned enterprises	99
9.1	Legal basis	99
9.2	Kumul Consolidated Holdings Ltd (KCH).....	99
9.3	Kumul Petroleum Holdings Ltd (KPH).....	100
9.4	Kumul Mineral Holdings Ltd (KMH)	105
9.5	Ok Tedi Mining Ltd (OTML)	107
9.6	Mineral Resources Development Company Ltd (MRDC).....	111
10.	Reconciliation of revenue streams.....	118
10.1	The reporting process	118
10.2	Data quality and assurance	120
10.3	Reconciliation overview.....	120
10.4	Detailed reconciliation.....	123

10.5	Audit of financial statements 2016.....	134
11.	Findings and recommendations.....	141

Appendixes

A	PNG MSG members and alternates	149
B	Social expenditure detail	151
C	Active mining tenements for 2016	153
D	CEPA environmental permits 2016	167
E	Active oil and gas licenses in 2016.....	168
F	Oil & gas licenses transferred in 2015	170
G	Receiving entities for mining royalty payments - as reported by MRA.....	172

Figures

1: Percentage contribution of the extractive industries to economic measures 2016	2
2: Mineral exports 2016 (PGK million).....	2
3: Relative contribution of revenue streams from the extractive industries 2016.....	3
4: Revenue streams and recipients	4
5: Mining exports by project, 2016	5
6: The resources value chain	11
7: PNG EITI Timeline	12
8: Structure of governance on PNG EITI	13
9: EY's process for preparing this report	14
10: Relative contribution of each known revenue stream, 2016	21
11: GDP and GDP Growth 2016	24
12: Percentage contribution of the extractives sector to economic measures in 2016.....	26
13: Extractive industry contribution to GDP 2016	26
14: Mineral exports as a proportion of total exports, 2003-16	29
15: 2009-2016 Employment index.....	29
16: Mining and non-mining employment growth.....	31
17: 2011 census employment data.....	32
18: Timeline of key steps in PNG budget process.....	49
19: Mt Fubilan production data, as reported by MRA	65
20: Ownership structure of Ok Tedi mine.....	66
21: Luise Caldera production data, as reported by MRA.....	66
22: Lihir ownership structure	67
23: Porgera production data, as reported by MRA.....	67
24: Porgera mine ownership structure	68
25: Hidden Valley production data, as reported by MRA	68
26: Hidden Valley mine ownership structure to October 2016	69
27: Hidden Valley mine ownership structure from October 2016.....	69
28: Kurumbukari production data, as reported by MRA	70
29: Ramu Nickel Project ownership structure	70
30: Simberi production data, as reported by MRA	71
31: Simberi mine ownership structure.....	71
32: Edie Creek production data, as reported by MRA	72
33: Edie Creek mine ownership structure	72
34: Mt Crater production data, as reported by MRA	73
35: Mt Crater mine ownership structure.....	73
36: Kainantu mine ownership structure	74
37: Advanced exploration tenement locations - 2016.....	75
38: Export values reported for each mine - 2016	77
39: PNG Oil and LNG Production, 1992-2016.....	84
40: Oil and gas projects in PNG.....	85
41: Oil Search licence interests, processing and distribution routes	87
42: Oil and gas licence registers	95
43: Process for DPE licence allocation	96
44: Kumul Consolidated Holdings extractive projects and fiscal arrangements post August 2015	100
45: Kumul Petroleum Holdings Ltd (KPH) projects and fiscal arrangements prior to July 2016.....	102
46: Kumul Petroleum Holdings Ltd (KPH) projects and fiscal arrangements post July 2016.....	102
47: KPH reported revenue and payment streams 2016	104
48: Ownership structure of KMH projects and fiscal arrangements first half of 2016.....	106
49: Ownership structure of OTML	108
50: Dividend revenue streams from Ok Tedi	109
51: OTML reported revenue streams 2016.....	110
52: MRDC subsidiaries and ownership structure	113

53: MRDC revenue distributions	116
54: Comparison of assessable income and State revenue received	121
55: Revenue streams received by the State	121

Tables

1: Material reporting entities.....	5
2: Oil and gas production data 2016	6
3: Rates of compliance with EITI reporting 2016	8
4: Revenue stream overview	8
5: Material resources companies 2016.....	17
6: SOEs 2016	18
7: Material government entities 2016	18
8: Extractive industry revenue streams	19
9: Additional payment types referred to by the EITI Standard.....	21
10: PNG's World Development Indicators.....	23
11: Contributions to growth in real GDP (% points) during 2013-16	27
12: Contribution of the mining and oil and gas sectors to government revenue	28
13: Comparison of 2017 Budget figures with figures from reconciliation (see Chapter 10)	28
14: Rates of income taxation in PNG (%).....	35
15: Relevant legislation with hyperlinks.....	45
16: Public records of extractive industry revenues	52
17: Summary of social expenditure by company and sector in 2016	62
18: Advanced exploration tenement owners	76
19: Company reported and MRA production values for 2016	77
20: Comparison of export quantities and values reported by companies, MRA and in Budget figures	79
21: Tenements awarded by MRA in 2016	82
22: PIP funds administered by MRA, 2016	83
23: Beneficial ownership data for oil and gas projects operating during the 2016 calendar year...	90
24: Oil and gas production data 2016	93
25: Oil production and export data provided by DPE	94
26: Oil production and export variances	94
27: DPE licence statistics for 2016	98
28: Relevant subsidiaries owned by KMH in first half of 2016.....	105
29: MRDC reported receipts and payments for 2016	116
30: Summary of information provided by reporting entities	119
31: Summary of revenue streams reported	122
32: Reconciliation of corporate income tax payments.....	123
33: Reconciliation of dividend payments to Treasury	124
34: Reconciliation of ITCs actually spent on projects in 2016 reported by companies and DNPM	125
35: Reconciliation of ITC offsets reported by companies and IRC	125
36: Partially reconciled group tax 2016	126
37: Other taxes reported by IRC	127
38: Reconciliation of production levy	128
39: Reconciliation of mining royalty payments paid to landholders	129
40: Reconciliation of mining royalty payments paid to local/provincial government	129
41: Fees paid to MRA (unilaterally disclosed)	130
42: Reconciliation of equity distribution payments	130
43: Reconciliation of development levy	131
44: Reconciliation of oil and gas royalty payments	132
45: Share of sales reported by oil and gas companies	132
46: Auditing of reporting entities.....	134
47: Progress against the NEC directives	144

Index to EITI Standard

EITI Standard		Section
2.1a	Description of the legal framework and fiscal regime governing the extractive industries.	4
2.1b	Government reforms	4.9; 5.4
2.2	Licence allocations	0;8.8
2.3	Register of licences	7.7; 8.7
2.4	Contracts	4.10
2.5	Beneficial ownership	4.11; 7.2; 8.3
2.6a	Prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises	4.7; 9.1; 9.2.3; 9.3.3; 9.4.3; 9.5.3; 10.4.1.2
2.6b	Disclosures from the government and SOE(s) of their level of ownership in mining; oil and gas companies	2.2.2; 7.2; 8.3; 9
3.1	Exploration	7.1; 0; 8.4
3.2	Production	7.5; 8.5
3.3	Exports	3.7; 7.5; 8.5
4.1	Comprehensive disclosure of taxes and revenues	2.3; 6.5; 0; 10
4.2	Sale of the state's share of production or other revenues collected in kind	2.3; 9; 10.4.3.5
4.3	Infrastructure provisions and barter arrangements	4.3.2.6; 6.3; 10.4.1.3
4.4	Transportation revenues	2.3
4.5	Transactions related to state-owned enterprises	9; 10
4.6	Subnational payments	5.7; 9.6.3; 10.4.2.2
4.7	Level of disaggregation	2.2
4.9	Data quality and assurance	5.8; 10.2; 10.5
5.1	Distribution of extractive industry revenues	5
5.2	Subnational transfers	5.7
5.3	Revenue management and expenditures	5
6.1	Social expenditures by extractive companies	6
6.2	Quasi-fiscal expenditures	2.3; 6.4; 9
6.3	The contribution of the extractive sector to the economy	3

Independent administrator's notes

Reporting period

This report covers the calendar year from 1 January 2016 to 31 December 2016. In instances where figures for 2016 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 2016 within the text.

Reporting on cash basis

Receipts and payments reconciliations incorporated within this report is on 'cash basis', consistent with decisions made by the MSG. That is, we included only payments made or received during the 2016 calendar year. Some of these payments may have been accrued in previous years. Where payments were accrued during 2016, but made during 2017, these will be included in the 2017 EITI Report.

Currency

Most figures in this report are given in PNG kina (PGK), while some are in US dollars (USD). This reflects the data as received; the independent administrator has not converted any amounts, nor have we checked conversion rates. A suggested average 2016 exchange rate of USD1: PGK3.075 was included in the reporting templates.

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 MSG. Where variances were found during the reconciliation process, we have worked with reporting entities to explain and, where, possible, resolve these variances. Other than the reconciliation process, no quality assurance, audit, verification, or review has been provided to test or confirm the accuracy of the data, meaning that no conclusion is provided as to the accuracy and completeness of the data and information presented

Report completeness

We have experienced varied levels of cooperation from reporting entities. In general, reporting entities have shown an increasing level of understanding of the process, and willingness to participate since the first PNG EITI Report on 2013. An index of report content relative to the EITI Standard can be found on page viii.

Abbreviations

AML	Alluvial Mining Lease	ML	Mining Lease
APF	Agogo Processing Facility	MoA	Memorandum of Agreement
APT	Additional profits tax	MRA	Mineral Resources Authority
BDO	Business Development Grant	MRDC	Mineral Resources Development Company Limited
BO	beneficial ownership	MMscf	Millions of standard cubic feet (gas)
CDOA	Coordinated Development and Operating Agreement	MRE	Mineral Resource Enga Ltd
CEPA	Conservation and Environment Protection Authority	MRM	Mineral Resource Magang Ltd
CMCA	Community Mine Continuation Agreement	MROT	Mineral Resource Ok Tedi No. 2 Ltd
CPF	Central Processing Facility	MRSM	Mineral Resources Star Mountains Ltd
CRF	Consolidated Revenue Fund	MSG	Multi-stakeholder group
DMPGM	Department of Mineral Policy and Geohazard Management	MTFS	Medium Term Fiscal Strategy 2013-2017
DNPM	Department of National Planning and Monitoring	MYEFO	Mid-Year Economic and Fiscal Outlook
DOF	Department of Finance	NEC	National Executive Council
DPE	Department of Petroleum and Energy	NEFC	National Economic and Fiscal Commission
EIR	environmental impact report	NGO	Non-government organisation
EIS	environmental impact statement	OGA	Oil and Gas Act 1998
EITI	Extractive Industries Transparency Initiative	OTDF	Ok Tedi Development Foundation
EL	Exploration License	OTML	Ok Tedi Mining Ltd
EMC	Executive Management Committee	oz	ounce
FGTF	Future Generation Trust Funds	PDL	Petroleum Development Licence
FOB	Free on board	PEP	Politically exposed person
GBT	General Business Trust	PIP	Public Investment Program
GDP	Gross Domestic Product	PGK	Papua New Guinea kina
GST	Goods and Services Tax	PNG	Papua New Guinea
IA	Independent Administrator	PNGSDP	Papua New Guinea Sustainable Development Program
IDG	Infrastructure Development Grant	PPFL	Petroleum Processing Facility Licence
ILG	Incorporated Land Group	PPL	Petroleum Prospecting Licence
IMF	International Monetary Fund	PRG	Petroleum Resources Gobe Ltd
IPBC	Independent Public Business Corporation	PRK	Petroleum Resources Kutubu Ltd
IRC	Internal Revenue Commission	PRL	Petroleum Retention Licence
ITA	Income Tax Act 1959	PRM	Petroleum Resources Moran Ltd
JV	Joint Venture	scf	standard cubic feet (gas)
KCH	Kumul Consolidated Holdings Ltd	SML	Special Mining Lease
KMH	Kumul Mineral Holdings Ltd	SOE	State-owned enterprise
KPH	Kumul Petroleum Holdings Ltd	SSG	special support grants
LBBSA	Licence Based Benefits Sharing Agreement	STARS	Responsible Sustainable Development Strategy
LNG	Liquefied natural gas	Stbo	standard barrels of oil
m ³	cubic metres	stbopd	standard barrels of oil per day
MA	Mining Act 1992	SWF	Sovereign Wealth Fund
MAC	Mining Advisory Council	TCS	Tax Credit Scheme
MCC	Metallurgical Corporation of China Ltd	TWL	tax waiver letter
		UBSA	Umbrella Benefit Sharing Agreement
		UHA	Unconventional Hydrocarbons Act

Minister's foreword



It is with great pleasure that I endorse this fourth Extractive Industries Transparency Initiative Report for Papua New Guinea. The 2016 Financial Year Report is the culmination of continued commitment, collaboration and efforts by the Government, extractive industries and civil society organisations to provide a comprehensive picture of the sector, its impact on the economy and our management of the revenues and benefits derived.

Through the EITI process, it is beginning to strengthen the relationship between policy, revenue administration and regulating agencies. I believe that inter-agency collaboration is key to achieving positive resource revenue management outcomes, both in terms of transparency in collections and accountability in expenditure. Inter-agency collaboration is also important to identify opportunities to make systems and processes more user-friendly for efficiency in businesses and investments. The 2016 Report continues to build on the information and data gaps that were identified in earlier reports. The Report also provides an update on the actions taken by affected government entities that were directed by the National Executive Council (NEC Decision #91/2017) to implement key recommendations from the first report.

The 2016 Report is important in that it will form the basis of an external review and assessment for PNG's EITI membership validation in 2018.

The EITI process can also help improve current policy settings, the taxation and fiscal regime governing the extractives sector. It demands Government to adhere to global best practices in the sector by increasing transparency and accountability of extractive revenues. It also demands the highest levels of transparency in the collection and distribution of revenues by the Government. I encourage the public to read the contents of the report and use it as a basis for stimulating further discussions on the management of the sector.

Though PNG remains one of the most challenging countries to invest in geographically, it is amongst the most geologically attractive countries in the world. While global commodity prices have remained subdued in the last couple of years, developers of a number of proposed projects in PNG have remained committed and proceeded with several major mines set to come on stream in the near future. With promising signs of global commodity prices recovering, both developers, Government and our people stand to gain from the operation of these projects. The Government values the EITI process because it is playing a critical role in providing such reports to the public for them to better understand how we are managing the revenues and other benefits derived from the sector.

I therefore assure investors and Papua New Guineans that the Government of PNG is committed to transparency and accountability to derive better outcomes for our development aspirations. This Government believes in creating a conducive environment for further investments in the extractives sector.

I commend the 2016 EITI Report and officially endorse it for publication and release.

A handwritten signature in black ink, appearing to read 'Charles Abel', written in a cursive style.

HON. CHARLES ABEL, MP
Deputy Prime Minister, Minister for Treasury & Chairman,
PNG Extractive Industries Transparency Initiative

Multi-stakeholder group statement

The Papua New Guinea Extractive Industries Transparency Initiative Multi-Stakeholder Group (PNGEITI MSG) was established in 2013 to provide guidance and oversight on the EITI implementation process. One of MSG's main activities is the oversight and guidance in the production of annual EITI reports as required by EITI International. PNGEITI MSG members representing government, civil society groups and the industry have worked together and published three EITI reports so far. The inaugural report covering the financial year 2013 was published and launched by the Prime Minister Peter O'Neill in February 2016. The second report covering the financial year 2014 was published in February 2017 and the third report covering the financial year 2015 will be published concurrently with the financial year 2016 Report.

The 2016 Report is significant in that it will form the basis of review and assessment for PNG's upcoming validation in 2018.

The MSG continued to provide guidance and oversight in the production of these reports, especially in their endeavour to addressing the data and information gaps identified in the earlier reports. It is good to note in the 2016 Report that the level of disclosure for some EITI requirements has improved from previous reports. The case study on the PNG LNG Umbrella Benefits Sharing Agreement (UBSA) in the 2016 Report is particularly useful, as well as, the discussion on state-owned enterprises (SOEs) structure and management.

The EITI process is helping to improve current policy settings for the extractive sector. It is set to ensure PNG adheres to global best practices in the sector by increasing transparency and accountability of revenues paid by companies to the national, provincial and local level governments and landowner associations. It further enhances transparency in the distribution of revenues from the national governments to sub-national levels. It is encouraging to see first-hand the level of collaboration that has been fostered between government, industry and the civil society groups and in publishing the annual EITI reports, consistent with global standards. The publication of this report will not only stimulate further discussions on the management of the sector but also provides an update on the government's efforts to act on some key recommendations made in the earlier EITI reports.

This fourth report further extends a journey the MSG had taken together. The MSG has been focussed on the PNG EITI objectives of:

- ▶ Improving public understanding of the management of the extractives industry
- ▶ Improving the accountability of both government and Industry through enhanced understanding of the management of the extractives sector
- ▶ Improving transparency of payments made to sub-national levels of government (provincial and local level governments and landowner groups)
- ▶ Ensuring that revenue generation and collections are consistent with the government's policy settings, fiscal and taxation arrangements governing the extractives sector.

The activities of the MSG, however have not only resulted in the culmination of EITI reports but have also created a platform for government, industry and civil society groups to work together and improve communication outreaches and awareness of the extractive industries. The MSG has formed a vital component of the wider partnership between government, private sector and civil society over fiscal transparency, access to information and improved service delivery. This is being developed under the Open Government Partnership (OGP), of which Papua New Guinea is a member. The MSG also approved an EITI Open Data Policy and Framework which came into effect in January 2017 as required under the EITI Standard. The Open Data Policy which also complements OGP principles. The MSG had also adopted an EITI Communication Policy and Strategy in 2016 to

bring about awareness to the public on report findings as well as design media and communication strategies.

Some of the activities of the MSG members can be found on the PNGEITI website (www.pngeiti.org.pg). Some MSG members have also taken ownership of the EITI process and included EITI activities in their regular newsletters, publications and other social media. Some of the key activities include: the annual activity reports and a range of awareness activities on the EITI process, roadshows and outreaches conducted in regional centres and resources impact areas. These outreach activities were targeted at informing the public on the outcome and findings from the EITI reports and their recommendations and progress made by concerned government entities in implementing some of these recommendations.

The MSG has also commenced other important tasks for the sector that are now in progress and these include:

- ▶ Implementation of activities from the Beneficial Ownership Roadmap adopted in January this year following a scoping study. The roadmap will be implemented from 2017 to 2020, when PNG will be required to report on beneficial ownership details under the 2016 EITI Standard.
- ▶ The MSG has also started work on the EITI legislation and policy framework in 2016 that was pursued in 2017. A policy and legal expert will be engaged early next year to commence legislative drafting.
- ▶ Commencement of a scoping study on extending EITI implementation to subnational levels of governments.

Through the chairmanship of the MSG by the government, it has further strengthened the relationship between policy, revenue administration and regulating agencies. Inter-agency collaboration is key to achieving 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 MSG process has not only allowed for better inter-agency collaboration and proposed policy and legal reforms but it has also enhanced it further through greater access to Industry and civil society organisations. This inter-agency collaboration was further strengthened through the inclusion of and participation of SOEs at the MSG level. Their participation signalled a long-term commitment from all stakeholders to the EITI implementation process in the country.

Industry representatives on the MSG have been drawn from both the mining and petroleum sectors. The industry representatives have worked consistently with other constituent partners for the last three years, with great generosity of time and resources to help advance all aspects of the EITI process. Publishing this fourth report demonstrates the valuable partnership that has been operating in pursuit of our development objectives as a nation and the real contribution they can make to the economy. The report is not only focussed on revenues produced by this sector in 2016 financial year but also sets out other contextual information on economic contributions such as voluntary social expenditures, contracts transparency and beneficial ownership disclosure.

Civil society organisations (CSOs) have also been critical partners in the EITI process since the establishment of the MSG. Active participation of CSOs in the EITI process has been key to ensuring that the EITI reports that have been published are translated into actual policy and legislative reforms. These reforms are necessary to bring about greater transparency and accountability for better management of PNG's mineral wealth. CSOs have a wider network to disseminate information and a voice for the silent majority who have their own perspectives on the impacts and economic contributions from the extractives industry.

CSOs have organised themselves with the establishment of the PNG Resource Governance Coalition (PNGRGC) which extends to network with wider civil society. The PNGRGC, along with individual MSG CSO stakeholders, have worked with government and the industry group in conducting community outreach activities that have been critical for informing public debate on, how PNG

government and industry have been managing its valuable natural resource endowment, debating benefits and some hazards of exploitation, the nature of agreements and fiscal conditions, and sustainable management of these resources into the future.

The MSG would like to extend their thanks and appreciation to the PNGEITI National Secretariat headed by Mr Lucas Alkan in supporting the MSG in advancing EITI work in the country. The MSG also acknowledges the valued advice and support it has been receiving from EITI International Secretariat in its efforts to implement. Finally, the MSG would also like to thank EY for performing its duties as the Independent Administrator in compiling and producing this report.



PNG Council of Churches



PNG MINING
WATCH GROUP ASSOCIATION



Executive Summary

What is EITI?

The Extractive Industries Transparency Initiative (EITI) is a global organisation established in 2002 with a goal of increasing industry transparency and accountability. Countries participate by issuing annual reports reconciling payments from the extractive industries to receipts by governments, in accordance with the EITI Standard. This is Papua New Guinea's fourth EITI report, covering the 2016 calendar year. In accordance with the EITI Standard, the reporting process has been overseen by a multi-stakeholder group (MSG), and has been compiled by an independent administrator, Ernst & Young (EY).

Through participation in EITI, Papua New Guinea (PNG) is seeking to improve public understanding of the management of the extractive industries, increase the accountability of both government and industry, and improve the attractiveness of PNG as a destination for foreign investment.

About PNG

PNG comprises the eastern half of the island of New Guinea and surrounding islands, in the southwestern Pacific. The country has around 7.3 million inhabitants, and is extremely diverse geographically, biologically, culturally and linguistically. It comprises 22 provinces, with the capital in Port Moresby.

According to World Bank classifications, PNG is 'lower middle income'. The country is still establishing infrastructure and governance structures, and faces the complexities of a substantially non-monetised economy and a diverse population. PNG currently ranks 154 out of 187 countries in the United Nations' Human Development Index, and many social indicators such as health, education and gender equality are poor.¹ The PNG Government has expressed a strong commitment to address these issues and to meet the Sustainable Development Goals.²

PNG's economy is dominated by two sectors: agriculture, forestry and fishing, which engages most of the labor force (the majority informally); and the extractives sector (oil and gas extraction; mining and quarrying), which accounts for the majority of export earnings.³ In 2016, PNG's Gross Domestic Product (GDP) was PGK60,516.5 million.⁴

What extractive industries are there in PNG?

PNG is rich in minerals, ranking in the top 20 world gold and copper producers, and also producing silver, nickel and cobalt. PNG also has reserves of oil and gas; the country ranks 99 out of 103 countries with proven oil reserves, but its location close to Asia Pacific buyers, and the relatively low production costs,⁵ give the industry strategic advantages.⁶

¹ World DataBank Development Indicators, <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>, accessed 13 November 2017

² PNG Department of National Planning and Monitoring, Millennium Development Goals Final Summary Report 2015, http://www.pg.undp.org/content/papua_new_guinea/en/home/library/millennium-development-goals-final-summary-report-2015.html accessed 26 September 2017

³ 'PNG Overview', <http://www.worldbank.org/en/country/png/overview>, accessed 11 November 2016.

⁴ 2017 National Budget, Vol 1, Appx 3, Table 1, p. 102 (Actual data for 2007 to 2014: National Statistical Office. Estimates and projections: Dept. of Treasury) http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

⁵ Oil Search Presentation at CLSA Hong Kong Investors' Forum, 2016, p.9 (accessed via <http://www.oilsearch.com/Media/docs/160919%20CLSA%20Investors'%20Forum%20Hong%20Kong%20-%20presentation-Update-85eecba7-f7cd-4aea-9764-217eaca5d2ca-0.pdf>, 7 February 2017)

⁶ 'International Energy Statistics,' *Energy Information Administration* <http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=57&aid=6>, accessed 07 February 2017

Who owns mineral resources in PNG?

Subsoil assets in PNG belong to the State. Developers of resource projects generally enter into an agreement with the State of PNG in addition to obtaining a resource development licence or mining tenement. This typically involves a broad consultation process with all affected parties. The details of contracts and licences are confidential and not publicly available.

The State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% of a mining project. The State generally also grants free equity in resource projects to landowners from the area in which a project is located.

How do the extractive industries contribute to the PNG economy?

The extractive industries make up the majority of PNG's exports, and the commencement of the PNG LNG project has been the primary driver of GDP growth in recent years. Extractives contribute a smaller proportion of Gross Domestic Product, government revenue and employment.

Figure 1: Percentage contribution of the extractive industries to economic measures 2016

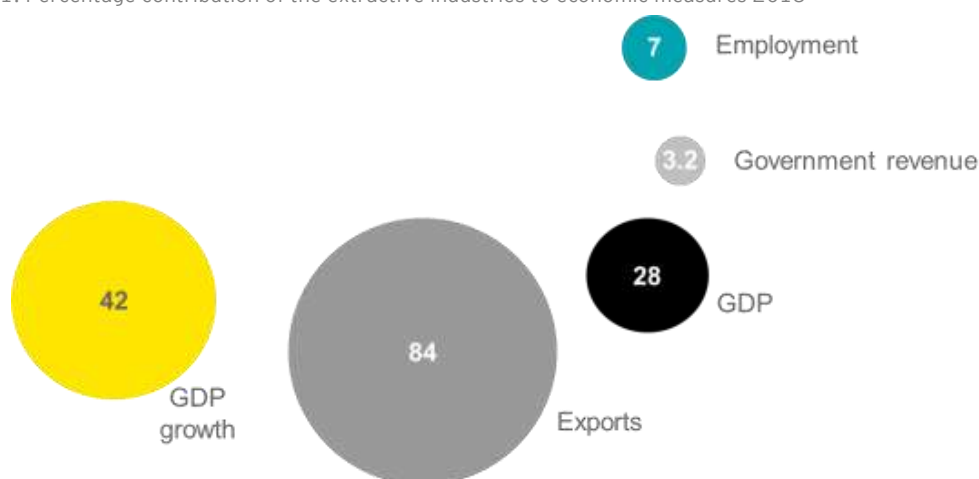
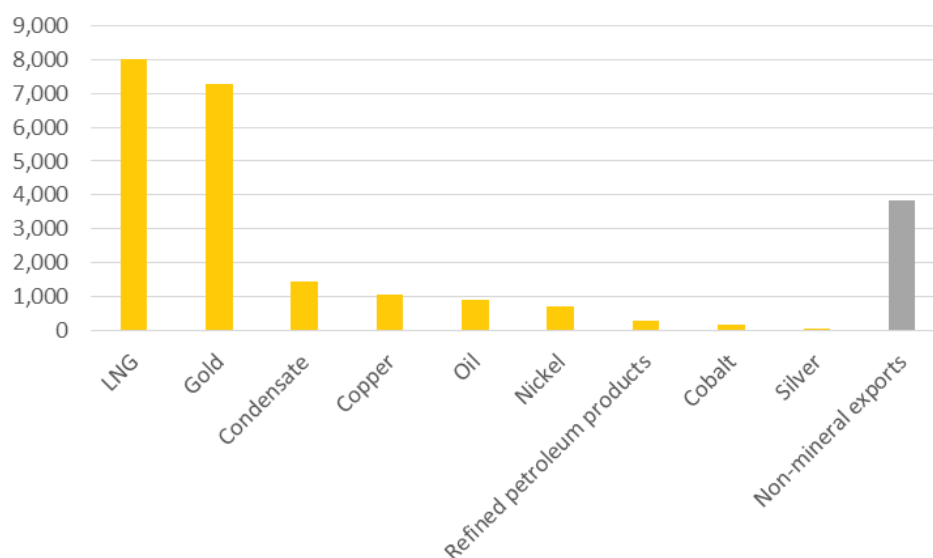


Figure 2: Mineral exports 2016 (PGK million)⁷



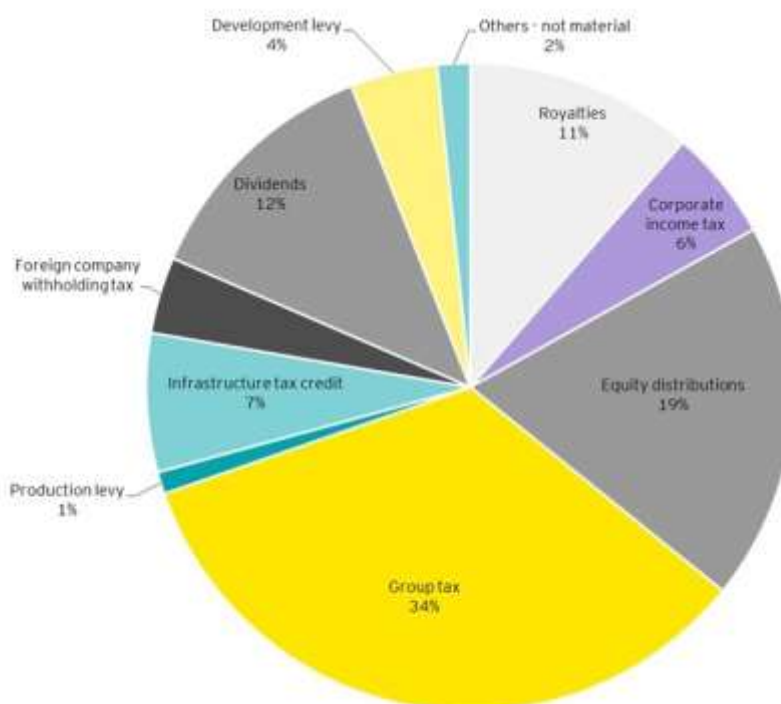
⁷ Estimates from 2017 Budget, Vol 1, Appx 3, Table 5, p. 106, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

How do the extractive industries contribute to State revenue?

The government derives income from the industry through:

taxes	such as corporate income tax and group tax	43%
dividends	derived from holding direct stakes in the industry	12%
royalties	2% of the gross revenue from resource sales or wellhead value	11%
Equity distributions	Received by state owned entities participating in the extractive industries	19%
other revenue streams	such as levies and fees	14%

Figure 3: Relative contribution of revenue streams from the extractive industries 2016



In 2016, the largest sources of government revenue from the extractive industries were group tax, equity distributions, dividends, royalties, corporate income tax and infrastructure tax credit.

Most of this revenue goes into consolidated government revenue. PNG's budget is prepared by the Department of Treasury through a public consultative process. In recent years there has been an effort to make the process more strategic and rules-based so that it is directed towards achieving sound fiscal policy.

Some revenue from the extractive industries is earmarked for specific purposes, such as the Public Investment Program.

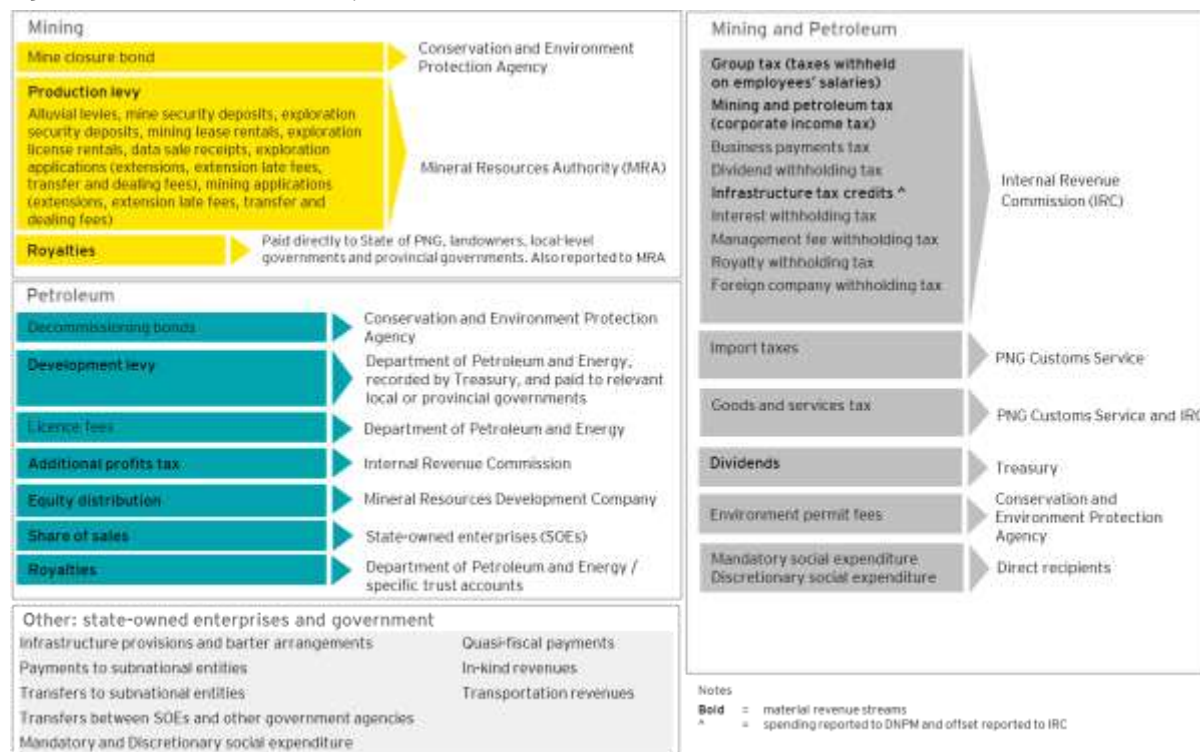
The PNG Sovereign Wealth Fund was recently established to ensure that some of the wealth generated by the extractive industries and is saved for the benefit of future generations. However, the fund is yet to come into operation.

Revenue flows to the government from the extractives industry can be volatile, as the financial performance of the individual operations can fluctuate due to factors including commodity prices, and impacts of severe weather events such as drought and flood.⁸ This was evident in 2016, with receipts significantly lower than previous years due partly to lower commodity prices and temporary cessation of production from some major resource projects.⁹

What are the revenue streams from the extractives industry?

The diagram below outlines the main revenue streams and their recipients.

Figure 4: Revenue streams and recipients



Which revenue streams are considered material for this report?

This report covers all revenue streams that contribute 2% or more to the total known revenue received by the government from the mining and oil and gas sectors. It also includes some revenue streams that were below that threshold but considered to be of interest, such as production levies. The material revenue streams are shown in bold in the diagram above.

Which organisations are considered material for this report?

The report includes all mining and oil and gas companies which had interests in operations that were producing saleable commodities during the reporting period, together with all state-owned enterprises (SOEs) and government entities that received payments from them.

⁸ World Bank East Asia and Pacific Economic Update October 2015 and 2016
<http://pubdocs.worldbank.org/en/414911444005973491/pdf/EAP-Economic-Update-2015-10.pdf> and
<https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf>, accessed 18 October 2016

⁹ Institute of National Affairs, PNG's Economy 2016 - past, present and future prospects.
http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20202016%2020Word%202007.pdf, accessed 9 October 2017.

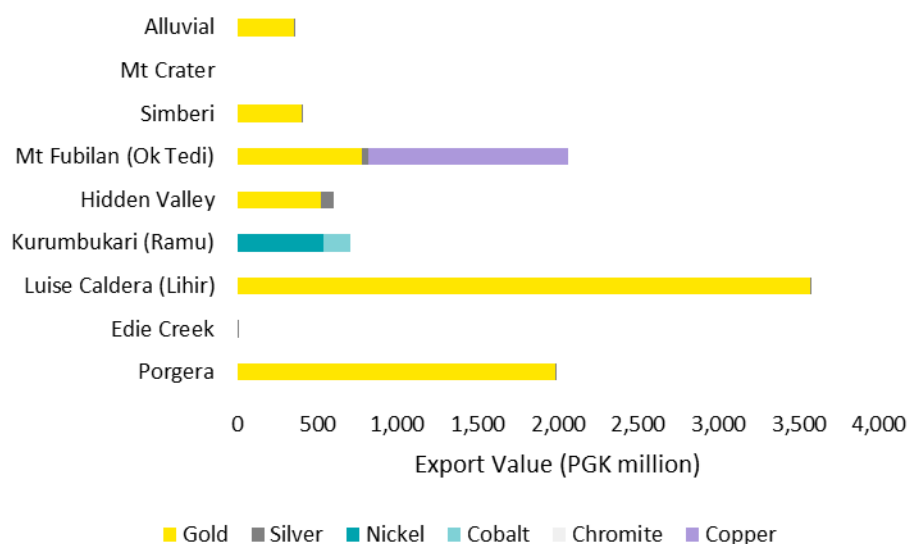
Table 1: Material reporting entities

Mining companies	Oil and gas companies	State-owned enterprises	Government departments and statutory authorities
<ul style="list-style-type: none"> ▶ Barrick (Niugini) Ltd ▶ Anomaly Ltd ▶ Hidden Valley JV ▶ Lihir Gold Ltd ▶ MCC Ramu NiCo Ltd ▶ Niuminco Edie Creek Ltd ▶ Simberi Gold Co. Ltd ▶ Ramu Nickel Ltd 	<ul style="list-style-type: none"> ▶ ExxonMobil PNG Ltd (and subsidiaries) ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries) ▶ Oil Search (PNG) Ltd ▶ Santos Ltd (and subsidiaries) 	<ul style="list-style-type: none"> ▶ Kumul Mineral Holdings Ltd ▶ Kumul Petroleum Holdings Ltd ▶ Mineral Resources Development Company Ltd ▶ Ok Tedi Mining Ltd 	<ul style="list-style-type: none"> ▶ Bank of PNG ▶ Conservation and Environment Protection Authority ▶ Department of Finance ▶ Department of National Planning and Monitoring ▶ Department of Petroleum and Energy ▶ Department of Treasury ▶ Internal Revenue Commission ▶ Mineral Resources Authority

The mining industry in PNG

During 2016, eight mines were operating in PNG, distributed over a number of provinces. Companies active in mining and exploration in PNG include large international companies, state-owned enterprises, and a large number of junior companies, together with a significant contribution from up to 80,000 small-scale alluvial miners.

Figure 5: Mining exports by project, 2016¹⁰



Mining in PNG is governed principally by the *Mining Act* 1992 (MA) and administered by the Mineral Resources Authority (MRA), an independent statutory body.

There are four principal channels by which communities benefit economically from mining projects, other than through employment and procurement: Royalties, Infrastructure Development Grants, Special Support Grants, and the Public Investment Program. The benefits for a particular project are agreed in a development forum with relevant stakeholders, including the State, company, provincial government, local level government and landowners, and set out in a Memorandum of Agreement. These agreements are not publicly disclosed.

¹⁰ Figures from MRA except for Lihir figures from company

The oil and gas industry in PNG

Commercial oil production began in PNG in 1992, and has been in slow but steady decline since the mid-1990s. There are currently five principal oil fields.

Oil and gas interests in PNG are predominantly in listed companies and state-owned enterprises. A range of companies are actively engaged in exploration and production in PNG, with a number of new projects in planning and development stages.

Gas production at scale is a new industry; the PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014.¹¹ The project has design capacity of 6.9 million tonnes of LNG per annum,¹² and despite current low commodity prices, is expected to make a significant long-term contribution to the economy and government revenues. However, falling global LNG prices have already negatively impacted project returns, with potential ramifications for the government's financial position.¹³ The project has had significant impacts on affected communities, both positive and negative. Production figures for 2016 were sourced from Oil Search and ExxonMobil, in the absence of data from the Department of Petroleum and Energy.¹⁴

Table 2: Oil and gas production data 2016

Source	Amount reported by DPE	Amount reported by operator	Amount reported exported by operator	Total export value reported by operator (PGK)	Total export value reported in Budget (PGK)
Oil	Not provided	13,721 stbopd	5,082,671 stbo	716,988,408	893,000,000
Condensate	Not provided	308 stbopd	3,423,923 stbo	482,996,657	1,462,000,000
PNG LNG liquids	Not provided	5573 MMscf	0	0	0
PNG LNG Project LNG	Not provided	7,944,946 tonnes	Not reported	Not reported	8,013,000,000

The oil and gas industry in PNG is governed principally by the *Oil and Gas Act 1998* (OGA), and overseen by the Department of Petroleum and Energy (DPE). DPE is chronically under-resourced and lacking in capacity, and was the subject of a number of priority recommendations in the PNG EITI Report 2013. On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI report. The DPE has since held a workshop to begin developing a licensing database and has begun implementing the electronic registry system by scanning the relevant documents. An increase of resourcing for DPE will be required to facilitate additional changes required to adhere to the EITI Standard.

State-owned enterprises

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. During 2016, PNG's relevant state-owned enterprises (SOEs) were:

- ▶ Kumul Petroleum Holdings Ltd (all hydrocarbon assets)
- ▶ Kumul Minerals Holdings Ltd (all mining assets)
- ▶ Ok Tedi Mining Ltd

¹¹ 'PNG LNG Project ships first LNG cargo,' *PNG LNG*, <https://pnglng.com/Newsroom/Media-Release/PNG-LNG-Project-ships-first-LNG-cargo>, accessed 7 February 2017

¹² 'project capacity of 6.9 million tonnes of LNG', *ibid*.

¹³ 'PNG Government works to stimulate growth', *Oxford Business Group*, <https://www.oxfordbusinessgroup.com/overview/png-government-works-stimulate-growth>, accessed 7 February 2017

¹⁴ Information included in Oil Search and ExxonMobil data templates provided for this report, received 8 and 19 September 2017

► Mineral Resources Development Company Ltd (MRDC)

MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. It holds and manages shareholdings and pays royalties and equity to project landowners. The OGA specifies MRDC's role in holding and managing hydrocarbon assets for landholders, including investment of funds in future generation and community infrastructure trust funds. All oil and gas projects therefore have associated trusts which are wholly owned subsidiaries of MRDC. The MA allows for MRDC to hold the State's interest, but does not mandate it;¹⁵ consequently, not all mining operations have an associated MRDC subsidiary.

Beneficial ownership

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.¹⁶

The PNG Government does not require companies to disclose the 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. This report includes information on beneficial owners of material entities, as far as could be established through direct enquiry, reference to corporate websites and annual reports, and the PNG Mining Cadastre Portal database, hosted by the MRA website. Most interests are held by listed companies and/or state-owned enterprises.

The 2016 EITI Standard (2.5c) requires that reports from 2020 onward include detailed information relating to beneficial ownership. The MSG has developed a [roadmap](#) and [scoping study](#) to address this requirement, and work has begun on implementing the roadmap.

Subnational governments

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. The IA has attempted to include as much information as possible in this report.

Subnational payments include royalties, dividends, compensation payments, development levies, Special Support Grants, and other benefits as agreed through memoranda of agreement.

PNG EITI have commissioned a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations, which is expected to be completed during 2018.

Reconciliation of revenue streams

For most revenue streams, the IA attempted to obtain data from both the paying and receiving entity, so the amounts could be reconciled. In some instances, however, the MSG agreed that data would be collected unilaterally. This can be seen in Table 4 below.

The response rate was encouraging, although it would give more confidence to the quality of the data if more reporting templates were signed by an authorised officer.

¹⁵ Mining Act 1992 s.16A

¹⁶ The EITI Standard, 2016 - Requirement 2.5 Beneficial Ownership

Table 3: Rates of compliance with EITI reporting 2016

Source	Reporting template submitted (%)	Reporting template signed (%)	Signed tax waiver submitted (%)
Mining companies	75	38	88
Oil & gas companies	100	75	100
Government entities	86	57	n/a
Total	84	58	94

A summary of the payment streams reported and reconciled is presented below:

Table 4: Revenue stream overview

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Mining	Production levy	Reconciled	MRA	17,544,297	17,577,741	(33,445)	(0.19%)
	MRA fees	Unilaterally declared (MRA)	MRA	n/a	8,423,503	n/a	n/a
Oil and gas	Development levy	Reconciled	Finance (via DPE)	69,689,630	7,425,972	62,263,658	89.34%
	Licence fees	Unilaterally declared (DPE)	DPE	n/a	3,302,054	n/a	n/a
	Additional profits tax	Reconciled	IRC	471,647	0	471,647	(100%)
	Equity distributions	Unilaterally declared (KPH)	KPH	n/a	302,932,186	n/a	n/a
	Equity distributions (Oil Search shares)	Reconciled	KPH	23,396,040	822,349	22,573,691	96%
	Share of sales	Unilaterally declared (SOEs)	State partners in PNG LNG	n/a	560,086,591	n/a	n/a
Mining and petroleum	Mandatory social expenditure	Unilaterally declared (companies)	See section 6.5	183,431,808	n/a	n/a	n/a
	Discretionary social expenditure	Unilaterally declared (companies)	See section 6.5	90,372,513	n/a	n/a	n/a
	Dividends	Reconciled	State (Treasury)	200,500,000	200,500,000	0	0%
	Group tax	Partially reconciled	IRC	496,298,414	554,460,671	58,152,257	10%
	Corporate income tax	Reconciled	IRC	46,600,594	88,686,362	(42,085,768)	(90.31%)
	Infrastructure tax credits (offset against income tax payable)	Reconciled	IRC	42,345,643	54,734,655	(12,389,012)	(29.26%)
	Infrastructure tax credits	Reconciled	DNPM	135,544,477	111,025,337	24,519,140	18.09%

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
	Other taxes	Unilaterally declared (IRC)	IRC	n/a	74,930,413	n/a	n/a
	Special support grants	Unilaterally declared (Treasury)	Provincial governments, special purpose authorities See section 5.7	14,700,000	n/a	n/a	n/a
	Environmental permit fees	Unilaterally declared (CEPA)	CEPA	n/a	3,811,837	n/a	n/a
	Royalties	Reconciled	DPE, MRA landowners and subnational governments	196,777,541	182,547,009	14,230,532	7.23%

Together, the revenue streams included in the reconciliation equate to approximately 95% of total known revenue from the sector in 2016 (see Figure 3 Figure 10: Relative contribution of each known revenue stream, 2016). Group tax was not initially included in the 2016 reconciliation based on a decision made by the MSG in 2015, at a time when these revenue streams were deemed not material.¹⁷ With the PNG LNG project now in operation, this situation has changed, and the IA has included this information in the reconciliation where it was available. A recommendation has also been made to reconcile in future years along with foreign contractor withholding tax that has been shown to represent 4% of the known revenue streams for 2016.

An overall material variance was found in all revenue streams reconciled, except for mining production levy and mining royalties. In most cases, however, these overall variances do not imply systemic issues when examined in more detail. In the case of corporate income tax, the majority of payments showed a zero or immaterial variance, but there was one significant variance. In other cases, such as Infrastructure Tax Credits, there appeared to be differing interpretations of which amounts should be reported. This can be further clarified in future reporting periods.

Is the data on the extractive industries revenues reliable?

Entities participating in this EITI report were asked to submit data templates signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. Only 58% of reporting entities provided these signatures.

All of the producing companies have accounts audited to international standards. Government entities and state-owned enterprises (other than Ok Tedi) are audited by the PNG Auditor General. Most, however, do not yet have audit statements for the reporting period, and previous audit statements indicated significant shortcomings in the reliability of accounts.

Social expenditures

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be voluntary, or may be mandated through legislation or through contracts with the government. The EITI Standard does not define 'social', and the types of payment reported by companies under this heading varied, with some including payments such as compensation or lease payments, which others classify as commercial rather than social.

¹⁷ MSG meeting minutes, 17 April 2015, <http://www.pngeiti.org.pg/wp-content/uploads/2016/03/2015.04.13-MSG-Meeting-2-Minutes.pdf> accessed 27 November 2017

Discretionary social expenditures by operators ranged from zero to hundreds of millions of Kina. Funds went to support health, education and community projects, among others. Where companies invest in approved infrastructure, they may be entitled to claim Infrastructure Tax Credits.

Findings and recommendations

The 2013 and 2014 PNG EITI Reports made recommendations in relation to a number of areas where weaknesses in systems, processes, or organisational capacity had the potential to materially impact on the quality, accuracy, and comprehensiveness of future PNG EITI reports.

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the 2013 PNG EITI report. Progress has already been made against a number of these directives, some independently of the EITI recommendations. The timing of these improvements meant that not all benefits were noticeable during the 2016 reporting period, but it is expected that these changes will continue to drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG for future EITI reports.

It was pleasing to note a significant increase in engagement from several reporting entities, and in the data provided. This was particularly evident from MRDC.

Additional recommendations have been made in this report, concerning:

1. Reconciliation differences and EITI reporting process	2. Material revenue streams to include group tax and foreign contractor tax in future reports
3. Engagement with government stakeholders to increase EITI participation	4. Reporting of subnational payments, already under consideration through a scoping study
5. Increased clarity and reporting of quasi-fiscal expenditure	6. Increasing transparency of infrastructure tax credit scheme
7. DPE to establish criteria for the transfer of oil and gas licences	8. The MSG to consult with EITI to provide more clarity on definition of social expenditure

1. Introduction

'We hope that the dissemination of these reports will stimulate discussion on the management of the sector, assist in better governance and create greater trust between local communities, Government and industry.'

Prime Minister Hon. Peter O'Neill CMG MP speaking about the EITI at the 14th Papua New Guinea Mining and Petroleum Investment Conference

The development of Papua New Guinea's wealth of natural resources represents a significant opportunity for the government of Papua New Guinea to reduce poverty, increase wealth and improve the wellbeing of its citizens. By becoming an implementing country for The Extractive Industries Transparency Initiative, Papua New Guinea has committed to improving transparency regarding the collection and distribution of revenues from the natural resource sector.

1.1 About the Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) was established in 2002 with a goal of increasing transparency and accountability across the oil, gas and mineral resources value chain.

Figure 6: The resources value chain¹⁸



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 the EITI Standard is discretionary, and must be incorporated into individual countries' laws to be binding. At the time of publishing this report, the EITI website listed 52 countries at various stages of implementing the EITI Standard. Of these 52, nine have achieved meaningful progress against the 2016 EITI Standard, six have been suspended due to inadequate progress and the remaining 37 (including Papua New Guinea) are yet to be assessed against the 2016 EITI Standard through the Validation process.¹⁹

1.2 EITI implementation in Papua New Guinea

Papua New Guinea (PNG) has a wealth of natural resources. Revenue from these resources could contribute to reducing poverty and improving the lives of PNG citizens. A key platform for achieving these outcomes is transparent collection and distribution of revenue from natural resources.

¹⁸ EITI Website, <https://eiti.org/>, accessed 2 October 2017

¹⁹ EITI Website, <https://eiti.org/> countries, accessed 2 September 2017

PNG ranked 136 out of 176 countries in Transparency International's *Corruption Perception Index* in 2016.²⁰ Similarly challenging assessments of corruption and attractiveness for foreign investment have been published by the World Bank,²¹ Natural Resource Governance Institute²² and the Fraser Institute.²³

The PNG Government is endeavouring to address this issue and improve PNG's attractiveness for foreign investment. Led by the PNG Minister for Treasury, PNG applied for EITI candidacy in 2013, and has since published reports for the calendar years 2013, 2014 and 2015. This report focuses on the 2016 calendar year.

From 1 April 2018, PNG's EITI reports will be assessed through the Validation process, commencing with the report covering the 2016 calendar year.

Figure 7: PNG EITI Timeline²⁴



The PNG EITI has stated its objectives for implementing EITI in PNG are:²⁵

- ▶ To increase transparency of revenue flows from the companies to government, various landowners' trust funds, associations, and the provincial governments
- ▶ To use EITI as a diagnostic tool to assess government's management of resource revenue and its policy settings with recommendations to be used as a platform for broader reforms
- ▶ To provide reliable data for citizens to stimulate debate and hold government and companies accountable
- ▶ To increase investors' confidence to invest in PNG
- ▶ To provide a forum for enhancing dialogue between the government, industry, landowners and citizens

²⁰ Corruption Perceptions Index 2016', *Transparency International*, https://www.transparency.org/news/feature/corruption_perceptions_index_2016#table , accessed 26 September 2017

²¹ Doing Business 2017, Equal Opportunity for All, World Bank, 2016 (accessed via <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>, 26 September 2017

²² 2017 Resource Governance Index', *Natural Resource Governance Institute*, <https://resourcegovernance.org/sites/default/files/documents/2017-resource-governance-index.pdf>, accessed 26 September 2017

²³ Survey of Mining companies, *Fraser Institute*, 2015 and 2016, (accessed via <https://www.fraserinstitute.org/categories/mining> 26 September 2017)

²⁴ EITI, 2017 <https://eiti.org/papua-new-guinea>

²⁵ PNG EITI Annual Progress Report 2016

1.2.1 EITI governance and leadership in PNG

The EITI Standard requires candidate countries to form a multi-stakeholder group (MSG) 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. Figure 8: shows the governance structure of the PNG EITI including the multi-stakeholder group.

Figure 8: Structure of governance on PNG EITI



The MSG is chaired by the PNG Treasurer, and at the time of writing comprises:

- ▶ Eleven representatives from the Government of PNG, including four voting and seven non-voting members, selected through internal processes and through direct engagement with participating ministries, agencies and departments
- ▶ Four representatives from state-owned enterprises, including three voting members and one non-voting member
- ▶ Eight representatives from civil society, including seven voting members and one non-voting member, 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.

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 a meeting. The organisational structure is shown in Figure 5 below, and the complete list of members and representatives is provided at Appendix A.

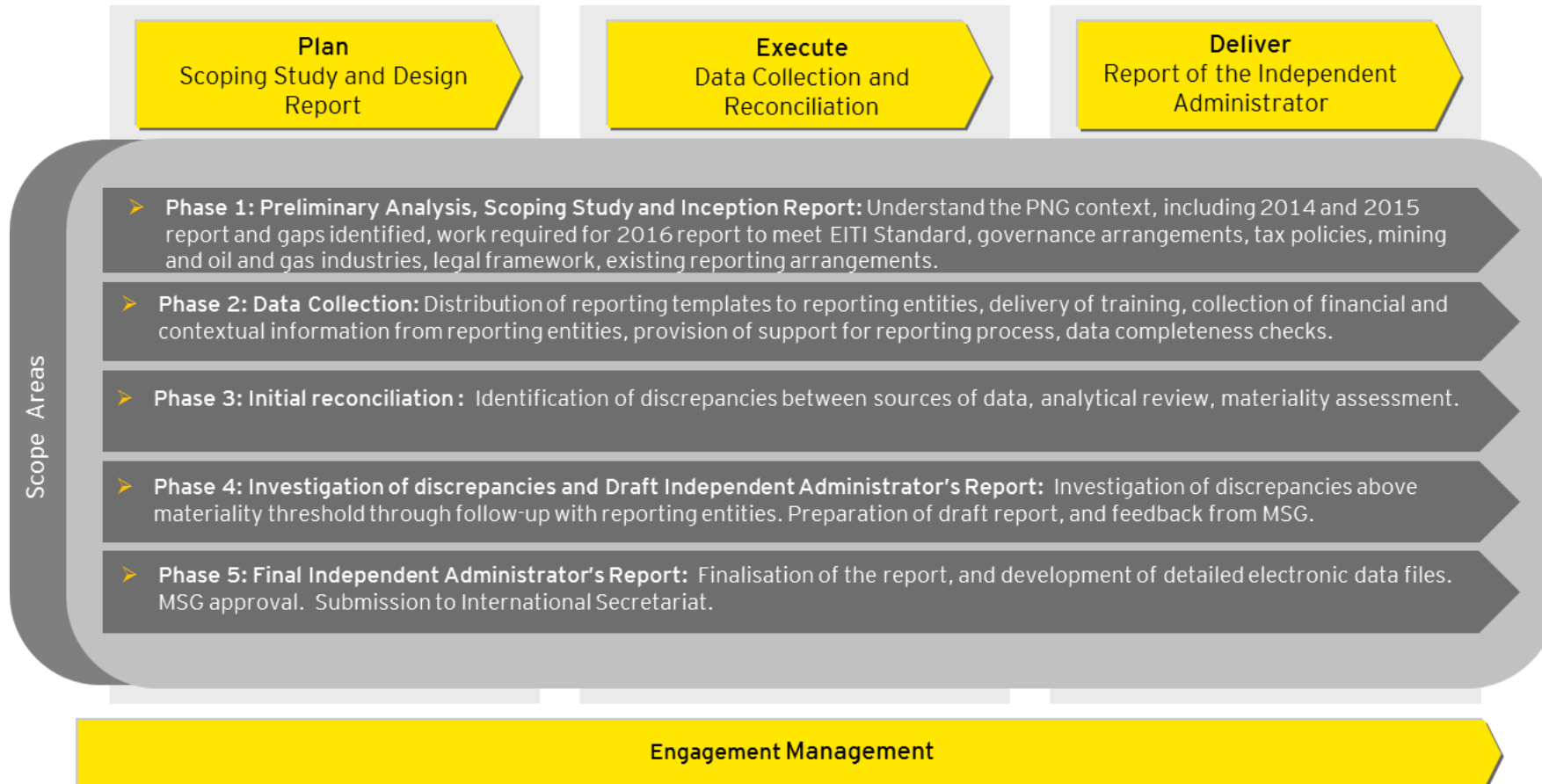
The PNG EITI National Secretariat assists the Chairman in providing coordination, facilitation and administrative support to the MSG. It is governed by terms of reference approved by the MSG.

