



# 2021 Papua New Guinea Extractive Industries Transparency Initiative (PNG EITI) Report

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## Independent administrator’s notes

### Reporting period

This report covers the calendar year from 1 January 2021 to 31 December 2021. In instances where figures for 2021 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 2021 within the text.

### Reporting on cash basis

Receipts and payments included in this report are on a “cash basis”, consistent with the approach approved by the Multi-Stakeholder Group (MSG). This approach includes only receipts and payments made during the 2021 calendar year. Some of these payments may have been accrued in previous years. Where revenues and expenses are earned or accrued during 2021, but receipts and payments were made during 2022, these will be included in the 2022 EITI Report.

### Currency

This report is presented in PNG kina (PGK). Amounts provided in US dollars (USD) have been converted at a rate of USD1: PGK3.460, an average for the 2021 calendar year as per the Bank of PNG figures.<sup>1</sup>

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<sup>1</sup> Bank of Papua New Guinea, *Historical Exchange Rates*, <https://www.bankpng.gov.pg/historical-exchange-rates/>, accessed 10 October 2022

## Abbreviations

AML	Alluvial Mining Lease	MoA	Memorandum of Agreement
APF	Agogo Processing Facility	MRA	Mineral Resources Authority
APT	Additional profits tax	MRDC	Mineral Resources Development Company Ltd
BDG	Business Development Grant	MMscf	Millions of standard cubic feet (gas)
BO	beneficial ownership	MRE	Mineral Resource Enga Ltd
CDOA	Coordinated Development and Operating Agreement	MRM	Mineral Resource Madang Ltd
CEPA	Conservation and Environment Protection Authority	MROT	Mineral Resource Ok Tedi No. 2 Ltd
CMCA	Community Mine Continuation Agreement	MRSM	Mineral Resources Star Mountains Ltd
CPF	Central Processing Facility	MSG	Multi-stakeholder group
CRF	Consolidated Revenue Fund	MTFS	Medium Term Fiscal Strategy 2013–2017
DMPGM	Department of Mineral Policy and Geohazard Management	MYEFO	Mid-Year Economic and Fiscal Outlook
DNPM	Department of National Planning and Monitoring	NEC	National Executive Council
DoF	Department of Finance	NEFC	National Economic and Fiscal Commission
DPE	Department of Petroleum and Energy	NGO	Non-government organisation
EIR	environmental impact report	OGA	Oil and Gas Act 1998
EIS	environmental impact statement	OTDF	Ok Tedi Development Foundation
EITI	Extractive Industries Transparency Initiative	OTML	Ok Tedi Mining Ltd
EL	Exploration License	oz	ounce
EMC	Executive Management Committee	PDL	Petroleum Development
FGTF	Future Generation Trust Funds	PEP	Politically exposed person
FOB	Free on board	PIP	Public Investment Program
GBT	General Business Trust	PGK	Papua New Guinea Kina
GDP	Gross Domestic Product	PNG	Papua New Guinea
GST	Goods and Services Tax	PNGSDP	Papua New Guinea Sustainable Development Program
IA	Independent Administrator	PPFL	Petroleum Processing Facility
IDG	Infrastructure Development Grant	PPL	Petroleum Prospecting
ILG	Incorporated Land Group	PRG	Petroleum Resources Gobe Ltd
IMF	International Monetary Fund	PRK	Petroleum Resources Kutubu Ltd
IRC	Internal Revenue Commission	PRL	Petroleum Retention
ITA	Income Tax Act 1959	PRM	Petroleum Resources Moran Ltd
ITC	Infrastructure Tax Credit	scf	standard cubic feet (gas)
JV	Joint Venture	SML	Special Mining Lease
KCH	Kumul Consolidated Holdings Ltd	SOE	State-owned enterprise
KMH	Kumul Mineral Holdings Ltd	SSG	special support grants
KPH	Kumul Petroleum Holdings Ltd	STARS	Responsible Sustainable Development Strategy
LBBSA	Based Benefits Sharing Agreement	stbo	standard barrels of oil
LNG	Liquefied natural gas	stbopd	standard barrels of oil per day
m3	cubic metres	stbopy	standard barrels of oil per year
MA	Mining Act 1992	SWF	Sovereign Wealth Fund
MAC	Mining Advisory Council	TCS	Tax Credit Scheme
MCC	Metallurgical Corporation of China Ltd	UBSA	Umbrella Benefit Sharing Agreement
ML	Mining Lease	UHA	Unconventional Hydrocarbons Act

## Definitions

### Cash basis reporting

Receipt and payment of revenues incorporated within the report are on 'cash basis', consistent with decisions made by the MSG. That is why, we included only payments made or received during the 2021 calendar year. Some of these payments may have been accrued in previous years.

### Project level reporting

In Papua New Guinea, a project is defined as:

*The operational activities that are governed by a single agreement or contract and form the basis for payment liabilities with a government. Nonetheless, if multiple such agreements are substantially interconnected, this shall be considered a project.*

*Where payments are attributed to a specific project [all material revenue other than group tax] - then the total amounts per type of payments shall be disaggregated by project. Where payments are levied at an entity level rather than at a project level – [group tax] – the payments will be disclosed at an entity level rather than at a project level.*

### 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. 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.

Development levies payable are payable directly by a petroleum development licensee to a trust fund in accordance with the Public Finance (Management) Act 1995, annually in arrears on or before 31 January in the following year of the production to which the development levy relates.

### Equity Distribution

Equity distributions apply when the State (through an SOE or trustee) is a partner in a Joint venture. Equity distributions are received by SOEs or trustees as a percentage of profits received from joint ventures, in proportion to ownership (equity) stake. – Note that a 'share of sales' can also be an equity distribution if it is calculated based on the equity held in the project.

### Share of Sales

These are the sales proceeds derived from the joint marketing of LNG by venture partners in the PNG LNG project.

*"Many key transactions relating to the project pass through the PNG LNG Global Company LLC ('GloCo'). This company, owned by project partners in proportion to their equity interests, was incorporated to facilitate financing for the project, and to manage all revenue, sales, marketing, ship chartering, operating costs and revenue payments to the State of PNG. GloCo provides sales proceeds to partners net of lender and operating cost obligations on a periodic basis in accordance with equity interest. GloCo is a shell company which has no staff; it is operated on behalf of the project partners by ExxonMobil but is not an ExxonMobil affiliate or subsidiary."*

### Dividend

Dividends referred to for this reconciliation are payments to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. Dividends are declared by the Board of Directors and calculated on a per share basis (dividend rate). State dividends from SOEs to the State are deposited with Treasury.

### Infrastructure Tax Credits (ITC)

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.



## **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. Group tax will be reported for each entity and reconciled with data reported by the IRC.

## **Foreign Contractor Withholding Tax (FCWHT)**

Broadly, this tax applies when a non-resident contractor is engaged by a PNG resident to perform a contract for prescribed purposes. As of 1 January 2017, the foreign contractor's withholding tax (FCWT) rate is now a flat 15%. The only exception is for projects subject to fiscal stability agreements with the State. The process whereby foreign entities could seek the approval of the Commissioner General to instead lodge returns and be taxed at the non-residents rate on a profits basis, is no longer available.

## **Additional Profits Tax (APT)**

Additional profits tax (APT) is now Applicable to PNG LNG Project; tax of 7.5% on positive cash flows exceeding a 17.5% accumulation rate; and 10% on positive cash flows exceeding a 20% accumulation rate. For all projects: tax at 30% on positive cash flows exceeding a 15% accumulation rate.

The only exception is for projects subject to fiscal stability agreements with the State who continue to the old rates.

## **Mandatory social expenditure**

Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.

## **Voluntary 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.

## **Materiality**

Per requirement 4.1 (b) payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosure (2019 EITI Standard, page 22).

## **Quasi-fiscal expenditure (QFEs)**

Definition of QFEs per SOE Scoping Study Report, pages 18-19. <https://pngeti.online/wp-content/uploads/2021/07/PNGEITI-SOE-Scoping-Study-Report-090721.pdf>

QFE definition per EITI 2019 standard “QFEs include arrangements whereby “SOEs undertake public social expenditure such as payment for social services, public infrastructure, fuel subsidies and national debt financing, etc. outside of the national budgetary process”. The recommended definition includes a combination of three approaches for framing the definition.

#### Set Criteria

- **Social services** - An SOE directly or indirectly pays for goods or services which would normally be part of the social services provided by government, including healthcare and education.
- **Public infrastructure** - An SOE directly or indirectly pays for goods or services directly related to the design, construction, maintenance or other works on public infrastructure. This should exclude any infrastructure solely for the benefit of the SOE.
- **National debt servicing** - An SOE transfers value, either monetary or in specie, to a third-party provider of national debt. This should also encompass capital repayment of national debt.

#### Quantitative

Transactions where there is a structural or contractual expectation of a net flow of value from the SOE to the private sector:

- **Supply of goods or services** - An SOE provides goods or services under or over value (including fuel subsidies), including from another SOE or central government.
- **Procurement of goods or services** - An SOE procures goods or services under or over value, including from another SOE or central government.
- **Loans or other financing** - An SOE provides a loan or other form of financing at uncommercial rates.

For the purposes of EITI reporting, and for the purposes of practicality, net flows of value resulting from the pricing of supplies, procurement or financing should be subject to a materiality threshold to be set by the MSG on a regular basis. This materiality should apply to the value of the transaction alone, or when taken in conjunction with other directly related transactions in any calendar year.

#### Typology

In addition, the following specific items are defined as QFE:

- **SOE Foundations** - Payments made by SOEs into their Foundations
- **Tax Credit Schemes** - Only if the tax credit does not fully reimburse the SOE for the related expenditure
- **Benefits to Directors** - Only if these are outside the normal course of business and exceed the materiality threshold
- **Natural disasters and pandemics** - An SOE provides assistance during periods of natural disasters (e.g. earthquakes) and pandemics.
- **Rural electrification** - An SOE provides funding towards the

Government’s rural electrification program.

- **Sports sponsorship** - An SOE provides sponsorship to a sporting body, team and/or competition that exceeds the materiality threshold.
- **Student sponsorship** - An SOE provides sponsorship to an educational institutions or student in PNG or overseas that exceeds the materiality threshold.

## State-owned enterprise (SOEs)

Definition per SOE Scoping Study Report, pages 12-13. <https://pngenti.online/wp-content/uploads/2021/07/PNGEITI-SOE-Scoping-Study-Report-090721.pdf>

SOE definition “for the purposes of EITI implantation, a state-owned entity (SOE) is a wholly owned or majority government owned company engaged in extractive activities on behalf of the government”. The following definition was proposed to address “ambiguities including lack of ownership threshold, a clear definition of government and the extractive activities in scope”.

1. An enterprise is state-owned if it is a legal entity that is:

- At least 50% owned by one or more PNG government agencies (see 2. below), or
- Controlled by one or more PNG government agencies (see 3. below), or
- A subsidiary that is at least 50% owned by a company that meets the definition in a) or b).

2. A PNG government agency is any PNG national ministry, ministerial department or executive agency, provincial government department or agency or local government department or agency.

3. One or more government agencies is deemed to control a legal entity where they have the right to:

- Appoint the majority of the Board of Directors, or
- Exercise the majority of voting rights, or
- Set the budget including dividends, operating expenses and investment plans

4. Any enterprise which is state-owned and meets the definition above is a state-owned enterprise (SOE) and in scope for EITI reporting, where it:

- Applies for a licence to explore for or exploit oil, gas or mineral resources
- Holds an interest in a licence or production sharing agreement for oil, gas or minerals
- Holds in trust the interest of those who hold either of the above
- Holds an interest in a JV that applies for or holds a licence or PSA



## Minister's foreword



As Chairman of the PNGEITI Multi-Stakeholder Group (MSG) and Minister responsible for EITI implementation in the country, I am honored to deliver the ninth PNGEITI Report covering the 2021 financial year. Papua New Guinea has consistently been meeting its reporting obligation as a EITI member country by publishing the Annual Reports on a timely manner. I recognize and appreciate the continued commitment and dedication demonstrated by the MSG in preparing this important report. The Marape-Basil Government has embarked on reforming some of the laws governing the extractive sector to ensure that all players gain equally from existing and future resource developments.

The purpose of this report is to continue to present to our populace a comprehensive description on the operation of the PNG extractive sector, its contributions to the domestic economy and most importantly, the accountability of revenues received by the Government.

The publication of the ninth report is a significant progression from the eight reports that were published in previous years. The report not only seeks to address the remaining recommendations from PNG's first validation in 2018, but it also includes various aspects of the reporting attributed to detailed sub-national payments, disclosure of details on company beneficial ownership, contract transparency, commodity trading, project by project reporting, reporting on gender disparities, systematic disclosure on production and export of commodities, and systematic disclosures on State participation in extractive projects through the State-Owned Entities (SOEs).

Despite the onset of the Covid-19 pandemic in late 2019 and disruptions to activities in 2020, I am satisfied that the 2021 EITI Report has significantly improved in addressing information and data gaps identified in previous reports and, including the corrective measures recommended from PNG's first validation assessment.

I commend the Multi-Stakeholder Group for working collaboratively in compiling such an important report that can be used as a reference source for policy discourse by government and many other stakeholders including investors. I urge the MSG to continue the good work as it is not just publishing reports to meet the EITI global Standard but also diagnosing areas of systemic weaknesses in

government systems. The EITI report recommendations are important for the Government to initiate policy and legislative reforms for better management of the sector.

The reforms that have been recommended and others that may be put forward in future through the EITI reporting process can assist the Government to ensure that critical legislative and policy reforms are undertaken to ensure that resource owners reap the benefits of natural resources wealth that are their birth right.

One of the key reforms by the Marape-Basil Government to address corruption risk in the country was passing the Independent Commission Against Corruption (ICAC) Bill recently. The PNGEITI reporting process can complement such reform efforts by Government in identifying incidences of corruption in the use of resources revenues. Transparency is important to combating corruption in the extractive sector because benefits flowing from natural resources should be utilized in a manner that supports the Government's national development policy priorities.

Maintaining investor confidence is critically important for the resource sector and the Marape-Basil Government is committed to promoting transparency and creating a conducive environment for further investment in the sector.

As Chair of the PNGEITI MSG and as Minister for Treasury, I am deeply encouraged to see the collaborative effort by our government officials, extractive companies, and a broad range of civil society organizations involved with EITI implementation activities in the country since the Government made a commitment to adopt the global best practice Standard in 2013.

I am pleased to commend the Financial Year 2021 PNGEITI Report and officially endorse it for public release.



**HON. IAN LING STUCKEY, CMG, MP**

Minister for Treasury & Chairman,  
PNG Extractive Industries Transparency Initiative  
Multi-Stakeholder Group (MSG)

## Multi-stakeholder group statement

The PNG EITI Multi- Stakeholder Group (MSG) is a tripartite oversight body that guides EITI implementation in Papua New Guinea. The MSG comprises representatives from government, civil society organizations and the extractive industry companies.

One of MSG's core responsibilities is the preparation and production of the annual EITI country reports covering a particular financial year as required by the EITI Global Standard. This MSG has over the years worked collaboratively culminating in the publications of eight PNGEITI Annual Reports covering the fiscal years 2013 to 2020. This continued collaboration has led to the production of this ninth report covering the financial year 2021.

The EITI reporting process continues to facilitate public debates that can culminate in undertaking necessary policy and legislative reforms and strengthening weak institutions and business practices in key government entities for better management of the extractive sector. The regular publications of EITI reports also ensures that PNG adheres to the global best practice for the good governance of its extractive sector. The publication of this ninth report is also intended to continue creating a platform for further consultations and dialogue on the management of the sector by the stakeholders and to build trust between resource impacted communities, government and industry players on issues related to resource governance.

The work of the EITI had further strengthened the relationship between policy, revenue administration and regulating agencies through the MSG chaired by the Minister for Treasury. Inter-agency collaboration has proven to derive the most positive resource revenue management outcomes in terms of revenue collections, expenditure tracking and transparency. Inter-agency collaboration has also assisted in identifying weakness in government systems and processes to take corrective measures for better management of the financial data and information relating to the sector.

Industry representatives have contributed their time and resources to help advance all aspects of the EITI process. They have overtime seen the importance of the EITI reports as a valuable tool that promotes significant economic and societal contributions that they make to PNG and its people. Publication of this ninth report, despite disruptions caused by Covid19 pandemic yet again provides valuable information on the extractive sector that can be used by policy makers, academics, regulators, investors and the public at large.

For industry representatives to continue working with the government openly and to maintain trust, it is important that there is effective and genuine consultation by the government stakeholders on any proposed policy and legislative reforms pertaining to the extractive sector. The EITI process is an important platform that can be utilized to consult and debate on resource sector issues.

For civil society organisations, the formal establishment of the PNG Resources Governance Coalition (PNGRGC) as the umbrella body is anticipated to add value to the work of the MSG. The ongoing CSO

capacity development project is anticipated to strengthen the work of CSOs to participate effectively at the MSG level and contribute to resource governance issues and the recommendations coming out from the EITI Reports for public debates.

The MSG would like to thank Mr. Lucas Alkan, Head of PNG EITI National Secretariat and his staff for their guidance and support in the preparation and production of this ninth PNGEITI Report despite the extremely difficult operating environment brought on by the Covid -19 pandemic.



Total E & P Ltd

Consultative Implementation and Monitoring Council (CIMC)



Barrick Niugini Ltd

Business Against Corruption Alliance (BACA)



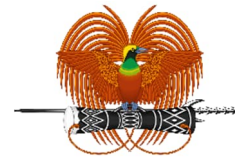
Papua New Guinea Mining Watch Association Inc.



ExxonMobil PNG



Harmony Gold



CEPA



The Internal Revenue Commission



DEPARTMENT OF FINANCE



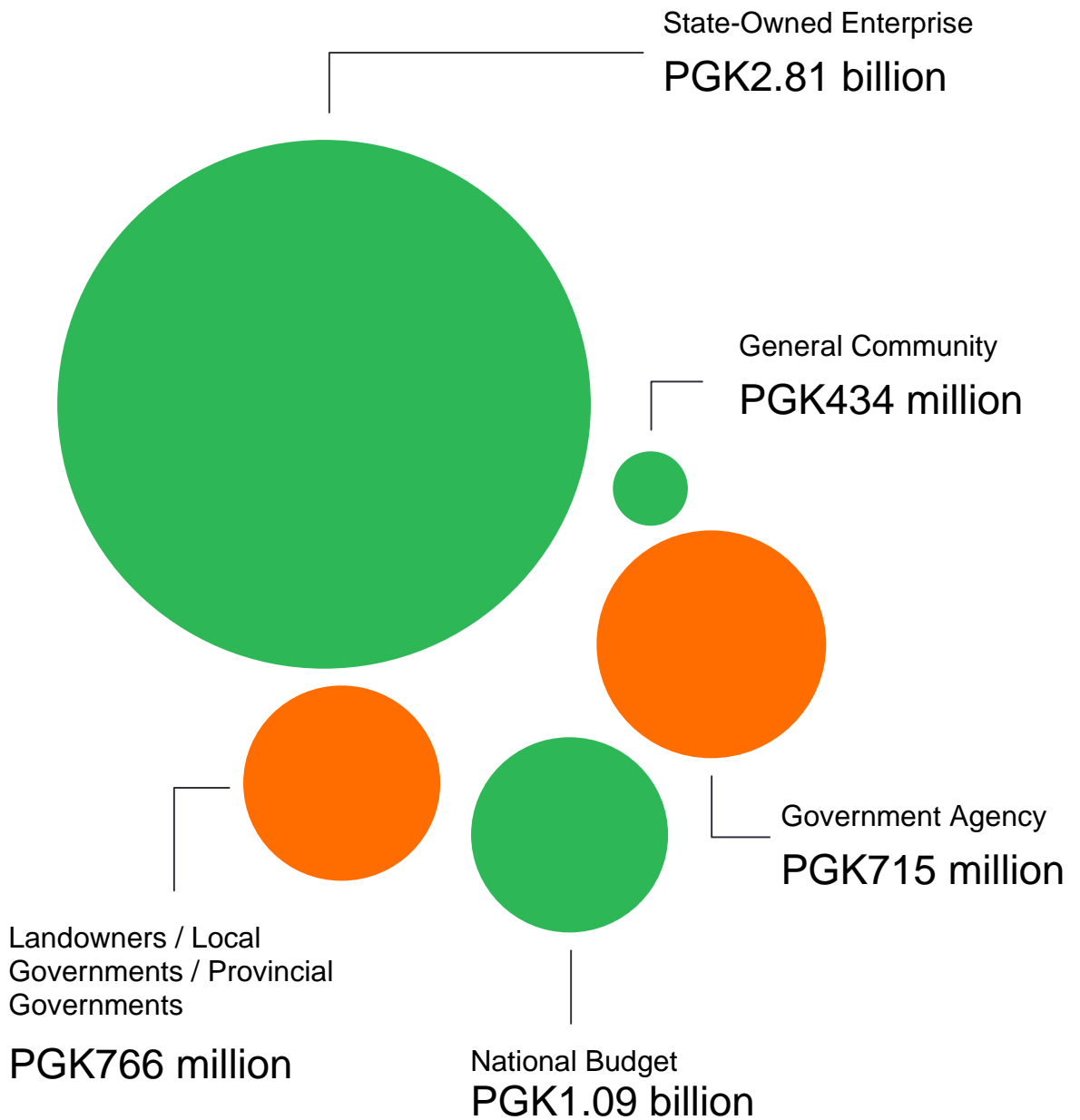
# Executive summary

## Extractive industry contributions to Papua New Guinea in 2021

Figure 1: Revenue of the extractive industry <sup>2</sup>

Combined Receipts from Extractive Industry

# PGK5.81 billion



<sup>2</sup> 2021 Reporting Templates

## Extractive industry contributions to Papua New Guinea

Table 1: Revenues from Extractive Industry and Recipients<sup>3</sup>

State-Owned Enterprises	National Budget	Government agencies	Landowners / Local and Provincial Governments	General community
<ul style="list-style-type: none"> <li>▶ Equity distributions from PNG LNG Joint Venture <i>(Excluding Dividends paid to Treasury)</i></li> <li>▶ Net margin generated from Ok Tedi Mining Limited (PGK1.90 billion) <i>(Net margin is calculated by Deducting the following from Gross Sales:</i> <ul style="list-style-type: none"> <li>• Mining Cost</li> <li>• Processing Cost</li> <li>• Dividends declared</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Additional profit tax</li> <li>▶ Corporate income tax</li> <li>▶ Dividend withholding tax</li> <li>▶ Dividends</li> <li>▶ Goods and services tax</li> <li>▶ Interest withholding tax</li> <li>▶ Management fee withholding tax</li> <li>▶ Royalty withholding tax</li> <li>▶ Import tax</li> <li>▶ Excise tax</li> <li>▶ Training levy</li> </ul>	<p>(Receipts which are not recorded in the National Budget)</p> <ul style="list-style-type: none"> <li>▶ Business payment tax</li> <li>▶ Environmental fees</li> <li>▶ Foreign contractor withholding tax</li> <li>▶ Salaries and wages tax</li> <li>▶ Licence fees</li> <li>▶ Alluvial levies</li> <li>▶ Mine security deposits</li> <li>▶ Exploration security deposits</li> <li>▶ Mining lease rentals</li> <li>▶ Data sale fees</li> <li>▶ Application</li> </ul>	<ul style="list-style-type: none"> <li>▶ Royalties</li> <li>▶ Levies</li> <li>▶ Equity distributions from oil and gas/mining projects</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mandatory social expenditures</li> <li>▶ Voluntary social expenditures</li> </ul>

<sup>3</sup> A) Refer to how extractive industry revenues are recorded - Section 5.5 of this report

B) Ok Tedi's Net Margin is calculated from the 2021 Annual Report balances, page 5; <https://oktedi.com/who-we-are/annual-performance/>, accessed 14 December 2021



## Other contributions

Other contributions of the extractive industry in PNG for the year 2021 are as follows:

# PGK31.1 b

**in oil and gas and mineral exports from PGK28.3 billion in 2020**

(Actual value of oil and gas and mineral exports)<sup>4</sup>

(Oil and gas and mineral exports account for 83% of Total Exports)

# 24%

**Contribution to GDP (est)**  
(Real and Nominal Gross Domestic Product\*)

# 23%

**Contribution to GDP growth from prior year**  
(Real and Nominal Gross Domestic Product<sup>^</sup>)

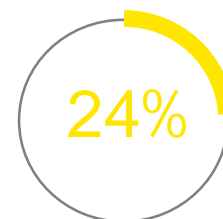
# 16.8%

**Employment average growth**<sup>5</sup>  
(Material reporting entities reported employment of 14,003 PNG Nationals in 2021)<sup>6</sup>

# PGK434 m

**Social Expenditures**

(Refer to Chapter 6: Social and Subnational payments)



**Contribution to Government Revenue**<sup>7</sup>

(Other sectors contribution does not include other revenues collected from respective government agency, regulator or authority)

<sup>4</sup> 2023 National Budget Volume 1 Value of Main Exports Commodities Table 5 page 150;

[https://www.treasury.gov.pg/html/national\\_budget/files/2023/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2023/Volume1.pdf), accessed 28 January 2023

<sup>5</sup> Table 10.5 Employment Classified by Industry Employment; Growth rate calculated by movement of employment index as at December 2020 and 2021; <https://www.bankpng.gov.pg/statistics/quarterly-economic-bulletin-statistical-tables/>, accessed 28 January 2023

<sup>6</sup> Total PNG Nationals employed as reported by the material reporting entities. Refer also to Table 20: Gender information

<sup>7</sup> Refer to Figure 3 and Figure 14 for this report

PNG's economy is characterised by two large economic sectors: agriculture, forestry and fishing – which engages most of the labour force (the majority informally) – and the extractives sector (oil and gas extraction; mining and quarrying) – which accounts for the majority of export earnings.

The PNG LNG project has been the primary driver of GDP growth in recent years. Higher production volumes in the extractive industries in 2021, including significant growth in silver and nickel, contributed significantly to nominal GDP growth in 2021. The extractive industries contribute 83% of PNG's exports.

Total employment in the extractive industries contracted in 2021. According to BPNG's Dec employment statistics, total employment average contracted by 4.1%, driven by the decline in the mining sector by 19.3%.<sup>8</sup>

In 2021, the extractive industry, contributed PGK181 million and PGK251 million of mandatory and voluntary social expenditures, respectively. These social expenditures are in a form of cash and in-kind which local communities have directly benefited.

Combined receipts from extractive industry totalled PGK5.8 billion in 2021. Of the government revenues recorded in National Budget (composing corporate income tax, dividends, import taxes), the extractive industry contribution amounted to PGK1 billion. Other revenues received by state-owned enterprises and government agencies such as salaries and wages taxes, foreign contractor withholding taxes, DPE and MRA fees, environmental charges and equity distribution amounted to PGK 693 million.

<sup>8</sup>Calculated using figures from Table 1 2022 Budget Volume<sup>9</sup>

$Contribution\ to\ GDP\ (est)\ Extractive = (Total\ Nominal\ GDP - Total\ Non-mining\ GDP) / Total\ Nominal\ GDP$

<sup>^</sup>Calculated using growth nominal GDP from Table 1 2022 Budget Volume<sup>10</sup>

<sup>8</sup> 2022 National Budget Volume 1 [https://www.treasury.gov.pg/html/national\\_budget/2022.html](https://www.treasury.gov.pg/html/national_budget/2022.html), 14 February 2023

<sup>9</sup> 2021 National Budget Volume 1 Gross Domestic Product by Economic Activity at Current and Constant Prices Table 1 page 148; [http://www.treasury.gov.pg/html/national\\_budget/files/2021/2021%20Budget%20Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf), accessed 18 December 2020

<sup>10</sup> Ibid

## Contribution by sector

Table 2: Contribution of the mining and oil and gas sectors

2021	Export value (PGK m) ^	Share of total exports <sup>11</sup>	Contribution to GDP <sup>12</sup>	Employment <sup>13</sup>
Mining	13,155	35%	8%	9,702
Oil and gas	17,925	48%	16%	4,331
<b>Total</b>	<b>31,080</b>	<b>83%</b>	<b>24%</b>	<b>14,033</b>

## 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 ninth EITI report, covering the 2021 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).

Important progress has been made since PNG's first EITI report, providing greater transparency for Papua New Guineans over revenue streams from the country's mining and oil and gas industry. The 2016 EITI report was the first to undergo validation by the EITI Secretariat and was found to have achieved satisfactory progress. In 2022, the 2019 PNG EITI report undergone 2<sup>nd</sup> validation and achieved Moderate progress. The validation result highlighted the following achievements and gaps<sup>14</sup>:

Key achievements include:

- ▶ EITI Reports are considered by stakeholders as a reliable and comprehensible source of information about the extractive sector in an environment where publicly available data is otherwise scarce and data management systems weak.
- ▶ Following recommendations from EITI reporting and the 2018 Validation, the Department of Petroleum and Energy has started to digitise its management of licenses and other information with support from Japan.
- ▶ The MSG functions as an effective platform for multi-stakeholder dialogue on the extractive sector.

Areas for development include:

- ▶ Significant gaps remain in disclosures related to, for example, state-owned enterprises. Increasing transparency is key to ensuring the accountable management of the sector and revenues arising from it.
- ▶ Gaps in disclosures appear to be a symptom of waning high-level government commitment to the EITI process. Follow up on recommendations seems to have slowed down since the National Executive Council agreed EITI-related directives in 2017.
- ▶ Engaging civil society beyond Port Moresby, including in affected communities, is challenging due to PNG's geography and the limited resources available.

<sup>11</sup> 2021 National Budget Volume 1 Value of Main Exports Commodities Table 5 page 151;

[http://www.treasury.gov.pg/html/national\\_budget/files/2021/2021%20Budget%20Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf) Calculated share percentage based on export values, accessed 18 December 2022

<sup>12</sup> 2021 National Budget Volume 1 Gross Domestic Product by Economic Activity at Current and Constant Prices Table 1 page 148;

[http://www.treasury.gov.pg/html/national\\_budget/files/2021/2021%20Budget%20Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf), accessed 18 December 2022

<sup>13</sup> Sum of total employees reported by reporting entities, refer to Chapter 3 for further details

<sup>14</sup> Validation of Papua New Guinea, <https://eiti.org/documents/papua-new-guinea-2022-validation-report>, 14 December 2022

- ▶ There is little evidence of disclosures being used to inform analysis or decision-making in the period under review.

## About PNG

Papua New Guinea is home to approximately almost nine million people, living predominantly outside urban areas, and speaking 800 different languages. The country is extremely diverse geographically, biologically, culturally and linguistically.

PNG has experienced 17 years of economic growth and is classed as “lower middle income” by the World Bank.<sup>15</sup> The country has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of PNG citizens. However, despite these abundant resources, 37.5% of PNG citizens continue to live below the national poverty line,<sup>16</sup> and the country is classified as “medium human development”, ranking 156 out of 188 countries.<sup>17</sup> Corruption is a challenge for PNG, in 2021 it was ranked 124 out of 180 countries in Transparency International’s *Corruption Perception Index*.<sup>18</sup>

## Who owns mineral resources in PNG?

Subsoil assets in PNG belong to the State of PNG (the State). Developers of resource projects generally enter into an agreement with the State in addition to obtaining a resource development license or mining tenement. This typically involves a broad consultation process with all affected parties.

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.

The details of contracts and licenses are confidential and not currently made public, but the EITI process has prompted efforts to understand whether some contracts, particularly in the mining sector, might be publicly disclosed in future.

## Contributions to PNG Economy

Growth in the resource sector is expected to contract by 4.1 per cent in 2021. This is driven by a sharp contraction of 12.5 per cent in the mining and quarrying sector and a mild contraction of 0.1 per cent in the oil and gas sector.

The extractive sector (mining and petroleum) contributes significantly both directly and indirectly into the Government’s revenues, whilst also delivering a range of socio-economic benefits to the people.

<sup>15</sup> <https://data.worldbank.org/country/papua-new-guinea>, accessed 11 November 2022

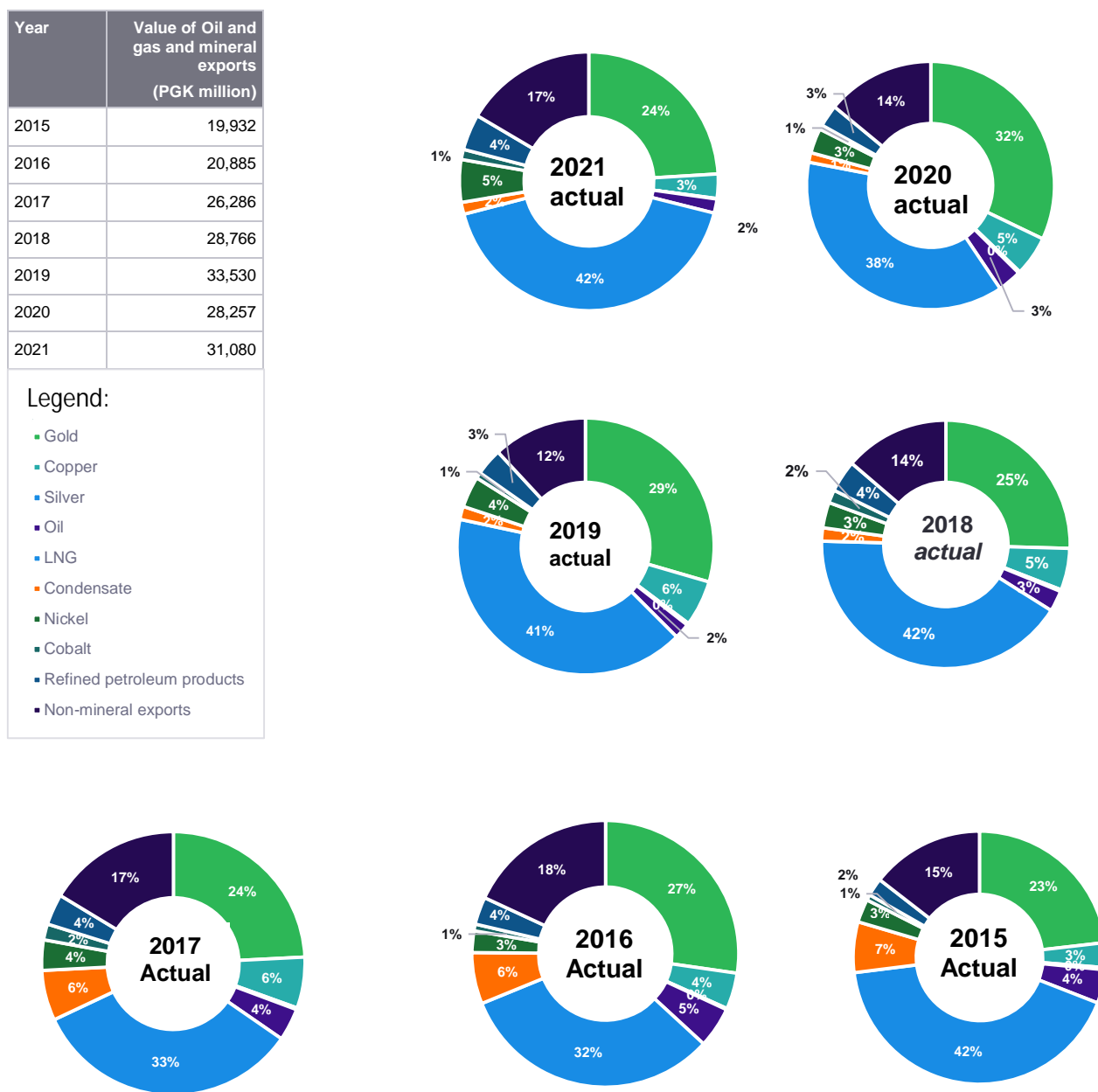
<sup>16</sup> 2017 Asia Development Index, Basic Statistics 2019, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 10 November 2022

<sup>17</sup> UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 10 November 2022

<sup>18</sup> Corruption Perceptions Index 2021, Transparency International, <https://www.transparency.org/en/cpi/2021/index/png>, accessed 15 December 2022

Figures 2<sup>19</sup> and 3<sup>20</sup>, show the contribution of the extractive industry to exports and government revenue.

Figure 2: Historical commodity apportionment based on total oil and gas, mineral and non-mineral export value

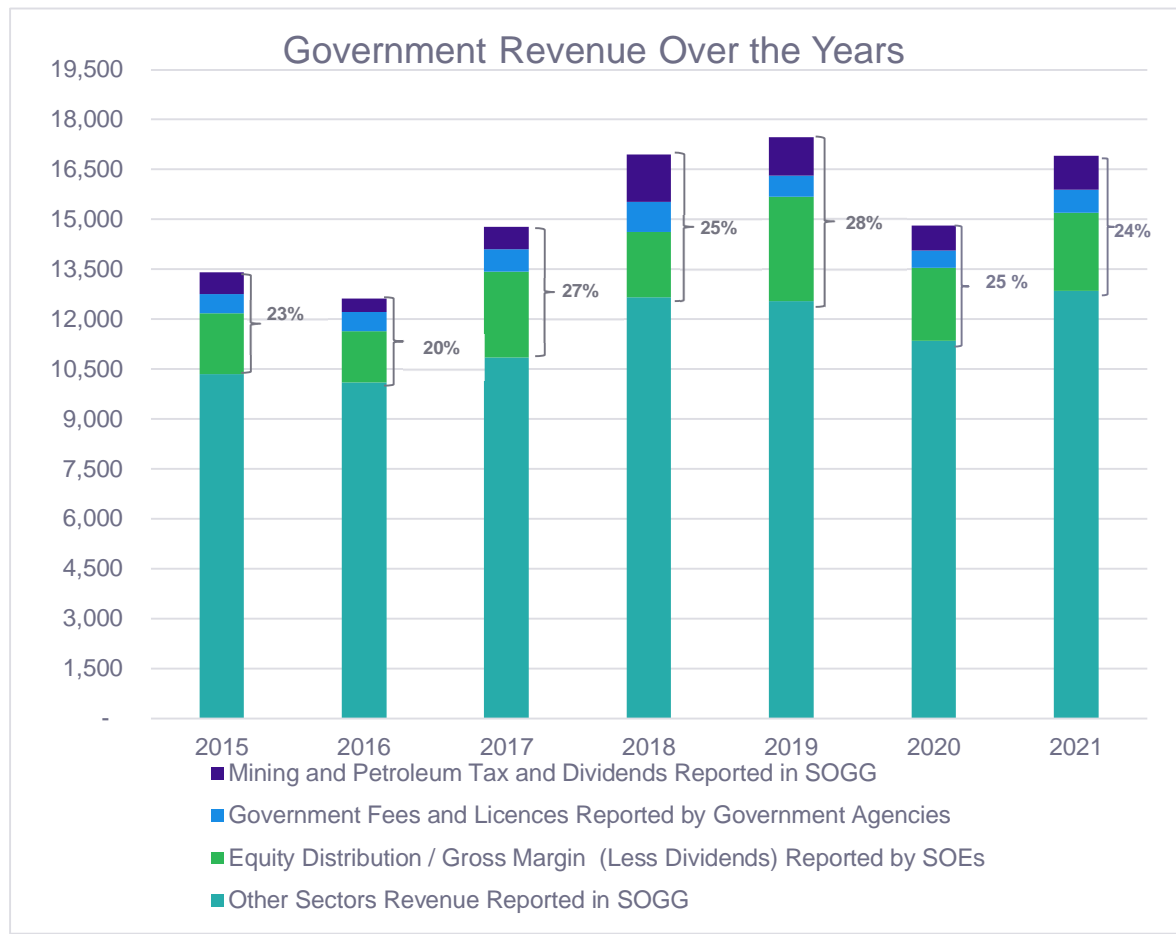


<sup>19</sup> 2021 National Budget Volume 1 Historical Value of Main Exports Commodities Table 5 page 151;

[http://www.treasury.gov.pg/html/national\\_budget/files/2021/2021%20Budget%20Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf), accessed 14 December 2022

<sup>20</sup> Statement of operations for general Government. 2020 National Budget Volume 1; reporting templates over the years

Figure 3: Contribution of the extractive industries to government revenue (PGK m) per National Budget



Revenues reported in the Statement of Operations for the General Government (“SOGG” or “National Budget”) do not include equity distributions received and gross margin reported by state-owned enterprises, and revenues received by government agencies, such as salaries and wages taxes (SWT), foreign contractor withholding taxes (FCWT), DPE and MRA fees and environmental charges. For purposes of presentation in Figure 3, other revenues received by SOE and government agencies were included; royalties and landowner receipts (either direct or through Trustee) are excluded. Other sectors revenue presented in Figure 3 does not include other revenues collected from respective government agency, regulator or authority.