1.2.2 The role of the independent administrator

The EITI Standard (4.9b) requires that payments and revenues be reconciled by an Independent Administrator (IA). Ernst & Young (EY) has been engaged by the PNG EITI National Secretariat to fulfil this role and prepare this report. The detailed responsibilities of the IA are outlined within the terms of reference issued by the PNG EITI National Secretariat and provided on the PNG EITI website at <http://www.pngeiti.org.pg/>.

EY's process in preparing this report is shown in Figure 6 below.

Figure 9: EY's process for preparing this report



1.2.3 Progress in implementing EITI in PNG

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI report. It is expected that this will drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG.

Specifically, the following directives made by the NEC have the potential to facilitate improvements in the data collection process and address many of the gaps identified in previous PNG EITI reports:

- ▶ That the Minister responsible for the Mineral Resources Development Company (MRDC) ensures that MRDC engages fully with the PNG EITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and invests for the landowners and for future generations
- ▶ That the Minister responsible for Kumul Consolidated Holdings Ltd (KCH) ensures KCH participates in the EITI process and regularly reports through the EITI process the State's share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT)
- ▶ That the Minister responsible for Kumul Minerals Holdings Ltd (KMH) and Kumul Petroleum Holdings (KPH) ensures these enterprises are fully engaged in the EITI process and report as required under the EITI Standard
- ▶ That the Minister responsible for the Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public
- ▶ That the Minister for Treasury legislates for the EITI reporting requirements within the Government reporting process (in lieu of current practice of using a waiver letter) and reports back with draft legislation for the NEC's consideration before the 2015 EITI Report.

Further directives that relate to implementing systems improvements should flow through to improvements in EITI reports from 2017 onwards. These include:

- ▶ Implementing an electronic registry system at the Department of Petroleum and Energy
- ▶ Amending budget and fiscal reports to collect information on subnational payments
- ▶ Improving audit processes for government agencies.

Refer to Chapter 11 for summary of progress in each of these areas.

2. Revenue streams and reporting entities

This report covers all material revenue streams from the extractive industries in the calendar year 2016. Both quantitative and qualitative definitions of materiality were applied:

- ▶ Quantitative materiality was defined as those revenue streams that are known to contribute 2% or more of government revenue from the sector
- ▶ Qualitative materiality was defined as those revenue/payment streams that are considered important or potentially important to the people of PNG, such as payments from trust accounts managed for the benefit of landowners, communities, or the State
- ▶ The resource sector companies required to report were those producing saleable product during the reporting period
- ▶ All revenue streams that were quantitatively material have been reconciled
- ▶ Revenue streams that do not meet either the quantitative or qualitative materiality thresholds have been unilaterally reported by either the paying or receiving entity

2.1 Materiality

The MSG considered both qualitative and quantitative definitions of materiality to determine which revenue streams would be deemed material for the purpose of this report.

When 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 a 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'; 'materiality is the threshold at which Aspects become sufficiently important that they should be reported.'²⁶

PNG EITI's objective for this report is to assist in addressing fraud and corruption, to improve perceptions of PNG's attractiveness as an investment prospect, and to generally improve transparency and accountability. The MSG therefore adopted a definition of materiality that goes beyond the quantitative, including 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 quantitative threshold applied to define materiality was all revenue streams that contribute 2% or more to the total known revenue received by the government from the mining and oil and gas sectors. Two percent is within the range usually applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. Lowering the materiality threshold further would not have significantly increased coverage of the report.

²⁶ Global Reporting Initiative <https://www.globalreporting.org/>

Some additional revenue streams that fall below this threshold, but which are considered potentially material based on our qualitative definition of materiality have also been reconciled (see Table 8 below).

Additionally, other known revenue streams that are below this threshold have been included. These revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments.

Definitions have also been confirmed for materiality of reporting entities as outlined below.

2.2 Reporting entities

The entities required to contribute to this EITI report include resource companies, state-owned enterprises (SOEs) and government entities. These are outlined in turn below.

2.2.1 Resource companies

Resource companies considered material were those with interests in extractive projects that were producing saleable commodities during the reporting period. This is the same definition the MSG applied in previous reports.

Table 5: Material resources companies 2016

Reporting entity	Project name
Mining	
Anomaly Ltd	Mt Crater mine
Barrick (Niugini) Ltd	Porgera mine
Hidden Valley JV	Hidden Valley mine
Lihir Gold Ltd	Luise Caldera mine (Lihir)
MCC Ramu NiCo Ltd	Kurumbukari mine (Ramu)
Niuminco Edie Creek Ltd	Edie Creek mine
Ramu Nickel Ltd	Kurumbukari mine (Ramu) JV partner
Simberi Gold Co. Ltd	Simberi mine
Oil and gas	
ExxonMobil PNG Ltd (and subsidiaries)	Oil projects & PNG LNG JV partner
JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)	Oil projects & PNG LNG JV partner
Oil Search (PNG) Ltd	Oil projects & PNG LNG JV partner
Santos Ltd (and subsidiaries)	Oil projects & PNG LNG JV partner

Each material company is discussed in more detail in Chapters 7 and 8 of this report, in relation to the relevant project. This includes structure, how it contributes to extractive industry revenues and any changes in ownership during the reporting period.

Although only producing companies are considered material for reporting purposes, a discussion of the revenue streams flowing from exploration companies is also included in a case study in Chapter 8 of this report.

2.2.2 State-owned enterprises

State-owned enterprises (SOEs) play a key role in managing and distributing PNG's wealth. Therefore, the transparent disclosure of their processes for managing funds and transferring funds to beneficiaries (landowners, subnational governments, etc.) is critical to a comprehensive EITI report. The SOEs considered material were those with interests in (or responsibility for managing interests in) extractive projects that were producing saleable commodities during the reporting period. These are listed below.

Table 6: SOEs 2016

Reporting entity	Project name	Further detail
Kumul Petroleum Holdings Ltd (KPH)	Oil projects and PNG LNG	9.3
Kumul Mineral Holdings (KMH)	PNG LNG	9.4.1
Ok Tedi Mining Ltd (OTML)	Mt Fubilan mine	9.5
Mineral Resources Development Company Ltd (MRDC)	Multiple interests	9.6

Each SOE, its structure, relevant subsidiaries and how it contributes to extractive industry revenues, is discussed in more detail in Chapter 9 of this report.

2.2.3 Government entities

Government entities are material reporting entities if they received payments from the reporting companies and SOEs during the reporting period. Government entities that do not receive payments, but keep records of payments, are also included in the list of material government entities, shown below.

Table 7: Material government entities 2016

Government entity	Revenue streams received or recorded
Internal Revenue Commission (IRC)	Mining and petroleum tax (corporate income tax), group tax, infrastructure tax credits, additional profits tax, foreign contractor withholding tax
Mineral Resources Authority (MRA)	Production levy, royalties and tenement fees, rents and security payments.
Department of Treasury	Development levy (keep records of payments), dividends from SOEs
Department of Finance	Development levy (Trust Branch administers any payments out of trust accounts to provincial governments)
Department of Petroleum and Energy (DPE)	Royalties, development levy, licence fees
Department of National Planning and Monitoring (DNPM)	Infrastructure tax credits
Conservation and Environment Protection Authority (CEPA)	Decommissioning and mine closure bonds, licence fees
Bank of PNG	Holds accounts for royalty payments received by DPE; gold and silver export bonds (MRA)

2.3 Revenue streams

The PNG Government revenue streams relevant to the extractives sector, as identified to date, are shown in Table 8 below. Amounts generated through each of these revenue streams during the reporting period were requested from the relevant reporting entity. In the case of reconciled revenue streams, amounts were requested from the resource company (or SOE), as well as the relevant government receiving entity. In cases where a revenue stream has been identified as material, but has not been reconciled, the reasons are stated below the table.

Table 8: Extractive industry revenue streams

Revenue stream	% of known revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Mining						
Mine closure bond	0	N	N	Conservation and Environment Protection Agency (CEPA)	5.6; 10.4.1.8	10.4.1.8
Production levy	1%	Y ²⁷	Y	Mineral Resources Authority (MRA)	4.3.2.4	10.4.2.1
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	<1%	N	N		4.4	10.4.2.3
Petroleum						
Decommissioning bonds	0	N	N	Conservation and Environment Protection Agency (CEPA)	5.6; 10.4.1.8	10.4.1.8
Development levy	4%	Y	Y	Collected by Department of Petroleum and Energy (DPE), recorded by Treasury, and paid to relevant local or provincial government	4.3.2.4; 5.7.2; 8.1	10.4.3.2
License fees	<1%	N	N	Department of Petroleum and Energy (DPE)		0
Additional profits tax	<1%	N	N	Internal Revenue Commission (IRC)	4.3.2.3	10.4.3.4
Equity distributions	19%	Y	Y ²⁸	State-owned enterprises	4.7; 4.8; 5.7.2	10.4.3.1
Share of sales	²⁹	Y	N ³⁰	State-owned enterprises	9.3.3; 9.4.3	10.4.3.5
Mining and petroleum						
Import taxes	N/A	N/A ³¹	N/A	PNG Customs Service		NA
Goods and services tax	N/A	N/A ³²	N/A	PNG Customs Service (& IRC)	4.3.2.5	NA

²⁷ Identified as material by MSG due to qualitative definition 'of significant interest'

²⁸ Partially reconciled. Unilaterally declared by SOE where information from company/operator was unavailable.

²⁹ Not included in % calculation as this revenue stream may overlap with equity distributions data received from reporting entities. Confirmation of this could not be obtained from KPH.

³⁰ Unilaterally reported by SOEs - no other in-kind revenues identified

³¹ PNG Customs were not able to supply any data that was specific to the extractive industries

³² As above

Revenue stream	% of known revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Royalties	11% ³³	Y	Y ³⁴	O&G: Oil Search pays by Cheque to DPE, ExxonMobil makes payments direct to trust account to be apportioned to relevant landowners, local-level governments and provincial governments Mining: Paid directly to State of PNG, relevant landowners, local-level governments and provincial governments; also reported to MRA	4.3.2.4;5.7.2; 8.2.2 4.3.2.4; 0	10.4.3.3 10.4.2.2
Dividends	13%	Y	Y	Treasury	4.7; 0; 5.7.2	10.4.1.2
Environment permit fees	<1%	N	N	Conservation and Environment Protection Agency (CEPA)		10.4.1.8
Group tax (taxes withheld on employees' salaries)	34%	Y	Y ³⁵	Internal Revenue Commission (IRC)		10.4.1.4
Mining and petroleum tax (corporate income tax)	6%	Y	Y		4.3.1	10.4.1.1
Business payments tax	1%	N	N			0
Dividend withholding tax	0	N	N		4.3.2.1	0
Interest withholding tax	0	N	N		4.3.2.1	0
Management fee withholding tax	<1%	N	N		4.3.2.1	0
Royalty withholding tax	<1%	N	N		4.3.2.1	0
Foreign contractor withholding tax	4%	Y	N ³⁶		4.3.2.1	0
Infrastructure tax credits	7% ³⁷	Y	Y		Spending reported to Department of National Planning and Monitoring (DNPM); offset reported to IRC	4.3.2.6; 6.3

The relative magnitude of each revenue stream is shown below.

³³ As reported by Operator

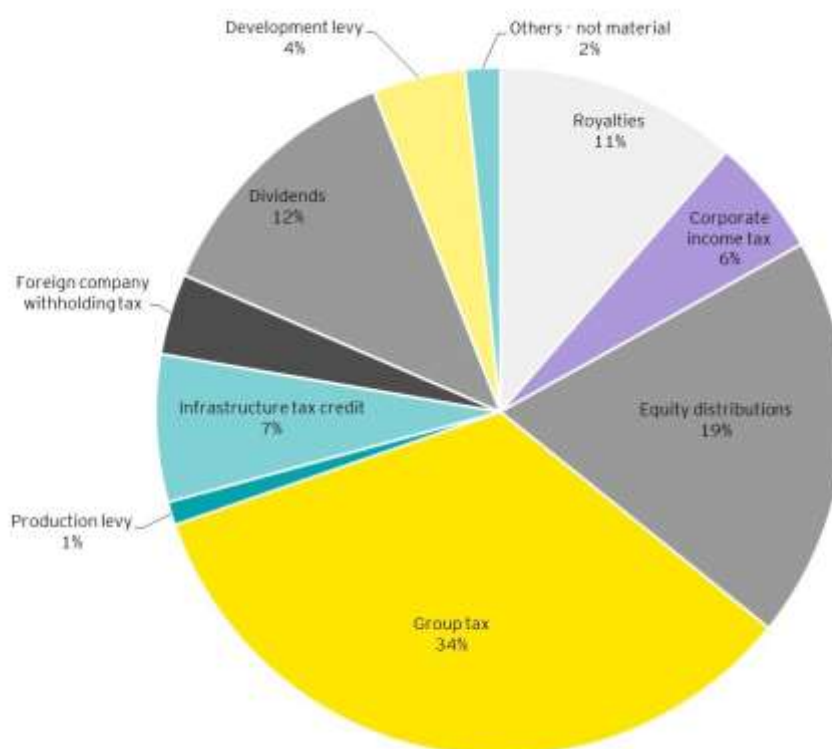
³⁴ Reconciled with amounts reported by DPE or MRA, not reconciled to subnational level

³⁵ The decision to state this revenue stream unilaterally was made by the MSG on 17 April 2015, (<http://www.pngeiti.org.pg/wp-content/uploads/2016/03/2015.04.13-MSG-Meeting-2-Minutes.pdf> accessed 27 November 2017). The IA has reconciled this revenue stream where it has been provided by companies and has made a recommendation to reconcile in future years (See Chapter 11). See also discussion in section 10.1.1)

³⁶ Unilaterally declared by IRC - recommendation to reconcile in future years (See Chapter 11)

³⁷ Spending reported to DNPM

Figure 10: Relative contribution of each known revenue stream, 2016



There are a number of additional payment types that are referred to by the EITI Standard. These are summarised below in Table 9.

Table 9: Additional payment types referred to by the EITI Standard

Payment type	Comments	Further discussion
Quasi-fiscal payments	No quasi-fiscal payments were reported for 2016.	6.4
In-kind revenues	Other than share of production (for SOEs), no other in-kind revenues were identified for the resources sector.	9.6.2
Payments and transfers to subnational entities	These include Special Support Grants - PIP Project funds ³⁸ and transfers from MRDC to subnational governments	5.7;0; 9.6
Payments and transfers between SOEs and other government agencies	Dividend are paid by SOEs to the government	9.2.3; 9.3.3; 9.4.3; 9.5.3; 10.4.1.2
Infrastructure provisions and barter arrangements	Treasury stated that the only infrastructure provisions or barter arrangements in place were those relating to the implementation of infrastructure tax credits. ³⁹	
Transportation revenues	Treasury were not aware of any material revenues from the transportation of oil, gas or minerals. ⁴⁰ DPE reported the value of fees associated with pipeline licences for 2016 as PGK490,054. This is not a material revenue stream.	Appendix E
Mandatory social expenditure	These payments are unilaterally declared by companies	5.7; 6.1; 10.4.1.5
Discretionary social expenditure	These payments are unilaterally declared by companies	6.2; 10.4.1.6

³⁸ Unable to establish if these payments are material without access to project contracts/agreements.

³⁹ Treasury reporting template completed for this report. Received 8 September 2017

⁴⁰ *ibid*

3. Contribution of the extractive industries to the economy

3.1 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. PNG's capital and largest city is Port Moresby.

PNG is one of the most diverse countries on earth, with over 800 indigenous languages and at least as many traditional societies, included in a population of over 8 million.⁴¹ It is also one of the most rural, with only 13% of its people living in urban centres.⁴²

The nation established independence from Australia in 1975. The country has a unicameral National Parliament, for which elections are held every five years. There has been one significant internal conflict, the Bougainville crisis, which began as a result of tensions related to the Bougainville Copper mine (Panguna Mine), and ran from 1988 until 1998.

PNG has now experienced 15 years of economic growth, progressing from 'low income' to 'lower middle income' according to World Bank classifications.⁴³ This progress is echoed in the United Nations' *Human Development Index*, with an HDI of 0.516 in 2015, a steady improvement from 0.422 in 2000. However, the country is still classified as 'low human development', ranking 154 out of 188 countries.⁴⁴ An estimated 39.3% of the PNG population lives below the international poverty line.⁴⁵

Challenges to improving the wellbeing of the PNG population remain, as the country is still developing infrastructure and establishing governance structures, and has a substantially non-monetised economy. However, the PNG Government has expressed a strong commitment to meeting the UN Sustainable Development Goals and working towards improvements in sustainable development.⁴⁶

Table 10 below provides an overview of PNG's performance against a range of economic and social development indicators.

⁴¹ World Bank in Papua New Guinea - Overview <http://www.worldbank.org/en/country/png/overview> , April 2017, accessed 7 September 2017

⁴² World DataBank, World Development Indicators , <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> , accessed 7 September 2017

⁴³ World Bank East Asia and Pacific Economic Update October 2016 <https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf> , accessed 7 September 2017

⁴⁴ United Nations Development Programme, Human Development Report 2016, http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf accessed 7 September 2017

⁴⁵ Basic Statistics 2017, Asian Development Bank, April 2017, <https://www.adb.org/sites/default/files/publication/298061/basic-statistics-2017.pdf> , accessed 7 September 2017

⁴⁶ PNG Department of National Planning and Monitoring, Millennium Development Goals Final Summary Report 2015, http://www.pg.undp.org/content/papua_new_guinea/en/home/library/millennium-development-goals-final-summary-report-2015.html accessed 26 September 2017

Table 10: PNG's World Development Indicators⁴⁷

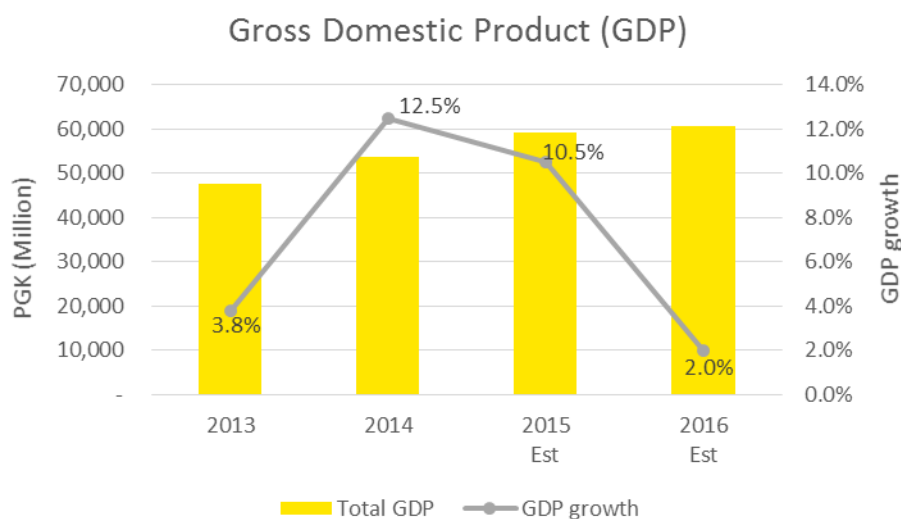
	Indicator	2013	2014	2015	2016	Average East Asia Pacific Country Value (2015)
Population	Surface area (sq. km)	462,840	462,840	462,840	462,840	-
	Population, total	7,592,865	7,755,785	7,919,825	8,084,991	-
	Population density (people per sq. km of land area)	16.77	17.13	17.49	17.85	93.54
	Population growth (annual %)	2.16	2.12	2.09	2.06	0.68
	Urban population (% of total)	12.98	12.99	13.01	13.04	56.64
	Rural population (% of total)	87.02	87.02	87.00	86.96	43.36
Economy	GDP real growth (annual %)^	5.00	13.30	12.00	2.00	-
	GNI per capita, Atlas method (current US\$)	1,970	2,160	-	-	9,794
	Inflation, GDP deflator (annual %)*	4.96	5.20	6.02	7.00	1.64
	Ease of doing business index (1=most business-friendly regulations)	-	-	133	119	-
	Unemployment, total (% of total labour force) (modelled ILO estimate)	2.59	2.58	2.48	2.49	4.33
	Labour force, total	3,324,983	3,404,688	3,501,238	3,598,105	-
	Labour force, female (% of total labour force)	48.93	49.00	48.97	48.94	43.46
Health	Fertility rate, total (births per woman)	3.81	3.76	3.71	-	1.81
	Improved sanitation facilities (% of population with access)	18.90	18.90	18.90	-	77.21
	Improved sanitation facilities, rural (% of rural population with access)	13.30	13.30	13.30	-	64.33
	Improved sanitation facilities, urban (% of urban population with access)	56.40	56.40	56.40	-	87.10
	Improved water source (% of population with access)	40	40	40	-	94.14
	Improved water source, rural (% of rural population with access)	32.80	32.80	32.80	-	90.19
	Mortality rate, under-5 (per 1,000 live births)	60.90	59.10	57.30	-	17.11
	Life expectancy at birth, total (years)	62.45	62.61	62.78	-	75.26
Infrastructure	Fixed broadband subscriptions (per 100 people)	0.15	0.18	0.20	-	16.65
	Fixed telephone subscriptions (per 100 people)	1.91	1.94	1.97	-	16.83
	Individuals using the Internet (% of population)	5.10	6.50	7.90	-	49.79
	Mobile cellular subscriptions (per 100 people)	40.98	44.93	46.65	-	104.05
	Access to electricity (% of population)	19.67	20.26	-	-	96.56
	Access to electricity, rural (% of rural population)	11	12	-	-	94.93
	Access to electricity, urban (% of urban population)	75.78	76.35	-	-	99.61

⁴⁷ Values in table sourced from World DataBank except values for ^GDP and *inflation are sourced from the PNG 2017 National Budget Vol 1, Appx 3, Table 1, p. 102 (Actual data for 2007 to 2014: National Statistical Office. Estimates and projections: Dept. of Treasury) and Asian Development Outlook 2017 - Transcending the middle-income challenge. Asian Development Bank, 2017; most 2016 values not available at time of writing

3.2 PNG economic overview for 2016

PNG's Gross Domestic Product (GDP) in recent years is shown in Figure 11: below.

Figure 11: GDP and GDP Growth 2016



In 2016, growth of PNG's economy slowed to only 2% as the PNG LNG project reached capacity and oil production declined. The Ok Tedi mine re-opened in the first quarter of 2016, after a seven-month shutdown due to a severe drought associated with El Niño weather conditions experienced at the end of 2015. This was offset however, by the closure of Ramu mine for several months, and reduced production at the Porgera mine.⁴⁸

The slowdown in economic growth resulted in a shortfall in public revenue, causing a larger deficit increase than initially anticipated for 2016.⁴⁹ Since 2015, the government has implemented significant expenditure cuts in an attempt to maintain macroeconomic stability.⁵⁰

3.3 Post-2016 developments and projections

The medium-term economic outlook for PNG remains positive, with foreign investments in the pipeline. The economy is expected to grow by 2.5% in 2017 and by 2.8% in 2018. Influencing factors include:

- ▶ A gradual pickup in the global economy is expected to boost commodity prices and stimulate activity in sectors outside resource extraction
- ▶ Increased outputs are expected in mining and agriculture
- ▶ Agriculture, forestry and fishery output is forecast to grow by 3.6%, with increases in both price and production, assuming favourable weather in 2017
- ▶ PNG is hosting the Asia-Pacific Economic Cooperation Leaders' Meeting in 2018, with associated spending

⁴⁸ Asian Development Outlook 2017 - Transcending the middle-income challenge. Asian Development Bank, 2017

⁴⁹ *ibid*

⁵⁰ <http://dfat.gov.au/geo/papua-new-guinea/Pages/papua-new-guinea-country-brief.aspx>

- ▶ Non-resource sectors will likely enjoy further support from spending related to elections in June and July 2017, and continued government investment in infrastructure.⁵¹
- ▶ Legislative changes introduced on 1 January 2017 on taxation of the extractive sector⁵²

Beyond 2018, the prospects of developing further LNG facilities (Papua LNG and P'nyang) and possible further mining developments, provide potential economic stimuli, combined with proceeds from PNG LNG enhancing revenue substantially. However, sustainable economic growth is contingent upon broader-based investment that will spread economic activity and opportunity across PNG.⁵³

3.4 Impact of the extractive industries

For the purposes of EITI reporting, the MSG agreed that the extractive industries include mining, oil and gas. Quarrying, forestry and fisheries have been excluded.⁵⁴

PNG has a wealth of subsoil assets. A 2005 World Bank survey of 152 countries ranked PNG's per capita subsoil assets as follows:⁵⁵



The extractive industries dominate exports, and have associated impacts such as construction. The relative contribution of the extractive industries to a selection of economic measures for the 2016 reporting period are shown in Figure 12: below.

⁵¹ <http://dfat.gov.au/geo/papua-new-guinea/Pages/papua-new-guinea-country-brief.aspx>

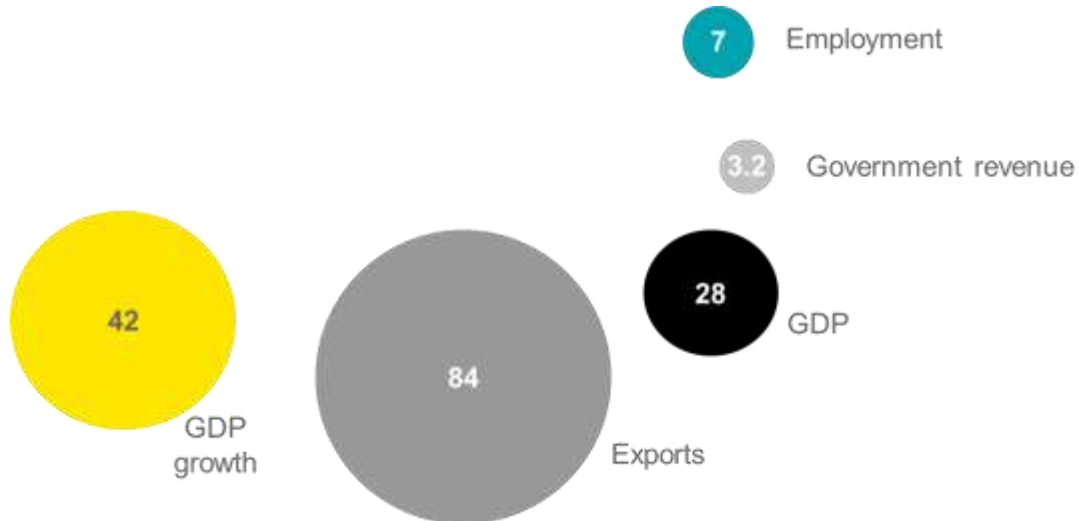
⁵² Direct communication from IRC received 6 December 2017

⁵³ Institute of National Affairs, PNG's Economy 2016- past, present and future prospects. http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20202016%20%20Word%202007.pdf

⁵⁴ Minutes of MSG meeting #2, 27 March 2015

⁵⁵ Total and per capita wealth of nations', World Bank 2005; wealth per capita, 2005 <http://data.worldbank.org/data-catalog/wealth-of-nations> , accessed 18 January 2016. More recent data not available.

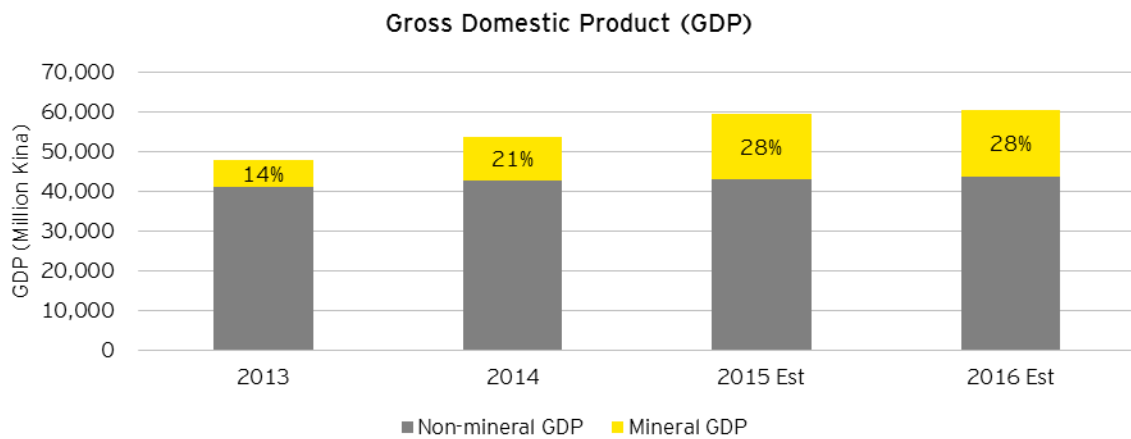
Figure 12: Percentage contribution of the extractives sector to economic measures in 2016⁵⁶



3.5 Contribution to GDP

The contribution of the extractive industries to Gross Domestic Product (GDP) in recent years is shown in Figure 13: below.

Figure 13: Extractive industry contribution to GDP 2016



During 2016, the extractives sector comprised 28% of GDP and contributed to 42% of GDP growth. Table 11 below shows the contribution of different sectors to PNG's growth in GDP from 2013 to 2016.

⁵⁶ 2016 Budget Volume 1 Appx 3 Tables 1,2,5,7&8 on pp.107-114
http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf *figures include quarrying, which Treasury advises comprised about 2% of the 'mining and quarrying' total - Direct communication from Treasury, 2 December 2015

Table 11: Contributions to growth in real GDP (% points) during 2013-16⁵⁷

	2013	2014	2015	2016 Est
Agriculture, Forestry and Fishing	0.9	0.6	0.4	0.5
Oil and Gas Extraction	0.1	9.1	10.2	-0.2
Mining and Quarrying	0.6	0.6	-0.2	1
Manufacturing	0	0	0	0
Electricity Gas & Air conditioning	0.1	0	0	0
Water Supply & Waste Management	0	0	0	0
Construction	-0.3	0	0	0.1
Wholesale and Retail Trade	0.4	0.1	0.2	0.2
Transport and Storage	0.2	-0.2	0	0
Accommodation and Food Services	0.1	0	0	0
Information and Communication	0	0.3	0.1	0.1
Financial and Insurance Activities	0.5	-0.8	-0.6	-0.3
Real Estate Activities	0.4	0.2	0.1	0.1
Professional and Scientific	-0.1	-0.1	-0.1	0
Administrative and Support Services	-0.3	0	0	0
Public Administration and Defence	0.4	0.5	0.2	0.2
Education	0.4	0.2	0.1	0.1
Health and Social Work Activities	0.1	0.1	0.1	0
Other Service Activities	0	-0.1	0	0
TOTAL	3.8	12.5	10.5	2
Total Non-Mining	3.6	3.3	0.7	1.6

In 2016, gas production was estimated to reach capacity, while oil production was estimated to decline, so the oil and gas sector actually contracted slightly overall, compared with 2015.

The mining sector grew again in 2016 as Ok Tedi resumed operations in the first quarter. This offset the closure of the Ramu nickel mine for several months because of noncompliance with safety standards, as well as the Porgera gold and silver mine being forced to scale down operations by a landslide and damage to power transmission lines. Overall, the mining and quarrying sector contributed half of PNG's 2% GDP growth in 2016.

3.6 Contribution to government revenue

Figures drawn from the 2017 Budget indicate that the mining and petroleum sectors contributed to 3.24% of government revenue (due to tax and dividends) in 2016, as shown in Table 12:

⁵⁷ 2017 National Budget, Vol 1, Appx 3, Table 2, p. 103 (Actual National Statistical data up to 2014. Estimates and projections-Department of Treasury)
http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

Table 12: Contribution of the mining and oil and gas sectors to government revenue⁵⁸

	2013 (PGK million)	2014 (PGK million)	2015 (PGK million)	2016 (PGK million)
Total tax and non-tax revenue (excluding grants)	9,028.9	10,975.7	10,183.6	9,948.2
Mining and petroleum tax	666.0	864.0	195.4	21.9
Mining and petroleum dividends	0.0	507.2	456.4	300.0
Contribution of mining and petroleum in government revenue	7.38%	12.49%	6.40%	3.24%

Revenue flows to the government from the extractives industry can be volatile as the financial performance of the individual operations can fluctuate due to factors including commodity prices, and impacts of severe weather events such as drought and flood.⁵⁹ This was evident in 2016, with receipts significantly lower than previous years due partly to lower commodity prices, and temporary cessation of production from some major resource projects.⁶⁰

The largest sources of extractive industry revenue in 2016 were group tax, equity distributions, dividends and royalties.

It was noted that the figures for Government revenue included in the 2017 Budget figures do not align with the figures reported by Treasury and the IRC for the 2016 data reconciliation. Table 14 below shows the variance between the figures.

Table 13: Comparison of 2017 Budget figures with figures from reconciliation (see Chapter 10)

	2016 budget figure (PGK million)	2016 reconciliation figure (PGK million)	Variance (PGK million)	Variance (%)
Mining and petroleum tax	21.9	88.7	-66.8	(75.3%)
Mining and petroleum dividends	300.0	200.5	99.5	49.6%

3.7 Contribution to exports

The value of total mineral exports for 2016 was PGK19,986 million (still estimates at the time of writing), comprising 84% of total export value. This increase is associated with the resumption of production from Ok Tedi mine in March 2016.

A breakdown of the value of exports by commodity is provided in Figure 14: below.

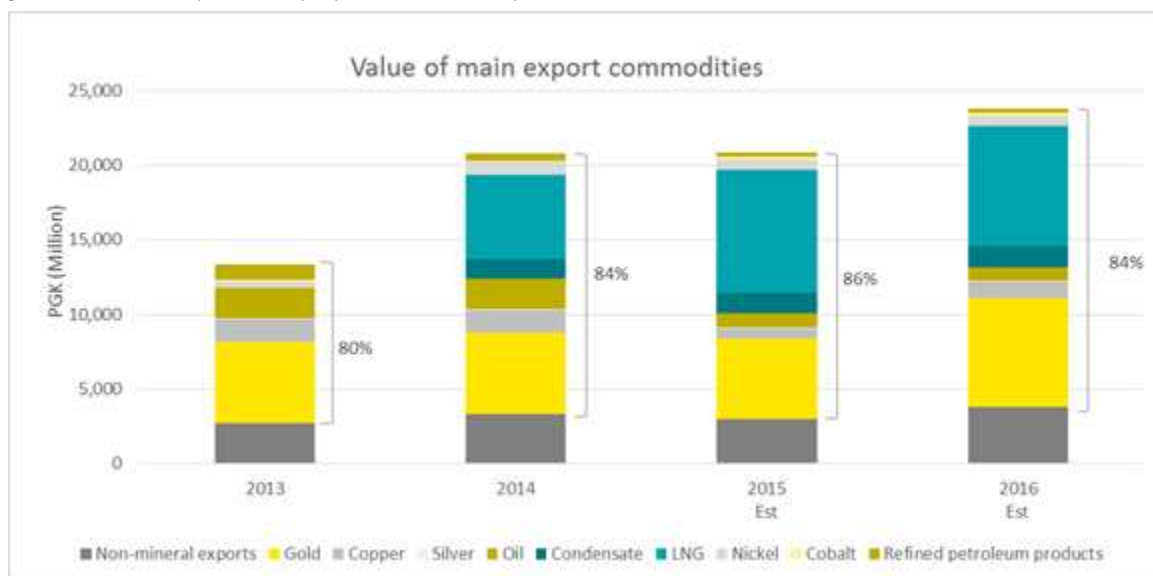
⁵⁸ 2017 National Budget, Vol 1,

http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf Accessed 17 October 2017. Note - Under the GFS 2014 methodology, non-payable infrastructure tax credits, revenue on asset sales and GST transfers to WPA and Trust Accounts are excluded from revenue

⁵⁹ World Bank East Asia and Pacific Economic Update October 2015 and 2016
<http://pubdocs.worldbank.org/en/414911444005973491/pdf/EAP-Economic-Update-2015-10.pdf> and
<https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf> , accessed 18 October 2016

⁶⁰ Institute of National Affairs, PNG's Economy 2016- past, present and future prospects.
http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%202016%20Word%202007.pdf, accessed 9 October 2017.

Figure 14: Mineral exports as a proportion of total exports, 2003-16⁶¹



For detailed export quantities and values reported, see sections 7.5 and 8.5 of this report.

Exports from the extractive industries make up the majority of total exports. In combination with the limited range of commodities being exported, this leaves the PNG economy vulnerable to commodity price fluctuations. The government has made attempts to manage this, such as the development of the Sovereign Wealth Fund, discussed further in Chapter 5.4.

3.8 Contribution to employment

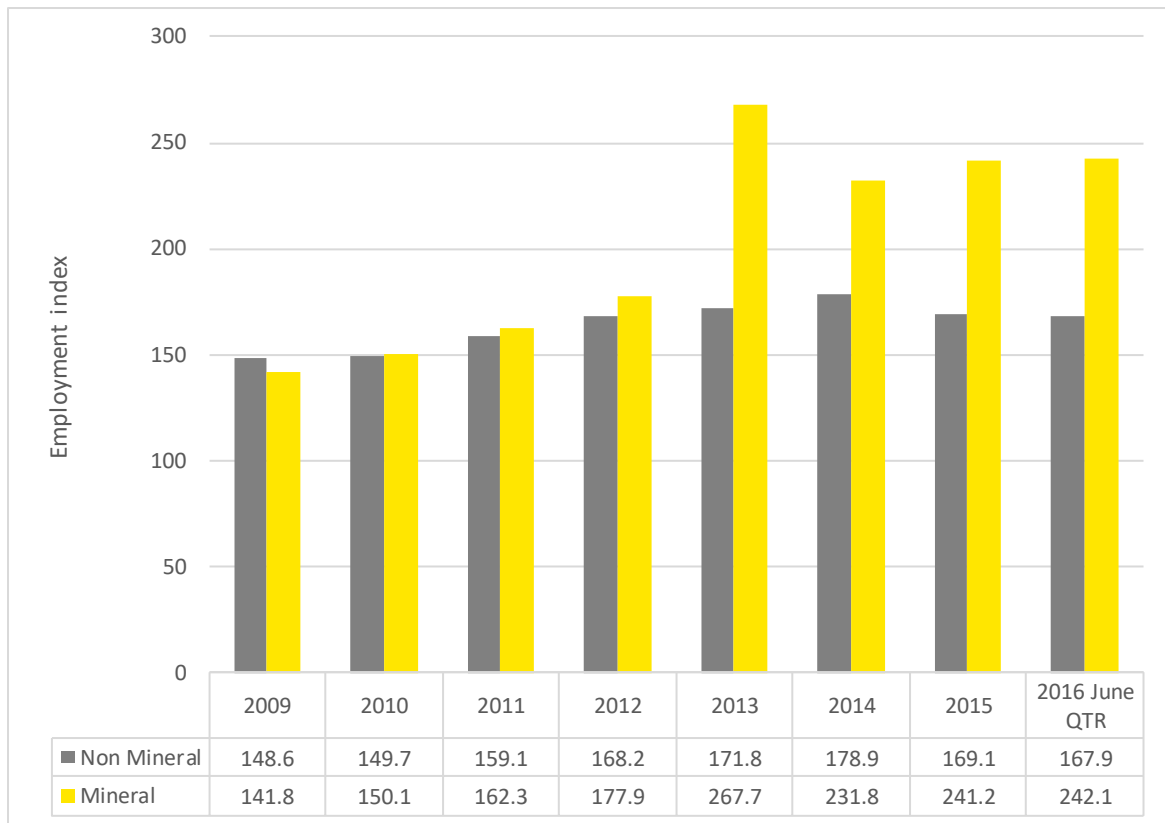
There is limited employment data for PNG. Treasury draws on an index compiled by the Bank of PNG through its Business Liaison Surveys of around 400 private sector business entities across different regions and industries. The Bank of PNG Employment index is reported relative to March 2002 which is equal to an index of 100.

Figure 15: below indicates that employment in the extractive sector peaked in 2013 and then dropped in 2014 before increasing slightly again during 2015 and 2016. Employment in the non-mining sectors has remained relatively steady over the same period.

Figure 15: 2009-2016 Employment index⁶²

⁶¹ 2013 figures from 2015 Budget, vol. 1, Appx 3, Table 5 p.15, http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf , p. 139, 2014 figures from 2016 Budget, Vol 1, Appx 3, Table 5, p. 111 (Actuals from BPNG. Projections from Dept. of Treasury.), http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf , 2015 figures and 2016 estimates from 2017 Budget, Vol 1, Appx 3, Table 5, p. 106 (Actuals from BPNG. Projections from Dept. of Treasury) http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

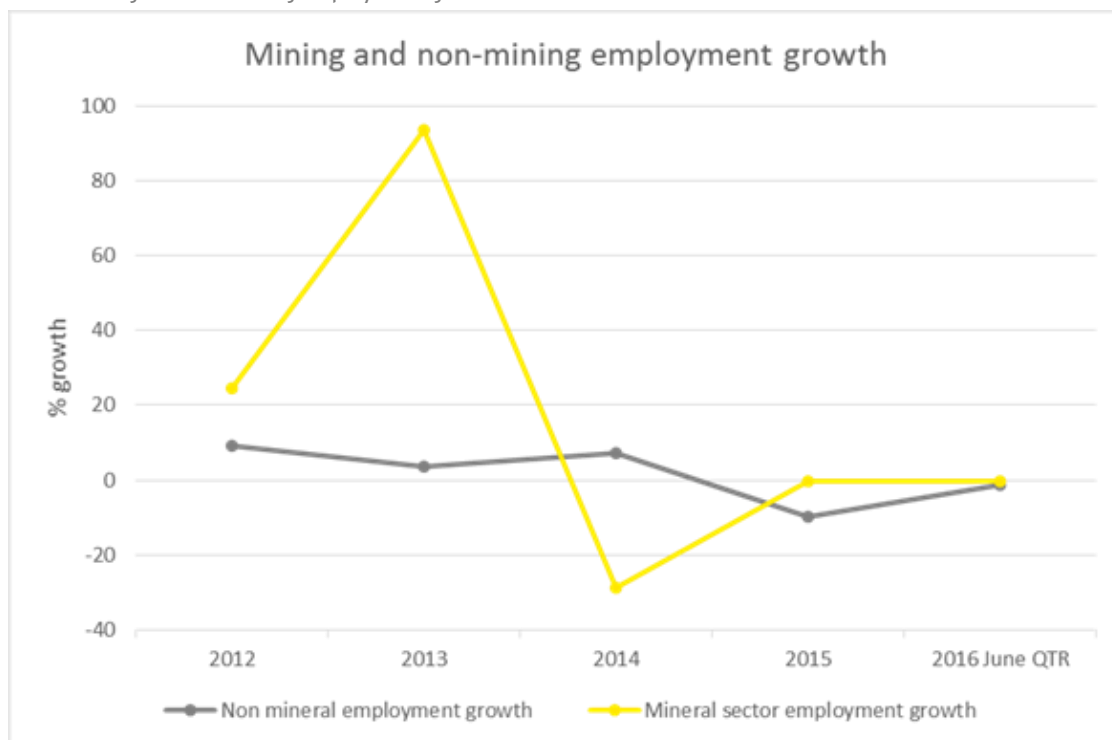
⁶² 2017 National Budget Vol 1, Appx 3, Table 7, p. 108, sourced to BPNG http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf . The Business Liaison Surveys request the number of employees for the reference quarter. Where companies 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



Estimates of actual numbers employed vary considerably. The 2011 census estimated formal employment in the mining and quarrying sector at 9,011, representing just 2.5% of formal employment, as illustrated in Figure 16: below.⁶³

⁶³ 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; no more recent data available

Figure 16: Mining and non-mining employment growth⁶⁴



Another study from 2015 put direct employment in the sector at 14,000, and indirect at 45,800, including employment of locally owned businesses.⁶⁵

The 2011 census data indicated that, along with education as a close second, the sector provides by far the highest median wages. Furthermore, a study from the Institute of National Affairs adds:

‘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.’⁶⁶

A report from the United Nations Development Program for PNG in 2014⁶⁷ notes that PNG’s total formal labour market provides livelihoods to less than 12% 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.

⁶⁴ 2017 National Budget Vol 1, Appx 3, Table 7, p. 108, sourced to BPNG http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

⁶⁵ 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

⁶⁶ 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.

⁶⁷ PNG NHDR 2014

Figure 17: 2011 census employment data



Nevertheless, the extractive industries have been important to the growth of formal sector employment. Large mines such as Ok Tedi employ up to 2000 staff,⁶⁸ 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 as the project moved into production. More than 2,500 workers were employed in production related roles in the PNG LNG project in 2016. Of these, over 2000 were PNG citizens comprising 82% of the workforce.⁶⁹

Further major LNG construction projects may proceed in 2019, providing extensive, but relatively brief employment for two to three years. As with PNG LNG, they may also stimulate extensive small and micro-enterprises.⁷⁰

3.9 Commentary on the contribution of the extractives sector to the economy

The extractive industries make a significant contribution to the economy of PNG, most notably to exports, but also to GDP, government revenue and employment. There are also other broader impacts such as stimulating infrastructure development. However, as illustrated by some of the figures above, these benefits can be volatile, and the industry can also have social and environmental costs.

⁶⁸ Ok Tedi Annual Review 2016 p44 <http://www.oktedi.com/index.php/media-items/publications/annual-review/488-2016-annual-review/file> accessed 6 November 2017.

⁶⁹ PNG LNG Environmental and Social Report-Annual 2016, PNG LNG, 2016 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2016-Annual-ES-Report-FINAL-28-04-2017-FULL-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2016-Annual-ES-Report-FINAL-28-04-2017-FULL-(ENG-WEB).pdf) accessed 6 November 2017.

⁷⁰ Institute of National Affairs, PNG's Economy 2016- past, present and future prospects. http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20%202016%20%20Word%202007.pdf , accessed 9 October 2017

Recent government policies such as the Sovereign Wealth Fund, *Vision 2050*, and the Responsible Sustainable Development Strategy (STARS) seek to capitalise on the economic boon of the extractive industries, while also diversifying the economy to avoid over-dependence on the sector.⁷¹ These policies have the potential to benefit PNG over the long term, if prudently implemented.⁷²

⁷¹ 'Vision 2050', 2009, PNG Government, <https://sustainabledevelopment.un.org/content/documents/1496png.pdf> accessed 10 October 2017.

⁷² Institute of National Affairs, PNG's Economy 2016- past, present and future prospects. http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20%202016%20%20Word%202007.pdf accessed 10 October 2017.

4. Legal framework and fiscal regime

PNG presents unique challenges: its eight million people comprise hundreds of cultural and linguistic groups, with a predominantly rural population spread widely over varied geographies, many of which are remote and inaccessible. To respond to this, the government is 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.⁷³

4.1 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.

4.2 Ownership of subsoil assets

According to the *Mining Act 1992* (MA) and the *Oil and Gas Act 1998* (OGA), subsoil assets belong to the State.

Section 5 of the MA 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.'⁷⁴

Section 6 of the OGA 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.'⁷⁵

⁷³ Asian Development Outlook 2015: Financing Asia's Future Growth, Asian Development Bank 2015, <https://www.adb.org/sites/default/files/publication/154508/ado-2015.pdf> p. 256 accessed 27 September 2017

⁷⁴ Department of Mining, *Mining Act 1992 and Regulation*. Port Moresby: Department of Mining, 1992. http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf , Accessed 20 January 2016

⁷⁵ 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

4.3 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.⁷⁶ The IRC collects the majority of State revenue, comprising corporate income tax and tax on salary and wages, as well as indirect taxes such as GST. It also 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, manage debt, provide policy advice and conduct 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 formerly part of the IRC, but was made a separate entity in 2009. In addition to border and community protection and trade facilitation, it is responsible for collecting government revenue from imports and exports.

4.3.1 Income Tax

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). 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 Designated 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 OGA governs the exploration and production of petroleum (including oil and gas) in the onshore and offshore areas of PNG, and the MA governs the discovery, appraisal, development and exploitation of mineral deposits in PNG (see further comments below). The OGA also governs the calculation of royalties and development levies.

The rates of income taxation on extractive industries in PNG are set out in Table 14 below.

Table 14: Rates of income taxation in PNG (%)

	Resident ⁷⁷	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	-

⁷⁶ Tax avoidance' generally refers to aggressive tax planning - for instance transfer pricing or treaty shopping; 'tax evasion' refers to fraudulent activity.

⁷⁷ 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.

Corporate tax is levied on taxable income, that is, assessable income less deductions allowed under the *Tax Act*. The taxation regime for extractive industries is designed such that a resource company is taxed 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 with respect to exploration expenditure and expenditure carried forward from discontinued projects.

Exploration costs incurred in respect of exploration activities by the company or its related entities can be added to a pool from which deductions can be made against income from the project once production commences. The deduction allowed each year due to exploration costs is limited to the lesser of 25% of the total balance of the exploration pool or the amount that would reduce the income tax otherwise payable for that year by 10%.⁷⁸ 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. Exploration expenditure, as well as capital expenditures, are written off over the life of the project and deductions allowed each year are limited such that it does not create a tax loss. The ITA (s156E) also allows double deduction of exploration expenses in the mining sector. The PNG Tax Review Committee, in their final report published in 2015 recommend the removal of this double deduction.⁷⁹

4.3.2 Other taxes on resource 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:

4.3.2.1 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% 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.

4.3.2.2 Fiscal stability

A resource project has the option of adding a 2% premium to the applicable rates of income 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.⁸⁰

Fiscal stability currently applies to the PNG LNG Gas Project companies. No other current resource project has opted for fiscal stability.⁸¹

⁷⁸ Income Tax Act 1959 s155N (PNG) www.paclii.org/pg/legis/consol_act/ita1959116.rtf

⁷⁹ Tax Review Committee, PNG Taxation Review Report to the Treasurer Part 2 of 2: Detailed Analysis, October 2015 http://taxreview.gov.pg/wp-content/uploads/2015/11/15.10.22_taxreview.final_report_vol.2.pdf, accessed 16 October 2017

⁸⁰ Note that the Tax Review included the following recommendation (no. 47) in relation to fiscal stability: '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.'

⁸¹ Email from IRC, 4 July 2017

4.3.2.3 Additional profits tax

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 APT was to provide a progressive tax instrument to tax economic rents of highly profitable resource projects.

4.3.2.4 Royalties, development levy and production levy

Resource projects are subject to a royalty which is equal to 2% 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 2% 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 2% of the wellhead value of petroleum or gas sales for that year, the excess may be claimed as a credit against income tax payable. Royalties are collected by the State and apportioned to relevant landowners, local-level governments and provincial governments. Development levies are paid to the relevant local or provincial government (see more detail in section 5.7).

The production levy applicable to mining projects is calculated at 0.25% (or up to 0.5% at the Mining Minister's discretion) of assessable income (primarily, but not exclusively 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.

4.3.2.5 Goods and services tax (GST)

GST is collected in accordance with the *Goods and Services Act 2003*. Supplies to resource companies, for the carrying out of resource operations, 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.

4.3.2.6 Infrastructure tax credits (ITCs)

The ITC scheme is a public/private partnership model to promote the development of infrastructure in areas where mining and petroleum resource projects or agricultural companies are operating.

Companies can claim expenditure on prescribed infrastructure projects as a credit against tax payable. The credit amount is generally limited to the lesser of 0.75% of assessable income or tax payable each year. Unspent amounts can be carried forward and utilised within the next two years, while unused credits can be carried forward to succeeding years of income until fully utilised. A further 1.25% can be utilised for specified projects.

Guidelines and project approvals for ITCs are managed by the Department of National Planning and Monitoring (DNPM).

(See also commentary on ITCs in section 4.9)

4.4 Regulation of the mining industry

The principal laws that regulate mining activities in PNG are the *Mining Act 1992* (MA), which sets out how mining projects should be administered and regulated, and the *Mining (Safety) Act 1977*, which stipulates safety requirements on mine sites, provides for investigations and inquiries into mine accidents and establishes a regime for certification of prescribed mining roles.

The MA has been under review since 2009.⁸² Progress has been made with working groups, comprising both state and industry representatives.⁸³ In 2016, the Prime Minister confirmed that a draft act had been completed but that this would not be passed into legislation until after the 2017 National Election, to allow adequate consultation.⁸⁴ In mid-2017, the PNG general election resulted in a new Minister for Mining, who has said that a revised MA will be passed in 2017 and will also include a revision of the *Mineral Resources Authority Act 2005*.⁸⁵ The revised MA is anticipated to include updated regulations for offshore mining, mine closure and rehabilitation, resettlement and geothermal resources and standards for employing mine workers. The *Mining (Safety) Act* is also under review, and there are plans to develop alluvial mining policy. The intention of this is to strengthen the industry and implement the Gold Bullion Bank in PNG.⁸⁶

Matters relating to the environment within mining and exploration tenements are governed by the *Environment Act 2000*. The operation and development of mineral deposits in relation to the Ok Tedi mine is governed by the *Mining (Ok Tedi Agreement) Act 1976* and the fourteen supplemental agreement Acts. The Panguna mine on Bougainville is governed by the *Mining (Bougainville Copper Agreement) Act 1967*, although mining legislation for the Autonomous Region of Bougainville has now been passed. The relationship between those respective pieces of legislation is unclear as the former has not been repealed, nor have the references to it in the MA been amended.

The Mining Advisory Council (MAC) is a government entity established under the MA, which advises the Head of State and Minister for Mining in relation to grants and extensions of mining tenements (i.e. mining leases, leases for mining purposes, mining easements and exploration licences).

The Mineral Resources Authority (MRA), established through the *Mineral Resources Authority Act 2005* (MRA Act), 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.⁸⁷ As an independent statutory authority, its functions are executed on behalf of the Government of PNG. The functions of the MRA are set out in Section 5 of the MRA Act and include:

- ▶ Promoting the orderly exploitation for the development of the country's mineral resources
- ▶ Overseeing the administration and enforcement of all relevant mining legislation as outlined above
- ▶ Negotiating mining development contracts under the *Mining Act 1992* as agent for the State
- ▶ Receiving and collecting, on its own account and on behalf of the State, any fee, levy, rent, security, deposit, compensation, royalty, cost, penalty, or other money or other account payable under the relevant mining legislation outlined above.

Although the MRA issues all tenements in relation to mining, once the application assessment process has been completed, the application is forwarded to the MAC, which will review the assessment and application and make a recommendation to the Minister for Mining on the suitability of the tenement application.

⁸² Information provided by MRA 27 November 2017

⁸³ Byron Chan Ministerial Speech 2014, <http://www.pnginvestment.com/files/6814/1845/1320/MS3330CHAN.pdf>

⁸⁴ Peter O'Neill Prime Minister Speech 2016, <http://www.pm.gov.pg/speech-by-hon-peter-oneill-cmg-mp-prime-minister-of-papua-new-guinea-at-the-14th-papua-new-guinea-mining-and-petroleum-investment-conference-5-december-2016-sydney-australia/>

⁸⁵ Loop PNG news article *Revised mining act will be passed: Minister* <http://www.looppng.com/business/%E2%80%8BRevised-mining-act-will-be-passed-minister-65327>

⁸⁶ PNG Industry News article, <http://www.pngindustrynews.net/pngindustrynews/news/1144858/png-develop-alluvial-mining-policy>

⁸⁷ The former Department of Mining, now the Department of Mineral Policy and Geohazards Management, is now solely responsible for policy development.

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

An export licence is required in order to export gold. The relevant requirements can be found on the Bank of PNG website.⁸⁸

4.5 Regulation of the petroleum industry

The petroleum industry in PNG is governed by the Oil and Gas Act 1998 (OGA) 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 specifies 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:

- ▶ 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.

4.5.1 Regulation of unconventional hydrocarbons

Unconventional hydrocarbons are defined as any naturally occurring mixture of one or more hydrocarbons (whether in gaseous, liquid or solid state) and any other substance, including those extracted from coal, shale or other rock, but does not include any hydrocarbons extracted from a conventional petroleum pool.⁸⁹ In the OGA, the definition of 'petroleum' excludes these unconventional hydrocarbons as it 'does not include coal, shale, or any substance that may be extracted from coal, shale or other rock' (p. 7).

New legislation specifically for these hydrocarbons was passed in November 2015, *The Unconventional Hydrocarbons Act 2015* (UHA). It acts alongside the OGA, although it is separate legislation. The twofold purpose of the UHA is to 'govern the exploration for and production of unconventional hydrocarbons in Papua New Guinea, including the offshore area' and 'the grant to traditional landowners and Provincial Governments and Local-level Governments of benefits arising from projects for the production of unconventional hydrocarbons' (p. 1). Terms and definitions of the UHA are consistent with OGA, including licence areas, fees, royalties, development levies, rights of landowners and State participation.

⁸⁸ <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>; <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-b-17112015.pdf>

⁸⁹ As per the *Unconventional Hydrocarbons Act 2015*, http://www.paclii.org/pg/legis/num_act/uha2015316/, accessed 10 November 2017

4.6 Resource development agreements

Developers of resource projects generally enter into an agreement with the State of PNG in addition to obtaining a resource development licence or mining tenement for the extraction of the relevant resource under either the OGA or MA (see further comments below in relation to regulation). For major mining projects, Section 18 of the MA requires a Mining Development Contract.

In addition to giving the State an equity interest in the resource project, these agreements may be negotiated to modify the general operation of PNG's revenue laws with specific application to that project (e.g. to grant concessions such as exempting a designated gas project from APT). Since contracts are not disclosed (see 4.10 below), the extent to which tax rates are negotiable is unclear, and the tax profile of specific projects is opaque. Section 17 of the MA outlines the State's power to enter into agreements, not inconsistent with the MA.

Section 3 of the MA sets out a broad consultation process before a special mining lease is granted. The Minister convenes a development forum of affected parties to agree the flow of benefits from the project, which are captured in a Memorandum of Agreement (MOA) and subsequently approved by the National Executive Council (see chapter 7).

4.7 State's equity participation right

As noted above, the State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% 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,⁹⁰ 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 resource development agreement may allow for the government to forego their shares of resource income (dividends) to meet the State's accumulated liability.

4.8 Other stakeholder equity participation rights

Currently, where the State takes an equity participation interest in a project, it has an established practice of granting free equity to landowners from the area in which the project is located. The landowners' share in petroleum projects is prescribed in section 167 of the OGA. For mining projects, an equity of up to 5% is free carried by the State on behalf of the landowners and provincial governments (at 2.5% each) 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.

4.9 Changes to the taxation system

In 2013, the PNG Government committed to comprehensively review PNG's revenue regime to ensure that it remains relevant, efficient and effective. The objectives of the review are to:⁹¹

- ▶ Align PNG's revenue system with its development aspirations of being a competitive middle-income nation in the Asian century

⁹⁰ 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.

⁹¹ Tax Review Committee Report to the Treasurer, October 2015, http://taxreview.gov.pg/wp-content/uploads/2015/11/15.10.22_taxreview.final_report_vol.1.pdf

- ▶ 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
- ▶ 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 with respect to various aspects of PNG's 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.

Following consultation, a number of changes are being implemented as a result of the tax review in the 2017 National Budget. However, as these are not operative until 01 January 2017, they do not impact the revenue streams in the 2016 reporting period.⁹² See <http://taxreview.gov.pg> for further information.

Tax Review recommendation: Tax concessions

One of the issues raised by the review is tax incentives, particularly in the form of tax holidays. It counsels against the use of tax holidays for the extractives sector, on the basis that such incentives are inequitable; create opportunities for tax abuse and corruption; complicate tax administration and compliance; and do not benefit new enterprises that are not yet profitable.

The Mining Development Contract agreed between the State and the operators of the Ramu nickel and cobalt mine included concession of a 10-year tax holiday, starting from 1 January 2016. The project has been exempted from all taxes except for group tax (on salaries), but is still liable for the production levy and royalty.⁹³

⁹² Email from IRC, 4 July 2017

⁹³ Tax Review Committee Report to the Treasurer, October 2015, http://taxreview.gov.pg/wp-content/uploads/2014/05/31.03.14_issues_paper_1_mining.petroleum.tax_.pdf p.49, accessed 9 November 2017

Tax Review recommendation: Infrastructure Tax Credits

The review recommends suspension of the Infrastructure Tax Credit Scheme for new projects, pending audits for the value of money forgone. The report comments:

'Over almost 20 years since the introduction of the ITC, there has been no substantive review of its operation. Generally, there is a significant lack of reporting in relation to the ITC expenditures and monitoring of approved projects. The absence of a standard format for reporting ITC expenditures has resulted in a lack of consistency in the provision of the information by developers. This creates difficulty for the collation of tax expenditure data. The appraisal process has suffered from a lack of technical capacity and funding within the Department of National Planning and Monitoring (DNPM). These processes relate to policy screening, cost appraisal and approval of the projects by the Project Appraisal Committee. Monitoring and evaluation of these projects has been compromised for decades.'⁹⁴

4.10 Government policy on disclosure of contracts

The details of contracts and licences are protected by confidentiality provisions in Section 163 of the MA, Section 51 MRA Act 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 DPE or MRA (as appropriate). To date no contracts have been made publically available. This is an issue which civil society organisations in particular seek to change in the interests of greater transparency.

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. Part 1 of the MA however, provides for Constitutional limitations as the mining legislation is for the purpose of giving effect to the national interest.

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, are concerned that the details in the agreements would reveal their strategy, and would thus be more commercially sensitive.⁹⁵ At the time of writing this report, it is understood the companies will be comfortable disclosing some parts of the agreements (partial contract disclosure). However, the MSG has yet to discuss this with oil and gas companies and agree on the details that may be disclosed. This is anticipated to be discussed and addressed in the next report.

Insight on government policy on disclosure of contracts from the Institute of National Affairs

'Finalising revised MOAs on six mining projects during early 2017, following extensive negotiations between multiple parties, including government and customary landowners, was a considerable achievement, led by the Mineral Resources Authority; however, as emphasised by the Authority's head, Philip Samar, "The final product itself should therefore be a document that the various stakeholders and the general public can have access to."

Full transparency of agreements involving the State as a party, entailing State assets and proceeds from them, should be standard, and the landowners and wider public should be able to view arrangements readily involving themselves as stakeholders, to help keep companies, the National and subnational Governments, but also landowner companies and associations accountable. Progress has been achieved, but further reform, public scrutiny and automatic exposure of the outcome of negotiations should be achieved and mandatory, as well as input by stakeholders into those consultations and agreements. This should apply, likewise, to other processes and documentation, such as social and environmental impact studies and statements.'

Paul Barker, Institute of National Affairs

⁹⁴ PNG Taxation Review October 2015, Tax Review Committee Report to the Treasurer, Part 2 of 2: Detailed Analysis. http://taxreview.gov.pg/wp-content/uploads/2015/11/15.10.22_taxreview.final_report_vol.2.pdf accessed 10 October 2017

⁹⁵ MSG Meeting #2, 27 March 2015

4.11 Disclosure of beneficial ownership

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.⁹⁶

The PNG Government does not require companies to disclose the 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.

This EITI report includes information on the beneficial ownership arrangements of each of the operating mines and producing oil and gas licences, as far as could be established through direct enquiry, reference to corporate websites and annual reports, and the PNG Mining Cadastre Portal database, hosted by the MRA website.⁹⁷ Where a company is publicly listed, the name of the stock exchange where they are listed has been provided.

Information on beneficial ownership is included in the discussion of mining, oil and gas operators and SOEs in chapters 7, 8 and 9. Note that the information provided relates to the 2016 calendar year, and that the ownership of a number of the projects and assets has since changed. These changes have been noted wherever possible.

The 2016 EITI Standard (2.5c) requires that EITI reports from 2020 onward include information relating to the beneficial ownership of corporate entities that bid for, operate or invest in extractive assets. The Standard includes a requirement (2.5bii) to develop a roadmap defining all the actions that need to be taken to address this requirement.

The MSG held a workshop in May 2016 to discuss this requirement,⁹⁸ and commissioned a roadmap. The draft roadmap was published in December 2016, with a [final version](#) published in March 2017, which included a roadmap costing and work plan from April 2017 to December 2019.⁹⁹ The MSG was involved in determining all milestones and deadlines in the roadmap, and will be responsible for evaluating implementation of the roadmap as part of their annual progress report (as per EITI Requirement 7.4avi). It is expected that the document will evolve over time through iterations and improvements.

Below is an update on activity in relation to beneficial ownership, provided by the PNG EITI National Secretariat.

Update on beneficial ownership roadmap implementation¹⁰⁰

PNG EITI MSG is working towards disclosing beneficial ownership details in 2020 as required by the EITI Standard. The roadmap for the implementation of beneficial ownership disclosure began in July 2017 and is currently in the early stages of planning activities that will aid efficient beneficial ownership disclosure. The MSG has begun a review of the legal and regulatory framework that may hinder the progress by directly communicating with legal officers from the MSG organisations and EITI specialists.

A consultant was contracted by the PNG EITI National Secretariat in July 2017 as the roadmap implementers for the disclosure of beneficial owners with regards to extractive industries. The roadmap implementation project covers 23 milestones encompassing topics of defining beneficial ownership (BO) and politically exposed persons (PEP) while establishing thresholds of ownerships within the context of BO. Additionally, the consultant has articulated the need for amendments or regulations to existing laws rather than the introduction of a new legislation.

⁹⁶ The EITI Standard, 2016 - Requirement 2.5 Beneficial Ownership

⁹⁷ PNG Mining Cadastre Portal - <http://portal.mra.gov.pg/Map/>

⁹⁸ MSG Meeting #2/2016, 8 July 2016

⁹⁹ PNG EITI, KPMG, Papua New Guinea Roadmap for Beneficial Ownership Disclosure March 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/PNGEITI-Beneficial-Ownership-RoadMap-1.pdf>

¹⁰⁰ Information received from Treasury, 4 December 2017

As of 4 December 2017, eight milestones have been completed and the consultant is in the process of finding different avenues to enhance public awareness using media as a tool and a source. PNG EITI National Secretariat will conduct roadshow in 2018, to showcase the EITI and its benefits whilst creating public awareness on the changes to be implemented regarding BO disclosure. Public debate will be crucial to adjusting BO disclosure to suit the local context during this time.

The Government has been making progress since 2016 in its efforts to achieving the national priorities in Vision 2050 and its Development Strategy 2010-2013. Reforms have been somewhat slow as government entities have their own priorities. However, these reforms also coincide with changes to legislation that are essential to implementing the EITI objectives.

Another challenge anticipated is data collection. By comparison with other countries, PNG has poor data collection and storage capabilities. For example, while the Mineral Resource Authority has a cadastre in place for tenement licensing progress, DPE has been collating financial data manually in an outdated system.

The work through the beneficial ownership project is to review the current legislative arrangements as beneficial ownership information is concerned for better management of the extractive Industry. However, the terms 'beneficial ownership disclosure' and 'politically exposed person' are also included and defined in the country's *Anti-Money Laundering Act 2015*.

PNG is different from other EITI countries in that the law makes provision for people to be attached to their land, hence the term landowners. When executing BO disclosure within PNG context, particularly for landowner groups, validating landowner information and their respective groups will be crucial in BO disclosure accuracy.

Once BO disclosure is fully implemented in 2020, it will demonstrate the government's commitment to transparency, achieve its goals in its Vision 2050 and its Development Strategy 2010-2030. It will provide an enabling environment for the government to maximise its revenue collection by preventing money laundering and transfer pricing. The BO reporting will provide another platform for collaboration between government, industry and civil society. BO disclosure will also improve sovereign and corporate ratings and promote accountability for local and foreign investors for better management of corporate risk.

A [Scoping Study on Beneficial Ownership](#) was also published in March 2017.¹⁰¹

¹⁰¹ PNG EITI, KPMG, Report on Outcome of the Scoping Study on Beneficial Ownership March 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/PNGEITI-BO-Scoping-Study-Report.pdf>

4.12 Relevant legislation and agreements

Most key pieces of legislation relevant to the extractive industries in PNG are available from PaCLII <http://www.paclii.org/countries/pg.html>. Mining legislation is also available on the MRA website <http://www.mra.gov.pg/Regulations.aspx>.

The PNG LNG Umbrella Benefit Sharing Agreement (UBSA) and the PNG LNG Coordinated Development and Operating Agreement (CDOA) are not publically disclosed.

Table 15: Relevant legislation with hyperlinks

Legislation
<i>Environment Act 2000</i>
<i>Goods and Services Act 2003</i>
<i>Income Tax Act 1959</i>
<i>Mineral Resources Authority Act 2005</i>
<i>Mining Act 1992</i>
<i>Mining Safety Act 1977</i>
<i>Oil and Gas Act 1998</i>
<i>Oil and Gas Regulation 2002</i>
<i>Mining (Ok Tedi Agreement) Act 1986</i>
<i>Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013</i>
<i>Resource Contracts Fiscal Stabilisation Act 2000</i>
<i>Government Gazettes</i>
<i>Unconventional Hydrocarbons Act 2015</i>

5. Management and distribution of revenues

The 2013, 2014 and 2015 PNG EITI reports identified that in some cases, the absence of a robust system for managing government revenue payments in PNG leaves the system vulnerable to fraud, corruption, and human error.¹⁰² The problem of transparency is amplified when payments to subnational governments are taken into consideration, and the Asian Development Bank has called for greater transparency in subnational government resource revenue flows.¹⁰³

Budgeting for government revenues from the extractive sector is complex due to the revenue being subject to fluctuations in quantities produced and global commodity prices. Medium-term projections anticipate that corporate income tax (mining and petroleum tax) will come mainly from Ok Tedi, Porgera and the oil fields. The Ramu Nico mine has a 10-year exemption from corporate income tax. The Lihir mine continues to undertake high capital expenditures which reduce its taxable income. Low LNG prices, together with an accelerated depreciation allowance, means there may not be corporate income tax from the PNG LNG project. In addition, key mines are claiming Infrastructure Tax Credits (ITCs).¹⁰⁴

5.1 Budget process

The national budget process is led by the Department of Treasury. The documents, processes and governance structures that guide the PNG budget are outlined below. In the absence of clear publicly available information on PNG's budget process, the following information was provided directly by the Treasury of PNG in 2015.¹⁰⁵

The budget is guided by relevant legislation and strategies, as outlined below.



¹⁰² 2013 and 2018 PNG EITI Reports <http://www.pngeiti.org.pg/pngeiti-reports/>

¹⁰³ *Asian Development Outlook 2015: Financing Asia's Future Growth*, Asian Development Bank 2015, <https://www.adb.org/sites/default/files/publication/154508/ado-2015.pdf> p. 256 accessed 27 September 2017

¹⁰⁴ Treasury EITI Reporting Template, provided 14 November 2016

¹⁰⁵ information provided directly by Treasury, email 3 December 2015

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 Finances (Management) Act 1999* (amended in 2016¹⁰⁶) and the establishment of the Sovereign Wealth Fund. The MTFS sets fiscal rules regarding the size of the deficit and debt, but it has been amended in the context of the annual budget. The *Fiscal Responsibility Act 2006* legislates a debt limit of 35% of GDP for the years 2013, 2014 and 2015 (increased from 30% via an amendment in 2013) which returned to a limit of 30% of GDP in 2016.

In the 2015 budget, Combined Budget Operational Rules were introduced. This is a set of organic rules setting out budget criteria and processes for government departments, statutory authorities and provinces. This set of rules will be annually revised by the Departments of Treasury and National Planning and Monitoring and used for assessing budget submissions.¹⁰⁷ The 2016 Budget also introduced the Budget Management Framework to bring the rules and the Non-Financial Instructions to the attention of agencies.

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 2016-2017* available on the Department of National Planning and Monitoring website.¹⁰⁸ Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections.

5.1.1 Budget governance structures

Several committees assist in steering the budget process and supporting fiscal decision-making:

	Committee	Composition	Role in budget
Bureaucratic	Budget Screening Committee ¹⁰⁹	deputy secretaries of the central agencies ¹¹⁰	works with agencies to review their budget submissions
	Central Agencies Coordinating Committee ¹¹¹	chaired by the chief secretary to the government ¹¹²	coordinates policy and development planning in PNG
Political	Ministerial Economic Committee (also referred to as the Senior Ministerial Budget Committee) ¹¹³	chaired by the Treasurer and comprises of ministers of Finance and National Planning as well as the Prime Minister and NEC	drives budget strategy setting and advises the National Executive Council on the budget
	National Executive Council (NEC)	key government decision making body	approves final budget

¹⁰⁶ Public Finances (Management) Act 1999 Amendment 2016, http://www.parliament.gov.pg/uploads/acts/16A_05.pdf accessed 7 December 2017

¹⁰⁷ http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf

¹⁰⁸ <http://www.planning.gov.pg/images/dnpm/pdf/MTDP2.pdf>

¹⁰⁹ The 2017 budget process has replaced the Budget Screening Committee with a Budget Strategic Committee http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

¹¹⁰ The central agencies are: Departments of Treasury, Finance, National Planning & Monitoring, Prime Minister & NEC and the Department of Personnel Management. These are the key central government departments or key economic agencies that have major inputs into the budget formulation process in terms of budget strategies and frameworks, and policy formulation and allocation of resources. Information received from Treasury 4 December 2017

¹¹¹ Information received from Treasury 4 December 2017

¹¹² <http://press-files.anu.edu.au/downloads/press/p78541/mobile/ch03s03.html>

¹¹³ Information received from Treasury 4 December 2017

5.1.2 Budget governance structures

Several committees assist in steering the budget process and supporting fiscal decision-making:

The budget process commences around March of each year, with a consultation period. Treasury calls for policy submissions from the public and undertakes forecasting of key economic indicators and revenues.

In May or June a Budget Circular is issued to all spending agencies of government, including provincial governments, which provides them with instructions for preparing their budget submissions, including expenditure ceilings for each agency. The process for setting ceilings includes:

- ▶ Treasury determines an aggregate expenditure ceiling, guided by revenue projections, 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 and inflation. 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.

Since 2015, agencies are required to make a single submission including both capital and operational costs, and the linkages between these, rather than separate budget submissions as in prior periods.

At the end of July, the Mid-year Economic and Fiscal Outlook (MYEFO) report is released, 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.

At the end of August, the Budget Strategy Paper is released. This sets out high-level fiscal parameters and broad policy strategy for the coming budget.

During late August and September, the Budget Screening Committee holds meetings with agencies to discuss and negotiate the submissions received. Agency submissions tend to be 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.

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 approved before the start of the coming fiscal year.

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

A Final Budget Outcome report is released within three months of the end of the financial year, which includes annual expenditure.

Figure 18: Timeline of key steps in PNG budget process



5.2 Recent reforms to the budget process

In 2012, the government introduced a number of reforms to the budget process. Major areas of focus to date have been:

- ▶ Integration of capital and operational spending. Previously, the budget process was split such that the Department of National Planning and Monitoring assessed and advised Cabinet on development projects proposed in the budget, while Treasury assessed the policy and operational side of the budget.¹¹⁴
- ▶ Setting ceilings for both operational and capital components.
- ▶ Greater cohesion between ministerial priorities and bureaucratic activity plans. Agencies are now requested to have ministerial sign-off of on their budget submission.¹¹⁵
- ▶ Separate consideration of new and ongoing expenditure. The 2016 and 2017 budgets involved a two-stage approach for the first time: the first stage calls for new activities in order of priority; the second stage covers ongoing operating costs and projects.¹¹⁶
- ▶ Budgeting by sector to avoid duplication, align sector priorities, and help distribute funding across the government's priority areas; particularly highlighting funding to health and higher education.¹¹⁷
- ▶ Shifting emphasis from inputs to outcomes by: integrating more information into resource allocation decisions, particularly on program goals and performance; and assessing the validity of historical budget decisions.¹¹⁸

¹¹⁴ http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf;
¹¹⁵ http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf

http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf p. 58

¹¹⁶ *ibid*

¹¹⁷ http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf p. 54

¹¹⁸ *ibid*

- ▶ Increased transparency 'through the quarterly release of information about appropriations, warrant releases and expenditure to date of every Government agency' This is done by publishing information in the major newspapers and online through the Department of Treasury website (www.treasury.gov.pg).¹¹⁹
- ▶ Ensuring the sustainability of projects by requiring four-year forward estimates, including future operational costs of capital expenditures.¹²⁰

The budget reforms have been supported by guidance documents such as the Budget Management Framework, introduced for the 2016 budget, and a network of technical officers to disseminate information and provide a forum for open communication between agencies.¹²¹

Classifications of the State budget and public accounts have been updated to the *Government Financial Statistics Manual 2014*.

5.3 Commentary on the budget process

The Fiscal Affairs Department of the International Monetary Fund carried out an assessment of PNG's public financial management in 2015, against an established performance management framework. It found that PNG scores relatively well on credibility of fiscal strategy and budget; policy based planning and budgeting; and comprehensiveness and transparency. However, it found considerable scope for improvement in accountability; the management of public assets, liabilities and associated fiscal risks; and the quality, availability, comprehensiveness and timeliness of fiscal accounts.¹²²

5.4 PNG Sovereign Wealth Fund

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 to come into operation in 2016.¹²³ According to the 2015 Budget, from 2016 onwards all mining and petroleum taxes were to have been deposited into the Sovereign Wealth Fund instead of flowing directly to the government's consolidated revenue fund (CRF).¹²⁴ However, a report from the International Monetary Fund (IMF) stated that the SWF was not yet in operation as at the end of 2016.¹²⁵

The SWF will comprise of 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 into the budget, in accordance with a five-year moving average, to fund expenditure needs. When revenue flows are large, the excess will be deposited into the Savings Fund.

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.

¹¹⁹ *ibid*

¹²⁰ *ibid*

¹²¹ http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf, p. 66

¹²² International Monetary Fund, Fiscal Affairs Department, 'Papua New Guinea Public Expenditure And Financial Accountability Assessment', August 2015, <https://pefa.org/sites/default/files/PNG-Aug15-PFMPR-Testing%20version-Public%20with%20PEFA%20Check.PDF> accessed 5/10/2017

¹²³ http://www.treasury.gov.pg/html/public_debt/swf.htm

¹²⁴ http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf

¹²⁵ <https://www.imf.org/en/News/Articles/2017/01/30/PR1724-Papua-New-Guinea-IMF-Executive-Board-Concludes-2016-Article-IV-Consultation>

The government intends to appoint an experienced and well-qualified board to oversee the investment of these funds offshore to diversify risk and, over time, build up financial assets. The government will provide an investment mandate to the board, expressing the government's expectations for the management of the funds.¹²⁶ It was intended to set up this board, and a secretariat, in the first quarter of 2017 however this has not occurred at the time of writing this report. According to the announcement made by Treasury in the 2018 Budget tabled in Parliament recently,¹²⁷ arrangements are being finalised to establish the board. The Department of Treasury stated that in the interim, all mineral and petroleum dividends are directed to the National Budget until the SWF is in place in 2018.

According to Treasury,¹²⁸ the projected mineral and petroleum revenues and medium-term inflows between the budget and the SWF were yet to be operationalised. Based on current estimates by Treasury, 50% of mining and petroleum tax revenues will be channelled to the SWF Stabilisation Fund, while the other 50% will flow directly to the CRF to finance government operations. The establishment of the board and a secretariat to operationalise the SWF had been further pushed back to 2018, with the World Bank agreeing to assist the Bank of PNG and the Department of Treasury to establish the SWF Secretariat.¹²⁹

Commentary on the establishment of the Sovereign Wealth Fund from Transparency International

'In November 2016 the Government announced that it engaged an independent firm to recruit suitable candidates to sit on the Sovereign Wealth Fund board, which will begin its work in early 2017 (Mou, PNG Loop, 2016). But the recruitment drive to get the new SWF board membership is now delayed due to challenges facing the accounting firm KPMG, says the BPNG governor Loi Bakani (Albaniel, Post-Courier, 2017). The absence of accountability and transparency in the SWF board recruitment process and the failure by the Department of Treasury and the Bank of Papua New Guinea (BPNG) to continue to give the public updates is a cause for concern. The SWF bill is one of PNG's most important legislations after 42 years of independence as it will literally guarantee the future of the next generation through the collection and savings of windfall revenue from gas and mineral exports.'

Transparency International¹³⁰

5.5 Budget priorities

The 2015 budget aimed at reducing the deficit from 6.9% of GDP in 2014 to 4.5% through moderate cuts in expenditure in areas such as construction, but increased spending on focus areas such as education, health and law and order. However, falling commodity prices put a strain on the economy and reduced revenues, leading to a deficit of 5% of GDP.¹³¹ This led to greater cuts in the 2016 budget to public services such as health, and plans to increase revenue. Due to economic downturn, a supplementary budget was issued in the third quarter of 2016 with the aim of providing more realistic revenues and expenses. According to the 2016 Final Budget Outcome, revenue from almost all tax streams were below the supplementary budget, except for mining and petroleum taxes, and royalties and management tax. Tax revenue reduced from PGK5.89 billion in 2015 to PGK5.28 billion in 2016. Despite falling revenue, the deficit was slightly reduced to 4.6% of GDP.¹³²

¹²⁶ Direct communication from Treasury, 25 November 2016

¹²⁷ Post courier, p22, dated 1st December, 2017

¹²⁸ Direct communication from Treasury, 4 December 2017

¹²⁹ <http://postcourier.com.pg/world-bank-assist-png-swf/>, accessed 5 December 2017

¹³⁰ <https://www.transparency.org.nz/docs/2017/Lest-we-forget--PNG-20-unresolved-issues.pdf>

¹³¹ http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2015%20FBO%20-%20Final.pdf

¹³² http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2016%20FBO%20-%20FINAL.pdf

The government's current areas of focus can be seen in the [2017 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](#). The Government's fiscal strategy for 2017 follows from that of 2016 to eventually balance the budget. It aims at reducing budget deficits and ensuring public debt-to-GDP is kept at manageable levels through: ensuring expenditures allocated to government priorities are maintained at current levels; and the reallocation of spending on goods and services from non-essential to productive areas. The budget focuses on deepening and broadening the tax base by improving compliance and enforcement and promoting an efficient and sustainable revenue base. This will also promote budget reform and the transparency of the budget management process. Key components include:

- ▶ Pursuing structural reforms of SOEs and streamlining the public sector
- ▶ Potentially significant amendments to the taxation system, resourcing the IRC to improve compliance, changes to corporate income tax, foreign contractor withholding tax and dividend withholding tax rates, imposing APT across all mining and petroleum projects and adjusting the taxable value of employer-provided housing.

5.6 How extractive industry revenues are recorded

Table 16 below provides a list of revenues and payments from the extractive sector, and where they are recorded. Note that the only revenues/payments from the extractive sector recorded in the national budget revenue are income taxes and dividends. The 2017 National Budget also includes summary information regarding Infrastructure tax credits as noted below.

Table 16: Public records of extractive industry revenues

Revenue Stream	Where recorded	Available online?
Mining		
Mine closure bond	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Production levy	Financial reports of the MRA	No
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	Accounts/Financial reports of MRA	No
Royalties	Paid by the project developer directly to the recipients, which are defined in each project MOA. Receipts of payments are furnished to the MRA.	No
PIP project funds	DNPM Public Investment Program Annual Report 2014	Yes
Petroleum		
Decommissioning bonds	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Development levy	Paid to DPE Trust Account, and financial reports are furnished to the Trust Fund Management Division of the Department of Finance as per the Public Financial Management Act 1995 reporting requirements on Trust Funds	No

Revenue Stream	Where recorded	Available online?
Royalties	Paid to the DPE Trust Account, which is then transferred to parties based on the OGA, Oil MOAs and UBSA/LBBSA negotiations	No
Additional profits tax	IRC annual report	Yes
Equity distributions	Relevant annual reports (eg KPH, KMH, MRDC)	No
Shares of sales	Relevant annual reports	Yes
Mining and petroleum		
Import taxes	Customs annual report	Yes ¹³³
Goods and services tax	IRC annual report	Yes ¹³⁴
Licence/tenement fees	Paid to MRA and DPE for mining and petroleum respectively	No
Mandatory social expenditure	Some company annual reports	
Discretionary social expenditure	Some company annual reports	
Dividends	National budget (listed under non-tax revenue)	Yes ¹³⁵
Environment permit fees	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Royalties & dividends paid to provincial governments	National Economic Fiscal Commission's Report	Yes ¹³⁶
Group taxes (taxes withheld on employees' salaries)	IRC annual report	Yes
Corporate income tax (mining and petroleum tax)	National budget	Yes
Infrastructure tax credits	IRC accounts and DNPM	Yes ¹³⁷
Business payments tax	IRC annual report	Yes ¹³⁸
Dividend withholding tax	IRC annual report	Yes
Interest withholding tax	IRC annual report	Yes
Management fee withholding tax	IRC annual report	Yes
Royalty withholding tax	IRC annual report	Yes
Foreign contractor withholding tax	IRC annual report (as part of 'withholding taxes')	Yes

Note: Some reports may be gazetted, and are therefore available to the public in hard copy or via PaCLII.

¹³³ 2010 Annual Report, Customs, http://www.customs.gov.pg/06_legislation_and_publications/4_Publications/01_PNG_Customs_Annual_Report_2010.pdf

¹³⁴ 2013 Annual Report, Internal Revenue Commission, <http://irc.gov.pg/wp-content/uploads/2017/01/2013-Annual-Report.pdf>

¹³⁵ 2017 National Budget, Vol 1, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf Accessed 17 October 2017

¹³⁶ National Economic and Fiscal Commission 2017 Annual Budget Fiscal Report, http://www.nefc.gov.pg/documents/publications/fiscalReports/2017Fiscal_Report.pdf accessed 4 October 2017

¹³⁷ Summary of annual values included in Appendix 1 - Revenue Tables of 2017 Budget, 2017 National Budget, Vol 1, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf Accessed 17 October 2017

¹³⁸ Note that the latest annual report available on the IRC website is for 2013 <http://irc.gov.pg/wp-content/uploads/2017/01/2013-Annual-Report.pdf>, accessed 13 December 2017

5.7 Subnational payments and transfers

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. Some relevant information is to be found in the 2016 National Economic and Fiscal Commission (NEFC) *Budget Fiscal Report*,¹³⁹ but does not always align to the EITI reporting requirements. The IA has attempted to include as much information as possible in this report.

The PNG EITI 2017 Work Plan includes a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations. This study¹⁴⁰ was commissioned in October 2017 and is expected to take up to six months to complete. A more detailed understanding of how these payments are made and what impacts they have on the local communities will add great value to PNG's EITI reporting.

The objectives of the scoping study are outlined below.¹⁴¹

Objectives and key components of the subnational payment scoping study

The objectives of the subnational payment scoping study are to:

- ▶ Understand and document stakeholder views on enhanced subnational reporting through PNG EITI.
- ▶ Identify and map the subnational payments and transfers in PNG's extractives sector.
- ▶ Develop a reporting framework that could be used for PNG EITI subnational reporting.
- ▶ Populate the reporting framework with case study examples.
- ▶ Identify strengths in the subnational reporting system, challenges for improving subnational reporting, and a high-level roadmap for implementing subnational reporting through PNG EITI.

Key components to be addressed in the final report include:

1. Global practice in reporting subnational payments with a discussion on subnational implementation in other countries.
2. PNG context including legislative framework and EITI structure.
3. Identification of subnational payments in PNG. These will include:
 - ▶ Royalty payments
 - ▶ Equity and dividends
 - ▶ Compensation payments
 - ▶ Development Levy
 - ▶ Special Support Grants
 - ▶ Infrastructure Development Grants
 - ▶ Business Development Grants
 - ▶ Public Investment Program
4. Case studies will be included for Lihir, OK Tedi, PNG LNG and KulaGold (Woodlark Island) including modelling of subnational reporting framework with real data
5. Key issues to be addressed in the study are:
 - ▶ Discussion on the materiality of subnational payments
 - ▶ Regulations and laws for subnational payments and transfers
 - ▶ Identification of subnational entities that should be included in subnational implementation
 - ▶ Discussion on the functions of existing subnational reporting entities, including how to strengthen their capacity
6. Proposed payment architecture for subnational payments in accordance with the EITI standard

¹³⁹ National Economic and Fiscal Commission 2017 Annual Budget Fiscal Report, http://www.nefc.gov.pg/documents/publications/fiscalReports/2017Fiscal_Report.pdf accessed 4 October 2017

¹⁴⁰ Terms of reference for this study available on the PNG EITI website <http://www.pngeiti.org.pg/wp-content/uploads/2017/12/PNGEITI-TOR-Subnational-Payments-Scoping-Study.pdf>

¹⁴¹ Direct communication with Treasury, 4 December 2017

Objectives and key components of the subnational payment scoping study

7. Template for subnational reporting
8. Key recommendations including potential challenges and solutions
9. Key tasks and costs of subnational implementation

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 (MOA) on a case-by-case basis. However, these agreements are in most cases not public, and accountability mechanisms vary significantly.

Royalties, development levies and equity shares of State (held by SOEs) are not recorded in the budget and Treasury does not administer subnational transfers of these revenue streams to provincial/local level governments and landowners.¹⁴²

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.¹⁴³ There is nominal evidence of trust account spending incorporated into the State Budget Expenditure, however the lack of governance on trust accounts leaves significant scope for abuse.¹⁴⁴ 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. The most recent audit reports available, to 2015, indicate serious gaps and inconsistencies with respect to provincial and local-level governments.¹⁴⁵

As part of the MOA for each mining and petroleum project, the national government allocates 0.5% of net sales value from mine products and 2% from petroleum products to provinces that host these projects, by means of Special Support Grants (SSG). These are to be used on approved social and economic infrastructure development projects, with a minimum of 20% spent in the 'mine affected areas'. The SSG is shared between the provincial governments and the relevant Special Purpose Authority, according to the MOA. The provinces with mining and petroleum projects that received SSGs during 2016 included:

- ▶ Western (Fly River Provincial Government)
- ▶ Gulf
- ▶ Central
- ▶ South Highlands
- ▶ Enga
- ▶ Morobe
- ▶ New Ireland

Note: the 2015 Budget projected a decrease in grant support payments for Morobe SSG (Hidden Valley), and for the grant to be removed completely by 2016. However, in the 2016 Budget the grant reduces from PGK4 million (2015) to PGK500,000 annually until 2019.

¹⁴² information provided directly by Treasury, email 22 December 2016

¹⁴³ <http://www.ago.gov.pg/>; accessed 20 September 2017

¹⁴⁴ 2015 Final Budget Outcome

http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2015%20FBO%20-%20FINAL.pdf; 2016 Final Budget Outcome

http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2016%20FBO%20-%20FINAL.pdf

¹⁴⁵ <http://www.ago.gov.pg/>; accessed 20 September 2017

The allocation of SSGs is published within the National Budgets under the Public Investment Program (PIP) section for each province mentioned above.¹⁴⁶ The PIP is a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.¹⁴⁷ Through the *Fiscal Responsibility Act 2006* the Department of National Planning and Monitoring (DNPM) is empowered to report on PIP Implementation Reports to the National Executive Council (NEC) and Parliament on implementation status, development expenditures, and achievements of programs. Grants are administered through relevant economic sector agencies.¹⁴⁸ This is discussed further in Chapter 0.

Outlined below are subnational payment streams by sector. Some of these are direct payments from extractive sector companies, while others are mediated by government or are transfers from government.

¹⁴⁶ National Budget, Volume 2; 2016 Budget estimates for statutory authorities' debt services and trust accounts.

Department of Treasury, http://www.treasury.gov.pg/html/national_budget/files/2016/Volume2d-StatAuth&Prov&Debt&Trusts.pdf; National Budget, Volume 2: 2015 Budget estimates for statutory authorities' debt services and trust accounts. Department of Treasury, http://www.treasury.gov.pg/html/national_budget/files/2015/Vol2d-Estimates%20for%20Stat%20Auth,%20Prov%20Govts,%20Debt,%20Trust%20Account.pdf, accessed 19 September 2017

¹⁴⁷ 2014 Annual Public Investment Program Implementation Report, Department of National Planning and Monitoring, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgramAnnualReport2014.pdf> accessed 26 October 2016

¹⁴⁸ Q1 2015 Public Investment Program Implementation Report, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgram1stQuarterReport2015.pdf>

5.7.1 Subnational payments and transfers: mining

The National Economic and Fiscal Commission Provincial Government Budget Reports outline the revenues received by provincial governments. At the time of writing, data for 2016 was not available. The NEFC estimates that provinces received PGK84.2 million from royalty and dividend payments in 2015 compared with PGK96.7 million in 2014, and an estimated PGK133.6 million in 2013.¹⁴⁹

In accordance with the *Mineral Resources Authority Act 2005*, the MRA has the function of receiving any fee, levy, rent, security, compensation, royalty or other money payable under the *Mining Act 1992* ('MA') and other legislation. The most significant regional allocations are for:

1. **Royalty:** A royalty benefit of 2% of the gross revenue from resource sales is provided by tenement holder to the State. This is then apportioned to landowners, affected provincial governments and local level governments.
2. **Equity:** The State has the right, but not the obligation, to acquire up to 30% of a mining project, at par value, or 'sunk cost' (MA s. 16A). Landowners also have equity stakes in mining projects such as Porgera and Ok Tedi.
3. **Dividends:** Through the MOA, landowners and provincial governments may receive dividends from projects. For example, the Fly River Provincial Government receives dividends from Ok Tedi through trust from MRDC.
4. **Compensation Payments:** Landowners such as those on the Fly River receive a percentage of dividends from Ok Tedi as compensation payments.
5. **Special Support Grant:** The State allocates funding for mining projects to hosting provincial governments such as New Ireland and Enga. This is as part of the Public Investment Program (PIP) overseen by the Department of National Planning and Monitoring (DNPM) and administered by the MRA in the case of mining-related projects.¹⁵⁰ By agreement a portion of this may be channelled from the provincial government to the affected local government.

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 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.

5.7.2 Subnational payments and transfers: oil and gas

The *Oil and Gas Act 1998* sets out the process for benefits sharing, including payments earmarked for specific regions. Part III Division 14 legislates fees and royalties, and Part IV legislates state equity entitlement and project benefits. As per s. 174, the total of these benefits to provincial governments, local-level governments, and landowners shall not exceed 20% of the total net benefit to the State from that petroleum project as determined by a cost-benefit analysis. The benefits are received and held in trust by a corporate trustee wholly owned by MRDC, with a minimum of 30% of net income from these benefits are held upon trust for future generations (s. 176). These benefits and payments include:

¹⁴⁹ NEFC 2017 Budget Fiscal report, http://www.nefc.gov.pg/documents/publications/fiscalReports/2017Fiscal_Report.pdf; http://nefc.gov.pg/documents/publications/fiscalReports/2015Fiscal_Report.pdf; http://nefc.gov.pg/documents/publications/fiscalReports/2016Fiscal_Report.pdf, accessed 5 December 2017

¹⁵⁰ *MRA Act*, s. 5

1. **Royalty:** A royalty benefit of 2% of 'wellhead value' is provided from the tenement holder to the State (s. 159 of the OGA). Royalty benefits are payable monthly by the State (Minister) to affected landowners, local-level governments and provincial governments in proportions agreed by them in a development agreement, or determined by the Minister in default of this agreement (s. 168).
2. **Development levy:** A development levy of 2% of the wellhead value, calculated in the same manner as royalties, is payable by a development licensee directly to a trust fund, which is then available to the provincial governments and the local level governments (s. 160).
3. **Equity:** The State has the right to acquire all or part of a participating interest not exceeding 22.5% in each petroleum project (s. 165). The State grants to the project area landowners and affected local-level governments an equity benefit in that petroleum project (s. 167). These benefits shall be held in trust and shared in proportions agreed upon in a development agreement, or in default of the agreement, as determined by the Minister (s. 167). Governments and landowners are also at liberty to freely negotiate a participating interest in addition to the interest granted them (s. 175).
4. **Project grants:** The State may agree with affected local-level governments and provincial governments of a petroleum project to provide grants in the form of monetary payments or provision of infrastructure, services, or other benefits (s. 173).
5. **Other benefits:** Through a development agreement the State may provide project area landowners or people of the region grants, consolidated revenue or otherwise. These agreements made between the State and landowners do not affect any agreements which may be reached between project area landowners and petroleum project developers themselves (s. 171).

The PNG LNG project is a current example of benefits sharing and these agreements. The Umbrella Benefits Sharing Agreement (UBSA) provides a total of 2.78% free equity participating interest in PNG LNG to project area landowners and local level governments for greenfield areas. The 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% between 1 January and 30 June 2016.¹⁵¹ An amount of PGK1.2 billion 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. The State has also provided a business development grant of PGK120 million to assist landowner companies in business development activities under the PNG LNG project.

5.8 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.¹⁵²

¹⁵¹ PNG LNG Project Umbrella Benefits Sharing Agreement (UBSA), 2009, <http://ccsi.columbia.edu/files/2015/01/PNG-Landowners-LNG-Project-Companies-2008-agreement.pdf> ; ExxonMobil, 2015, <http://pnglng.com/commitment/hot-topics/benefits-sharing.html>

¹⁵² <http://www.ago.gov.pg/about-the-ago>

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

- Part 1 Public accounts of Papua New Guinea (latest report on 2012)
- Part 2 National government departments and agencies (latest report on 2013/14)
- Part 3 Provincial governments and local-level governments (latest report on 2015)
- Part 4 Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (last report on 2015)

The reports highlight serious and pervasive deficiencies in accounting practices at all levels of government. The most recent report on the national accounts notes that the 2013 financial statements were not received by the Auditor-General until June 2015. The report 'draws attention to significant financial risk, control and related management issues within operating and accounting processes and financial systems of major Government entities.' It concludes that there is a lack of fundamental processes relating to financial statement reporting, to the extent that there was insufficient evidence on which to base an audit opinion. It also finds significant non-compliance with legislation and accounting principles. The report makes 26 recommendations 'which are directed towards addressing the major concerns in financial systems, controls and processes.'¹⁵³

The reports on departments, subnational governments and other public bodies similarly find 'weaknesses of such magnitude that material error could have been processed or misappropriation and fraud could have occurred.'¹⁵⁴ The most recent reports from 2015 note 'my audit findings that have been repeatedly highlighted show a slow progress in making improvements to governance structures and public accountability mechanisms in relation to expending Public Finances.' In most cases, an audit opinion could not be made, given the 'material errors, uncertainties and lack of adequate records.'

For further detail on auditing of reporting entities, see section 10.5

¹⁵³ Auditor General's Office, 2015, Report of the Auditor-General 2012 on the Public Accounts of Papua New Guinea, http://www.ago.gov.pg/images/downloads/Part_I_NGAD_12_DAG_QUALITY_REVIEW%2029%20-11-15.pdf, accessed 10 November 2017

¹⁵⁴ Auditor General's Office, 2015, Report of the Auditor-General 2014-2013: Part II National Government Departments & Agencies, <http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf>, accessed 10 November 2017

6. Social expenditure

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be at the discretion of the company, or mandated through legislation or contracts with the government.

The EITI Standard requires disclosure of material *mandatory* social expenditures, and encourages disclosure of discretionary social expenditures. The MSG agreed that these revenue streams would be unilaterally reported, with disclosure of discretionary social expenditures optional but encouraged.

The EITI Standard does not define 'social', but the guidance note on social expenditure refers to 'donations, grants or other types of cash transfers, the transfer of assets such as the construction of roads or schools, or the provision of services like training and health care.'¹⁵⁵

Previously, PNG EITI reports have found that there were differences in the way that companies operating in PNG defined and reported social expenditure. In particular, some reporters included compensation payments and lease payments to landholders as social expenditures, while others categorised these as commercial transactions rather than social payments, and therefore beyond the scope of this report.

In 2016, the IA asked the MSG to define 'social' expenditure; the MSG referred the IA back to the EITI Standard, and to the categories suggested in the original scoping study for the PNG EITI,¹⁵⁶ which included compensation:

1. Compensation to landowners:
 - ▶ General Compensation
 - ▶ Environmental compensation
 - ▶ Community Asset and Relocation Compensation
 - ▶ Lease Fees
2. Education
 - ▶ Scholarship
 - ▶ University sponsorship
 - ▶ Other training costs
3. Infrastructure Development
 - ▶ Other infrastructure development programs (as per MOA)
4. Community Development Programs
5. Business Development Programs
6. Health Programs
7. Township Development

The reporting templates distributed to reporting entities for the 2016 report contained an updated description of social payments to clarify that compensation payments are included in order to increase consistency in reporting.

¹⁵⁵ 'Guidance note 17 on social expenditures', *EITI*,

https://eiti.org/sites/default/files/documents/guidance_note_17_social_expenditure_en_2016.pdf

¹⁵⁶ PNG EITI Scoping Study for First EITI Report <https://www.pngeiti.org.pg/download/pngeiti-scoping-study-by-deloitte-touche-tohmatsu/>

For mandatory social expenditures, reporting entities were asked to also include the name of the contract or agreement where the payment to the recipient is mandated.

6.1 Mandatory social expenditure

Mandatory social expenditure is defined by the EITI 2016 Standard as social expenditure that is required either by legislation or by the contract with the government that governs the extractive investment. Requirements to compensate landholders are set out in the *Mining Act 1992* (s.154) and the *Oil and Gas Act 1998* (s.118), but neither makes specific reference to other social payments.

As an example, Ok Tedi's disclosure of mandatory social payments included compensation payments, land lease payments and infrastructure payments. Mandatory social expenditure is generally agreed between the State, or landowners and operators on a case-by-case basis. These agreements between the relevant parties are typically confidential, and reporting entities may therefore be unwilling, or unable, to disclose information regarding specific payment amounts and receiving entities.

Several entities including ExxonMobil, Niuminco Edie Creek Ltd and Oil Search reported zero mandatory social expenditures during 2016. This may reflect how these companies define 'social' payments, as discussed above.

Hidden Valley Joint Venture disclosed PGK1,492,007 for 'benefit share agreements' under discretionary social expenditure. As compensation for landholders is considered a mandatory expenditure, this amount was included as mandatory in Table 17 below.

Without access to MOAs or benefit sharing agreements, it is difficult for the IA to accurately assess what is a mandatory or discretionary social expenditure.

6.2 Discretionary social expenditure

Discretionary social expenditure may include, for example, sponsorships and voluntary contributions to health and education programs. Despite disclosure of these payments being optional, many operators chose to disclose these payments and/or activities through their corporate responsibility or sustainability reporting, as well as through the EITI report. Some reporters disclosed aggregate amounts, arguing that disclosure of specific organisations and amounts could expose those organisations to unwelcome pressure or extortion. Where these details were not disclosed, it is possible that some mandatory payments were incorrectly reported as discretionary payments, as discussed in 6.1 above.

6.3 Use of infrastructure tax credits

As outlined in Chapter 4, infrastructure tax credits (ITCs) are a mechanism for companies to receive a tax credit for their expenditure on approved infrastructure projects. This typically relates to infrastructure that serves the needs of the community, such as roads (construction, upgrading and maintenance), power supplies, government services (administration, policing, courts, education and health) and community facilities. Expenditure on prescribed infrastructure must first be approved by the Department of National Planning & Monitoring. The reporting templates for 2016 were updated to include a request to note any social payments that were made using ITCs in order to avoid double counting of these revenue streams. No instances of double counting were identified by the IA.

6.4 Quasi-fiscal expenditure

The EITI Standard requires disclosure of instances where SOEs involved in the extractive industries undertake public social expenditures outside of the national budgetary process. These are referred to as quasi-fiscal expenditures.

For the 2016 reporting period no SOEs disclosed quasi-fiscal expenditures. However, some social payments disclosed by SOEs in previous EITI reports, such as providing subsidised power and health services to provincial governments, could be considered quasi-fiscal payments.¹⁵⁷

Treasury has advised¹⁵⁸ that the government has adopted the new International Monetary Fund 2014 Government Finance Statistics Manual¹⁵⁹ reporting of government finance in the 2016 Budget. This reporting requirement covers transactions of extra-budgetary units and the SOEs in the medium to long term. Treasury is updating the governance finance statistics to cover these transactions, to enable better visibility and control of quasi-fiscal expenditures by SOEs.

6.5 Mandatory and discretionary social expenditure reported for the 2016 reporting period

Table 17: Summary of social expenditure by company and sector in 2016

	Mandatory social expenditure (PGK)	Discretionary social expenditure (PGK)
Mine operator (mine)		
Lihir Gold Ltd (Luise Caldera mine, Lihir)	62,752,174	36,221,435
Barrick (Niugini) Ltd (Porgera mine)^	37,887,974	1,462,087
Hidden Valley Joint Venture (Hidden Valley mine)^	2,004,394*	462,052
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu)	1,178,749	100,187
Simberi Gold Company Ltd (Simberi mine)	536,903	305,974
Niuminco Edie Creek Ltd (Edie Creek mine)	0	20,000
Anomaly Ltd (Mt Crater mine)	Not received	Not received
Oil and gas		
Oil Search (operator oil projects)^	0	43,407,000
ExxonMobil PNG (operator PNG LNG)	0	8,007,9400
JX Nippon (and subsidiaries)	0	0
Santos Ltd (and subsidiaries)	0	0
State-owned enterprises		
Ok Tedi Mining Ltd (Mt Fubilan mine)^	79,584,000	97,000
Mineral Resources Development Company Ltd (MRDC)	0	736,324
Kumul Mineral Holdings (KMH)	0	0
Kumul Petroleum Holdings (KPH)	0	0

* The amount of PGK1,492,007 was reported by Hidden Valley Joint Venture under discretionary social expenditure. However, since it was described as being for 'Benefit share agreement', it has been reallocated as mandatory social expenditure according to the EITI Standard (6.1a).

^ These companies have included a more detailed breakdown of social expenditures, which can be found in Appendix B

¹⁵⁷ PNG EITI 2014 Report, <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/2014-PNG-EITI-REPORT.pdf>

¹⁵⁸ Treasury EITI Reporting Template, 2015-16

¹⁵⁹ <https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf>, accessed 13 November 2017

6.6 Social expenditure during exploration and development phase

Extractive companies not yet producing saleable product are not considered material for PNG EITI reporting purposes. However, many social payments are negotiated and made during these phases of project development. The following case study identifies an example of the scale of social payments made by Nautilus Minerals (Niugini) Ltd during the exploration phase in 2016.

Social expenditure during exploration phase - Case study

For over 30 years, research into seafloor mineral deposits have taken place in PNG waters by parties including Nautilus and Australia's CSIRO. The Solwara group of deposits was discovered in the Bismarck Sea between the provinces of New Ireland and East New Britain. Nautilus was granted its first mining lease in 2011 for one of these deposits, Solwara 1. This is a significant copper and gold deposit, sitting on the sea floor at a depth of approximately 1600m. Drilling has identified that the average grades of both copper and gold in Solwara 1 are higher than average land-based mines.

Through these exploration and planning phases, Nautilus has undertaken stakeholder engagement and discretionary social expenditure in both East New Britain and New Ireland. Their disclosure stated that Nautilus has regular meetings with communities and governments, and that a Community Needs Assessment was undertaken in villages located nearest to Solwara 1. Agreements have also been made with provincial governments and the PNG Port Authority for the development of infrastructure such as barging and storage facilities on shore.