Declines in 2016 were driven primarily by lower commodity prices. The increasing revenues from 2017 through 2019 resulted from increasing commodity prices triggering increased distributions to State Owned Entities and dividends to Government, partially offset by lower corporate income tax collections and salaries and wages taxes from the mining sector. In 2020, decrease in revenues from the collapse in oil and gas prices during the global COVID-19 pandemic and the closure of Porgera Mine resulted in lower equity distributions received by SOEs and landowners and lower income taxes to the State. Movement in 2021 reflects the increased payments and distributions from the partial recovery of commodity prices.

Government agencies receive taxes and fees averaging PGK690m. Highest collections were recorded in 2018, where FCWT and SWT peaked with a combined amount of PGK865m. The lowest collections were in 2015 and 2016, due to absence of FCWT as reporting revenue in previous reports.

Average annual equity distribution received by KPHL over the past 6 years amounted to PGK848m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK297m.

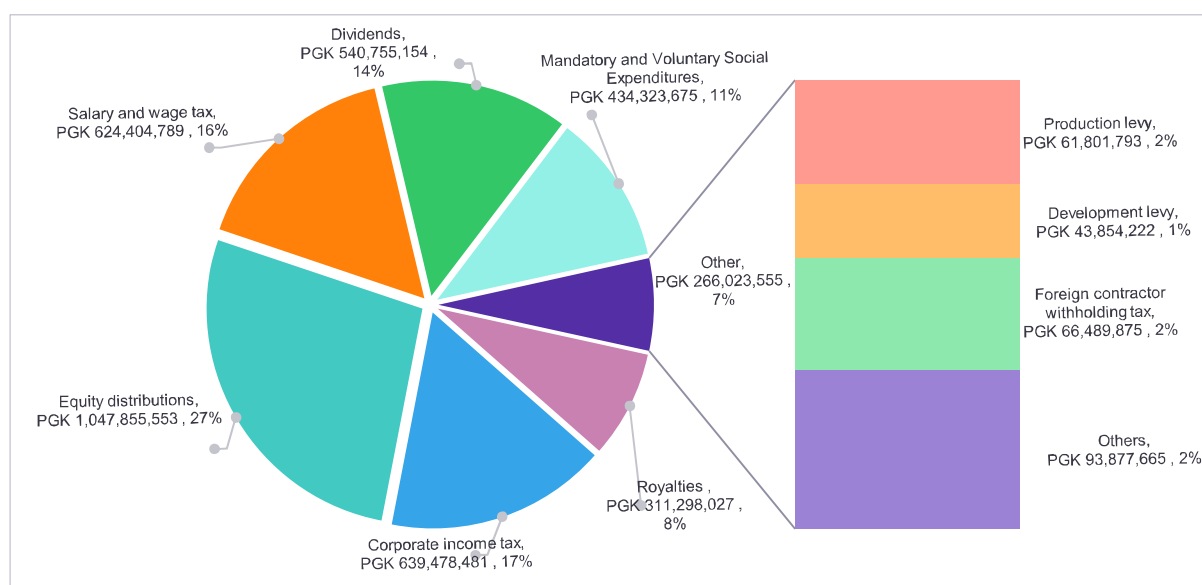
Gross margin from Ok Tedi is calculated by deducting mining cost, processing cost, and change in Inventories of product on hand and in process. Ok Tedi earned an annual average of PGK1,845m of gross margin over the past 6 years. Highest gross margin was earned in 2020 amounting to PGK2,451m while lowest was in the year 2015 where Ok Tedi earned PGK487m.

## How do the extractive industries contribute to State revenue?

The government derives income from the industry through:

<b>Taxes</b>	Such as corporate income tax and group tax
<b>Dividends</b>	Derived from holding direct stakes in the industry
<b>Royalties</b>	2% of the gross revenue from resource sales or wellhead value
<b>Equity distributions</b>	Received by state owned entities participating in the extractive industries
<b>Other revenue streams</b>	Such as levies and fees

Figure 4: Revenue streams received by the State



In 2021, the largest sources of government revenue from the extractive industries included equity distributions, corporate income tax, salary and wage tax, dividends, royalties and levies.

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, a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.

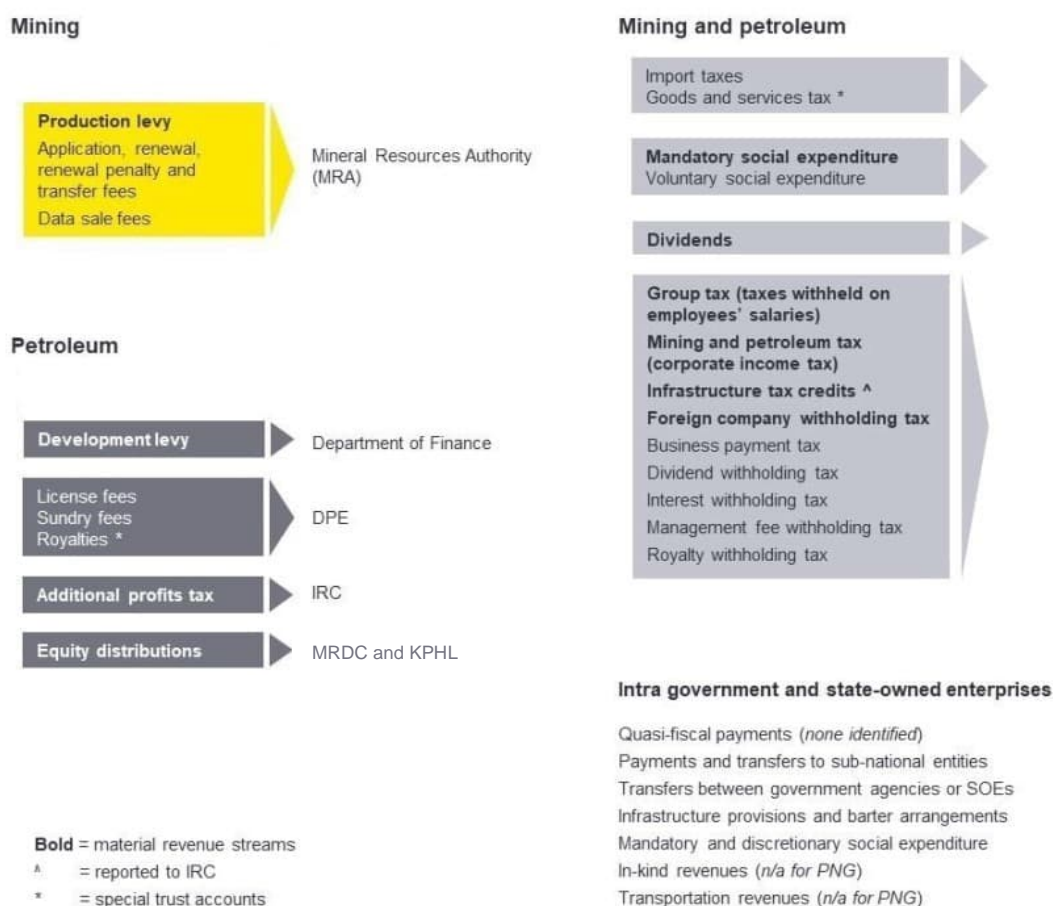
The PNG Sovereign Wealth Fund was established in 2015 to ensure that some of the wealth generated by the extractive industries is saved for the benefit of future generations. However, the fund is yet to come into operation.

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.<sup>21</sup> In 2018, an earthquake in Hela Province impacted production at several mining and oil and gas sites. In 2020, the COVID-19 pandemic triggered markedly lower petroleum prices throughout the year.

## What are the revenue streams from the extractives industry?

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

Figure 5: Revenue streams and recipients (material entities represented in bold)



## Which revenue streams are considered material for this report?

The revenue streams deemed material for this report are shown in bold in the diagram above. This includes 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.

<sup>21</sup> World Bank East Asia and Pacific Economic Update October 2015 and 2016 <https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf>, accessed 18 October 2016



The report also covers revenue streams that fall below this quantitative threshold, but which are deemed material based on a qualitative definition adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of potential significant interest or benefit to the PNG population
- ▶ Likely to exceed a pre-defined quantitative level of materiality in the future

For 2021, these included the environmental permit fee, environmental user fee, production levy and development levy. Individually, these revenue streams fall below the quantitative threshold, and together they represent less than 2% of revenue from the extractive industries. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2018 report, to increase transparency at the provincial level, the IA and MSG has requested unilateral disclosure of sub-national payments by reporting entities.

## Which organisations are considered material for this report?

The entities required to submit data templates for this report include:

- ▶ All mining and oil and gas companies which have interests in operations that were producing saleable commodities, as agreed by the MSG
- ▶ Companies with interests in projects in advanced stages of exploration or pre-production, whose group tax payments might be material
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments.

Table 3: Material reporting entities

Mining companies	Oil and gas companies	State-owned enterprises	Government departments and statutory authorities
<ul style="list-style-type: none"> <li>▶ Barrick (Niugini) Ltd</li> <li>▶ (Porgera mine – SML 1 (P))</li> <li>▶ Lihir Gold Ltd</li> <li>▶ (Lihir/Luise Caldera mine – SML 6)</li> <li>▶ MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8)</li> <li>▶ Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151)</li> <li>▶ (Simberi mine – ML136)</li> </ul>	<ul style="list-style-type: none"> <li>▶ ExxonMobil PNG Ltd (and affiliates)</li> <li>▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)</li> <li>▶ Oil Search Ltd (and subsidiaries)</li> <li>▶ Santos Ltd (and subsidiaries)</li> <li>▶ Total S.A.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Kumul Mineral Holdings Ltd</li> <li>▶ Kumul Petroleum Holdings Ltd (and subsidiaries)</li> <li>▶ Mineral Resources Development Company Ltd (and subsidiaries)</li> <li>▶ Ok Tedi Mining Ltd</li> </ul>	<ul style="list-style-type: none"> <li>▶ Conservation and Environment Protection Authority</li> <li>▶ Department of National Planning and Monitoring</li> <li>▶ Department of Petroleum and Energy</li> <li>▶ Department of Treasury</li> <li>▶ Internal Revenue Commission</li> <li>▶ Mineral Resources Authority</li> <li>▶ PNG Customs</li> </ul>

## Who are the beneficial owners of resource extraction in PNG?

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.<sup>22</sup>

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 publicly 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 2019 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.

## The mining industry in PNG

During 2021, eight mines were operating in PNG<sup>23</sup>, distributed over a number of provinces.

Companies active in mining and exploration in PNG include large international companies, state-owned enterprises, and many junior companies, together with a significant contribution from up to 80,000 small-scale alluvial miners.

<sup>22</sup> The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership

<sup>23</sup> Excluding the alluvial mining sector and Porgera currently under care and maintenance.

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 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 currently publicly disclosed.

## The oil and gas industry in PNG

During 2021, five principal oil fields were operating in PNG. Commercial oil production began in PNG in 1992 and has been in slow but steady decline since the mid-1990s.

The PNG LNG project exports liquefied natural gas (LNG), the first shipment of which was in 2014. The project has design capacity of 6.9 million tonnes of LNG per annum but produced over 8 million tonnes in 2021.<sup>24</sup> PNG LNG has made and expects to make a significant long-term contributions to the economy and government revenues. Another two gas projects are in advanced stages of development.

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.

Production figures for 2021 reported by Department of Petroleum and Energy.<sup>25</sup>

Table 4: Oil and gas production and export quantities reported by DPE

Commodity produced (P) and exported (E)	Produced	Exported
Oil (stbopd)	13,454	34,554
Hides Liquids (stbopd)	-	-
PNG LNG liquids (stbopd)	22,810	-
Hides Gas (MMscf)/d	1,018	-
PNG LNG Project LNG (tonnes)	8,113,516	8,066,854

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 has been the subject of a number of recommendations in previous PNG EITI Reports. DPE is working to address some of these recommendations, such as establishing an electronic registry system.

## 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.<sup>26</sup> During 2021, PNG’s state-owned enterprises (SOEs) that held interests in the extractive industries included:

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

<sup>24</sup> “Project capacity of 6.9 million tonnes of LNG”, *ibid.*

<sup>25</sup> Information provided by DPE.

<sup>26</sup> The 2019 PNG National Budget announced the addition of a 50 per cent dividend policy on SOEs.

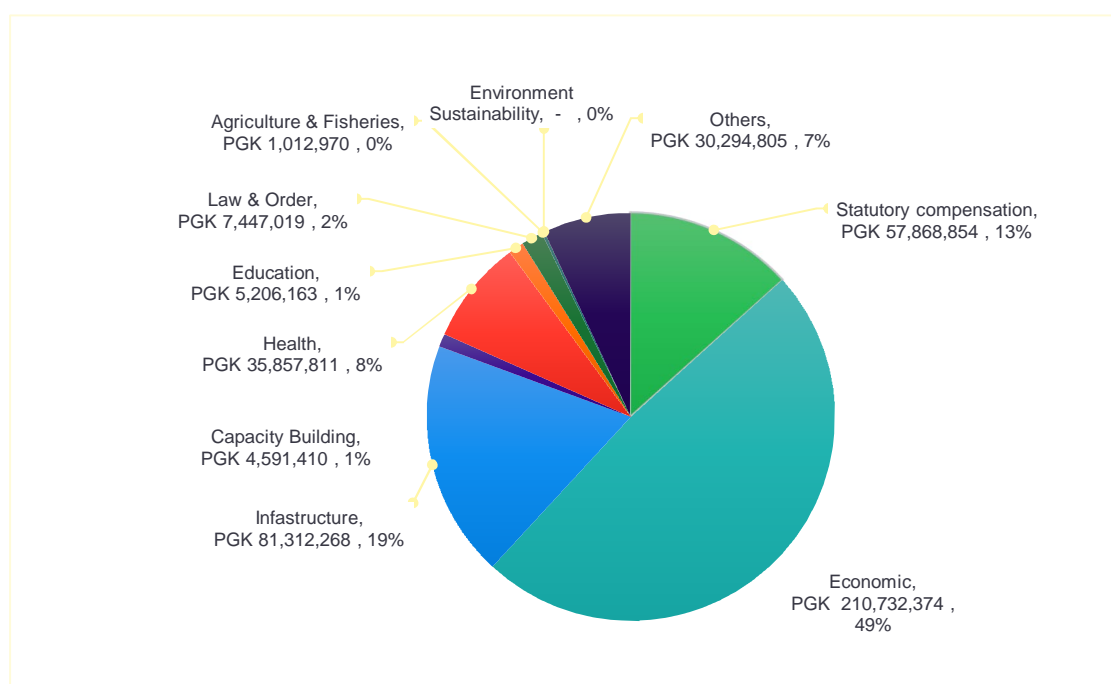
The report also covers two organisations that act as trustees:

- ▶ Mineral Resources Development Company Ltd (MRDC)
- ▶ Ok Tedi Development Foundation

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 investments of funds in future generations 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,<sup>27</sup> consequently, not all mining operations have an associated MRDC subsidiary.

## Social expenditures

Figure 6: Social expenditures per category



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

The EITI Standard does not define "social", and the types of payment reported by companies under this heading varies, with some including payments such as compensation or lease payments, which others classify as commercial rather than social.

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

<sup>27</sup> Mining Act 1992 s.16A

For 2021, the total social expenditures disclosed were

- ▶ Mandatory           PGK 182,421,743
- ▶ Discretionary       PGK 251,901,932

## Subnational payments and transfers

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. This was an area highlighted as having “inadequate progress” in the validation of the 2016 EITI report.

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

The MSG commissioned a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations. The *PNG EITI Sub-national Payments Report* was published April 2019.<sup>28</sup> It makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG, entities to be included and materiality thresholds, standardised payment categories, and implementation through pilot projects.

For this report, the IA has attempted to include as much information as possible on subnational payments, reported unilaterally. Subnational payments and transfers have not been reconciled for this report.

## 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.

Table 5: Rates of compliance with EITI reporting 2021

Entity type	Data template signed	Financial information provided	Non-financial information provided
All reporting entities	100%	100%	100%

All 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.

Improved data assurance has been the subject of previous recommendations, but improvements have not yet been seen.

## Reconciliation of revenue streams

For material 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.

<sup>28</sup> Grice, T. (2019). Sub-national payments in Papua New Guinea’s extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative., <https://pngeti.org.pg/validation/#83-114-e-1-contract-documents-for-the-implementation-of-beneficial-ownership> accessed 18 July 2022

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

Table 6: Revenue stream overview

	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance
		Unilateral					
Mining	Production levy	Reconciled	MRA	51,975,854	61,801,793	9,825,939	15.90%
	MRA fees	Unilateral (MRA)	MRA	-	6,584,346	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	43,848,760	43,854,222	5,461	0.01%
	Licence fees	Unilateral (DPE)	DPE	-	3,314,050	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	-	-	-	0.00%
	Equity distribution	Reconciled	SOEs	1,319,432,603	1,347,855,553	28,422,950	2.11%
	Mandatory social expenditure	Unilateral (companies)	See chapter 6	182,421,743	-	Not applicable	Not applicable
	Voluntary social expenditure	Unilateral (companies)	See chapter 6	251,901,932	-	Not applicable	Not applicable
	Dividends	Reconciled	State and Landowners	750,000,000	540,755,154	(209,244,846)	-38.69%
	Salary and wage tax	Reconciled	IRC	695,976,163	624,404,789	(71,571,374)	-11.46%
	Corporate income tax	Reconciled	IRC	625,195,136	639,191,309	13,996,173	2.19%
	Foreign contractor withholding tax	Reconciled	IRC	76,614,483	66,489,875	(10,124,608)	-15.23%
Mining and petroleum	Infrastructure tax credit – 2. ITC offset from tax paid in reporting period	Reconciled	IRC	110,255,512	193,407,726	83,152,214	42.99%
	Infrastructure tax credit – 1. ITC actually spent on projects in reporting period	Reconciled	DNPM	104,482,901	56,966,177	(47,516,724)	-83.41%
	Business payments tax	Unilateral (IRC)	IRC	Not applicable	4,940,750	Not applicable	Not applicable
	Dividend withholding tax	Unilateral (IRC)	IRC	Not applicable	-	Not applicable	Not applicable
	Interest withholding tax	Unilateral (IRC)	IRC	Not applicable	6,883,758	Not applicable	Not applicable
	Management fee withholding tax	Unilateral (IRC)	IRC	Not applicable	2,775,254	Not applicable	Not applicable
	Royalty withholding tax	Unilateral (IRC)	IRC	Not applicable	4,133,793	Not applicable	Not applicable
	Goods and services tax	Unilateral (IRC)	IRC	7,713,908	11,434,430	3,720,522	32.54%
	Environmental permit fees	Reconciled	CEPA	8,652,906	9,222,547	569,641	6.18%
	Royalties - MRA	Reconciled	MRA landowners and subnational governments	195,493,285	212,271,641	16,778,356	7.90%
Royalties - DPE	Reconciled	DPE, landowners and subnational governments	167,859,295	99,026,387	(68,832,908)	-69.51%	
Import Duty	Reconciled	Customs	28,712,914	21,811,766	(6,901,149)	-31.64%	
Excise Duty	Reconciled	Customs	7,641,954	22,132,807	14,490,853	65.47%	

Together, the revenue streams included in the reconciliation equate to approximately 97.88% of total revenue from the mining and oil and gas sector in 2021.

## Findings and recommendations

Previous PNG EITI Reports have made a number of recommendations that could improve the quality, accuracy, and comprehensiveness of future PNG EITI reports, and that could ultimately improve the transparency of the extractive industries in PNG.

### Recommendations:

1. Address findings of Independent Validation
2. Improve timing of data collection
3. Presentation of government revenue
4. Reconcile mandatory and social payments
5. Reconciliation of revenue stream between paying entities and government agencies on a quarterly basis
6. Increase data availability through PNG government web portals for license allocation
7. Assurance and compliance reviews over royalties and levies
8. Improve comprehensiveness of data
9. Improve consistency of data reported
10. Coordinated reconciliation of sub-national payments and transfers
11. Address findings of PNG Beneficial Ownership Report 2020
12. Availability of financial reports

# 1

## Introduction





# 1. Introduction

## 1.1 About the Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) was established in 2002. It assists countries to increase transparency and accountability across the oil, gas and mineral resources value chain. 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 writing, the EITI website lists 57 countries at various stages of implementing the EITI Standard. Of these, 1 have achieved very high progress, 8 have achieved satisfactory progress, 33 (including PNG) have achieved meaningful progress, 8 have achieved inadequate progress or have been suspended due to political instability or for missing the reporting deadline, 1 having low to no progress, and the remainder are yet to be assessed against the standard.<sup>29</sup>

## 1.2 2019 EITI Standard

The EITI Standard was updated in 2019 with the intention to:<sup>30</sup>

- ▶ Take feedback from stakeholders into account, and address ambiguities for more clarity
- ▶ Reflect good practices in implementing countries
- ▶ Make implementation less burdensome by introducing flexibility
- ▶ Encourage countries to strengthen disclosures where it counts and addresses national priorities.

Implementing countries are required to comply on the EITI Standard 2019 from 1 January 2020 onwards.

Below is a summary of the changes and where they are addressed in this report:<sup>31</sup>

Table 7: Summary of Changes in the EITI Standard

Requirement	Reasons for the change	Details	Reference
Gender	<ul style="list-style-type: none"> <li>▶ Participation of women and marginalised groups in natural resource governance is key to a well-managed sector.</li> <li>▶ Changes aim to improve MSG representation, ensure data responds to gender analysis, improve access to data by women and marginalised groups.</li> </ul>	<ul style="list-style-type: none"> <li>▶ MSGs are required to consider gender balance (#1.4).</li> <li>▶ EITI reporting should provide employment figures by project, role and gender where available (# 6.3).</li> <li>▶ MSGs should consider information access challenges by gender and sub-groups (# 7.1).</li> <li>▶ MSGs are encouraged to document efforts to improve gender equality and social inclusion (# 7.4).</li> </ul>	Chapter 3 of this Report
Contract Transparency	<ul style="list-style-type: none"> <li>▶ Contracts are key to understanding the fiscal terms of a project and the revenues collected by the state.</li> <li>▶ More than 30 EITI implementing countries disclose at least some contracts.</li> <li>▶ 18 major extractive companies supportive of contract transparency.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Contracts entered, signed or amended from 1 January 2021 are required to be made public (#2.4.a).</li> <li>▶ For work plans covering 2020, MSGs are expected to include plans to disclose contracts (#2.4.b).</li> <li>▶ EITI reporting should describe what contracts exist (#2.1), and the government's policy and actual practice (#2.4.c).</li> </ul>	Due to confidentiality limitations, contract transparency will be a challenge for reporting.  Refer to Chapter 4 of this report

<sup>29</sup> EITI.ORG, Countries | [Extractive Industries Transparency Initiative \(eiti.org\)](https://www.eiti.org/), accessed 18 July 2022

<sup>30</sup> [Webinar: Changes to the 2019 Standard | Extractive Industries Transparency Initiative \(eiti.org\)](https://www.eiti.org/), accessed 30 November 2020

<sup>31</sup> Ibid

Requirement	Reasons for the change	Details	Reference
Sale of the state's share of oil, gas and minerals	<ul style="list-style-type: none"> <li>▶ Over half of USD 2.5 billion revenues disclosed by EITI countries come from the sale of the state's oil, gas or minerals to trading companies.</li> <li>▶ Countries and SOEs have made significant progress with disclosures on sales of oil through the EITI "targeted effort on commodity trading".</li> <li>▶ Opportunities identified to encourage disclosures based on emerging practices and encourage buying companies to match disclosures by countries/SOEs.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implementing countries, SOEs and third parties selling on behalf of the government are covered (#4.2.a).</li> <li>▶ Volumes and values sold should be disaggregated by sales contract (rather than by buyer).</li> <li>▶ Disclosures on the process for selecting buyers and of sales contracts are encouraged (#4.2.b).</li> <li>▶ Buying companies are encouraged to disclose their payments to the state for commodity purchases (#4.2.c).</li> </ul>	<p>Due to confidentiality limitations, sale of the state's share of oil, gas and minerals will be a challenge for reporting.</p> <p>Refer to Chapter 7 and 8 of this report</p>
Environmental reporting	<ul style="list-style-type: none"> <li>▶ Environmental issues are an important part of natural resource governance.</li> <li>▶ At least 28 countries have included information on environmental payments or monitoring of environmental impact in EITI reporting.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Material environmental payments to governments should be disclosed (#6.1).</li> <li>▶ Disclosure of information related to environmental impact and monitoring is encouraged (#6.4).</li> </ul>	Refer to Chapter 10 of this report
State-owned enterprises	<ul style="list-style-type: none"> <li>▶ State-owned enterprises (SOEs) often play an important role in managing the state's natural resources.</li> <li>▶ Validation has demonstrated recurring challenges and lack of clarity of relevant EITI Requirements.</li> <li>▶ SOEs are increasingly "mainstreaming" disclosures and publishing information through websites or annual financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Description of the financial relationship between the state and SOEs should also cover joint ventures and subsidiaries (#2.6.a.i).</li> <li>▶ Loan details to be disclosed include repayment schedule and interest rate (#2.6.a.ii).</li> <li>▶ SOEs are expected to publish their audited financial statements (#2.6.b)</li> <li>▶ MSGs can consider applying IMF definition of quasi-fiscal expenditures (#6.2).</li> </ul>	Refer to Chapter 9 of this report.
Systematic Disclosures	<ul style="list-style-type: none"> <li>▶ Implementing countries and governments are increasingly publishing information through routine government and corporate reporting.</li> <li>▶ Systematic disclosures will ensure more timely, reliable and routine disclosures.</li> <li>▶ Changes recognise the shift towards regular disclosures and the key role of the multi-stakeholder groups in ensuring that these in line with the EITI Standard.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Requirements emphasise comprehensive and reliable disclosures by reporting entities rather than only focusing on EITI Reports (#4.1).</li> <li>▶ Companies expected to disclose annual financial statements (#4.1.e).</li> <li>▶ Allows for MSGs to consider other data assurance procedures than reconciliation, pending Board approval (#4.9).</li> </ul>	Refer to Chapter 10 of this report.
Project-level reporting	<ul style="list-style-type: none"> <li>▶ Increasing recognition that payment and revenue data needs to be disaggregated to understand what the state receives from each individual extractive project.</li> <li>▶ Emerging mandatory disclosure rules require project-level reporting.</li> <li>▶ The EITI Board agreed in 2017 to require revenue disclosures to be disaggregated by project for EITI reporting covering 2018 and onwards.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Including definition of project in line with emerging practices:</li> <li>▶ "Operational activities that are governed by a single contract, , lease, concession or similar legal agreement, and form the basis for payment liabilities with a government" (#4.7).</li> </ul>	Applied throughout the report. Project-level reporting since 2017 PNG EITI Report.
Annual progress reporting	<ul style="list-style-type: none"> <li>▶ Stakeholder consultations have revealed that annual progress reports often do not always serve the purpose of reviewing impact.</li> <li>▶ Many countries have other ways of reviewing impact and outcomes of implementation (e.g., impact studies, EITI Reports, MSG meetings, stakeholder events or other reporting tools.)</li> </ul>	<ul style="list-style-type: none"> <li>▶ MSGs can choose how to undertake their annual review the outcomes and impact of EITI implementation (#7.4).</li> <li>▶ Countries are no longer required to publish such reviews by 1 July.</li> </ul>	

The following are also the summary of changes:<sup>32</sup>

### Other encouraged provisions

- ▶ Licensing (#2.2) - Selection of procedures and requirements for revoking or cancelling s.
- ▶ Production and exports (#3.2, #3.3) - Disclosure by company or project.
- ▶ Data timeliness (#4.8) - More timely disclosures.
- ▶ Subnational transfers (#5.2) - Allocation and expenditure.
- ▶ Follow-up on EITI findings (#7.3) - Recommendations for reform.
- ▶ Section on “Terminology” also explains systematic disclosures.
- ▶ Countries are not suspended for achieving less than satisfactory progress on Requirements 1.1-1.3.
- ▶ Separate section on EITI Board oversight of implementation (previous Requirement 8 on “Compliance and deadlines”).

## 1.3 EITI implementation in Papua New Guinea

PNG has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of its citizens. However, despite these abundant resources, 37.5% of PNG citizens continue to live below the national poverty line.<sup>33</sup> PNG also ranked 124 out of 180 countries in Transparency International’s *Corruption Perception Index* for 2021.<sup>34</sup> In this context, it is important that PNG continues to strive for increased transparency.

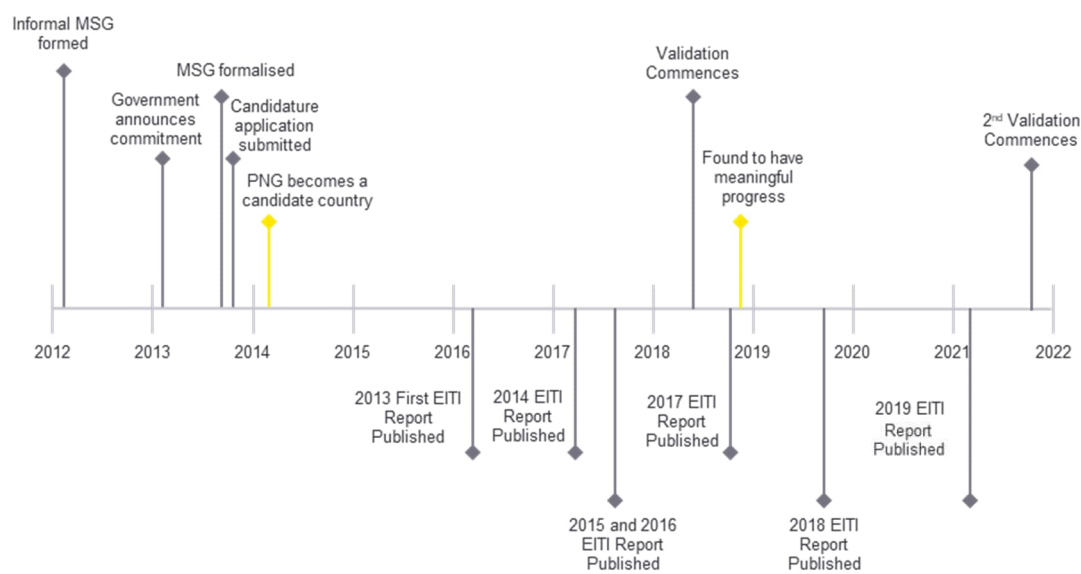
To address transparency and to improve PNG’s attractiveness for foreign investment, the PNG Government, led by the Minister for Treasury, applied for EITI candidacy in 2013 and was accepted as an EITI implementing country in 2014. PNG has since published reports for the calendar years 2013–19. The timeline for EITI implementation in PNG is shown in Figure 7 below. The 2021 report focused on additional disclosures on subnational payments (Chapter 6), improved presentation (across all chapters), and aims to meet all validation recommendations from its first validation.

<sup>32</sup> [Webinar: Changes to the 2019 Standard | Extractive Industries Transparency Initiative \(eiti.org\)](#), accessed 15 December 2022

<sup>33</sup> Asia Development Index, Basic Statistics April 2022, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 15 December 2022

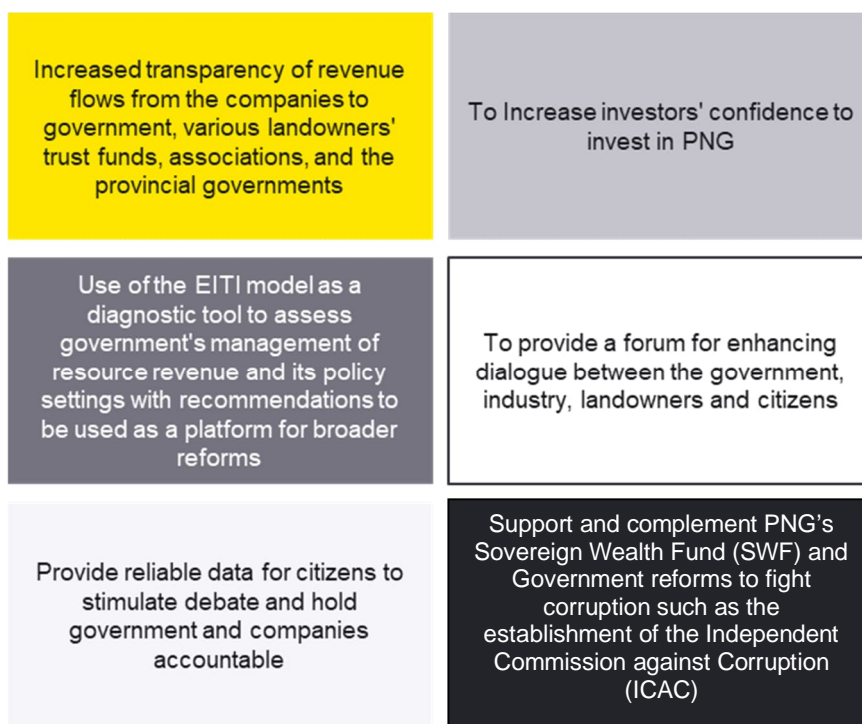
<sup>34</sup> Corruption Perceptions Index 2021’, Transparency International, <https://www.transparency.org/en/cpi/2021/index/png>, accessed 15 December 2022

Figure 7: Timeline for EITI Implementation in PNG<sup>35</sup>



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

Figure 8: PNG EITI's objectives for EITI Implementation



### 1.3.1 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.<sup>36</sup> Figure 9 below shows the governance structure of the PNG EITI.

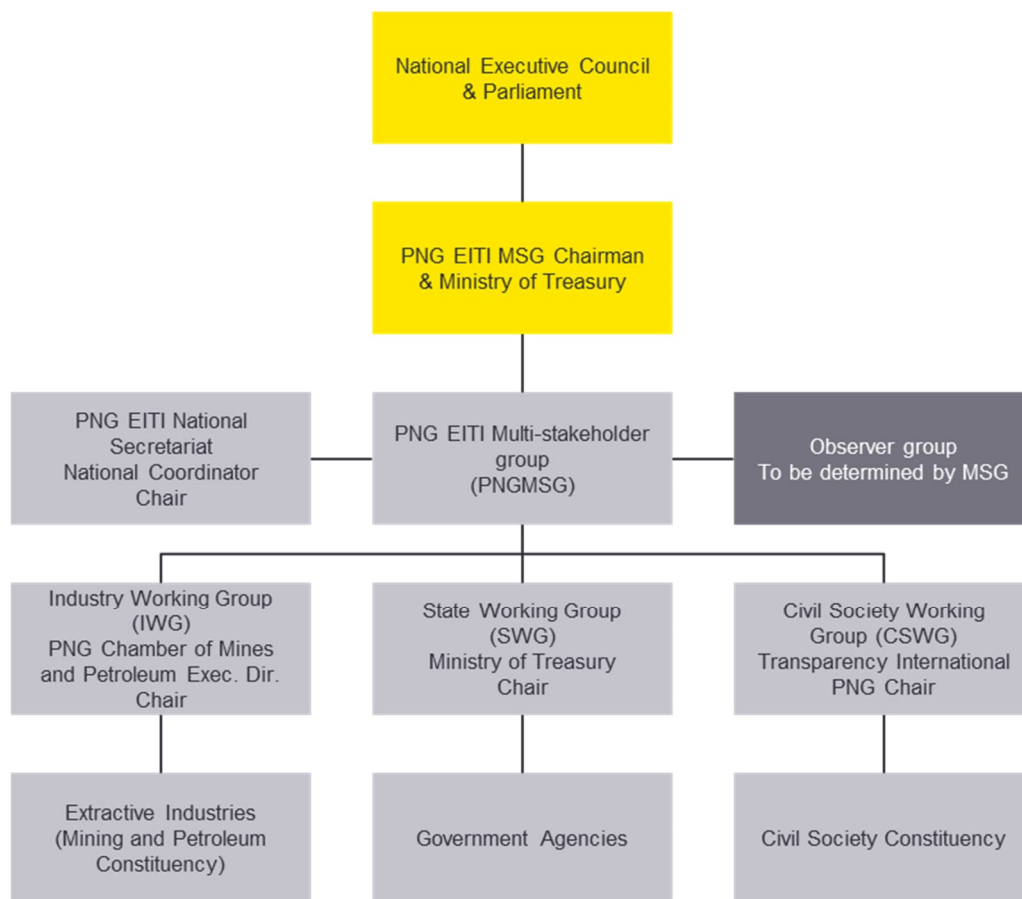
<sup>35</sup> Based on actual submissions and scheduled events. Validation is scheduled in April 2022  
<sup>36</sup> 2017 Final PNGEITI MSG MoU, [PNG validation - PNGEITI](#) accessed 18 July 2022. Based on actual submissions and scheduled events. Validation is scheduled in April 2022

The MSG is chaired by the PNG Treasurer, and 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.
- ▶ Three representatives from state-owned enterprises (SOEs), including two 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 9 below, and the complete list of members and representatives is provided at Appendix A.

Figure 9: Structure of governance of PNG EITI



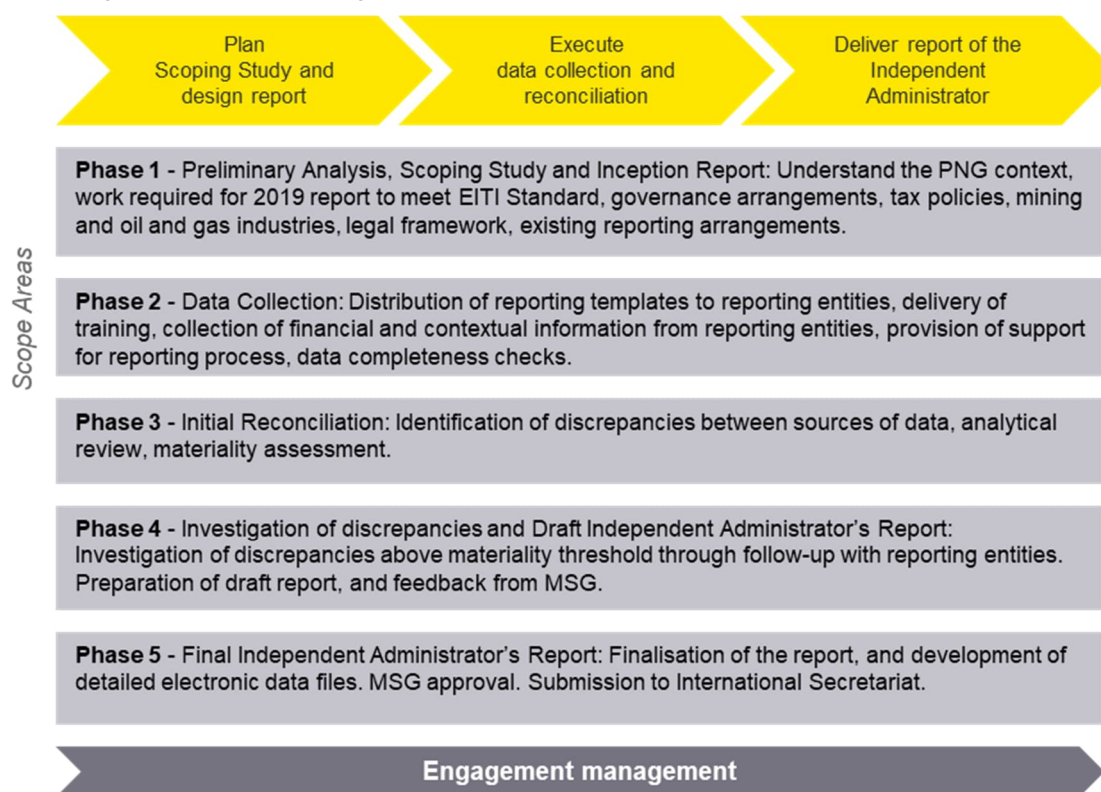
The PNG EITI National Secretariat assists the Chairman in providing coordination, facilitation and administrative support to the MSG. It is governed by terms of reference approved by the MSG.