As a part of Nautilus' corporate social responsibility, the Nautilus CARES program has been established to deliver a number of initiatives in 2016. During the reporting period, social expenditures, primarily in New Ireland, included:

- ▶ *a water and sanitation project in 22 elementary and primary schools*
- ▶ *establishing a health baseline through a study and clinic with 2,326 consultations*
- ▶ *bridge instalments in place of wet crossings*
- ▶ *sponsorship of school science awards*
- ▶ *partnerships against malaria with NGOs and governments.*

Social payments reported by Nautilus Minerals (Niugini) Holdings Ltd for 2016 total PGK1,497,351.¹⁶⁰

¹⁶⁰ Data template completed by Nautilus Minerals (Niugini) Holdings Ltd for the purpose of this case study, received 30 August 2017

7. Mining

7.1 Overview of mining operations in 2016

The following entities were owners (or JV partners) of active exploration licences, mining leases or special mining leases in PNG during 2016.¹⁶¹

- ▶ Aiabba Minerals (PNG) Ltd
- ▶ Alexander Mining Ltd
- ▶ **Anomaly Ltd**
- ▶ Apollo Mineral Resources Ltd
- ▶ Aries Mining Ltd
- ▶ Aus PNG Mining Ltd
- ▶ Aviong Litewong
- ▶ Muloing Belekin
- ▶ Aviong Ritewong
- ▶ Baldoyle Ltd
- ▶ Ballygowan Ltd
- ▶ **Barrick (Niugini) Ltd**
- ▶ **Mineral Resources Enga Ltd**
- ▶ Bismarck Mining Corporation (PNG) Ltd
- ▶ Boomine Investment and Development Company Ltd
- ▶ Bougainville Copper Pty Ltd
- ▶ Bunip Orok
- ▶ Guwi Yanzing
- ▶ Canterbury Resources (PNG) Ltd
- ▶ Cheroh Mining PNG Ltd
- ▶ Copper Quest PNG Ltd
- ▶ CRA Minerals (PNG) Ltd
- ▶ EL Dorado Mining and Energy Ltd
- ▶ ESDA PETROMINING LIMITED
- ▶ Faranz Kenggis
- ▶ Finny Ltd
- ▶ Footprint Resources Pty Ltd
- ▶ Frieda River Ltd
- ▶ Highlands Frieda Ltd
- ▶ Frontier Copper (PNG) Ltd
- ▶ Frontier Gold (PNG) Ltd
- ▶ Frontrunner Exploration PNG Ltd
- ▶ Gallipoli Exploration (PNG) Ltd
- ▶ GMG Global Mining Group Ltd
- ▶ GMN 6768 (PNG) Ltd
- ▶ Golden Dook International Ltd
- ▶ Gwailong Nalek
- ▶ Hamdei Mines Ltd
- ▶ Harmony Gold (PNG) Exploration Ltd
- ▶ Hells Gate Exploration Ltd
- ▶ **Highlands Pacific Resources Ltd**
- ▶ K92 Mining Ltd
- ▶ Katana Iron Ltd
- ▶ Kavra Maah Ltd
- ▶ Kawari Wiem Ltd
- ▶ Kenneth Merik
- ▶ Khor ENG Hock & Sons (PNG) Ltd
- ▶ Kipson Tirisa Avengo
- ▶ Komomoa Energy Resources PNG Ltd
- ▶ Kuh Chun Ltd (51%), Dae Han Resources Development Ltd
- ▶ Kula Sionjin
- ▶ Kohma Lian
- ▶ Willie Gabo
- ▶ Bun Man
- ▶ Bataki Tiving
- ▶ Tom Marika
- ▶ Yowas Juari
- ▶ **Lihir Gold Ltd**
- ▶ Lost River Mining Ltd
- ▶ Luxembourg Investments Ltd
- ▶ Mayur Exploration PNG Ltd
- ▶ Mayur Iron PNG Ltd
- ▶ MB Transport Ltd
- ▶ **Mineral Resources Ramu Ltd**
- ▶ **Mineral Resources Madang Ltd**
- ▶ **MCC Ramu NiCo Ltd**
- ▶ **Morobe Consolidated Goldfields Ltd**
- ▶ Nautilus Minerals Niugini Ltd
- ▶ Eda Kopa (Solwara) Ltd
- ▶ New Britain Lime & Cement Ltd
- ▶ New Leaf Development Ltd
- ▶ **Newcrest PNG 1 Ltd**
- ▶ Newcrest PNG 2 Ltd
- ▶ Wafi Mining Ltd
- ▶ Newcrest PNG 3 Ltd
- ▶ Newcrest PNG Exploration Ltd
- ▶ Niugini Gold Mining Ltd
- ▶ Niugini Nickel Ltd
- ▶ Niuminco (ND) Ltd
- ▶ **Niuminco Edie Creek Ltd**
- ▶ Nord Australex Nominees (PNG) Ltd
- ▶ Oenake Nickel Ltd
- ▶ **Ok Tedi Mining Ltd**
- ▶ Oro Nickel Ltd
- ▶ Pacific Niugini Minerals (PNG) Ltd
- ▶ Papuan Minerals Ltd
- ▶ Paulos Kalo
- ▶ Watson Ilai
- ▶ PNG Forest Products Mining (Bulolo) Ltd
- ▶ Pacific Niugini Minerals (Bulolo) Ltd
- ▶ Pristine No. 18 Ltd
- ▶ **Ramu Nickel Ltd**
- ▶ Regional Resources (PNG) Ltd
- ▶ Rio Tinto Exploration (PNG) Ltd
- ▶ Sagittarius Mining Ltd
- ▶ **Simberi Gold Company Ltd**
- ▶ Simbu Limestone Development Corporation Ltd
- ▶ Solway Group Mining (PNG) Ltd
- ▶ Telemu No.92 Ltd
- ▶ Titan Metals Ltd
- ▶ TVI Pacific Inc
- ▶ Titan Mines Ltd
- ▶ Tolukuma Gold Mines Ltd
- ▶ Viva No. 20 Ltd
- ▶ Waterford Ltd
- ▶ West Coast Mining Ltd
- ▶ Woodlark Mining Ltd
- ▶ Yandera Mining Company Ltd
- ▶ Yowas Juri

¹⁶¹ Data provided by MRA in data template completed for this report 20 September 2017

The companies considered material for this report are those that were owners or JV partners of mines that were producing saleable products during the reporting period. These companies are shown in bold above, and discussed in more detail in the following sections of this chapter.

7.2 Mines operating in 2016

This section of the report presents an overview of material mining projects active in PNG during 2016. Any changes that occurred to the ownership structures during the 2016 reporting period are noted. Export and production values included are those reported by the MRA.

In the ownership structure figures, the yellow boxes identify the operator of the mine. This is the reporting entity that provides the majority of EITI reporting information. The other joint venture owners were also asked to provide contextual information and to notify the amount of corporate income tax paid for the data reconciliation for 2016.

7.2.1 Mt Fubilan, Ok Tedi


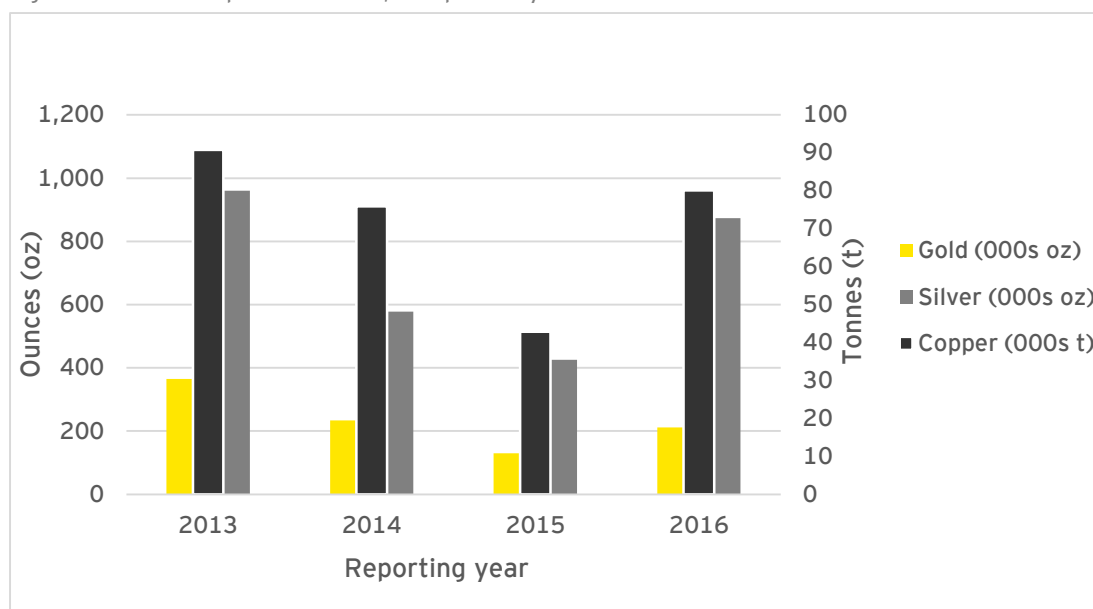
Minerals	Gold, silver and copper	
Province	Western	
Mine opened	1984	
Mine life	to 2026	
Tenement	SML1 (O)	
2016 export value	PGK2,064,051,517	

Figure 19: Mt Fubilan production data, as reported by MRA



In August 2015, Ok Tedi Mining Ltd suspended operations due to severe dry weather conditions. The shutdown lasted for seven months until operations resumed in March 2016.¹⁶²

The figure below outlines the ownership structure of OTML. A more detailed breakdown is included in Chapter 9 of this report.

¹⁶² Ok Tedi Mining Limited Annual Review 2016, p.2, <http://www.oktedi.com/media-items/publications/annual-review/488-2016-annual-review/file>. Accessed 27 September 2017

Figure 20: Ownership structure of Ok Tedi mine



The State of PNG’s holding is set to be reduced to 67% following the decision of the National Executive Council (NEC) in 2016 that the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity. This decision is expected to be formalised in 2017 through the execution of relevant share transfers. A more detailed description of ownership of the mine is included in Chapter 9.

7.2.2 Luise Caldera, Lihir

Minerals	Gold
Province	New Ireland
Mine opened	1997
Mine life (years)	30+
Tenement	ML125, 126
2016 export value	PGK3,569,989,133



Figure 21: Luise Caldera production data, as reported by MRA

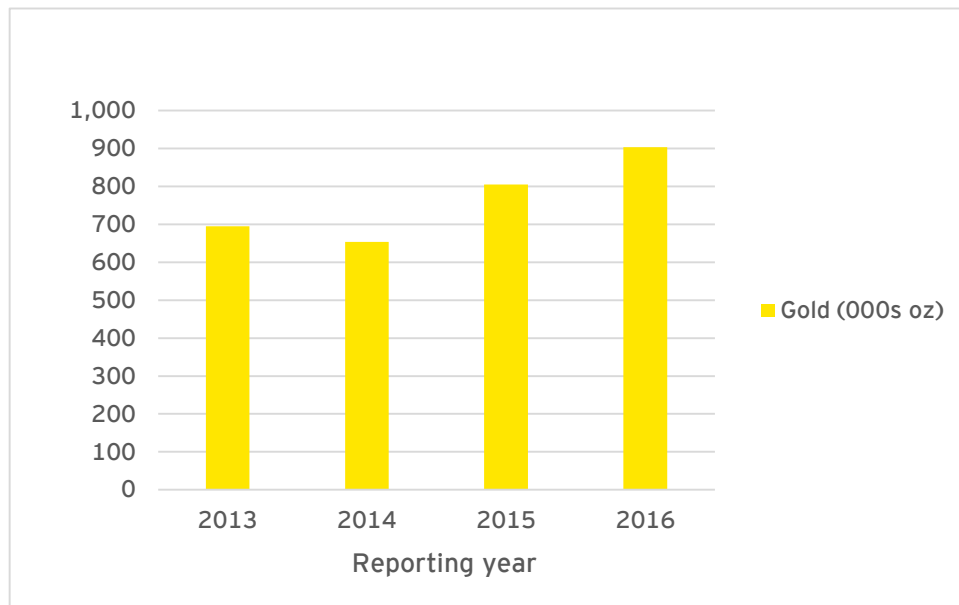


Figure 22: Lihir ownership structure (beneficial owners in blue)

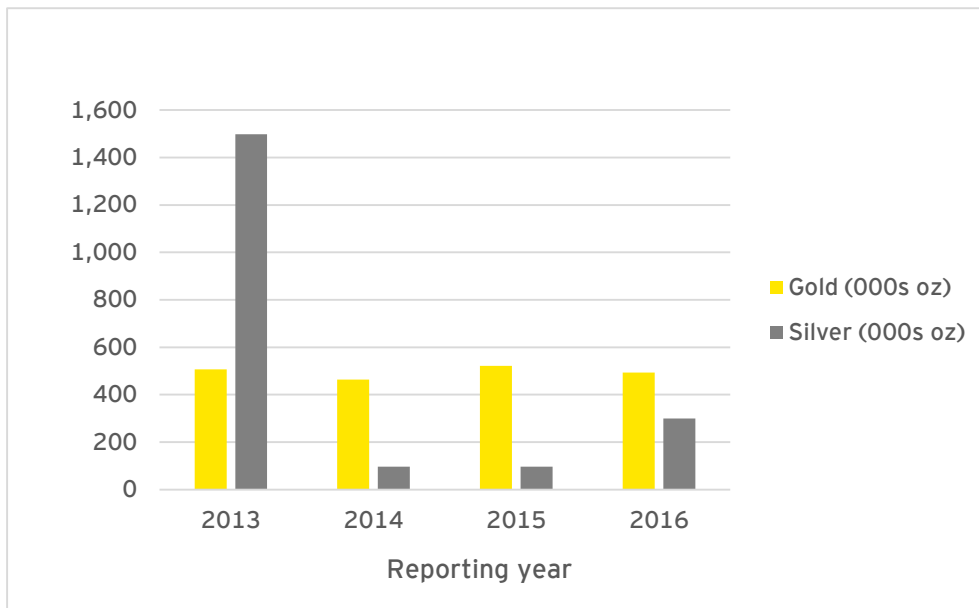


7.2.3 Porgera

Minerals	Gold and silver
Province	Enga
Mine opened	1989
Mine life (years)	11 ¹⁶³
Tenement	SML1 (P), ML101
2016 export value	PGK1,995,439,149



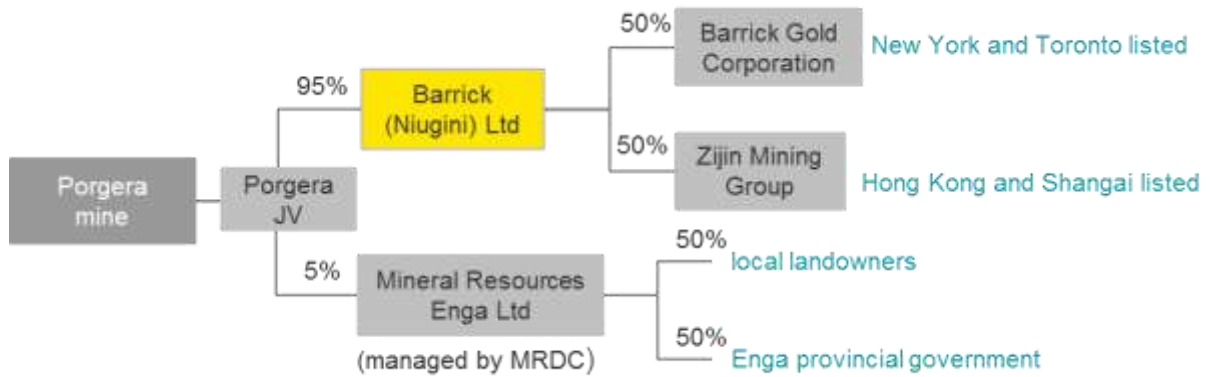
Figure 23: Porgera production data, as reported by MRA



¹⁶³ Information received from Barrick Niugini Ltd 7 December 2017

The ownership structure of Porgera mine during 2016 is summarised in Figure 24 below.

Figure 24: Porgera mine ownership structure (beneficial owners in blue)



7.2.4 Hidden Valley

Minerals	Gold and silver
Province	Morobe
Mine opened	2009 (commenced production)
Mine life (years)	15
Tenement	ML151
2016 export value	PGK602,754,047



Figure 25: Hidden Valley production data, as reported by MRA

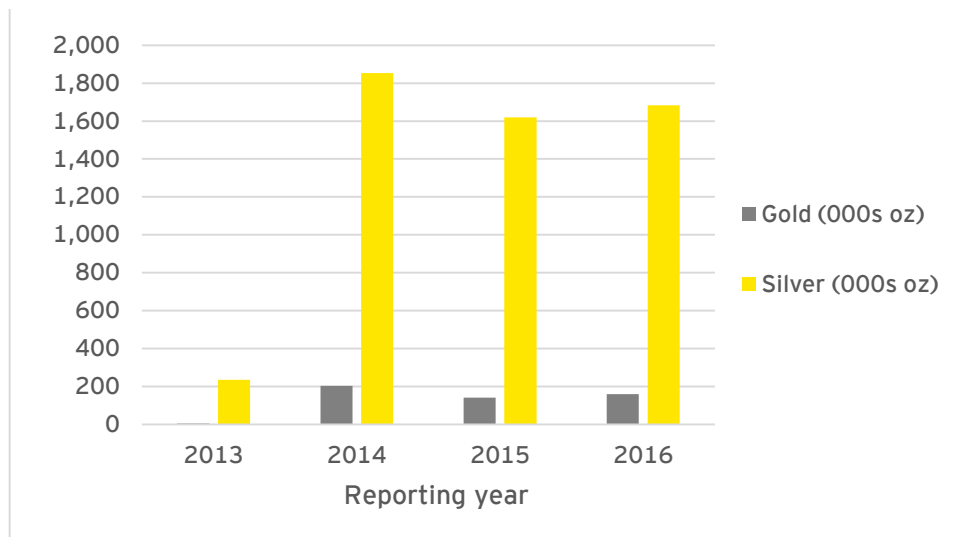
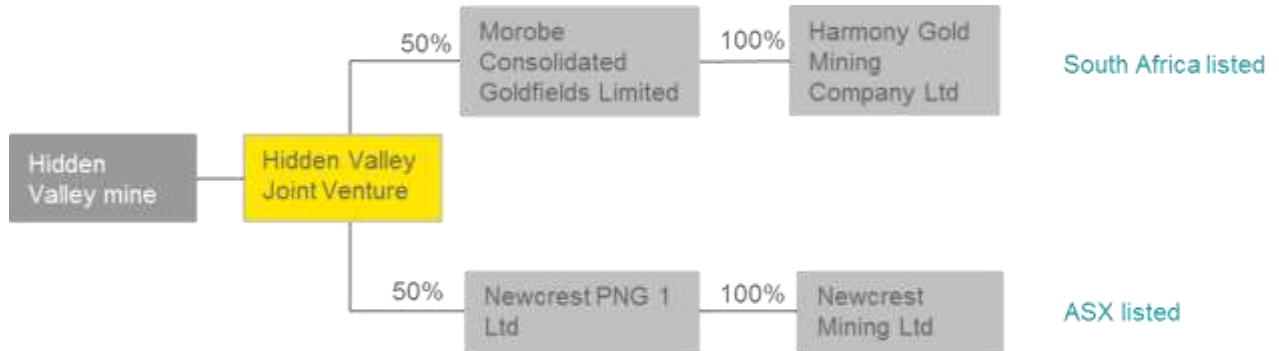


Figure 26: Hidden Valley mine ownership structure to October 2016 (beneficial owners in blue)



In September 2016, Newcrest announced that it had signed an agreement to sell Newcrest PNG 1 Ltd to a wholly owned subsidiary of Harmony Gold. ¹⁶⁴ On completion of this sale, on 25 October 2016, Harmony Gold renamed 'Newcrest PNG 1 Ltd', 'Harmony PNG 20 Ltd'. The new ownership structure for the Hidden Valley Joint Venture is shown in Figure 27 below. ¹⁶⁵

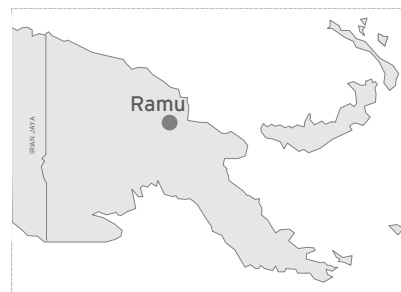
Figure 27: Hidden Valley mine ownership structure from October 2016 (Beneficial owners in blue)



Following completion of the sale, Harmony Gold Mining Company assumed all liabilities and expenses related to the Hidden Valley Joint Venture and mine, including all closure, rehabilitation and remediation obligations, with effect from 31 August 2016. ¹⁶⁶

7.2.5 Kurumbukari, Ramu

Minerals	Nickel and cobalt
Province	Madang
Mine opened	2012 (commenced production)
Mine life	20+ ¹⁶⁷
Tenement	SML8
2016 export value	PGK704,639,330



¹⁶⁴ Newcrest press release, 19 September 2016 'Sale of Hidden Valley interest' http://www.newcrest.com.au/media/market_releases/2016/Market_Release_-_Sale_of_Hidden_Valley_interest_1.pdf Accessed 2 October 2017

¹⁶⁵ Data provided by Harmony Gold in data template completed for this report 30 August 2017

¹⁶⁶ Newcrest press release, 19 September 2016 'Sale of Hidden Valley interest' http://www.newcrest.com.au/media/market_releases/2016/Market_Release_-_Sale_of_Hidden_Valley_interest_1.pdf Accessed 2 October 2017

¹⁶⁷ 'Mining in PNG,' PNG Chamber of Mines and Petroleum, <http://pngchamberminpet.com.pg/mining-in-png/>, accessed 16 November 2016

Figure 28: Kurumbukari production data, as reported by MRA

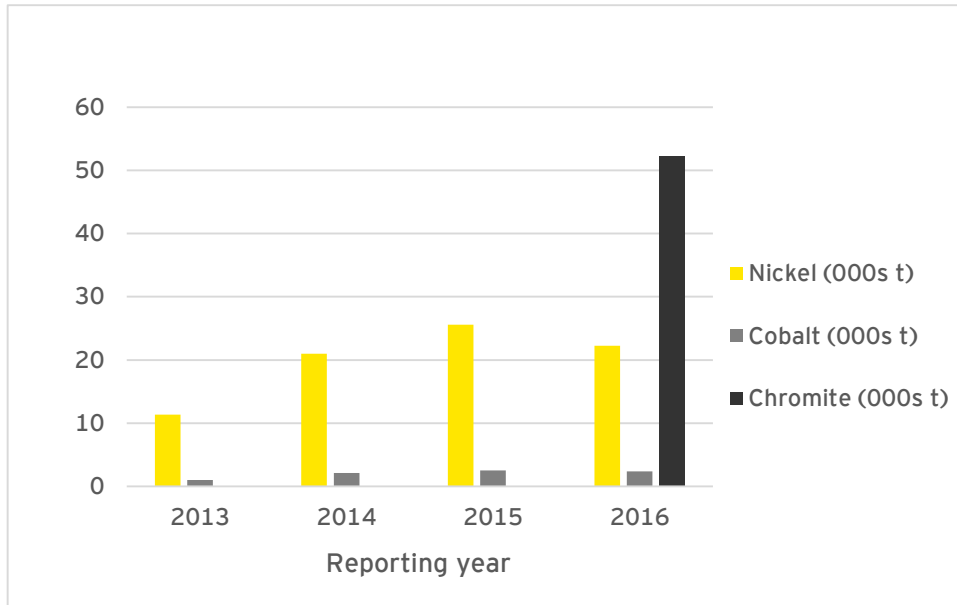
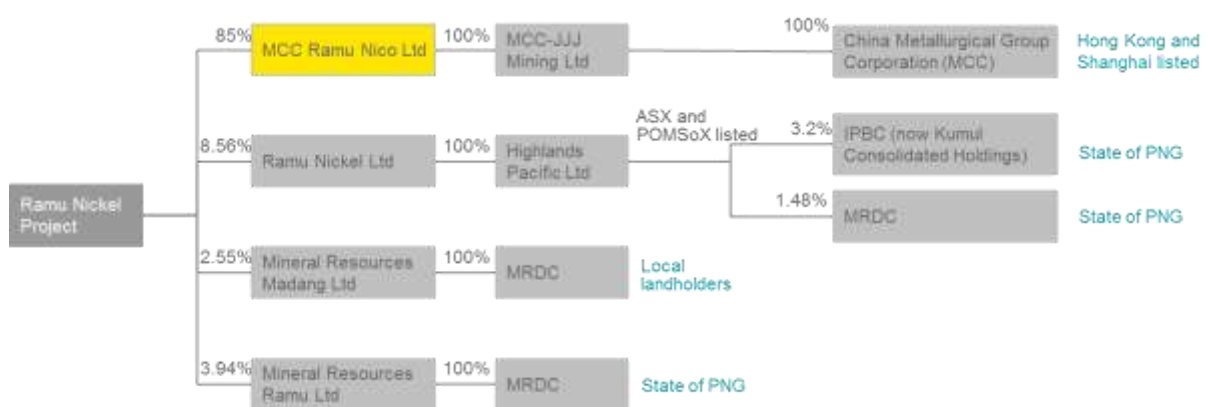


Figure 29: Ramu Nickel Project ownership structure (beneficial owners in blue)¹⁶⁸



7.2.6 Simberi

Minerals	Gold and silver
Province	New Ireland
Mine opened	2008 (commenced production)
Mine life (years)	20
Tenement	ML136
2016 export value	PGK406,846,735



¹⁶⁸ Highlands Pacific ownership details from Annual Report 2016, p. 57, accessed 27 September 2017. MCC Ramu Nico ownership details from data provided by MCC Ramu Nico Ltd in data template completed for this report 5 August 2017

Figure 30: Simberi production data, as reported by MRA

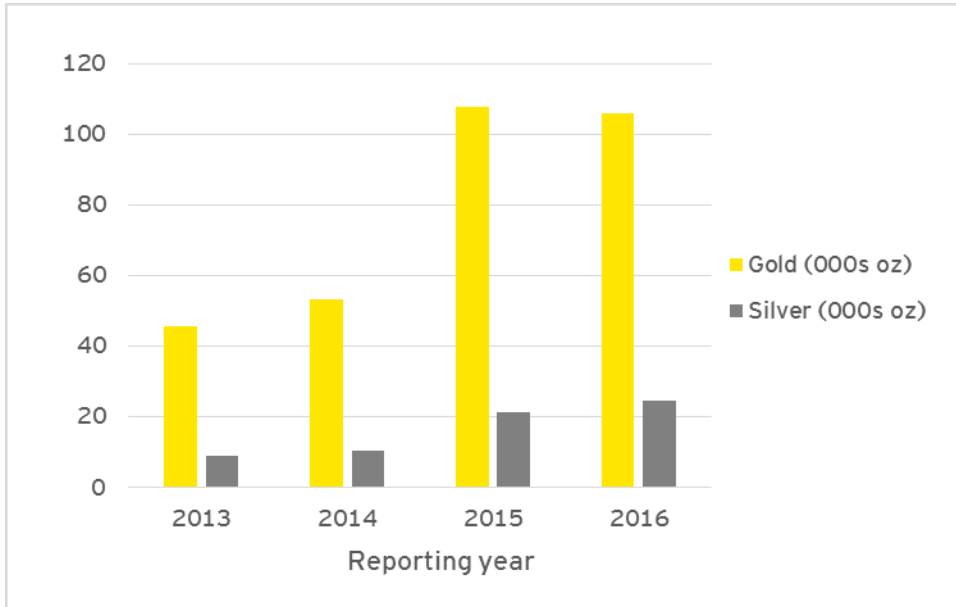


Figure 31: Simberi mine ownership structure (beneficial owners in blue)



7.2.7 Edie Creek

Minerals	Gold and silver
Province	Morobe
Mine opened	2014 [^]
Mine life (years)	20 (estimated)
Tenement	ML144, 384, 402, 444, 462
2016 export value	PGK2,339,477



[^]Mining at Edie Creek has taken place since the late 1930s but the current operation re-opened in 2014

Figure 32: Edie Creek production data, as reported by MRA

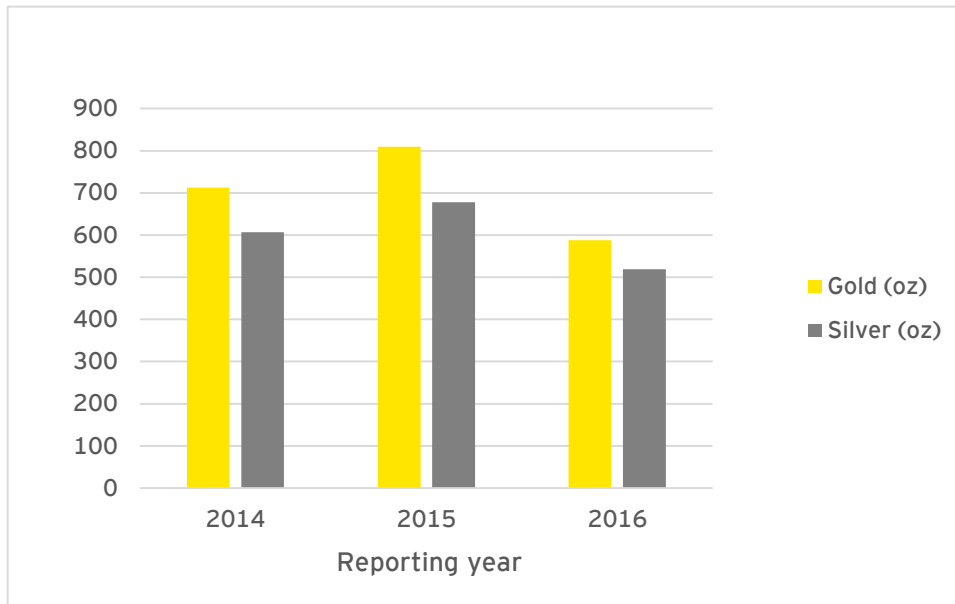
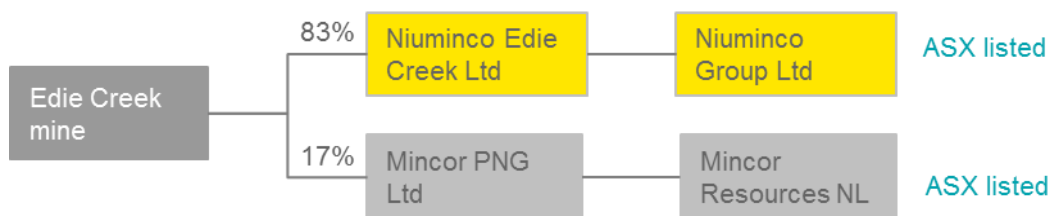


Figure 33: Edie Creek mine ownership structure (beneficial owners in blue)



In August 2017, Niuminco Group Ltd completed an agreement to purchase the 17% interest in the Edie Creek mining leases held by joint venture partner Mincor Resources NL. This purchase will take the ownership of Edie Creek mine to 100% for Niuminco Group Ltd and terminate the joint venture.¹⁶⁹

7.2.8 Mt Crater

Minerals	Gold
Province	Eastern Highlands
Mine opened	2015
Mine life (years)	20 (estimated)
Tenement	ML 510
2016 export value	PGK1,164,314



¹⁶⁹ 'Completion of purchase of 17% of Edie Creek', Niuminco Group Ltd. ASX announcement 7 August 2017, <http://www.mincor.com.au/images/mincor---iozootaegu.pdf>, accessed 26 September 2017

Figure 34: Mt Crater production data, as reported by MRA

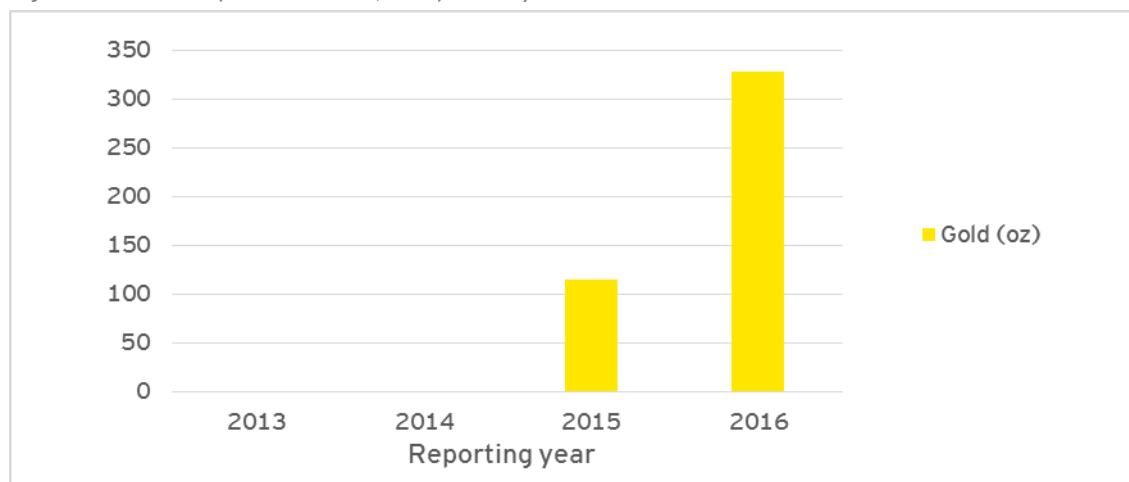
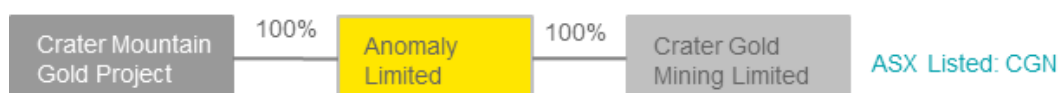


Figure 35: Mt Crater mine ownership structure (beneficial owner in blue)



Mining of this potential multi-million ounce gold deposit commenced operations in 2015.¹⁷⁰

Anomaly Ltd (Crater Gold Mining) did not provide their data reporting template due to recent staff turnover. Given their scale of production at this stage, their revenue streams are likely to be immaterial in the context of consolidated figures for PNG.

7.2.9 Alluvial mining sector

The Mining Act 1992¹⁷¹ allows people to mine for alluvial minerals on their own land by non-mechanical means without the need for a mining licence, provided that the land is not the subject of tenement (other than exploration licence) and that the mining is carried out safely. This sector is therefore largely unmonitored, and there is limited information about its size. The MRA estimates that there are up to 80,000 small-scale miners in this category and as at November 2016, over 4,000 of these had completed training at the MRA's small-scale mining centre in Wau.¹⁷²

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease or Mining Lease (for alluvial purposes) from the MRA. The former are granted for up to 5 hectares of land that is a river bed and extends no further than 20 metres from any river bed. The latter may cover up to 60km². There is a requirement for a minimum 51% ownership by PNG nationals.¹⁷³ In 2016, there were 71 Alluvial Mining Leases.¹⁷⁴

Alluvial miners sell their gold to traders, who then on-sell it to one of 16 licensed exporters, regulated by the Bank of PNG. The MRA checks the export forms and raises levies on the export.

¹⁷⁰ <http://www.cratergold.com.au/irm/content/crater-mountain.aspx?RID=211>, accessed 13 November 2017

¹⁷¹ Mining Act 1992 s.9 (PNG), http://mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, accessed 26 September 2017

¹⁷² MRA, interview 28 November 2016

¹⁷³ Mining Act 1992 s.38 (PNG), http://mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, accessed 26/09/2017

¹⁷⁴ MRA, response to data request for 2015 and 2016 PNG EITI Report, received 20 September 2017. A large number of leases (768-774) and (775-798) were awarded to the same tenement holders.

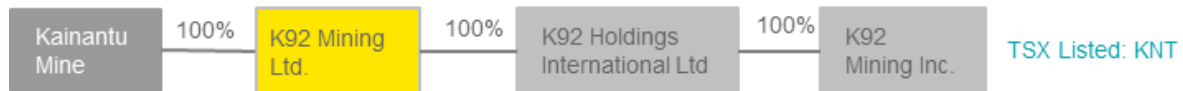
7.3 New mining projects

There are a number of projects that had mining leases during 2016 but were still in development stage. Since they were not yet producing saleable products, these projects and their owners have not been included as material reporting entities. The list of active mining leases and special mining leases for 2016 provided by the MRA is included in Appendix C.

7.3.1 Bilimoia - Kainantu

The Kainantu mining lease was granted on 14 June 2002. However, there was no production reported for 2016.

Figure 36: Kainantu mine ownership structure (beneficial owner in blue)



7.3.2 Woodlark

The Woodlark mining lease was granted on 4 July 2014 however, there was no production reported for 2016.

7.3.3 Solwara

One mining lease for the Solwara project (ML 154) was granted in 2011.¹⁷⁵ However, this mine is still in development phase. This deep-sea mining venture of Nautilus Minerals will primarily mine copper and gold from massive seafloor deposits 1,600 metres below the surface of the Bismarck Sea at the Solwara 1 project site. The State holds 15% equity in the project, which is currently scheduled to start production in 2018.¹⁷⁶

An additional ML for the Solwara project (ML 512) was under assessment during 2016 (see Section 0 below).

7.3.4 Tolukuma

The Tolukuma gold mine was operated by the SOE Petromin (now Kumul Mineral Holdings Ltd) until October 2015. In October 2015 the State of PNG commenced the sale of Tolukuma Gold Mines Ltd to Asidokona Mining Resources Pty Ltd, but the sale was not completed at the time of writing. During 2016, the mine was under care and maintenance and was therefore not considered material for EITI reporting. When production restarts at the mine, Tolukuma will again be included in EITI reporting. For further detail, refer to the PNG EITI report for 2015 (section 7.2.2).

¹⁷⁵ Nautilus Minerals Inc. Revised Annual Information Form For the Fiscal Year Ended December 31, 2010, <http://www.nautilusminerals.com/IRM/PDF/1390/RevisedAnnualInformationformEnglish> accessed 17 October 2017

¹⁷⁶ Nautilus Minerals Inc. Annual Report 2015, pp. 37, 48, http://www.nautilusminerals.com/irm/PDF/1748_0/2015AnnualReport accessed 4 December 2017

7.4 Advanced exploration mining projects

The MRA identified the following tenements as being in an advanced phase of exploration during 2016.

Figure 37: Advanced exploration tenement locations - 2016

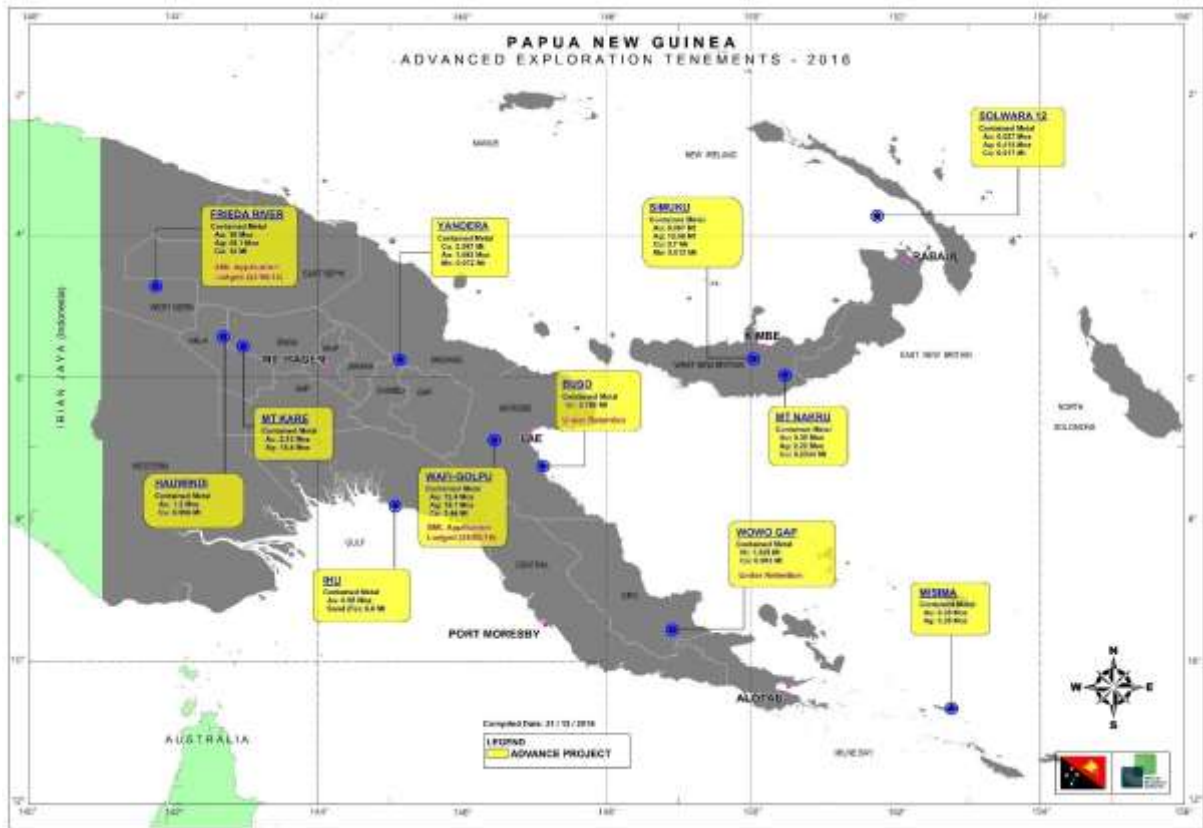


Table 18: Advanced exploration tenement owners

Tenement	Tenement area	Owners
EL 58 (SML 9, ML 157 - Under assessment in 2016)	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ML 512 - under assessment in 2016	Solwara 12	Nautilus Minerals Niugini Ltd (100%)
EL 1335 - Active and under assessment	Yandera	Yandera Mining Company Ltd (100%)
SML 10 - Under assessment during 2016	Mt Golpu	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
EL 2310 - extended in 2016	Hauwindi	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2429 - under assessment 2015 and 2016	Mt Kare	GMG Global Mining Group Ltd (100%)
EL 2445 under assessment 2016	Mt Kare	New Britain Lime & Cement Ltd (100%)
EL 2446 under assessment 2016	Mt Kare	ACM Contract Mining (PNG) Ltd (100%)
EL 2447 under assessment 2016	Mt Kare	Summit Development Ltd (100%)
EL 2450 under assessment 2016	Mt Kare	PNG Resources Corporation Ltd (100%)
EL 2471 under assessment 2016	Mt Kare	South PGR Ltd (100%)
EL 2473 under assessment 2016	Mt Kare	Golden Heart Mining Corp Ltd (100%)
EL 2305 extended during 2016	Ihu	Mayur Iron PNG Ltd (100%)
EL 1982 extended during 2015	Buso	Katana Iron Ltd (100%)
EL 1747 under assessment 2015 and 2016	Misima Island	Gallipoli Exploration (PNG) Ltd (100%)
EL 1043 extended during 2016	NAKRU	Copper Quest PNG Ltd (100%)
EL 2379	Simuku and Ismin	Copper Quest PNG Ltd (100%)
EL 1165	Safia Embessa & Obea (Wowo Gap)	Niugini Nickel Ltd (100%)

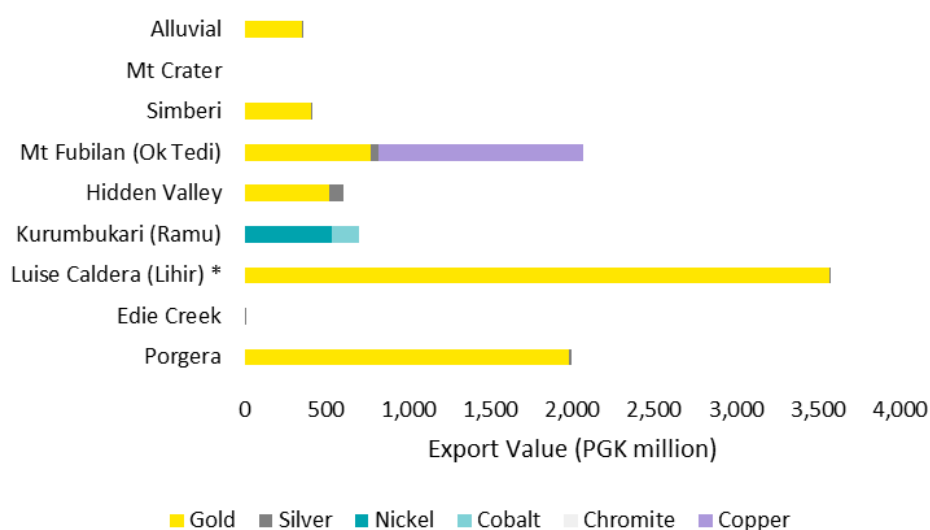
7.5 Mining production data

Mining companies provide production data to the MRA on a monthly basis as a requirement of their reporting obligations under the Mining Act. The MRA performs reasonableness checks on the monthly data, but does not have the resources or capacity to audit the data, although it has the authority to do so under the MRA Act.

Figure 38 below shows the MRA reported export values for each mine for 2016.¹⁷⁷

¹⁷⁷ Except for Lihir (*) where value of silver exports was not reported by the MRA

Figure 38: Export values reported for each mine - 2016



The MRA's records of production data for 2016, below, are shown alongside data reported by companies to the Independent Administrator.

Table 19: Company reported and MRA production values for 2016

Mine/project name	Commodity	Reported Commodity Value	Units	Company Reported Figure	MRA Reported figure	Variance	Variance (%)
Porgera mine Barrick (Niugini) Ltd	Gold	Quantity produced	oz	468,841	493,264	-24,423	-5.0
		Quantity exported	oz	472,958	492,308	-19,350	-3.9
		FOB value	PGK	1,762,353,557	1,983,123,151	-220,769,594	-11.1
	Silver	Quantity produced	oz	213,265	299,243	-85,977	-28.7
		Quantity exported	oz	213,265	217,280	-4,015	-1.8
		FOB value '	PGK	11,700,117	12,315,998	-615,881	-5.0
Edie Creek mine Niuminco Group Ltd	Gold	Quantity produced	oz	Not provided	588	-588	-100.0
		Quantity exported	oz	Not provided	588	-588	-100.0
		FOB value	PGK	Not provided	2,306,554	-2,306,554	-100.0
	Silver	Quantity produced	oz	Not provided	519	-519	-100.0
		Quantity exported	oz	Not provided	296	-296	-100.0
		FOB value	PGK	Not provided	32,923	-32,923	-100.0
Luise Caldera mine Lihir Gold Ltd	Gold	Quantity produced	oz	903,290	903,290	0	0.0
		Quantity exported	oz	914,800	914,800	0	0.0
		FOB value	PGK	3,566,004,218	3,569,989,133	-3,984,915	-0.1
	Silver	Quantity produced	oz	27,525	Not provided	27,525	100.0
		Quantity exported	oz	27,525	Not provided	27,525	100.0
		FOB value	PGK	1,471,217	Not provided	1,471,217	100.0

Mine/project name	Commodity	Reported Commodity Value	Units	Company Reported Figure	MRA Reported figure	Variance	Variance (%)
Kurumbukari mine (Ramu Nickel Project) MCC Ramu NiCo Ltd	Nickel	Quantity produced	tonnes	18,899	22,267	-3,368	-15.1
		Quantity exported	tonnes	20,569	24,197	-3,628	-15.0
		FOB value	PGK	519,802,440	535,644,120	-15,841,680	-3.0
	Cobalt	Quantity produced	tonnes	1,859	2,376	-517	-21.8
		Quantity exported	tonnes	2,020	2,376	-356	-15.0
		FOB value	PGK	Not provided	168,995,210	-168,995,210	-100.0
	Chromite	Quantity produced	tonnes	Not provided	52,296	-52,296	-100.0
		Quantity exported	tonnes	0	Not provided	0	0.0
		FOB value	PGK	0	Not provided	0	0.0
Hidden Valley mine Morobe Consolidated Goldfields Ltd and Harmony Gold Mining Company Ltd	Gold	Quantity produced	oz	153,841	160,121	-6,280	-3.9
		Quantity exported	oz	156,915	162,174	-5,258	-3.2
		FOB value ¹⁷⁸	PGK	0	521,386,205	-521,386,205	-100.0
	Silver	Quantity produced	oz	2,436,413	1,683,354	753,060	44.7
		Quantity exported	oz	2,570,867	1,763,476	807,391	45.8
		FOB value	PGK	724,518,431	81,367,842	643,150,589	790.4
Mt Fubilan mine Ok Tedi Mining Ltd	Gold	Quantity produced	oz	218,295	211,578	6,717	3.2
		Quantity exported	oz	205,896	199,167	6,729	3.4
		FOB value	PGK	792,195,000	775,706,402	16,488,598	2.1
	Silver	Quantity produced	oz	901,991	873,611	28,380	3.2
		Quantity exported	oz	871,377	873,611	-2,234	-0.3
		FOB value	PGK	44,168,000	43,082,410	1,085,590	2.5
	Copper	Quantity produced	tonnes	80,022	80,058	-36	0.0
		Quantity exported	tonnes	76,398	80,058	-3,660	-4.6
		FOB value	PGK	1,218,699,000	1,245,262,705	-26,563,705	-2.1
Simberi mine Simberi Gold Company Ltd	Gold	Quantity produced	oz	105,854	105,854	0	0.0
		Quantity exported	oz	105,127	106,002	-875	-0.8
		FOB value	PGK	405,545,552	405,545,551	1	0.0
	Silver	Quantity produced	oz	24,002	24,762	-760	-3.1
		Quantity exported	oz	24,002	24,762	-760	-3.1
		FOB value	PGK	1,301,183	1,301,184	-1	0.0
Mt Crater Mine Anomaly Ltd	Gold	Quantity produced	oz	Not provided	327	-327	-100.0
		Quantity exported	oz	Not provided	328	-328	-100.0
		FOB value	PGK	Not provided	1,164,314	-1,164,314	-100.0

¹⁷⁸ FOB value for gold and silver has been reported in aggregate by operator of Hidden Valley mine

A number of discrepancies were identified between the production quantities reported by the MRA and the production quantities reported by companies directly to the IA. In most cases the discrepancies are within 5%, however there are larger discrepancies noted for Porgera mine, Kurumbukari mine operated by MCC Ramu NiCo Ltd, and silver production from Hidden Valley mine. The variance for Hidden Valley mine is due to the FOB value for gold and silver being reported in aggregate by the operator.

A comparison of the export quantities and values of mining commodities reported by companies, the MRA and in the Budget figures is shown Table 20 below.

Table 20: Comparison of export quantities and values reported by companies, MRA and in Budget figures

Commodity ¹⁷⁹	Export amount reported by company	Export amount reported by MRA	Export value reported by company (PGK million)	Export value reported by MRA (PGK million)	Export value reported in Budget (PGK million)
Gold (oz)	1,855,696	1,967,366	6,526	7,611	7,274
Copper (tonnes)	76,398	80,058	1,219	1,245	1,080
Silver (oz)	3,707,036	2,911,426	783	140	66
Nickel (tonnes)	20,569	24,197	520	536	727
Cobalt (tonnes)	2,020	2,376	Not provided	169	187

7.6 Regulation of the mining sector

Mining regulation in PNG is overseen by the Mineral Resources Authority (MRA), a government agency that was established by an act of parliament in 2005. The MRA receives 75% of its funding from production levies, and the balance from alluvial gold export levies and tenement fees and rents as prescribed.

Detail of the *Mining Act* 1992 ('MA') and other relevant regulation can be seen in Chapter 4.

7.7 Register of tenements¹⁸⁰

The official register of tenements is maintained by the registrar, the MRA, as required by the MA (s.113). This is kept in hand-written ledgers at the MRA office. The MRA has also established an online mineral tenement management system (Mining Cadastre Portal) which is updated in real time as administrative actions are closed. The portal can be accessed via an interactive online map.¹⁸¹ The portal was designed for tenement management rather than for the EITI, but includes all the information required by the EITI Standard except for the commodity produced at each mine site, which can be found in Table 19 above. The MRA advised that they did not plan to add this information to the cadastre.

¹⁷⁹ Note that the MRA values for gold and silver also include alluvial exports

¹⁸⁰ Where the EITI standard refers to 'licences', this section refers to 'tenements', which include mining leases, leases for mining purposes, mining easements and exploration licences.

¹⁸¹ MRA, PNG Mining Cadastre Portal, <http://portal.mra.gov.pg/Map/> accessed 2 October 2017

7.8 Allocation of tenements

In accordance with the MA, mining tenements in PNG are administered by the appointed registrar, the Tenement Administration Branch of the MRA's Regulatory Operations Division. It is responsible for the management of tenement applications. Special Mining Leases (for large-scale operations) are issued by the Head of State, acting on advice from the NEC, whilst other tenements are issued by the Minister for Mining on recommendation from the Mining Advisory Council under the MA. Tenement application requirements are outlined in relevant sections of the MA:

- ▶ Exploration Licence (s.24)
- ▶ Special Mining Lease (s.35)
- ▶ Mining Lease (s.42)
- ▶ Alluvial Mining Lease (s.52)
- ▶ Lease for Mining Purpose (s.70)
- ▶ Mining Easement (s.85)

The MRA website includes information on the different types of tenements 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](#).¹⁸² Tenements are not awarded through a bidding process.¹⁸³

The Regulatory Operations Division of the MRA is responsible for the assessment of tenement applications in accordance with the MA. 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,¹⁸⁴ 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.

The MRA shared with the IA the submission forms and assessment processes for tenement applications, which indicate that clear, detailed and consistent criteria are applied.

The PNG Taxation Review 2015 evaluated the awarding of mineral exploration licenses as part of its mining and petroleum taxation review. The Review made no recommendations for mining tenements, stating 'The Chamber of Mines and Petroleum supports maintaining the current system of awarding exploration licenses. It argues that it has worked well for the country and should not be changed'.¹⁸⁵

A mining tenement will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government agency responsible for administering the *Environment Act 2000*.

¹⁸² 'Licence,' Mining Resources Authority, <http://www.mra.gov.pg/Licence.aspx>, accessed 7 February 2016

¹⁸³ *Mining Act 1992*

¹⁸⁴ Investment Promotion Authority, <http://www.ipa.gov.pg/>

¹⁸⁵ Papua New Guinea Taxation Review, Tax Review Committee Report to the Treasurer Part 2 of 2: Detailed Analysis. October 2015 (p. 101)

CEPA facilitates three levels of the environment permits approval process as outlined below:¹⁸⁶

- ▶ Level 1: Level 1 approval is given after consultations with existing environment guidelines and code of practice.
- ▶ Level 2A: Once a permit application is accepted by the CEPA, CEPA has 30 days to assess the application for compliance involving public notices and consultations before the environment permit is approved by the Executive Management Committee (EMC) and issued. There are no referrals.
- ▶ Level 2B: Similar to approval process for Level 2A. However, there are referrals to be considered and the application assessment takes 90 days.
- ▶ Level 3: An environment impact report (EIR) and environment impact statement (EIS) must be forwarded to the CEPA to assess over a six-month period that covers the referrals, public advertisement and consultations before the EIS is approved by EMC and forwarded for Minister of Environment approves, and a permit is issued.

Information provided by CEPA identifying the environmental permits that were issued, amended or renewed in 2016 is included in Appendix D.

Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments).

Prior to a new mining lease being issued, a development forum is held with representatives from the national and regional government, landholders and the mining company, to determine the benefits package. The memorandum of agreement arising from this process is negotiated by the MRA Development Coordination Division and drafted by the State Solicitor. However, s.18 of the MA also allows for a separate Mining Development Contract, which is negotiated by the State rather than the MRA. For example, the agreement between RamuNico mine and the State apparently includes significant tax concessions.¹⁸⁷ In light of hearings and objections, the Mining Advisory Board makes recommendations over tenements to the Minister (MA s.11-14).

The process for transferring tenements is described in the MA s.118-19. The process requires a written application for approval of the transfer to be sent to the Registrar, who then submits the application to the Board for its consideration. The minister then approves or refuses the transfer based on the recommendation of the Board. In practice, ultimate ownership of tenements can be transferred through a change in the ownership of the company, or companies, holding the tenement.

Information provided by the MRA identifies that during 2016 there was one mining lease issued, ML513 to Lost River Ltd. The MRA advised that all tenements awarded during 2016 were assessed based on the criteria prescribed by the MA.

The full list of tenements awarded in 2016 as identified by the MRA are shown in Table 21.¹⁸⁸

¹⁸⁶ CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017

¹⁸⁷ Communication from Treasury, 10 October 2016

¹⁸⁸ MRA, response to data request for 2016 PNG EITI Report, received 20 September 17

Table 21: Tenements awarded by MRA in 2016

Code	Region of tenement	Tenement holders
EL 2430	Meriamanda	GMN 6768 (PNG) Ltd (100%)
EL 2431	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2432	Sinua	Footprint Resources Pty Ltd (100%)
EL 2433	Namatanai	Cheroh Mining PNG Ltd (100%)
EL 2444	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2451	Alotau	Apollo Mineral Resources Ltd (100%)
EL 2460	Kompam	Property New Group Ltd (100%)
EL 2461	Mt Andewa	Baldoyle Ltd (100%)
EL 2462	Mapua	Nord Australex Nominees (PNG) Ltd (100%)
EL 2467	Mount Abemh	Highlands Pacific Resources Ltd (100%)
EL 2440	Blup Blup Island	Nautilus Minerals Niugini 4 Ltd (100%)
EL 2442	Lorengau	Nautilus Minerals Niugini 4 Ltd (100%)
EL 2443	Lorengau	Nautilus Minerals Niugini 4 Ltd (100%)
ML 513	Tamo	Lost River Ltd (100%)
AML 767	Bulolo	Ismael Kila Kawa (100%)
AMLs 768 - 774	Tamo	William Kurusi Asin (100%)
AMLs 775 - 798	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)

MRA reported two transfers of tenement during the reporting period:¹⁸⁹

EL 2150: from Mayur Resources Ltd to its subsidiary Mayur Iron Ltd.

EL 2249: transfer of 8 % shares in this tenement from Terenure Ltd to Anomaly Ltd. Anomaly now holds 98%, with the other 2% held by another company, Celtic Minerals Ltd.

¹⁸⁹ Email from MRA 14 December 2017

7.9 Public Investment Program

The Public Investment Program (PIP) is discussed in section 5.7 of this report. Data related to those PIP funds administered by MRA is presented below. This data was provided unilaterally by MRA.

Table 22: PIP funds administered by MRA, 2016¹⁹⁰

PIP project	funds received from DNPM (PGK)	funds disbursed (PGK)
20843 Ok Tedi MOA	300,000	256,641
20844 Hidden Valley MOA	1,350,000	35,146
20845 Ramu Nickel MOA	2,000,000	2,568,732
20847 Lihir Outstanding MOA	1,000,000	188,396
20848 Mining Agreement - Porgera	0	2,581,140
20849 Sinivit MOA	0	46,590
20850 Simberi MOA	0	81,266
21433 Women in Mining	0	95,422
20254 Tolukuma MOA	1,000,000	506,719
21741 Advanced Mining Projects	0	522,823
22797 Human Resource Training for the Mining Sector	0	0

Information on other revenue streams specific to mining can be found in sections 2.3, 5.7.1 and in Chapter 10.

¹⁹⁰ *ibid*

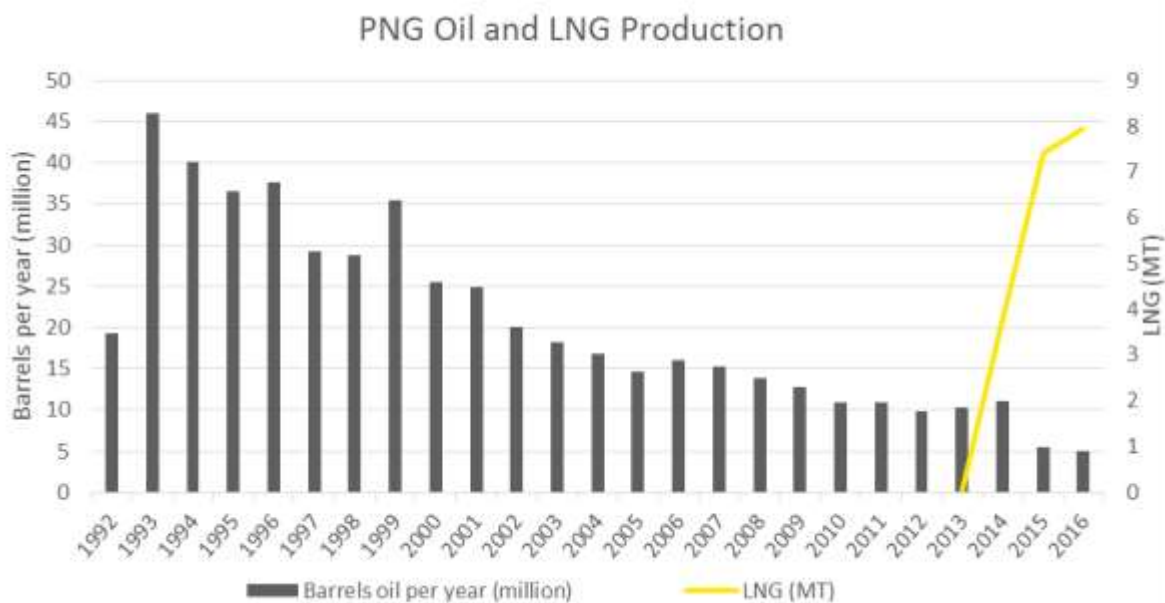
8. Oil and gas

Oil Search estimates PNG’s proven crude oil and condensate reserves to be 62.3 million barrels.¹⁹¹ Oil exploration in PNG commenced in the 1920s. The first commercial production began in 1992, and there are currently five principal oil fields.

Oil production in PNG has been in slow but steady decline since the mid-1990s, when there was a peak in production of approximately 46 million barrels in 1993.¹⁹²

Gas production, by contrast, is increasing due to the PNG LNG project (see p. 87). The project has exceeded its original design capacity of 6.9 million tonnes of LNG per annum,¹⁹³ and despite current suppressed prices, is expected to have a significant long-term positive impact on the economy and government revenues. Aside from the PNG LNG project, there is also a domestic gas project for the sale of natural gas from the Hides field to Porgera.

Figure 39: PNG Oil and LNG Production, 1992-2016¹⁹⁴



The physical distribution of oil and gas resources in PNG is shown in Figure 40 below.

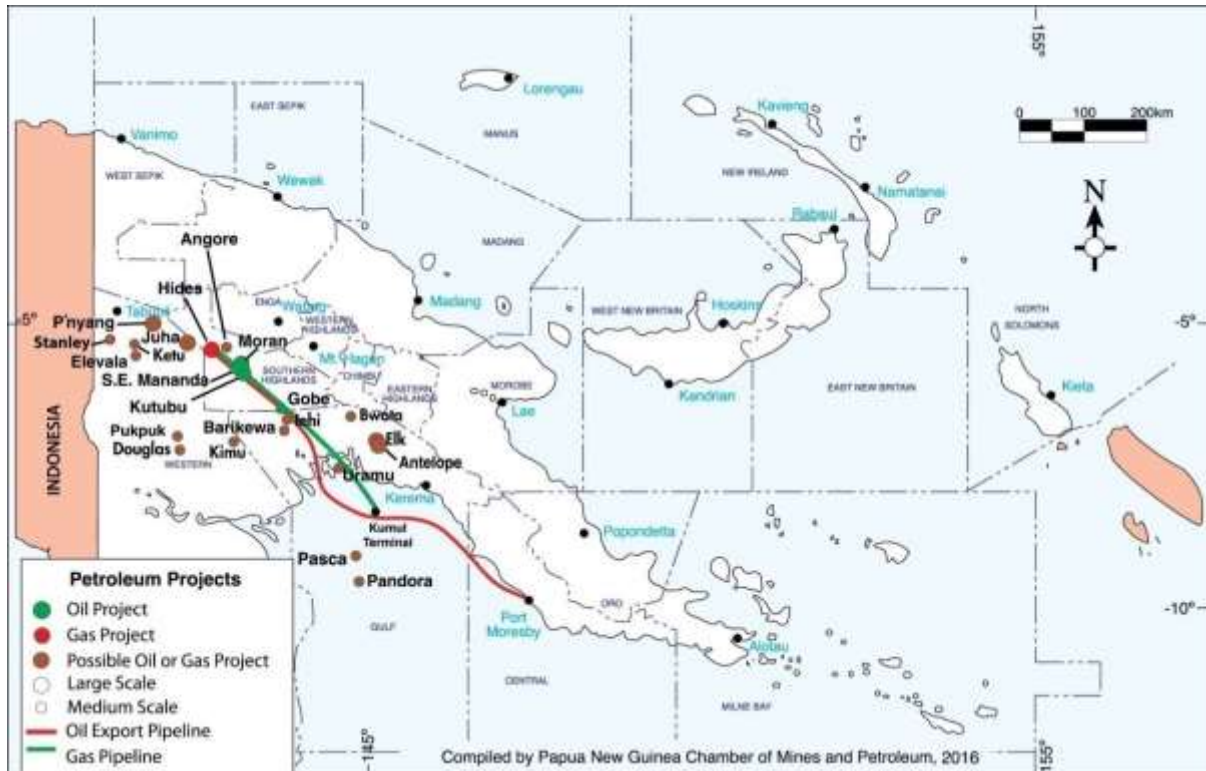
¹⁹¹ Oil Search 2015(6) Reserves and Resources Statement 23 February 2016.
<http://www.asx.com.au/asxpdf/20160223/pdf/435823vc5t93pc.pdf> accessed 04 October 2017

¹⁹² Oil Search Annual Report 2014, p.17
[http://www.oilsearch.com/media/docs/7807_OSH_AR14_FINAL%20\(Final%20for%20ASX%20Release\)-84df74aa-04d5-4794-8bce-bf9e3dd09bfc-0.pdf](http://www.oilsearch.com/media/docs/7807_OSH_AR14_FINAL%20(Final%20for%20ASX%20Release)-84df74aa-04d5-4794-8bce-bf9e3dd09bfc-0.pdf), accessed 21 October 2016.

¹⁹³ <http://pnglng.com/project/index.html>

¹⁹⁴ Adapted from United States Energy Information Administration, cited in <http://www.indexmundi.com/energy/?country=pq&product=oil&graph=production> with additional data from ExxonMobil PNG provided in data template for the ireport, received 8 September 2017

Figure 40: Oil and gas projects in PNG¹⁹⁵



8.1 Oil and gas companies active in PNG

Both national and multinational oil and gas companies, as well as state-owned entities, are actively engaged in exploration and production in PNG. During 2016, the companies involved in active production were owners of petroleum development licences (PDLs) associated with:

- ▶ PNG LNG project (operated by ExxonMobil PNG Ltd)
- ▶ Producing oil fields (operated by Oil Search (PNG) Ltd)
- ▶ Hides gas project (operated by Oil Search (PNG) Ltd)

Participants in the petroleum sector with interests in these PDLs are considered to be material reporting entities and are identified below:

- | | |
|--|---|
| ▶ ExxonMobil PNG Ltd (and subsidiaries) | ▶ Kumul Petroleum Holdings Ltd (and subsidiary) |
| ▶ Oil Search (PNG) Ltd | ▶ Mineral Resources Development Company (MRDC) (and subsidiaries) |
| ▶ Santos (and subsidiaries) | |
| ▶ JX Nippon Oil and Gas (and subsidiaries) | |

PDL 10 was granted to the following participants in the Stanley joint venture in 2014 however production had not yet started in 2016.¹⁹⁶

- | | |
|--|--------------|
| ▶ Repsol (Talisman Energy Niugini Ltd) | ▶ Osaka Gas |
| ▶ Horizon Oil Papua Ltd | ▶ Mitsubishi |

¹⁹⁵ Provided by PNG Chamber of Mines & Petroleum

¹⁹⁶ Horizon Oil, Projects - operations, <https://horizonoil.com.au/projects-operations/papua-new-guinea/ppl-4/> accessed 18 October 2017

There are a number of companies holding petroleum retention licences including:¹⁹⁷

- ▶ Total E & P PNG Ltd
- ▶ Oil Search (PNG) Ltd
- ▶ Repsol (Talisman Energy Niugini Ltd)
- ▶ Horizon Oil Papua Ltd
- ▶ Posman Kua Aisi Lawyers
- ▶ Eaglewood Energy (BVI) Ltd
- ▶ Esso PNG Exploration Ltd
- ▶ Heritage Niugini Ltd

There are also a large number of companies that hold petroleum prospecting licences (PPL) conducting exploration activities during the reporting period. These are listed in Appendix E.

8.2 Overview of producing operations in 2016

8.2.1 Oil projects

Oil Search operates all of the oil fields that are currently producing oil in PNG.¹⁹⁸ Oil Search took over the operation of the five oil fields in 2003 following the acquisition of Chevron Niugini Ltd:¹⁹⁹ Kutubu, Moran, Gobe main, SE Gobe and SE Mananda. The SE Mananda oil field was shut-in in May 2014 as it had reached the end of its economic life. The Kutubu field consists of a network of wells that produce oil from the lagifu-Hedinia, Usano and Agogo fields. The oil is processed on site at Agogo Processing Facility (APF) and Central Processing Facility (CPF) and then pumped through the 270 kilometre Kutubu Export Pipeline to the coast and the Kumul Marine Terminal in the Gulf of Papua. Oil produced at the Moran field is processed at the APF then piped to the CPF for further processing, storage and export through the export pipeline. Oil from both the Gobe main and SE Gobe fields is processed at the Gobe Processing Facility, which is joined to the Kutubu Export Pipeline with an 8 kilometre pipeline. These oil and gas fields, pipelines and processing facilities are identified in Figure 41 below.

¹⁹⁷ Sourced from data reporting template provided by DPE for this report. Received 8 September 2017

¹⁹⁸ Oil Search - Operated Production, <http://www.oilsearch.com/what-we-do/production/operated-production> accessed 18 October 2017

¹⁹⁹ Oil Search Ltd ASX Announcement, 17 October 2003 'Oil Search completes acquisition of Chevron Niugini and takes over operatorship of PNG oil fields', <http://www.asx.com.au/asxpdf/20031017/pdf/3jdkhkcnt1f63.pdf> accessed 30 October 2017

Figure 41: Oil Search licence interests, processing and distribution routes²⁰⁰



8.2.2 Gas projects

8.2.2.1 Hides Gas to Electricity Project

The Hides Gas to Electricity Project is fully owned and operated by Oil Search (see location in Figure 41). It comprises a pipeline from the gas wells in the Hides field, to the Hides Production Plant in the Tagari River Valley. Following processing, the gas is used by the Porgera Joint Venture to generate electricity for the Porgera gold mine. The condensate produced in the process is distilled into diesel and naphtha and sold locally. The diesel is used as a back-up fuel for the running of the power station. Gas supplied from the Hides gas field is sold under long-term contracts that were last revised in 2012.

During 2016, Oil Search delivered 5,573 MMscf natural gas to the Porgera Gold Mine.²⁰¹

8.2.2.2 PNG LNG Project

The PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014 and the project achieved financial completion on 6 February 2015. The project provided a significant number of jobs in recent times during its construction (peaking at 21,200 in 2012) but this number declined as the project moved into production. As of December 2016, 2,500 workers were employed in production related roles in the PNG LNG project.²⁰²

²⁰⁰ Oil Search Annual Report 2016, p.58

http://www.oilsearch.com/_data/assets/pdf_file/0016/7045/HC_OSF_AR16_Interactive_v01A.pdf, accessed 8 November 2017.

²⁰¹ Data template provided by Oil Search for the 2016 EITI Report, received 19 September 2017

²⁰² PNG LNG Environmental and Social Report-Annual 2016, PNG LNG, 2016 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2016-Annual-ES-Report-FINAL-28-04-2017-FULL-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2016-Annual-ES-Report-FINAL-28-04-2017-FULL-(ENG-WEB).pdf) accessed 6 November 2017.

Despite current low commodity prices the project is expected to make a significant long-term contribution to the economy and government revenues. Falling global LNG prices have already negatively impacted project returns, with potential ramifications for the government's financial position. The project has had significant impacts on affected communities, both positive and negative (see case study).

The relative interests of each partner in the PNG LNG project for the 2016 reporting period are as follows:²⁰³

- ▶ ExxonMobil (33.2% and operator)
- ▶ Oil Search Ltd (29.0%)
- ▶ Santos Ltd (13.5%)
- ▶ Kumul Petroleum Holdings Ltd (PNG SOE) (16.8%)
- ▶ JX Nippon Oil and Gas Exploration Company (4.7%)
- ▶ Mineral Resources Development Company (PNG Government, on behalf of landowners) (2.8%)

PNG LNG benefits sharing case study

PNG LNG is a complex project that cuts across five provinces, 10 local level governments, 14 different language groups²⁰⁴ and thousands of stakeholder groups. There are multiple relevant agreements in place, including:

Agreement	Signed	Parties	Purpose
PNG LNG Agreement or 'Gas Agreement'	2008	Esso Highlands (Subsidiary of ExxonMobil), other PNG LNG project partners and the State	Establishes the fiscal regime and legal framework by which the PNG LNG project is to be regulated throughout its lifetime and sets the terms and mechanism for State equity participation in the project

Agreement	Signed	Parties	Purpose
PNG LNG Coordinated Development and Operating Agreement (CDOA)	2008	PNG LNG project partners	Provides the commercial framework for the PNG LNG project
Fiscal Stability Agreement	2009	PNG LNG project partners and the State	Locks in aspects of the fiscal regime (e.g. taxes, duties, fees) in order to provide the project partners with long-term certainty regarding their investment
Umbrella Benefit Sharing Agreement (UBSA)	2009	State, provincial and local level governments and landowner groups impacted by the project	Outlines how a number of the State's project revenue streams will be shared with project area landowners, local level governments and provincial governments.
Licence Based Benefits Sharing Agreement (LBBSA)	2009	For each PDL: State, provincial and local level governments and landowner groups impacted by the project	Outlines the distribution of benefits, including those received by the State under the Oil and Gas Act, to the various governments and landowners for each PDL

The benefit sharing process began with extensive social mapping and landowner identification studies undertaken by the project partners. The UBSA was then agreed over many weeks of intensive negotiations with thousands of representatives of landowners, provincial governments and local level governments (the 'beneficiary group') from across the affected areas. The agreement outlined a total benefits package for the beneficiary group, including:²⁰⁵

- ▶ *Royalty*: A royalty benefit of 2% is provided by the State to landowners, affected provincial governments and local level governments. Royalty is calculated on a 'wellhead value' basis according to the terms of the OGA, and applies to volumes produced and then sold from the licensed area(s).

²⁰³ PNG LNG Co-venturers <https://pnglng.com/About/Co-venturers> accessed 14 November 2017

²⁰⁴ 'Landowners protest over PNG LNG royalties', Upstream, 12 August 2016 (via Factiva)

²⁰⁵ <https://pnglng.com/About/Our-Operations/Benefits-sharing>, accessed 18 October 2017

- ▶ *Equity*: The UBSA provides a total of 2.78% free equity participating interest in PNG LNG to project area landowners and local level governments for greenfield areas. The UBSA also provides project area landowners and provincial governments with the opportunity to buy into indirect PNG LNG equity (known as the 'Kroton equity') up to a collective maximum of 4.22% between 1 January and 30 June 2016 (later extended to 31 December 2016) at a value of US\$240 million per percentage (subsequently reduced to US\$150 million).
- ▶ *Development Levy*: A development levy of 2% of the wellhead value, calculated according to the provisions of the *OGA* and the *Gas Agreement*, is available to the provincial governments and the local level governments.
- ▶ *Infrastructure Development Grants (IDG)*: PGK1.2 billion 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.
- ▶ *Business Development Grants (BDG)*: The State has provided PGK120 million to assist landowner companies in business development activities under the PNG LNG project.

On 6 February 2015, the PNG LNG project achieved 'financial completion', by satisfying all of the financial completion tests set forth in the project's financing arrangements.²⁰⁶ Following achievement of financial completion, guarantees are released, loan repayments commence, and co-venture distributions were permitted.

However, royalty funds were held in trust by the government while it conducted a prolonged process of landowner vetting to determine who was eligible to receive the royalties. By late 2015, landowners began threatening to obstruct operations. In August 2016 armed protesters briefly impacted operations at Hides in Hela Province, and in December 2016 the PNG government announced it would deploy military in Hela Province for six months to address tribal violence and protect the project.²⁰⁷ Royalty payments finally began in September 2017,²⁰⁸ but at the time of writing it appears that payments to some groups were still pending.²⁰⁹ DPE did not respond to requests for more detailed information.

The 'Kroton equity' has also been a source of contention. There were plans for KPH to provide vendor financing to the beneficiary groups on terms reflecting reduced oil and gas prices,²¹⁰ but by the extended deadline of 31 December 2016, landowners were still unable to raise the required \$640 million by the deadline.²¹¹

The project represents an opportunity for the affected provinces beyond direct financial benefits, for example through employment, infrastructure and services such as education and healthcare. However, disputes over payments appear to have exacerbated tribal conflict, while the physical footprint of the project has impacted on traditional lifestyles. It appears landowners are still waiting to see the benefits they hoped for.^{212, 213}

8.3 Beneficial owners of oil and gas projects

The table below summarises the available information for the beneficial ownership of each of the oil fields and gas projects active during the reporting period.

²⁰⁶ <https://pnglng.com/Newsroom/Media-Release/PNG-LNG-Project-achieves-financial-completion>, accessed 12 September 2017

²⁰⁷ PNG to deploy military to stop tribal fighting and protect gas project, ABC, 15 December 2016, <http://www.abc.net.au/news/2016-12-15/png-deploys-military-to-protect-gas-project-stop-tribal-fighting/8125578>, accessed 13 October 2017

²⁰⁸ <https://www.reuters.com/article/papua-lng-royalties/papua-new-guinea-starts-paying-landowners-lng-royalties-idUSL4N1LU2MQ>, accessed 13/10/2017

²⁰⁹ <http://www.thenational.com.pg/lng-clans-wait-longer/> accessed 18 October 2017

²¹⁰ 'PNG LNG royalty benefits', Upstream, 21 October 2016 (via Factiva)

²¹¹ 'Minister Plays Down Landowner Threats to PNG LNG Operations' LNG Intelligence, 12 December 2016 (via Factiva)

²¹² 'PNG chiefs talk of civil unrest over unpopular Australian bank deal', SMH, 11 October 2015, accessed 13 October 2017

²¹³ 'Papua New Guinea gets a dose of resource curse as ExxonMobil's natural gas project fomenting unrest', [The Conversation](#), 10 March 2017

Table 23: Beneficial ownership data for oil and gas projects operating during the 2016 calendar year

Permit	% Interest	Operator(*)/partners	Parent organisation	Ownership structure
PDL 1 Hides	36.81	* ExxonMobil PNG Ltd	ExxonMobil	NYSE listed
	16.66	Oil Search (Tumbudu) Ltd	Oil Search Ltd	ASX listed
	19.38	Santos (Hides) Ltd	Santos Ltd	ASX listed
	4.65	Lavana Ltd	Santos Ltd	ASX listed
	20.50	Kroton No. 2 Ltd	Kumul Petroleum Holdings Ltd	SOE
	2.00	Gas Resources Gigira Ltd	MRDC	SOE
PDL 1 (Hides GTE)	100.00	*Oil Search (Tumbudu) Ltd	Oil Search Ltd	ASX listed
PDL 2 Kutubu Field Complex Iagifu Hedinia Usano Agogo	60.05	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	11.61	Ampolex (PNG Petroleum) Inc.	ExxonMobil	NYSE listed
	18.69	Merlin Petroleum Co.	Japan Papua New Guinea Petroleum Company: 40.7% Nippon Oil Exploration (PNG) Pty Ltd: 38.9% Marubeni Corporation: 20.4% ²¹⁴	JX Nippon Oil and Gas Exploration Corporation ²¹⁵ (Tokyo listed) Privately held, Australia ²¹⁶ Tokyo listed ²¹⁷
	2.91	Merlin Pacific Oil Co. NL	ExxonMobil	NYSE listed
PDL 2 Kutubu Export Line	60.05	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	11.61	Ampolex (PNG Petroleum) Inc.	ExxonMobil	NYSE listed
	12.69	Petroleum Resources Kutubu Ltd	MRDC	SOE
	2.91	Merlin Pacific Oil Co. NL	ExxonMobil	NYSE listed
SE Mananda	72.27	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	19.84	Merlin Petroleum. Co. Ltd	see detail under PDL2	
	7.90	Petroleum Resources Kutubu Ltd	MRDC	SOE
PDL 3 SE Gobe	15.92	*Barracuda Ltd	Santos Ltd	ASX listed
	36.36	Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	40.15	Southern Highlands Petroleum Co. Ltd	JX Nippon Holdings ²¹⁸	Tokyo listed
	5.57	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd ²¹⁹	SOE
	2.00	Petroleum Resources Gobe Ltd	MRDC	SOE

²¹⁴ <http://www.nex.jx-group.co.jp/english/activity/oceania/png.html>, accessed 9 December 2016

²¹⁵ <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapld=128311971>, accessed 9 December 2016

²¹⁶ <http://www.abr.business.gov.au/SearchByAbn.aspx?SearchText=69134179810>, accessed 9 December 2016

²¹⁷ <https://www.marubeni.com/company/profile/>

²¹⁸ 'The Southern Highlands Petroleum Co. Ltd was established jointly with Japan Petroleum Exploration Co. Ltd and Teikoku Oil Co. Ltd' Source: Japan Energy Group *Overview of Businesses*, 2005, p. 16 http://www.hd.jx-group.co.jp/english/ir/library/annual/2005/pdf/nmh_en_ar_fy2005_05.pdf accessed 9 December 2016

²¹⁹ Kumul Petroleum purchased Cue PNG OIL Company Pty Ltd on 20 November 2014,

http://www.cuenrg.com.au/irm/PDF/2339_0/AnnualReport2016 accessed 8 November 2017

Permit	% Interest	Operator(*)/partners	Parent organisation	Ownership structure
PDL 4 Gobe Main	10.00	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	73.48	Merlin Petroleum Co. Ltd	see detail under PDL2	
	14.52	Ampolex (Highlands) Ltd	ExxonMobil	NYSE listed
	2.00	Petroleum Resources Gobe Ltd	MRDC	SOE
SE Gobe Unit PDL 3: 59.0% PDL 4: 41.0%	25.55	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	30.13	Merlin Petroleum Co. Ltd	see detail under PDL2	
	23.69	Southern Highlands Petroleum Co. Ltd	JX Nippon Holdings	Tokyo listed
	9.39	Barracuda Ltd	Santos Ltd	ASX listed
	5.95	Ampolex (Highlands) Ltd	ExxonMobil	NYSE listed
	3.29	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	SOE
	2.00	Petroleum Resources Gobe Ltd	MRDC	SOE
Gobe Common Facilities SE Gobe: 50% Gobe Main: 50% (Includes PL3)	17.78	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	51.80	Merlin Petroleum Co.	see detail under PDL2	
	11.84	Southern Highlands Petroleum Co. Ltd	JX Nippon Holdings	Tokyo listed
	10.24	Ampolex (Highlands) Ltd	ExxonMobil	NYSE listed
	2.00	Petroleum Resources Gobe Ltd	MRDC	SOE
	1.64	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	SOE
PDL 5 Moran	36.81	*Esso Highlands Ltd	ExxonMobil	NYSE listed
	40.69	Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	20.50	Eda Oil Ltd	Petromin PNG Holdings Ltd	SOE
	2.00	Petroleum Resources Moran Ltd	MRDC	SOE
PDL 6 NW Moran	71.07	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	18.36	Ampolex (Highlands) Ltd	ExxonMobil	NYSE listed
	8.58	Merlin Petroleum Co.	see detail under PDL2	
	2.00	Petroleum Resources North West Moran Ltd	MRDC	SOE
Greater Moran Field PDL 2: 44% PDL 5: 55% PDL 6: 1%	49.51	*Oil Search (PNG) Ltd	Oil Search Ltd	ASX listed
	20.25	Esso PNG Moran Ltd	ExxonMobil	NYSE listed
	11.28	Eda Oil Ltd	Petromin PNG Holdings Ltd	SOE
	8.31	Merlin Petroleum Co.	see detail under PDL2	
	5.11	Ampolex (PNG Petroleum) Inc.	ExxonMobil	NYSE listed
	0.18	Ampolex (Highlands) Inc.	ExxonMobil	NYSE listed
	2.97	Petroleum Resources Kutubu Ltd	MRDC	SOE
	1.28	Merlin Pacific Oil Co. NL	ExxonMobil	NYSE listed
	1.10	Petroleum Resources Moran Ltd	MRDC	SOE
PDL 7	36.81	*Esso Highlands Ltd	ExxonMobil	NYSE listed
	40.69	Oil Search (Tumbudu) Ltd	Oil Search Ltd	ASX listed
	20.50	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	SOE
	2.00	Gas Resources Hides No.4 Ltd	MRDC	SOE

Permit	% Interest	Operator(*)/partners	Parent organisation	Ownership structure
PDL 8	36.81	*Esso Highlands Ltd	ExxonMobil	NYSE listed
	40.69	Oil Search (Tumbudu) Ltd	Oil Search Ltd	ASX listed
	20.50	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	SOE
	2.00	Gas Resources Angore Ltd	MRDC	SOE
PDL 9	21.71	*Esso PNG Juha Ltd	ExxonMobil	NYSE listed
	24.42	Oil Search (Tumbudu) Ltd	Oil Search Ltd	ASX listed
	21.68	Ampolex (Papua New Guinea) Ltd (ExxonMobil)	ExxonMobil	NYSE listed
	20.50	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	SOE
	9.69	Nippon Papua New Guinea LNG LLC	JX Nippon Oil and Gas Exploration Corporation	Privately held, Japan
	2.00	Gas Resources Juha No.1 Ltd	MRDC	SOE
PDL 10 ²²⁰ Stanley	40.00	*Talisman Niugini Pty Ltd	Repsol	NYSE listed
	30.00	Horizon Oil (Papua) Ltd	Horizon Oil Ltd	ASX listed
	20.00	Osaka Gas Niugini Pty Ltd	Osaka Gas Pty Ltd	Tokyo listed
	10.00	Diamond Gas Niugini B.V.	Mitsubishi Corporation	NYSE listed

*Operator

8.4 New oil and gas projects

8.4.1 Stanley project

The Stanley Gas Agreement was approved in April 2014. The Stanley gas-condensate field is located in PDL 10 and is operated by Repsol.²²¹ Its main focus to date has been to provide Ok Tedi mine with gas for electricity to extend its mine life. The project includes a condensate recovery plant with the aim of producing a commercially viable end-product for the domestic market. Production had not begun during the reporting period so the joint venture partners were not included as material reporting entities.

8.4.2 Papua LNG Project (Elk-Antelope gas discoveries)

The Elk-Antelope gas discoveries (PRL 15) are one of the largest undeveloped gas resources in PNG. Investigations are currently underway to determine the size and structure of the gas resource, with preliminary findings suggesting that the site has the potential to underpin a second world-scale LNG development in PNG.

The participants under the PRL 15 licence in 2016 were:

Total (operator)	40.1%
InterOil	36.5%
Oil Search	22.8%
Minorities	0.5%

²²⁰ <http://horizonoil.com.au/projects-operations/papua-new-guinea/ppl-4/>, accessed 19 November 2016

²²¹ [ibid](#)

In July 2016, ExxonMobil announced that they had entered into an agreement to acquire InterOil, resulting in the entry of ExxonMobil into PRL 15.²²² During 2016, this acquisition had not been completed.

Key project infrastructure sites for development of the Elk-Antelope gas field include a central processing facility near the Puraru River in the Gulf province, about 306 kilometres north-west of Port Moresby, which will be connected to the LNG facility by onshore and offshore gas and condensate pipelines. The concept design is currently underway, with works scheduled to begin in mid-2017.²²³ A PDL is yet to be approved for this project.

8.4.3 Other gas projects in development

The PNG LNG and Papua LNG projects are expected to be the first of a series of potential gas developments, including the:

- ▶ 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.²²⁴

Oil and gas exploration is at an all-time high across PNG. In 2012, there were 71 Petroleum Prospecting Licences and over 15 applications pending, covering large parts of the country, and much of the near-shore environment.²²⁵

The introduction of the Unconventional Hydrocarbons Act 2015 (UHA) during 2015 has also cleared the way for further exploration and production including unconventional hydrocarbons such as shale oil and gas that were previously excluded from the OGA.

8.5 Oil and gas production data

Oil and gas project operators report production data to DPE on a monthly basis. During 2016, the Department of Petroleum and Energy (DPE) did not perform detailed reviews or audits of this data due to resourcing constraints.²²⁶

The figures below were reported by Oil Search and ExxonMobil.²²⁷ The estimated figures included in the Budget for 2016 are also included for comparison.²²⁸

Table 24: Oil and gas production data 2016

Source	Amount reported by operator	Amount reported exported by operator	Total export value reported by operator (PGK)	Total export value reported in Budget (PGK)
Oil	13,721 stbopd	5,082,671 stbo	716,988,408	893,000,000
Condensate	308 stbopd	3,423,923 stbo	482,996,657	1,462,000,000

²²² ExxonMobil press release 21 July 2016, 'ExxonMobil to Acquire InterOil' <http://news.exxonmobil.com/press-release/exxonmobil-acquire-interoil-transaction-worth-more-25-billion>, accessed 19 November 2016

²²³ CSLA Investors Forum Hong Kong Presentation, Oilsearch, 2016 <http://www.oilsearch.com/Investor-Centre/ASX-Releases/Presentations-and-Webcasts.html>, accessed 21 October 2016

²²⁴ Information from MSG & 'Petroleum in PNG,' PNG Chamber of Mines and Petroleum, <http://pngchamberminpet.com.pg/petroleum-in-png/>, accessed 7 February 2017

²²⁵ *ibid*

²²⁶ Direct communication from DPE, 6 February 2017

²²⁷ Information included in Oil Search and ExxonMobil data templates provided for this report, received 8 and 19 September 2017

²²⁸ 2016 estimates from 2017 Budget, Vol 1, Appx 3, Table 5, p. 106 (Actuals from BPNG. Projections from Dept. of Treasury) http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

Source	Amount reported by operator	Amount reported exported by operator	Total export value reported by operator (PGK)	Total export value reported in Budget (PGK)
Hides Gas	5573 MMscf	0	0	0
PNG LNG Project LNG	7,944,946 tonnes	Not reported	Not reported	8,013,000,000

Just prior to publication of this report, DPE supplied the following data for oil production and export. No data was supplied for export value, or for the production of condensate, LNG liquids or LNG.

Table 25: Oil production and export data provided by DPE²²⁹

	Kutubu	Agogo	Moran	SEM	SE Gobe	Gobe Main	Total
Production (stbopd)*	11,101	4,436	10,337	0	969	665	27,508
Cumulative production (stbo)	6,346,102	1,605,094	3,315,876	0	334,730	253,924	11,855,726*
Export (stbo)							20,616,630

* Recalculated from monthly data by IA, as DPE totals were incorrect. Monthly data provided for January to July 2016 only

These figures show significant variance from those reported by the operator, as shown below. The IA did not have time to investigate this further:

Table 26: Oil production and export variances

	Reported by operator	Reported by DPE	Variance	Variance (%)
Production (stbopd)	13,721	27,508	(13,787)	(50.12)
Exports (stbo)	5,082,671	20,616,630	(15,533,959)	(75.35)

8.6 Regulation of the oil and gas sector

Oil and gas regulation in PNG is overseen by DPE, a government department that is chronically under-resourced, has no website, and has not produced an annual report for the past seven years.

DPE informed the IA in 2016 that there are plans to reconstitute DPE as an independent authority (as is the case with the MRA) although the timeframe for completing this has not been announced to date.

DPE was the subject of a number of priority recommendations in the 2013 and 2014 PNG EITI Report that have subsequently been endorsed by the national executive council (NEC). DPE advised that in 2016, the first workshop was held to discuss the way forward for establishing a Licensing Database to address one of the key recommendations.²³⁰

During 2015, new legislation was passed to govern the exploration for and production of unconventional hydrocarbons in Papua New Guinea. Unconventional hydrocarbons such as coal seam gas or shale gas, require additional methods of extraction other than traditional methods. Previously, exploration for unconventional hydrocarbons was not permitted under the *Oil and Gas Act 1998* (OGA). Further information about the OGA and the *Unconventional Hydrocarbons Act 2015* (UHA) can be found in Section 4.5.1.

²²⁹ Updated DPE data template received 14 December 2017

²³⁰ Non-financial data template provided by DPE for this report. Received 6 November 2017

8.7 Register of licences

The official register of oil and gas licences is maintained by the DPE in handwritten ledgers. Figure 42 below, shows an image of the ledgers as they appeared in 2015. This ledger is not organised sequentially on the basis of licence numbers; new entries are made when applications are made. In principle the register is publically accessible, but clearly this is not a practical reality.

Figure 42: Oil and gas licence registers



The reliance on hard copy documentation, coupled with sub-optimal file storage, poses a significant risk, which could result in a catastrophic data loss should, for example, a fire occur at DPE's premises.

DPE reported that during 2016, the licence register was scanned so there is a digital copy. They also reported that a workshop was held during 2016 to investigate establishing a licencing database similar to the one implemented by the MRA for mining tenements. See Appendix E for the list of active oil and gas licences in 2016.

The register is set up to record all information required by the EITI Standard, but a number of information gaps in individual entries were identified.²³¹

A review was carried out by DPE in previous years to assess whether the following functions of DPE were being undertaken in compliance with regulatory requirements:

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

The initial findings of the compliance review indicated that 50% of all licences did not comply with the OGA. DPE advised that 10 PPLs had been cancelled during 2015 for non-compliance.²³²

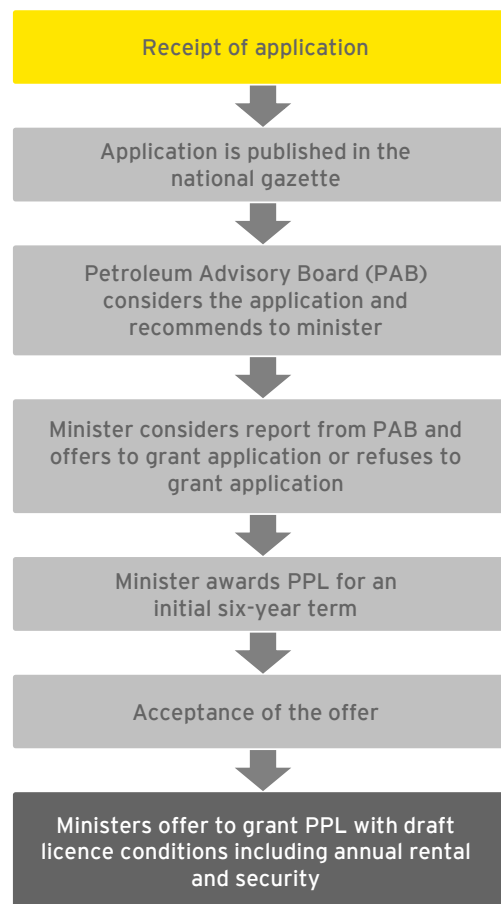
8.8 Allocation of licences

Oil and gas licences are allocated by DPE, according to the process illustrated in Figure 43 below.

²³¹ See PNG EITI Report 2013 Appendix B available here: <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/2013-PNG-EITI-REPORT.pdf>

²³² Non-financial data template provided by DPE for this report. Received 6 November 2017

Figure 43: Process for DPE licence allocation²³³



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:²³⁴

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
- 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

²³³ Petroleum division - an overview, p. 21

²³⁴ Petroleum policy handbook, pp. 8 and 9, 2003

- 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
- j. Any other information that might be relevant to the application.

The legislation for exploration and production licensing for unconventional hydrocarbons is outlined in Division III of the UHA. Under the Act the traditional Petroleum Prospecting Licence and Unconventional Hydrocarbon Prospecting License can co-exist on the same area of land. The UHA addresses conflicts regarding this in section 63-65 of the Act, indicating where ownership of the resource reverts to if either conventional or unconventional hydrocarbons are discovered within a licenced area.

DPE confirmed that there were no licences awarded through a competitive bidding process in 2016 and there were no non-trivial deviations from the regulatory regime.²³⁵

Before a production licence is issued, social mapping and clan vetting must be conducted, which is audited by DPE. This culminates in a Development Forum that brings together stakeholders to finalise the benefit sharing agreement. Agreements include different levels of compensation and benefits, which may include social benefits such as schools or hospitals. DPE commented that landholder groups have become much more adept at negotiating for their interests in recent years.

Production licences also require 'detailed proposals by the applicant for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage and transportation of petroleum from the licence area'.²³⁶

DPE advised that applications are assessed by the registrar for completeness, geoscience staff for technical criteria, and economics staff for financial criteria. The findings go into a technical brief which then goes before the DPE board.

Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments).

A petroleum development licence will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government agency responsible for administering the *Environment Act 2000*.

CEPA facilitates three levels of the environment permits approval process as outlined below:²³⁷

- ▶ **Level 1:** Level 1 approval is given after consultations with existing environment guidelines and code of practice.

²³⁵ Non-financial data template provided by DPE for this report. Received 6 November 2017

²³⁶ Oil and Gas Act 1998 s.54

²³⁷ CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017

- ▶ **Level 2A:** Once a permit application is accepted by the CEPA, CEPA has 30 days to assess the application for compliance involving public notices and consultations before the environment permit is approved by the Executive Management Committee (EMC) and issued. There are no referrals.
- ▶ **Level 2B:** Similar to approval process for Level 2A. However, there are referrals to be considered and the application assessment takes 90 days.
- ▶ **Level 3:** An environment impact report (EIR) and environment impact statement (EIS) must be forwarded to the CEPA to assess over a six-month period that covers the referrals, public advertisement and consultations before the EIS is approved by EMC and forwarded for Minister of Environment approves, and a permit is issued.

Information provided by CEPA identifying the environmental permits that were issued, amended or renewed in 2016 is included in Appendix D.

Table 27 shows the different types of licences and the number of licence applications by type as at 31 December 2016.

Table 27: DPE licence statistics for 2016²³⁸

Licence type	Quantity	Applications	Awarded	Extended	Expired	Cancelled	Surrendered	Transferred
Petroleum Development Licence (PDL)	10	0	0	0	0	0	0	0
Petroleum Retention Licence (PRL)	10	1	0	0	0	0	0	2
Petroleum Prospecting Licence (PPL)	52	26	6	12	7	0	2	8
Petroleum Processing Facility Licence (PPFL)	2	0	0	0	0	0	0	0

Transfer processes are outlined in the OGA.²³⁹ Transfers are registered by DPE but no criteria are applied; it is a commercial transaction between organisations. Exploration licences cannot be transferred for a period of two years from being granted. The list of licences transferred in 2016 is included in Appendix F.

²³⁸ Non-financial data template provided by DPE for this report. Received 6 November 2017

²³⁹ Section 97

9. State-owned enterprises

9.1 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 in Chapter 4.

The state-owned enterprises (SOEs) involved with the extractive sector in PNG during 2016 were:

- ▶ Kumul Consolidated Holdings (KCH) (no extractive revenue received in 2016)
- ▶ Kumul Petroleum Holdings Ltd (KPH)
- ▶ Kumul Mineral Holdings Ltd (KMH)
- ▶ Ok Tedi Mining Ltd (OTML)
- ▶ Mineral Resources Development Company Ltd (MRDC)

During 2015 changes were made to the structure of PNG SOEs in accordance with the Kumul Consolidation Agenda. These changes continued to be implemented during 2016. The Kumul Consolidation Agenda is intended to improve synergy, coordination and efficiency of the National Government's participation in commercial activities.²⁴⁰ This includes the aggregation of related government companies in different sectors such as all mining interests included in Kumul Mineral Holdings Ltd and petroleum interests moved to Kumul Petroleum Holdings Ltd (KPH). Each of the SOEs and their subsidiaries are discussed further in this chapter.

9.2 Kumul Consolidated Holdings Ltd (KCH)

9.2.1 Creation, ownership and structure

In August 2015, the Independent Public Business Corporation (IPBC) of Papua New Guinea was renamed Kumul Consolidated Holdings Ltd (KCH) and restructured under a new act of parliament, the *Independent Public Business Corporation of Papua New Guinea (Kumul Consolidated Holdings) (Amendment) Act (2015)*.²⁴¹ KCH remains a statutory corporation with the same legal identity; it remains the trustee of the General Business Trust (GBT) and there is no change to the trust structure or the role of KCH in managing the SOEs owned by the trust. The State continues to be the beneficiary of the GBT.

KCH is the trustee of the GBT which owns many of PNGs SOEs. During 2016, the GBT was not the owner of any SOE's directly involved in the extractives industry.

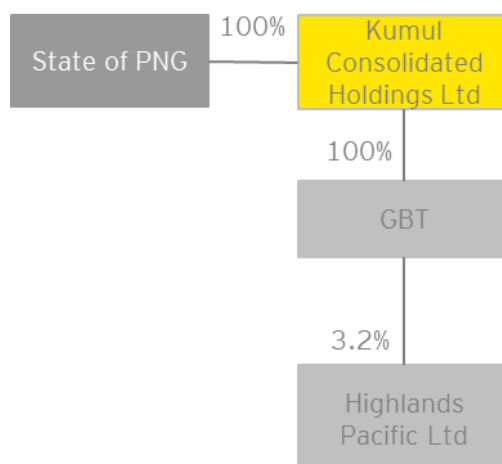
9.2.2 Projects and fiscal arrangements

The remaining projects and fiscal arrangements relevant to the extractive sector held by KCH in 2016 was the 3.2% shareholding in Highlands Pacific.

²⁴⁰ Press release from Minister Abel, February 22 2017, <https://www.kch.com.pg/minister-clarifies-consolidation/>, accessed 13 November 2017

²⁴¹ Independent Public Business Corporation of PNG (Kumul Consolidated Holdings) Amendment Act 2015 <http://www.parliament.gov.pg/index.php/bills-and-legislation/view/independent-public-business-corporation-of-png-kumul-consolidated-holdingsa> accessed 3 October 2017

Figure 44: Kumul Consolidated Holdings extractive projects and fiscal arrangements post August 2015



As part of the Kumul restructure, the GBT investment in Highlands Pacific will be transferred to Kumul Mineral Trust but at the time of writing this report, the transfer was still pending the completion of legal processes.²⁴²

9.2.3 Revenue and payment streams

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

KCH advised that the 3.2% share in Highlands Pacific has not generated any dividends to date. This is consistent with the Pacific Highlands Annual Report for 2016 that states ‘Since the end of the previous financial year no amounts were paid or declared by way of dividend by the Company. The Directors do not recommend a final dividend in respect of the year ended 31 December 2016.’²⁴³

KCH reported that they did not receive any physical share of production or infrastructure provisions or barter arrangements from the extractive industry during the reporting period, and did not make any subnational payments or transfers.

KCH stated that they did not provide loans or loan guarantees to mining or oil and gas companies operating within the country during 2016.

9.2.4 Social and quasi-fiscal expenditure

KCH did not report any social or quasi fiscal expenditures relating to the extractive sector during the reporting period.

9.3 Kumul Petroleum Holdings Ltd (KPH)

9.3.1 Creation, ownership and structure

Kumul Petroleum Holdings Ltd (KPH) 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 Ltd. In 2010 the name was changed to National Petroleum Company of PNG (Kroton) Ltd (NPCP Kroton), at which time it was mandated by the State to be a special purpose vehicle to hold and manage the State’s 16.57% interest in the PNG LNG Project.

²⁴² Data provided by Kumul Consolidated Holdings in data template completed for this report 8 September 2017

²⁴³ Highlands Pacific Annual Report 2016, p15. accessed 3 October 2017

In 2011, the NEC directed that NPCP Kroton become a business unit of IPBC (Now KCH), 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 Treasury,²⁴⁴ 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 2014.²⁴⁵

The Kumul Petroleum Holdings Ltd Authorization Act 2015 was passed in June 2015, changing the name of NPCP Holdings Ltd to Kumul Petroleum Holdings Ltd (KPH), and making it the State nominee for all commercial matters relating to oil and gas projects.²⁴⁶ Immediately following the Act coming into operation, in October 2015 all issued shares, including any rights to receive dividends or distributions were transferred to the Kumul Petroleum Trustee. This transfer occurred without payment of any consideration to the IPBC, whether in its own right or in its capacity as trustee under the General Business Trust.

9.3.2 Projects and fiscal arrangements

KPH, through its ownership of NPCP Kroton Ltd, holds a 20.5% interest in four petroleum development licences: PDL 1 Hides, PDL 7 Hides, PDL 8 Angore and PDL 9 Juha.²⁴⁷ Together, these equate to a 16.57% interest in the PNG LNG project. KPH's participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. KPH participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.²⁴⁸

KPH, through its co-ownership in PDL 1, also jointly sells gas to the Oil Search owned and operated gas to electricity plant (the Hides Project) The Hides Project buys gas from the PDL 1 partners, conditions and sells to the Barrick operated Porgera gold mine.²⁴⁹

KPH reported that the company has received dividends from the PNG LNG project since 2014, and that these are paid to Treasury as consolidated revenue.

KPH also holds interests in the following assets through its 100% ownership of NPCP Oil Company Pty Ltd. The company holds the following asset interests:²⁵⁰

- ▶ PDL 3: 5.568892%
- ▶ SE Gobe Unit: 3.285646%
- ▶ PRL 9: 14.894%
- ▶ PRL 14: 10.94%²⁵¹

²⁴⁴ 'The PNG Gov took a loan from the Australian arm of Swiss bank UBS in 2014 to buy a 10% stake in Oil Search. PNG mortgaged its expected revenue from the project for the loan and did not pass legislation in Parliament enabling the transaction. KPH sold the shares in 2017.' <http://www.afr.com/street-talk/ubs-jpm-in-oil-search-block-trade-20170920-gylmwg>, accessed 22 September 2017.

²⁴⁵ Kumul Petroleum Holdings Limited - About Us - History, <http://kumulpetroleum.com/about-us/history/>, accessed 16 October 2017

²⁴⁶ Kumul Petroleum Holdings Limited Authorisation Act 2015, <http://www.parliament.gov.pg/uploads/acts/15A-06.pdf> accessed 17 October 2017

²⁴⁷ 'PNG LNG Project,' Kumul Petroleum Holdings Limited, <http://kumulpetroleum.com/pnglng-project/> accessed 7 February 2017

²⁴⁸ Direct communication from Kumul Petroleum, 20 November 2015

²⁴⁹ 'Gas Sales to Hides Project' Kumul Petroleum Holdings Limited, <http://kumulpetroleum.com/gas-sales-to-hides-project/> accessed 16 October 2017

²⁵⁰ Cue completes the sale of Papua New Guinea portfolio, Cue Energy ASX release, 24 December 2014, http://www.cuenrg.com.au/irm/PDF/1846_0/CuecompletesthesaleofPapuaNewGuineaportfolio, accessed 16 October 2017

²⁵¹ Direct communication from Kumul Petroleum, 20 November 2015

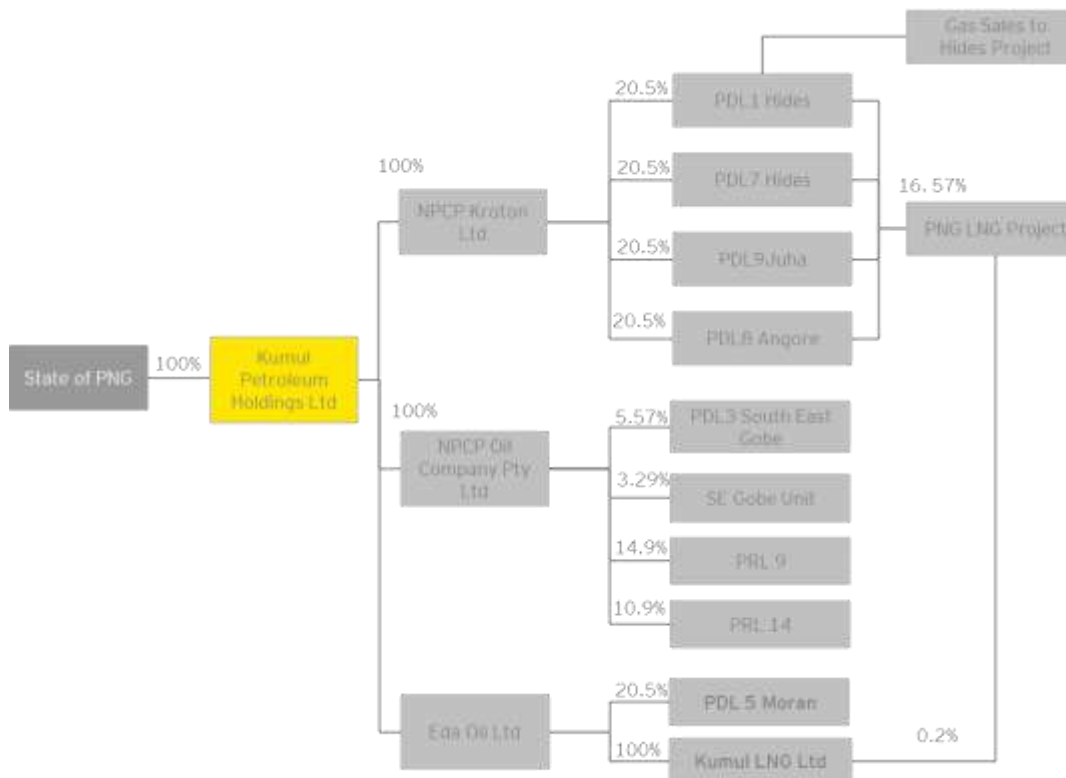
The projects and fiscal arrangements for KPH prior to July 2016 are outlined below:

Figure 45: Kumul Petroleum Holdings Ltd (KPH) projects and fiscal arrangements prior to July 2016



From July 2016, KPH, also holds Eda Oil Ltd (including subsidiary Kumul LNG Ltd), transferred from Kumul Mineral Holdings Ltd (previously Petromin). Interest in Eda Oil Ltd was transferred to KPH without any consideration and KPH assumed all liabilities.²⁵²

Figure 46: Kumul Petroleum Holdings Ltd (KPH) projects and fiscal arrangements post July 2016



²⁵² Kumul Mineral Holdings Ltd Data template provided for this report, received 30 August 2017

KPH also holds interest in the following petroleum retention licences:

- ▶ PRL 9 (Barikewa): 14.89%
- ▶ PRL 14 (Cobra, Iehi & Bilip): 37.44%
- ▶ PRL 28 (Ubuntu): 20%

9.3.3 Revenue and payment streams

The gas produced by PNG LNG is jointly marketed through an incorporated entity known as GloCo which is jointly owned by co-venturers of the PNG LNG Project in proportion to their ownership in the project. Liquids produced are marketed individually (or grouped) through GloCo. GloCo may provide sales proceeds to partners net of lender and operating cost obligations (by way of borrower restricted payment) up to once per quarter. There were cash distributions in 2016 directly to the co-venture partners. GloCo is operated on behalf of all co-venture partners by ExxonMobil PNG Ltd, but it is not an ExxonMobil affiliate or subsidiary.²⁵³

The revenue streams for KPH in 2016 are summarised below:

- ▶ PNG LNG equity distribution (by way of borrower restricted payments): PGK293,367,300
- ▶ PDL 1 revenue (Hides GTE): PGK9,564,886
- ▶ Oil Search shares dividends: In 2016, Oil Search Ltd reported paying dividends on the shares owned by KPH of PGK23,396,040. These dividends are paid directly to JP Morgan. JP Morgan then pays KPH after they retain funds in accordance with the UBS loan agreements. KPH have reported the actual cash received from JP Morgan as PGK822,349.

There were also share of sales included in the KPH reporting template from:

- ▶ LNG: PGK443,452,411
- ▶ Condensate: PGK73,660,653
- ▶ Naptha: PGK5,919,036

These share of sales revenues were referenced by KPH as 'money not physically received' in the 2016 EITI data template received by the IA. It appears that the equity distribution payment (the borrower restricted payment) is the money actually received whereas the 'share of sales' is not received on a cash basis for the 2016 reporting year and has therefore not been included in the Figure 47 below.