### 1.3.2 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/>.<sup>37</sup>

EY’s process in preparing this report is shown in Figure 10 below

Figure 10: Independent Administrator’s process



### 1.3.3 Progress in implementing EITI in PNG

#### 1.3.3.1 First validation – 2018 validation

PNG underwent its first EITI validation in April 2018, to assess the progress made in the 2016 and earlier reports. The independent validator assigned by the EITI International Secretariat found that, overall, PNG had made meaningful progress. However, while some aspects, including MSG oversight, show meaningful or satisfactory progress, several aspects of revenue collection and revenue allocation were assessed as having inadequate progress. The results are summarised in Table below.<sup>38</sup>

<sup>37</sup> 2019 PNG EITI Report Terms of Reference, <http://www.pngeiti.org.pg/wp-content/uploads/2020/04/Final-TOR-for-FY2019-PNGEITI-Report.pdf>, accessed 18 December 2020. 2017 Final PNGEITI MSG MoU, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/2017-Final-PNGEITI-MSG-MoU.pdf>, accessed 9 October 2020

<sup>38</sup> IPNG Validation Report, [https://eiti.org/sites/default/files/attachments/png\\_validation\\_-\\_validators\\_final\\_validation\\_report.pdf](https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf) accessed 18 July 2022

Table 8: PNG's progress in implementing the EITI Standard (Initial assessment card)<sup>39</sup>

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
MSG oversight	1.1	Government engagement						1	
	1.2	Industry engagement						1	
	1.3	Civil society engagement						1	
	1.4	MSG governance						1	
	1.5	Work plan						1	
s and contracts	2.1	Legal framework						4	
	2.2	License allocations						7, 8	We have again specifically requested the MRA and DPE to report each license tenement/ awarded, extended, or transferred, surrendered or cancelled during the reporting period: ID, ownership and date of award/transfer/extension in the non-financial reporting template.  We held meetings with MRA to further clarify the license allocation criteria and these are discussed in Section 7.9
	2.3	License register						7, 8	
	2.4	Policy on contract disclosure						4.16	
	2.5	Beneficial ownership (BO)		n/a				4.17	BO reporting becomes mandatory under the Standard in 2020.  A Beneficial Ownership (BO) report was published which includes description of the approach, definitions and scope of the BO data collection and provides recommendations on issues that will need considering when implementing a mandatory BO disclosure regime once the core definition has been agreed. <sup>40</sup>
	2.6	State participation						4.14, 9	

<sup>39</sup> IPNG Validation Report, [https://eiti.org/sites/default/files/attachments/png\\_validation\\_-\\_validators\\_final\\_validation\\_report.pdf](https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf) accessed 18 July 2022

<sup>40</sup> Beneficial Ownership Final Report, [https://eiti.org/sites/default/files/attachments/bdo\\_png-eiti-bo-report-final-version-20-12-20.pdf](https://eiti.org/sites/default/files/attachments/bdo_png-eiti-bo-report-final-version-20-12-20.pdf), 18 July 2022

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
Monitoring production	3.1	Exploration data						8	
	3.2	Production data						7, 8	<p>The IA has again requested this information in the reporting template, but reporting remains incomplete and inconsistent. IA derived the production value as follows:</p> <p>a. <i>Mining production value is not available on MRA's reporting template, but has been estimated using the below formula:</i></p> <ul style="list-style-type: none"> <li>▶ <i>Value of commodity = (Export value / Export quantity)</i></li> <li>▶ <i>Produced value = Value of commodity * quantity produced<sup>41</sup></i></li> </ul> <p>b. <i>Oil and gas production value remain to be challenge and still currently not available to public portals.</i></p> <p><i>Export values are also not available in the reporting templates of either DPE or reporting companies, hence, we obtained data from 2022 National Budget.<sup>42</sup></i></p>
	3.3	Export data						8	
Revenue collection Revenue collection	4.1	Comprehensiveness						2	The IRC reporting template has been updated since the 2016 validation to clarify that total revenue stream value as requested and the IA have been working to confirm full unilateral disclosure of all government extractive revenue streams. Specifically, we have sought to include revenue streams from projects that are not yet producing.
	4.2	In-kind revenues <sup>^</sup>				n/a			Engagement undertaken through the validation process found there was consensus among stakeholders consulted that this requirement was not applicable to PNG under the current fiscal regime. <sup>43</sup> To further increase transparency for the 2019 and subsequent reports, it was agreed by the MSG to include a sub-national payments framework to be completed by reporting entities. This includes cash and in-kind payments to the sub-national level.
	4.3	Barter agreements <sup>^</sup>				n/a			Validation process consultation found that extractives companies are not required to undertake expenditures that could be categorised as barter agreements. <sup>44</sup>
	4.4	Transportation revenues <sup>^</sup>				n/a			Treasury has confirmed that transport revenues do not exist in PNG except for pipeline fees, which are not material. <sup>45</sup>

<sup>41</sup> Total Export Values, derived from MRA Template, refer to Chapter 7.

<sup>42</sup> 2022 National Budget Volume 1 - Volume and Value of Main Exports Commodities Table 4 and 5; [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 18 July 2022

<sup>43</sup> <https://eiti.org/validation>, accessed 18 July 2022

<sup>44</sup> *ibid*

<sup>45</sup> PNG EITI 2016 Report, [https://eiti.org/sites/default/files/attachments/png\\_eiti\\_2016\\_report.pdf](https://eiti.org/sites/default/files/attachments/png_eiti_2016_report.pdf)



Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
	4.5	SOE transactions						9	
	4.6	Direct subnational payments						6	
	4.7	Disaggregation						10	
	4.8	Data timeliness						10	
	4.9	Data quality						10	
Revenue allocation	5.1	Distribution of revenues						5, 10	Engagement with the PNG Auditor General's Office was undertaken to establish the current status of the audit of Government and SOE accounts. This information has been incorporated into the assessment of data quality in the reconciliation chapter of this report.
	5.2	Subnational transfers						5, 6, 10	Information relating the distribution of revenues has been updated in this report and additional information is also provided relating to the distribution of funds managed by MRDC.
	5.3	Revenue management and expenditures*						n/a	
Socio-economic contribution	6.1	Mandatory social expenditures						6	
	6.2	SOE quasi-fiscal expenditures						9	The IA requested that companies include the name of any contract that defines social payments so that a better understanding of what is a mandatory social expenditure could be included in this report. At the time this report was finalised, no entities had included this information in their reporting template.
	6.3	Economic contribution						3	
Outcomes and Impact	7.1	Public debate						3	
	7.2	Data accessibility*						n/a	
	7.3	Follow up on recommendations						11	
	7.4	Outcomes and impact of implementation							

\* These requirements are only encouraged or recommended and are not currently considered in assessing compliance with the EITI Standard.

^ During the validation process, the MSG was able to demonstrate that these requirements of the Standard were not applicable in PNG.

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI country report. Certain recommendations have already been implemented, and we expect that this will continue to drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG.<sup>46</sup>

The NEC directives have the potential to facilitate improvements in the data collection process and address many of the gaps identified in previous PNG EITI reports. The MSG and PNG EITI Secretariat have also started to improve and address these gaps, particularly by encouraging and supporting greater participation and engagement by SOEs including the Mineral Resources Development

<sup>46</sup> 2018 Validation Report, [https://eiti.org/sites/default/files/attachments/png\\_validation\\_-\\_validators\\_final\\_validation\\_report.pdf](https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf) accessed 18 July 2022

Company (MRDC) and Kumul Petroleum Holdings Ltd (KPH)<sup>47</sup> These entities have submitted templates for this report.

The PNG EITI Secretariat held discussions with State solicitors on the legality of making Memorandum of Agreements (MOAs) public. However, publication disclosure continues to be restricted due to confidentiality clauses.

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

### **Implementing an electronic registry and revenue system at the Department of Petroleum and Energy (DPE):**

DPE has been tasked with implementing a reliable Electronic Registry and Revenue System (ERRS) in place of the current paper ledger registry. This project will be supported by technical cooperation from Japan International Cooperation Agency (JICA) under its support program to the PNG EITI National Secretariat. This directive remains in progress at the time of writing.

### **Amending budget and fiscal reports to continue to collect information on subnational payments:**

The current reporting by the National Secretariat and the National Economic and Fiscal Commission (NEFC) does not capture all subnational revenue and payment streams required by the EITI Standard. NEFC's current reporting is provisioned under the *Intergovernmental Relations (Functions and Funding) Act 2009*, which governs NEFC's operations. It is proposed that NEFC and the PNG EITI Secretariat work together to identify mechanisms that can better align NEFC reporting to the EITI requirements, not only in relation to subnational payments but to all other payments for the various levels of governments.

This directive remains in progress. Subnational payments implementation is yet to be started.

### **Government agencies are directed to submit timely reports to the Auditor-General's Office (AGO):**

The formal letter of notification on this directive has been conveyed to the AGO. To date no formal response has been received on their implementation progress and/or strategy. The AGO has undertaken an active audit program on relevant government agencies. The Secretariat will continue to liaise with the AGO regarding the implementation of this directive.

#### **1.3.3.2 Second validation – 2022 validation**

The second validation was undertaken in April 2022 and assessed the progress in EITI implementation since the first validation under the 2016 EITI Standard. The second validation assessment of the disclosures covered the 2019 financial year 2019 (PNGEITI 2019 Report) and the assessment followed the 2019 EITI Standard.<sup>48</sup>

The draft assessment was released for review by the MSG on 26<sup>th</sup> July 2022, with the MSG providing its comments on the draft assessment on 20<sup>th</sup> September 2022 and finalised by the EITI Board on 4<sup>th</sup> of October 2022. The assessment suggest that PNG has fully met ten, mostly met twelve and partially met seven requirements with three assessed as not applicable.

There were three key achievements highlighted:

1. The quality of the EITI Reports improved. Scoping studies on subnational payments, SOE, beneficial ownership and contract transparency provided further insight into PNG's complex extractive sector structures.

<sup>47</sup> NEC File No.-NEC04-1-21.11.17 <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf>, accessed 12 July 2018

<sup>48</sup> The EITI Standard 2019, <https://eiti.org/collections/eiti-standard>, accessed 1 October 2022

2. The digitalisation of Department of Petroleum and Energy’s (DPE) license management and other information.
3. “The MSG functions as an effective platform for multi-stakeholder dialogue on the extractive sector”.

However there remains gaps as highlighted in the findings:

- ▶ “Significant gaps remain in disclosures related to state-owned enterprises”.
- ▶ “Gaps in disclosures appear to be symptom of waning high-level government commitment to EITI process”.
- ▶ “Engaging civil society beyond Port Moresby including affected communities is a challenging due to PNG’s geography and the limited resources available”.
- ▶ “There is little evidence of disclosures being used to inform analysis or decision-making in the period under review”.

The draft results are summarised in Table below.<sup>49</sup>

Table 9: PNG’s Draft scorecard: Summary of progress in the Validation of PNG

Component & module	IETI requirement	Progress	Score	
<b>Outcomes and impact</b>		<b>Moderate</b>	<b>73.5/100</b>	
Extra points	Effectiveness and sustainability indicators		1.5	
Outcomes and impact	Work plan (#1.5)	Mostly met	60	↓
	Public debate (#7.1)	Fully met	90	-
	Data accessibility and open data (#7.2)	Mostly met	60	-
	Recommendations from EITI (#7 .3)	Mostly met	60	↓
	Outcomes & impact (#7.4)	Fully met	90	↑
<b>Stakeholder engagement</b>		<b>Moderate</b>	<b>75/100</b>	
Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60	↓
	Industry engagement (#1.2)	Mostly met	60	↓
	Civil society engagement (# 1.3)	Fully met	90	-
	MSG governance (#1.4)	Fully met	90	-
<b>Transparency</b>		<b>Fairly low</b>	<b>62.5/100</b>	
Overview of the extractive industries	Exploration data (#3.1)	Fully met	90	-
	Economic contribution (#6.3)	Fully met	90	-
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90	-
	Contracts (#2.4)	Partly met	30	↓
	Environmental impact (#6.4)	Not assessed	-	-
Licenses	Contract and license allocations (#2.2)	Partly met	45	↑
	License register (#2.3)	Mostly met	60	-
Ownership	Beneficial ownership (#2.5)	Partly met	30	-
State participation	State participation (#2.6)	Partly met	30	-
	In-kind revenues (#4.2)	Not applicable	-	-
	SOE transactions (#4.5)	Mostly met	60	-
	SOE quasi-fiscal expenditures (#6.2)	Partly met	45	↑

<sup>49</sup> Validation of Papua New Guinea: Draft assessment of progress in implementing the EITI Standard, 26 July 2022

Component & module	IETI requirement	Progress	Score	
Production and exports	Production data (#3.2)	Mostly met	60	↑
	Export data (#3.3)	Mostly met	60	-
Revenue collection	Comprehensiveness (#4.1)	Fully met	90	↑
	Barter agreements (#4.3)	Not applicable	-	-
	Transportation revenues (#4.4)	Not applicable	-	-
	Disaggregation (#4.7)	Fully met	90	-
	Data timeliness (#4.8)	Fully met	90	-
	Data quality (#4.9)	Mostly met	60	↑
Revenue management	Distribution of revenues (#5.1)	Mostly met	60	↑
	Revenue management & expenditures (#5.3)	Not assessed	-	-
Subnational contributions	Direct subnational payments (#4.6)	Partly met	45	↑
	Subnational transfers (#5.2)	Partly met	45	↑
	Social and environmental expenditures (#6.1)	Mostly met	75	↑
<b>Overall score</b>		<b>Moderate</b>	<b>70.5/100</b>	

The MSG has responded to the draft validation results on 20<sup>th</sup> September 2022 and requested a review of specific requirements in the Transparency Module was given an overall scorecard of “Fairly Low” and the Stakeholder Engagement Module where progress was “Moderate” reflecting a backsliding in some areas.



# 2

Reporting entities and  
revenue streams



## 2. Reporting entities and revenue streams

### 2.1 Materiality

This report covers all material revenue streams from the material reporting entities, for the 2021 calendar year. These are defined below:

#### Material revenue streams

- ▶ Revenue streams that contribute 2% or more of government revenue from the sector
- ▶ Revenue streams that currently contribute less than 2% to government revenue from the sector, but which are considered by the MSG to be “of significant interest” to the people of PNG - for example, production levy, development levy or environmental fees.

#### Material reporting entities

- ▶ All mining and oil and gas companies which have interests in operations that were producing saleable commodities, as agreed by the MSG
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have interests in resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments

#### 2.1.1 Determination of materiality for revenue streams

The MSG considered both qualitative and quantitative definitions of materiality to determine which revenue streams would be deemed material for this report, in alignment with PNG EITI’s strategic objectives.

The quantitative threshold applied was all revenue streams that contribute 2% or more to the total revenue received by the government from the mining and oil and gas sectors. In 2021, this threshold was PGK69 million. This is within the range applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. According to this standard, 99% of PNG government revenues attributed to the extractives sector were considered material.

Some revenue streams that fall below this quantitative threshold have also been reconciled, based on a qualitative definition of materiality adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of significant interest or benefit to the PNG population
- ▶ Likely to exceed a pre-defined quantitative level of materiality in the future

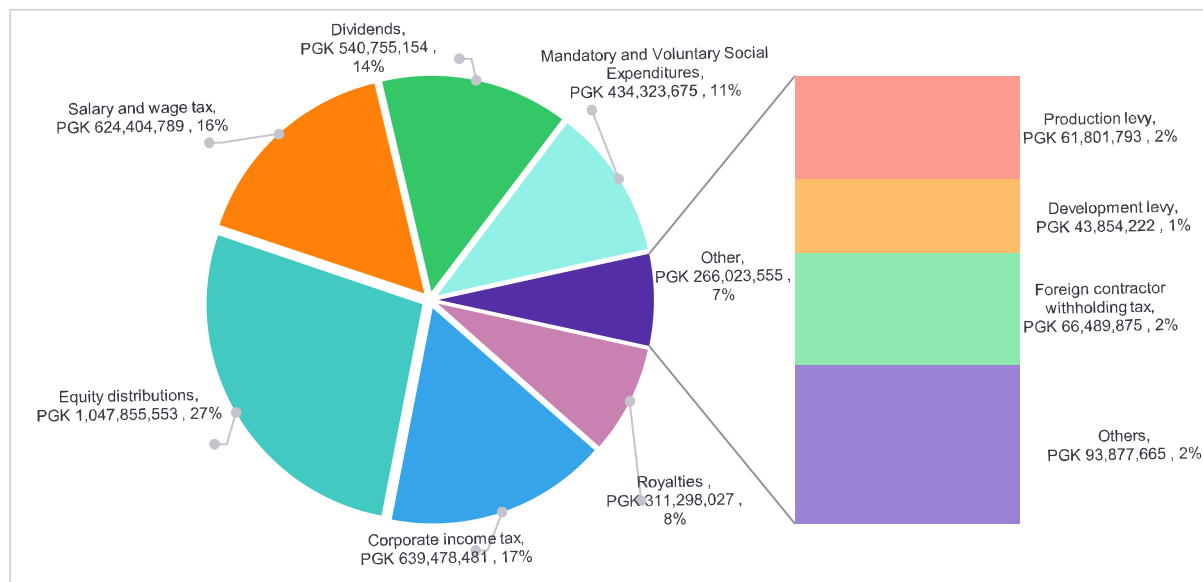
For 2021, these revenue streams included the environmental permit fees, environmental user charges, production levies, goods and services taxes, import taxes and excise duties. Individually, these revenue streams fall below the quantitative threshold, but together they represent more than 2% of revenue from the extractive industries. Further, infrastructure tax credits applied (offset against corporate income taxes) and spent (reported to the Department of National Planning and Monitoring) were also included based on qualitative nature of these accounts. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Share of sales from joint venture projects and equity holdings are included for additional information.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2021 report, to increase transparency at the provincial level, the IA and MSG have requested unilateral disclosure of subnational payments by reporting entities (further discussed in Chapter 6).

An overview of Government revenue streams from the extractive industry is illustrated below: \*

Figure 11: Relative percentage of each revenue streams



\*Not included in the chart are the following

- ▶ Share of sales - these are sales prior to deduction of any spending on production costs, operating expenses, finance costs and tax payments.
- ▶ Infrastructure tax credits (offset from tax paid) - already included in corporate income tax payments above
- ▶ Infrastructure tax credits spent - to avoid double counting on expenditures which may be included in Mandatory and Voluntary expenditure

## 2.2 Resource companies

Resource companies were those with interests in extractive projects that were producing saleable commodities during the reporting period and projects in advanced stages of exploration or pre-production. The MSG approved the exclusion of mid-stream and down-stream resource companies.

To identify material resource companies, the IA requested the IRC, MRA, Customs, CEPA, DPE and SOEs to supply the value of all receipts from extractive industry companies, encompassing those that had ownership in active mining explorations, mining leases, special mining leases, or leases for mining purposes, petroleum development, pipeline, processing facility or retention license, as identified by the MRA and DPE. Upon receipt, this revenue data was used to calculate the quantitative threshold for EITI reporting and identify material reporting entities based on consolidated receipts by receiving entities.

As many companies have multiple affiliates active in mining and oil and gas projects, the threshold is applied to the total value across the parent and all its affiliates. When the threshold is reached for the group, each affiliate company is then required to report.

The table below shows which resource companies were quantitatively assessed as being material or not for the 2021 report. Each material reporting company is discussed in more detail in Chapters 7 and 8, including company structure, contribution to extractive industry revenues, and any changes in ownership during the reporting period.

Table 10: SOE, mining, oil and gas companies

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
<b>Mining</b>				
Porgera	Barrick (Niugini) Ltd	<ul style="list-style-type: none"> <li>▶ Barrick (PD) Australia Pty Limited - 50%</li> <li>▶ Gold Mountains International Mining Company Limited - 50%</li> </ul>	53,481,663	N
	Mineral Resources Enga Ltd	<ul style="list-style-type: none"> <li>▶ Porgera Gold Mines Limited - 50%</li> <li>▶ Enga Provincial Government - 50%</li> </ul>	167,743	N
Kainantu	K92 Mining Ltd	K92 Mining Inc	87,349,078	Y
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	302,367,104	Y
Ramu Nickel (Kurumbukari)	MCC Ramu NiCo Ltd - 85%	MCC-JJJ Mining	97,264,935	Y
	Ramu Nickel Limited - 8.56%	Highlands Pacific Limited	0	N
	Mineral Resources Ramu Limited - 2.50%	Mineral Resources Development Company	0	N
	Mineral Resources Madang Limited - 3.94%	Mineral Resources Development Company	0	N
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	61,038,631	N
Eddie Creek	Niuminco Eddie Creek Ltd	Niuminco Group Ltd	0	N
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Limited	<ul style="list-style-type: none"> <li>▶ Independent State of PNG - 67%</li> <li>▶ Mineral Resources OK Tedi Star No.2 Limited - 12%</li> <li>▶ Mineral Resources Star Mountains Limited (MRSM) - 9%</li> <li>▶ Mineral Resources CMCA Holdings Limited - 12%</li> </ul>	568,421,582	Y
Ok Tedi Mining Limited Subsidiary	Ok Tedi Power Limited	Ok Tedi Mining Limited	705,514	N
	Ok Tedi Development Foundation	Ok Tedi Mining Limited	1,391,996	N
Simberi	Simberi Gold Co. Ltd	St Barbara Ltd	29,390,842	N
Solwara (Bismarck Sea)	Nautilus Minerals Niugini Ltd	Kumul Mineral Holdings Ltd	0	N
Woodlark (Kulumadau)	Woodlark Mining Ltd	Geopacific Resources Ltd/ Kula Gold Ltd	250,430	N
Frieda River	Frieda River Ltd	PanAust Ltd	1,053,814	N
Tolukuma	Tolukuma Gold Mine Ltd	Asidokona Mining Resources Pty Ltd	0	N
Mt Crater (HGZ Mine)	Anomaly Ltd	Crater Gold Mining Ltd	0	N
Wafi-Golpu	Newcrest PNG 2 and Wafi Mining Ltd	<ul style="list-style-type: none"> <li>▶ Newcrest Mining Limited - 50%</li> <li>▶ Harmony Gold Mining Company Ltd - 50%</li> </ul>	243,764	N
<b>Oil and gas companies that provided consolidated template</b>				
PNG LNG	ExxonMobil PNG Ltd (Operator of PNG LNG)	ExxonMobil Corporation	646,732,703	Y



Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
PNG LNG and other Oil Projects	Oil Search (PNG) Ltd (Operator of Oil and Associated Gas projects)	Santos Ltd	95,926,931	Y
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Ltd (KPH)	Independent State of Papua New Guinea	300,000,000	Y
<b>Oil and gas projects</b>				
SE Gobe (PDL 3 and PDL 4)	Oil Search (PNG) Ltd	Santos Ltd	0	Y - Part of the Santos Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	0	N
	Ampolex Highlands Ltd	ExxonMobil Corporation	0	Y - Part of ExxonMobil Group
	Petroleum Resources Gobe Ltd	Mineral Resources Development Company	120,183	N
	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	See previous	N
	Southern Highlands Petroleum Company Ltd	Kumul Petroleum Holdings Ltd	See previous	Y - Part of KPH Group
	Barracuda Ltd	Santos Ltd	281,734	N
Gobe Main (PDL 4)	Oil Search (PNG) Ltd	Santos Ltd	See previous	Y - Part of the Santos Group
	Ampolex Highlands Ltd	ExxonMobil Corporation	See previous	Y - Part of ExxonMobil Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See previous	N
	Petroleum Resources Gobe Ltd	Mineral Resources Development Company	See previous	N
Kutubu	Oil Search (PNG) Ltd	Santos Ltd	0	Y - Part of the Santos Group
	Ampolex (PNG Petroleum) Inc	ExxonMobil Corporation	34,445	Y - Part of ExxonMobil Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	1,870,092	N
	Petroleum Resources Kutubu Ltd	MRDC	0	N
	Merlin Pacific Oil Co. NL	ExxonMobil Corporation	12,860	Y - Part of ExxonMobil Group
Moran	Oil Search (PNG) Ltd	Santos Ltd	See previous	Y - Part of the Santos Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See previous	N
	Esso PNG Moran Ltd	ExxonMobil Corporation	141,869	Y - Part of ExxonMobil Group

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd	See previous	Y - Part of KPHL Group
	Ampolex (PNG Petroleum) Inc	ExxonMobil Corporation	See previous	Y - Part of ExxonMobil Group
	Ampolex (Highlands) Inc	ExxonMobil Corporation	See previous	Y - Part of ExxonMobil Group
	Petroleum Resources Kutubu Ltd	MRDC	See previous	N
	Merlin Pacific Oil Co. NL	ExxonMobil Corporation	See previous	Y - Part of ExxonMobil Group
	Petroleum Resources Moran Ltd	MRDC	1,520,183	N
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	Total S.A.	11,545,294	N
	ExxonMobil PNG Antelope Limited	ExxonMobil Corporation	See above	Y
	Santos	Santos Ltd	See above	Y
	Kumul Petroleum Holdings Limited	Independent State of Papua New Guinea	See above	Y
Pasca A	Twinza Oil	Twinza Oil	0	N
PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Corporation	11,729,202	Y - Part of ExxonMobil Group
	Esso PNG Juha Ltd	ExxonMobil Corporation	19,369,797	Y - Part of ExxonMobil Group
	ExxonMobil PNG Ltd	ExxonMobil Corporation	See above	Y - Part of ExxonMobil Group
	Kumul Petroleum (Kroton) Ltd	Kumul Petroleum Holdings Ltd	See above	Y - Part of KPHL Group
	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	See above	Y - Part of KPHL Group
	Nippon PNG LNG LLC	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	54,020,239	N
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See above	N
	Oil Search (LNG) Ltd	Santos Ltd	43,502,911	Y - Part of Santos Group
	Oil Search (Tumbudu) Ltd	Santos Ltd	12,383,828	Y - Part of Santos Group
	Lavana Ltd	Santos Ltd	10,099,077	Y - Part of Santos Group
	Santos (Hides) Ltd	Santos Ltd	48,455,386	Y - Part of Santos Group
	Gas Resources Gigira Ltd	MRDC	0	N
	Gas Resources Gobe Ltd	MRDC	0	N
Gas Resources Angore Ltd	MRDC	0	N	

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
	Gas Resources Hides No.4 Ltd	MRDC	8,570	N
	Gas Resources Juha Ltd	MRDC	0	N
	Gas Resources Kutubu Ltd	MRDC	0	N
Stanley Project	Repsol	Talisman Niugini Pty Ltd	0	N
	Horizon oil (Papua) Ltd		0	N
	Osaka Gas Niugini Pty Ltd		0	N
	Mitsubishi Corporation (Diamond Gas Niugini B.V.)		0	N

<sup>^</sup> Consolidated receipts are calculated based on the reported receipts by government departments and agencies excluding infrastructure tax credits and social expenditures

The following entities have consolidated receipts below the quantitative threshold. However, the IA considered qualitative factors such as significant production and export quantities, including PGK values, and entities with a high public profile:

- ▶ Barrick (Niugini) Ltd (Porgera)
- ▶ K92 Mining Ltd (Kainantu)
- ▶ Morobe Consolidated Goldfields Ltd (Hidden Valley)
- ▶ Simberi Gold Co. Ltd (Simberi)
- ▶ Total E&P PNG Ltd (Papua LNG Elk-Antelope)
- ▶ Barracuda - SE Gobe (Santos)
- ▶ Joint venturers of PNG LNG project
  - ▶ Santos (Lavana, Santos Hides)
  - ▶ JX Nippon (Merlin Petroleum Company, Nippon PNG LNG LLC)
- ▶ Mineral Resources Development Co. Ltd subsidiaries  
(Due to stake in Porgera, and Equity Distributions received from PNG LNG)
  - ▶ Mineral Resources Enga Ltd
  - ▶ Petroleum Resources Gobe Ltd
  - ▶ Petroleum Resources Kutubu Ltd
  - ▶ Petroleum Resources Moran Ltd
  - ▶ Gas Resources Gigira Ltd
  - ▶ Gas Resources Gobe Ltd
  - ▶ Gas Resources Angore Ltd
  - ▶ Gas Resources Hides No.4 Ltd
  - ▶ Gas Resources Juha Ltd
  - ▶ Gas Resources Kutubu Ltd

The final list of material resource companies is:

Table 11: Material reporting entities

Mining companies	Oil and gas companies
<ul style="list-style-type: none"> <li>▶ Barrick (Niugini) Ltd (Porgera mine - SML 1 (P))</li> <li>▶ K92 Mining Ltd (Kainantu)</li> <li>▶ Lihir Gold Ltd (Lihir/Luise Caldera mine - SML 6)</li> <li>▶ MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu - SML 8)</li> <li>▶ Morobe Consolidated Goldfields Ltd (Hidden Valley mine - ML 151)</li> <li>▶ Simberi Gold Co. Ltd (Simberi mine - ML136)</li> <li>▶ Ok Tedi Mining Limited</li> </ul>	<ul style="list-style-type: none"> <li>▶ ExxonMobil PNG Ltd (and affiliates)</li> <li>▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)</li> <li>▶ Kumul Petroleum Holdings Ltd (and subsidiary)</li> <li>▶ Mineral Resources Development Company (MRDC) (and subsidiaries)</li> <li>▶ Santos Ltd (and subsidiaries)</li> <li>▶ Santos Ltd (and subsidiaries)</li> <li>▶ Total E&amp;P PNG Limited (and subsidiaries)</li> </ul>

Table 12: Resource companies' coverage

Companies	No. of resource companies	Government receipts (PGK)*	Coverage based on Government receipts.
Companies deemed material under quantitative definition	16	2,185,237,245	85.82%
Companies deemed material under qualitative definition	22	357,478,624	14.04%
Companies not deemed material	17	3,645,517	0.14%
<b>Total</b>	<b>55</b>	<b>2,546,361,386</b>	<b>100.00%</b>

\*Amount does not include Equity Distributions. PNG LNG stakeholders Landowner companies under MRDC and KPHL receiving equity distribution from PNG LNG Project are included as part of the required reporting entities. Equity distribution amounts reported by KPHL and Landowner entities under MRDC have been agreed and confirmed by ExxonMobil in its capacity as the operator of PNG LNG project.

Based on the above selection of material reporting companies, the IA has attempted to reconcile 99.86% of the extractive revenues for the 2021 report. The mining and oil and gas companies that have not been included do not affect the comprehensiveness of the report.

## 2.3 State-owned enterprises

State-owned enterprises (SOEs) and trustees play a key role in managing and distributing PNG's wealth. Transparent disclosure of their processes for managing and transferring funds to beneficiaries (landowners, subnational governments, national government, etc.) is therefore critical for a comprehensive EITI report. Material SOEs and trustees 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 13: State-owned enterprises and trustees

Reporting entity	Revenue streams received	Revenue streams paid to PNG Government
Kumul Petroleum Holdings Ltd (KPH)	Equity Distributions from subsidiary companies that are joint venture partners in oil projects and PNG LNG	Dividends paid to PNG Treasury KPH taxes paid to IRC Subsidiary company taxes paid to IRC Return of capital to the State State support
Kumul Mineral Holdings Ltd (KMH)	Not material for 2021, as no interests in operations that were producing saleable commodities	Salary & wages tax of PGK399,886 (Group tax)
Mineral Resources Development Company Ltd (MRDC)	Management fees from trusts managed on behalf of subsidiary landowner companies. MRDC also report the royalty and equity distributions received from subsidiary landowner companies for	MRDC taxes paid to IRC Subsidiary company taxes paid to IRC

Reporting entity	Revenue streams received	Revenue streams paid to PNG Government
	their interest in PNG LNG and on payments to relevant trust funds.	
Ok Tedi Mining Limited (OTML)	Sales revenue from Ok Tedi mine	Dividends paid to PNG Treasury Taxes paid to IRC Production levy paid to MRA
Ok Tedi Development Foundation	Not material for 2021 data reconciliation, but contextual information was requested by the IA	Salary & wages tax of PGK1,378,058 (Group tax) and Foreign Company Withholding Tax of PGK13,202
Ok Tedi Power Limited	Not material for 2021 data reconciliation, but contextual information was requested by the IA	Corporate income tax of PGK287,171 Salary & wages tax of PGK199,047 (Group tax) Goods and Services Tax PGK219,294

State participation in the extractive industries contributes to government revenues through equity distribution receipts, dividends and tax payments to PNG Treasury and IRC, respectively. Where the SOE is also the operator of the project (as is the case with Ok Tedi), the SOE pays a production levy to the MRA. Royalty payments are also distributed to local governments and landowners through the MRDC.

Each SOE, and associated subsidiary companies, is considered material for reporting purposes regardless of whether the quantitative threshold is met. This is due to the requirement of the EITI Standard to transparently report the management of funds through these entities. Each SOE, its structure, subsidiaries and its contribution to extractive industry revenues are discussed in more detail in Chapter 9 of this report.<sup>50</sup>

## 2.4 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, as shown below.

Table 14: Material government entities

Government entity	Revenue streams received or recorded
Internal Revenue Commission (IRC)	Mining and petroleum tax (corporate income tax), salary and wages tax (group tax), infrastructure tax credits, additional profits tax, foreign contractor withholding tax, management fee withholding tax, interest withholding tax, training levy, business payments tax, royalty withholding tax and dividend withholding tax
Mineral Resources Authority (MRA)	Production levy, royalties and tenement fees, rents, and security payments Requested MOA information
Department of Treasury	Dividends from SOEs, values of funds held in royalty trust funds and other resource related trusts as listed on Volume 2D of Budget Booklet, and methodology of calculations of benefit streams for each project and development levy (records of payments)
Department of Petroleum and Energy (DPE)	Royalties, development levy, license fees.
Department of National Planning and Monitoring (DNPM)	Infrastructure tax credits report
Conservation and Environment Protection Authority (CEPA)	Environmental permit fees and user charges
PNG Customs	Bills of lading of every shipment of minerals, oil, and gas so IA can verify export data. Import taxes and excise taxes

<sup>50</sup> Refer also to SOE Scoping Report, <https://pngeti.org.pg/reports-or-publications/#172-180-special-projects-reports-and-updates>, accessed 18 July 2022

The following government entities are used to cross-check certain references in the report based on available information

Table 15: Other government entities

Government entity	Information to be requested
Bank of PNG	Gold and silver export bonds (MRA).
Department of Finance	Development levies and royalties from oil and gas. <i>(already reported via DPE)</i>

## 2.5 Revenue streams

The PNG Government revenue streams relevant to the extractive sector, identified to date, are shown in Table 16 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 to compare. In cases where a revenue stream has been identified as material, but has not been reconciled, the reasons are stated below the table.

Table 16: Government revenue streams

Revenue stream	Revenue (PGK)	% of revenue	Material	Reconciled	Paid to
<b>Mining</b>					
Mine closure bond	-	0.00%	N	N	CEPA
Production levy	61,801,793	1.80%	N	Y	MRA
Alluvial levies	6,584,346	0.19%	N	N	
Mine security deposits					
Exploration security deposits					
Mining lease rentals					
Exploration 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)					
Public Investment Program (PIP) project funds	-	0.00%	N	N	MRA
<b>Oil and gas</b>					
Development levy	43,854,222	1.28%	N	Y	Collected and recorded by DPE, (also recorded by the Department of Finance), and paid to relevant local or provincial government
License fees	3,314,050	0.10%	N	N	DPE
Additional profits tax	-	0.00%	N	Y	IRC
Equity distributions	1,047,855,553	30.55%	Y	Y	State-owned enterprises (KPHL and MRDC)
<b>Mining and oil and gas</b>					
Import taxes and excise duty	43,945,384	1.28%	N	Y	PNG Customs
Goods and services tax	11,653,724	0.34%	N	Y	IRC

Revenue stream	Revenue (PGK)	% of revenue	Material	Reconciled	Paid to
Royalties	311,298,027	9.08%	Y	Y	O&G: Santos pays by cheque to DPE, ExxonMobil makes payments direct to trust account to be apportioned to relevant landowners, local-level governments, and provincial governments. <i>Mining</i> : Paid directly relevant landowners, local-level governments, and provincial governments; also reported to MRA
Dividends	540,755,154	15.77%	Y	Y	Treasury (from SOEs)
Environment permit fees and user charges	9,646,607	0.28%	N	Y	CEPA
Salary and wage tax (Group tax - taxes withheld on employees' salaries)	624,404,789	18.21%	Y	Y	IRC
Mining and petroleum tax (corporate income tax)	639,478,481	18.64%	Y	Y	
Business payments tax	4,940,750	0.14%	N	N	
Dividend withholding tax	-	0.00%	N	N	
Interest withholding tax	6,883,758	0.20%	N	N	
Management fee withholding tax	2,775,254	0.08%	N	N	
Royalty withholding tax	4,133,793	0.12%	N	N	
Foreign contractor withholding tax	66,489,875	1.94%	N	Y	
Training levy	-	0.00%	N	N	
Infrastructure tax credits	104,482,901	n/a	Y	Y	

We have noted PGKnil reporting on the following intra government and state-owned enterprises revenues:

- ▶ Transfers between government agencies or SOEs
- ▶ Infrastructure provisions and barter arrangements
- ▶ In-kind revenues
- ▶ Transportation revenues

Payments and transfers to subnational entities; and social expenditures are reported in Chapter 6.

We have analysed the percentage of government receipts covered by the material revenue streams as follows:

Table 17: Revenue streams coverage

Revenue streams	Government receipts (PGK)	Coverage based on Government receipts
Revenue streams covered	3,401,183,611	99.17%
Revenue streams not covered	28,631,950	0.83%
<b>Total</b>	<b>3,429,815,561</b>	<b>100.00%</b>

Based on the above selection of revenue streams, the IA has attempted to reconcile 99.17% of extractive revenues for the 2021 report. The revenue streams not covered do not affect comprehensiveness of the report.

An aerial photograph of an offshore oil rig, likely the Kumul rig, situated in the dark blue ocean. The rig's deck is visible, featuring a large blue helipad with the word 'KUMUL' and '5ft' written on it. A helicopter is parked on the helipad. The rig is a complex of metal structures, pipes, and equipment. A large, semi-transparent grey number '3' is overlaid on the left side of the image, partially obscuring the rig's structure.

# 3 Reporting entities and revenue streams



### 3. Contribution of extractive industries to the economy

#### 3.1 Impact of COVID Pandemic

In early January 2020, the World Health Organization (“WHO”) alerted the public of the coronavirus disease 2019 (“COVID 19”) which originated from Wuhan, China. Following, many countries have effectively closed their borders to all but their own citizens, imposed strict controls on internal travel and ordered people to stay in their homes.

On 20 March 2020, PNG has reported the first confirmed case “prompted the government to declare a two-week state of emergency commencing March 24”, which was extended by two months.

The pandemic-related global and national movement restrictions have weakened external and domestic demand and affected commodity prices, which will lead to an economic contraction, wider financing gaps in the external and fiscal accounts, and higher unemployment and poverty than previously anticipated in 2020.

The negative impacts of COVID-19 in 2020 and 2021 budget years for PNG further added to the fiscal stress with scale down of businesses and even shut-downs resulting in decline in tax revenue of PGK2.7B in 2020 and PGK2.0B in 2021.

It is projected that for 2021, a recovery in commodity demand is expected driven by the ongoing vaccine rollout especially in advanced economies, easing COVID-19 travel restrictions.

#### 3.2 About Papua New Guinea

Papua New Guinea (PNG) is part of 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 has an estimated population of approximately 9 million (World Bank). The PNG mainland and its six hundred islands have a total land area of 452,860 square kilometres. Most people living in PNG are Melanesian, but some are Micronesian or Polynesian. PNG has over 800 known languages. English, Tok Pisin (Pidgin), and Hiri Motu (the lingua franca of the Papuan region) are the official languages.

The nation established independence from Australia in 1975 and has a unicameral National Parliament, for which elections are held every five years. There has been one significant internal conflict, the Bougainville crisis of 1988–98, which began because of tensions related to the Bougainville Copper mine (Panguna Mine).

PNG is a lower-middle income country, classified by the Asian Development Bank (ADB) as a fragile and conflict-affected situation and a small island developing state. The economy is dominated by the capital-intensive mineral and petroleum extractives sector and the labor-intensive agricultural sector. The coronavirus disease (COVID-19) pandemic has significantly affected PNG’s economy, which had contracted by 3.3% in 2020, followed by a weak recovery to 1.3% growth in 2021.

The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. Papua New Guinea’s HDI value for 2021 is 0.558— which put the country in the Medium human development category—positioning it at 156 out of 191 countries and territories.

Table below<sup>51</sup> provides an overview of PNG’s performance against a range of economic and social development indicators.

<sup>51</sup> Values in table sourced from World Data Bank except values for ^GDP are sourced from the PNG 2022 National Budget Vol 1, Appx 3, Table 9, p. 184 (Actual data for 2007 to 2020: National Statistical Office. Estimates and projections: Dept. of Treasury Life expectancy for 2021 are sourced from World Health Organisation,

Table 18: PNG's World Development Indicators

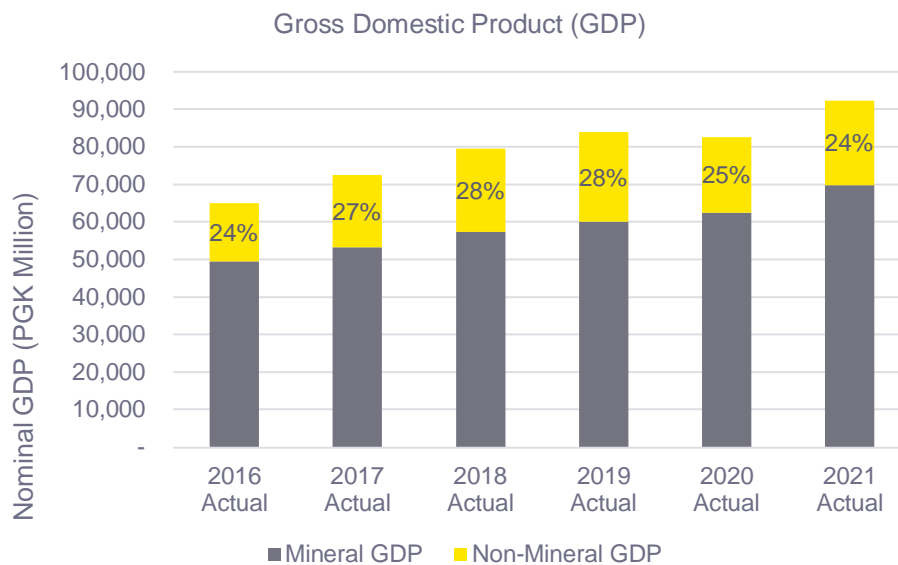
	Indicator	2014	2015	2016	2017	2018	2019	2020	2021
Population	Surface area (sq. km)	462,840 sq.km							
	Population, total	7,946,731	8,107,775	8,271,760	8,438,029	8,606,316	8,776,109	8,947,027	9,119,005
	Population density (people per sq. km of land area)	17.5	17.9	18.3	18.6	18.6	18.9	19.8	21
	Population growth (annual %)	2.0	2.0	2.0	2.0	2.0	2.0	1.9	3.1
	Urban population (% of total)	13.0	13.0	13.1	13.1	13.2	13.3	13.3	13.5
	Rural population (% of total)	87.0	87.0	87.0	86.90	86.8	86.8	86.8	86.54
Economy	Real Gross Domestic Product (real GDP) growth (annual %)^	13.5	9.5	4.1	2.2	-0.3	5.9	-3.5	1.2
	Gross National Income (GNI) per capita, Atlas method (current US\$)	2,990	2,910	2,700	2,570	2,570	2,780	2,720	2,790
	Inflation, GDP deflator (annual %)	5.5	-3.9	3.9	7.6	7.12	3.9	5.5	4.5
	Ease of doing business index (1=most business-friendly regulations)	-	-	-	-	-	120	-	-
	Unemployment, total (% of total labour force) (modeled ILO estimate)	2.6	2.6	2.5	2.5	2.4	2.5	2.6	2.8
	Labour force, total	2,383,465	2,429,159	2,486,045	2,549,967	2,618,045	2,671,927	2,741,937	2,804,939
	Labour force, female (% of total labour force)	48.5	48.5	48.5	48.5	48.5	48.4	48.4	47.3
Health	Fertility rate, total (births per woman)	3.8	3.7	3.7	3.6	3.6	-	3.5	3.5
	Improved sanitation facilities (% of population with access)	18.9	18.9	-	-	-	-	-	-
	Improved sanitation facilities, rural (% of rural population with access)	13.3	13.3	-	-	-	-	-	-
	Improved sanitation facilities, urban (% of urban population with access)	56.4	56.4	-	-	-	-	-	-
	Improved water source (% of population with access)	40	40	-	-	-	-	-	-
	Improved water source, rural (% of rural population with access)	32.8	32.8	-	-	-	-	-	-
	Mortality rate, under-5 (per 1,000 live births)	51.8	50.5	49.0	47.6	46.3	44.8	44	38.7
	Life expectancy at birth, total (years)	63.2	63.5	63.7	64.0	64.3	63 male / 67 female	64.7	64.8
Infrastructure	Fixed broadband subscriptions (per 100 people)	0.2	0.2	0.2	0.2	-	-	-	-
	Fixed telephone subscriptions (per 100 people)	1.8	1.9	1.9	1.9	-	-	-	-
	Individuals using the Internet (% of population)	6.5	7.9	9.6	11.2	-	-	-	-

	Indicator	2014	2015	2016	2017	2018	2019	2020	2021
	Mobile cellular subscriptions (per 100 people)	42.3	43.9	45.7	47.6	-	-	53.8	-
	Access to electricity (% of population)	39.5	44.5	49.4	54.4	59.0	-	60.4	-
	Access to electricity, rural (% of rural population)	33.9	39.4	44.9	50.4	55.5	-	56.8	-
	Access to electricity, urban (% of urban population)	76.7	78.1	79.3	80.9	82.1	-	60.4	-

### 3.3 PNG economic overview for 2021

PNG's Gross Domestic Product (GDP) in recent years is shown in Figure 12<sup>52</sup> below.

Figure 12: GDP and rate of real growth 2021



The overall real GDP growth for 2021 is projected at 3.9 percent. This is higher by 1.9 and 0.9 percentage points respectively compared to the growth forecasts reported the 2021 Budget.

Growth in the resource sector is expected to contract by 4.1 per cent in 2021. This is driven by a sharp contraction of 12.5 per cent in the mining and quarrying sector and a mild contraction of 0.1 per cent in the oil and gas sector. The contraction is attributed to the ongoing impact of the COVID-19, continuation of the Porgera Shutdown and an autoclave failure at the Lihir mine in June.

Despite the contraction in the resource sector, the non-resource sector remains on track with its recovery from a disruptive 2020 with growth estimated at 3.9 per cent. Growth in this sector tracks closely to the recovery in the world economy and continues to also benefit from the prevailing high commodity prices. It also reflects the adaptive capacity of businesses to adjust to the 'niupla pasin' measures since the onset of the pandemic in 2020.

Overall, the domestic economy is estimated to grow in real terms by 1.5 per cent in 2021, 0.3 percentage points lower than the 2021 MYEFO estimate and 2.0 percentage points lower than the 2021 Budget estimate. This is mainly driven by the contraction in the resource sector despite the recovery in the non-resource sector.

<sup>52</sup> 2022 National Budget, Appendix 2, Table 1, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 30 November 2022

### 3.4 Post-2021 developments and projections

In 2022, the PNG economy is expected to strongly recover and grow at 5.4 per cent in real terms. This is largely driven by a rebound in growth in the resource sector reflecting the anticipated resumption of the Porgera and Simberi mines as well as the normalisation of activities in the other mines after the disruptions encountered in 2021. In addition, the non-resource sector is expected to remain strong supported by the spill-over benefits from the resource sector and the 2022 Election related spending in the economy<sup>40</sup>.

The domestic economy is estimated to grow in real terms by 1.5 per cent in 2021, a downward revision of 0.3 percentage points from the 2021 MYEFO estimate of 1.8 per cent. This is mainly driven by further downgrade in activity in the resource sector as a result of operational drawbacks such as the auto-clave failure at the Lihir gold mine and the impact of COVID-19 on OK Tedi’s production.

The Oil & Gas sector is estimated to contract by 0.1 per cent, a decline from the 2021 MYEFO growth estimate of 1.0 per cent. This is mainly attributed to a slight reduction in the LNG and condensate production.

The mining and quarrying sector is estimated to contract substantially by 12.5 per cent in 2021, deeper than the 2021 MYEFO estimated contraction of 8.4 per cent. In addition to the known underlying factors such as the Simberi mine closure and the removal of the Porgera mine production assumptions in 2021, the main drivers behind this contraction include further reduction in the Ok Tedi mine output than earlier estimated and lower output from the Lihir mine due to an autoclave failure in June. The combined impact led to a total contraction of real GDP by 0.4 percentage points in 2021.

### 3.5 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.<sup>53</sup>

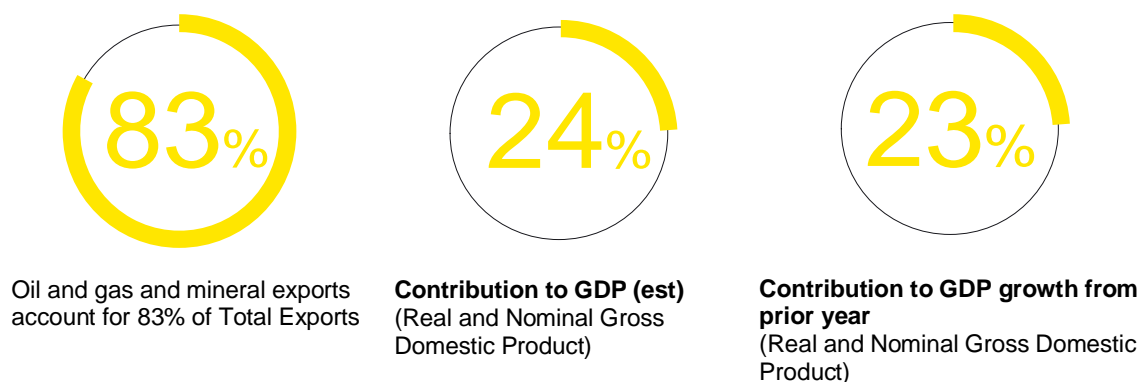
As an EITI implementing country, it is a requirement for PNG to disclose information along the extractives sector value chain from the point of granting licenses and contracts to how the various revenue streams make their way into government accounts, and how these revenues and other benefits are distributed to benefit the public.

The mining and petroleum sector make significant contribution to the economy. The sector on average contributes 30.0 per cent to the economy and makes up 90.0 per cent of the country’s export. The sector attracts major foreign direct investment (FDI) and contribute directly and indirectly to Government revenue and socio-economic development aspirations of the country, and therefore effective management of the Mining and Petroleum Sector is crucial to the economy. This has been a major challenge faced over the years.

<sup>53</sup> Minutes of MSG meeting #2, 27 March 2015. GDP figures above include quarrying in the extractives as that industry was not able to be omitted from the analysis using publicly available information.

The extractive resources sector comprises of mining, oil and gas as the major primary production activity and the largest contributor of export revenue and account for 60.0 per cent of national GDP, as shown in the 2021 reporting period in Figure 13 below:

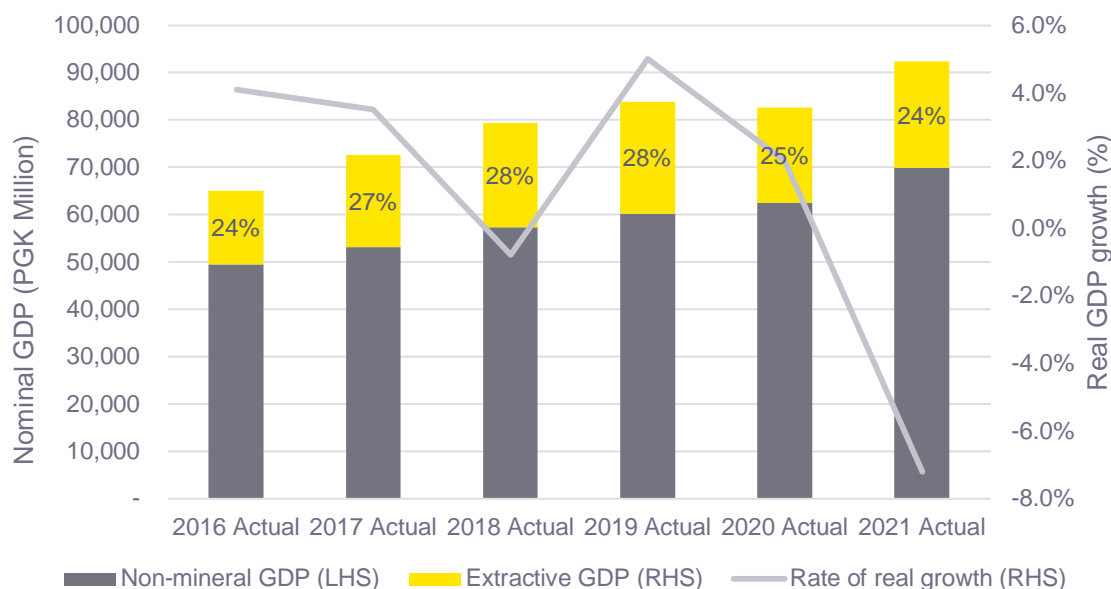
Figure 13: Percentage contribution of the extractives sector to economic measures in 2021



### 3.6 Contribution to GDP

The contribution of the extractives (or oil and gas and mineral) and non-mineral sectors to GDP in recent years is shown below in Figure 14 and Table 19.<sup>54</sup>

Figure 14: Extractive industries contribution to nominal GDP 2021



<sup>54</sup> 2022 National Budget, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 18 July 2022

Table 19: Contributions to growth in real GDP (% points) during 2014–2021

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT (% points)								
	2014	2015	2016 Act	2017 Act	2018 Act	2019 Act	2020 Act	2021 Proj <sup>a</sup>
Agriculture, Forestry and Fishing	0.7	-0.5	0.4	0.4	0.7	0.4	0	0.6
Oil and Gas Extraction	9.5	12.5	1.4	-0.5	-3.3	2.7	-0.1	0
Mining and Quarrying	0.5	0.2	1.6	1.6	0.3	0.6	-2.5	-1.2
Manufacturing	0	-0.3	0.1	0.1	-0.1	0.0	0	0
Electricity Gas & Air conditioning	0	0	0	0	0	0.0	0.1	0.1
Water Supply & Waste Management	0	0	0	0	0	0.0	0	0
Construction	0.4	-1	0.1	-0.07	-0.1	-0.5	0	0.1
Wholesale and Retail Trade	0.1	-0.6	0.2	0.1	0.2	0.1	-0.1	0.3
Transport and Storage	-0.4	0.1	0.1	0	0.1	0.1	-0.4	0
Accommodation and Food Services	0	0	0	0.1	0.2	0.0	-0.1	0
Information and Communication	0.6	0.1	0.1	0	0	0.3	0.1	0.2
Financial and Insurance Activities	-0.8	-0.6	-0.1	0	0	-0.1	-0.1	0.1
Real Estate Activities	0.2	0.2	0.3	0.2	0.1	0.2	0	0.2
Professional and Scientific	-0.1	-0.3	0	-0.1	-0.1	0.1	0	0
Administrative and Support Services	0.2	-0.2	0	0	0.8	0.3	0	0.1
Public Administration and Defence	0.6	0.2	0.1	0.1	0.4	0.0	0.1	0.1
Education	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Health and Social Work Activities	0	0	0.3	0.1	0.1	0.0	0.2	0.2
Other Service Activities	-0.1	-0.1	0	0	0	0.0	0	0
<b>TOTAL</b>	<b>11.60</b>	<b>9.80</b>	<b>4.70</b>	<b>2.13</b>	<b>-0.60</b>	<b>4.50</b>	<b>-2.70</b>	<b>0.90</b>
<b>Total Non-Mining</b>	<b>4.1</b>	<b>-4.1</b>	<b>1.5</b>	<b>1.5</b>	<b>4.0</b>	<b>2.9</b>	<b>3.9</b>	<b>4.9</b>

\* At the time of writing, figures for these years are listed as estimates or projections only.

### 3.7 Contribution to government revenue

Figures drawn from the 2021 Final Budget Outcome indicate that the mining and petroleum sectors contributed 6.22% of government revenue (via corporate income tax and dividends) in 2021, as shown in Table 20<sup>55</sup> below.

Table 20: Contribution of the mining and oil and gas sectors to government revenue

	2016 (PGK million)	2017 (PGK million)	2018 (PGK million)	2019 (PGK million)	2020 (PGK million)	2021 (PGK million)
Total tax and non-tax revenue (excluding grants) <sup>^</sup>	10,485.6	11,525.1	14,085.2	13,680.5	12,093.3	12,031.5
Mining and petroleum tax (corporate income tax)	92.0	113.6	775.0	760.7	183.4	520.6
Mining and petroleum dividends	300.5	562.3	653.5	381.2	568.5	600.0
Contribution of mining and petroleum in government revenue	3.74%	5.86%	10.14%	8.35%	6.22%	8.19%

\* As per IRC templates 2014–20

<sup>^</sup> 2022 National budget

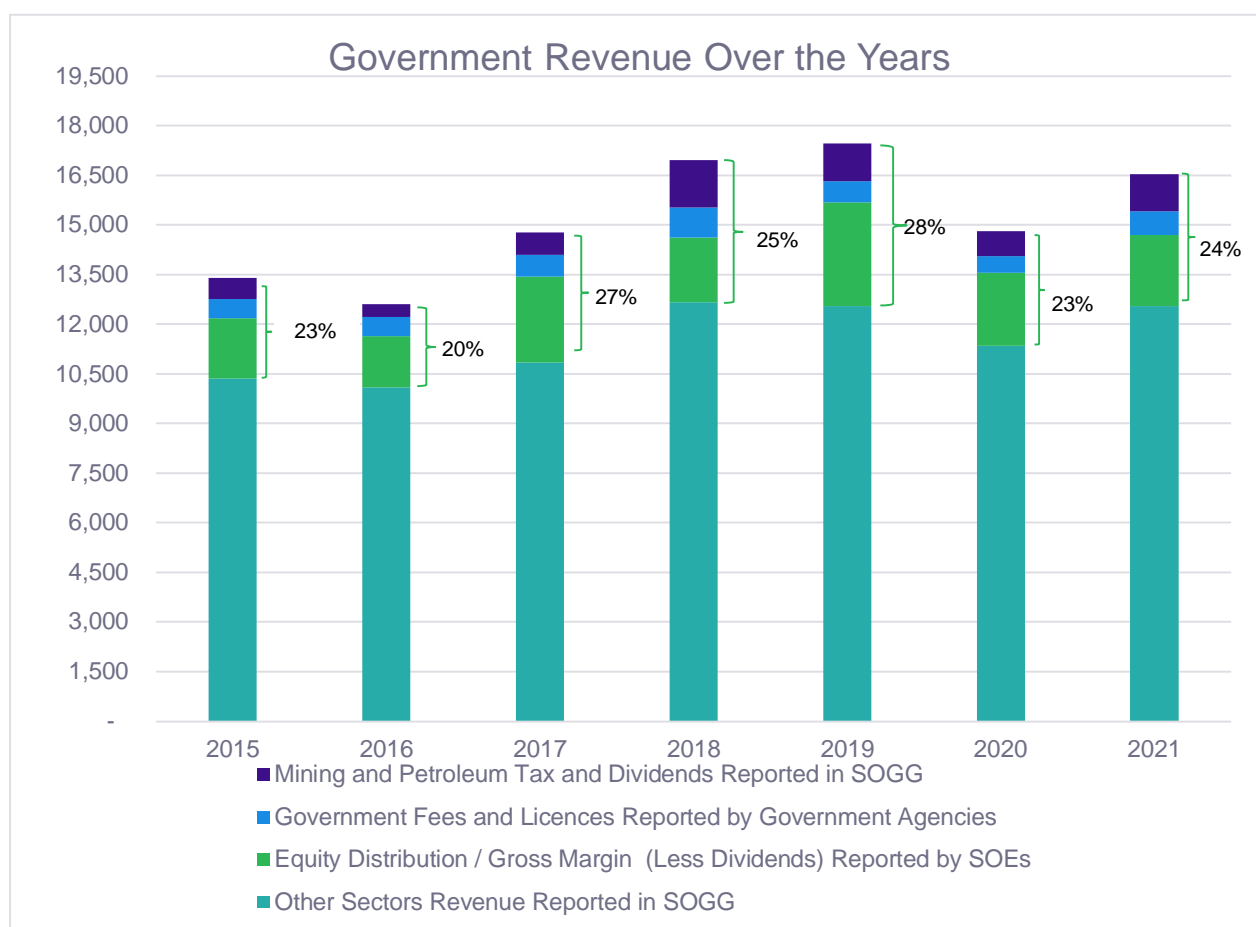
#### Revenue from the extractive industries

<sup>55</sup> 2022 National Budget, Appendix 2 Table 12, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 18 July 2022

Revenue from the extractive industries has contributed an average of 7% of total Government revenue over the past six years, making it one of the main contributors to Government revenue. Declines in 2016–17, were driven by lower collections of corporate income tax, due to infrastructure tax credits applied by resource companies. The higher revenues in 2018 and 2021 were driven by dividends received from state-owned entities. The decline in revenue in 2020 were driven by the covid-19 pandemic, which people were trying to adapt the niupla pasin, in 2021 the extractive industry contributed almost 8 % to the economy which is a result of a steady growth in the extractive industry section after the covid – 19 pandemic.

Revenues recorded in the Statement of Operations for the General Government (National Budget) does not include receipts by landowners, equity distributions by state-owned enterprises, or social expenditures. Nor do they include revenues received by Government agencies, such as salaries and wages taxes (SWT), foreign contractor withholding taxes (FCWT), DPE and MRA fees and environmental charges. Figure 15<sup>56</sup> below shows the historical trend of fees and other taxes collected by Government agencies.

Figure 15: Contribution of the extractive industries to Government revenue (PGK m) per National Budget



For purposes of presentation in Figure 15, other revenues received by SOE and government agencies were included and landowner receipts (either direct or through Trustee) are excluded. Other sectors revenue presented in Figure 15 does not include other revenues collected from respective government agency, regulator, or authority.

Declines in 2016 were driven primarily by lower commodity prices. The increasing revenues from 2017 through 2019 resulted from increasing commodity prices triggering increased distributions to State Owned Entities and dividends to Government, partially offset by lower corporate income tax collections

<sup>56</sup> Statement of operations for general Government. 2022 National Budget, Appendix 2 Table 10, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 30 November 2022

and salaries and wages taxes. Movements in 2020 and 2021, are mainly due to equity distributions received by landowners and SOEs.

Government agencies receive taxes and fees averaging PGK656m. Highest collections were recorded in 2018, where FCWT and SWT peaked with a combined amount of PGK865m. The lowest collections were in 2015 and 2016, due to absence of FCWT as reporting revenue in previous reports.

Average annual equity distribution received by KPHL over the past 7 years amounted to PGK889m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK297m.

Gross margin from Ok Tedi is calculated by deducting mining cost, processing cost, and change in Inventories of product on hand and in process. Ok Tedi earned an annual average of PGK1,812m of gross margin over the past 7 years. Highest gross margin was earned in 2020 amounting to PGK2,451m while lowest was in the year 2015 where Ok Tedi earned PGK487m.

The International Monetary Fund (IMF) believes that PNG's taxes on the extractive industries are low by international standards.

Table 21: Comparison of 2021 Budget figures with figures from reconciliation (see Chapter 10)

	2021 final budget outcome <sup>57</sup>	2021 reconciliation figure	Variance	Absolute Variance (%)
	(PGK million)			
Corporate income tax (mining and petroleum tax)	520.6	639.4	-118.8	-22.82%
Mining and petroleum dividends (paid to Treasury)	600.0	380.5	219.5	36.58%

We note that the contribution to government revenue for mining and oil and gas sectors as defined in the 2021 Budget includes corporate income tax (mining and petroleum tax) and dividends paid to Treasury from SOEs operating in the extractives sector. The revenue streams included in this report are broader in nature and include additional tax revenues which are described in more detail in Chapter 2 of this report.

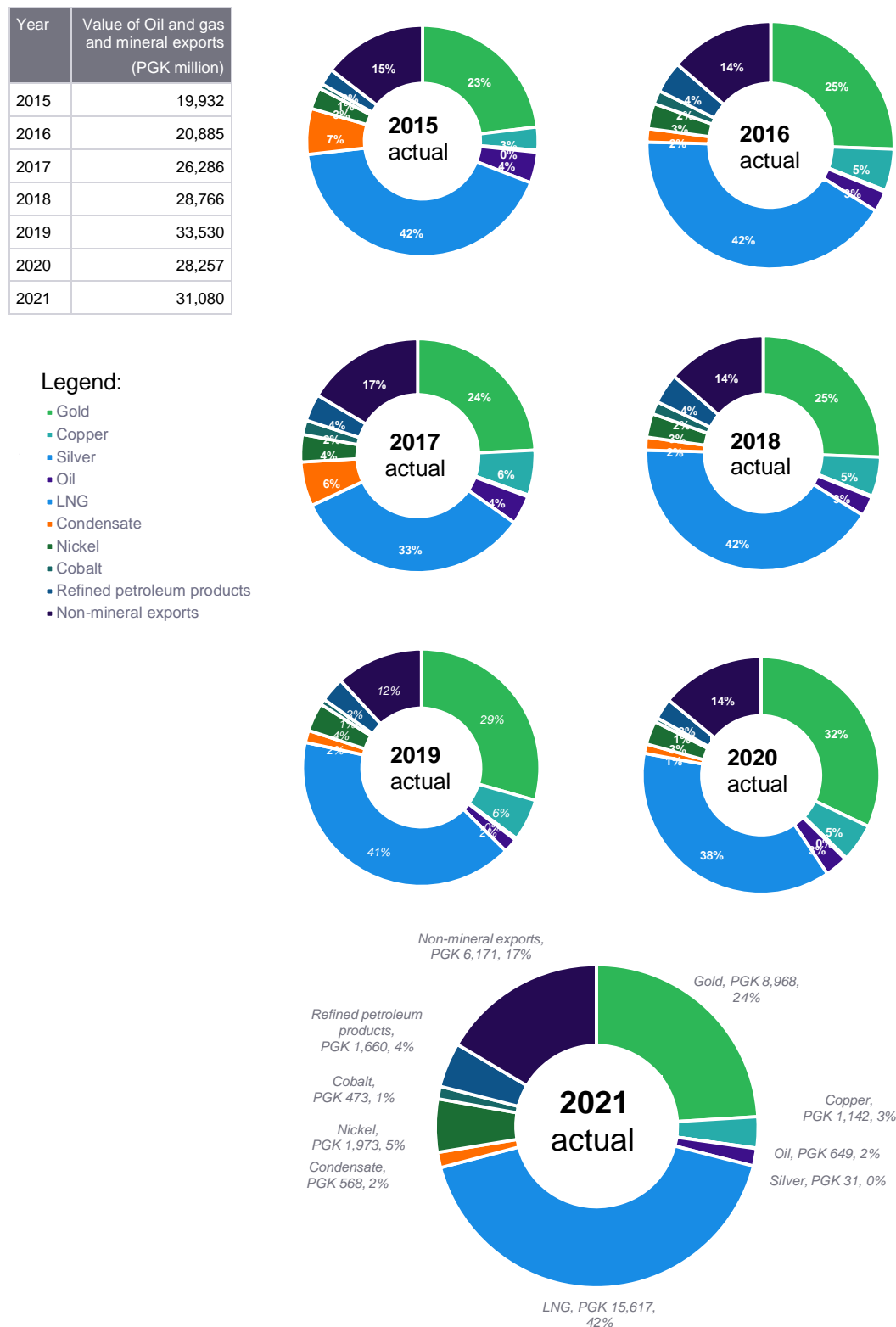
<sup>57</sup> 2022 National Budget, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 18 July 2022



### 3.8 Contribution to exports

The value of total oil and gas and mineral exports for 2021 was estimated at PGK31,080.4 million<sup>58</sup>, comprising 83% of total export value. A breakdown of the value of exports by commodity is provided in Figure 16 below, showing the steadily growing proportion represented by LNG exports and gold.

Figure 16: Historical commodity apportionment based on total oil and gas, mineral and non-mineral export value



<sup>58</sup> 2023 National Budget, [https://www.treasury.gov.pg/html/national\\_budget/files/2023/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2023/Volume1.pdf), accessed 10 December 2022

For detailed export quantities and values reported, see Chapters 7 and 8 of this report.

Papua New Guinea's major export commodities are gold and LNG, together comprising over 80% of total oil and gas and mineral export value (70% of total export value including non-mineral).

The dominance of the extractive industries in PNG's exports, together with the limited range of commodities being exported, leaves the economy vulnerable to the cyclical nature of commodity markets.

Gold prices continued to be under some pressure in the third quarter but continued to remain at a relatively high level as the global economy continued to recover. Gold prices fell by 1.4 percent in the third quarter driven by a slump in safe haven demand amid the rise in interest rates and the US dollar. The US 10-year Treasury Bond yield increased by 10 basis points in September and the US dollar strengthened after the U.S. Federal Reserve hinted that it would start to taper off its bond purchases before the end of the year. Central Banks have also reduced gold purchases in the recent months. On the upside, firm jewellery demand in China and India provided some reprieve to gold prices.<sup>59</sup>

Up to October 2021, gold prices have averaged US\$1,796.8 per ounce, 2.6 percent higher than average prices of the corresponding period last year. Gold prices are expected to remain high for the remainder of 2021, reflecting the slow rollout of the COVID-19 vaccines, persistent high cases of the COVID-19 pandemic in many parts of the world and continued stimulatory monetary policy, as well as geopolitical tensions. Against this backdrop, the gold price is projected to average around US\$1,794.7 per ounce in 2021, a rise of 1.5 percent from 2020.<sup>60</sup>

Looking beyond 2022, gold price is expected to fall, due to the recovery of the global economy and a higher interest rate environment. The gold price assumption underpinning the 2022 Budget is projected to average around US\$1,788.1 per ounce in 2022.<sup>61</sup>

### 3.9 Contribution to employment

Employment data for PNG is limited. 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, shown over the past five years in Figure 17<sup>62</sup>, is reported with the base period being March 2002.

<sup>59</sup> 2022 National Budget Volume 1 Gold Prices, page 30, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 10 August 2022

<sup>60</sup> Ibid

<sup>61</sup> Ibid

<sup>62</sup> 2022 National Budget, Appendix 2 Table 7, [https://www.treasury.gov.pg/html/national\\_budget/files/2022/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf), accessed 11 August 2022

Figure 17: Oil and gas and mineral (mineral) and non-mineral employment

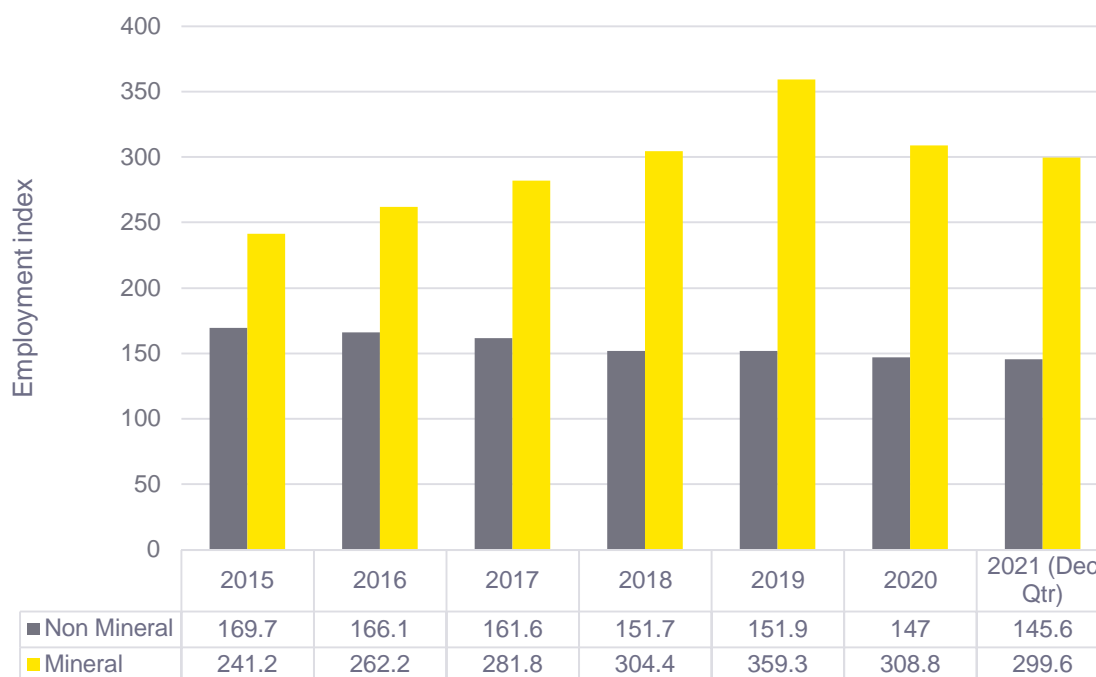
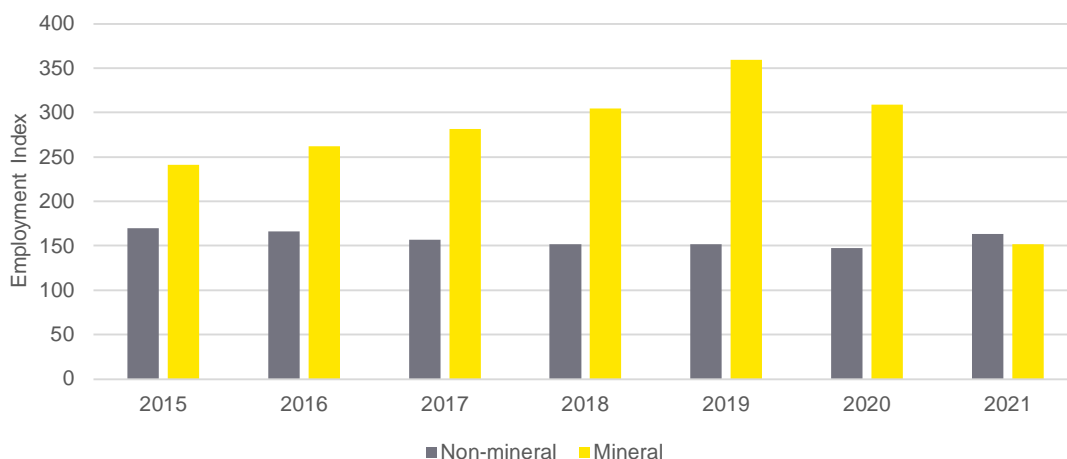


Table 22: Employment Classified by Industry<sup>63</sup>



\*Dec Quarter Preliminaries

Total employment numbers have shown declined further in 2021. According to the BPNG's Dec employment statistics, total employment decreased by 3 percent through the year to the Dec quarter of 2021, driven largely by a 1.0 percent decline in mining sector employment.

A study from the Institute of National Affairs comments:

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

<sup>63</sup> Ibid

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.

A report from the United Nations Development Program for PNG in 2014 noted that PNG's total formal labour market provides livelihoods to less than 12% of the working-age population. A much larger informal labour market, centered on semi-subsistence agriculture, forestry, and fisheries, generates livelihoods for most of the remaining working-age population.

Formal employment opportunities in PNG generally emerge from four industrial sectors:

- ▶ Education
- ▶ Agriculture, hunting and forestry
- ▶ Real estate, renting and business services
- ▶ Construction.

Data from The Lowy Institute states that these four sectors account for 52% of all formal employment. Nevertheless, the extractive industries have been important to the growth of formal employment in PNG.

Large mines such as Ok Tedi are significant employers with Ok Tedi employing 2,532 staff. Mine development contracts typically require mining companies to employ primarily local staff. The PNG LNG project provided a significant number of jobs during its construction, peaking at 21,200 in 2012. At the end of 2021, PNG LNG had 2,978 workers, including employees and contractors, in production-related activities, compared to 2,539 workers at the end of 2020. The PNG LNG workforce reduction during 2021 was due to measures taken to mitigate the risks of COVID-19.<sup>40</sup>

### 3.10 Employment Data Disaggregated by Gender

Table 23 below provides information about the gender and nationality of boards, management and employees, as received from the reporting entities.