The payments made by KPH in 2016 are summarised below:

- ▶ Dividend payments made to Treasury: PGK100,000,000

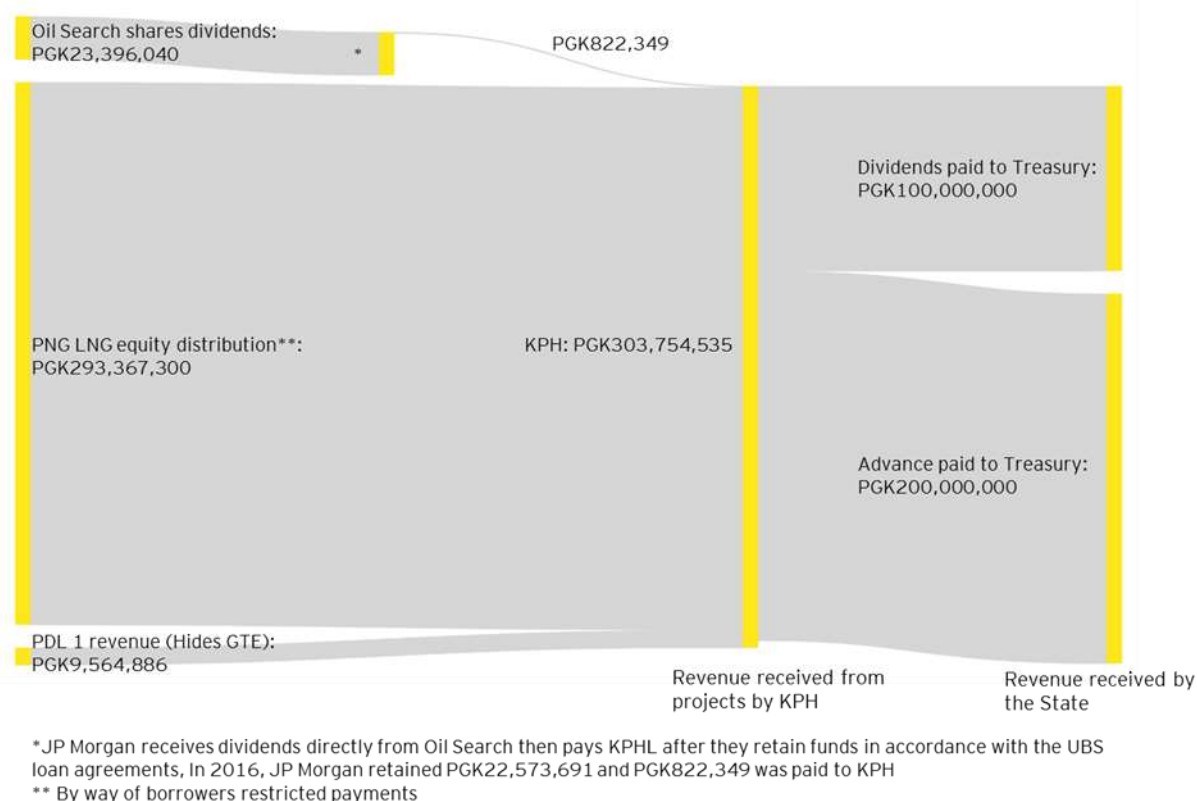
During 2016, KPH also provided an advance payment of PGK200,000,000 to the State to finance the 2016 Budget.²⁵⁴

²⁵³ Information provided by ExxonMobil in data template submission for this report, received 9 September 2017

²⁵⁴ Letter from Secretary of Treasury to KPH 'Debtor Confirmation' dated 18 April 2017 - Copy provided to the IA

The relative size of these payments are shown in Figure 47 below:

Figure 47: KPH reported revenue and payment streams 2016



KPH did not respond to the contextual data template provided by the IA for the 2016 report, For the 2014 EITI report, KPH reported that no subnational payments were made during the reporting period.

In September 2016, KPH was endorsed by the NEC to offer vendor finance to landowner beneficiary groups and provincial governments.²⁵⁵ These loans will provide the opportunity for the relevant groups to exercise their 'Kroton Equity Option' under the terms expressed in the UBSA.²⁵⁶ The UBSA allows them to purchase a shareholding interest in Kumul Petroleum (Kroton) Ltd, the State's nominee company in the PNG LNG Project. The following provincial governments and landowner beneficiary groups elected to take up their option using KPH's vendor finance:²⁵⁷

- ▶ Fly River Provincial Government
- ▶ Southern Highlands & Hela Provincial Government
- ▶ Central Provincial Government
- ▶ Gulf Provincial Government
- ▶ PDL 4 (Gobe)
- ▶ PDL 5 (Central Moran)
- ▶ PDL 9 (Juha)
- ▶ PNG LNG Pipeline, (Segment 1- 8)

²⁵⁵ 'Kroton Equity Unit Application Signing Ceremony' 12 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-equity-unit-application-signing-ceremony/>, accessed 11 December 2017

²⁵⁶ See section 8.2.2.2 of this report for further information regarding the UBSA for PNG LNG

²⁵⁷ 'Kroton Option Exercise by PDL 4 Beneficiary Group' 17 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 11 December 2017

- ▶ PNG LNG Plant site (Papa, Lealea, Boera, Porebada)
- ▶ North West Moran

The intent to exercise their option was signed by these entities (or by the MRDC as their representative) prior to the option's expiry date of 31 December 2016. The shareholding interests, however, were not all registered by the end of 2016.²⁵⁸ Any associated transactions will therefore be included in the 2017 PNG EITI Report.

9.3.4 Social and quasi-fiscal expenditure

KPH reported that they made no mandatory or voluntary social payments during the reporting period.²⁵⁹

KPH did not respond to the contextual data template provided by the IA for the 2016. For the 2014 EITI report, KPH reported that no quasi-fiscal expenditures were made during 2014.

9.4 Kumul Mineral Holdings Ltd (KMH)

9.4.1 Creation, ownership and structure

Kumul Mineral Holdings Ltd (KMH) a 100% state-owned company, was created (as Petromin PNG Holdings Ltd (Petromin)) in 2007 to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral and oil and gas sectors. Its mission included 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.

Following the *Kumul Minerals Holdings Authorization Act 2015* being passed by PNG Parliament on 5 June 2015, Petromin was renamed Kumul Mineral Holdings Ltd and the remaining assets were divided between this entity and Kumul Petroleum Holdings.

The mandate of KMH is to hold and manage the State's equity in mining projects in the country and to maximise return on investment for the benefit of the people of PNG.

9.4.2 Projects and fiscal arrangements

In the first half of 2016, the following subsidiaries with interests in active resource projects were owned by KMH:

Table 28: Relevant subsidiaries owned by KMH in first half of 2016

Subsidiary	Assets/interests
Eda Oil Ltd	Moran Petroleum project Holds a 20.5% interest in PDL5, which equates to 11.275% of the 'Moran Unit' a JV comprising PDL2, PDL5 and PDL6 portions of the Moran field operated by Oil Search (PDL2 & PDL6) and ExxonMobil (PDL5). Equity split is 44:55:1 to PDL2, PDL5 and PDL6 respectively. ²⁶⁰ The equity interest in the Moran Petroleum project was fully paid by Eda Oil. ²⁶¹
Kumul LNG Ltd	PNG LNG project This wholly owned subsidiary of Eda Oil Ltd is a JV partner in the PNG LNG Project, with a 0.203709% interest that represents the share of gas from Eda Oil's 20.5% interest in PDL5. ²⁶²

²⁵⁸ *ibid*

²⁵⁹ Data provided by KPH in data template completed for this report, 4 October 2017

²⁶⁰ 'Petromin Group of Companies,' *Petromin PNG Holdings Ltd*, <http://www.petrominpng.com.pg/assets.html>, accessed 21 October 2016

²⁶¹ Data provided by KMH in data template completed for this report, 30 August 2017

²⁶² 'Petromin Group of Companies,' *Petromin PNG Holdings Ltd*, <http://www.petrominpng.com.pg/assets.html>, accessed 21 October 2016

KMH also had other subsidiaries in 2016 that were special purpose vehicles incorporated to facilitate participation in emerging mining and petroleum projects, but which were not yet operational.²⁶³

The ownership structure of Kumul Mineral Holdings Ltd in the first half of 2016 is shown below.

Figure 48: Ownership structure of KMH projects and fiscal arrangements first half of 2016



On 30 June 2016, interest in all oil and gas projects including Eda Oil Ltd and its subsidiary Kumul LNG Ltd, and all associated liabilities, were transferred to KPH.^{264,265} The sale of KMH's only operating mine, Tolukuma, to Asidokona Mining Resources Pte Ltd of Singapore commenced on 7 October 2015. However, information provided by KMH suggests that the sale is yet to be finalised. (For further detail, refer to PNG EITI report for 2015, section 7.2.2) The mine was not operating during the 2016 reporting period.

From June 2016, Kumul Mineral Holdings did not hold any subsidiaries with interest in active resource projects. However, there are exploration projects and project in development stage. These include:

- ▶ Eda Kopa (Solwara) Ltd, which holds the State's 15% interest in the Solwara 1 project in New Ireland Province.
- ▶ Eda Minerals Ltd, which holds mining and exploration interests (other than Tolukuma)

9.4.3 Revenue and payment streams

Kumul LNG Ltd received a share of sales from the PNG LNG project for the first half of 2016.

From this, Kumul LNG's portion of royalty and development levy payments are made to the operator, ExxonMobil PNG.

Eda Oil Ltd received a share of sales from the Moran Petroleum project for the first half of 2016.

From this, Eda Oil's portion of royalty and development levy payments are made to the operator, Oil Search.

The State is paid a dividend as and when a dividend is declared by the Board. Dividends are paid to the Department of Finance. No dividends were paid to the State in 2016.

KMH stated that they did not provide loans or loan guarantees to mining or oil and gas companies operating within the country during 2016. They also confirmed that no subnational payments or transfers were made during the reporting period.²⁶⁶

²⁶⁴ Data provided by KMH in data template completed for this report 30 August 2017

²⁶⁵ <http://kumulpetroleum.com/press-release/petromin-oil-and-gas-asset-transfer/> accessed 21 October 2016

²⁶⁶ Data provided by KMH in data template completed for this report 30 August 2017

9.4.4 Social and quasi-fiscal expenditure

KMH reported that there were no social or quasi fiscal payments made during the reporting period.²⁶⁷

9.5 Ok Tedi Mining Ltd (OTML)

9.5.1 Creation, ownership and structure

Ok Tedi Mining Ltd (OTML) was incorporated in 1981 as the operator of the joint venture open pit mine at the Mt Fubilan copper, gold and silver deposit. After the exit of BHP in 2002, the shares owned by BHP were transferred to the Papua New Guinea Sustainable Development Program (PNGSDP). The PNGSDP is a not-for-profit company limited by guarantee which was incorporated on 20 October 2001 in Singapore.²⁶⁸ In 2011, shares owned by Canadian company Inmet Mining Corporation were bought and then cancelled by OTML and, on 19 September 2013, OTML became a 100% state-owned entity with the passing of the *Ok Tedi (10th Supplemental Agreement) Act 2013* by Parliament.²⁶⁹ At this time, shares held by PNGSDP were cancelled and new shares were issued by the State. The State was also given 'all necessary powers to restructure PNGSDP and its operations to ensure that PNGSDP applies its funds for the exclusive benefit of the people of the Western Province.'²⁷⁰ The agreement that formed the PNGSDP has since been the subject of litigation, both during the reporting period²⁷¹ and most recently when a trial between the parties in the Singapore High Court was postponed after being scheduled to take place on 4 October 2016.²⁷²

The ownership structure of OTML during the 2016 reporting period is summarised in Figure 49 below.²⁷³

²⁶⁷ *ibid*

²⁶⁸ Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd [2016] SGHC 19 [http://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf) accessed 17 October 2017

²⁶⁹ 'History', *Ok Tedi Mining*, <http://www.oktedi.com/about-us/history>, accessed 7 February 2017

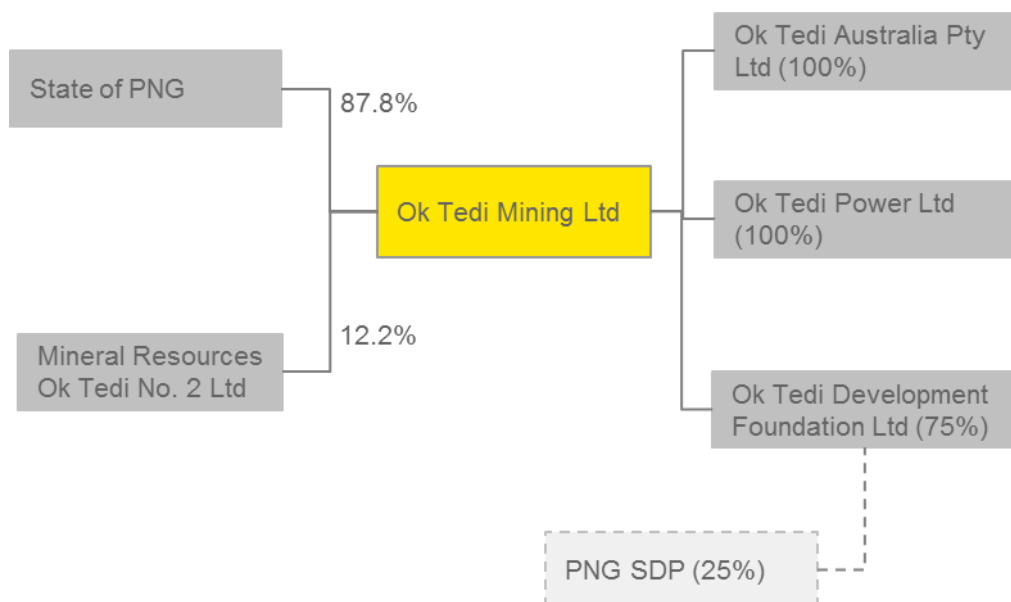
²⁷⁰ Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013 (PNG) http://www.parliament.gov.pg/uploads/acts/13A_09.pdf accessed 17 October 2017

²⁷¹ Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd [2016] SGHC 19 [http://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf) accessed 17 October 2017

²⁷² Prime Minister of Papua New Guinea, SDP Should not be Treated as a Retirement Fund by Sir Mekere Oct 18, 2016 <http://www.pm.gov.pg/sdp-should-not-be-treated-as-a-retirement-fund-by-sir-mekere/> accessed 17 October 2017

²⁷³ Ok Tedi Mining Limited Annual Review 2013, p.18, <http://www.oktedi.com/media-items/publications/annual-review/220-2013-annual-review/file> accessed 17 October 2017

Figure 49: Ownership structure of OTML



The State of PNG's holding is set to be reduced to 67% following the decision of the National Executive Council (NEC) in 2016 that the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity.²⁷⁴ This decision was expected to be formalised in 2017 through the execution of relevant share transfers.²⁷⁵

OTML had three subsidiaries during the reporting period:

- ▶ **Ok Tedi Australia Pty Ltd** is the marketing and Australian logistics arm of OTML, based in Brisbane (wholly owned subsidiary)
- ▶ **Ok Tedi Power Ltd** manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary)
- ▶ **Ok Tedi Development Foundation Ltd** is a non-profit entity established to manage the development benefits and delivery of tax credit scheme and community projects to the 157 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (75% ownership; the remaining 25% is vested in PNG Sustainable Development Program)

9.5.2 Projects and fiscal arrangements

OTML operates the Ok Tedi Mine at Mt Fubilan in the Star Mountains of Western Province. In 2015, the mine only operated from January to August, due to severe dry weather conditions. Operations resumed in March 2016.²⁷⁶ OTML also holds a portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations.²⁷⁷

²⁷⁴ Decision 183/2016 of the National Executive Council 'Allocation of Direct Equity in OTML to Fly River Provincial Government, CMCA and Mt Fubilan Landowners (33% Direct Equity in OTML)'

²⁷⁵ Ok Tedi Mining Limited Annual Review 2016, p.17, <http://www.oktedi.com/media-items/publications/annual-review/488-2016-annual-review/file>. Accessed 27 September 2017

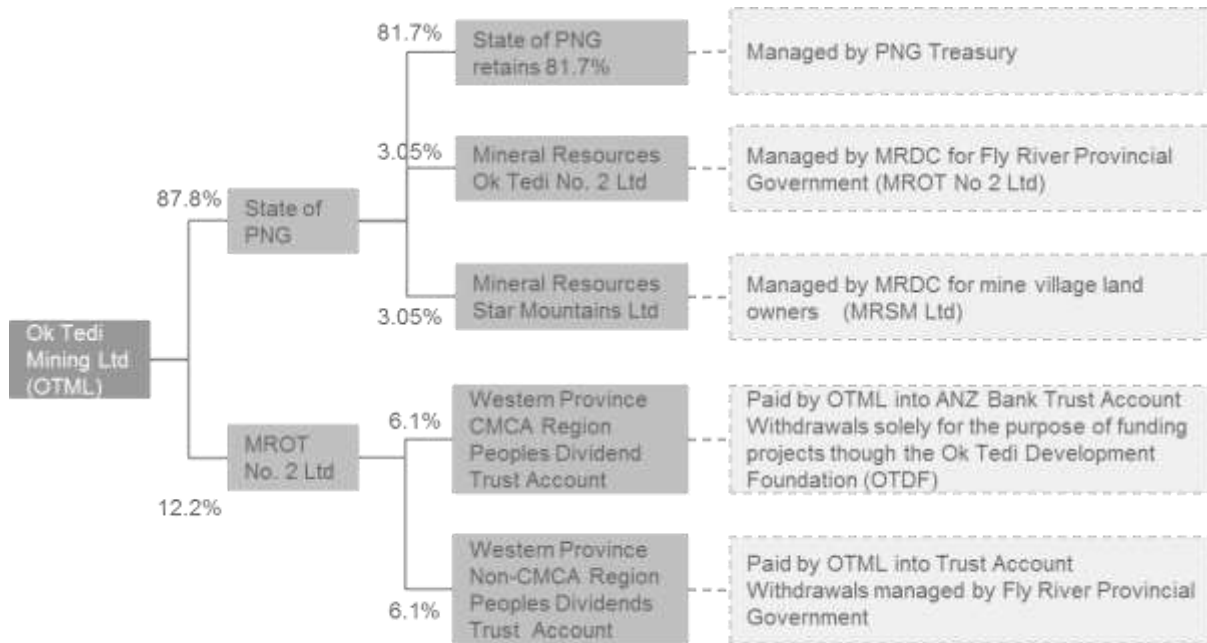
²⁷⁶ Ok Tedi Mining Limited Annual Review 2016, p.2, <http://www.oktedi.com/media-items/publications/annual-review/488-2016-annual-review/file>. Accessed 27 September 2017

²⁷⁷ Ok Tedi Mining Limited, <http://www.oktedi.com/>, accessed 7 February 2017

The OTML 2016 Annual Review outlined the following distribution of dividends for OTML:

- ▶ The Memorandum of Agreement (MOA) between the State of PNG and Fly River Provincial Government outlines that dividends equal to 3.05% be directed to Fly River Provincial Government (MROT No. 2 Ltd) and 3.05% to the Mine Village Land Owners (Mineral Resources Star Mountains Ltd)
- ▶ NEC decision 29/11/06 and MRA 02/08/07 direct 6.1% to the Western Province Peoples Dividend Trust Account - CMCA and 6.1% to the Western Province Peoples Dividend Trust Account - non-CMCA.

Figure 50: Dividend revenue streams from Ok Tedi



The 3.05% dividend payments outlined in the above figure are managed by MRDC as trustee under management arrangements for MROT No. 2 (FRPG) and MRSM. Further information is included in the MRDC section of this report in section 9.6.

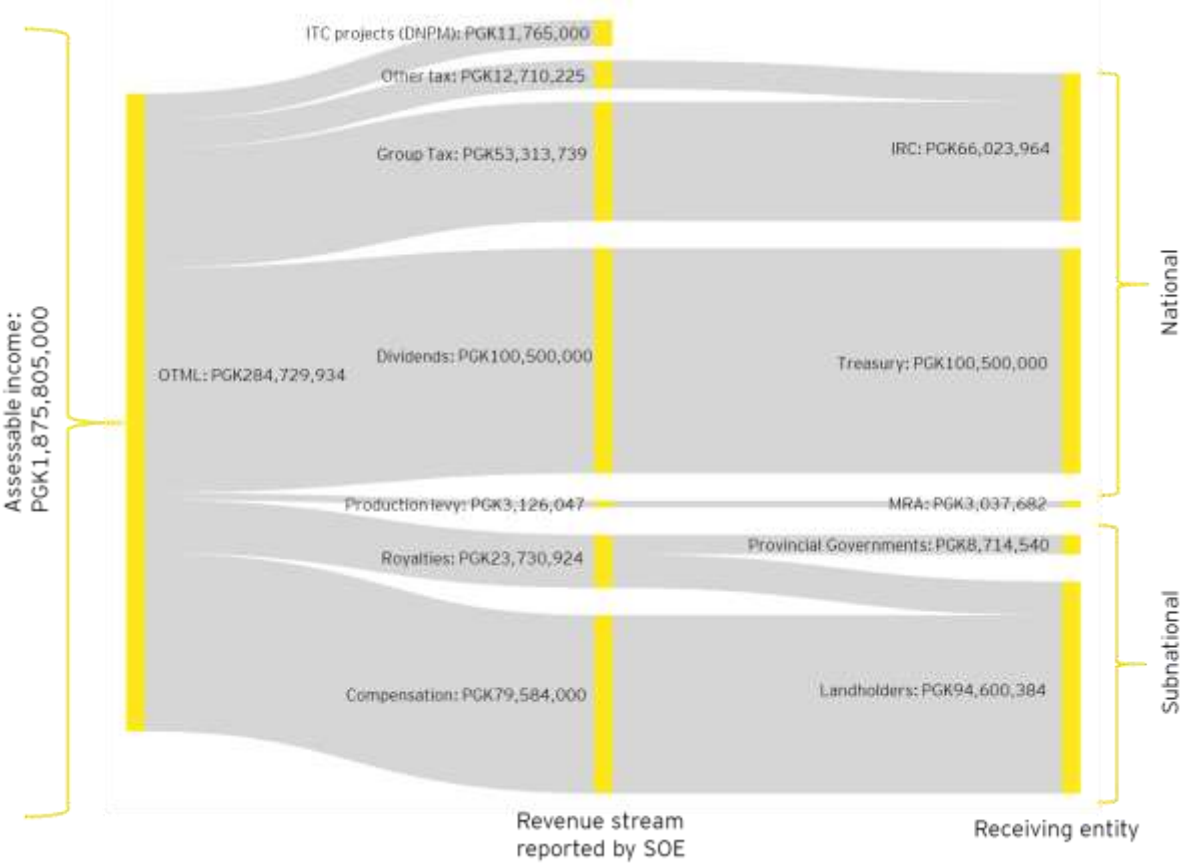
The Western Province Community Mine Continuation Agreement (CMCA) payments are agreed between the 157 village communities affected by the operations of the mine, and OTML.²⁷⁸ These villages are grouped into nine trust regions that receive cash compensation, investment and development payments from OTML including dividend payments of 6.1%. The Ok Tedi Development Foundation is the only company that can submit and receive project funds from this account to implement projects in the mine village and CMCA corridor. An equal dividend payment is also made to the non-CMCA region (6.1%) which is not recognised in these agreements. The Fly River Provincial Government is responsible for project submissions and delivery in relation to this fund.

9.5.3 Revenue and payment streams

Figure 51 below summarises the revenue streams reported by OTML and the receiving entities for 2016.

²⁷⁸ Ok Tedi Mining Limited, Annual Review, 2016, p.66 <http://www.oktedi.com/index.php/media-items/publications/annual-review/488-2016-annual-review/file>, accessed 17 October 2017

Figure 51: OTML reported revenue streams 2016



A dividend of PGK150,000,000 was declared in December 2016. PGK100,500,000 was paid to the PNG Government and the remaining amount is being held awaiting finalisation of equity transfer arrangements between the State and landowners.²⁷⁹

OTML confirmed that they did not provide any loans or loan guarantees to mining or oil and gas companies operating in the country during 2016.²⁸⁰

9.5.4 Social and quasi-fiscal expenditure

OTML supports community development through a number of mechanisms. These include:

- ▶ Contributing funding to the Ok Tedi Development Foundation (OTDF) which delivers and manages the major social responsibility programs for the CMCA communities. During 2015, the delivery of the OTML Community Health Program was also transferred to the OTDF.²⁸¹
- ▶ Compensation payments
- ▶ Voluntary donations
- ▶ Funding social infrastructure projects through the tax credit scheme (TCS)

²⁷⁹ OTML Annual Review 2016, <http://www.oktedi.com/index.php/media-items/publications/annual-review/488-2016-annual-review/file> accessed 15 November 2017

²⁸⁰ Reporting template received from OTML for this report. Received 30 August 2017

²⁸¹ Ok Tedi Development Foundation Annual Report 2015, <https://www.otdfpng.org/wp-content/uploads/2017/03/OTDF-Annual-Report-2015.pdf> accessed 17 October 2017

- ▶ Providing subsidised power to Fly River Provincial Government through Ok Tedi Power Ltd
- ▶ Goods purchased in PNG (including contractors)

Details of OTML's social expenditures for the reporting period can be seen in Appendix X.

OTML did not report any quasi-fiscal payments for the 2016 period.

9.6 Mineral Resources Development Company Ltd (MRDC)

9.6.1 Creation, ownership and structure

The Mineral Resources Development Company Ltd (MRDC) is a 100% state-owned enterprise, established by an act of parliament. It sits directly under the Prime Minister's office, with the Chief Secretary acting as Chair of the MRDC board.

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 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.²⁸²

Under the OGA, the MRDC is responsible for managing petroleum royalties, future generation and community infrastructure trust funds. The act specifies that the benefits of equity held by the State 'shall be received and held upon trust for those persons by a corporate trustee which is wholly owned by MRDC.'²⁸³ An NEC decision in 2009 gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.²⁸⁴

The Mining Act 1992 allows for the MRDC to hold the State's interest, but does not mandate it; consequently, not all mining operations have an associated MRDC subsidiary.

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

- ▶ Management of landowner / provincial government interests in resources projects, as trustee, under a management agreement.²⁸⁵

²⁸² Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014?, p. 3, provided directly by MRDC, 24 Nov 2015

²⁸³ Oil and Gas Act s.176

²⁸⁴ Company Profile document emailed from MRDC, p. 5

²⁸⁵ It appears that only Mineral Resources Enga comes into this category, but this has not been confirmed by MRDC

- ▶ Direct equity in resource projects, including the following:
 - ▶ 7% interest in Highlands Pacific Ltd
 - ▶ 3.94% in the Ramu Nickel Project
- ▶ Subsidiary companies that hold equity interests in trust for landowners. The boards of these companies are chaired by landowners.²⁸⁶

²⁸⁶ Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014?, p. 4, provided directly by MRDC, 24 Nov 2015

Figure 52: MRDC subsidiaries and ownership structure

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Highlands Pacific Ltd	Equity held directly by MRDC	Ramu Nickel Project	7.0	MRDC	no dividends paid to date
Mineral Resources Ramu Ltd	Equity held directly by MRDC	Ramu Nickel Project	3.94	MRDC	
Mineral Resource Enga Ltd (MRE)	Managed by MRDC on behalf of the shareholders	Porgera	5.0	Porgera Landowners and Enga Provincial Government	MRE is direct participating member of the Porgera joint venture. MRE is entitled to 5% of gold production, and liable for 5% of operating costs. MRDC organises contract sales and manages cash calls.
Petroleum Resources Kutubu Ltd (PRK)	Wholly owned subsidiary of MRDC	PDL 2	6.75	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 Kutubu (PRK) is entitled 6.75% of oil production, and also liable for 6.75% of operating costs. MRDC manages cash calls. PRK dividends are declared net of costs and distributed to beneficiaries as outlined
Petroleum Resources Gobe Ltd (PRG)	Wholly owned subsidiary of MRDC	PDL3 and PDL 4 Gobe Oil fields	2.0	Landowners in the Southern Highlands Province and Gulf Province – Erave and Kikori	Unitised development – holding is 2% across both PDLs
Petroleum Resources Moran Ltd (PRM)	Wholly owned subsidiary of MRDC	PDL 5	2.0	Landowners in the Southern Highlands Province – Moran Huli (90%), Moran Fasu (10%)	
Mineral Resources Star Mountains Ltd (MRSM)	Wholly owned subsidiary of MRDC	Ok Tedi	3.05	10 Ok Tedi landowning communities	Passive interests that receive dividends from Ok Tedi Mining Ltd. MRSM running costs and investments are deducted before distribution to beneficiaries. Board comprises: Managing Director of MRDC; Secretary of the Department of Mineral Policy and Geohazard Management (DMPGM); Landowner Representatives (one of whom is chairperson) Landowner directors make decisions about how to reinvest money. No dividend has been paid for five years due to mine closure. The distribution of funds between the 10 landowner groups is set out in the mining agreement.
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Wholly owned subsidiary of MRDC	Ok Tedi	3.05	Fly River Provincial Government	Direct shareholding in Ok Tedi Mining Ltd. Dividend is paid directly to the provincial government. Board comprises: Managing Director of MRDC; Secretary of DMPGM; Governor of the province (currently in prison); administrator of the provincial government
Mineral Resource Madang Ltd (MRM)	Wholly owned subsidiary of MRDC	Ramu Nickel Project	2.5	Ramu landowners	
Gas Resources Gigira Ltd	Wholly owned subsidiary of MRDC	PDL 1	2		

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Gas Resources Gobe Ltd	Wholly owned subsidiary of Petroleum Resources Gobe	PDL 3 & 4	0.02		
Gas Resources Angore Ltd	Wholly owned subsidiary of MRDC	PDL 8	0.02		
Gas Resources Hides 4 Ltd	Wholly owned subsidiary of MRDC	PDL 7	0.02		
Gas Resources Juha Ltd	Wholly owned subsidiary of MRDC	PDL 9	0.02		
Gas Resources Kutubu Ltd	Wholly owned subsidiary of Petroleum Resources Kutubu	PDL 2	6.75		
Gas Resources Moran Ltd	Wholly owned subsidiary of Petroleum Resources Moran	PDL 5	0.02		
Gas Resources North West Moran Ltd	Wholly owned subsidiary of MRDC	PDL 6	unknown		

9.6.2 Projects and fiscal arrangements

The *Oil and Gas Act 1998* (Section 176) sets out in some detail the structure and functions of landholder trusts. The activities and management of each trust are set out in a trust deed that 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 MRDC, the Secretary of DPE and three landholder representatives.²⁸⁷

The beneficiaries are incorporated land groups (ILGs) – legal entities recognised by the State as representing the local land owners. These are established before a lease is granted through a process of social mapping and a development forum that brings together the landowners, local and national government with the prospective leaseholder to agree the distribution of benefits. In some cases there are ongoing disputes or uncertainties regarding the correct identification of beneficiaries.

MRDC manages the assets on behalf of these beneficiaries. It is responsible for managing receipts and payments for each subsidiary company and ensuring liquidity; managing legal and administrative requirements; managing the administration of sales for entities which are entitled to a share of production (e.g. Porgera and PNG LNG); and administration of the landowner trust fund accounts. MRDC does not receive any in kind revenue other than a share of production, and does not have any infrastructure provisions or barter arrangements in place.

MRDC itself is maintained by management fees from each subsidiary company. There is no fixed rate for these, and a clear explanation of the fee arrangements could not be obtained.

Royalty payments from oil and gas projects go from extractive industry companies to DPE and/or the Department of Finance,²⁸⁸ and from there to MRDC.

Royalty and equity dividend payments for each project are divided as follows:

- ▶ 30% is allocated to a 'Future Generation Trust Fund', 'for future generations of project area landowners'.²⁸⁹ This is intended to provide landholder groups with a flow of benefits after the life of the project. To date no FGTF monies have been spent, in accordance with legal requirements
- ▶ 30% is allocated to a 'Community Investment Trust Fund' to be applied to '(a) the general health, welfare, education and wellbeing of the project area landowners; (b) the provision or maintenance of community projects in the area of the petroleum project; (c) such other purpose for the benefit of the project area landowners as is approved by the Minister'.²⁹⁰ This is intended to ensure that 'some of the revenue is invested in infrastructure for the whole community to improve quality of life'.²⁹¹ Decisions on when and how to allocate these funds are made by the board of the subsidiary company
- ▶ 40% is paid as cash to landowners (Incorporated Land Groups). Benefit Sharing Agreements may also specify payments to relevant provincial and local governments.

²⁸⁷ *ibid*

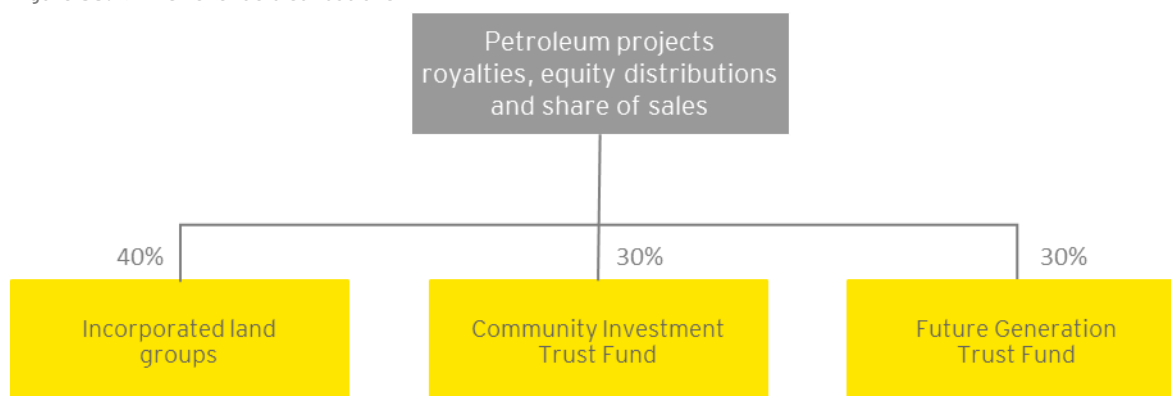
²⁸⁸ See discussion in Oil and Gas chapter re ExxonMobil payments.

²⁸⁹ *Oil and Gas Act* p. 147

²⁹⁰ *ibid*

²⁹¹ '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 November 2015

Figure 53: MRDC revenue distributions



MRDC advised that all trust accounts have been audited through to 2015, and that they are currently working on publication of the 2010-12 accounts. MRDC advised that they provide loans to their own subsidiaries but not to any external organisations. They confirmed that both the organisation itself and all its subsidiaries are subject to corporate income tax.

9.6.3 Revenue and payment streams

MRDC provided the information in Table 29 below, in relation to their subsidiary entities and the associated trusts for the year 2016.

Table 29: MRDC reported receipts and payments for 2016

Subsidiary/trust entity	Provincial Government	Associated Project	Receipts			Payments		
			Royalty (PGK)	Equity distribution (PGK)	Share of sales (PGK)	Incorporated land groups (PGK)	Community Investment Trust Fund (PGK)	Future Generation's Trust Fund (PGK)
Mineral Resources Ramu Ltd	Madang	Ramu Nickel Project						
Mineral Resource Enga Ltd (MRE)	Enga	Porgera Mine	1,929,543	14,000,000	92,720,485			
Petroleum Resources Kutubu Ltd (PRK)	Southern Highlands	Oil Search operated oil field	1,232,629		68,077,846		369,789	369,789
Petroleum Resources Gobe Ltd (PRG)	Gulf and Southern Highlands	Oil Search operated oil field	46,657		2,779,205		13,997	13,997
Petroleum Resources Moran Ltd (PRM)	Southern Highlands	Oil Search operated oil field	66,478		5,416,804		19,943	19,943
Petroleum Resources North West Moran Ltd	Southern Highlands	Oil Search operated oil field			80,886			
Mineral Resources Star Mountains Ltd (MRSM)	Western (Fly River Provincial Government)	Ok Tedi	-					
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Western (Fly River Provincial Government)	Ok Tedi	-					

Subsidiary/trust entity	Provincial Government	Associated Project	Receipts			Payments		
			Royalty (PGK)	Equity distribution (PGK)	Share of sales (PGK)	Incorporated land groups (PGK)	Community Investment Trust Fund (PGK)	Future Generation's Trust Fund (PGK)
Mineral Resource Madang Ltd (MRM)	Western (Fly River Provincial Government)	Ok Tedi						
Gas Resources Gira			87,721		112,260,659		26,316	26,316
Gas Resources Gobe	Gulf and Southern Highlands		2,055		2,348,991		617	617
Gas Resources Angore	Southern Highlands	ExxonMobil-operated gas fields	10,490		13,121,270		3,147	3,147
Gas Resources Hides	Southern Highlands	ExxonMobil-operated gas fields	17,776		22,273,312		5,333	5,333
Gas Resources Juha	Western (Fly River Provincial Government)	ExxonMobil-operated gas fields	10,374		13,084,277		3,112	3,112
Gas Resources Kutubu	Southern Highlands		89,518		113,029,867		26,855	26,855
Gas Resources Moran	Southern Highlands		1,336		1,952,671		401	401
Gas Resources North West Moran			-104		39,689		-31	-31

9.6.4 Social and quasi-fiscal expenditure

MRDC reported discretionary social expenditure of PGK736,324 during the reporting period. Details of beneficiaries were not provided, but previous EITI reports have stated that MRDC manages social infrastructure projects as a direct contribution to its communities, with examples including building classrooms in Ok Tedi and health centres in Moran. MRDC did not report any quasi-fiscal expenditure for the 2016 reporting period.

10. Reconciliation of revenue streams

This chapter compares the amounts reported as paid by the extractive industries to government entities against the receipts reported by government. The reconciliation covers material revenue streams from all mining and oil and gas companies that had interests in operations producing saleable commodities during 2016, together with all SOEs and government entities that received payments. In addition, government entities have unilaterally declared some revenue streams as an aggregated figure. Where amounts have not been reconciled, this has been noted.

10.1 The reporting process

The majority of reporting entities were identified early in the reporting process and representatives were invited to attend a training session conducted by the IA in Port Moresby on 5 July 2017. Some additional reporting entities were identified through subsequent research and consultation. These reporting entities (mainly mining companies) were briefed on requirements via phone and email.

Following this training session, the IA emailed each reporting entity a data pack containing:

- ▶ Introduction letter from the PNG EITI Secretariat
- ▶ Tailored reporting template, which set out:
 - ▶ Revenue/payment streams to be reported
 - ▶ Relevant questions on non-financial information
- ▶ A copy of the training presentation

The data pack for each of the mining companies, oil and gas companies, and SOEs also included a Tax Waiver Letter (TWL), which they were asked to sign and return. 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 IA arranged meetings with most entities to walk through the reporting templates, provide guidance on the information provided, and answer any questions.

Following the data collection deadline, an initial reconciliation was carried out by the IA and variances identified. Variances of more than 5% have been deemed material.

To understand and address the variances identified, the IA, with the assistance of the PNG EITI Secretariat and the MSG, contacted both paying and receiving entities for subsequent discussions. In most cases, meetings were arranged with both the reporting and receiving entities to understand discrepancies in reported amounts. During these meetings, and in subsequent communications with reporters, progress was made in rectifying these differences. In some instances however, it proved difficult to identify suitable contacts, or the IA's communications went unanswered. The IA followed up on these entities, but nevertheless there remain gaps in the report.

10.1.1 Data requested

As agreed with the MSG, one of two approaches was adopted for requesting and collecting data for each revenue stream:

1. **Reconciled revenue streams:** data collected from both the paying and receiving entity
2. **Unilaterally disclosed revenue streams:** data collected from either paying or receiving entity only

For most revenue streams, data was requested from both the paying and receiving entity, so the amounts could be reconciled. In the following instances, the MSG agreed that data would be collected unilaterally:

- ▶ Group tax (collected by IRC)
- ▶ Mandatory and voluntary social expenditure (reported by companies - see also discussion in Chapter 9)
- ▶ Payments to subnational entities
- ▶ Quasi-fiscal payments
- ▶ Transfers between SOEs and other government agencies
- ▶ Licence fees received by DPE, MRA and CEPA

Together, the revenue streams reconciled equate to approximately 95% of total known revenue from the sector in 2016 (see Figure 10: Relative contribution of each known revenue stream, 2016 Figure 10).

Group tax was not initially included in the 2016 reconciliation based on a decision made by the MSG in 2015, at a time when these revenue streams were deemed not material.²⁹² With the PNG LNG project now in operation, this situation has changed, and the IA has included this information in the reconciliation where it was readily available. A recommendation has also been made to reconcile in future years along with foreign contractor withholding tax that has been shown to represent 4% of the known revenue streams for 2016 (See Chapter 11).

10.1.2 Reporting compliance

The completeness of information received from each of the reporting entities is summarised in the table below:

Table 30: Summary of information provided by reporting entities

Reporting entity	Reporting template		Signed tax waiver
	Draft	Signed	
Mining			
Lihir Gold Ltd	Yes	No	Yes
Barrick (Niugini) Ltd	Yes	Yes	Yes
Hidden Valley Joint Venture	Yes	No	Yes
MCC Ramu NiCo Ltd (Ramu)	Yes	No	Yes
Ramu Nickel Ltd	Yes	Yes	Yes
Simberi Gold Company Ltd	Yes	Yes	Yes
Niuminco Group Ltd	No	No	Yes
Anomaly Ltd	No	No	No
Oil and gas			
ExxonMobil PNG Ltd (and subsidiaries)	Yes	Yes	Yes
Oil Search Ltd	Yes	Yes	Yes
Santos Ltd (and subsidiaries)	Yes	No	Yes
JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)	Yes	Yes	Yes

²⁹² MSG meeting minutes, 17 April 2015, <http://www.pngeiti.org.pg/wp-content/uploads/2016/03/2015.04.13-MSG-Meeting-2-Minutes.pdf> accessed 27 November 2017

Reporting entity	Reporting template		Signed tax waiver
	Draft	Signed	
Government			
Internal Revenue Commission (IRC)	Yes	No	N/A
Mineral Resources Authority (MRA)	Yes	Yes	N/A
Department of Treasury	Yes	Yes	N/A
Department of Finance (DOF)	No	No	N/A
Department of Petroleum and Energy (DPE)	Yes	Yes	N/A
Department of National Planning and Monitoring	Yes	Yes	N/A
Conservation and Environment Protection Authority (CEPA)	Yes	No	N/A
SOEs			
Kumul Consolidated Holdings Ltd (KCH)	Yes	Yes	N/A
Kumul Petroleum Holdings Ltd (KPH) (and subsidiary)	No	No	Yes
Kumul Minerals Holdings Ltd (KMH) (formerly Petromin)	Yes	Yes	Yes
Ok Tedi Mining Ltd (OTML)	Yes	Yes	Yes
Mineral Resources Development Company (MRDC)	Yes	Yes	Yes

10.2 Data quality and assurance

As with the 2014 and 2015 EITI reports, the MSG agreed that the data templates provided by reporting entities should be signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. Only 58% of reporting entities provided these signatures.

It should be noted, however, that most government departments and agencies, and some SOEs, do not yet have audit statements for the reporting period, and that previous audit statements indicate serious flaws (see further in section **Error! Reference source not found.**). Improved data assurance as the subject of a recommendation in previous reports (see section 11)

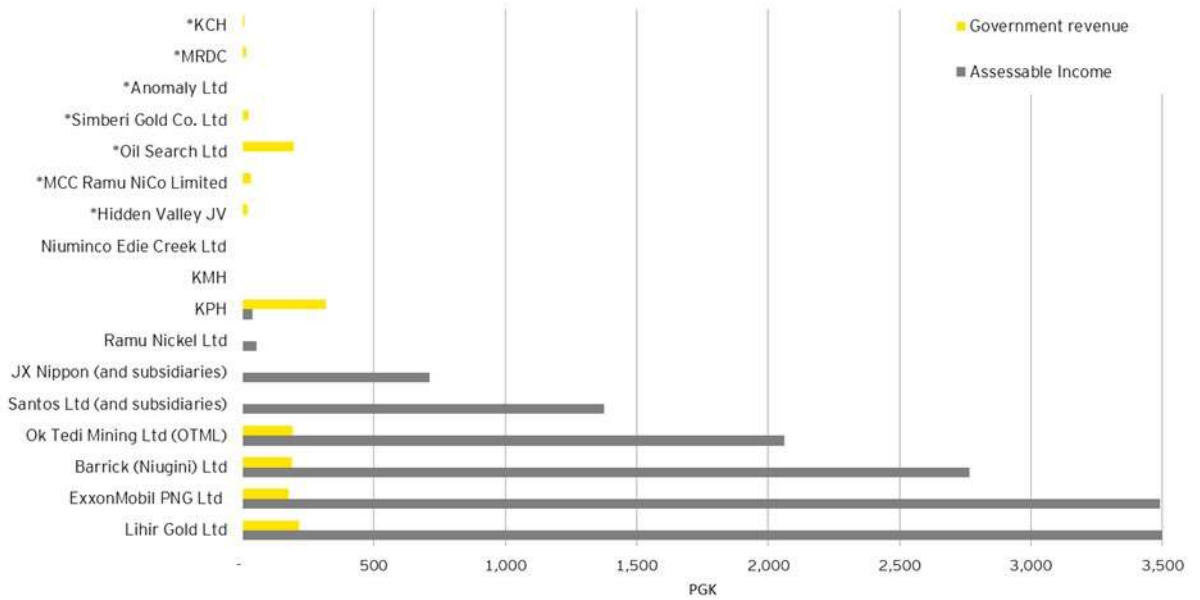
The audit status for all reporting entities can be seen in section 10.5 below.

10.3 Reconciliation overview

To put these reported revenue streams in context, the figure below highlights a comparison between the assessable income (where this data was provided by IRC or reporting entity) and State revenue received as identified through this data reconciliation process.

The revenue streams represented in the chart below include corporate income tax, development levies, dividends, equity distributions, group tax, foreign contractor withholding tax, infrastructure tax credits, production levies and royalties. Note that mandatory and voluntary social expenditure has not been included here.

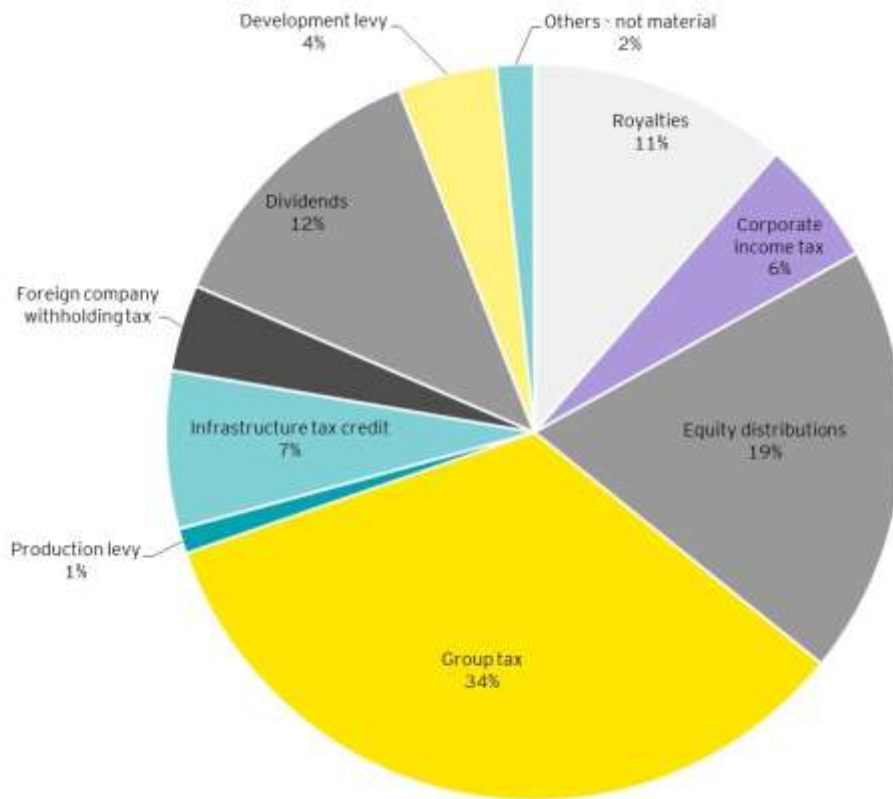
Figure 54: Comparison of assessable income and State revenue received²⁹³



*No assessable income information received from these entities

The following graph shows the relative size of each of the revenue streams received by the State in 2016.

Figure 55: Revenue streams received by the State



²⁹³ *These reporting entities did not report their assessable income

The table below summarises the reported amounts for each revenue stream, including revenue that was not reconciled.

Table 31: Summary of revenue streams reported

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Mining	Production levy	Reconciled	MRA	17,544,297	17,577,741	(33,445)	(0.19%)
	MRA fees	Unilaterally declared (MRA)	MRA	n/a	8,423,503	n/a	n/a
Oil and gas	Development levy	Reconciled	Finance (via DPE)	69,689,630	7,425,972	62,263,658	89.34%
	Licence fees	Unilaterally declared (DPE)	DPE	n/a	3,302,054	n/a	n/a
	Additional profits tax	Reconciled	IRC	471,647	0	471,647	(100%)
	Equity distributions	Unilaterally declared (KPH)	KPH	n/a	302,932,186	n/a	n/a
	Equity distributions (Oil Search shares)	Reconciled	KPH	23,396,040	822,349	22,573,691	96%
	Share of sales ²⁹⁴	Unilaterally declared (SOEs)	State partners in PNG LNG	n/a	560,086,591	n/a	n/a
Mining and petroleum	Mandatory social expenditure	Unilaterally declared (companies)	See section 6.5	183,431,808	n/a	n/a	n/a
	Discretionary social expenditure	Unilaterally declared (companies)	See section 6.5	90,372,513	n/a	n/a	n/a
	Dividends	Reconciled	State (Treasury)	200,500,000	200,500,000	0	0%
	Group tax	Partially reconciled	IRC	496,298,414	554,450,671	58,152,257	10%
	Corporate income tax	Reconciled	IRC	46,600,594	88,686,362	(42,085,768)	(90.31%)
	Infrastructure tax credits (offset against income tax payable)	Reconciled	IRC	42,345,643	54,734,655	(12,389,012)	(29.26%)
	Infrastructure tax credits	Reconciled	DNPM	135,544,477	111,025,337	24,519,140	18.09%
	Other taxes	Unilaterally declared (IRC)	IRC	n/a	75,893,055	n/a	n/a
	Special support grants	Unilaterally declared (Treasury)	Provincial governments, special purpose authorities	14,700,000	n/a	n/a	n/a
	Environmental permit fees	Unilaterally declared (CEPA)	CEPA	n/a	3,811,837	n/a	n/a
	Royalties	Reconciled	DPE, MRA landowners and subnational governments	191,188,843	182,547,008	8,641,835	4.73%

²⁹⁴ Note that this figure does not represent cash received during reporting period - see further discussion in section 9.3.3.

10.4 Detailed reconciliation

In this section of the report, the data received from each of the reporting entities is reconciled with the data reported by the receiving entity for each revenue stream.

Where possible, explanations are given for any material variances remaining following the reconciliation process - see the 'Remarks' under each revenue stream.

Reported amounts for revenue streams unilaterally declared are also included in this section.

10.4.1 Mining and oil and gas payments 2016

10.4.1.1 Corporate income tax (mining and petroleum tax)

Corporate income tax is paid by resource companies (including SOEs) to the IRC.



Corporate income tax reported by companies is reconciled with data reported by the IRC in the table below.

Table 32: Reconciliation of corporate income tax payments

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	5,755,124	5,932,124	(177,000)	(2.98%)	A
Anomaly Ltd	Not reported	Not reported	0	n/a	B
Eda Oil Ltd	0	0	0	0.00%	
ExxonMobil PNG Ltd	3,208,867	17,355,151	(14,146,284)	(440.85%)	C
Hidden Valley JV	0	0	0	0.00%	
JX Nippon (and subsidiaries)	587,918	Not reported	587,918	n/a	D
Kumul LNG Ltd	0	0	0	0.00%	
Kumul Mineral Holdings Ltd	0	0	0	0.00%	
Kumul Petroleum Holdings Ltd	0	15,199,361	(15,199,361)	0.00%	E
Lihir Gold Ltd	0	0	0	0.00%	
Mineral Resources Development Co. Ltd	0	12,804,156	(12,804,156)	0.00%	F
MCC Ramu NiCo Ltd	0	0	0	0.00%	
Niuminco Edie Creek Ltd	0	Not reported	0	0.00%	G
Oil Search Ltd	37,048,685	37,395,570	(346,885)	(0.94%)	A
Ok Tedi Mining Ltd	0	0	0	0.00%	
Ramu Nickel Ltd	0	0	0	0.00%	
Santos Ltd (and subsidiaries)	0	Not reported	0	n/a	H
Simberi Gold Co. Ltd	0	0	0	0.00%	
Total	46,600,594	88,686,362	(42,085,768)	(90.31%)	

Remarks

- Minor variance due to foreign exchange rates applied. IRC's amounts are based on spot conversion rate at the date of payment, while reporting entity's amounts are based on average foreign exchange rate for the year, as suggested by the data template.
- Anomaly Ltd (Crater Gold Mining Ltd) did not submit a reporting template due to turnover in relevant staff. Given their scale of production (see 7.2.8), their payment streams are likely to be immaterial.
- This variance relates to:

- a. Foreign exchange rates (as in A above).
 - b. IRC reported a corporate income tax payment of PGK17,355,151 from Esso PNG Moran Ltd, a subsidiary of ExxonMobil PNG. ExxonMobil PNG asserts that there were no payments from Esso PNG Moran Ltd in 2016.
 - c. ExxonMobil PNG suggested that their payment of PGK3.2m corporate income tax in 2016 may have been recorded by IRC in 2015.
- D. IRC asserted that the JX Nippon income tax return has not been lodged. However, JX Nippon confirmed lodgement on 30 June 2017. The unreconciled balance constitutes 1.26% of the total amounts paid by material companies.
 - E. KPH did not provide feedback about the corporate income tax received by IRC due to recent turnover in relevant staff. The unreconciled balance constitutes 17.14% of the total amounts received by IRC.
 - F. MRDC did not provide feedback about the corporate income tax received by IRC. The unreconciled balance constitutes 14.43% of the total amounts received by IRC.
 - G. Niuminco and IRC both confirmed that the 2016 income tax return has not been lodged.
 - H. IRC asserted that no income tax returns had been lodged for Santos subsidiaries. However, Santos provided IRC lodgement receipts for Santos Hides Ltd and Lavana Ltd. Barracuda Ltd 2016 income tax return remained outstanding. Santos reported that corporate income tax was zero for all subsidiaries.

10.4.1.2 Dividends

Dividends referred to for this reconciliation are payments from SOEs to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. State dividends from SOEs to the State are deposited with Treasury.



The information provided by reporting entities and the entity receiving the dividend payments in 2016 are summarised below.

Table 33: Reconciliation of dividend payments to Treasury

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Kumul Mineral Holdings Ltd	0	0	0	0.00%	
Kumul Petroleum Holdings Ltd	100,000,000	100,000,000	0	0.00%	
Ok Tedi Mining Ltd	100,500,000	100,500,000	0	0.00%	
Total	200,500,000	200,500,000	0	0%	

Prior to the data reconciliation, Treasury has reported an additional PGK200,000,000 dividend payment amount in their reporting template. Treasury later confirmed that there was an error in their initial internal reporting. The additional amount was confirmed to be an advance rather than a dividend payment. This advance payment has not been included in the reconciliation.

10.4.1.3 Infrastructure tax credits (ITC)

Expenditure by mining and oil and gas companies on prescribed infrastructure developments can be claimed as a credit against tax payable (see sections 4.3.2.6 and 6.3).

The amount spent on prescribed ITC projects each year is reported by companies to the Department of National Planning and Monitoring (DNPM). These amounts can then be claimed as a credit against tax payable. Credits that are not used within that reporting period can be carried forward to succeeding years of income until fully utilised. The amounts that are used as credit against tax payable each year are recorded by the IRC. Each of these are reconciled in the tables below.