Table 23: Employment Data Disaggregated by Gender

Reporting Entity	Gender	Board	Management	Total Board and Management	Technical (e.g., engineer)	Non-technical (e.g., finance/HR)	Total Other than Board Management	TOTAL
<b>Lihir</b>								
Nationals	Male	-	35	37	1,195	527	1,722	1,759
	Female	-	18	18	128	169	297	315
Expatriates	Male	-	4	4	38	104	142	146
	Female	-	2	2	1	9	10	12
<b>Ok Tedi</b>								
Nationals	Male	5	2	7	789	1,483	2,272	2,279
	Female	1	-	1	87	165	252	253
Expatriates	Male	1	6	7	18	22	40	47
	Female	-	-	-	1	4	5	5
<b>ExxonMobil</b>								
Nationals	Male	-	57	57	2,006	336	2,342	2,399
	Female	-	9	9	301	269	570	579
Expatriates	Male	-	90	90	198	48	246	336
	Female	-	11	11	4	10	14	25
<b>Harmony - Hidden Valley</b>								
Nationals	Male	-	2	2	933	297	1,230	1,232
	Female	-	-	-	107	88	195	195
Expatriates	Male	-	7	7	20	11	31	38
	Female	-	-	-	-	-	-	-

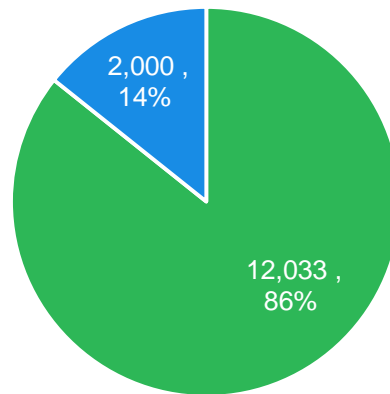
<sup>40</sup> PNG LNG Workforce, [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2020-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\)-v2.pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2020-Annual-ES-Report-FULL-REPORT-(ENG-WEB)-v2.pdf), accessed 11 August 2022

Reporting Entity	Gender	Board	Management	Total Board and Management	Technical (e.g., engineer)	Non-technical (e.g., finance/HR)	Total Other than Board Management	TOTAL
<b>Wafi- Golpu</b>								
Nationals	Male	-	-	-	-	43	43	43
	Female	-	-	-	-	11	11	11
Expatriates	Male	-	2	2	-	-	-	2
	Female	-	-	-	-	1	1	1
<b>Total</b>								
Nationals	Male	1	7	8	12	35	47	55
	Female	1	7	15	9	42	51	66
Expatriates	Male	7	12	31	11	17	28	59
	Female	2	2	6	1	3	4	10
<b>Santos</b>								
Nationals	Male	3	5	8	247	268	515	523
	Female	2	2	4	16	157	173	177
Expatriates	Male	-	10	10	54	28	82	92
	Female	-	2	2	2	2	4	6
<b>Nippon PNG LNG LLC</b>								
Nationals	Male	-	-	-	-	-	-	-
	Female	-	-	-	-	-	-	-
Expatriates	Male	1	1	2	-	-	-	2
	Female	-	-	-	-	-	-	-
<b>Merlin Petroleum Company</b>								
Nationals	Male	-	-	-	-	-	-	-
	Female	-	-	-	-	-	-	-
Expatriates	Male	1	1	2	-	-	-	2
	Female	-	-	-	-	-	-	-
<b>Porgera</b>								
Nationals	Male	-	5	5	247	460	707	712
	Female	-	-	-	6	78	84	84
Expatriates	Male	-	-	-	-	22	22	22
	Female	-	-	-	-	1	1	1
<b>Kainantu</b>								
Nationals	Male	1	5	6	438	267	705	711
	Female	-	-	-	7	47	54	54
Expatriates	Male	2	12	14	34	5	39	53
	Female	1	1	2	-	-	-	2
<b>Simberi</b>								
Nationals	Male	-	4	4	464	129	593	597
	Female	-	-	-	29	82	111	111
Expatriates	Male	1	6	7	15	1	16	23
	Female	-	1	1	-	-	-	1
<b>MCC Ramu Nico</b>								
Nationals	Male	1	5	6	668	118	786	792
	Female	-	-	-	47	45	92	92
Expatriates	Male	3	30	33	4	29	33	66
	Female	-	-	-	-	-	-	-

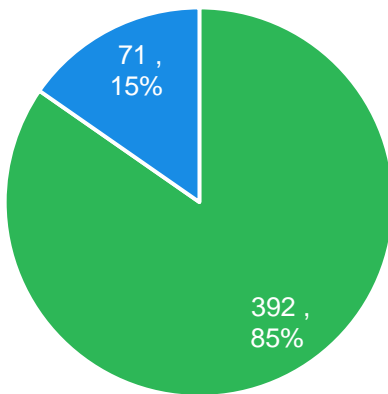
Figure 18: Employment data charts

- Male
- Female

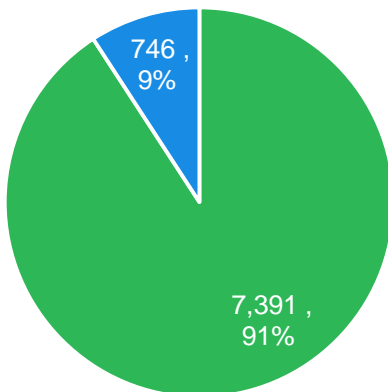
Total Employment Data



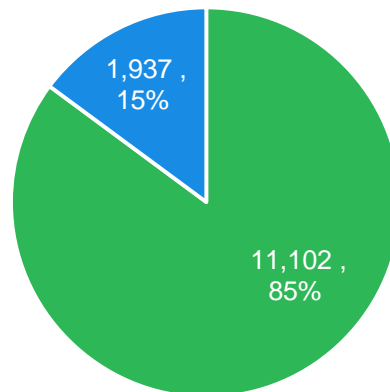
Board and Management



Technical and Non-Technical



Nationals



Reporting entities submitted their employment figures disaggregated by gender, nationality and function. The data shows a marked difference between the number of men and women employed in all functions, but particularly in technical functions. It has also become apparent that men are predominantly occupying the board and management, with only seven female board member across all companies that reported. To address the gender inequality in employment in the extractive sector, an in-depth review of barriers to women entering into industry profession needs to be conducted, with a view to coming up with clear recommendations for MSG and industry players to take.

### 3.11 Commentary

The extractive industries make a significant contribution to the economy of PNG through exports, economic activity, 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 cyclical. They can also be offset by some negative social, environmental and cyclical impacts, particularly where Government and industry fail to maintain existing projects, such as Porgera mine, or do not develop new projects in a timely manner such as Papua LNG.

Recent government policies such as the Sovereign Wealth Fund, Vision 2050, and the National Strategy for Responsible Sustainable Development (STaRS) seek to capitalise on the economic boom of the extractive industries, while also diversifying the economy to avoid over-dependence on the sector.<sup>41</sup> These policies have the potential to benefit PNG over the long term, if prudently implemented.

<sup>41</sup> 'Vision 2050', 2009, PNG Government, <https://sustainabledevelopment.un.org/content/documents/1496png.pdf>, accessed 9 October 2020



# 4 Legal framework and fiscal regime

- Executive summary
- Introduction
- Revenues and revenue streams
- Contribution of the extractive industry to the economy
- Legal framework and fiscal regime
- Management and distribution of revenues
- Social and environmental payments
- Mining
- Oil and gas
- State-owned enterprises
- Regulation of revenue streams
- Subsidies and incentives
- Appendices



## 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 and multi-layered, including national, provincial and local levels of government. This report focuses primarily on the national government and associated revenue flows but recognises that significant efforts are being made to extend this through to subnational and regional levels to further improve transparency.

### 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.

In May 2019, James Marape replaced Peter O’Neill as Prime Minister. Hon. Charles Abel also handed his position as Treasurer to Hon. Sam Basil, who was subsequently replaced by Hon. Ian Ling-Stuckey, CMG, MP. Following the 2022 National elections, Hon. Ian Ling-Stuckey, CMG, MP retained his position as Chairman of PNG EITI.

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. Each province has its own provincial assembly and administration.<sup>64</sup>

### 4.2 Ownership of subsoil assets

The OECD define subsoil assets as proven reserves of mineral deposits located on or below the earth’s surface that are economically exploitable given current technology and relative prices.<sup>65</sup> According to the *Mining Act* 1992 (MA) and the *Oil and Gas Act* 1998 (OGA), subsoil assets in PNG 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.”<sup>66</sup>

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.”<sup>67</sup>

### 4.3 Taxation

The Internal Revenue Commission (IRC) is mandated by Parliament under the Income Tax Act 1959 is tasked with the administration and collection of taxation, including acting against parties that choose to avoid or evade tax. The IRC collects most 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 with support from the Commissioner Taxation and Commissioner Services.

<sup>64</sup>National Parliament of Papua New Guinea, <http://www.parliament.gov.pg/about/parliament>, accessed 23 August 2022

<sup>65</sup>OECD, Subsoil assets definition, <https://stats.oecd.org/glossary/detail.asp?ID=2602>, accessed 23 August 2022

<sup>66</sup>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](http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf), Accessed 9 October 2020

<sup>67</sup> 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

The 2018 budget introduced a technical amendment to the secrecy provisions under the *Income Tax Act*. This allows the IRC to provide direct information without the requirement of a waiver letter for EITI reporting purposes and provides greater transparency. This amendment was effective as of 1 January 2018 and was utilised for this report to access tax payment data from the resources sector.

PNG Customs was established as 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.

A comprehensive Taxation Review was submitted to the government in October 2015. The report contained 91 recommendations, seven of which relate to the extractive industries. The recommendations include 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. Other recommendations not specific to the extractives sector are also relevant, including the introduction of a capital gains tax regime and a tightening up of tax concessions. See <http://taxreview.gov.pg> for further information.

In 2019, there were two significant updates in revenue policies relevant to the extractive industry. First, tax loss carry forwards for extractive companies were reduced from unlimited carry forward to twenty years. Second, GST zero rating status on supplies made to resource companies was removed, so all supplies made to resource companies from 1 January 2019 are subject to 10% GST. The Department of Treasury also announced that it will take the lead in the review of the ITC scheme together with the Department of National Planning and Monitoring and other relevant stakeholders.

The PNG Government has drafted a rewrite of the *Income Tax Act* that purports to focus on simplification and modernisation, as in other similar tax jurisdictions. However, industry groups, including the PNG Chamber of Mines & Petroleum, have raised concerns with the draft, and additional engagements between Government and taxpayers are needed and anticipated. The bill is expected to be tabled in 2021 with an enactment date expected no earlier than 2022.<sup>68, 69</sup>

## 4.4 Corporate 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.

Corporate income tax is 30% for all resource and non-resource companies.

<sup>68</sup> ‘Tax avoidance’ generally refers to aggressive tax planning - for instance transfer pricing or treaty shopping; ‘tax evasion’ refers to fraudulent activity.

<sup>69</sup> The 2017 National Budget,

[http://www.treasury.gov.pg/html/national\\_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf](http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf), accessed 23 August 2022

[http://www.treasury.gov.pg/html/national\\_budget/files/2018/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf), accessed 23 August 2022

[http://www.treasury.gov.pg/html/national\\_budget/files/2019/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf), accessed 23 August 2022

Corporate tax is levied on taxable income, that is, assessable income less deductions allowed under the Tax Act. However, the taxation regime for extractive industries has the additional requirement 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. The regime does allow some concessions to ring fencing with respect to exploration expenditures and expenditures carried forward from discontinued projects, as seen below.

Concessions to ring fencing for resource companies include the ability to:<sup>70</sup>

- ▶ Pool exploration expenditures and deduct this against project income at year end
- ▶ Include exploration expenditure incurred by an exploration into the project if the has been surrendered or cancelled or has expired
- ▶ Ability to transfer residual capital expenditures limited to transfers to a buyer who acquires an interest in the project or in an amalgamation

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% in the case of oil and gas companies or 25% in the case of mining companies. 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 specified periods of time described in the ITA, usually 4 or 10 years, and deductions allowed each year are limited such that it does not create a tax loss.

## 4.5 Salary and wages tax

Salary and wages tax (SWT, also referred to as group tax), are amounts withheld from employee salaries and paid to the IRC by companies operating in PNG.

## 4.6 Foreign contractor withholding tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG. The FCWT rate was amended in 2017 to 15% of gross contract income. This made it a final tax and removes the option to file an annual tax return. In its ongoing effort to protect its revenue base, the Government will restrict FCWT as a separate tax regime from the Corporate Income Tax regime.<sup>71</sup>

## 4.7 Tax Credit Scheme

The Tax Credit Scheme (TCS) (previously called infrastructure tax credits) 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.

In 2017, companies could 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 credits are managed by the Department of National Planning and Monitoring (DNPM).

<sup>70</sup> Information provided by the IRC non-financial template 23 October 2018. No update for 2019 was provided.

<sup>71</sup> 2018 PNG Budget [http://www.treasury.gov.pg/html/national\\_budget/files/2018/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf), accessed 23 August 2022

The NEC Decision No. 13 / 2017 placed a moratorium on the approval and funding of new ITCS projects. The moratorium was imposed with the intention to allow for the review of the performance of ITCS program and the ITCS policy Guideline. Accordingly, no projects were approved between September 2017 and October 2019.<sup>72, 73</sup>

## 4.8 Other taxes on resource projects

Additional forms of taxation and concessions that influence the amount of revenue that the State collects from resource projects are outlined below.

### 4.8.1 Import taxes

The positive trend in revenues from this tax can be attributed to the implementation of the tariff policy measures and the efforts to improve compliance by Customs through the establishment of the Container Examination Facility (CEF) and wireless transaction, among others. Import taxes may be applicable to resource companies depending on the tariff classification of the imported goods. The PNG Government has increased investment in Customs to improve compliance efforts for taxes on international trade and transactions and it is expected that increased revenues will result in future years.

### 4.8.2 Goods and service tax

Goods and services tax (GST) is collected in accordance with the *Goods and Services Act 2003*. Domestic sales by a resource company are subject to GST, except for the domestic supply of crude oil sourced from a field in PNG which is a GST zero-rated supply. We noted that from 1 January 2019, supplies to resource companies were no longer be zero rated.<sup>74</sup>

### 4.8.3 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.<sup>75</sup>

Fiscal stability currently applies to the PNG LNG Gas Project though the parties mutually agreed to waive the 2% premium to the applicable federal income tax rate.<sup>76</sup> The Papua Gas Agreement similarly negotiated for fiscal stability with a waiver of the 2% premium. No other current resource project has opted for fiscal stability.<sup>77</sup>

### 4.8.4 Additional profits tax

The purpose of additional profits tax (APT) is to continue to provide a progressive instrument to tax economic rents of highly profitable resource projects.

The application of APT is subject to the terms of an applicable fiscal stability agreement.

The mandatory income tax returns do not require the taxpayer to file details of the net cash flow, which goes into the calculation of the additional profits tax.

<sup>72</sup> Oxford Business Group news article, <https://oxfordbusinessgroup.com/analysis/hold-tax-credit-scheme-halted-government-review>, accessed 23 August 2022

<sup>73</sup> PNG EITI <https://pngeti.org.pg/press-statements/pngeti-welcomes-halt-on-tax-credit-scheme/>, accessed 23 August 2022

<sup>74</sup> PNG 2019 Budget, p. 66. [http://www.treasury.gov.pg/html/national\\_budget/files/2019/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf), accessed 23 August 2022

In 2019, net GST remitted to CRF is projected to increase slightly, with collections expected to increase on the back of higher projected economic growth and tax policy measures to remove GST zero rated status for suppliers of resource companies of which it is expected to generate PGK86.0 million in revenue.

<sup>75</sup> 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.'

<sup>76</sup> 2019 PNG Budget, p. 125, [http://www.treasury.gov.pg/html/national\\_budget/files/2019/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf), accessed, 23 August 2022

<sup>77</sup> Email from IRC, 4 July 2017

#### 4.8.5 Business payments tax

Companies without a “Certificate of Compliance” incur a 10% tax on certain specified business payments. A credit may be provided by the IRC after a review of the payer’s tax return.

#### 4.8.6 Dividend withholding tax

From January 2017, a standardised dividend withholding tax (DWT) rate of 15% came into effect across all sectors. Prior to this, withholding taxes had been concessional for resource taxpayers, with the DWT rate being nil for dividends paid out of petroleum or gas income and 10% for dividends paid by companies carrying on mining operations. Taxation amendments in the PNG 2018 and 2019 Budget have confirmed that dividends paid from PNG LNG-sourced profits are exempt from dividend withholding tax, in accordance with the PNG LNG Gas Agreement.<sup>78</sup>

#### 4.8.7 Interest withholding tax

Interest payments generally attract a withholding tax of 15%. Certain entities and assets are exempted, including interest earned on long-term bonds, BPNG-authorized foreign currency deposits, and the participants and lenders to the PNG LNG project.<sup>79</sup>

#### 4.8.8 Management fee withholding tax

This tax applies to the management fees of non-residents performing management services outside of PNG. The tax rate is dependent on whether the country in which they are a resident has a Double Tax Agreement with PNG. If there is no applicable Double Tax Agreement the gross management fee is subject to 17% withholding tax.<sup>80</sup>

#### 4.8.9 Royalty withholding tax

Royalties paid to non-residents (for the provision of technical know-how, trademarks, patents, design or model or copyrights etc.) are subject to a 10% tax, or 30% if paid to an associate. However, if the person is a resident of a country with which PNG has a Double Tax Agreement, then this is generally reduced to 10%.<sup>81</sup>

### 4.9 Regulation of the Mining Industry

The principal laws that regulate mining activities in PNG are:

- ▶ *Mining Act* 1992 (MA), which sets out how mining projects should be administered and regulated.
- ▶ *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.
- ▶ *Mining (Ok Tedi Agreement) Acts*, which govern the operation and development of mineral deposits in relation to the Ok Tedi mine.
- ▶ *Mining (Bougainville Copper Agreement) Act* 1967, which governs the Panguna mine on Bougainville. Note that, although separate mining legislation for the Autonomous Region of Bougainville - the *Bougainville Mining Act* 2015 - was passed by the Autonomous Bougainville Government in 2015,<sup>82</sup> the relationship between these respective pieces of legislation is unclear as the former has not been repealed, nor have the references to it in the MA been amended.

Oversight, administration and enforcement of these acts and associated agreements, as well as any other legislation related to mining, is the responsibility of the Mineral Resources Authority (MRA). The Mineral Resources Authority was established under the *Mineral Resources Authority (MRA) Act* 2005,

<sup>78</sup> 2019 PNG Budget, p. 124, [http://www.treasury.gov.pg/html/national\\_budget/files/2019/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf), accessed 23 August 2022

<sup>79</sup> IRC, <https://irc.gov.pg/pages/know-your-taxes/withholding-taxes>, accessed 23 August 2022

<sup>80</sup> Ibid

<sup>81</sup> IRC, \* <https://irc.gov.pg/pages/know-your-taxes/withholding-taxes>, accessed 23 August 2022

<sup>82</sup> [http://www.abg.gov.pg/uploads/acts/Act\\_2015-3-Bougainville\\_Mining\\_compressed.pdf](http://www.abg.gov.pg/uploads/acts/Act_2015-3-Bougainville_Mining_compressed.pdf), accessed 23 August 2022

which has since been replaced by the *Mineral Resources Authority Act 2018*. As an independent statutory authority, the MRA’s functions are executed on behalf of the Government of PNG.<sup>83</sup>

- The functions of the MRA are set out in Section 5 of the Act and include:
- ▶ Advising the minister on mining, management, exploitation and development of PNG’s mineral resources matters.
  - ▶ Receiving, assessing, registering, recording and managing applications and dealings in mineral tenements in Papua New Guinea and providing technical expert advice and information to the Mining Advisory Council, the Minister and the State.
  - ▶ Overseeing the administration and enforcement of the MA or any other legislation relating to mining or to the management, exploitation or development of Papua New Guinea’s mineral resources.
  - ▶ To negotiate mining development contracts under the *Mining Act 1992*, as an agent of the State.
  - ▶ Acting as agent for the State in relation to any international agreement relating to mining or to the management, exploitation or development of Papua New Guinea’s mineral resources.
  - ▶ Coordinating and monitoring the implementation of the State’s undertakings and obligations under agreements, and such other legal, contractual, commercial or social obligations in accordance with government policies on mining and the applicable laws that are necessary for the management of the mining sector.

Although the MRA issues all tenements in relation to mining, once the application assessment process has been completed, the application is forwarded to the Mining Advisory Council (MAC). The 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 s). The MAC reviews assessment and application and makes a recommendation to the Minister for Mining on the suitability of the tenement application.

The Minister for Mining is responsible for approving all mining and exploration tenements except 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.

The MA has been under review since 2009.<sup>84</sup> In 2016, the then Prime Minister Peter O’Neil confirmed that a draft revised MA had been completed, but that this would not be passed into legislation until after the 2017 National Election, to allow adequate consultation.<sup>85</sup> In mid-2017, the new Minister for Mining stated that a revised MA would be passed in 2017; however, this did not occur and at the time of reporting the MA has yet to be amended. The revised MA is anticipated to include:

- ▶ Updated regulations for offshore mining
- ▶ Mine closure and rehabilitation
- ▶ Resettlement
- ▶ Geothermal resources
- ▶ Standards for employing mine workers including changes to fly-in fly-out worker regulations
- ▶ A compulsory right for State acquisition of mining projects after 24 years
- ▶ Increased royalties.<sup>86</sup>

<sup>83</sup> The former Department of Mining, now the Department of Mineral Policy and Geohazards Management, is now solely responsible for policy development.  
<sup>84</sup> Information provided by MRA 27 November 2017  
<sup>85</sup> 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>  
<sup>86</sup> <https://www.smh.com.au/business/companies/australian-miners-in-firing-line-of-png-law-shake-up-20180716-p4zrpc.html>, accessed 18 July 2022

In 2019, representatives of the PNG Chamber of Mines once again expressed concerns about the revision of the MA. The Chamber has urged Government to seriously consider the implications of the revised Act and consult with industry representatives. Key concerns remain around increased tenure risk for mining companies, inadequate transitional arrangements to protect existing operations and increased costs to businesses which may impact investor interest.<sup>87</sup> Despite these concerns, the Chamber and industry still support the underlying motion of updating the Act and hope that these key issues are addressed prior to the implementation of the Act.<sup>88</sup>

The *Mining (Safety) Act* 1977 is also under review, and there are plans to develop an alluvial mining policy. Since the introduction of *Mineral Resources Authority (MRA) Act* 2018, the Chamber of Mines has been working in collaboration with MRA and Department of Mineral Policy & Geohazards Management (DMPGM) to revise the *Mining Safety Act*.<sup>89</sup>

Matters relating to the environment within mining and exploration tenements are governed by the *Environment Act* 2000 with amendments stated in the *Environment (Amendment) Act*.<sup>90</sup>

An export is required to export gold. The relevant requirements can be found on the Bank of PNG website.<sup>91</sup>

## 4.10 Regulation of the Petroleum Industry

The petroleum industry in PNG is governed by the *Oil and Gas Act* 1998 (OGA) with amendments stated in the *Oil and Gas (Amendment) Act* 2016 and the *Oil and Gas Regulation* 2002 under the administration and management of the Department of Petroleum (DPE), headed by the Minister for Petroleum and Energy. The OGA specifies regulatory requirements for oil and gas development activities such as:<sup>92</sup>

- ▶ Licensing, exploration, development, processing, storage, transportation, and sale of products
- ▶ Directing monetary benefits to State oil companies and resource area landowners, and 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 processing facility licenses and imposing supplementary conditions upon the holders of those licences (such as the requirement to lodge security deposits) or varying existing 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.

## 4.11 Regulation of unconventional hydrocarbon

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

<sup>87</sup> PNG Chamber of Mines, <http://www.pngchamberminpet.com.pg/index.php/media-centre/news-release-view/chamber-calls-on-government-to-seriously-consider-impacts-of-proposed-changes-to-the-mining-act-1992>, accessed 23 August 2022

<sup>88</sup> Ibid

<sup>89</sup> PNG Industry News article, <http://www.pngindustrynews.net/pngindustrynews/news/1144858/png-develop-alluvial-mining-policy>, accessed 18 July 2022; <https://ramumine.wordpress.com/tag/mining-act/>, accessed 18 July 2022

<sup>90</sup> Environment Act 2000, <https://ccda.gov.pg/sites/default/files/documents/Environment-Act-2000.pdf>, accessed 23 August 2022  
Environment (Amendment) Act 2014, [https://www.fiapng.com/Environment%20\(Amendment\)%20Act%202002.pdf](https://www.fiapng.com/Environment%20(Amendment)%20Act%202002.pdf), accessed 23 August 2022

<sup>91</sup> <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>, accessed 23 August 2022

<sup>92</sup> Oil and Gas (Amendment) Act 2016, <https://leap.unep.org/countries/pg/national-legislation/oil-and-gas-act-amendment-act-2016-no-25-2016> accessed 23 August 2022

extracted from coal, shale or other rock, but does not include any hydrocarbons extracted from a conventional petroleum pool. 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).

Legislation specifically for these hydrocarbons, the *Unconventional Hydrocarbons Act 2015* (UHA), was passed in November 2015 to act alongside the OGA.<sup>93</sup> 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.” Terms and definitions of the UHA are consistent with OGA, including areas, fees, royalties, development levies, rights of landowners and State participation.

## 4.12 Resource development agreements

Developers of resource projects generally enter into an agreement with the State of PNG in addition to obtaining a resource development 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 offering 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 4.16 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, which must not be 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 6).

## 4.13 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.

In the 2018 budget, the Government amended the ITA such that royalties and the development levy are treated as deductions from taxable income rather than the excess over 2% of wellhead value being deemed to be tax paid. This will now be consistent with the mining sector and is predicted to have a positive effect on revenue. Previously, where a petroleum or designated gas project was liable for both royalty and development levy, and the total amount of royalty and development levy exceeded 2% of the wellhead value of petroleum or gas sales for that year, the excess was deemed to be income tax paid for that year.

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 Chapter 5).

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 MRA. The new *MRA Act 2018*, certified in July 2018, increased the production levy to 0.5%.<sup>94</sup>

<sup>93</sup> <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>;

<sup>94</sup> MRA Act 2018, s. 28, [http://www.paclii.org/cgibin/sinodisp/pg/legis/num\\_act/mraa2018328/mraa2018328.html?stem=&synonyms=&query=mineral%20resources](http://www.paclii.org/cgibin/sinodisp/pg/legis/num_act/mraa2018328/mraa2018328.html?stem=&synonyms=&query=mineral%20resources), accessed 18 July 2022



## 4.14 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 without having to assume any exploration risk.

In return, the State can receive a share of the project profits, paid as dividends,<sup>95</sup> 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 fund all or a part of State participation out of future revenue.

Based on the findings of the Tax Review Committee, the Government will develop a framework to guide State investment decisions in relation to equity acquisition in mining, oil, and the gas projects, which should make the equity participation decision more transparent and promote good governance. A policy draft has been prepared for further consultation with external stakeholders. The policy was expected to be completed in 2019 but was not yet completed at the time of writing this report.

## 4.15 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.<sup>96</sup> For mining projects, 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.<sup>97</sup>

In addition to the equity benefit granted by the State, project area landowners and affected local-level governments may acquire further participating interests in resource projects by negotiation with holders on commercial terms.<sup>98</sup>

## 4.16 Government policy on disclosure of contracts

The details of contracts and s are protected by confidentiality provisions in Section 163 of the MA, Section 52 of the MRA Act and Section 149 of the OGA. Contracts are held and maintained by the Solicitor General’s office. Without legislative amendment, 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 publicly available. Broader benefit-sharing agreements related to mining and oil and gas projects are also not currently publicly disclosed.

This is an issue which civil society organisations seek to change in the interests of greater transparency. The MRA has shown support for an amendment to the ITA to promote greater public disclosure of tax information. The MRA is also seeking legal advice on making all mining project Memorandums of Agreement (MOAs) publicly available.<sup>99</sup> The reporting templates for this report sent to each of the reporting entities requested the name of any contract or agreements with the government that included mandatory social payments. No reporting entities who submitted data request templates supplied this information.

The PNG EITI Secretariat with the IA held discussions with the representative of State Solicitor. Disclosure of terms of the contracts between government and Companies are bound by confidentiality clauses. Unless, voluntarily disclosed by the Companies, PNG EITI has no authority to disclose terms

<sup>95</sup> 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.

<sup>96</sup> Oil and Gas Act 1998, Section 167 p. 122, [http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num\\_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas](http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas), accessed 18 July 2022

<sup>97</sup> The Papua New Guinea Mining Policy p. 10, [http://www.paclii.org/pg/legis/num\\_act/ma199281.pdf](http://www.paclii.org/pg/legis/num_act/ma199281.pdf), accessed 18 July 2022

<sup>98</sup> Oil and Gas Act 1998, Section 176 p. 128, [http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num\\_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas](http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas), accessed 18 July 2022

<sup>99</sup> <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf>, accessed 18 July 2022

of the contract. Similarly, companies are typically contractually obligated both to the State and to their co-venturers to preserve confidentiality.

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 intended to give effect to the national interest.

Work commenced in October 2018 through the JICA Technical Cooperation Program to improve resource-related revenue management in PNG. This will support DPE to address public disclosure of oil and gas.

## 4.17 Disclosure of beneficial ownership

A beneficial owner in respect of a company means the natural person or persons who directly or indirectly ultimately own or control the corporate entity.<sup>100</sup>

The EITI Standard 2019 (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.

As required by the EITI Standard 2016 (2.5bii), the MSG commissioned a Scoping Study on Beneficial Ownership, completed in November 2016, and a Beneficial Ownership Roadmap, published in March 2017. The roadmap includes a costing and work plan from April 2017 to December 2019,<sup>101</sup> but it is expected that the document will evolve over time. The MSG will evaluate implementation of the roadmap as part of their annual progress report (as per EITI Requirement 7.4avi).

The MSG has defined the following in the context of PNG:

- ▶ Beneficial ownership
- ▶ Politically exposed person(s), in line with the Anti-Money Laundering and Counter Terrorist Financing Act 2015
- ▶ A materiality threshold for beneficial ownership, set at 5%, but which also considers the corporate structure of the companies operating in the country, an individual’s full aggregated interest as well as different means of exercising ownership and control

A template has been developed to capture beneficial ownership information at the point at which companies are registered with the Investment Promotion Authority (IPA), and this will be piloted with future company registrations. Additionally, a pilot project was recently undertaken to make beneficial ownership maps searchable on an online portal open to the public.

A Beneficial Ownership (BO) report was published which includes description of the approach, definitions and scope of the BO data collection and provides recommendations on issues that will need considering when implementing a mandatory BO disclosure regime once the core definition has been agreed.<sup>102</sup>

<sup>100</sup> The EITI Standard, 2016 - Requirement 2.5 Beneficial Ownership

<sup>101</sup> PNG EITI, KPMG, Papua New Guinea Roadmap for Beneficial Ownership Disclosure December 2016, [https://eiti.org/sites/default/files/attachments/pngeiti\\_beneficial\\_ownership\\_roadmap.pdf](https://eiti.org/sites/default/files/attachments/pngeiti_beneficial_ownership_roadmap.pdf), accessed 18 July 2022

Japan International Cooperation Agency 2018 Annual Report, [https://www.jica.go.jp/english/publications/reports/annual/2018/c8h0vm0000dxws0g-att/2018\\_all.pdf](https://www.jica.go.jp/english/publications/reports/annual/2018/c8h0vm0000dxws0g-att/2018_all.pdf), accessed 9 October 2020

<sup>102</sup> Beneficial Ownership Final Report, [https://eiti.org/sites/default/files/attachments/bdo\\_png-eiti-bo-report-final-version-20-12-20.pdf](https://eiti.org/sites/default/files/attachments/bdo_png-eiti-bo-report-final-version-20-12-20.pdf), accessed 18 July 2022

## 4.18 Relevant legislation

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 <https://mra.gov.pg/investment/pngminingindustry/>.

Table 24: Relevant legislation with hyperlinks

Legislation
<a href="#">Environment Act 2000</a>
<a href="#">Environment (Amendment) Act 2014</a>
<a href="#">Goods and Services Act 2003</a>
<a href="#">Income Tax Act 1959</a>
<a href="#">Mineral Resources Authority Act 2005</a>
<a href="#">Mineral Resources Authority Act 2018</a>
<a href="#">Mining Act 1992</a>
<a href="#">Mining Safety Act 1977</a>
<a href="#">Oil and Gas Act 1998</a>
<a href="#">Oil and Gas Regulation 2002</a>
<a href="#">Mining (Ok Tedi Agreement) Act 1986</a>
<a href="#">Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013</a>
<a href="#">Resource Contracts Fiscal Stabilisation Act 2000</a>
<a href="#">Government Gazettes</a>
<a href="#">Unconventional Hydrocarbons Act 2015</a>
<a href="#">Bougainville Mining Act 2015</a>



5

Management and distribution  
of revenues

## 5. Management and distribution of revenues

This chapter outlines how the government distributes revenues from the extractive industries. It describes the government’s budget process and governance structures, where revenues from the extractive industries are recorded and how they are audited.

Budgeting for government revenues from the extractive sector is complex due to the revenue being subject to fluctuations in quantities produced, global commodity prices and exchange rates. Earlier 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.<sup>103</sup>

The 2018 EITI validation report noted inadequate progress in revenue allocation, and in several aspects of revenue collection.<sup>104</sup> This was due to both information gaps and concerns around the accuracy of the data provided (see further detail in Chapter 10).<sup>105</sup> This report seeks to address those gaps.

### 5.1 Budget process

The national budget process is led by the Department of Treasury and guided by the documents, processes and governance structures outlined below in Figure 19.<sup>106</sup>

Figure 19: Overview of documents guiding PNG national budget process



Recent years have seen significant moves to improve the efficiency and effectiveness of the budgeting processes. For example, the “two-stage budget process” requires additional rationalisation of high-cost public proposals by an interdepartmental committee.<sup>107</sup> The Government has committed to introducing additional reforms to further improve the integrity of the budget process and reporting.

<sup>103</sup> 2013 and 2014 PNG EITI Reports <http://www.pngeiti.org/pg/pngeiti-reports/>, accessed 18 July 2022

<sup>104</sup> PNG EITI 2018 Validation, [https://eiti.org/sites/default/files/attachments/png\\_validation\\_-\\_validators\\_final\\_validation\\_report.pdf](https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf) accessed 24 August 2022

<sup>105</sup> Board decision on the Validation of Papua New Guinea, <https://eiti.org/board-decision/2018-55>, accessed 24 August 2022 (Second validation carried out on 20 April 2020)

<sup>106</sup> PNG Budget Manual, [http://www.treasury.gov.pg/html/national\\_budget/files/2008/budget\\_documents/Budget%20Manual.pdf](http://www.treasury.gov.pg/html/national_budget/files/2008/budget_documents/Budget%20Manual.pdf), accessed 18 July 2022 (version 2008)

<sup>107</sup> 2020 National Budget [https://www.treasury.gov.pg/html/national\\_budget/2020.html](https://www.treasury.gov.pg/html/national_budget/2020.html), accessed 18 July 2022

Rules-based constraints have been introduced in recent years to help direct the budget process towards achieving sound fiscal policy. This is reflected in volume two of the Medium-Term Fiscal Strategy (MTFS) 2022 - 2024,<sup>108</sup> the Medium Term Debt Strategy 2018–2022 and the Medium Term Revenue Strategy 2018–2022, the *Papua New Guinea Fiscal Responsibility Act* 2006 (amended in 2017), the *Public Finance (Management) Act* 1995 (amended in 2016)<sup>109</sup> and the establishment of the Sovereign Wealth Fund (SWF).

The Medium-Term Fiscal Strategy aims to drive sustainable economic growth through strategic investment in key programs and projects. This was underpinned by the 2018 Budget,<sup>110</sup> and the 2019 Budget built on this to continue to broaden the revenue base; improve efficiencies in the cost-of-service delivery, particularly in the salaries and wages bill; contain utility costs; enhance the quality of expenditure, particularly related to capital spending; as well as restructuring the domestic debt portfolio and maturity profile. The *Fiscal Responsibility Act* 2017 legislates a debt-to-GDP ceiling range of 30 to 35%, with a 30% ratio to be attained by 2022.<sup>111</sup>

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 2018–2030, available on the Department of National Planning and Monitoring website.<sup>112</sup> Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections, and updated in 2017.

## 5.2 Budget governance structures

Several committees help steer the budget process and fiscal decision-making, as illustrated in Table 25 below:

**Table 25: Budget governance structure which assist with the budget process and fiscal decision making**

	Committee	Composition	Role in budget
Bureaucratic	Budget Strategic Committee <sup>113</sup>	Deputy secretaries of the central agencies <sup>114</sup>	To work with agencies to review their budget submissions
	Central Agencies Coordinating Committee <sup>115</sup>	Chaired by the Chief Secretary to the government <sup>116</sup>	To coordinate policy and development planning in PNG
Political	Ministerial Economic Committee (also referred to as the Senior Ministerial Budget Committee) <sup>117</sup>	Chaired by the Treasurer and comprises ministers of Finance and National Planning as well as the Prime Minister and National Executive Council (NEC)	To drive budget strategy setting and advise the National Executive Council on the budget
	NEC	Key government decision making body	To approve the final budget

<sup>108</sup> 2020 Budget Strategy Paper, [https://www.treasury.gov.pg/html/national\\_budget/files/2013/budget\\_documents/Related%20Budget%20Documents/BSP.pdf](https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/BSP.pdf), accessed 23 August 2022

<sup>109</sup> Public Finances (Management) Act 1995 Amendment 2016, [http://www.paclii.org/pg/legis/consol\\_act/pfa1995224/](http://www.paclii.org/pg/legis/consol_act/pfa1995224/), accessed 18 July 2022

<sup>110</sup> Medium Term Development Plan III 2018–2022, <https://pngq-data.sprep.org/resource/medium-term-development-plan-iii-2018-2030-volume-1>, accessed 24 August 2022

<sup>111</sup> Papua New Guinea Fiscal Responsibility Act 2017, [http://www.paclii.org/pg/legis/num\\_act/pngfr2017sba2017688/](http://www.paclii.org/pg/legis/num_act/pngfr2017sba2017688/), accessed 18 July 2022

<sup>112</sup> Medium Term Development Plan III 2018–2022, <https://pngq-data.sprep.org/resource/medium-term-development-plan-iii-2018-2030-volume-1>, accessed 24 August 2022

<sup>113</sup> 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](http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf), accessed 7 December 2020

<sup>114</sup> 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

<sup>115</sup> Information received from Treasury 4 December 2017

<sup>116</sup> The structure for public sector reform, <http://press-files.anu.edu.au/downloads/press/p78541/mobile/ch03s03.html>, available 18 July 2022

<sup>117</sup> Ibid

The budget process commences around April of each year, with a consultation period where agencies provide information regarding their cash flow needs for the following year. Treasury concurrently undertakes economic forecasts to determine the level of funds available for the upcoming year. This helps determine budget ceilings, which are then communicated to relevant agencies via the budget circular and inform their budget submissions.<sup>118</sup> The capital ceiling is based on ongoing projects and the available funds. Agencies are required to make a single budget submission (including both capital and operational costs) to request access to these funds.

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 against targets set out in the budget, along with economic forecasts for the following six months. This is followed in August by the Budget Strategy Paper,<sup>119</sup> which sets out high-level fiscal parameters and broad policy strategy for the coming budget and provides greater transparency and accountability for Government spending.

During late August and September each year, 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 National Executive Council (NEC) for endorsement. In early November, the budget is presented to Parliament and approved before the start of the coming fiscal year.

Following approval, comprehensive budget documents are published, including detailed estimates for each agency as well as a Public Investment Program, with information regarding both ongoing and new projects that received appropriations.