In the tables below, both the amounts reported by DNPM and the amounts reported by the IRC were reconciled with values reported by companies.

Table 34 shows the amount spent by companies on ITC projects during 2016 to generate credits, reconciled with values reported by the DNPM.

Table 34: Reconciliation of ITCs actually spent on projects in 2016 reported by companies and DNPM

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance(PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	6,370,964	12,407,785	(6,036,821)	(94.76%)	A
Lihir Gold Ltd	16,529,925	16,529,928	(3)	0.00%	
Oil Search Ltd	100,878,588	82,087,624	18,790,964	18.63%	B
Ok Tedi Mining Ltd	11,765,000	0	11,765,000	100.00%	C
Total	135,544,477	111,025,337	24,519,140	18.09%	

Remarks

- A. The unreconciled balance constitutes 4.45% of the total amounts declared by reporting companies.
- B. DNPM stated that Oil Search has been submitting its reports in US dollars and a difference in exchange rates applied may have affected the calculation.
- C. DNPM stated that Ok Tedi has not provided DNPM information on its ITC expenditure for 2016. The unreconciled balance constitutes 8.67% of the total amounts declared by reporting companies.

Table 35 **Error! Reference source not found.** shows the amount claimed by companies as credit against tax payable for 2016 reconciled with the amounts reported by the IRC.

Table 35: Reconciliation of ITC offsets reported by companies and IRC

Company	Amount reported offset by companies (PGK)	Amount reported offset by IRC (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	37,847,830	37,847,829	1	0.00%	
ExxonMobil PNG Ltd	1,268,721	1,259,495	9,226	0.73%	
Oil Search Ltd	3,229,092	15,627,331	(12,398,239)	(383.95%)	A
Total	42,345,643	54,734,655	(12,389,012)	(29.26%)	

Remarks

- A. Variance is due to:
 - i. Foreign exchange rates: IRC's amounts are based on spot conversion rate at the date of receipt, while reporting entity's amounts are based on average foreign exchange rate for the year, as suggested by the data template.
 - ii. This variance relates to different methodologies for providing this data used by Oil Search and IRC. Oil Search has provided the actual offset against cash tax paid in 2016 (as requested by the reporting template). IRC have provided the amount included in the income tax returns lodged by Oil Search for the year ending 31 December.

10.4.1.4 Group tax

Group tax is the tax withheld on employee salaries, and is payable by companies that paid salaries in PNG during the reporting period. Predominantly these companies were operators of facilities.



This revenue stream was initially reported unilaterally by the IRC however, due to the size of this revenue stream for this reporting period, where available, the IA has reconciled these amounts (see discussion section 10.1.1). Group tax for the 2016 calendar year, reported by the IRC for companies who provided signed tax waiver letters is stated below. The unreconciled balance constitutes 10% of the total revenue stream reported by the IRC.

Table 36: Partially reconciled group tax 2016

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	104,217,019	99,493,185	-4,723,834	-4.75%	
Anomaly Ltd					A
ExxonMobil PNG Ltd	139,517,936	139,517,936	0	0%	
Hidden Valley JV		2,604,485			
JX Nippon		0			B
Kumul Consolidated Holdings (KCH)		6,063,300			
Kumul Mineral Holdings Ltd		6,730,913			
Kumul Petroleum Holdings Ltd (KPH)		1,621,328			
Lihir Gold Ltd	114,013,845	114,435,036	421,191	0.37%	
MCC Ramu NiCo Ltd		29,123,871			
Mineral Resources Development Company Ltd (MRDC)		17,960			
Niuminco Edie Creek Ltd		0			C
Oil Search Ltd	85,235,874	88,020,767	2,784,893	3.16%	
Ok Tedi Mining Ltd (OTML)	53,313,739	53,313,739	0	0.00%	
Ramu Nickel Ltd		0			D
Santos Ltd (and subsidiaries)		0			E
Simberi Gold Co. Ltd		13,508,151			
Total	496,298,414	554,450,671	58,152,257	10%	

Remarks

- A. Anomaly Ltd (Crater Gold Mining Ltd) did not submit a reporting template due to turnover in relevant staff.
- B. IRC asserted that the JX Nippon income tax return has not been lodged. However, JX Nippon confirmed lodgement on 30 June 2017.
- C. Niuminco and IRC both confirmed that the 2016 income tax return has not been lodged.
- D. No group tax reported for Ramu Nickel Ltd by the IRC
- E. IRC asserted that no income tax returns had been lodged for Santos subsidiaries. However, Santos provided IRC lodgement receipts for Santos Hides Ltd and Lavana Ltd. Barracuda Ltd 2016 income tax return remained outstanding.

10.4.1.5 Mandatory social expenditure (not reconciled)

Mandatory social expenditure is given in section 6.5.

10.4.1.6 Discretionary social expenditure (not reconciled)

Discretionary social expenditure is given in section 6.5.

10.4.1.7 Other taxes (not reconciled)

These taxes were reported unilaterally by the IRC and include:

- ▶ Foreign contractor withholding tax²⁹⁵
- ▶ Business payments tax
- ▶ Dividend withholding tax
- ▶ Interest withholding tax
- ▶ management fee withholding tax
- ▶ Royalty withholding tax
- ▶ Other taxes

Table 37: Other taxes reported by IRC

Company	Amount reported received (PGK)
Barrick (Niugini) Ltd	2,274,833
Eda Oil Ltd	797,219
ExxonMobil PNG Ltd	28,900,408
JX Nippon	762,858
Kumul Petroleum Holdings Ltd	499,230
Lihir Gold Ltd	10,495,931
MCC Ramu NiCo Ltd	38,889
Oil Search Ltd	17,849,922
Ok Tedi Mining Ltd	12,710,225
Simberi Gold Co. Ltd	600,898
Total	74,930,413

10.4.1.8 Environment permit fees (not reconciled)

There were no oil and gas decommissioning bonds or mine closure bonds received or managed during the reporting period.

During 2016, the development of the Environmental Bond Policy work was initiated by CEPA.

Environmental permit fees are paid by mining and oil and gas entities to CEPA. The total fees reported by CEPA for the 2016 were PGK3,811,837.

10.4.2 Mining payments 2016

10.4.2.1 Production levy

The production levy is paid by mining companies to the MRA.



Amounts reconciled in the table below are payments made to the MRA during 2016. Payments are made annually in arrears in the year following the year of production to which the payment relates.

²⁹⁵ See discussion in section 10.1.1

Table 38: Reconciliation of production levy

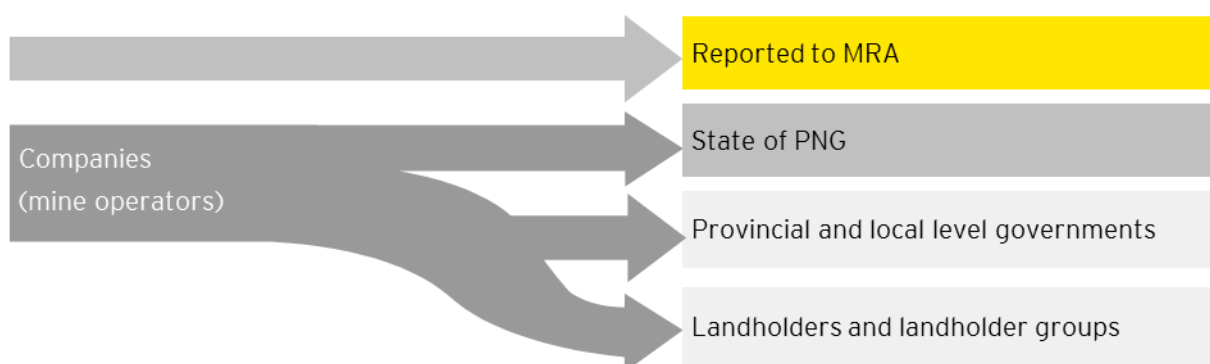
Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	4,088,868	4,088,868	0	0.00%	
Anomaly Ltd	Not reported	0	n/a	n/a	A
Hidden Valley JV	1,310,873	1,310,873	0	0.00%	
Lihir Gold Ltd	6,807,774	6,807,774	0	0.00%	
MCC Ramu NiCo Ltd	1,378,481	1,411,926	(33,445)	(2.43%)	B, D
Niuminco Edie Creek Ltd	Not reported	0	n/a	n/a	C
Ok Tedi Mining Ltd	3,126,046	3,126,046	0	0.00%	
Ramu Nickel Ltd	0	Not reported	n/a	n/a	D
Simberi Gold Co. Ltd	832,254	832,254	0	0.00%	
Total	17,544,297	17,577,741	(33,445)	(0.19%)	

Remarks

- A. Anomaly Ltd (Crater Gold Mining) did not provide their data reporting template due to recent staff turnover.
- B. Immaterial variance due to difference in foreign exchange rates used.
- C. Niuminco stated that the Edie Creek production levy is paid by Itaipreziosi South Pacific Ltd (a refining company).
- D. The production levy for Kurumbukari mine is paid for by MCC Ramu NiCo Ltd, Ramu Nickel Ltd, Mineral Resources Ramu Ltd and Mineral Resources Madang Ltd. Ramu Nickel Ltd reported zero payments in 2016.

10.4.2.2 Mining royalties

Mining royalties are calculated and paid directly by mine operators to beneficiaries on a monthly basis, and are also reported to the MRA.



The reconciliation below has been carried out between the amounts reported by the mine operators and the amounts reported by the MRA. No royalties were paid to the PNG Government directly. The receiving entities for each of the mines as reported by the MRA are provided in Appendix G.

Table 39: Reconciliation of mining royalty payments paid to landholders

Company/ Operator	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	19,729,776	19,728,905	871	0.00%	
Anomaly Ltd	Not reported	0	n/a	n/a	A
Hidden Valley JV	7,091,349	8,708,136	(1,616,787)	(22.80%)	B
Lihir Gold Ltd	13,975,565	13,276,786	698,778	5.00%	C
MCC Ramu NiCo Ltd	0	0	0	0.00%	
Niuminco Edie Creek Ltd	0	0	0	0.00%	
Ok Tedi Mining Ltd	15,016,384	14,937,350	79,034	0.53%	D
Simberi Gold Co. Ltd	7,226,184	6,796,864	429,320	5.94%	E
Total	63,039,258	63,448,042	(408,784)	(0.65%)	

Remarks

- A. Anomaly Ltd (Crater Gold Mining) did not provide their data reporting template due to recent staff turnover.
- B. Hidden Valley revised their amounts based on cash payments in 2016. The unreconciled balance constitutes 2.53% of the total amounts declared by reporting entities.
- C. Royalties disclosed by Lihir Gold included the 5% royalty of PGK698,778.
- D. OTML and MRA confirmed the amounts reported. The unreconciled balance constitutes 0.52% of the total amounts declared by reporting entities.
- E. Simberi reported the amounts net of royalty tax. The unreconciled balance constitutes 0.68% of the total amounts declared by reporting entities.

Table 40: Reconciliation of mining royalty payments paid to local/provincial government

Company/Operator	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Barrick (Niugini) Ltd	19,729,776	19,728,905	871	0.00%	
Anomaly Ltd	Not reported	0	n/a	n/a	A
Hidden Valley JV	6,713,895	8,154,776	(1,440,881)	(21.46%)	B
Lihir Gold Ltd	55,902,258	55,902,258	0	0.00%	
MCC Ramu NiCo Ltd	0	0	0	0.00%	
Niuminco Edie Creek Ltd	0	0	0	0.00%	
Ok Tedi Mining Ltd	8,714,540	8,239,625	474,914	5.45%	C
Simberi Gold Co. Ltd	0	755,207	(755,207)	0.00%	D
Total	91,060,468	92,780,771	(1,720,302)	(1.85%)	

Remarks

- A. Anomaly Ltd (Crater Gold Mining) did not provide their data reporting template due to recent staff turnover.
- B. Hidden Valley revised their amounts based on cash payments in 2016. The unreconciled balance constitutes 1.58% of the total amounts declared by reporting entities.
- F. OTML and MRA confirmed the amounts reported. The unreconciled balance constitutes 0.52% of the total amounts declared by reporting entities.
- C. Simberi reported zero royalty payments to local/provincial governments. The unreconciled balance constitutes 0.82% of the total amounts declared by MRA.

10.4.2.3 MRA tenement fees (not reconciled)



Fees collected from mining companies by the MRA have been reported in the table below. These amounts were unilaterally disclosed by the MRA.

Table 41: Fees paid to MRA (unilaterally disclosed)

Fee reported	Amount reported paid (PGK)
Alluvial levies	879,976
Applications, renewal, renewal penalty, transfer and dealings fees (only related to mining - SML, ML, AML)	1,324,625
Mine security fees (SML, ML, AML)	166,800
Mining lease fees (SML, ML, AML Rentals)	500,552
Exploration security deposits	414,000
Exploration licence rentals	4,281,650
Exploration applications, extensions, extension late fees, transfer and dealing fees	855,900
Total	8,423,503

10.4.3 Oil and gas payments 2016

10.4.3.1 Equity distributions

Equity distributions are payments received by SOEs as a percentage of profits received from joint ventures, in proportion to ownership stake.



In 2016, Kumul Petroleum Holdings Ltd reported receiving PGK302,932,186 in equity distributions. These related to borrowers restricted payments from the PNG LNG project (PGK293,367,300) and revenue from PDL 1 - Gas to electricity project (PGK9,564,886). At the time of publication, clarification had not been obtained from KPH regarding these payments.

A third payment relating to the Oil Search shares held by KPH in 2016 is also included here.

Table 42: Reconciliation of equity distribution payments

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Oil Search Ltd (shares)	23,396,040	822,349	22,573,691	96.49%	A
PNG LNG (GloCo equity distribution)	N/A	293,367,300	N/A	N/A	B
PDL 1 GTE project	N/A	9,564,886	N/A	N/A	
Total	23,396,040	303,754,535	N/A	N/A	

- A. Dividends from the Oil Search shares are paid directly to JP Morgan. JP Morgan then pays KPH after they retain funds in accordance with the UBS loan agreements. KPH advised that they have reported the cash received from JP Morgan.

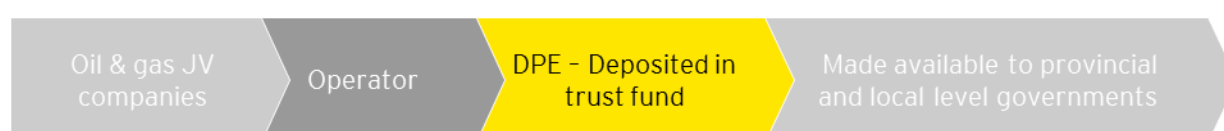
- B. No payment information is available from the GloCo in relation to payments relating to the PNG LNG project. (See section 9.3.3 for discussion) These payments have been unilaterally declared by KPH

Other equity distribution payments are also received by MRDC on behalf of subnational governments and landholders. These payments have not been included in the reconciliation but information provided by the MRDC is referenced in the report in section 9.6.3.

10.4.3.2 Development levy

Development levies are calculated at 2% of well-head value of the oil and gas produced as per Section 160 of the *Oil and Gas Act 1998*. Oil Search pays the levy to DPE by cheque. ExxonMobil PNG Ltd pays the levy to Bank of PNG via electronic transfer, and send remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.

DPE deposits levies into a trust account held by the Department of Finance. Finance then administer payments from the trust account to the relevant local or provincial government.



Development levies are paid annually in arrears on or before 31 January in the year following the year of production to which the development levy relates.

The table below summarises the development levy information provided by the operators and DPE for the reporting period.

Table 43: Reconciliation of development levy

Company	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
ExxonMobil PNG LNG	DPE/BPNG	62,263,184	0	62,263,184	100.00%	A
Oil Search Ltd	DPE	7,426,446	7,425,972	474	0.00%	
Total		69,689,630	7,425,972	62,263,658	87.47%	

Remarks

- A. ExxonMobil stated that their development levy payments are deposited directly with BPNG as directed by the PNG Government, and that DPE are provided with remittance advices for payments. At the time this report was published, neither DPE nor BPNG had provided the IA with confirmation of receipt.

10.4.3.3 Oil and gas royalties

Oil Search pays royalties to DPE by cheque. ExxonMobil PNG Ltd pays royalties to Bank of PNG via electronic transfer, and sends remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.



Table 44: Reconciliation of oil and gas royalty payments

Company	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
ExxonMobil PNG Ltd	DPE, BPNG	10,761,294	0	10,761,294	100%	A
Oil Search Ltd	DPE	26,327,822	26,318,196	9,626	0.04%	
Total		37,089,116	26,318,196	10,770,920	29.04%	

Remarks

- A. ExxonMobil stated that their royalty payments are deposited directly with BPNG as directed by the PNG Government, and that DPE are provided with remittance advices for payments. At the time this report was published, neither DPE nor BPNG had provided the IA with confirmation of receipt.

10.4.3.4 Additional profits tax

The additional profits tax is applicable to gas projects only (see section 4.3.2.3).



JX Nippon reported paying PGK471,647 in additional profits tax for 2016. The IRC stated that they did not receive any additional profits tax for JX Nippon in 2016.

10.4.3.5 Share of sales (not reconciled)

These are the sales proceeds derived from the joint marketing of LNG by venture partners in the PNG LNG project.



The share of sales figures reported by each state owned partner in oil and gas projects are shown below. These figures have not been included in the calculation of total government revenue for this report as it appears that there is an overlap between these payments and the equity distribution - borrowers restricted payments referenced in section 10.4.3.1. These payments are discussed further in section 9.3.3 of this report.

Table 45: Share of sales reported by oil and gas companies

Company	Amount reported paid (PGK)
Eda Oil Ltd	27,783,295
Kumul LNG Ltd	9,271,196
Kumul Petroleum Holdings Ltd	523,032,100
Mineral Resources Development Corporation Ltd	278,110,736
Total	838,197,327

10.4.3.6 DPE licence fees (not reconciled)

Licence fees and other application fees are paid by the oil and gas industry to DPE.



These may include fees related to the following licences:

- ▶ Petroleum Development Licence (PDL)
- ▶ Petroleum Retention Licence (PRL)
- ▶ Petroleum Prospecting Licence (PPL)
- ▶ Petroleum Processing Facility Licence (PPFL)

DPE provided the total licencing fees paid by the oil and gas industry for 2016 as PGK3,302,054.

10.5 Audit of financial statements 2016

Table 46 below provides an overview of the status of financial audits for each of the EITI reporting entities for the 2016 reporting period. Where a financial statement audit was not conducted for this period, the most recent audit report available is listed.

Table 46: Auditing of reporting entities

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
Mining				
Crater Gold Mining Ltd	Anomaly Ltd	FY2015 FY2016	Audited by BDO. No qualifications noted.	http://goa.live.irmau.com/irm/PDF/2588_0/AnnualReporttoshareholders http://goa.live.irmau.com/irm/PDF/2444_0/AnnualReporttoshareholders
Highlands Pacific	Ramu Nickel Ltd	2015 2016	Audited by PWC. No qualifications noted.	www.highlandspacific.com/literature_150696/2015_Annual_Report www.highlandspacific.com/literature_169633/2016_Annual_Report
	Ok Tedi Mining Ltd	2016 (no 2015 report)	Audit by PwC. No qualifications noted. Re-opened after seven month suspension due to dry weather (August 2015-February 2016). Indirect economic impacts (taxes and levies, dividends, royalties, Tax Credit Scheme (TCS), goods purchased in PNG, payments to PNG contractors, local training costs and salaries and wages) limited assurance by Materiality Counts.	http://www.oktedi.com/index.php/media-items/publications/annual-review/488-2016-annual-review/file
Barrick Gold Corporation (95% until 31 Augusts 2015, then 47.5% Joint Operation JO)	Porgera Mine - Barrick (Niugini) Ltd	2015 2016	Audited by PwC. No qualifications noted.	http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2015.pdf http://barrick.q4cdn.com/808035602/files/annual-report/Barrick-Annual-Report-2016.pdf

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
Zijin Mining Group (47.5% JO from 31 August 2015)	Porgera Mine - Joint operator with Barrick (Niugini) Ltd from 31 August 2015	2015 2016	Audited by EY. No qualifications noted.	http://www.zijinmining.com/upload/file/2016/10/26/63b8c7f9d2a742c8a581e765cb77c6d7.pdf http://www.zijinmining.com/upload/file/2017/05/08/65aac8c4d4634c0e889a8231eb056da3.pdf
Newcrest	Lihir Gold Ltd	FY2015 FY2016	Audited by EY. No qualifications noted. Annual reports for each financial year are published in Sept/Oct. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	http://www.newcrest.com.au/media/annual_reports/FINAL_Annual_Report_2014_72dpi_web.pdf http://www.newcrest.com.au/media/agm/NCM_Annual_Report_2015.pdf http://www.newcrest.com.au/media/annual_reports/2016_Annual_Report.pdf
Metallurgical Corporation of China Ltd. (MCC)	MCC Ramu NiCo Ltd	2015	Audit by Deloitte. No qualifications noted. 2016 report not yet published	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0405/LTN201604051843.pdf
Harmony Gold Mining Ltd	Hidden Valley JV	FY2015 FY2016	Audit by PwC. No qualifications noted. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	https://www.harmony.co.za/investors/reporting/annual-reports
Petromin PNG Holdings (Kumul Mineral Holdings Ltd)	Tolukuma Gold Mines Ltd	Not available	The 2014 annual report was the last published by Petromin PNG Holdings. Kumul Mineral Holdings Ltd have not published an annual report. Tolukuma Gold Mine was sold to Asidokona Mining Resources Pty Ltd	Not available
Asidokona Mining Resources Pty Ltd	Tolukuma Gold Mines Ltd	Not available	Company was incorporated/registered on 22 July 2015. There are no public reports available from this company.	Not available
St Barbara LTD	Simberi Gold Co. Ltd	FY2015 FY2016	Audit by KPMG. No qualifications noted. The second half of the 2016 calendar year data will be contained in the 2017 Annual Report - not yet audited or published.	http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2014_web_.pdf

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
				http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2015.pdf http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2016.pdf
New Guinea Gold	Sinivit Mine	Not available	No public reports available	Not available
Niuminco Group Ltd	Niuminco Edie Creek Ltd	FY2015	Audit by PwC. No qualifications noted. No audited reports for 2016 or 2017 FY	http://www.niuminco.com.au/docs/NIU%20Annual%20Report%202015_FINAL.pdf
Oil and gas				
Santos	Santos (and subsidiaries)	2015, 2016	Audited by EY. No qualifications noted.	https://www.santos.com/media/3525/san675_annualreport2016_fa3_low-res.pdf https://www.santos.com/media/3310/2015_annual_report.pdf
JX Nippon Oil and Gas Exploration Corporation	JX Nippon Oil and Gas (and subsidiaries)	2015, 2016 (year ends are 31 March of each year)	Audited by EY. No qualifications noted.	http://www.hd.jxtg-group.co.jp/english/ir/library/annual/2014/pdf/jx_en_ar_fy2014.pdf http://www.hd.jxtg-group.co.jp/english/ir/library/annual/2015/pdf/jx_en_ar_fy2015.pdf
ExxonMobil	ExxonMobil PNG Ltd (PNG LNG project operator)	2015 2016	Audit by PwC. No qualifications noted.	http://cdn.exxonmobil.com/~media/global/files/investor-reports/2016/2015_Financial_Statements.pdf http://cdn.exxonmobil.com/~media/global/files/investor-reports/2017/2016_financial_statements.pdf
Oil Search		2015 2016	Audit by Deloitte. No qualifications noted.	http://www.oilsearch.com/_data/assets/pdf_file/0018/1566/OSH_AR16-a3d8b18e-1b65-4a66-a4a0-34826fa5db87-2.PDF

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
				http://www.oilsearch.com/_data/assets/pdf_file/0016/7045/HC_OSF_AR16_Interactive_v01A.pdf
State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea				
Petromin PNG Holdings (Kumul Mineral Holdings Ltd)	Tolukuma Gold Mines Ltd		See above	
	Ok Tedi Mining Ltd		See above	
Independent Public Business Corporation - Now Kumul Consolidated Holdings		2013 and 2014	'My reports to the Ministers under Section 8(4) of the Audit Act on the financial statements of the Corporation for the years ended 31 December 2013 and 2014 were issued on 31 March 2016. The reports did not contain any qualifications.'	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202015.pdf p. 62
Mineral Resources Development Company Ltd		2010	Qualification and several issues raised: For 2015 audit report: 'At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2012, 2013, 2014 and 2015 were in progress.'	http://www.ago.gov.pg/images/Annual_Reports/Part_4/Part_IV_2013.pdf http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202015.pdf p. 268
National Petroleum Company of Papua New Guinea Now Kumul Petroleum Holdings Ltd		2015	'My report in accordance with the provisions of the Companies Act on the Company's financial statements for the year ended 31 December 2015 was issued on 31 March 2016. The report did not contain any qualification.'	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202015.pdf p. 262
Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea				
Conservation and Environment Protection Authority		N/A	No record of audit available for CEPA or previous Department of Environment and Conservation.	

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
Internal Revenue Commission		2014	'At the time of preparing this Report, the field work associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Commission for the period 18 September to 31 December 2014 had been completed. The management letter responses together with the signed financial statements were being awaited to issue the audit report. For the 2012 Report the auditor stated: '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/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202015.pdf p. 54
Minerals Resource Authority		2012	'At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2012 had been completed and the results were being evaluated. The field work associated with the inspection and audit of the accounts and records and examination of the financial statements of the Authority for the years ended 31 December 2013 and 2014 were in progress. The Authority had not submitted its financial statements for the year ended 31 December 2015 for my inspection and audit.'	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202015.pdf p. 72
Department of Treasury		2014	'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	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf p. 25

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
			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.'	
Department of Finance		2013	'The results of my audit indicate that overall, there were 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. Consequently, there was 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/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf p. 148
Department of Petroleum and Energy		2014-2013	'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 was 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/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf p. 139

Parent Company	Mine operator in PNG	Year audited	Qualifications/comments	Source
Department of National Planning & Monitoring		2013	'In general, there were no improvements in the system and operation of controls within the Department compared to the previous years. 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/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf p. 164
PNG Customs		2014-2013	'The results of my audit indicate that there were some improvements in the operations of the internal controls compared to previous years. This was evident in the Revenue collection, assets and advance management. However, overall, there were weaknesses noted in the control framework'	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf p.79

11. Findings and recommendations

Through the delivery of this initiative, and via engagement with government, industry, and civil society, it has been observed that the MSG and other stakeholders in the PNG EITI continue to seek to drive improvement in transparency, systems, and accountability across the extractives sector. Based on the work undertaken, the following recommendations are provided to seek to enable the MSG to improve its EITI process across PNG for future reporting periods, in line with the requirements of the EITI Standard.

Recommendation 1: Reconciliation differences

Observation	Recommendation
<p>Consistent with previous reporting periods, the reconciliation process continues to require considerable time and resources of the IA and reporting entities. In particular, the following key challenges were observed:</p> <ul style="list-style-type: none"> ▶ Failure of some reporting entities to attend training ▶ Delayed completion, or partial completion of reporting templates ▶ Failure to respond to follow-up queries from the IA ▶ Inconsistent application of the reporting guidelines provided by the IA, including time period, basis of accounting, and definition of revenue streams <p>Despite significant investment of time and resources, at the time of finalising this report, some differences remain unexplained.</p> <p>It should be noted that there were errors in data initially reported by Treasury and IRC. For example, an advance paid to Treasury by KPH was initially incorrectly reported as dividends by Treasury. The IA also noted differences in values reported in the Budget documents compared with values reported during the EITI validation process.</p>	<p>To continue to drive improvement in the reconciliation process, we recommend that the MSG:</p> <ul style="list-style-type: none"> ▶ Continues to engage with reporting entities throughout the year, to assist in building an understanding of the importance of the EITI process ▶ Engages the IA for the 2017 PNG EITI Report early in 2018, to enable additional lead time, in acknowledgement of the challenges collecting data ▶ Investigates options for mainstreaming²⁹⁶ EITI reporting within existing regulatory frameworks, to reduce duplication of effort

Recommendation 2: Material revenue streams

Observation	Recommendation
<p>The scale of known revenue streams reported by the IRC for the reporting period has identified that the following revenue streams account for greater than 2% of known revenue:</p> <ul style="list-style-type: none"> ▶ Group tax ▶ Foreign contractor withholding tax <p>Group tax was not originally reconciled for previous reports based on an earlier decision by the MSG (see discussion section 10.1.1).</p> <p>Where information was available, these amounts were reconciled in this report and 90% of the revenue stream was reconciled.</p> <p>The data collected through the 2016 reporting process identified that foreign contractor withholding tax was now also a material revenue stream accounting for 4% of the total revenue.</p>	<p>Group tax and Foreign contractor withholding tax are material revenue streams that should be reconciled in future EITI reports.</p> <p>The MSG should also investigate options to expand the definition of material reporting entities in respect of specific revenue streams (such as group tax and social payments) to include companies in advanced exploration/pre-production phases.</p>

²⁹⁶ <https://eiti.org/mainstreaming>

Recommendation 3: Engagement with government stakeholders

Observation	Recommendation
<p>The IA sought input and data from a range of government stakeholders for the 2016 EITI report. Whilst the majority of stakeholders provided most or all of the requested information, input from the following entities was either not received or received well outside the requested submission deadline:</p> <ul style="list-style-type: none"> ▶ DNPM (ITC) ▶ DPE (not reporting ExxonMobil revenue, and delayed submission of requested contextual information) ▶ BPNG <p>Conversely, it was noted that there was a significant increase in engagement and participation from the MRDC.</p>	<p>Building on Recommendation 1, conduct targeted stakeholder engagement and education in relation to the reporting entities that failed to report, or reported information incorrectly for the 2016 reporting period.</p> <p>It is recommended that this stakeholder engagement be carried out prior to the April validation of the 2016 report so that any remaining data required can be supplied and made available on the PNG EITI website.</p> <p>In particular, DPE should seek visibility over royalty and development levy payments made by electronic transfer and be prepared to provide this information for reporting purposes.</p>

Recommendation 4: Subnational payments

Observation	Recommendation
<p>During the reporting process for the 2016 PNG EITI report, a scoping study for the inclusion of subnational payments in the EITI reporting process was initiated. This work is being undertaken by the Australian government Department of Foreign Affairs and Trade. At the time of finalising this report, the National Secretariat informed the IA that consultation with subnational entities had commenced.</p> <p>Developing a greater understanding of these payments, including benefit sharing for oil and gas projects, and communicating this to key stakeholders, will go some way to addressing the concerns held by landholders impacted by extractive industries projects.</p>	<p>Build on the progress made in understanding subnational payments, through expansion of the PNG EITI report scope to incorporate these payments for the 2017 reporting period. Acknowledging that this may be challenging, it is recommended that the MSG considers including a sample of subnational payments, and considers unilateral reporting by subnational governments, in the first instance.</p> <p>It is recommended that any preliminary information made available through the scoping study into subnational reporting be made available on the PNG EITI website prior to the validation process occurring in April 2018.</p>

Recommendation 5: Reporting of quasi-fiscal expenditure

Observation	Recommendation
<p>The EITI Standard requires that quasi-fiscal expenditure is reported. Little or no information on quasi-fiscal expenditure had been provided to the IA as at the date of publication. Treasury noted that they were aware of quasi-fiscal expenditures by SOEs. Treasury commented that work on updating the reporting of government finance to the International Monetary Fund, Government Finance Statistics Manual 2014 is progressing well, and will be extended to cover transactions of extra-budgetary units and the SOEs in the medium to long term.</p>	<p>The MSG should continue to engage with Treasury in relation to understanding quasi-fiscal expenditure. For the 2017 reporting period, it is recommended that the MSG:</p> <ul style="list-style-type: none"> ▶ Works with Treasury to understand the nature of payments made by SOEs ▶ Continues progress towards mainstreaming²⁹⁷ the reporting of extractive industry revenue through government reporting processes.

²⁹⁷ <https://eiti.org/mainstreaming>

Recommendation 6: Value of infrastructure tax credit (ITC) scheme

Observation	Recommendation
<p>Previous PNG EITI reports have found discrepancies and inconsistencies in the reporting of the value of tax forgone as a result of funds spent on infrastructure development. Reporting templates for the 2016 report were updated in an attempt to clarify the value of funds spent on ITC projects within the reporting period as well as the value of the tax forgone as a result of ITC project spending. Due partially to the lack of response from DNPM, during the validation process, the IA was unable to verify the value of approved ITC project spending by reporting entities. There were also significant discrepancies between the ITC offset reported by companies and the IRC that in some cases could not be clarified due to differences in methodologies for reporting the value of the tax credit.</p> <p>In response to the recommendations of the Taxation Review Report²⁹⁸ the PNG government has announced that the scheme will not be abolished but will be reviewed to improve administration. The government has also noted that the process needs to be more transparent regarding guidelines and criteria involved in the approval process. And that the ITC expenditure should be included in the annual national budget books and DNPM should be able to show this information on its website.</p>	<p>Increase transparency and accountability regarding the approval process by DNPM, funds administered on projects by companies and resulting tax offset by the IRC.</p> <p>Evaluate the method currently being used to reconcile this information for EITI purposes through cash basis reporting.</p>

Recommendation 7: Oil and gas licence transfers

Observation	Recommendation
<p>The transfer process for oil and gas licences is outlined in the OGA, but there was no evidence of criteria being applied by DPE.</p>	<p>DPE should establish criteria for the transferring of oil and gas licences. These criteria should be published in an updated version of the 'Petroleum Policy Handbook' with content made easily available to the public.</p>

Recommendation 8: Reporting of social expenditure

Observation	Recommendation
<p>Inconsistencies have been observed in what companies classify as 'social' expenditure, and in which expenditures are classified as 'mandatory' or 'discretionary'.</p>	<p>The MSG should consult with EITI and provide more detailed guidance on these categories. It is expected that through the finalisation of the scoping study for subnational payments, there will be an opportunity to clarify this guidance.</p> <p>It is also expected that as further progress is made against the NEC directive to make MOAs publically available, mandatory and discretionary expenditure will become easier to delineate.</p>

²⁹⁸ PNG Taxation Review October 2015, Tax Review Committee Report to the Treasurer, Part 2 of 2: Detailed Analysis. http://taxreview.gov.pg/wp-content/uploads/2015/11/15.10.22_taxreview.final_report_vol.2.pdf accessed 10 October 2017

Progress against previous recommendations:

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI report. Progress has already been made against a number of these directives, some independently of the EITI recommendations. Although the timing of these improvements meant that not all benefits were noticeable during the 2016 reporting period, it is expected that these changes will continue to drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG for future EITI reports.

Specifically, the progress against the following recommendations, provided by the PNG EITI National Secretariat, is noted below:

Table 47: Progress against the NEC directives

NEC directive	Agency/ Department responsible	Progress made	Next steps
That the Minister for Petroleum and Energy implement a reliable electronic registry system to supersede the current paper ledger system.	DPE	<ul style="list-style-type: none"> ▶ During 2016, DPE held their first workshop on the way forward for developing a licencing database. ▶ The initial stage of implementing the electronic registry system has been the program of scanning of all documents. 	<ul style="list-style-type: none"> ▶ Increased resourcing for DPE will be required to facilitate the implementation of systems required to adhere to the EITI Standard. ▶ DPE will need to provide information regarding licences awarded and transferred in previous reporting periods and digitised licence register to be made available on PNG EITI website prior to the April 2018 validation process.
That the Minister responsible for the Mineral Resources Development Company (MRDC) ensures that MRDC engages fully with the PNG EITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and invests for the landowners and for future generations.	MRDC	<ul style="list-style-type: none"> ▶ The MSG was expanded during 2016 to include the MRDC, as well as the new state-owned enterprises Kumul Minerals Holdings (KMH) and Kumul Petroleum Holdings (KPH). Through their engagement in the EITI reporting process as members of the MSG, these organisations provided significantly more information to the IA. This included more detail on the role these organisations play in the extractive sector, together with more data on payments and receipts. This was particularly evident for the MRDC. 	<ul style="list-style-type: none"> ▶ There are still some areas that both the MRDC and the Secretariat will continue to work through to enhance MRDC's effectiveness and efficiency in all aspects of EITI reporting and to sustain MRDC's engagement in this EITI process. ▶ MRDC will be required to participate in the subnational payment scoping study where the revenues managed by MRDC will be reconciled in more detail.
That the Minister responsible for Kumul Consolidated Holdings Ltd (KCH) ensures KCH participates in the EITI process and regularly reports through the EITI process the State's share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT)	KCH	<ul style="list-style-type: none"> ▶ KCH's engagement in the PNG EITI reporting process is less relevant since its organisational re-structure in August 2015. KCH's only remaining interest in the extractive sector as of 2016 is a 3.2% shareholding in Highlands Pacific. ▶ This NEC directive has been actioned because KCH is now fully engaged at the MSG level and has been participating in the EITI reporting process 	<ul style="list-style-type: none"> ▶ As part of Kumul restructure, the GBT investment in Highlands Pacific will be transferred to Kumul Mineral Holdings Ltd as soon as all legal processes are completed. Thereafter, KCH will no longer be required to participate in the EITI reporting process.

NEC directive	Agency/ Department responsible	Progress made	Next steps
That the Minister responsible for Kumul Minerals Holdings Ltd (KMH) and Kumul Petroleum Holdings (KPH) ensures these enterprises are fully engaged in the EITI process and report as required under the EITI Standard	KMH/KPH	<ul style="list-style-type: none"> ▶ These two entities now coordinate the government's interest in the mining, oil and gas sectors. ▶ Preliminary engagement has been sought by the Secretariat with these entities to ensure that they too are aligned to the reporting processes and requirements of PNGEITI. ▶ Both KMH and KPH have engaged in the EITI process and have participated in the EITI reporting process. 	<ul style="list-style-type: none"> ▶ Secretariat to continue its consultation with both KMH & KPH to identify areas where both entities can engage effectively in the reporting process. ▶ Specifically, assisting with providing contextual information for EITI reporting purposes in a timely manner and working with the MSG to develop standard reporting procedures across all SOEs for future reporting periods.
That the Minister for Treasury ensure the National Economic and Fiscal Commission (NEFC) amend its budget and fiscal reports to collect information on subnational payments and transfers consistent with the EITI requirements.	Treasury/NEFC	<ul style="list-style-type: none"> ▶ National Secretariat has consulted with NEFC on this issue. A meeting between the Head of Secretariat, and the CEO of NEFC along with relevant officers was convened on 20 September 2017. ▶ This meeting outlined NEFC's current information collection and reporting procedures, and also discussed avenues in which this process could also incorporate and/align to the EITI process, particularly in the area of sub-national payments and transfers information. ▶ It was ascertained that the NEFC's current reporting on sub-national payments and transfers is provisioned under the Inter Government Relations (Functions & Funding) Act, which governs the mandate of NEFC's operations. ▶ Hence, it was discussed that NEFC work together with the Secretariat to identify mechanisms that can align NEFC reporting to EITI requirements. 	<ul style="list-style-type: none"> ▶ NEFC and the Secretariat will engage more frequently and consult with each other to ensure that reporting mechanisms are aligned in regard to not only subnational payments and transfers but all other payments for the various levels of governments.
That the Minister responsible for the Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public	MRA/mining companies/ State Solicitor	<ul style="list-style-type: none"> ▶ The Secretariat has conveyed the official letter to the two concerned agencies outlining this directive. A follow up via official email correspondence has been sent to the relevant contacts within MRA to gauge the progress of this directive but are yet to receive any further feedback. ▶ It is the Secretariat's understanding that MRA was to consult and clarify from State Solicitor the legality of making public the MOAs, however feedback on this consultation is yet to be received and cannot be reported on at this stage. 	<ul style="list-style-type: none"> ▶ The Secretariat will work with relevant agencies early in 2018 to check if any progress is being made in implementing this directive.

NEC directive	Agency/ Department responsible	Progress made	Next steps
<p>That the Minister for Treasury implement the recommendation of the EITI report in relation to:</p> <ol style="list-style-type: none"> 1) Publication of budget preparation process on its website; 2) Clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables; and 3) Ensure units of measurement are standardised between government departments, particularly with respect to production data in budget documents 	<p>Treasury</p>	<ul style="list-style-type: none"> ▶ The Secretariat has sent an official letter early this year outlining these directives to the Secretary for Treasury for attention and implementation. The directives were also conveyed by the National Secretariat through a submission in May this year to Treasury's call for pre-budget submission for the 2018 National Budget. ▶ The submission was received and reviewed by the relevant divisions within the Treasury Department and the outcome of this analysis is as follows: <ol style="list-style-type: none"> 1) Publication of budget preparation process on the website. ▶ Treasury has an existing process in place to issue budget circulars to all government departments and spending agencies informing of the budget preparation process. Also, it has been a practice for Treasury to advertise in the social media (local newspapers) outline the key dates for preparation of the national budget and calling for policy submission from the public in the first quarter of every year. Treasury also regularly publishes its quarterly warrant release in the local newspapers and other social media. ▶ However, this has been done through the government's internal process and needed to be made transparent by way of publishing on the Treasury website. Treasury has a reliable website (www.Treasury.gov.pg) that needs to be constantly updated and maintained. ▶ The other two directives (#s 2 and #3) are outstanding and Treasury has yet to advise if there were any actions taken or will be taken to address them 	<ul style="list-style-type: none"> ▶ National Secretariat will closely liaise with Treasury to properly document its current activities and practice on budget transparency that may directly address some of the Cabinet Directives outlined in this section. ▶ Clarification was requested in relation to the recommendations from the IA that the following directives reference: <ol style="list-style-type: none"> 2) Clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables <p><i>IA response:</i> Differences have been noted between revenue figures provided for the purposes of EITI reporting and those included in the PNG Budget tables. The IA found for the 2016 reported figures for example, these differences related primarily to complexities surrounding cash basis reporting of tax payments and to Treasury reporting 'advance payments' as dividend payments in one instance. Budget figures should clearly state if they are reported on a cash basis and any inclusion of advance payments should also be clarified.</p> <ol style="list-style-type: none"> 3) Ensure units of measurement are standardised between government departments, particularly with respect to production data in budget documents <p><i>IA response:</i> The IA has noted that production figures reported by the MRA are provided in ounces while the values reported in the budget are reported in tonnes. The IA would like to see standard units of measurement implemented by government departments when reporting these figures.</p>

NEC directive	Agency/ Department responsible	Progress made	Next steps
<p>That the Minister for Treasury legislates for the EITI reporting requirements within the Government reporting process (in lieu of current practice of using a waiver letter) and reports back with draft legislation for the NEC's consideration before the 2015 EITI Report.</p>	<p>Treasury/IRC</p>	<ul style="list-style-type: none"> ▶ National Secretariat has been in consultation with the legal team from the IRC to get clarification on this issue. Advice from IRC indicated that there needs to be a legislative amendment to cater for the proposed changes. Specific and relevant provision within the <i>Income Tax Act</i> was identified, and it was ascertained that this would require a minor technical amendment to remove secrecy provisions in the <i>Income Tax Act</i> to allow IRC to disclose tax revenue information. IRC considered that this was a policy matter that required direction from Treasury before it can draft and consolidate the amendment to be included as part of the 2018 Budget Amendments. ▶ National Secretariat had also included this issue in its pre-budget submission to Treasury in May this year and this directive has now been implemented by Treasury as part of the tax amendments in the 2018 National Budget. ▶ Amendments effective 1 January 2018 will allow tax information to be provided to: <ul style="list-style-type: none"> ▶ the Extractive Industries Transparency Initiative Secretariat or equivalent body for the purposes of reporting in accordance with the Initiative ▶ the Financial Analysis and Supervision Unit for purposes of the <i>Anti-Money Laundering and Counter Terrorism Financing Act 2015</i>. 	<ul style="list-style-type: none"> ▶ To build on the progress made, PNG EITI National Secretariat Policy and Legislative Technical Working Group (TWG) will continue to progress with the current work on an EITI Policy and Legislative Framework. ▶ Background work by the TWG was completed in October 2017 and the Secretariat will soon call for an expression of interest to engage a legal and policy expert to commence drafting of the EITI bill.
<p>That the Minister for Finance undertake assessment of all monies received from mining and petroleum projects that are held in trust accounts, which include future generation trusts, and set up a database to effectively monitor the trust accounts in accordance with Section 15 of the Public Finance (Management) Act 1995.</p>	<p>Finance</p>	<ul style="list-style-type: none"> ▶ This directive has been actioned. The Department of Finance has incorporated this as part of its work on the Financial Framework Review (FFR) this year. This has triggered current amendments to the Public Finance (Management) Act (PFMA) 1995 to review all government Trust Accounts (inclusive of extractives trust accounts). Part of the reforms to the new PFMA 2016 included financial instructions to review all Trust Accounts and migrate them onto the Integrated Financial Management System (IFMS) for effective monitoring, compliance and transparency purposes. ▶ There are still areas which need to be clarified, especially with regard to monies held in mining and petroleum trust accounts and others. Department of Finance is continuing with this work to ensure it is achieved. 	<ul style="list-style-type: none"> ▶ National Secretariat will continue its consultation with the Department of Finance to ensure that through review of trust accounts, monies sitting in mining, oil and gas trust accounts are reviewed to bring about transparency for EITI reporting purposes.

NEC directive	Agency/ Department responsible	Progress made	Next steps
<p>Minister for Finance to take action to ensure payments currently being done manually via cash or cheque by some government agencies are improved and modernised to electronic systems such as the use of EFTPOS because the absence of a robust system for managing resource payments leaves the system vulnerable to fraud, corruption and human error</p>	<p>Finance</p>	<ul style="list-style-type: none"> ▶ National Secretariat's consultation with the Department of Finance recently reveals that this particular Cabinet Direction has been actioned. Part of the amendments to the PFMA also directed government entities to transition from cash and cheque based payments to electronic transactions. ▶ There were specific financial instructions from the Finance Minister for government agencies to heed this change and transition into electronic payments system where possible. ▶ Currently, all previous cash based transactions are being converted in electronic transactions as per the financial instructions. 	<ul style="list-style-type: none"> ▶ National Secretariat will continue to engage and work closely with Department of Finance to ensure that this electronic payment system is implemented successfully.
<p>That government agencies ensure to submit their books to the Auditor General's Office in a timely manner for audit purposes; that the capacity at the Auditor General's Office be improved to undertake audits as highlighted under the heading of 'Way Forward' of the submission; and that this would be one of the government's key agendas to improve transparency and accountability in the public service.</p>	<p>Auditor General</p>	<ul style="list-style-type: none"> ▶ The formal letter of notification on this directive was conveyed to the AG's office in September this year. To date no formal response has been received on their implementation progress. 	<ul style="list-style-type: none"> ▶ National Secretariat to continue following up with the AG's office to gauge an update and ensure progress is been made to implement this directive.

Appendix A PNG MSG members and alternates

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	GoPNG	Hon. Charles Abel, CMG, MP Treasurer, PNGEITI MSG Chairman	Dairi Vele Secretary Department of Treasury	Manu Momo, Deputy Secretary Economic Policy Department of Treasury	Department of Treasury
Voting Member	GoPNG	Betty Palaso, Commissioner General	Dr Alois Daton, Commissioner Taxation	Ketty Masu- Director Resource Policy and Advice	Internal Revenue Commission
Voting Member	GoPNG	Philip Samar, Managing Director	Sean Ngansia, Executive Manager Coordination Division	Arnold Lakamanga- Manager - GIS Mineral Information	Mineral Resources Authority
Voting Member	GoPNG	Kepsey Puiye, Acting Secretary	Herry Howard Manda, Manager - Petroleum Division	Michael Kunma Awi, Economist - Petroleum Division	Department of Petroleum and Energy
Non-voting member	GoPNG	Dr Ken Ngangan, Secretary	Samuel Penias, Deputy Secretary	Margaret Tenakanai, First Assistant Secretary, Non-Tax Revenue Division	Department of Finance
Non-voting Member	GoPNG	Hakaua Harry, Secretary	Sanja Pepae, Assistant Secretary - Economic Policy Branch	Langa Kopio, Senior Economist Policy Division	Department of National Planning and Monitoring
Voting Member	SoE	Francis Lola, Officer In Charge	Saki Ipata- Chief Financial Officer	Noreen Gugume - Manager Accounts	Kumul Minerals Holdings Ltd
Voting Member	SoE	Wapu Sonk, Managing Director	Ian Maru General Manager Stakeholder Relations	Brad Mitchel, General Manager, Corporate Services,	Kumul Petroleum Holdings Ltd
Non-voting Member	GoPNG	Harry Kore, Secretary	John Arumba, Deputy Secretary	Asavi Kendua, Assistant Director Policy Advisory Branch	Department of Mineral Policy and Geohazards Management
Non-voting Member	GoPNG	Bruce Java	Acting Director, Non-renewable Resources		Department of Prime Minister & NEC
Non-voting Member	GoPNG				Office of Public Solicitor
Non-voting Member	GoPNG	Gunther Joku, Managing Director	Michael Wau, Deputy Director Environmental Regulation Division	Robert Sine, Manager Mining Industry Compliance	Conservation & Environment Protection Authority
Non-voting Member	GoPNG	Philip Nauga, Auditor general	Andy Vui- Deputy Auditor - General	Lemeki Ila- Deputy Auditor -General	Auditor General's Office
Voting Member	SoE	Augustine Mano, Managing Director	Imbi Tagune, General Manager External Affairs	Steven Evekone, Manager External Affairs	Mineral Resources Development Company
Non-voting member	SoE	Thomas Abe, Managing Director	Apaitia Veiogo, Chief Financial Officer	Steven Kikala, Senior Portfolio Manager	Kumul Consolidated Holdings Ltd

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	Industry	Philippe Blanchard, Managing Director	Richard Kassman OBE, Government Relations Manager		Total E & P Ltd
Voting Member	Industry	Anthony Smare, Director	Ila Temu, Country Manager		Barrick Niugini Ltd
Voting Member	Industry	Andrew Barry, Lead Country Manager	Robert Aisi, General Manager, External Affairs	Stanley Yarka, Advisor External Affairs	ExxonMobil PNG Ltd
Voting Member	Industry	Kepas Wali, Executive Manager Corporate Affairs PNG			Harmony Gold
Voting Member	Industry	Peter Aitsi, Country Manager	Borone Isana, Manager Government Liaison		Newcrest Mining Ltd
Voting Member	Industry	Gerea Aopi, Executive General Manager of External Affairs & Sustainability	Willie Kupo, General Manager of Community & External Affairs	Cornelius Soagai, Government Affairs	Oil Search (PNG) Ltd
Voting Member	Industry	Dr Albert Mellam, Executive Director	Leah Warupi, Project Coordinator	Emmanuel Powuh David, Project Coordinator	PNG Chamber of Mines and Petroleum
Voting Member	CSO	Lawrence Stephens, TIPNG Chairman	Emily Taule, Executive Director		Transparency International PG (TIPNG)
Voting Member	CSO	Paul Barker, Executive Director	Douveri Henao, Research Officer	Marjorie Andrew, Research Fellow	Institute of National Affairs (INA)
Voting Member	CSO	Wallis Yakam, Executive Officer	Henry Yamo, Deputy Executive Officer	Elizabeth Avaisa, Sr. Project Officer, Public Budgets & Expenditure	Consultative Implementation and Monitoring Council (CIMC)
Voting Member	CSO	Thomas Paka, Executive Director		Mary Boni, Manager Programs, Governance & Research	EcoForestry Forum
Voting Member	CSO	Mayambo Peipul, Project Manager			Business Against Corruption Alliance (BACA)
Voting Member	CSO	Patrick Yepe Lombaia, Executive Director	Harrison Owage, Program Manager	Baru Amenu, Project Coordinator	Papua New Guinea Mining Watch Association Inc.
Voting Member	CSO	Father Denny Guka			PNG Council of Churches (PNGGCC)
Non-voting Member	CSO	Martyn Namorong, National Coordinator			PNG Resource Governance Coalition

Appendix B Social expenditure detail

Where companies have provided a more detailed breakdown of expenditure within the categories of Mandatory and Discretionary social expenditure, these are shown below, as a supplement to Table 11 (Ch6.5)

Oil Search	
Mandatory social expenditure	PGK
	0
Discretionary social expenditure	
Oil Search Foundation donation	38,516,000
Community development projects	1,571,000
Community education sponsorships and support	739,000
Partnerships	1,576,000
Other donations	1,005,000
Hidden Valley JV	
Mandatory social expenditure	
Benefit share agreement	1,492,007
Discretionary social expenditure	
Community development (LO villages)	283,373
Nakuwi Landowner Association Support	174,474
In-kind donation to LO communities	0
Barrick (Niugini) Ltd	
Mandatory social expenditure	
Compensation, education & training and TCS	37,887,974
Discretionary social expenditure	
Unspecified beneficiaries	1,462,087
Tolukuma Gold Mines Ltd	
Mandatory social expenditure	
	0
Discretionary social expenditure	
Sports: Team Central and local landowners	14,566
Land rental, social disturbance and water*	0^

Ok Tedi Mining Ltd	
Mandatory social expenditure	
Compensation payments	
CMCA	
Nupmo	3,848,000
Tutuwe	5,340,000
Wari Tri	9,896,000
Middle Fly	10,857,000
Sub Total CMCA	29,942,000
South Fly	
Kiwaba	3,065,000
Suki Fly Gogo	2,788,000
Dudi	2,612,000
Manawette	3,126,000
Sub-total South Fly	11,591,000
Sub-total CMCA compensation payments	41,533,000
Mine villages [§]	
Atemkit	83,000
Bultem	1,672,000
Finalbin	117,000
Kavorabip	141,000
Migalsimbip	443,000
Wangbin	613,000
Sub-total mine villages	3,068,000
Lease [†]	
Lease-local	1,858,000
Land rental (government)	507,000
Land lease payments (community)	89,000
Land lease compensation LMP79 -Kobom	920,000
Land lease compensation LMP37-Aekyom	986,000
Lease-Lamin Trust	556,000
Sub-total lease payments	4,917,000
Eight Supplement	
Eighth supplemental agreement - Heduru	30,066,000
Total mandatory social expenditure	79,584,000
Discretionary social expenditure	
Various donations	27,000
Compensation general (others)	70,000
Total discretionary social expenditure	97,000

* Land rental via an agreement would be considered a mandatory rather than discretionary expenditure; some would categorise these as commercial rather than social expenditures

^ PGK166,856 in respect of 2016 reported as paid in April 2017

§ The Ok Tedi template lists these payments as xPGK'000, but template totals suggest the same scale as other payments

† Some would categorise these as commercial rather than social expenditures

Appendix C Active mining tenements for 2016

(as reported by MRA)

Code	Name	Parties
Active tenements for reporting period, as at 31 December 2016		
Exploration Licence		
EL 1	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 2	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 3	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 4	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 5	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 6	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 7	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 58	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 193	Ramu	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
EL 440	Wafi	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
EL 454	Porgera	Barrick (Niugini) Ltd (100%)
EL 470	Kainantu	K92 Mining Ltd (100%)
EL 485	Londolovit	Lihir Gold Ltd (100%)
EL 497	Wau	Harmony Gold (PNG) Exploration Ltd (100%)
EL 609	Mapua	Nord Australex Nominees (PNG) Ltd (100%)
EL 677	Waria River	Harmony Gold (PNG) Exploration Ltd (100%)
EL 693	Kainantu	K92 Mining Ltd (100%)
EL 858	McNicoll Range	Barrick (Niugini) Ltd (100%)
EL 1043	NAKRU	Copper Quest PNG Ltd (100%)
EL 1103	Zilani	Newcrest PNG 3 Ltd (50%), Morobe Exploration Ltd (50%)
EL 1105	Wafi Mt	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
EL 1115	Mt Crater	Anomaly Ltd (100%)
EL 1165	Safia Embessa & Obea	Niugini Nickel Ltd (100%)
EL 1170	Mahur Island	Lihir Gold Ltd (100%)
EL 1172	Kulumadau	Woodlark Mining Ltd (100%)
EL 1196	Namatanai	Nautilus Minerals Niugini Ltd (100%)
EL 1212	Frieda	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1279	Kulumadau	Woodlark Mining Ltd (100%)
EL 1312	Nong River	Highlands Pacific Resources Ltd (100%)
EL 1316	Mumeng	Newcrest PNG 3 Ltd (50%), Morobe Exploration Ltd (50%)
EL 1335	Yandera	Yandera Mining Company Ltd (100%)
EL 1341	Yonki	K92 Mining Ltd (100%)
EL 1369	Tsile Tsile	Newcrest PNG Exploration Ltd (100%)
EL 1374	Namatanai	Nautilus Minerals Niugini Ltd (100%)
EL 1390	Kokoda	Oro Nickel Ltd (100%)
EL 1392	Tifalmin	Highlands Pacific Resources Ltd (100%)
EL 1396	Abau	Titan Metals Ltd (90%), TVI Pacific Inc (10%)
EL 1438	Bolobip Station	Niuminco (ND) Ltd (100%)
EL 1441	Hotmin & Ama	Niuminco (ND) Ltd (100%)
EL 1462	Kimbe	Sagittarius Mining Ltd (100%)
EL 1465	Kulumadau	Woodlark Mining Ltd (100%)
EL 1595	Bulago River	Frontier Gold (PNG) Ltd (100%)
EL 1611	Mangiki	Regional Resources (PNG) Ltd (100%)
EL 1629	Garaina	Morobe Consolidated Goldfields Ltd (50%), Newcrest PNG 3 Ltd (50%)
EL 1677	Kauwol	Ok Tedi Mining Ltd (100%)
EL 1704	Obura	Newcrest PNG Exploration Ltd (100%)
EL 1705	Obura	Newcrest PNG Exploration Ltd (100%)
EL 1734	Moveave	Hells Gate Exploration Ltd (100%)

Code	Name	Parties
EL 1744	Iniok	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1745	Magleri	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1746	Magleri	Frieda River Ltd (100%)
EL 1747	Misima Island	Gallipoli Exploration (PNG) Ltd (100%)
EL 1748	Mumeng	Newcrest PNG Exploration Ltd (100%)
EL 1761	Esalala	Highlands Pacific Resources Ltd (100%)
EL 1781	Munbil	Highlands Pacific Resources Ltd (100%)
EL 1782	Powell	Copper Quest PNG Ltd (100%)
EL 1804	Ania	Aries Mining Ltd (100%)
EL 1854	Lila Village	Yandera Mining Company Ltd (100%)
EL 1857	Yangoru	Alexander Mining Ltd (100%)
EL 1873	Kabarau	Waterford Ltd (100%)
EL 1874	Kare	Waterford Ltd (100%)
EL 1875	Wabo	Waterford Ltd (100%)
EL 1876	Kare	Waterford Ltd (100%)
EL 1877	Lihir South	Bismarck Mining Corporation (PNG) Ltd (100%)
EL 1895	Wabia	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1896	Kubkaain	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1956	Ok Isai	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1957	Paupe	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1966	Wabag 1	Viva No. 20 Ltd (100%)
EL 1967	Wabag 2	Viva No. 20 Ltd (100%)
EL 1968	Wabag 3	Viva No. 20 Ltd (100%)
EL 1982	Buso	Katana Iron Ltd (100%)
EL 2001	Benstead	Highlands Pacific Resources Ltd (100%)
EL 2008	Wabag	Pristine No. 18 Ltd (100%)
EL 2010	Wabag	Pristine No. 18 Ltd (100%)
EL 2040	Mt Hagen	Mayur Exploration PNG Ltd (100%)
EL 2051	Mt Nambom	Aries Mining Ltd (100%)
EL 2095	Sideia	Mayur Exploration PNG Ltd (100%)
EL 2096	Warambif	Mayur Exploration PNG Ltd (100%)
EL 2149	Amazon Bay	Titan Metals Ltd (100%)
EL 2150	Gulf South	Mayur Iron PNG Ltd (100%)
EL 2156	Tabubil	Ok Tedi Mining Ltd (100%)
EL 2203	Crater Mountain	Anomaly Ltd (100%)
EL 2212	Dagua	Alexander Mining Ltd (100%)
EL 2249	Gwasa	Anomaly Ltd (100%)
EL 2256	Tabubil	Ok Tedi Mining Ltd (100%)
EL 2266	Kiwai Island	Mayur Iron PNG Ltd (100%)
EL 2267	Segero	Mayur Iron PNG Ltd (100%)
EL 2268	Dibiri	Mayur Iron PNG Ltd (100%)
EL 2269	Baimuru	Mayur Iron PNG Ltd (100%)
EL 2281	Maruta	Titan Mines Ltd (100%)
EL 2287	Chuave	Simbu Limestone Development Corporation Ltd (100%)
EL 2288	Chuave	Simbu Limestone Development Corporation Ltd (100%)
EL 2289	Tabubil	Ok Tedi Mining Ltd (100%)
EL 2297	Daru	Mayur Iron PNG Ltd (100%)
EL 2302	Bulolo	Canterbury Resources (PNG) Ltd (100%)
EL 2303	Pinu Village	Mayur Iron PNG Ltd (100%)
EL 2304	Terapo	Mayur Iron PNG Ltd (100%)
EL 2305	Ihu	Mayur Iron PNG Ltd (100%)
EL 2306	Kompam Station	Khor ENG Hock & Sons (PNG) Ltd (100%)
EL 2309	Tsile Tsile	Rio Tinto Exploration (PNG) Ltd (100%)
EL 2310	Hauwindi	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2313	Wau	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2314	Bulolo	Canterbury Resources (PNG) Ltd (100%)
EL 2318	Haia Village	Anomaly Ltd (100%)

Code	Name	Parties
EL 2321	Kau Creek	Pacific Niugini Minerals (PNG) Ltd (100%)
EL 2322	Ulpuna	Sagittarius Mining Ltd (100%)
EL 2324	Tambu Bay	Komomoa Energy Resources PNG Ltd (100%)
EL 2325	Rambusa-Sudest Island	Aus PNG Mining Ltd (100%)
EL 2328	Yangoru and Kubalia	West Coast Mining Ltd (100%)
EL 2329	Bulolo	Niugini Gold Mining Ltd (100%)
EL 2330	Ningerum	Apollo Mineral Resources Ltd (100%)
EL 2331	Port Moresby, Metago	New Britain Lime & Cement Ltd (100%)
EL 2332	Port Moresby, Boera	New Britain Lime & Cement Ltd (100%)
EL 2334	Ubaigubi	Anomaly Ltd (100%)
EL 2335	Maimafu	Anomaly Ltd (100%)
EL 2337	Embessa and Wanigela	Niugini Nickel Ltd (100%)
EL 2349	Hukim/Ningerum	Aus PNG Mining Ltd (100%)
EL 2351	Kandep	ESDA PETROMINING LTD (100%)
EL 2353	Ainbul	Sagittarius Mining Ltd (100%)
EL 2355	Wau	Hamdei Mines Ltd (100%)
EL 2356	Muller Range	Frontier Copper (PNG) Ltd (100%)
EL 2357	Dumpu	MB Transport Ltd (100%)
EL 2359	Vanimo and Wutung Govt Stns	Oenake Nickel Ltd (100%)
EL 2360	Ioma Patrol	Luxembourg Investments Ltd (100%)
EL 2361	Bundi Patrol	Luxembourg Investments Ltd (100%)
EL 2365	Ama & Idam	Niuminco (ND) Ltd (100%)
EL 2366	Subutuya	Solway Group Mining (PNG) Ltd (100%)
EL 2367	Sebutuya	Solway Group Mining (PNG) Ltd (100%)
EL 2371	Wau	New Leaf Development Ltd (100%)
EL 2372	Green River Station	Telemu No.92 Ltd (100%)
EL 2375	Ala River	Frontrunner Exploration PNG Ltd (100%)
EL 2376	Basamuk	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (8.56%), Mineral Resources Ramu Ltd (3.94%), Mineral Resources Madang Ltd (2.5%)
EL 2378	Loirengau	Finny Ltd (100%)
EL 2379	Simuku and Ismin	Copper Quest PNG Ltd (100%)
EL 2380	Amazon Bay	Boomine Investment and Development Company Ltd (100%)
EL 2384	Gerepo	Solway Group Mining (PNG) Ltd (100%)
EL 2385	Ononge/Sigufe	Tolukuma Gold Mines Ltd (100%)
EL 2386	Kuabini	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2390	Loirengau	Finny Ltd (100%)
EL 2391	Doma Village	Papuan Minerals Ltd (100%)
EL 2393	Ioma	Cheroh Mining PNG Ltd (100%)
EL 2394	Mussau Island	Cheroh Mining PNG Ltd (100%)
EL 2395	Lou Island	Cheroh Mining PNG Ltd (100%)
EL 2396	Manus	Cheroh Mining PNG Ltd (100%)
EL 2397	Kubuna	Cheroh Mining PNG Ltd (100%)
EL 2398	Siassi Island	Cheroh Mining PNG Ltd (100%)
EL 2399	Panaeati Island	Cheroh Mining PNG Ltd (100%)
EL 2400	Namatanai	Cheroh Mining PNG Ltd (100%)
EL 2401	Amanab	EL Dorado Mining and Energy Ltd (100%)
EL 2402	Garaina Station	Morobe Minerals & Metals Company Ltd (100%)
EL 2403	Mt Lawson	Morobe Minerals & Metals Company Ltd (100%)
EL 2405	Kupiano	Kavra Maah Ltd (100%)
EL 2406	Sulovat, Kimbe WNB	GMG Global Mining Group Ltd (100%)
EL 2408	Sikut Government Station	Ballygowan Ltd (100%)
EL 2409	Roku/Ulpuna	Sagittarius Mining Ltd (100%)
EL 2413	Leron Plains	Rio Tinto Exploration (PNG) Ltd (100%)
EL 2415	Maprik	West Coast Mining Ltd (100%)
EL 2416	Upper Yandera	Cheroh Mining PNG Ltd (100%)
EL 2417	Simbai	Golden Dook International Ltd (100%)
EL 2418	Bulolo	Canterbury Resources (PNG) Ltd (100%)

Code	Name	Parties
EL 2419	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2420	Kwikila	Property New Group Ltd (100%)
EL 2421	Amboin	Aiabba Minerals (PNG) Ltd (100%)
EL 2426	Keman	GMN 6768 (PNG) Ltd (100%)
EL 2430	Meriamanda	GMN 6768 (PNG) Ltd (100%)
EL 2431	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2432	Sinua	Footprint Resources Pty Ltd (100%)
EL 2433	Namatanai	Cheroh Mining PNG Ltd (100%)
EL 2444	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2451	Alotau	Apollo Mineral Resources Ltd (100%)
EL 2460	Kompiam	Property New Group Ltd (100%)
EL 2461	Mt Andewa	Baldoyle Ltd (100%)
EL 2462	Mapua	Nord Australex Nominees (PNG) Ltd (100%)
EL 2467	Mount Abemh	Highlands Pacific Resources Ltd (100%)
Special mining lease		
SML 1 (O)	Mt Fubilan	Ok Tedi Mining Ltd (100%)
SML 1 (P)	Porgera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
SML 6	Luise Caldera	Lihir Gold Ltd (100%)
SML 8	Kurumbukari	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (8.56%), Mineral Resources Ramu Ltd (3.94%), Mineral Resources Madang Ltd (2.5%)
SML 1 (B)	Panguna	Bougainville Copper Pty Ltd (100%)
Mining Lease		
ML 101	Porgera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
ML 104	Tolukuma	Tolukuma Gold Mines Ltd (100%)
ML 125	Lihir	Lihir Gold Ltd (100%)
ML 126	Lihir	Lihir Gold Ltd (100%)
ML 136	Simberi	Simberi Gold Company Ltd (100%)
ML 144	Wau Station	Niuminco Eddie Creek Ltd (100%)
ML 149	Basamuk	Ramu Nickel Ltd (100%)
ML 150	Bilimoia - Kainantu	K92 Mining Ltd (100%)
ML 151	Hidden Valley	Newcrest PNG 1 Ltd (50%), Morobe Consolidated Goldfields Ltd (50%)
ML 154	Bismarck Sea	Nautilus Minerals Niugini Ltd (85%), Eda Kopa (Solwara) Ltd (15%)
ML 204	Bulolo River	Gwailong Nalek (100%)
ML 217	Upper Eddie, Merri Creek	Kipson Tirisa Avengo (100%)
ML 237 - ML 239	Bulolo River	Aviong Litewong (50%), Muloing Belekin (50%)
ML 244	Upper Watut	Kenneth Merik (100%)
ML 270 - ML 277	Bulolo River	Aviong Ritewong (100%)
ML 285 - ML 288	Lower Eddie Creek	Bunip Orok (50%), Guwi Yanzing (50%)
ML 289 - ML 291	Karonga Creek	Yowas Juri (100%)
ML 296 - ML 301	Koranga	Kula Sionjin (100%), Koihma Lian (100%), Willie Gabo (100%), Bun Man (100%), Bataki Tiving (100%), Tom Marika (100%), Yowas Juara (100%)
ML 345	Bulolo River	Faranz Kenggis (100%)
ML 346 - ML 349	Bulolo River	Faranz Kenggis (100%)
ML 380	Bartletts Creek	Niuminco Eddie Creek Ltd (100%)
ML 384	Eddie Creek	Niuminco Eddie Creek Ltd (100%)
ML 402	Eddie Creek	Niuminco Eddie Creek Ltd (100%)
ML 444	Eddie Creek	Niuminco Eddie Creek Ltd (100%)
ML 457	Bulowat	PNG Forest Products Mining (Bulolo) Ltd (50%), Pacific Niugini Minerals (Bulolo) Ltd (50%)
ML 462	Eddie Creek	Niuminco Eddie Creek Ltd (100%)
ML 501	Kaubwaga	Paulos Kalo (50%), Watson Ilai (50%)
ML 506	Simbai	Kuh Chun Ltd (51%), Dae Han Resources Development Ltd (49%)

Code	Name	Parties
ML 507	Mt Daum	Kawari Wiem Ltd (100%)
ML 508	Kulumadau	Woodlark Mining Ltd (100%)
ML 510	Mt. Crater	Anomaly Ltd (100%)
ML 513	Tamo	Lost River Mining Ltd (100%)
Alluvial Mining Lease		
AML 581	Mt Victor	Joe Bumbandi (100%)
AML 591	Bulolo	Aking Soap (100%)
AML 693	Maprik-Kimbaungna	John Tika (100%)
AML 701	Ningerum Station	Brulla Clan (100%)
AML 702	Ningerum Station	Brulla Clan (100%)
AML 703	Ningerum Station	Brulla Clan (100%)
AML 704	Ningerum Station	Brulla Clan (100%)
AML 705	Ningerum Station	Brulla Clan (100%)
AML 715	Tabubil	David Dakopnak (50%), Joel Asek (50%)
AML 724	Wanabelo Village	Solomon Telepimo (100%)
AML 725	Wanabelo Village	Solomon Telepimo (100%)
AML 726	Wanabelo Village	Solomon Telepimo (100%)
AML 727	Wanabelo Village	Solomon Telepimo (100%)
AML 728	Blackcat Mt	Levi Iling (100%)
AML 729	Blackcat Mt	Levi Iling (100%)
AML 730	Blackcat Mt	Levi Iling (100%)
AML 731	Blackcat Mt	Levi Iling (100%)
AML 732	Blackcat Mt	Levi Iling (100%)
AML 733	Blackcat Mt	Levi Iling (100%)
AML 734	Blackcat Mt	Levi Iling (100%)
AML 735	Blackcat Mt	Levi Iling (100%)
AML 736	Blackcat Mt	Thomas Wanas (100%)
AML 737	Blackcat Mt	Thomas Wanas (100%)
AML 738	Blackcat Mt	Thomas Wanas (100%)
AML 739	Blackcat Mt	Thomas Wanas (100%)
AML 740	Blackcat Mt	Thomas Wanas (100%)
AML 741	Blackcat Mt	Thomas Wanas (100%)
AML 742	Blackcat Mt	Thomas Wanas (100%)
AML 743	Blackcat Mt	Migel Kumbe (100%)
AML 744	Blackcat Mt	Migel Kumbe (100%)
AML 745	Blackcat Mt	Migel Kumbe (100%)
AML 746	Blackcat Mt	Migel Kumbe (100%)
AML 747	Blackcat Mt	Migel Kumbe (100%)
AML 748	Blackcat Mt	Migel Kumbe (100%)
AML 752	Bulolo National Highway	Jimmy Kusambi (100%)
AML 753	Kompiani	Amai Waimayoko (100%)
AML 754	Kompiani	Amai Waimayoko (100%)
AML 755	Kompiani	Amai Waimayoko (100%)
AML 757	Siu	Siu Peoples Association Inc (100%)
AML 767	Bulolo	Ismael Kila Kawa (100%)
AML 768	Tamo	William Kurusi Asin (100%)
AML 769	Tamo	William Kurusi Asin (100%)
AML 770	Tamo	William Kurusi Asin (100%)
AML 771	Tamo	William Kurusi Asin (100%)
AML 772	Tamo	William Kurusi Asin (100%)
AML 773	Tamo	William Kurusi Asin (100%)
AML 774	Tamo	William Kurusi Asin (100%)
AML 775	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 776	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 777	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 778	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)

Code	Name	Parties
AML 779	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 780	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 781	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 782	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 783	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 784	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 785	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 786	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 787	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 788	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 789	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 790	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 791	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 792	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 793	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 794	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 795	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 796	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 797	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 798	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
Lease for Mining Purpose		
LMP 1 (O)	Mt Fubilan	Ok Tedi Mining Ltd (100%)
LMP 1 (P)	Suyan - Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 2 (P)	Waile Creek - Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 3 (P)	Anawe - Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 4 (P)	Tipinini Camp - Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 9 (O)	Primpem Smarden	Ok Tedi Mining Ltd (100%)
LMP 12 (O)	Near Ningerum	Ok Tedi Mining Ltd (100%)
LMP 16 (O)	Sawmill Flats	Ok Tedi Mining Ltd (100%)
LMP 17(O)	Lower Ok Tedi Gravel Pit South	Ok Tedi Mining Ltd (100%)
LMP 22 (O)	Near yuk Creek	Ok Tedi Mining Ltd (100%)
LMP 27 (O)	Kumsumbip	Ok Tedi Mining Ltd (100%)
LMP 28 (O)	Tabubii	Ok Tedi Mining Ltd (100%)
LMP 29 (O)	Dublan Creek	Ok Tedi Mining Ltd (100%)
LMP 31	Kuambit - Kiunga	Ok Tedi Mining Ltd (100%)
LMP 32	Krohoi - Kiunga	Ok Tedi Mining Ltd (100%)
LMP 33	Hukit - Kiunga	Ok Tedi Mining Ltd (100%)
LMP 34	Kennecott	Lihir Gold Ltd (100%)
LMP 35	Lihir	Lihir Gold Ltd (100%)
LMP 36	Wangbin Settlement	Ok Tedi Mining Ltd (100%)
LMP 38	Lihir	Lihir Gold Ltd (100%)
LMP 39	Lihir	Lihir Gold Ltd (100%)
LMP 40	Lihir	Lihir Gold Ltd (100%)
LMP 41	Kogai	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 42	Plant Site - Basamuk	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 43	Accommodation Site - Basamuk	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 44	Water Pump Site - Kurumbukari	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 45	Pipline Pump Station - Usino	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 46	Pipeline Switch yard - Usino	Ramu Nickel Ltd (85%), MCC Ramu NiCo Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 47	Pipeline Switch yard - Ato Junction	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)

Code	Name	Parties
LMP 48	Pipeline Pump Station 1 - Rai Cost	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 49	Pipeline Pump Station 2 - Rai Cost	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
LMP 61 (P)	Kaiya River	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 72	Anawe North	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 73	Ningerum	Ok Tedi Mining Ltd (100%)
LMP 74	Ningerum	Ok Tedi Mining Ltd (100%)
LMP 75	Tabubil	Ok Tedi Mining Ltd (100%)
LMP 76	Ningerum	Ok Tedi Mining Ltd (100%)
LMP 77	Anawe South	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 78	Kainantu	Placer Dome Oceania Ltd (100%)
LMP 79	OTML	Ok Tedi Mining Ltd (100%)
LMP 80	Hidden Valley	Newcrest PNG 1 Ltd (50%), Morobe Consolidated Goldfields Ltd (50%)
LMP 81	Ningerum	Ok Tedi Mining Ltd (100%)
LMP 82	Wakiam	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
LMP 84	Basamuk	Ramu Nickel Management (MCC) Ltd (100%)
LMP 85	Bige	Ok Tedi Mining Ltd (100%)
LMP 87	Portion 12C	Ok Tedi Mining Ltd (100%)
LMP 88	Lukwi	Ok Tedi Mining Ltd (100%)
LMP 89	Kulumadau	Woodlark Mining Ltd (100%)
LMP 90	Kulumadau	Woodlark Mining Ltd (100%)
LMP 91	Kulumadau	Woodlark Mining Ltd (100%)
LMP 92	Kulumadau	Woodlark Mining Ltd (100%)
LMP 93	Kulumadau	Woodlark Mining Ltd (100%)
Mining Easement		
ME 1 (P)	Hydes Power	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
ME 2 (P)	Walie River Pipeline	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
ME 3 (O)	Tabubil	Ok Tedi Mining Ltd (100%)
ME 3 (P)	Suyan Creek - Pongema	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
ME 4 (O)	Yuk Dablan Creek	Ok Tedi Mining Ltd (100%)
ME 4 (P)	Suyan Creek - Aipulunga	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
ME 71	Lihir	Lihir Gold Ltd (100%)
ME 72	Lihir	Lihir Gold Ltd (100%)
ME 73	Lihir	Lihir Gold Ltd (100%)
ME 75	Slurry pipe - Kurumbukari	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
ME 76	Access Road - Ramu River	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
ME 77	Water pipe - Kurumbukari	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
ME 78	Plant site to accomodation	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
ME 79	Plant site to quarry	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
ME 80	Kainantu	K92 Mining Ltd (100%)
ME 81	Kainantu	K92 Mining Ltd (100%)
ME 82	Wau	Newcrest PNG 1 Ltd (50%), Morobe Consolidated Goldfields Ltd (50%)
ME 83	Usino	MCC Ramu NiCo Ltd (100%)
ME 85	Kulumandau	Woodlark Mining Ltd (100%)
ME 86	Kulumadau	Woodlark Mining Ltd (100%)
New applications granted for reporting period, as at 31 December 2016		
Exploration Licence		
EL 2430	Meriamanda	GMN 6768 (PNG) Ltd (100%)
EL 2431	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2432	Sinua	Footprint Resources Pty Ltd (100%)

Code	Name	Parties
EL 2433	Namatanai	Cheroh Mining PNG Ltd (100%)
EL 2444	Tamo	EL Dorado Mining and Energy Ltd (100%)
EL 2451	Alotau	Apollo Mineral Resources Ltd (100%)
EL 2460	Kompam	Property New Group Ltd (100%)
EL 2461	Mt Andewa	Baldoye Ltd (100%)
EL 2462	Mapua	Nord Australex Nominees (PNG) Ltd (100%)
EL 2467	Mount Abemh	Highlands Pacific Resources Ltd (100%)
EL 2440	Blup Blup Island	Nautilus Minerals Niugini 4 Ltd (100%)
EL 2442	Loirengau	Nautilus Minerals Niugini 4 Ltd (100%)
EL 2443	Loirengau	Nautilus Minerals Niugini 4 Ltd (100%)
Special mining lease		
0		
Mining Lease		
ML 513	Tamo	Lost River Ltd (100%)
Alluvial Mining Lease		
AML 767	Bulolo	Ismael Kila Kawa (100%)
AML 768	Tamo	William Kurusi Asin (100%)
AML 769	Tamo	William Kurusi Asin (100%)
AML 770	Tamo	William Kurusi Asin (100%)
AML 771	Tamo	William Kurusi Asin (100%)
AML 772	Tamo	William Kurusi Asin (100%)
AML 773	Tamo	William Kurusi Asin (100%)
AML 774	Tamo	William Kurusi Asin (100%)
AML 775	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 776	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 777	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 778	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 779	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 780	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 781	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 782	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 783	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 784	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 785	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 786	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 787	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 788	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 789	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 790	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 791	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 792	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 793	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 794	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 795	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 796	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 797	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 798	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
Lease for Mining Purpose		
0		
Mining Easement		
0		

Code	Name	Parties
Renewal applications granted for reporting period, as at 31 December 2016		
Exploration Licence		
EL 454	Porgera	Barrick (Niugini) Ltd (100%)
EL 497	Wau	Harmony Gold (PNG) Exploration Ltd (100%)
EL 858	McNicoll Range	Barrick (Niugini) Ltd (100%)
EL 1043	NAKRU	Copper Quest PNG Ltd (100%)
EL 1165	Safia Embessa & Obea	Niugini Nickel Ltd (100%)
EL 1312	Nong River	Highlands Pacific Resources Ltd (100%)
EL 1316	Mumeng	Newcrest PNG 3 Ltd (50%), Morobe Exploration Ltd (50%)
EL 1341	Yonki	K92 Mining Ltd (100%)
EL 1369	Tsile Tsile	Newcrest PNG Exploration Ltd (100%)
EL 1374	Namatanai	Nautilus Minerals Niugini Ltd (100%)
EL 1595	Bulago River	Frontier Gold (PNG) Ltd (100%)
EL 1629	Garaina	Morobe Consolidated Goldfields Ltd (50%), Newcrest PNG 3 Ltd (50%)
EL 1744	Inlok	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1745	Magleri	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1746	Magleri	Frieda River Ltd (100%)
EL 1748	Mumeng	Newcrest PNG Exploration Ltd (100%)
EL 1761	Esalala	Highlands Pacific Resources Ltd (100%)
EL 1781	Munbil	Highlands Pacific Resources Ltd (100%)
EL 1873	Kabarau	Waterford Ltd (100%)
EL 1874	Kare	Waterford Ltd (100%)
EL 1875	Wabo	Waterford Ltd (100%)
EL 1876	Kare	Waterford Ltd (100%)
EL 1877	Lihir South	Bismarck Mining Corporation (PNG) Ltd (100%)
EL 1895	Wabia	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1896	Kubkaain	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1956	Ok Isai	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1957	Paupe	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 2001	Benstead	Highlands Pacific Resources Ltd (100%)
EL 2040	Mt Hagen	Mayur Exploration PNG Ltd (100%)
EL 2095	Sideia	Mayur Exploration PNG Ltd (100%)
EL 2096	Warambif	Mayur Exploration PNG Ltd (100%)
EL 2150	Gulf South	Mayur Iron PNG Ltd (100%)
EL 2156	Tabubil	Ok Tedi Mining Ltd (100%)
EL 2266	Kiwai Island	Mayur Iron PNG Ltd (100%)
EL 2269	Baimuru	Mayur Iron PNG Ltd (100%)
EL 2281	Maruta	Titan Mines Ltd (100%)
EL 2303	Pinu Village	Mayur Iron PNG Ltd (100%)
EL 2304	Terapo	Mayur Iron PNG Ltd (100%)
EL 2305	Ihu	Mayur Iron PNG Ltd (100%)
EL 2309	Tsile Tsile	Rio Tinto Exploration (PNG) Ltd (100%)
EL 2310	Hauwindi	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2313	Wau	Harmony Gold (PNG) Exploration Ltd (100%)
EL 2330	Ningerum	Apollo Mineral Resources Ltd (100%)
Special mining lease		
0		
Mining Lease		
0		
Alluvial Mining Lease		
Code	Name	Parties
AML 603	Fatako	Tembi Simungi (100%)
AML 628	Alotau	Garuboi Taupona (100%)

Code	Name	Parties
AML 629	Alotau	Garuboi Taupona (100%)
AML 630	Alotau	Garuboi Taupona (100%)
AML 631	Alotau	Garuboi Taupona (100%)
AML 632	Alotau	Garuboi Taupona (100%)
AML 633	Alotau	Garuboi Taupona (100%)
AML 634	Alotau	Garuboi Taupona (100%)
AML 635	Alotau	Garuboi Taupona (100%)
AML 636	Alotau	Garuboi Taupona (100%)
AML 637	Alotau	Garuboi Taupona (100%)
AML 638	Alotau	Garuboi Taupona (100%)
AML 639	Alotau	Garuboi Taupona (100%)
AML 640	Alotau	Garuboi Taupona (100%)
AML 641	Alotau	Garuboi Taupona (100%)
AML 642	Alotau	Garuboi Taupona (100%)
Lease for Mining Purpose		
0		
Mining Easement		
0		
Applications under assessment for reporting period, as at 31 December 2016		
Exploration Licence		
EL 1	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 2	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 3	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 4	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 5	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 6	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 7	Kieta	CRA Minerals (PNG) Ltd (100%)
EL 58	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 193	Ramu	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (9%), Mineral Resources Ramu Ltd (4%), Mineral Resources Madang Ltd (2%)
EL 470	Kainantu	K92 Mining Ltd (100%)
EL 609	Mapua	Nord Australex Nominees (PNG) Ltd (100%)
EL 693	Kainantu	K92 Mining Ltd (100%)
EL 1115	Mt Crater	Anomaly Ltd (100%)
EL 1170	Mahur Island	Lihir Gold Ltd (100%)
EL 1212	Frieda	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
EL 1279	Kulumadau	Woodlark Mining Ltd (100%)
EL 1335	Yandera	Yandera Mining Company Ltd (100%)
EL 1390	Kokoda	Oro Nickel Ltd (100%)
EL 1392	Tifalmin	Highlands Pacific Resources Ltd (100%)
EL 1465	Kulumadau	Woodlark Mining Ltd (100%)
EL 1611	Mangiki	Regional Resources (PNG) Ltd (100%)
EL 1677	Kauwol	Ok Tedi Mining Ltd (100%)
EL 1704	Obura	Newcrest PNG Exploration Ltd (100%)
EL 1705	Obura	Newcrest PNG Exploration Ltd (100%)
EL 1747	Misima Island	Gallipoli Exploration (PNG) Ltd (100%)
EL 1854	Lila Village	Yandera Mining Company Ltd (100%)
EL 1966	Wabag 1	Viva No. 20 Ltd (100%)
EL 1967	Wabag 2	Viva No. 20 Ltd (100%)
EL 1968	Wabag 3	Viva No. 20 Ltd (100%)
EL 2008	Wabag	Pristine No. 18 Ltd (100%)
EL 2051	Mt Nambom	Aries Mining Ltd (100%)
EL 2203	Crater Mountain	Anomaly Ltd (100%)
EL 2249	Gwasa	Anomaly Ltd (100%)

Code	Name	Parties
EL 2256	Tabubil	Ok Tedi Mining Ltd (100%)
EL 2287	Chuave	Simbu Limestone Development Corporation Ltd (100%)
EL 2288	Chuave	Simbu Limestone Development Corporation Ltd (100%)
EL 2306	Kompiani Station	Khor ENG Hock & Sons (PNG) Ltd (100%)
EL 2314	Bulolo	Canterbury Resources (PNG) Ltd (100%)
EL 2318	Haia Village	Anomaly Ltd (100%)
EL 2324	Tambu Bay	Komomoa Energy Resources PNG Ltd (100%)
EL 2325	Rambusa-Sudest Island	Aus PNG Mining Ltd (100%)
EL 2329	Bulolo	Niugini Gold Mining Ltd (100%)
EL 2334	Ubaigubi	Anomaly Ltd (100%)
EL 2335	Maimafu	Anomaly Ltd (100%)
EL 2379	Simuku and Ismin	Copper Quest PNG Ltd (100%)
EL 2113	Karkar Island	RG Pacific Ltd (100%)
EL 2124	Rabaul	RG Pacific Ltd (100%)
EL 2153	Keba Creek	Heritage Manda Gold Ltd (100%)
EL 2222	Talasea	Kuth Energy (PNG) Ltd (100%)
EL 2225	Iamalele	Kuth Energy (PNG) Ltd (100%)
EL 2226	Salamo	Kuth Energy (PNG) Ltd (100%)
EL 2407	Takis Village	Ballygowan Ltd (100%)
EL 2429	Mt Kare	GMG Global Mining Group Ltd (100%)
EL 2435	Lake Trist	Morobe Minerals & Metals Company Ltd (100%)
EL 2436	Hides Creek	Morobe Minerals & Metals Company Ltd (100%)
EL 2445	Mt Kare	New Britain Lime & Cement Ltd (100%)
EL 2446	Mt Kare	ACM Contract Mining (PNG) Ltd (100%)
EL 2447	Mt Kare	Summit Development Ltd (100%)
EL 2448	Bulolo	Niwasa Ltd (100%)
EL 2450	Mt Kare	PNG Resources Corporation Ltd (100%)
EL 2453	Prince Alexander Range	Algo Metals Ltd (100%)
EL 2455	Wide Bay	Raffcu Resources Ltd (100%)
EL 2456	Kundiawa	Gold Rising Resources (PNG) Ltd (100%)
EL 2457	Kainantu Government Station	Gold Rising Resources (PNG) Ltd (100%)
EL 2458	Maprik	Gold Rising Resources (PNG) Ltd (100%)
EL 2459	Lumi, Ori and Sengi	Gold Rising Resources (PNG) Ltd (100%)
EL 2463	Mt Daum	Algo Metals Ltd (100%)
EL 2464	Mt Daum	Kawari Pacific Limited (100%)
EL 2465	Dumpu	MB Explorations Ltd (100%)
EL 2466	Metewoi	Rio Tinto Exploration (PNG) Ltd (100%)
EL 2468	Green River	EL Dorado Mining and Energy Ltd (100%)
EL 2469	Mt Daum	Algo Metals Ltd (100%)
EL 2470	Kopi	Pacific Sterling Ltd (100%)
EL 2471	Mt Kare	South PGR Ltd (100%)
EL 2473	Mt Kare	Golden Heart Mining Corp Ltd (100%)
EL 2476	Sewatupa River	Frontier Copper (PNG) Ltd (100%)
EL 2477	Lake Lavu	Frontier Copper (PNG) Ltd (100%)
EL 2480	Othona	Highlands Pacific Resources Ltd (100%)
EL 2481	Mapamoiwa	Tex Onsite PNG Ltd (100%)
EL 2482	Basima	Solway Group Mining (PNG) Ltd (100%)
EL 2483	Mapamoiwa	Pacific Arc Resources (Niugini) Ltd (100%)
EL 2484	Basima	Highlands Pacific Resources Ltd (100%)
EL 2485	Mapamoiwa	Pacific Arc Resources (Niugini) Ltd (100%)
EL 2486	Mapamoiwa	Tex Onsite PNG Ltd (100%)
EL 2487	Igwageta	Frontier Copper (PNG) Ltd (100%)
EL 2488	Igwageta	Baldoye Ltd (100%)
EL 2489	Kukuya	Solway Group Mining (PNG) Ltd (100%)
EL 2490	Kukuia	Highlands Pacific Resources Ltd (100%)
EL 2491	Sehulea	Reekara Ltd (100%)
EL 2492	Sehulea	Pacific Arc Resources (Niugini) Ltd (100%)

Code	Name	Parties
EL 2493	Bwasiaiai River	Highlands Pacific Resources Ltd (100%)
EL 2494	Mwatebu Village	Dansar Mining 1 Ltd (100%)
EL 2495	Sehulea	Tex Onsite PNG Ltd (100%)
EL 2497	Sheulea	Kalang Ltd (100%)
EL 2498	Imwauna	Baldoye Ltd (100%)
EL 2499	Imwauna	Frontier Copper (PNG) Ltd (100%)
EL 2500	Bosalewa	Solway Group Mining (PNG) Ltd (100%)
EL 2501	Yengis Station	Pacific Arc Resources (Niugini) Ltd (100%)
EL 2502	Pakapuna	LogiKon Corporation Pty Ltd (100%)
EL 2503	Mt Kuta	Kraip Energy Ltd (100%)
EL 2504	Sehulea	Baldoye Ltd (100%)
EL 2505	Esa'ala Station	Kalang Ltd (100%)
EL 2506	Sehulea	Dansar Mining 1 Ltd (100%)
EL 2507	Sehulea	Frontier Copper (PNG) Ltd (100%)
EL 2508	Makua	WCB PNG Exploration Ltd (100%)
EL 2509	Tapini	Canterbury Resources (PNG) Ltd (100%)
EL 2510	Screw River	Kavra Maah Ltd (100%)
EL 2511	Opa	Munga River Ltd (100%)
EL 2512	Kubor Range	Munga River Ltd (100%)
EL 2513	Kol Mountains	Frontrunner Exploration PNG Ltd (100%)
EL 2514	Makmak	Copper Quest PNG Ltd (100%)
EL 2516	Sinivit, ENB	Munga River Ltd (100%)
Special mining lease		
SML 9	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
SML 10	Mt Golpu	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
SML (1) B	Panguna	Bougainville Copper Pty Ltd (100%)
Mining Lease		
ML 114	Mangi Vill, Wau	Aaron Apinko (100%), Kieran Harrington (100%)
ML 206	Watut River	Aaron Nanga (100%)
ML 211	Eddie Creek	Stanley Bililik (100%)
ML 213	Upper Watut	Kleopas Bintang (100%)
ML 241	Iroa Creek	Mathew Nanem (100%)
ML 246	Upper Watut	Yoasi Peni (100%)
ML 253 - ML 256	Bulolo River	Mark Midiso (100%)
ML 257	Iroa, Upper Watut	Luke Sangi (100%)
ML 307	Eddie Creek	James Nuipangor (100%)
ML 340	Withern Creek	Yuana Saro (100%)
ML 368	State Creek	Nanoa Metu (100%)
ML 373	Upper Watut River	Elizabeth Sak (100%)
ML 375	Watut Bridge	Evangelical Lutheran Church (100%)
ML 412	Gumi Creek	Granggo Ateo (100%)
ML 418	Watut River	Aaron Nanga (100%)
ML 511	Wau	Niuminco Eddie Creek Ltd (100%)
ML 28	Mumeng	Bayawaha Limestone Company Ltd (100%)
ML 205	Watut River	Guyar Bamon (100%)
ML 252	Bulolo River	Kivi Kavare (100%)
ML 339	Bulolo	Belentina Philip (100%)
ML 157	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ML 202	Lambu Creek	Nando Tagung (100%)
ML 203	Sumsum	Deba Wisan (100%)
ML 303	Bulolo River	Ogensa Manwang (100%)
ML 512	Solwara 12	Nautilus Minerals Niugini Ltd (100%)
ML 201	Sumsum	Kiakia
ML 259	Upper Watut	Nick Wami (100%)
ML 283	Sandy Creek	Tani Sifuro (100%)

Code	Name	Parties
ML 515	Bulolo	Meka Yamo (100%)
ML 120	Mangi Village	G Elly (50%), G Pono (50%)
Alluvial Mining Lease		
AML 013	Buldog - UpperWatut	Jacob Simon (50%), Peter Askai (50%)
AML 033	Sabi Creek	Kamane Saroa (100%)
AML 039	Kotara	Jacob Simon (100%)
AML 101	Slate Creek	Jacob Uyampo (100%)
AML 102	Eddie Creek	Wapimaneto Nadawiko (100%)
AML 103	Slate Creek	Wapimaneto Nadawiko (100%)
AML 115	Leklu	Manase Guiyi (100%)
AML 116	Leklu	Manase Guiyi (100%)
AML 117	Leklu	Manase Guiyi (100%)
AML 118	Leklu	Manase Guiyi (100%)
AML 119		Party Unknow
AML 627	Nanum River	Patric Newmnan (50%), Benjamin Tuamilir (50%)
AML 643	Little Wau Creek	Martin Kilimbu (100%)
AML 806	Bulolo	Anton Bingtau (100%)
AML 808	Tabubil	Dimangi Buman (100%)
AML 810	Ningerum Station	Ok Temka Clan (100%)
AML 811	Ningerum Station	Ok Temka Clan (100%)
AML 812	Ningerum Station	Ok Temka Clan (100%)
AML 813	Ningerum Station	Ok Temka Clan (100%)
AML 814	Ningerum Station	Tama Clan (100%)
AML 815	Ningerum Station	Tama Clan (100%)
AML 816	Ningerum Station	Tama Clan (100%)
AML 817	Ningerum Station	Tama Clan (100%)
AML 818	Ningerum Station	Tama Clan (100%)
AML 819	Ningerum Station	Dawantem Clan (100%)
AML 820	Ningerum Station	Dawantem Clan (100%)
AML 821	Ningerum Station	Dawantem Clan (100%)
AML 822	Ningerum Station	Dawantem Clan (100%)
AML 823	Ningerum Station	Dawantem Clan (100%)
AML 582	No.2 Ship	Panias Alom (100%)
AML 595	Indirike Creek 1	Jeremiah Geme (100%), Itama Mosapip (100%), Ninga Yawa (100%)
AML 596	Indirike Creek 1	Douglas Tuvelo (100%), Ephrain Yakam (100%), Ninga Yawa (100%), Eric Ben (100%)
AML 598	Kobiak	Ninga Yawa (100%)
AML 628	Alotau	Garuboi Taupona (100%)
AML 629	Alotau	Garuboi Taupona (100%)
AML 630	Alotau	Garuboi Taupona (100%)
AML 631	Alotau	Garuboi Taupona (100%)
AML 632	Alotau	Garuboi Taupona (100%)
AML 633	Alotau	Garuboi Taupona (100%)
AML 634	Alotau	Garuboi Taupona (100%)
AML 635	Alotau	Garuboi Taupona (100%)
AML 636	Alotau	Garuboi Taupona (100%)
AML 637	Alotau	Garuboi Taupona (100%)
AML 638	Alotau	Garuboi Taupona (100%)
AML 639	Alotau	Garuboi Taupona (100%)
AML 640	Alotau	Garuboi Taupona (100%)
AML 641	Alotau	Garuboi Taupona (100%)
AML 642	Alotau	Garuboi Taupona (100%)
AML 603	Fatako	Tembi Simungi (100%)
Lease for Mining Purpose		
LMP 12 (B)	Kieta	Bougainville Copper Pty Ltd (100%)
LMP 94	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)

Code	Name	Parties
LMP 95	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
LMP 96	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
LMP 97	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
LMP 98	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
LMP 99	Erap	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
LMP 100	Finchif	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
LMP 101	Watut River	Wafi Mining Ltd (50%), Newcrest PNG 2 Ltd (50%)
LMP 2 (B)	Kumo Gravel	Bougainville Copper Pty Ltd (100%)
LMP 3 (B)	Rorovana	Bougainville Copper Pty Ltd (100%)
LMP 6 (B)	Jaba River Water Supply	Bougainville Copper Pty Ltd (100%)
LMP 7 (B)	Western Access Road	Bougainville Copper Pty Ltd (100%)
LMP 9 (B)	Port Mine Access Road	Bougainville Copper Pty Ltd (100%)
LMP 10 (B)	Kieta	Bougainville Copper Pty Ltd (100%)
Mining Easement		
ME 1 (B)	East Coast-Kieta	Bougainville Copper Pty Ltd (100%)
ME 87	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 88	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 89	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 90	Frieda River	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 91	Lae	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 92	Bavaga	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)
ME 93	Ngarubuarung	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
ME 94	Wongkins	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)
ME 95	Wongkins	Wafi Mining Ltd (50%), Newcrest PNG 2 Ltd (50%)

Appendix D CEPA environmental permits 2016

CEPA environmental permits approved, amended, renewed or transferred during reporting period:

New permits issued	
EP-L2 (482)	Mr Amai Waimayoko
EP-L2 (503)	Akin Soap Sion
EP-L2 (504)	Kuranga Alluvial Mine Ltd
EP-L2 (523)	Allwest Ltd
EP-L2 (526)	Kevin Karika and Kenny Muwom
EP-L2 (530)	Willie Lalai and Kila Muduka
EP-L2 (531)	Makru Alluvial Gold Mining Ltd
EP-L3 (510)	Lihir Gold Ltd
EP-L2 (485)	Total Waste Management
EP-L2 (511)	Pioneer Dangerous Goods & Services Ltd
EP-L2 (513)	Islands Petroleum Ltd
EP-L2 (532)	Total E & P PNG Ltd
EP-L2 (426)	Wafi Mining Ltd (50%) and Newcrest PNG 2 Ltd
EP-L3 (36)	Simberi Gold Company Ltd
EP-L2A (292)	Talisman Niugini Pty Ltd
EP-L2B (402)	Pacific Energy Aviation (PNG) Ltd
Permits transferred	
EP-L3 (19)	Tolukuma Gold Mine Ltd
EP-L2 (468)	Total E & P PNG Ltd

Source: CEPA reporting template provided for this report, received 1 November 2017

Appendix E Active oil and gas licenses in 2016

Based on DPE reporting of fee payments (reconstructed from PDF original; totals recalculated by IA)

Description	Company / Operator	Amount (PGK)
PETROLEUM PROSPECTING LICENCES		
PPL 372	Horizon Oil (Papua) Ltd	10,500
PPL 373	Horizon Oil (Papua) Ltd	9,000
PPL 565	South Pacific (PNG) Investment Ltd	23,500
PPL 566	Twhite Petroleum Pty Ltd	1,500
PPL 452	Hillsborough Ltd	7,500
PPL 402	Oil Search (PNG) Ltd	3,000
PPL 474	Interoil SPI & E & p Ltd	29,500
PPL 475	Interoil SPI & E & p Ltd	12,500
PPL 476	Interoil SPI & E & p Ltd	29,000
PPL 477	Interoil SPI & E & p Ltd	15,000
PPL 437	Kina Petroleum Ltd	9,000
PPL 374	Gini Energy Ltd	82,000
PPL 375	Gini Energy Ltd	66,500
PPL 391	Moira Ltd	14,000
PPL 549	Rawson Resources Ltd	29,000
PPL 486	Posman Kua Aisi Lawyers	12,500
PPL 287	Repsol (Talisman Niugini Pty Ltd)	88,000
PPL 430	Horizon Oil (Papua) Ltd	4,000
PPL 576	Total E&P PNG Ltd	86,000
PPL 571	Geoforce Drilling Ltd	10,500
PPL 487	Esso PNG Papuan Gulf Ltd	500
PPL 569	Exxon Mobil PNG Ltd	100,000
PPL 464	Exxon Mobil PNG Ltd	500
PPL 435	Kina Petroleum Ltd	33,000
PPL 405	Gini Energy Ltd	4,500
PPL 378	Gini Energy Ltd	3,000
PPL 244	Oil Search (PNG) Ltd	24,000
PPL 574	Eaglewood Energy (BVI) Lttd	16,000
PPL 426	Talisman Energy Niugini Ltd	39,500
PPL 563	Hillsborough Ltd	31,000
PPL 564	Hillsborough Ltd	9,500
PPL 385	Oil Search (PNG) Ltd	8,000
PPL 560	Rawson Resources Ltd	27,500
PPL 515	Hillsborough Ltd	28,500
PPL 516	Hillsborough Ltd	5,000
PPL 395	Taurus Oil Ltd	3,500
PPL 277	Exxon Mobil PNG Ltd	188,000
PPL 261	Talisman Energy Niugini Ltd	92,000
PPL 555	Blaxcell Ltd	83,500
PPL 556	Blaxcell Ltd	80,000
PPL 557	Blaxcell Ltd	65,000
PPL 402	Oil Search (PNG) Ltd	3,000
PPL 244	Oil Search (PNG) Ltd	24,000
	Total PPLs	1,383,000
PETROLEUM RETENTION LICENCES		
PRL 21	Horizon Oil Papua Ltd	30 000 00
PRL 11	Esso PNG Exploration Ltd	30 000 00
PRL 13	Posm3n Kua Aisi Lawyers	30,000
PRL 8	Oil Search (PNG) Ltd	30,000
PRL 9	Oil Search (PNG) Ltd	30,000
PRL 10	Oil Search (PNG) Ltd	30,000
PRL 14	Oil Search (PNG) Ltd	30,000
PRL 38	Talisman Energy Niugini Ltd	30,000
PRL 15	Total E & P PNG Ltd	30,000
PRL 28	Eaglewood Energy (BVI) Ltd	30,000
	Total PRLs	240,000
PETROLEUM DEVELOPMENT LICENCES		
PDL 5	Exxon Mobil PNG Ltd	100,000
PDL 6	Oil Search (PNG) Ltd	100,000
PDL 10	Repsol (Talisman Niugini Energy Ltd)	100,000
PDL 2	Oil Search (PNG) Ltd	100,000
PDL 3	Oil Search (PNG) Ltd	100,000
PDL 4	Oil Search (PNG) Ltd	100,000
PDL 1	Exxon Mobil PNG Ltd	100,000
PDL 7	Exxon Mobil PNG Ltd	100,000
PDL 8	Exxon Mobil PNG Ltd	100,000
PDL 9	Exxon Mobil PNG Ltd	100,000
	Total PDLs	1,000,000

PETROLEUM PIPELINE LICENCES		
PL 10	Repsol (Talisman Niugini Energy Ltd)	100,000
PL 2	Oil Search (PNG) Ltd	100,000
PL 3	Oil Search (PNG) Ltd	10,054
PL 4	Exxon Mobil PNG Ltd	100,000
PL 5	Exxon Mobil PNG Ltd	100,000
PL 6	Exxon Mobil PNG Ltd	10,000
PL 7	Exxon Mobil PNG Ltd	60,000
PL 8	Exxon Mobil PNG Ltd	10,000
	Total PLs	490,054
PETROLEUM PROCESSING FACILITY LICENCE		
PPFL02	Exxon Mobil PNG Ltd	100,000
	Total PPFLs	100,000

Appendix F Oil & gas licenses transferred in 2015

PPL	Dated*	Approved	Transferor	Transferee
PPL 244	18 December 2015	30 November 2016	Oil Search (PNG) Ltd 10% Oil Search Ltd 30% Nippon Oil Exploration (Nuigini) Pty Ltd 20% Total E&P PNG 4 B.V. 40%	Oil Search (PNG) Ltd 50% Oil Search Ltd 30% Nippon Oil Exploration (Nuigini) Pty Ltd 20%
PPL 239	9 July 2015	8 January 2016	Nippon Oil Exploration (Nuigini) Pty Ltd ('Nippon Oil') 25% Talisman Energy Nuigini Ltd ('Talisman') 55% Diamond Gas Foreland 239 B.V ('Diamond Gas') 20%	Talisman 80% Diamond Gas 20%
PPL 244	22 March 2016	30 November 2016	Oil Search (PNG) Ltd 50% Oil Search Ltd 30% Nippon Oil Exploration (Nuigini) Pty Ltd 20%	Oil Search (PNG) Ltd 70% Oil Search Ltd 30%
PPL 337	20 October 2015	8 January 2016	Kina Petroleum Ltd 90% Heritage PNG 337 Ltd 10%	Kina Petroleum Ltd 100%
PPL 374	30 August 2016	30 November 2016	Gini Energy Ltd 40%	ExxonMobil PNG Canary Ltd 20% Oil Search (PNG) Ltd 20%
PPL 375	30 August 2016	30 November 2016	Gini Energy Ltd 40%	ExxonMobil PNG Heron Ltd 20% Oil Search Ltd 20%
PPL 391	30 September 2015	26 February 2016	Taurus Oil Ltd 100%	Moira Ltd 100%
PPL 395	08 April 2016	30 November 2016	Taurus Oil Ltd 100%	Oil Search (PNG) Ltd 100%
PRL 14	12 November 2015	26 February 2016	Murray Petroleum Co, Ltd NPCP Oil Company Pty Ltd Oil Search (PNG) Ltd	NPCP Oil Company Pty Ltd Oil Search (PNG) Ltd
PRL 21	09 August 2016	30 November 2016	Horizon Oil (Papua) Ltd ('Horizon Papua') 27% Osaka Gas Nuigini Ltd ('Osaka Gas') 18% Talisman Energy Nuigini Ltd ('Talisman') 32.5% Diamond Gas Nuigini B.V ('Mitsubishi') 7.5% Kina Petroleum Ltd ('Kina Petroleum') 15%	Horizon Papua 27% Osaka Gas 18% Talisman 32.5% Mitsubishi 7.5% Kina Petroleum (PRL 21) Ltd ('Kina PRL 21') 15%

PPL	Dated*	Approved	Transferor	Transferee		
PRL 38	21 September 2016	30 November 2016	Talisman Energy Nuigini Ltd	25%	Talisman Energy Nuigini Ltd	25%
			Cott Oil and Gas (PNG) Ltd	40%	Cott Oil and Gas (PNG) Ltd	40%
			Barracuda Ltd	10%	Barracuda Ltd	10%
			Kina Petroleum Ltd	25%	Kina Petroleum Ltd	25%

* It is assumed this refers to application date (unconfirmed by DPE)

Source: DPE reporting template

Appendix G Receiving entities for mining royalty payments - as reported by MRA

Simberi	
Receiving entity	Amount reported paid 2016 (PGK)
Big Tabar Landowners Association	1,132,811
Local Level Government - Sentral Niu Ailan	755,207
Simberi Land Owners	4,531,243
Tatau Landowners Association	1,132,811
Total	7,552,071

Hidden Valley	
Receiving entity	Amount reported paid 2016 (PGK)
Buang LLG	145,621
Bulolo District Treasury	2,621,178
Future Generations Trust	276,680
Highway Communities	69,170
HV Landowners - Kwembu recipients	1,210,475
HV Landowners - Nauti recipients	2,420,949
HV Landowners - Winima recipients	1,210,475
Morobe Provincial Government	2,621,178
Mumeng LLG	436,863
Nakuwi Landowner Association	276,680
River Communities	69,170
Settler Communities	276,680
Subsidiary Landowner Communities	207,510
Wafi Landowner Association	69,170
Waria LLG	291,242
Watut LLG	728,105
Wau/Bulolo Urban LLG	582,484
Wau/Rural LLG	728,105
Total	14,241,734

Porgera

Receiving entity	Amount reported paid 2016 (PGK)
Enga Provincial Government	19,728,905
PDA PLOA No.2 Account	4,734,937
PDA SML Landowners	5,918,671
PDA SML Young Adults	3,156,625
Porgera Children Trust Fund	3,945,781
Porgera Development Authority	1,972,890
Total	39,457,810

Lihir

Receiving entity	Amount reported paid 2016 (PGK)
Block Owners	13,276,786
New Ireland Province	34,938,912
NRLLG	20,963,347
Total	69,179,045

Ok Tedi

Receiving entity	Amount reported paid 2016 (PGK)
Atemkit Landowners	2,178,692
Bultem Landowners	2,178,692
Finalbin Landowners	2,178,692
Fly River Provincial Government	10,085,393
Kavorabip Landowners	2,178,692
Migalsibip Landowners	871,477
LLG - Ok Tedi Landowners (MOA) Admin Fund	174,295
LLG - Ok Tedi Landowners Royalty Trust Fund	6,797,518
Wangbin Landowners	779,742
IRC - Withholding Tax	917,344
Total	27,423,191
Total + Tax	28,340,535

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