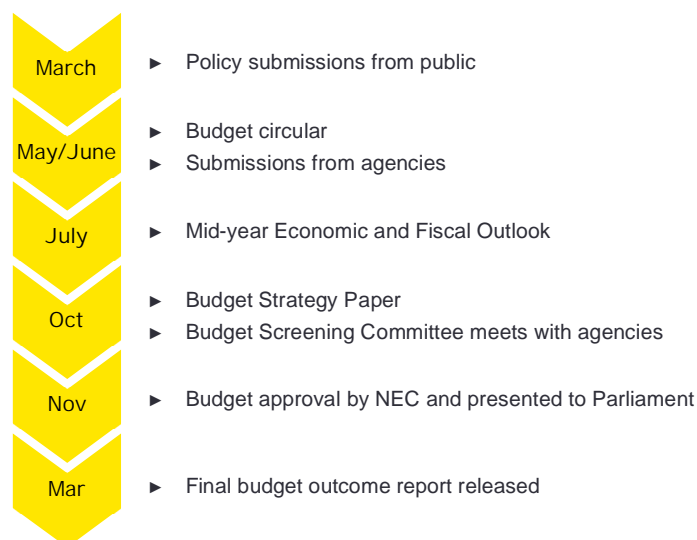
A Final Budget Outcome report for the previous financial year is released within three months of the current the financial year, which includes annual expenditure.<sup>120</sup>

<sup>118</sup> PNG Budget Manual, [https://www.treasury.gov.pg/html/national\\_budget/2022.html](https://www.treasury.gov.pg/html/national_budget/2022.html), accessed 18 July 2022

<sup>119</sup> 2021 Budget Strategy Paper [https://www.treasury.gov.pg/html/national\\_budget/files/2013/budget\\_documents/BSP%202021.pdf](https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/BSP%202021.pdf), accessed 24 August 2022

<sup>120</sup> PNG 2020 Final Budget Outcome, [https://www.treasury.gov.pg/html/national\\_budget/files/2013/budget\\_documents/Related%20Budget%20Documents/2020%20FBO%20Report%20FINAL.pdf](https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2020%20FBO%20Report%20FINAL.pdf), accessed 18 July 2022

Figure 20: Budget governance structure which assist with the budget process and fiscal decision making<sup>121</sup>



### 5.3 Recent reforms to the budget process

Major areas of focus for recent reforms to the budget process have been:

- ▶ Hard budget ceilings for government employment levels and off-line payments
- ▶ Measures to control government utility and rental payments
- ▶ Establishment of a high-level task force (Treasury, IRC, Customs and Finance) focused on improving compliance and the pass-through of departure tax and import excise collections
- ▶ Established the Large Taxpayer Office in the IRC in 2020
- ▶ Instructions to implement fully the 2018 Budget changes to the policy on export duty on old-growth logs
- ▶ In 2017, the PNG National Parliament passed the *Public Money Management Regularisation (PMMR) Act* to regulate all non-tax revenues that are collected by Public and Statutory Bodies that all non-tax revenue collections are remitted into the Consolidated Revenue Fund (CRF) to support the Annual National Budgets.
- ▶ The intention of the PMMR Act was to bring all Public and Statutory Bodies being funded or appropriated through the National Budget and their revenue collections being paid or remitted into the consolidated Revenue Fund to support the National Budgets.
- ▶ However, the PMMR Act was challenged by Ombudsmen Commission through the PNG Supreme Court and it was nullified and declared unconstitutional in May 2020.
- ▶ To continue the work where the Supreme Court nullified PMMR Act, 2017 has left, a new Bill called Non-Tax Revenue Administration (NTRA) Bill was drafted. The bill was drafted to correct the technical errors of the PMMR Act that the court had ruled as being in breach of the constitutional requirements.
- ▶ The NTRA Bill was passed by PNG National Parliament in 2022 and will come into operation in 2023. The *NTRA Bill* is a policy developed to regulate all non-tax revenues collected by Public

<sup>121</sup> MYEFO released, [http://treasury.gov.pg/html/national\\_budget/files/2013/budget\\_documents/2020%20Mid-Year%20Economic%20and%20Fiscal%20Outlook%20\(MYEFO\).pdf](http://treasury.gov.pg/html/national_budget/files/2013/budget_documents/2020%20Mid-Year%20Economic%20and%20Fiscal%20Outlook%20(MYEFO).pdf), accessed 18 July 2022



and Statutory Bodies to ensure all non-tax revenue collections are remitted into the Consolidated Revenue Fund to support the Annual National Budgets.

- ▶ Instructions to the Treasury and Finance Departments to conduct, as a priority, discussions with state entities to re-examine dividend inflows, particularly relating to LNG dividends to Government
- ▶ Instructions to the Treasury Department to find additional savings in goods and services expenditure across all non-essential priority areas and in non-essential capital works programs that are funded by the Government.

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.

## 5.4 PNG Sovereign Wealth Fund

The PNG Sovereign Wealth Fund (SWF) is intended to be an important mechanism for managing 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. The SWF is supposed to comprise two funds managed under the same governance framework: the Stabilisation Fund and the Savings Fund.

Once operationalised, each fund will receive a proportion of mining and petroleum dividends paid by state-owned enterprises. Based on current estimates by Treasury, 50% of mining and petroleum tax revenues will be channeled to the SWF Stabilisation Fund, while the other 50% will flow directly to the CRF to finance government operations. Until the SWF is operationalised, all mineral and petroleum dividends are directed to the National budget. The Savings Fund will also receive some of the proceeds of state-owned assets that the government agrees to sell. When revenue flows are large, the excess will be deposited into the Savings Fund.

The SWF was originally slated to come into operation in 2016. However, at the time of writing, the Government has still not appointed the inaugural board, and the 2021 National Budget projects zero balances for both funds through to 2023.

## 5.5 How extractive industry revenues are recorded

Table 26 below outlines where revenues and payments from the extractive sector are recorded, and which of these can be accessed online.

Table 26: Public records of extractive industry revenues

Revenue stream	Where recorded	Available online?
<b>Mining</b>		
Production levy	Financial reports of the MRA	No
Alluvial levies Mine security deposits Exploration security deposits Mining lease rentals Exploration 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

Revenue stream	Where recorded	Available online?
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. Estimates of mining royalties and dividends paid to the provinces are recorded in the 2021 PNG Budget by the NEFC based on actuals from 2019.	Yes <sup>122</sup>
PIP project funds	National Budget Volume 3	Yes <sup>123</sup>
<b>Petroleum</b>		
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 <i>Public Financial Management Act</i> 1995 reporting requirements on Trust Funds	No
Royalties	Paid to the DPE Trust Account, which is then transferred to parties based on the OGA, Oil MOAs and UBSA/LBBSA negotiations Estimates of petroleum royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC.	Yes <sup>124</sup>
Additional profits tax	National Budget, Volume 1, Economic and development policies. None paid to date, therefore no figure to report. <sup>125</sup>	No
<b>Mining and petroleum</b>		
Equity distributions	Relevant annual reports (e.g., KPH, KMH, MRDC, OTML)	Yes
Import taxes	National Budget, Volume 1, Economic and development policies	Yes <sup>126</sup>
Goods and services tax	National Budget, Volume 1, Economic and development policies	Yes <sup>127</sup>
License/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 <sup>128</sup>
Environment permit fees	Financial reports of Conservation and Environment Protection Authority (CEPA)	No
Royalties & dividends paid to provincial governments	National Economic Fiscal Commission's Report	Yes <sup>129</sup>
Salary and wages tax	IRC annual reports	No <sup>130</sup>
Corporate income tax (mining and petroleum tax)	National budget	Yes
Infrastructure tax credits	IRC accounts and DNPM	Yes <sup>131</sup>
Business payments tax	IRC annual report	No
Dividend withholding tax	National Budget, Volume 1, Economic and development policies	Yes
Interest withholding tax	National Budget, Volume 1, Economic and development policies	Yes

<sup>122</sup> Ibid

<sup>123</sup> PNG 2019-2023 National Budget, Table 1.2: Grants, transfers and other resources of the provinces p.164, [http://www.treasury.gov.pg/html/national\\_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf), accessed 18 July 2022

<sup>124</sup> Ibid

<sup>125</sup> Ibid

<sup>126</sup> Ibid

<sup>127</sup> 2021 National Budget, [https://www.treasury.gov.pg/html/national\\_budget/2021%20National%20Budget.html](https://www.treasury.gov.pg/html/national_budget/2021%20National%20Budget.html), accessed 24 August 2022

<sup>128</sup> Ibid

<sup>129</sup> Ibid

<sup>130</sup> This is recorded in the IRC annual report however the latest annual report available on the IRC website is for 2013, and is therefore considered as not available information for revenue <https://irc.gov.pg/pages/about-irc/corporate-information/irc-annual-reports>, accessed 18 July 2022

<sup>131</sup> 2021 National Budget, Summary of annual values included in Appendix 1 - Revenue Tables of 2020 Budget,

Revenue stream	Where recorded	Available online?
Management fee tax*	National Budget, Volume 1, Economic and development policies	Yes
Royalty withholding tax <sup>^</sup>	National Budget, Volume 1, Economic and development policies	Yes
Foreign contractor withholding tax	IRC annual report (as part of “withholding taxes”)	No
Training Levy	National Budget, Volume 1, Economic and development policies	Yes

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

\* Recorded in the budget as Management tax

<sup>^</sup> Recorded in the budget as Royalties tax

## 5.6 Auditing of public accounts<sup>132133134</sup>

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 Parliament.<sup>135</sup>

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 2015)

**Part 2** National government departments and agencies (latest report on 2014/15)

**Part 3** Provincial governments and local-level governments (latest report on 2016)

**Part 4** Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (latest report on 2019)

<sup>132</sup> National Economic and Fiscal Commission 2020 Annual Budget Fiscal Report, <https://www.nefc.gov.pg/sites/default/files/2022-06/2020%20Budget%20Fiscal%20Report.pdf>, accessed 18 July 2022

<sup>133</sup> This is recorded in the IRC annual report however the latest annual report available on the IRC website is for 2013, and is therefore considered as not available information for revenue <https://irc.gov.pg/pages/about-irc/corporate-information/irc-annual-reports>, accessed 18 July 2022

<sup>134</sup> 2021 National Budget, Summary of annual values included in Appendix 1 - Revenue Tables [https://www.treasury.gov.pg/html/national\\_budget/2021%20National%20Budget.html](https://www.treasury.gov.pg/html/national_budget/2021%20National%20Budget.html), accessed 18 July 2022

<sup>135</sup> <http://www.aqo.gov.pg/index.php/about-the-aqo> accessed 18 July 2022

The reports highlight serious and pervasive deficiencies in accounting practices at all levels of government. The Auditor-General's Annual Report 2019 states:

I believe the capability of staff in a number of public sector entities is not adequate to deal with the complexities of a modern-day public-sector environment.

The audit function is constrained because there are few records to audit, and the entities' systems do not support the financial management functions. Often the internal controls that are supposed to prevent breakdowns in financial administration are non-existent.<sup>136</sup>

The report also notes that financial statements are often not submitted within the legislated timeframe, leading to audits being in arrears.

The audit status of individual reporting entities can be seen in Chapter 10.

<sup>136</sup> Auditor General's Office, Annual Report, p. 8, [https://www.ago.gov.pg/images/Part\\_4\\_Report\\_2020.pdf](https://www.ago.gov.pg/images/Part_4_Report_2020.pdf), accessed 18 July 2022

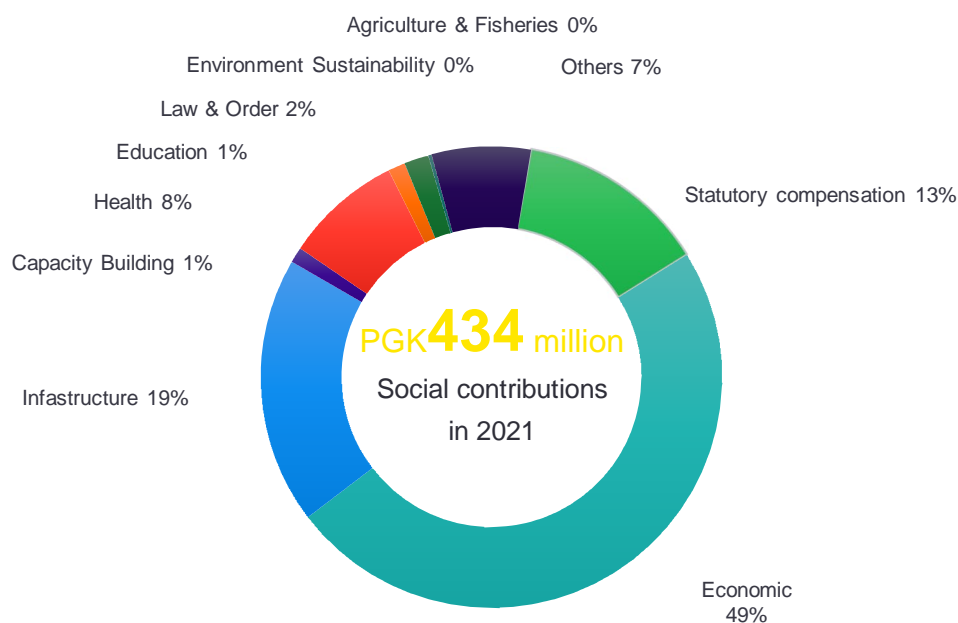


6

# Social and subnational payments

## 6. Social and subnational payments

Figure 21: Social expenditures per category



### 6.1 Mandatory and discretionary 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.

Mandatory social expenditure is defined by the EITI Standard 2019 as social expenditure that is required either by legislation or by the contract with the government that governs the extractive investment.<sup>137</sup> Requirements to compensate landowners are set out in the MA (s. 154) and OGA (s. 118), but neither makes specific reference to other social payments.

<sup>137</sup>The EITI Standard 2019, <https://eiti.org/collections/eiti-standard> accessed 24 August 2022

Mandatory social expenditure is generally agreed between the State or landowners and operators on a case-by-case basis. These agreements are typically confidential, and reporting entities may therefore be unwilling, or unable, to disclose information regarding specific payment amounts and receiving entities. For each mandatory social payment, reporting entities were asked to disclose the name of the contract or agreement where the payment is mandated; however, no reporting entities disclosed the contract name.

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 choose to disclose these payments and/or activities through their corporate responsibility or sustainability reporting, as well as through the EITI reporting template. Some reporters disclosed aggregate amounts, arguing that disclosure of specific organizations and amounts could expose those organizations to unwelcome pressure or extortion. Where these details were not disclosed, it is possible that some mandatory payments were incorrectly reported as discretionary payments.

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.”<sup>138</sup> The MSG refers to the original scoping study for the first EITI report for a comprehensive breakdown of the categories of social expenditure (to right).<sup>139</sup> However, lease fees would generally be regarded as commercial expenses rather than social expenditure. Reporting of these payments as “social” is inconsistent across companies; the IA has included payments as reported.

The 2021 reporting templates included a detailed description of what is considered a mandatory social expenditure.<sup>140</sup> To avoid double counting, entities were asked to identify any payments relating to infrastructure projects to be claimed under ITC.

Reporting entities were also asked to disclose the nature and deemed value of any benefits provided in-kind. Where the beneficiary is a third party (i.e., not a government agency), the name and function of the beneficiary was requested. Some companies have disclosed this.

#### Categories of “Social” expenditure listed in original PNG EITI scoping study:

1. Compensation to landowners
  - ▶ General compensation
  - ▶ Environmental compensation
  - ▶ Community asset and relocation compensation
  - ▶ Lease fees
2. Education
  - ▶ Scholarship
  - ▶ University sponsorship
  - ▶ Other training cost
3. Infrastructure Development
  - ▶ Other infrastructure development programs (as per MOA)
4. Community development programs
5. Business development programs
6. Health programs
7. Township development

<sup>138</sup> Guidance note 17 on social expenditures', EITI, <https://eiti.org/guidance-notes/social-and-environmental-expenditures>, accessed 24 August 2022

<sup>139</sup> PNG EITI Scoping Study for First EITI Report, [www.pngeiti.org.pg](http://www.pngeiti.org.pg)

<sup>140</sup> 'Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure, or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.' - IA reporting templates 2021

Table 27: Summary of mandatory and discretionary social expenditure by company and sector in 2021

Reporting entity	Mandatory social expenditure (PGK)	Discretionary social expenditure (PGK)
<b>Mining</b>		
Barrick (Niugini) Ltd (Porgera mine)	1,744,327	65,000
K92 Mining Ltd (Kainantu)	68,890,436	9,402,220
Lihir Gold Ltd (Lihir/Luise Caldera mine)	53,126,619	59,430,449
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu)	17,776,611	18,635,671
Morobe Consolidated Goldfields Ltd (Hidden Valley mine)	5,523,233	1,189,744
Simberi Gold Company Ltd (Simberi Mine)	1,028,825	940,568
<b>Oil and gas</b>		
Total E&P PNG Ltd	-	1,484,207
Santos (operator oil projects - total oil project figure)	-	76,524,274
<b>State-owned enterprises</b>		
Kumul Petroleum Holdings Ltd	-	55,857,146
Mineral Resources Development Company Ltd	-	28,372,654
Ok Tedi Mining Limited (Mt Fubilan mine)	34,331,693	-
	<b>182,421,743</b>	<b>251,901,932</b>

## 6.2 Quasi-fiscal expenditures

Quasi-fiscal expenditures are outlined in the EITI Standard as “arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process.”<sup>141</sup> This can include, for example, providing services at below market rates.

Previous PNG EITI reports have highlighted that the classification of quasi-fiscal expenditures is not straightforward, which may result in under-reporting of this category. In 2021, reporting templates for SOE included a section for quasi-fiscal expenditure reporting.

Table 28: Summary of quasi-fiscal expenditure

Reporting entity	Quasi-fiscal expenditure (PGK)
Kumul Petroleum Holdings Ltd	72,211,434
Mineral Resources Development Company Ltd	6,283,018
Ok Tedi Mining Limited (Mt Fubilan mine)	191,046,992
	<b>269,541,444</b>

<sup>141</sup> Guidance on quasi-fiscal expenditures, <https://eiti.org/guidance-notes/quasi-fiscal-expenditures>, accessed 18 July 2022



## 6.3 Subnational payments

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain and reconcile. This is due to payment data at the subnational level being either non-existent, too aggregated to be meaningful, inconsistent across projects, or difficult to obtain,<sup>142</sup> in part due to a lack of record keeping by provincial-level governments. Some relevant information is to be found in the 2020 National Economic and Fiscal Commission (NEFC) Budget Fiscal Report.<sup>143</sup> However, this does not always align to the EITI reporting requirements.

Subnational payments were identified in the validation report as an area of inadequate progress. In October 2017, PNG EITI commissioned a scoping study to investigate how the EITI Standard can be implemented in relation to subnational governments and landowner associations.<sup>144</sup> We refer readers to this report, published in April 2019, for the most detailed information currently available about subnational financial flows, including the distinction between payments, transfers and social expenditures.<sup>145</sup> The report makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG; entities to be included and materiality thresholds; standardized payment categories; and implementation through pilot projects.<sup>146</sup>

It is envisioned that the quality of disclosures relating to subnational payments and transfers will improve in future years, as the recommendations of the scoping study are implemented.

As no definitions were provided in the study, the MSG agreed on the following guidance for the categories/sectors:

<i>Statutory compensation:</i>	Required compensation to landowners and any regulatory compensation.
<i>Economic:</i>	Any other social payments made that are not included in the other categories.
<i>Infrastructure:</i>	Payments or resource costs towards buildings and roads.
<i>Capacity building:</i>	Contributions towards training and upskilling local communities.
<i>Health:</i>	Payments to health missions, medical activities and supplies and donations to the health ministry.
<i>Education:</i>	Scholarships, university scholarships and education resources.
<i>Law &amp; order:</i>	Contributions to policing and security.
<i>Agriculture &amp; fisheries:</i>	Payments towards agriculture and fisheries for public consumption.

Starting in 2019, we added Environmental Sustainability category to determine expenditures towards conservation of natural resources to support health and wellbeing for future generations.

<sup>142</sup> PNG EITI, Subnational payments, and Transfers, <http://www.pngeiti.org.pg/sub-national-payments-and-transfers/>, accessed 24 August 2022

<sup>143</sup> National Economic and Fiscal Commission 2020 Annual Budget Fiscal Report, <https://www.nefc.gov.pg/sites/default/files/2022-06/2020%20Budget%20Fiscal%20Report.pdf>, accessed 24 August 2022

<sup>144</sup> Terms of reference for this study available on the PNG EITI website <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNGEITI-TOR-Sub-national-payments-scoping-study-final.pdf>, accessed 3 December 2020

<sup>145</sup> Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 66, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 3 December 2020

<sup>146</sup> Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 11, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 3 December 2020

Table 29: Subnational payments reporting framework

Sectors		Subnational data to be collected		
Social expenditure	Statutory compensation	1. Payer/recipient/mediator - the payer, recipient and any "mediating" entities in case of transfers	2. Payment type - Whether the payment is a government transfer, direct company payment, or social expenditure	3. Sector - what sector the payment belongs (e.g., education, health, infrastructure).
	Economic			
	Infrastructure			
	Capacity building			
	Health			
	Education			
	Law & order			
	Environmental sustainability			
Direct payments & transfers	Royalties	4. Direct/indirect - whether the payment was a directed cash contribution or in-kind goods and services	5. Mandatory - whether the payment is mandatory (i.e., required under law or an agreement).	
	Other royalties and taxes			

### 6.3.1 Subnational payments and transfers: mining

The National Economic and Fiscal Commission (NEFC) Provincial Government Budget Report outlines the revenues transferred to provincial governments. However, NEFC had only released actual transfers up to 2019.<sup>147</sup> The table below is derived from the 2021 NEFC Report.

Table 30: Transfers to provincial and local governments in 2019

Province	Non-grant tax transfers (PGK '000)
Western	40,300,000
Gulf	590,000
Enga	38,872,220
Eastern Highlands	716
Morobe	3,743,517
Manus	403
New Ireland	41,947,238
<b>Total</b>	<b>125,454,094</b>

<sup>147</sup> NEFC, Transfers to provincial and local governments, [PROVINCIAL EXPENDITURE REVIEW – 2006 \(nefc.gov.pg\)](https://www.treasury.gov.pg/html/national_budget/2021%20National%20Budget.html), page 15 and [https://www.treasury.gov.pg/html/national\\_budget/2021%20National%20Budget.html](https://www.treasury.gov.pg/html/national_budget/2021%20National%20Budget.html), page 146

In accordance with the MRA Act, the MRA has the function of receiving any fee, levy, rent, security, compensation, royalty or other money payable under the MA and other legislation. The most significant regional allocations are for:

**Royalty:** A royalty benefit of 2% of the FOB value from resource sales is provided by tenement holders to the State. This is then apportioned to landowners, affected provincial governments and local level governments.

**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.

**Dividends:** Landowners and provincial governments of Ok Tedi and Porgera receive dividends from their equity shares in the respective projects. The companies of these landowners and provincial governments are held in trust by MRDC.

**Compensation payments:** Landowners such as those on-the-Fly River receive a percentage of dividends from Ok Tedi as compensation payments.

**Special Support Grant:** The State allocates funding for mining projects to hosting provincial governments such as New Ireland and Enga. The SSG is a transfer to provincial governments in accordance with Section 197 of *Organic Law on Provincial and Local Level Governments*. It is calculated by Treasury at a rate of 0.25% of FOB value and its disbursement is administered by DNPM through a Guideline.

### 6.3.2 Subnational payments and transfers: oil and gas

The OGA outlines 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. These benefits and payments include:

**Royalty:** 2% of 'wellhead value' is provided from the tenement holder to the State (OGA s. 159). 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).

**Development levy:** 2% of 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).

**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 negotiate a participating interest in addition to the interest granted them (s. 175).

**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).

**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).

## 6.4 Social and subnational payments by PNG entity: mining

### 6.4.1 Barrick Niugini Ltd (Porgera mine)

#### Mandatory

Mandatory social expenditure for Porgera mine included environmental compensation, education, and relocation.<sup>148</sup>

Table 31: Mandatory social expenditure reported by Barrick

Recipient	Category	Type	Amount (PGK)
Various	Statutory compensation	Cash	802,438
Various	Infrastructure	Cash	849,574
Various	Education	Cash	92,315
<b>Total</b>			<b>1,744,327</b>

#### Education:

- ▶ University sponsorships which refer to the PJV's external sponsorship program for degree students at PNG institutions.
- ▶ Sponsorships schools / colleges refer to PNG secondary and technical education sponsorships for external students
- ▶ Apprentice intake (Pett student intake in all trades). This occurs in January and February.
- ▶ Apprenticeship program replaced with a Porgeran trades assistant training programme.
- ▶ Graduate intake which refers to final year degree students who enter the PJV's professional development program.
- ▶ Courses overseas refers to employees sponsored to overseas institutions for full time study or short-term courses
- ▶ Donations for students to supplement our formal sponsorship program and to others for further education, also includes donations to schools for books and other educational material and assistance.

#### Discretionary

Barrick Niugini reported the following donations paid; however, details of recipients were not provided.

Table 32: Discretionary social expenditure reported by Barrick

Recipient	Category	Type	Amount (PGK)
Various	Agriculture & Fisheries	Cash	65,000
<b>Total</b>			<b>65,000</b>

<sup>148</sup> Barrick's financial data template.

## 6.4.2 K92 Mining Ltd (Kainantu)

### Mandatory

Table 33: Mandatory expenditure reported by K92 Mining Ltd

Recipient	Category	Type	Amount (PGK)
Mineral Resources Authority	Statutory compensation	Cash	103,237
G4S / ASILA Security / NCS/ Pagini K92 JV / Guard Dog Security / NCS / Pacific Cargo Services / PCS K92 Haulage / Pagini K92 JV / Young Jin Trading	Economic	Cash	63,621,513
Bertex Dealers & Supplies / Computer One Pty Ltd / Daltron Electronics Pty Ltd / Kuna Accountants & Advisors / Michael Kave (Pastor) / Niugini Electrical Comp Ltd / Rodney Poli / Salvation Army PNG Territory / Theodist Pty Ltd / Wangoro Agricultural Consultancy / Young Jin Trading (K-Kmart)	Capacity Building	Cash	89,151
RAMU Agri-Business Clinic / Chemcare Group / Johnstons Pharmacies / LAE international Hospital	Health	Cash	839,452
G4S Security / ASILA K92 Security / Guard Dog Security Services	Law & Order	Cash	4,237,082
<b>Total</b>			<b>68,890,436</b>

Table 34: Discretionary social expenditure reported by K92 Mining Ltd

Recipient	Category	Type	Amount (PGK)
EHP Gov't / Bilimoia Sakimaniap / Unantu / Pomasi / BilDevCo and Associated Communities	Statutory Compensation	Cash	6,573,407
INNCARE Ltd / SESAGO Healthcare Ltd / Zuguzampu PNG Limited	Health	Cash	1,219,551
University of PNG / PNG UNITECH / DIVINE Word University / Pacific Adventist University / University of GOROKA / University of Natural Resources (UNRE) / PNG Chamber of Mines & Petroleum and Other Institutions	Education	Cash	168,004
Police	Law & Order	Cash	1,441,257
<b>Total</b>			<b>9,402,219</b>

### Subnational

Table 35: Subnational payments reported by K92 Mining Ltd

Commodity	Recipient	Type	Amount (PGK)
Mining royalties	Eastern Highlands Provincial Government - Five Year Provincial Development Plan @ 5%	Cash	1,447,735
	Kainantu Rural LLG - 5 Year District Development Plan @ 9%	Cash	868,641
	Kainantu Urban Local Level Government @ 4.5%	Cash	434,321
Production levy	Mineral Resources Authority	Cash	2,820,634

## 6.4.3 Lihir Gold Ltd (Luise Caldera mine)

### Mandatory

Mandatory expenditures by Lihir include community projects, IBP2 Grant (landowner agreement) and other ongoing direct benefit landowner agreements.

Compensation agreements are required under Papua New Guinea (PNG) law and the land-owning communities have a legal right of veto over the development or disturbance of customary land owned by local communities. Agreements providing consent to impact cultural sites, consent to impact economic crops, and consent for site access have all been signed between Lihir Gold Ltd and the affected land block holders prior to any entry or works occurring.<sup>149</sup>

Table 36: Mandatory expenditure reported by Lihir Gold Ltd

Recipient	Category	Type	Amount (PGK)
Impacted areas	Statutory compensation	Cash	11,494,886
Lihir Wide	Economic	in-Kind	16,292,189
Lihir Wide	Infrastructure	in-Kind	25,339,544
<b>Total</b>			<b>53,126,619</b>

### Discretionary

Discretionary expenditures by Lihir include improved access to employment, health and education opportunities; community infrastructure and services, for example, road access and maintenance, electricity and clean water supply; income-generating activities, for example, local employment, local-level business development training, supply opportunities and support for local agricultural businesses; and improved community lifestyle, for example, sponsorship of local and regional events and sporting activities.<sup>150</sup>

Table 37: Discretionary expenditure reported by Lihir Gold Ltd

Recipient	Category	Type	Amount (PGK)
Lihir Wide	Economic	Cash/in-Kind	4,691,934
Lihir Wide	Infrastructure	Cash/in-Kind	19,761,102
Lihir Wide	Education	in-Kind	1,944,479
Lihir Wide	Law & Order	in-Kind	1,768,680
Lihir Wide	Health	in-Kind	31,264,254
<b>Total</b>			<b>59,430,448</b>

### Subnational

Table 38: Subnational payments reported by Lihir Gold Ltd

Revenue stream	Recipient	Type	Amount (PGK)
Mining royalties	New Ireland Provincial Government (NIPG)	Cash	43,388,499
	Niamamar Local Level Government (NLLG)	Cash	26,033,100
	SML Landowners	Cash	17,355,400
Production levy	Mineral Resources Authority	Cash	23,923,148

<sup>149</sup> 2021 Newcrest Sustainability Report, [https://www.newcrest.com/sites/default/files/2021-11/211103\\_Newcrest%202021%20Sustainability%20Report.pdf](https://www.newcrest.com/sites/default/files/2021-11/211103_Newcrest%202021%20Sustainability%20Report.pdf), accessed 31 January 2023

<sup>150</sup> 2021 Newcrest Sustainability Report page 36, [https://www.newcrest.com/sites/default/files/2021-11/211103\\_Newcrest%202021%20Sustainability%20Report.pdf](https://www.newcrest.com/sites/default/files/2021-11/211103_Newcrest%202021%20Sustainability%20Report.pdf), accessed 31 January 2023

## 6.4.4 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

Social expenditures of MCC Ramu Nico Limited mainly involve various compensation paid to local communities, business opportunities contracted with locals and various assistance on communities' affairs as well as contributions to environment, education, training, healthcare etc.

### Mandatory

Table 39: Mandatory expenditure reported by MCC Ramu Nico

Category	Recipient	Type	Amount (PGK)
Statutory compensation	Payment to landowners	Cash	2,653,745
Economic	Assistance with communities	Cash	1,453,088
Economic	Business contract with locals	Cash	13,669,778
<b>Total</b>			<b>17,776,611</b>

### Discretionary

Table 40: Discretionary expenditure reported by MCC Ramu Nico

Category	Type	Amount (PGK)
Capacity building	Cash	145,147
Education	Cash	188,279
Health, securities and environment	Cash	2,509,554
Donations	Cash	1,922,151
Business opportunities	Cash	13,870,540
<b>Total</b>		<b>18,635,671</b>

### Subnational

Royalty return is lodged to MRA monthly and MCC Ramu pay royalties directly to provincial and local government and landowner groups as per MOA. The beneficiaries of government mainly include Madang government and other local level government. The beneficiaries of landowner groups are mainly divided by region, namely Kurumbukari, Maigari Inland Pipeline, Coastal Pipeline and Basamuk.

Table 41: Subnational payments reported by MCC Ramu Nico

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Local / Provincial Government	Cash	6,391,144
	Landholders	Cash	12,256,736
Production Levy	Mineral Resource Authority	Cash	3,549,607

## 6.4.5 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

### Mandatory

Table 42: Mandatory social expenditure reported by Morobe Consolidated Goldfields

Recipient	Category		Amount (PGK)	Remarks
Landowner Groups	Statutory compensation	Cash	536,665	
Local communities	Infrastructure	Cash	697,008	Hidden Valley assistance with equipment and costs for village roads and other infrastructure (HV MOA - Clause 28 - Contribution to Physical and Social Infrastructure)
Local Communities	Capacity Building	Cash	4,282,157	Hidden Valley Community Affairs Department costs - Implementation of MOA / Statutory commitments (excluding compensation)
Local community	Agriculture & Fisheries	Cash	7,403	Hidden Valley community agriculture programs. Note - Covid-19 implementation constrained. (HV MOA - Clause 28 - Contribution to Physical and Social Infrastructure)
<b>Total</b>			<b>5,523,233</b>	

### Discretionary

Table 43: Discretionary social expenditure reported by Morobe Consolidated Goldfields

Recipient	Category	Type	Amount (PGK)	Remarks
Employee direct dependents	Education	Cash	1,189,744	Primary & Secondary School Education Assistance for PNG Employees' Program
<b>Total</b>			<b>1,189,744</b>	

### Subnational

Table 44: Subnational payments reported by Morobe Consolidated Goldfields

Recipient	Subnational payment/ Other payments	Payment type	Amount (PGK)
Local / Provincial Government	Royalties	Cash	12,326,829
Landholders	Royalties	Cash	9,201,097
Hidden Valley Mine Trust benefit share royalty paid under a Trust Deed to HV landowners	Other payments	Cash	1,817,263
PNG Government	Production Levy	Cash	5,290,371

## 6.4.6 Simberi Gold Limited (Simberi Mine)

### Mandatory

Table 45: Mandatory social expenditure reported by Simberi Gold

Recipient	Category	Type (Reference)	Amount (PGK)
SGCL/Landowner Groups	Statutory compensation	Cash - Compensation Agreement (1996)	776,376
SGCL/Landowner Groups	Economic	Cash - Munun Compensation Agreement (2016)	252,449
<b>Total</b>			<b>1,028,825</b>



## Discretionary

Table 46: Discretionary social expenditure reported by Simberi Gold

Recipient	Category	Type	Amount (PGK)
Community Assistance	Agriculture and Fisheries	Cash	940,568
<b>Total</b>			<b>940,568</b>

## Subnational

Table 47: Subnational royalty payments reported by Simberi Gold

Recipient	Type	Amount (PGK)
Local government	Cash	455,207
Landholders	Cash	3,612,158
<b>Total</b>		<b>4,067,365</b>

## 6.5 Social and subnational payments by PNG entity: oil and gas

### 6.5.1 ExxonMobil (PNG LNG project total)

#### Sub-national and other payments

Table 48: Subnational and other payments by ExxonMobil

Recipient	Subnational payment/ Other payments	Payment type	Amount (PGK)
PNG Government	Royalties	Cash	101,033,939
DPE	Development levy	Cash	39,204,822

### 6.5.2 Total E&P PNG Limited

#### Mandatory

Total E&P PNG Limited reported zero contribution to the mandatory expenditure.

#### Discretionary

Table 49: Discretionary social expenditure reported by Total

Recipient	Category	Type / Purpose	Amount (PGK)
Various Landowners	Statutory compensation	Cash	596,407
National Volunteer Service	Education	In-kind (adult literacy)	9,000
Port Moresby Technical College	Education	In-kind (workforce development)	878,800
<b>Total</b>			<b>1,484,207</b>

## 6.5.3 Oil Search

### Mandatory

Oil Search reported zero contribution to the mandatory expenditure.

### Discretionary

Table 50: Discretionary expenditure reported by Oil Search

Recipient	Type	Amount (PGK)
Community investment	Cash	76,524,274

## 6.5.4 Kumul Petroleum Holdings (KPH)

### Mandatory

KPH reported zero contribution to the mandatory expenditure

### Discretionary

Table 51: Discretionary social expenditure reported by KPH

Recipient	Category	Type	Purpose	Amount (PGK)
Community	Economic	Cash	Charity Organisation Support	253,530
Community	Economic	Cash	Church Program Support	1,020,991
Community	Economic	Cash	Community Projects Support	34,665,040
Community	Health	Cash	Emergency Assistance	25,000
Government	Economic	Cash	Government Support	1,582,044
Community	Capacity building	Cash	Professional Organisation Support	74,955
Community	Economic	Cash	Project Areas LO Support	6,982,935
Community	Economic	Cash	Sports Sponsorship	10,517,110
Community	Education	Cash	Student Sponsorship Program	735,541
<b>Total</b>				<b>55,857,146</b>

### Quasi-fiscal expenditure

Table 52: Quasi-fiscal expenditure reported by KPH

Recipient	Category	Type	Purpose	Amount (PGK)
DPE	Law and Order	Cash	Clan Vetting Exercise with DPE	311,448
Community	Economic	Cash	Gas Agreement/SNT	471,638
DPE / NEC / NEA	Economic	Cash	Government Support - DPE/NEC/NEA	867,333
Government / Community	Law and Order	Cash	Government Support - Nation Building Policies	249,578
Community	Infrastructure	Cash	Government Support - Rural Electrification	55,643,259
Government / Community	Law and Order	Cash	Oil and Gas Policy Framework	1,725,674
Port Moresby General Hospital	Health	Cash	PMGH Cardiology Services Support Program	8,902,165
Angau Cancer Services	Health	Cash	ANGAU Cancer Services Support Program	596,340
PMGH Cancer Center	Health	Cash	PMGH Cancer Centre Structural Works Support Project	3,443,999
<b>Total</b>				<b>72,211,434</b>

## Subnational

Table 53: Subnational payments reported by KPH

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Landholders	Cash	23,151,360
Development Levy	Department of Petroleum and Energy	Cash	12,800,000

### 6.5.5 MRDC Ltd (multiple projects)

#### Mandatory

MRDC reported zero mandatory social expenditure for 2021 reporting period.

#### Discretionary

MRDC reported the following social expenditures for 2021. The IA notes that, as in 2020, there are significant payments to “public relations” for 2021.

Table 54: Discretionary expenditure reported by MRDC

Subsidiary/trust entity	Category	Expenditure details	Amounts (PGK)
Petroleum Resources Kutubu (PRK)	Others	Donations	3,097,975
	Others	Public relations	8,275,703
Petroleum Resources Gobe Ltd (PRG)	Others	Donations	25,000
	Others	Public relations	402,816
Petroleum Resources Moran Ltd (PRM)	Others	Donations	291,072
	Others	Public relations	246,616
Mineral Resources Star Mountain Ltd (MRSM)	Others	Donations	80,000
	Others	Public relations	2,886,422
Mineral Resources OK Tedi Limited (MROT)	Others	Donations	560,180
	Others	Public relations	2,359,233
Mineral Resources Enga Limited (MRE)	Others	Donations	554,504
	Others	Public relations	2,071,346
Gas Resources PNG LNG Plant Limited (GRS)	Others	Donations	209,064
	Others	Public relations	1,747,720
Gas Resources PNG LNG Pipeline Ltd (GRP)	Others	Donations	687,690
	Others	Public relations	1,271,597
Mineral Resources CMCA Holding Ltd (MR CMCA)	Others	Donations	404,517
	Others	Public relations	517,579
Gas Resources Hides No.4 Limited (GRH)	Others	Donations	25,000
	Others	Public relations	903,734
Gas Resources Gigira Limited (GRG)	Others	Donations	25,000
	Others	Public relations	1,269,885
Gas Resources Angore Ltd	Others	Public relations	155,000
Gas Resources Juha No.1 Limited (GRJ)	Others	Public relations	305,000
<b>Total</b>			<b>28,372,654</b>

MRDC also reported landowner meeting expenses amounting to PGK10,774,785

## Quasi-fiscal expenditure

Table 55: Quasi-fiscal expenditure reported by MRDC

Trust entity	Category	Type	Purpose	Amount (PGK)
Petroleum Resources Kutubu (PRK)	Economic	Cash	Sponsorships to Sporting Bodies	3,436,860
Mineral Resources Star Mountain Ltd	Economic	Cash	Sponsorships to Sporting Bodies	200,000
Mineral Resources OK Tedi Limited (MROT)	Economic	Cash	Community Activity Sponsorship	150,000
Gas Resources PNG LNG Plant Limited	Economic	Cash	Sponsorships to Sporting Bodies	1,400,000
Gas Resources Hides No.4 Limited	Economic	Cash	Government Program Sponsorship	548,079
Gas Resources Gigira Limited	Economic	Cash	Government Program Sponsorship	548,079
<b>Total</b>				<b>6,283,018</b>

## Subnational

MRDC facilitates subnational transfers as the trustee of interests in extractive projects on behalf of subnational governments and landowner groups. For more details, see chapter 9 of this report.

Table 56: Subnational payments reported by MRDC

Subsidiary/trust entity	Recipient (inferred by IA based on ownership)	Amount (PGK)
Petroleum Resources Kutubu Ltd (PRK)	Paid to Kutubu and Kikori landowners	6,237,573
Gas Resources LNG Pipeline	Paid to landowners along the EM pipeline corridor- From Segment 1-8	5,107,019
<b>Total</b>		<b>11,344,592</b>

## 6.5.6 Ok Tedi Mining Limited (Mt Fubilan Mine)

### Mandatory

Table 57: Mandatory expenditure reported by Ok Tedi Mining Limited

Recipient	Category	Type	Amount (PGK)
CMCA and Mine Villages	Statutory compensation	Cash	34,331,693
<b>Total</b>			<b>34,331,693</b>

### Discretionary

There are zero voluntary expenditure reported by Ok Tedi Mine in 2021.

Some further detail on Ok Tedi's social expenditures by category can be found in its Annual Review.<sup>151</sup>

<sup>151</sup> Ok Tedi Mining Limited Annual Review 2021, pp. <https://oktedi.com/who-we-are/annual-performance/>, accessed 31 January 2022

## Quasi-fiscal expenditure

Table 58: Quasi-fiscal expenditure reported by Ok Tedi Mining Limited

Recipient	Category	Type	Amount (PGK)
Community	Infrastructure	Cash (Tabubil Kiunga Road maintenance)	31,796,142
Community	Health	Cash (Tabubil & Kiunga Hospital)	22,748,412
Company	Health	Cash (Covid Test)	136,502,438
<b>Total</b>			<b>191,046,992</b>

## Subnational

Table 59: Subnational payments reported by Ok Tedi Mining Limited

Recipient / Reported to	Subnational payment/ Other payments	Payment type	Amount (PGK)
Fly River Provincial Government	Royalties	Cash	30,453,422
Mine Villages Landowners	Royalties	Cash	30,291,943
Mineral Resources Authority	Production Levy	Cash	18,540,000



Mining

## 7. Mining

### 7.1 Overview of mining operations in 2021

The mining companies included in this report (see Chapter 2) are listed below. Companies deemed material were associated with mines that were either in operation or in advanced stages of pre-production. We have included some additional mines for completeness.

Table 60: Mining companies 2021

Reporting entity (mine - license)	Mining operator and Joint Venture (JV) partners	Notes
<b>Material companies</b>		
Barrick (Niugini) Ltd (Porgera mine - SML 1 (P))	Barrick Niugini Ltd (operator) - 50% owned by Barrick Gold Corporation and 50% by Zijin Mining Group MRDC (managing funds for Mineral Resources Enga Ltd (MREL 5%))	Tenement expired
K92 Mining Ltd (Kainantu - ML150)	K92 Mining Inc.	Producing in 2021
Lihir Gold Ltd (Lihir/Luise Caldera mine - SML 6)	Lihir Gold Ltd is 100% owned by Newcrest Mining Ltd	Producing in 2021
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu - SML 8)	MCC Ramu NiCo Ltd (operator) Highlands Pacific Limited Mineral Resources Madang Ltd Mineral Resources Ramu Ltd	Producing in 2021
Morobe Consolidated Goldfields Ltd (Hidden Valley mine - ML 151)	Hidden Valley JV (operator) 100% owned by Morobe Consolidated Goldfields Ltd	Producing in 2021
Ok Tedi Mining Limited (Mt Fubilan) SML 1 (O)	Ok Tedi Mining Limited (operator)	Producing in 2021
Simberi Gold Company Ltd (Simberi mine - ML136)	Simberi Gold Co. Ltd (operator) is 100% owned by St Barbara	Producing in 2021
<b>Companies included for completeness</b>		
Anomaly Ltd (Mt Crater mine)*	Anomaly Ltd (Crater Gold)	Expiry date 4 November 2019
Frieda River Ltd (Frieda River)*	PanAust and Highlands Pacific JV for 2018. 100% owned by PanAust from May 2019	(SML Application lodged)
Newcrest PNG 2 and Wafi Mining Ltd (Wafi-Golpu)*	Newcrest and Harmony JV	(SML Application lodged)
Niuminco Edie Creek Ltd (Edie Creek mine - ML 144)*	Niuminco Edie Creek Ltd	Producing in 2021
Woodlark Mining Ltd (Woodlark - ML508)*	Geopacific Resources Ltd	New Mine yet to be constructed
Mayur Industrial PNG Limited	Mayur Industrial PNG Limited	New Mine

### 7.2 Mines operating in 2021

This section of the report presents details on the mining projects active in PNG during 2021. Any changes that occurred to the ownership structures during the 2021 reporting period are noted. Export values included in summaries are free on board (FOB) values reported by the MRA. FOB values are the values recorded by customs when the mining commodities are exported.

## Ownership information

In the ownership structure figures, the yellow boxes identify the operator of the mine, (or in some cases the owner of the operator). 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 tax paid for the data reconciliation process. Beneficial ownership (to the extent known) is shown in blue.

## Data compliance and reconciliation

The following discussion of projects includes an overview of the completeness of the data provided for each project, as indicated in the legend below. Where entities provided incomplete information, we requested an explanation.

### Data provided

- Provided in full
- Substantially provided
- Partially provided

We have also included the status of reconciliation, as indicated in the legend below. Reconciliation of revenue is further discussed in Chapter 10 Reconciliation of revenue streams.

### Status of reconciliation

- ◆ Fully reconciled
- ◆ Partially reconciled
- ◆ Not reconciled

## 7.2.1 Alluvial mining sector

The MA allows people to mine for alluvial minerals on their own land by non-mechanical means without the need for a mining license, provided that the land is not the subject of a tenement (other than exploration license) and that the mining is carried out safely.<sup>152</sup> This sector is therefore largely unmonitored, and there is limited information about its size. In 2016, the MRA estimated that there were up to 80,000 small-scale miners in this category, 4,000 of whom had completed training at the MRA's small-scale mining center in Wau.<sup>153</sup>

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease or Mining Lease (for alluvial purposes) from the MRA. The former is granted for up to five hectares of land that is a riverbed and extends no further than 20 meters from any riverbed. The latter may cover up to 60km<sup>2</sup>. There is a requirement for a minimum 51% ownership by PNG nationals.<sup>140</sup> Per MRA, there are more than 80,000 miners in Papua New Guinea.<sup>154</sup>

Alluvial miners sell their gold to traders, who then on-sell it to one of 18 licensed exporters regulated by the Bank of PNG below.<sup>155</sup>

- |                                     |                                     |
|-------------------------------------|-------------------------------------|
| ▶ Aviga Impex Ltd                   | ▶ Meekom Minerals Ltd               |
| ▶ Bougainville Gold Exchange Ltd    | ▶ Metals Refining Operations Ltd    |
| ▶ Gold Exports Ltd                  | ▶ Mi-Do Gold Buyers & Exporters Ltd |
| ▶ Golden Valley Ltd                 | ▶ MNK Jewellers PNG Ltd             |
| ▶ International Bullion Group Ltd   | ▶ Niiella AU Ltd                    |
| ▶ Issacc Lete Lumbu Gold Buyers Ltd | ▶ Panners Gold Ltd                  |
| ▶ Italpreziosi South Pacific Ltd    | ▶ Vertic Ltd                        |

<sup>152</sup> Mining Act 1992 s.9, [http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol\\_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992](http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992), accessed 25 August 2022

<sup>153</sup> MRA, interview 28 November 2016; a more recent estimate has not been obtained.

<sup>140</sup> Mining Act 1992 s. 38, [http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol\\_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992](http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992), accessed 10 December 2020

<sup>154</sup> MRA, Alluvial Mining Policy 2021 <https://mra.gov.pg/wp-content/uploads/2022/05/Alluvial-Mining-Policy.pdf>, accessed 26 December 2022

<sup>155</sup> Bank of Papua New Guinea, <https://www.bankpng.gov.pg/gold-exporters/>, 31 January 2023

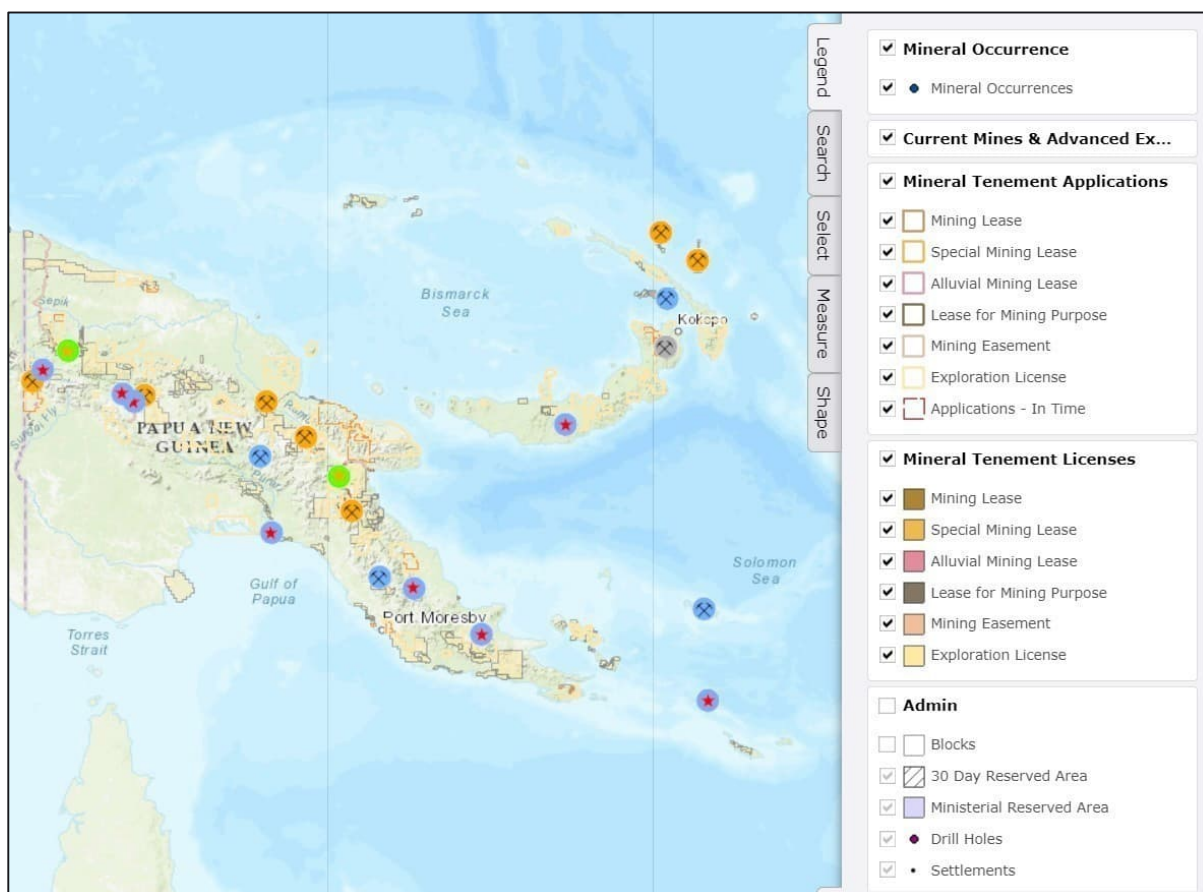


- ▶ Armstrong Precious Metals Ltd
- ▶ Bullion Scope Ltd
- ▶ Jia Gold Holdings Ltd
- ▶ Soi Gold Exports Ltd

The MRA checks the export forms and raises levies on the export. Revenue for alluvial exports through licensed exporters in 2021 amounted to PGK640 million<sup>156</sup>.

Figure 22 below shows Cadastre Portal and Mineral Tenement Map. This Mining Cadastre Portal provides an e-government platform for all stakeholders in the mining sector of Papua New Guinea to engage directly with the Mineral Resource Authority (MRA), the custodians of Papua New Guinea's mineral wealth<sup>157</sup>

Figure 22: Mines, advanced projects, and alluvial mineral districts 2021.



<sup>156</sup> <https://www.pngbusinessnews.com/articles/2022/4/alluvial-gold-mining-export-revenue-increases>, accessed on 31 January 2023

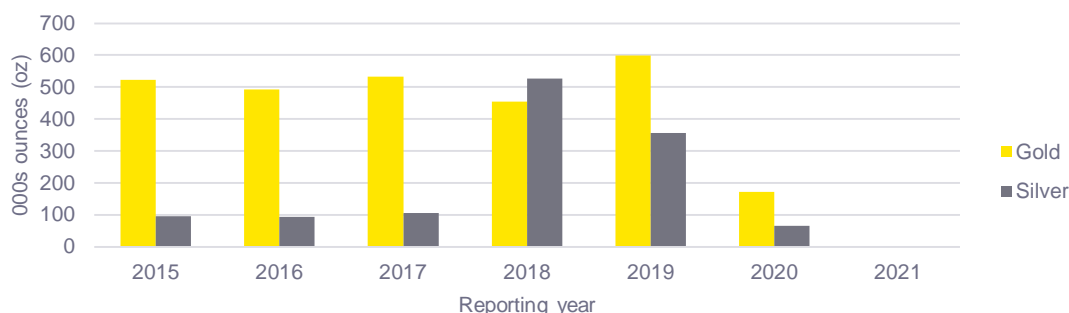
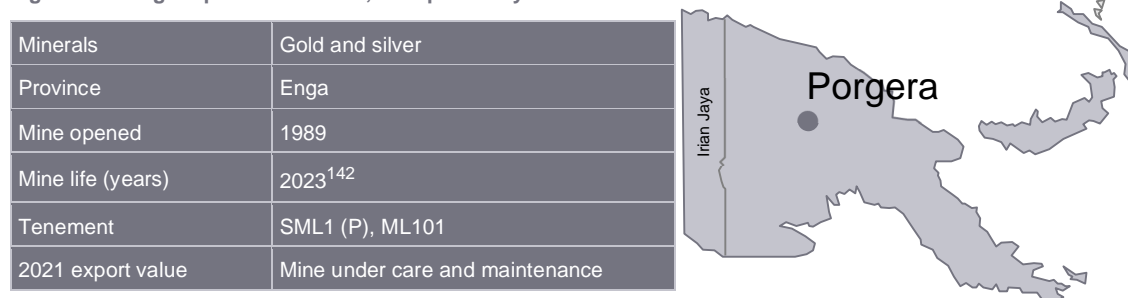
<sup>157</sup> <https://portal.mra.gov.pg/Site/MapPage.aspx?PageID=e735c534-5f4e-4b2b-a544-89b90357e0f1>, accessed on 31 January 2023

## 7.2.2 Barrick Niugini Ltd (Porgera mine)

Table 61: Compliance summary Porgera Mine

Joint Venture partners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Barrick Niugini Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Mineral Resources Enga Ltd	IPA under upgrade	IPA under upgrade	Provided by operator	Provided by operator	Provided by operator	Not required

Figure 23: Porgera production data, as reported by MRA



The Porgera Joint Venture is an open pit and underground gold mine located at an altitude of 2,200-2,600 meters in the Enga Province of Papua New Guinea, about 600 kilometres north-west of Port Moresby. Barrick and Zijin Mining Group each own 47.5% of the operation, with the remaining 5% interest held by Mineral Resources Enga.<sup>158</sup>

The Porgera Joint Venture is an open pit and underground gold mine located at an altitude of 2,200-2,600 meters in the Enga Province of Papua New Guinea, about 600 kilometres north-west of Port Moresby. Barrick and Zijin Mining Group each own 47.5% of the operation, with the remaining 5% interest held by Mineral Resources Enga.<sup>159</sup>

Porgera’s Special Mining Lease (“SML”) terminated on August 16, 2019. The Company applied for a 20-year extension of the SML in June 2017 and has been engaging with the Government of Papua New Guinea on this matter since then. On August 2, 2019, the National Court of Papua New Guinea ruled that the provisions of the country’s 1992 Mining Act applied to the Porgera gold mine, thus allowing it to continue operating while the application to extend its SML was being considered.<sup>160</sup>

<sup>142</sup> <https://miningdataonline.com/property/611/Porgera-Mine.aspx>, accessed 25 August 2022

<sup>158</sup> Porgera Operations, <https://www.barrick.com/English/operations/porgera/default.aspx>, accessed 25 August 2022

<sup>159</sup> Porgera Operations, <https://www.barrick.com/English/operations/porgera/default.aspx>, accessed 31 January 2021

<sup>160</sup> Barrick Gold Corporation, Annual Report, <https://www.barrick.com/English/investors/annual-report/default.aspx>, accessed 31 January 2023

On April 25, 2020, the Porgera gold mine was put on care and maintenance, after Barrick Niugini Limited, received a communication from the Government of Papua New Guinea that its application for the 20-year extension of the SML had been refused.<sup>161</sup>

On April 9, 2021, BNL signed a binding Framework Agreement with the Independent State of Papua New Guinea and Kumul Minerals Holdings Limited, a state-owned mining company, setting out the terms and conditions for the reopening of the Porgera mine. On February 3, 2022, the Framework Agreement was replaced by the more detailed Porgera Project Commencement Agreement (the “Commencement Agreement”). The Commencement Agreement was signed by PNG, Kumul Minerals, BNL and its affiliate Porgera (Jersey) Limited on October 15, 2021, and it became effective on February 3, 2022, following signature by Mineral Resources Enga Limited (“MRE”), the holder of the remaining 5% of the original Porgera joint venture.<sup>162</sup>

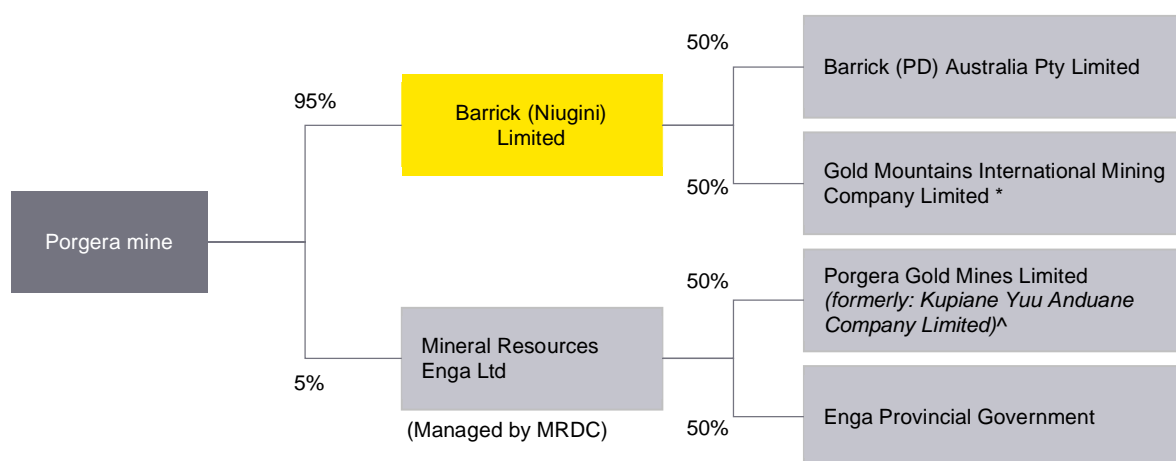
The Commencement Agreement reflects the commercial terms previously agreed to under the Framework Agreement, namely that PNG stakeholders will receive a 51% equity stake in the Porgera mine, with the remaining 49% to be held by BNL or an affiliate. BNL is jointly owned on a 50/50 basis by Barrick and Zijin Mining Group. Accordingly, following the implementation of the Commencement Agreement, Barrick’s current 47.5% interest in the Porgera mine is expected to be reduced to a 24.5% interest as reflected in Barrick’s reserve and resource estimates for Porgera. BNL will retain operatorship of the mine. The Commencement Agreement also provides that PNG stakeholders and BNL and its affiliates will share the economic benefits derived from the reopened Porgera Mine on a 53% and 47% basis over the remaining life of mine, respectively, and that the Government of PNG will retain the option to acquire BNL’s or its affiliate’s 49% equity participation at fair market value after 10 years.<sup>163</sup>As Porgera has been on care and maintenance since April 25, 2020, no operating data or per ounce data is provided.<sup>164</sup>

Table 62: Share of owners and consolidated payments on Porgera mine

Owners	Share from Joint Venture <sup>^</sup>				Consolidated receipts reported by government agencies
	Percentage	Gross sales	Profit from operating activities	Net income	
Barrick Niugini Limited	95.00%	-	-	-	53,481,663
Mineral Resources Enga Ltd	5.00%	-	-	-	167,743

Barrick Niugini Limited reported payments as an operator of the project, hence, certain payments to Government Agencies are on behalf of the Mineral Resources Enga Ltd.

Figure 24: Porgera mine ownership structure



\* Wholly-owned subsidiary of Zijin Mining Group Limited - Hong Kong Listed

^ Owned by 25 Sub-clans and Porgera Development Authority per Annual return submitted on 31 January 2020

<sup>161</sup> Ibid

<sup>162</sup> Ibid

<sup>163</sup> Ibid

<sup>164</sup> Ibid, page 94

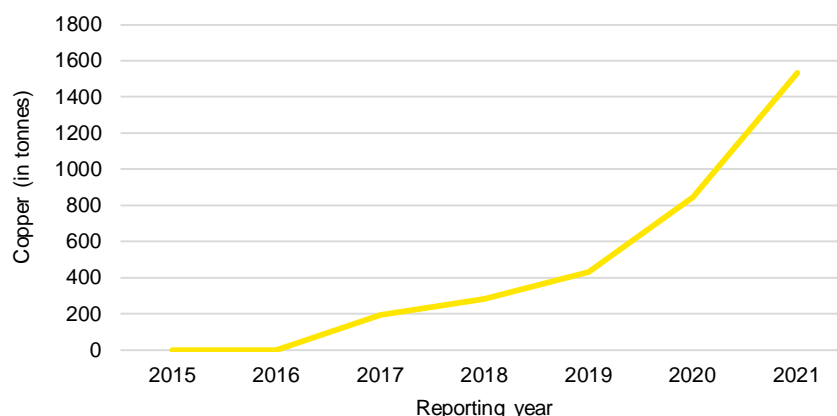
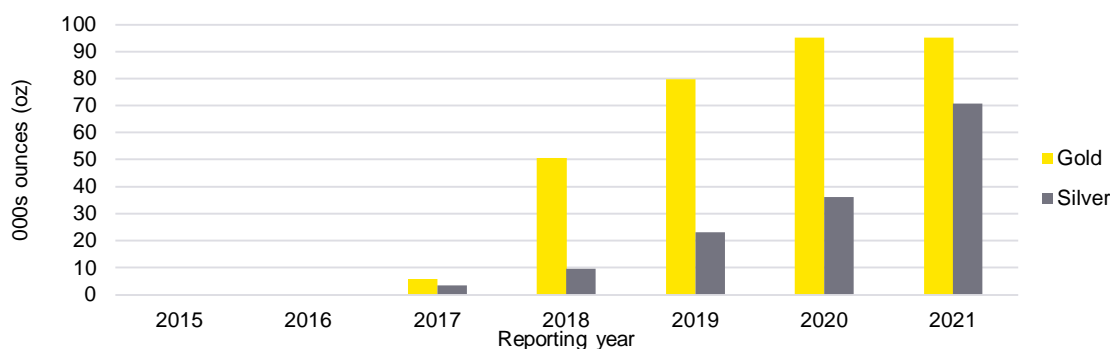
## 7.2.3 K92 Mining Ltd (Kainantu)

Table 63: Compliance summary K92 mine

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
K92 Mining Ltd	Yes, included in the K92 Mining Inc. Annual Report	IPA under upgrade	●	●	●	◆

Figure 25: Kainantu mine production data, as reported by MRA

Minerals	Gold, Silver, and Copper
Province	Eastern Highlands
Mine opened	2005
Mine life (years)	12 years (as of 1 January 2021) <sup>165</sup>
Tenement	ML150
2021 export value	PGK 680,075,387



The Kainantu mine is in the eastern Papuan Mobile Belt and in May 2017, a northern extension to the 1.65 Moz AuEq inferred Kora deposit was discovered, called Kora North. K92 mining achieved commercial production on February 1, 2018.<sup>166</sup>

<sup>165</sup> Kainantu Mine, <https://miningdataonline.com/property/656/Kainantu-Mine.aspx#Mining>, 31 January 2023

<sup>166</sup> Kainantu Mine, <https://miningdataonline.com/property/656/Kainantu-Mine.aspx#Mining>, 31 January 2023

Table 64: Financial highlights K92 mining project

Statement of Comprehensive Income (in thousands)	USD*	PGK*
Revenue	154,326	533,968
Cost of sales	-83,297	-288,208
Expenses	-23,511	-81,348
Others	-923	-3,194
Income tax expense	-19,354	-66,965
<b>Income for the year</b>	<b>27,241</b>	<b>94,254</b>

Segment PNG income (in thousands)	USD*	PGK*
PNG	36,569	126,529
Canada	-9,328	-32,275
<b>Income for the year</b>	<b>27,241</b>	<b>94,254</b>

\* Extracted from K92 Mining Inc Annual Report<sup>167</sup>

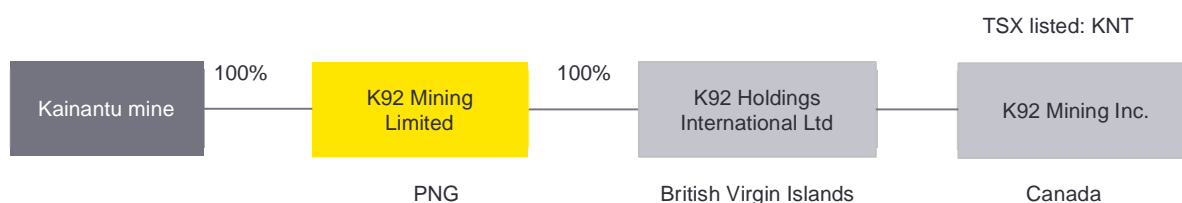
+ Converted using BPNG Average USD exchange rate (USD1: PGK3.460) – this is for presentation only. Actual results may differ due to use of exchange rate translation.

Table 65: Project revenue and consolidated payments on Kainantu project

Project	Revenue	Income for the year	Consolidated receipts reported by government agencies
Kainantu	533,968,000	94,254,000	87,349,078
<b>Total</b>	<b>533,968,000</b>	<b>94,254,000</b>	<b>87,349,078</b>

The main payments to government agencies are SWT, CIT and royalties.

Figure 26: Kainantu mine ownership structure



K92 Mining declared commercial production from Kainantu in February 2018 and has continued expanding its production and mineral resources since then. In December 2020 the common shares of the Company began trading on the Toronto Stock Exchange under the symbol “KNT”, voluntarily delisting from the TSX Venture Exchange. In 2021, K92 operations undertook multiple stages of expansion, with the Stage 2 Expansion run rates achieved in late -2021.

## 7.2.4 Lihir Gold Ltd (Luise Caldera mine)


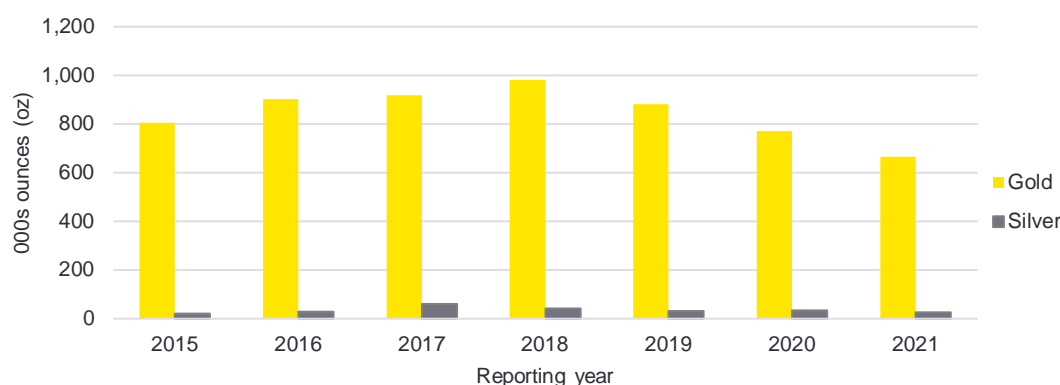
Table 66: Compliance summary Lihir mine

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Lihir Gold Ltd	Yes	IPA under upgrade	●	●	●	◆

<sup>167</sup> K92 Mining Inc., 31 December 2021 Annual Report <https://k92mining.com/investor/#filings>, accessed 12 December 2022

Figure 27: Luise Caldera production data, as reported by MRA

Minerals	Gold and silver
Province	New Ireland
Mine opened	1997
Mine life (years)	20 <sup>168</sup> (gold proved and probable reserves estimated at 54m oz) <sup>169</sup>
Tenement	SML6, ML125, 126
2021 export value	PGK4,354,669,645

Lihir island is located on a geothermally active extinct volcanic crater. Most of the ore that Lihir produces is refractory and treated using pressure oxidation before the gold is recovered by a conventional leach process.<sup>170</sup>

Table 67: Financial highlights Lihir Gold Limited

Financial Results (in millions)	USD*	PGK*
Revenue	1,425	4,930.5
EBITDA	590	2,041.4
<b>EBIT</b>	<b>313</b>	<b>1,083.0</b>

\*Extracted from Lihir Gold Limited 30 June 2021 Annual Report<sup>171</sup>

+ Converted using BPNG Average USD exchange rate (USD1: PGK3.460) – this is for presentation only. Actual results may differ due to use of exchange rate translation.

Lihir Gold Limited increased its gold sales in 2021 compared to 2020 by 19%. The company has a strong balance sheet with net assets of USD4.2 billion.<sup>172</sup>

Table 68: Project revenue and consolidated payments on Lihir Mine

Project	Revenue	EBITDA	EBIT	Consolidated receipts reported by government agencies
Lihir	4,930,500,000	2,041,400,000	1,082,980,000	302,367,104

<sup>168</sup> Lihir Mine, <https://miningdataonline.com/property/187/Lihir-Mine.aspx>, 31 January 2023

<sup>169</sup> Newcrest Annual Mineral Resource and Ore Reserves Statement, [https://www.newcrest.com/sites/default/files/2022-02/20217\\_Newcrest%202022%20Half%20Year%20Results%20-Resources%20and%20Reserves%20Statement.pdf](https://www.newcrest.com/sites/default/files/2022-02/20217_Newcrest%202022%20Half%20Year%20Results%20-Resources%20and%20Reserves%20Statement.pdf), accessed 31 January 2023

<sup>170</sup> Newcrest Mining, Our Assets, <https://www.newcrest.com/index.php/our-assets/lihir>, 5 December 2022

<sup>171</sup> Lihir Gold Limited, 30 June 2021 Annual Report page 132, [https://www.newcrest.com/sites/default/files/2021-09/20393\\_Newcrest\\_AR\\_2021.pdf](https://www.newcrest.com/sites/default/files/2021-09/20393_Newcrest_AR_2021.pdf) accessed 7 December 2022

<sup>172</sup> Ibid

The main payments to government agencies are CIT, SWT, FCWT and royalties.

Figure 28: Lihir ownership structure

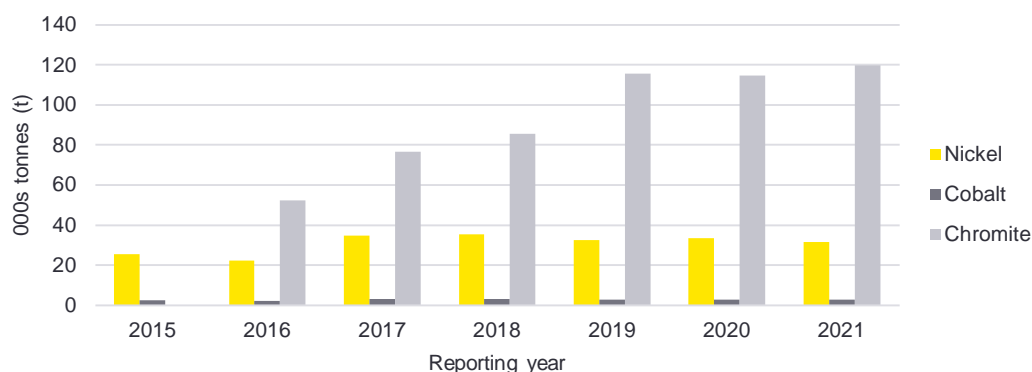


## 7.2.5 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

Table 69: Compliance summary Ramu

Joint Venture partners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
MCC Ramu Nico Limited	Yes	IPA under upgrade	●	●	●	◆
Ramu Nickel Limited	IPA under upgrade	IPA under upgrade	Provided by operator	Provided by operator	Provided by operator	Not required
Mineral Resources Madang Limited	IPA under upgrade	IPA under upgrade	●	Provided by operator	●	Not required
Mineral Resources Ramu Limited	IPA under upgrade	IPA under upgrade	●	Provided by operator	●	Not required

Figure 29: Kurumbukari production data, as reported by MRA



Chromite production was reported by MRA for 2016, 2019, 2020 and 2021 but not for 2017 and 2018. Chromite production 2017 and 2018 values are from the operator.

<sup>173</sup> Mine Life, [https://miningdataonline.com/property/3323/Kurumbukari-\(Ramu\)-Mine.aspx](https://miningdataonline.com/property/3323/Kurumbukari-(Ramu)-Mine.aspx), accessed 25 August 2022

Table 70: Financial highlights Ramu Nickel project

Statement of comprehensive income	USD* (Ramu Nickel Limited)	Recalculated gross balances for the Ramu Nickel Project (USD)^	PGK*
Revenue	59,456,390	694,583,995	2,403,260,624
Production costs	-20,533,020	-239,871,729	-829,956,182
Other costs	-3,365,331	-39,314,614	-136,028,566
Depreciation and amortization	-8,082,655	-94,423,540	-326,705,447
<b>Net income</b>	<b>27,475,384</b>	<b>320,974,112</b>	<b>1,110,570,428</b>

\* Extracted from Nickel 28 Capital Corporation page 15 (13 months ended) Annual Report<sup>174</sup>

^ Recalculated based on share percentage by Ramu Nickel Limited (Wholly-owned subsidiary of Nickel 28 Capital Corporation) (8.56%)

+ Converted using BPNG Average USD exchange rate (USD1: PGK3.460) – this is for presentation only. Actual results may differ due to use of exchange rate translation.

Table 71: Share of joint venture partners and consolidated payments on Ramu Nickel project

Joint Venturers	Share from Joint Venture^			Consolidated receipts reported by government agencies
	Percentage	Gross sales	Share in profits	
MCC Ramu Nico Limited	85.00%	2,042,771,530	Not derived*	97,264,935
Ramu Nickel Limited	8.56%	205,719,109	95,064,829	Reported by Operator
Mineral Resources Madang Limited	2.50%	60,081,516	Not derived*	Reported by Operator
Mineral Resources Ramu Limited	3.94%	94,688,469	Not derived*	Reported by Operator
<b>Total</b>		<b>2,403,260,624</b>		<b>97,264,935</b>

^ Share amounts are recalculated based on percentage share

\* Per MCC Ramu Nico, operator of Ramu Nickel Project, the project is an unincorporated Joint Venture, which is contract-based, and the Joint Venturers' intention is not to derive income jointly as a result of the operation, but rather have right to take, deal with its individual share of product separately. Each party benefit from its share of Product other than Net Income. Not all items of Operating Costs are split between Joint Venturers according to their percentage share, especially the Depreciation of Fixed Assets. In addition, each party manage their own financing, hence, it is not possible to use Income Statement of MCC Ramu Nico to recalculate for the whole Project and other minor shareholders.<sup>175</sup>

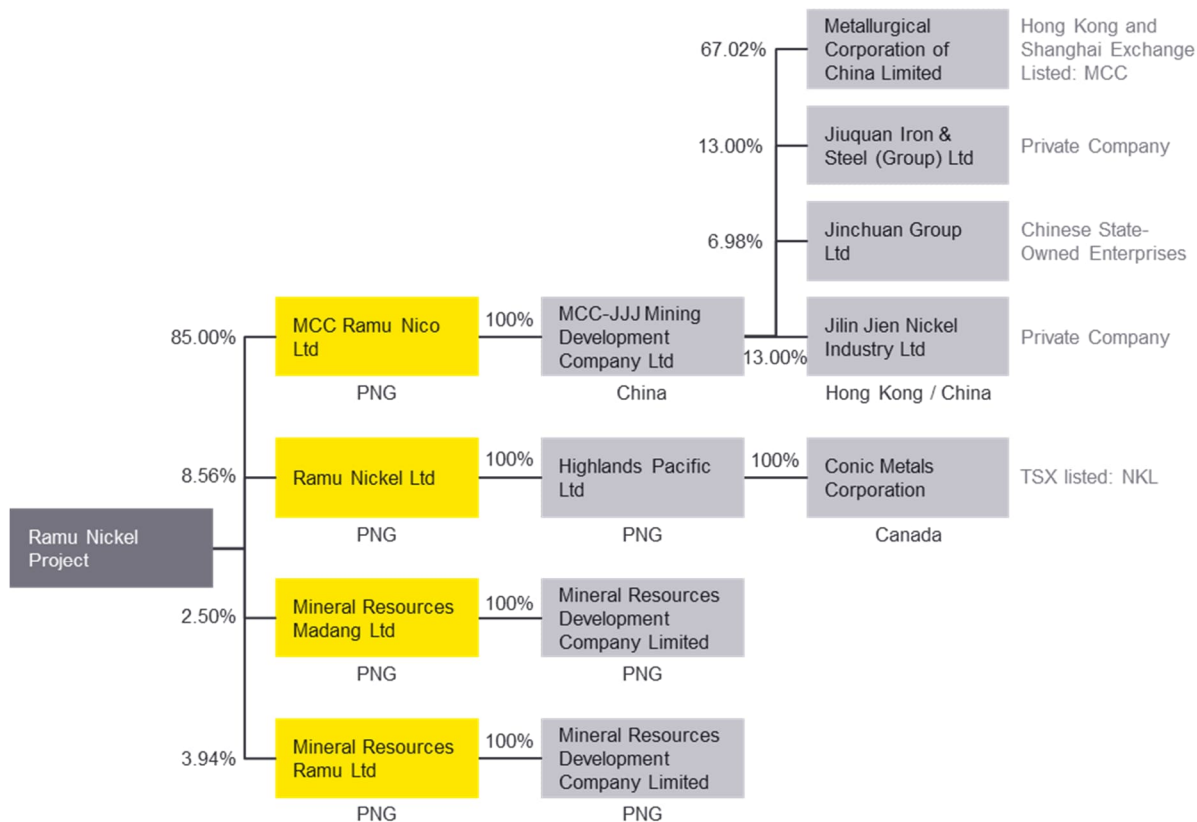
The main payments to Government agencies are SWT.

<sup>174</sup> Nickel 28 Capital Corporation, Annual Report, <https://www.nickel28.com/resources/financials/Nickel-28-FS-January-31-2022-vSEDAR.pdf?v=0.470>, 31 January 2023

<sup>175</sup> Response by MCC Ramu in 2019 PNG EITI Report



Figure 30: Ramu Nickel Project ownership structure



The Ramu Nickel<sup>176</sup> project includes the Kurumbukari Mine, Basamuk Refinery and Slurry Pipeline. The open pit mine is located on the Kurumbukari plateau. The slurry pipeline is 135km long, running from the mine to the refinery for processing. Most of the pipeline has been buried and has road access for ease of checking and maintenance. The Basamuk Refinery on the coast of Basamuk Bay conducts slurry treatment, high-pressure acid leaching, and various other refining methods.

<sup>176</sup> Ramu Nickel Cobalt, <http://www.highlandspacific.com/current-projects/ramu-nickel>, accessed 25 August 2022; MCC Ramu Nico Ltd, Annual Report, <https://www.ipa.gov.pg/pngcompanies/viewinstance/view.html?id=8e37697076d866e358912e7e4c2966661b332ae098065684#scrollTop> 2019 Annual Report available in Annual Return lodged in 16 October 2020; Metallurgical Corporation of China Limited, Annual Report, <https://webb-site.com/dbpub/docs.asp?p=51452>; Ramu Joint Venture Structure, page 25, <https://www.conicmetals.com/resources/presentations/corporate-presentation.pdf>

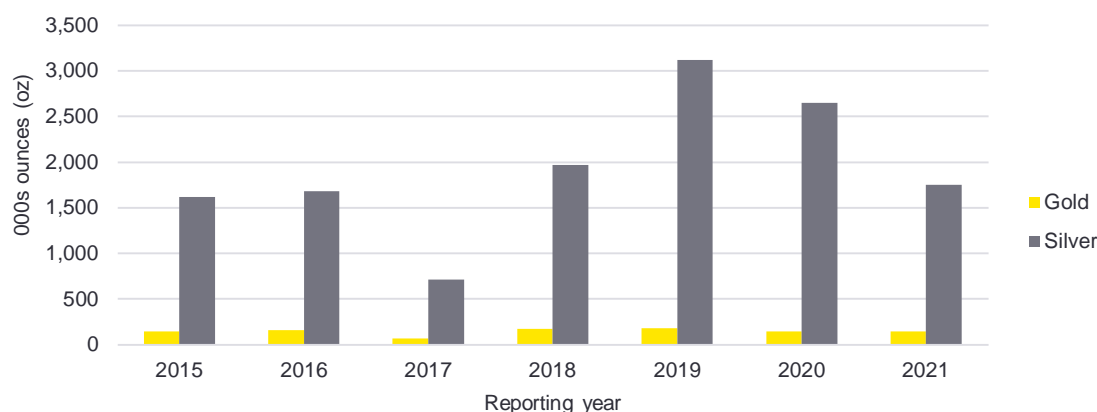
## 7.2.6 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

Table 72: Compliance summary Hidden Valley

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Morobe Consolidated Goldfields Limited	Yes	IPA under upgrade	●	●	●	◆

Figure 31: Hidden Valley production data, as reported by MRA

Minerals	Gold and silver
Province	Morobe
Mine opened	2009 (commenced production)
Mine life (years)	5 <sup>177</sup> (as of 1 January 2022)
Tenement	ML151
2021 export value	PGK1,052,353,899



\* Low volume in 2017 is due to expansion project which resulted in less production.

The Hidden Valley mine is an open pit gold and silver mine, situated in the Morobe province in Papua New Guinea, some 210km northwest of Port Moresby and approximately 90km south-southwest from Lae, the capital of the province. The mine is located at elevations between 2,800m and 1,700m above sea level within steep mountainous and forested terrain that experiences approximately 3m of rainfall per year. The major gold and silver deposits of Hidden Valley are in the Morobe Granodiorite of the Wau Graben. Crushed ore is conveyed from the Hidden Valley pit via a 3.8km long overland pipe conveyor and is treated at the Hidden Valley processing plant, which uses a two-stage crushing circuit followed by a SAG mill, gravity, CCD/Merril Crowe circuit for silver and carbon-in-leach circuit for the gold.<sup>178</sup>

<sup>177</sup> Mine Life, <https://miningdataonline.com/property/186/Hidden-Valley-Mine.aspx>, 31 January 2023

<sup>178</sup> Hidden Valley Mine, Business PNG <https://www.harmony.co.za/business/png/hidden-valley>, accessed 6 September 2022

Hidden Valley has a single amalgamated environment permit EP-L3 (578) issued to Morobe Consolidated Goldfields Limited on 2<sup>nd</sup> of March 2005 and will expire on 29<sup>th</sup> of March 2030.<sup>179</sup>

Table 73: Financial highlights Hidden Valley (30 June 2021)

Segment accounts	Rand (million)*	PGK*
Revenue	4,028	986.7
Production cost	1,719	421.1
Production profit	2,309	565.6
Mining assets	3,128	766.2
Capital expenditure	1,260	308.6

\* Extracted from Harmony Gold Mining Annual Financial Report<sup>180</sup> (30 June 2021) Segment Reporting, page 116

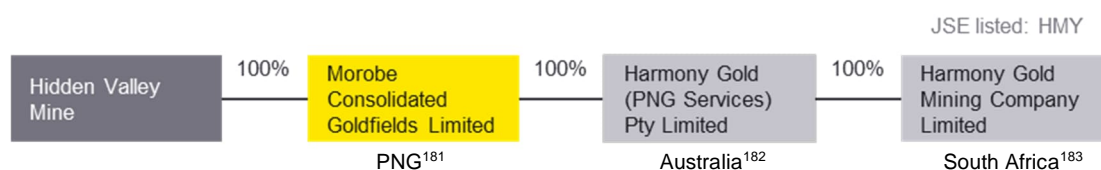
+ Converted using BPNG Mid-Range (30 June 2021) Rand (South Africa) exchange rate (1PGK: ZAR4.0825) – this is for presentation only. Actual results may differ due to use of exchange rate translation.

Table 74: Project revenue and consolidated payments on Hidden Valley Project

Project	Revenue	Production Profit	Consolidated receipts reported by government agencies
Hidden Valley	986,700,000	565,600,000	61,038,631
<b>Total</b>	<b>986,700,000</b>	<b>565,600,000</b>	<b>61,038,631</b>

The main payments to Government agencies are SWT and royalties. The project did not pay corporate income taxes in 2021.

Figure 32: Hidden Valley mine ownership structure



## 7.2.7 Niuminco Edie Creek Ltd (Edie Creek mine)

Table 75: Compliance summary Niuminco Edie Creek

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Niuminco Edit Creek Limited	IPA under upgrade	IPA under upgrade	Not required	Not required	Not required	Not required
Niuminco EC Limited	IPA under upgrade	IPA under upgrade	Not required	Not required	Not required	Not required

<sup>179</sup> Details provided by Morobe Consolidated Goldfields Limited, 9 December 2020

<sup>180</sup> Harmony Gold Mining Company Limited, page 116 Notes to Financial Statements <https://www.har.co.za/21/download/HAR-FR21.pdf>, accessed by 31 January 2022

<sup>181</sup> Morobe Consolidated Goldfields Limited, Annual Return

<sup>182</sup> Ibid

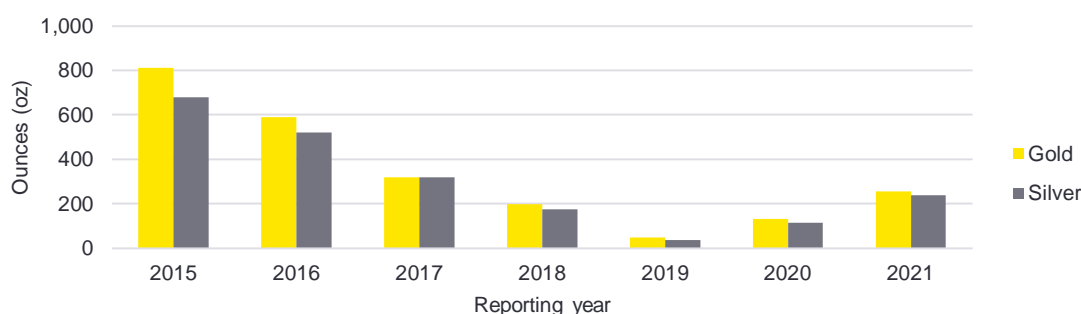
<sup>183</sup> Ibid, Harmony Gold Mining Company Limited Annual Report, Nature of the Business page 17

Figure 33: Edie Creek production data, as reported by MRA

Minerals	Gold and silver <sup>184</sup>
Province	Morobe
Mine opened	2014*
Tenement	ML144, 380, 384-392, 402-410, 444-446, 462
2021 export value	PGK1,562,441



\*Mining at Edie Creek has taken place since the late 1930s, but the current operation re-opened in 2014

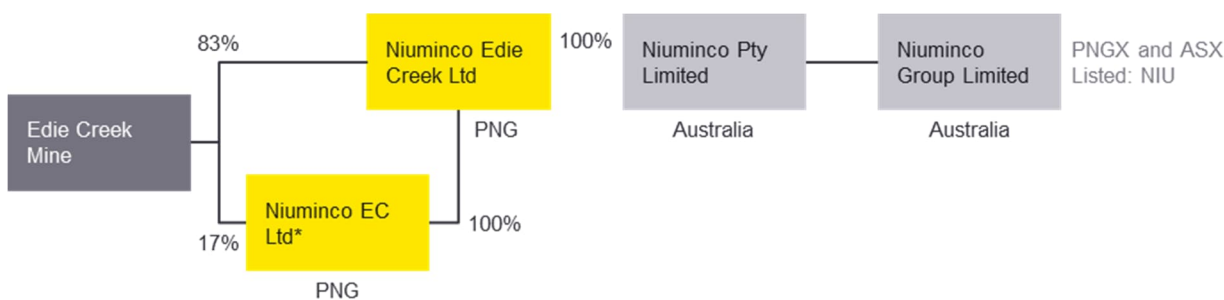


The Edie Creek mine lies within the Bulolo gold mining province in the New Guinea highlands. The project shares a common boundary with the Harmony Gold Mining Co. Ltd mine at Hidden Valley, which is currently producing over 200,000 ounces of gold and 2,000,000 ounces of silver per year.<sup>185</sup>

The Edie Creek mining leases have all been renewed until 2021 and 2022. Gold/silver pilot mining and production recommenced in February 2014.<sup>186</sup>

IPA is still under upgrade and annual report submitted by Niuminco Edie Creek Limited, if any, cannot be accessed as at reporting date.

Figure 34: Edie Creek mine ownership



\* The Group has executed an agreement to purchase the remaining 17% interest in the Edie Creek mining leases held by their former JV partner, Mincor PNG Limited, for a purchase price of \$150,000. This is included as a current payable within trade creditors on 30 June 2020 (page 32, Notes to 30 June 2020 Financial Statements).<sup>187</sup>

<sup>184</sup> Edie Creek Mine, <https://www.niuminco.com.au/>, accessed 25 August 2022

<sup>185</sup> Ibid

<sup>186</sup> Ibid

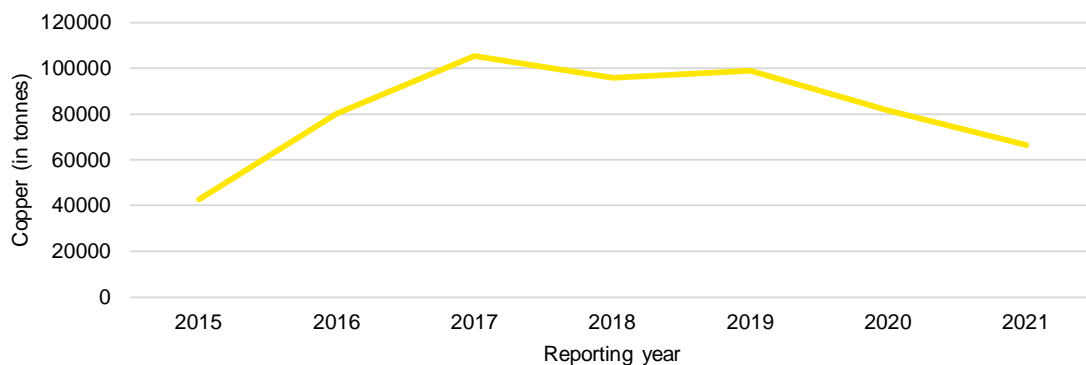
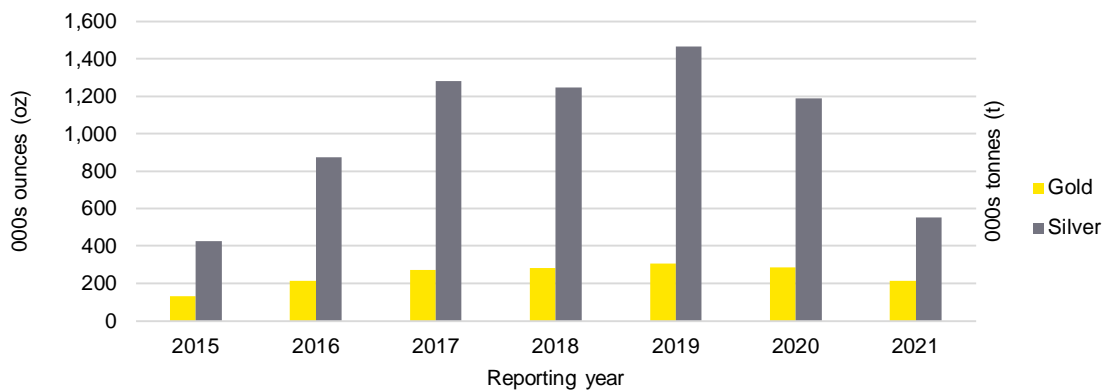
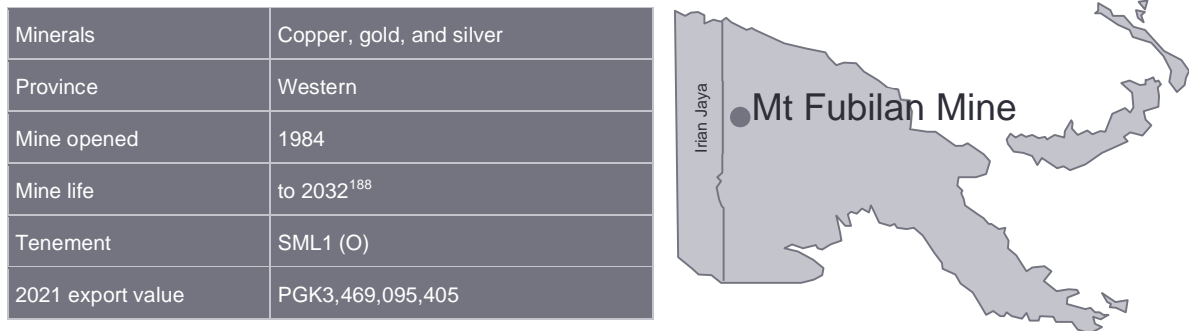
<sup>187</sup> 2020 Annual Report, <https://www.niuminco.com.au/Niuminco%202020%20Annual%20Report.pdf>, 31 January 2023

## 7.2.8 Ok Tedi Mining Limited (Mt Fubilan mine)

Table 76: Compliance summary Mt. Fubilan

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Ok Tedi Mine Limited	Yes	IPA under upgrade	●	●	●	◆

Figure 35: Mt Fubilan production data, as reported by MRA



OTML generated PGK3.5 billion in total sales revenue in 2021. This was 6% lower than the previous year with more than 3.3% of the fall attributable to a reduction in revaluation gains (being the pricing adjustment between the date of delivery and the date of finalization). While the fall in copper and gold

<sup>188</sup> Ok Tedi Mining Limited Annual Review 2021, p. 50 [Annual Reviews - Ok Tedi Mining Lim](#)

production reduce sales by 26% and 29% respectively, this was largely offset by strengthening copper price<sup>189</sup>

Table 77: Financial highlights Ok Tedi Mining Limited

Statement of Comprehensive Income	PGK (million)*
Revenue	3,469
Mining, processing and inventory costs	-2,092
Other gains (losses)	-299
Depreciation	-492
Finance income	12
Finance expense	-57
Income tax expense	-165
<b>Net income</b>	<b>376</b>

\* Extracted from Ok Tedi Mining Limited Annual Report<sup>190</sup>

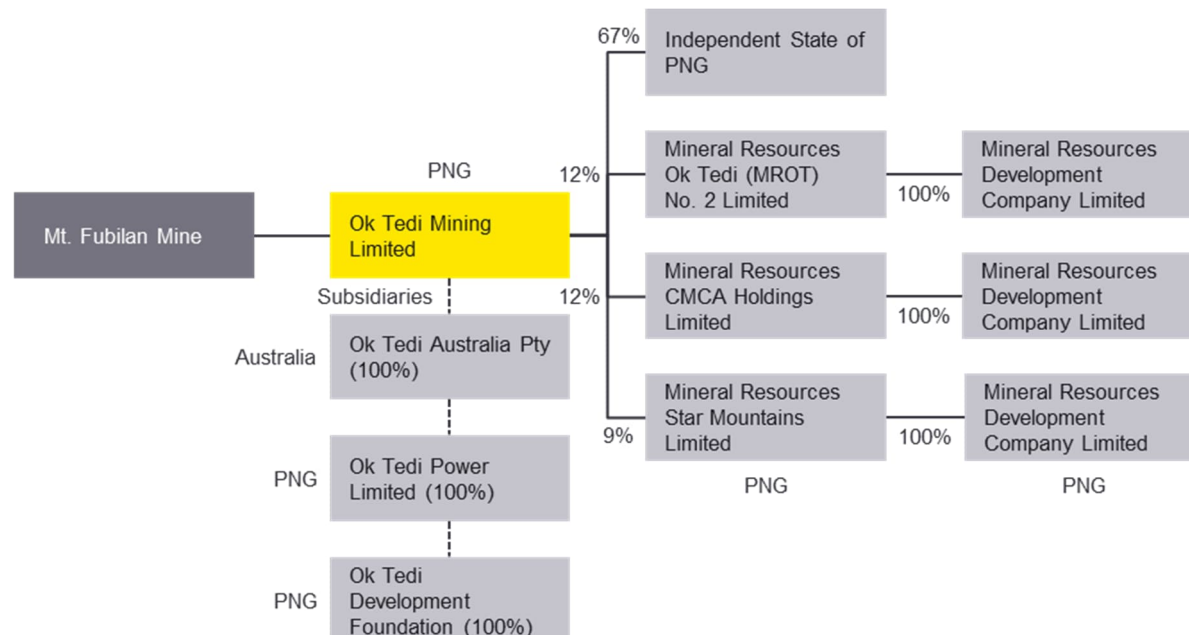
Based on its Annual Report, Ok Tedi Mining Limited had a lower profit margin ratio of 10.83% in 2021 (2020: 20.27%) and has strong balance sheet, with assets amounting to PGK5.12 billion and no bank borrowings.

Table 78: Revenue and consolidated payments on Ok Tedi Mining Limited

Project	Revenue	Net income	Consolidated receipts reported by government agencies
Mt. Fubilan	3,469,000,000	376,000,000	568,421,582
<b>Total</b>	<b>3,469,000,000</b>	<b>376,000,000</b>	<b>568,421,582</b>

The main payments to Government agencies are SWT, royalties and dividends.

Figure 36: Ownership structure of Mt Fubilan mine



<sup>189</sup> Ok Tedi Mining Limited Annual Review 2021, p. 20, <https://oktedi.com/who-we-are/annual-performance/>, accessed 31 January 2023

<sup>190</sup> Ibid

The State of PNG’s holding was reduced to 67% in 2018, 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.<sup>191</sup>

Ok Tedi Mining’s website, however, shows no change of ownership since 2018. We received no further information about this inconsistency.

As illustrated above in Figure 35, OTML had three subsidiaries during the reporting period:

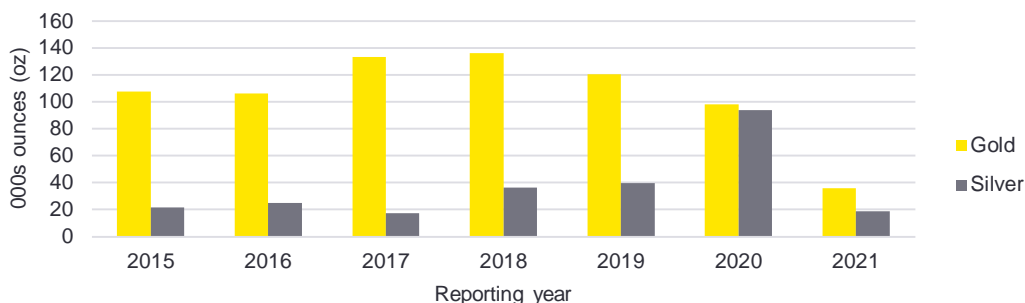
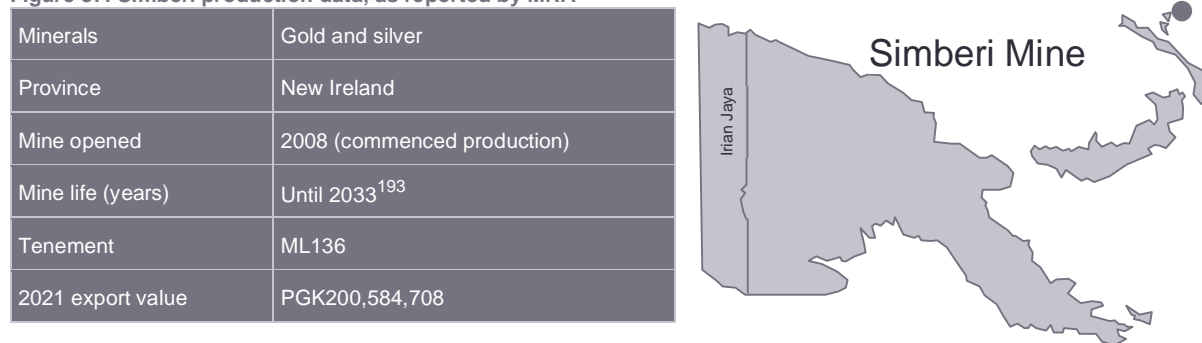
- ▶ Ok Tedi Australia Pty Limited: The marketing and Australian logistics arm of OTML, based in Brisbane (wholly owned subsidiary).
- ▶ Ok Tedi Power Limited: Manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary).
- ▶ Ok Tedi Development Foundation Limited: A non-profit entity established to manage the development benefits and delivery of projects to the 158 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (wholly owned subsidiary<sup>192</sup>).

## 7.2.9 Simberi Gold Company Ltd (Simberi mine)

Table 79: Compliance summary Simberi Mine

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Simberi Gold Company Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 37: Simberi production data, as reported by MRA



<sup>191</sup> Ok Tedi Mining Limited Annual Review 2017, p. 14 <https://oktedi.com/who-we-are/annual-performance/annual-performance-2017/>, accessed 25 August 2022; Ok Tedi Mining Limited Annual Review 2018, p. 13, <https://oktedi.com/who-we-are/annual-performance/>, accessed 25 August 2022

<sup>192</sup> Ok Tedi Mining Limited Annual Review 2021, p. 40, <https://oktedi.com/who-we-are/annual-performance/>, accessed 25 August 2022

<sup>193</sup> Simberi Mine, <https://miningdataonline.com/property/525/Simberi-Mine.aspx>, accessed 31 January 2023

Simberi is the northernmost island in the Tabar group of islands in the province of New Ireland - the easternmost province of Papua New Guinea (PNG) some 900 kilometres from the capital of PNG, Port Moresby. Current mining occurs on the eastern half of the island covered by a 2,560-hectare Mining Lease (ML136). The ore at Simberi is sourced from a number of open pits. The Sorowar Pit is currently the largest defined oxide pit. Current mining plans of the oxide cap suggest a strip ratio of 1:1. Ore from the pits is delivered to the ROM pad (Sorowar feeder) where it is crushed and conveyed down an innovative and energy-efficient 2.7 km rope conveyor that transports the ore to a stockpile in front of the process plant.<sup>194</sup>

Table 80: Financial highlights Simberi Mine (30 June 2021)

Segment accounts	AUD (thousands)*	PGK*
Revenue	204,754	540,551
Mining, processing, and inventory costs	-144,039	-380,263
Royalties	-5,025	-13,266
Depreciation	-16,470	-43,481
Profit from the operations	39,220	103,541

\* Extracted from St. Barbara Limited Annual Financial Report<sup>195</sup> (30 June 2021). Excludes corporate costs, exploration expenses, interest, and tax.

+ Converted using BPNG Average AUD exchange rate (AUD1: PGK2.64) – this is for presentation only. Actual results may differ due to use of exchange rate translation.

Despite a steady start to FY21, production was impacted by the shutdown of mining operations in May following the fatality. The following month, placement of tailings through Simberi's deep-sea tailings placement (DSTP) pipeline ceased following a routine inspection identified pipe damage.<sup>196</sup>

Annual gold production was thus impacted with 73,723 ounces produced this year, with milled grade of 1.25 g/t and an AISC of A\$2,162 per ounce. A recovery plan for Simberi is well underway, incorporating corrective actions from the investigation into the fatality, with mining since restarted and replacement of the DSTP pipeline underway.<sup>197</sup>

In April 2021, the Board signed off US\$13 million for pre-investment work on the Sulphide Project. This project will increase the life of mine significantly, allowing Simberi to continue making a real difference to social outcomes in the New Ireland Province, home to our Simberi Operations.<sup>198</sup>

Table 81: Project revenue and consolidated payments of Simberi Mine

Project	Revenue	Profit from operations	Consolidated receipts reported by government agencies
Simberi Mine	540,550,560	103,540,800	29,390,842
<b>Total</b>	<b>540,550,560</b>	<b>103,540,800</b>	<b>29,390,842</b>

Consolidated payments to Government agencies in 2021 significantly primarily comprised SWT and royalties.

<sup>194</sup> Simberi Mine, Operations <https://stbarbara.com.au/our-operations/simerbi/>, accessed 8 December 2022

<sup>195</sup> St. Barbara Limited Annual Report, <https://stbarbara.com.au/wp-content/uploads/2021/09/2021.09.17-asx-2021-annual-report.pdf>, accessed 6 September 2022

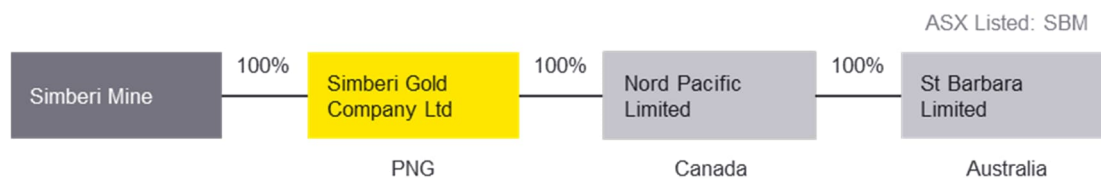
<sup>196</sup> Ibid

<sup>197</sup> Ibid

<sup>198</sup> Ibid



Figure 38: Simberi mine ownership structure



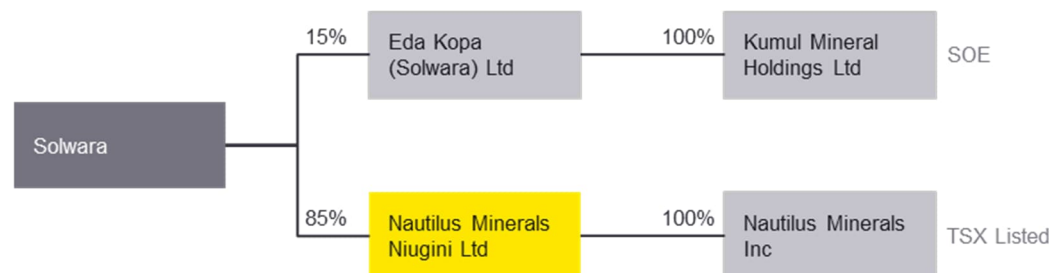
### 7.3 New mining projects

There were several major projects that had mining leases during 2021 but were still in development stage. The list of all active mining leases and special mining leases for 2021 provided by the MRA are included in Appendix B.

#### 7.3.1 Nautilus Minerals Niugini Ltd (Solwara)

A mining lease for the Solwara project (ML 154) was granted in 2011.<sup>199</sup> This deep-sea mining venture of Nautilus Minerals planned to mine copper and gold from massive seafloor deposits 1,600 meters below the surface of the Bismarck Sea at the Solwara 1 project site. The State holds 15% equity in the project. However, the venture faced a range of challenges, and Nautilus Minerals went into liquidation.<sup>200</sup> In 2019, Nautilus Mineral’s holding was acquired by Deep Sea mining Finance Ltd, a privately owned joint venture between USM Holdings Ltd and MB Holding Company LLC, owned by the Sultanate of Oman, with the intention to restart the project. However, in January 2020 the MRA stated that the PGK408.8m invested in the project by the State would probably be written off.<sup>201</sup>

Figure 39: Solwara ownership structure



#### 7.3.2 Woodlark Mining Ltd (Woodlark)

The Woodlark mining lease was granted in 2014.

In November 2018, a Definitive Feasibility Study (DFS) was completed by Lycopodium Pty Ltd demonstrating a robust 13-year project with a compelling development option, both from a technical and financial perspective. A \$40 million share placement was made to Sophisticated and Professional Investors in October 2019. On 1 December 2019, a team of Geopacific personnel mobilised on site to prepare for the arrival of contractors engaged to undertake Earth Moving Civils and Housing Construction. On 13 December 2019, key supplies and equipment mobilised to site, along with over 30 contractors, marking a key milestone critical to the success of the project. The goal for completion of the construction and commissioning of the processing plant is July 2022.<sup>202</sup>

During the 2021 reporting period, activities at the Project focused on infrastructure development and the ongoing community relocation program. They started with the resettlement exercise of resettling Kulumadai village that is in the ML area. Key long lead items such as the SAG and ball mills were ordered and engineering and design work, principally for the processing facilities was progressed.

<sup>199</sup> Nautilus Minerals Inc. Revised Annual Information Form for the Fiscal Year Ended December 31, 2010, accessed 31 October 2019

<sup>200</sup> A high-profile deep-sea mining company is struggling, <https://www.economist.com/business/2018/12/06/a-high-profile-deep-sea-mining-company-is-struggling>, accessed 6 September 2022

<sup>201</sup> Direct communication from MRA, 11 December 2019

<https://thewest.com.au/business/public-companies/geopacific-stitches-up-woodlark-gold-project-in-png-c-184925>, accessed 11 December 2020

<sup>202</sup> Woodlark Gold Project, <https://geopacific.com.au/woodlark-gold-project/>, 14 January 2021.

In November 2021, the Company announced that earthwork activities associated with the development of the Project had been delayed due to a combination of inclement weather, deteriorating ground conditions and the impact of COVID-19 limiting the availability of site access and overall worker productivity rates. In addition, a decision was taken to reassess the original wharf design and evaluate a potential upgrade of the existing wharf facility to reduce cost and construction complexity while providing greater opportunities for local community participation in the Project. Delays were also experienced in issuance of the construction tender for the offshore tailings line and the local community relocation program. Due to the impact of the delays, the Company made the decision to defer all non-essential activities at the Project.<sup>203</sup>

Figure 40: Woodlark ownership structure 2021

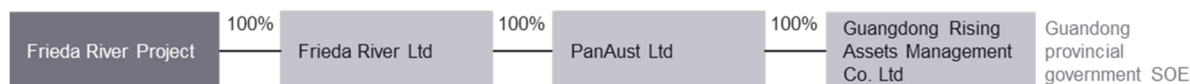


## 7.4 Advanced exploration mining projects

### 7.4.1 Advanced exploration reporting entities

The Frieda River project (PanAust and Highlands Pacific Joint Venture) and the Wafi-Golpu Joint Venture (Newcrest and Harmony) are presented below, as special mining lease applications have been lodged. The projects submitted their initial feasibility studies and application for mining licences in 2016, but no production in 2020. SML has yet been approved.<sup>204</sup>

Figure 41: Frieda River project ownership structure<sup>205</sup>



On 7 March 2019, PanAust entered into an agreement for the purchase of Highlands Pacific's 20% interest in the Frieda River Project. This agreement is subject to a few conditions' precedent including the implementation of a transaction whereby Cobalt 27 Capital Corporation acquires all of the shares in Highlands Pacific Limited which it does not currently own by way of a "Scheme of Arrangement".<sup>206</sup>

Throughout 2019, Frieda River site operations team delivered a number of safety improvement projects and provided life-saving medical support and improvements to educational facilities in local communities.<sup>207</sup>

In early 2022, the Independent Peer Review Process for the large dam design was completed. In August 2022 after the COVID-19 induced hiatus ceased, CEPA recommenced regulatory stakeholder activities to complete the assessment for the permit application. It is anticipated that these activities will continue throughout 2022.<sup>208</sup>

<sup>203</sup> Woodlark Annual Report, <https://wcsecure.weblink.com.au/pdf/GPR/02505977.pdf>, 26 December 2022.

<sup>204</sup> 2019 PNG Budget, [http://www.treasury.gov.pg/html/national\\_budget/files/2019/Volume%201.pdf](http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf), accessed 11 December 2020

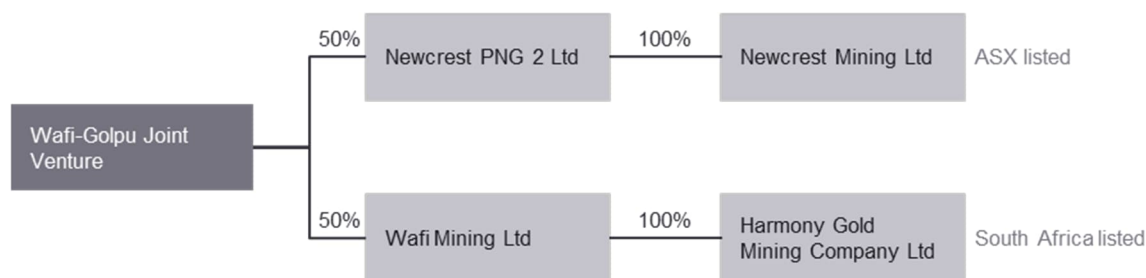
<sup>205</sup> Frieda River Copper-Gold <http://www.highlandspacific.com/current-projects/frieda-copper>, accessed 11 December 2020 (redirected to conic metals)

<sup>206</sup> Frieda River Project - March Quarter 2019 Activities Report, [https://panaust.com.au/sites/default/files/PanAust%20March%20Quarter%202019%20Activities%20Report\\_FINAL.pdf](https://panaust.com.au/sites/default/files/PanAust%20March%20Quarter%202019%20Activities%20Report_FINAL.pdf), 14 January 2021

<sup>207</sup> Pan Aus, Activities Pre-development and Exploration projects page 4, [https://panaust.com.au/sites/default/files/PanAust%20December%20Quarter%202019%20Activities%20Report\\_0\\_0.pdf](https://panaust.com.au/sites/default/files/PanAust%20December%20Quarter%202019%20Activities%20Report_0_0.pdf), 14 January 2021

<sup>208</sup> Frieda River Project, The story so far <https://www.friedariver.com/about-us/>, 29 December 2022

Figure 42: Wafi-Golpu Joint Venture ownership structure



Wafi-Golpu Joint Venture reported the following payments and social expenditures.

Table 82: Payments reported by Wafi-Golpu Joint Venture

Revenue Stream	Paid to	Amount (PGK)
Group tax	IRC	2,303,091
Environment permit fees	CEPA	6,684
Business income withholding tax	IRC	43,325
<b>Total</b>		<b>2,353,100</b>

## Social Expenditures

### Mandatory

Table 83: Mandatory expenditure reported by Wafi-Golpu Joint Venture

Recipient	Category	Type	Amount (PGK)
Landowner groups	Statutory compensation	Cash	960,220
<b>Total</b>			<b>960,220</b>

### Discretionary

Table 84: Discretionary social expenditure reported Wafi-Golpu Joint Venture

Recipient	Category	Type	Amount (PGK)
Local community	Education	Cash	165,320
Local community	Capacity building	Cash	133,272
Local community	Health	Cash	109,453
Local community	Agriculture and fisheries	Cash	208,372
<b>Total</b>			<b>616,417</b>

The Wafi-Golpu Joint Venture entered into a Memorandum of Understanding (MOU) with the Government of Papua New Guinea in December 2018, targeting a special mining lease grant by June 2019. Since the signing of the MOU in December 2018, a legal matter between the provincial and national government interrupted the permitting process. Ultimately the Government withdrew from the MOU and the legal matter was dismissed. At this stage, the permitting timelines and roadmap are still to be redefined.<sup>209</sup>

The Wafi-Golpu Project held environment permit EP-L2(426), and various other water extraction and waste discharge permits during the 2019 period for the purposes of its activities. In December 2020 these were amalgamated into a single environment permit EP-L3(767) which also permits the activities described in the Wafi-Golpu Project Environmental Impact Statement (June 2018).

<sup>209</sup> Wafi-Golpu Project, <https://www.harmony.co.za/business/png/wafi-golpu>, accessed 07<sup>th</sup> September 2021.

## 7.4.2 Advanced exploration non-reporting entities

The following advanced exploration projects have not been identified as material based on quantitative or qualitative considerations under the current definition for reporting entities.

Table 85: Non-material advance exploration projects

Project	Tenement	Detail
Kili Teke	EL 2310	gold and copper (Harmony Gold (PNG) Exploration Ltd)
Ihu	EL 2305	gold and iron sand (Mayur Iron PNG Ltd)
Kokoda	EL 1390	nickel and copper (Oro Nickel Ltd)
Misima Island	EL 1747	gold and silver (Gallipoli Exploration (PNG) Ltd owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%))
Kare	EL 1784, EL 1786	Tribune Mt Kare is up for renewal. Gold and silver (Waterford Ltd)
Nakru Copper Quest	EL 1043	copper (Coppermoly Ltd and wholly owned subsidiary Copper Quest (PNG) Ltd)
Star Mountains (Nong River)	EL 2517	gold and copper (Highlands Pacific Resources Ltd)
Wowo Gap (Safia Embessa & Obea)	EL 1165	nickel (Niugini Nickel Pty Ltd, a wholly owned subsidiary of Resource Mining Corporation Ltd)

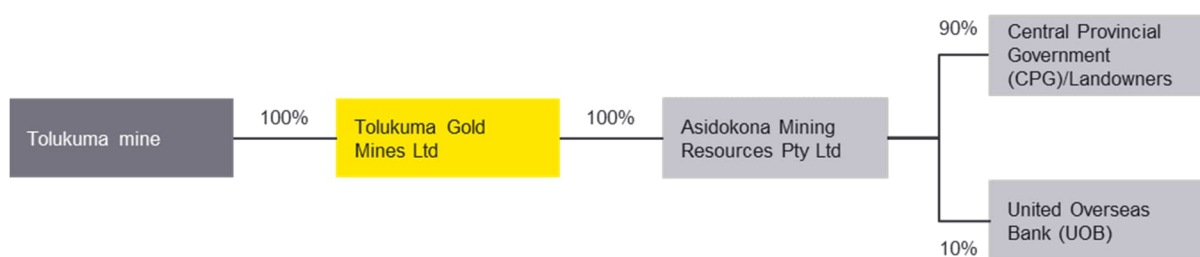
## 7.5 Mines not operating in 2021

### 7.5.1 Tolukuma

The Tolukuma gold mine was sold by Petromin (now KMH) to Asidokona Mining Resources Pty Ltd in 2015; however, the purchase price was never transferred to KMH.<sup>210</sup>

Tolukuma has not been in operation since the sale. In February 2018 the operating company, Tolukuma Gold Mines Ltd, was placed into liquidation, having been taken to court by its creditors.<sup>211</sup> The mine was put on sale by the liquidator, with tenders going out in July 2019.<sup>212</sup> At the time of writing, new ownership was yet to be confirmed. Per MRA, Lole Mining was issued a ML over Tolukuma in April 2022.

Figure 43: Tolukuma ownership structure (as of 2017 - current information could not be obtained)



<sup>210</sup> PNG EITI Report for 2017, <http://www.pngeiti.org/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf> p. 102, accessed 7 September 2022

<sup>211</sup> Tolukuma lies with financiers', Post Courier, 25 February 2018, <https://postcourier.com.pg/tolukuma-lies-financiers/>, accessed 11 December 2020.

<sup>212</sup> Tolukuma assets put on sale', The National, 10 July 2019, <https://www.thenational.com.pg/tolukuma-assets-put-on-sale/>, accessed 11 December 2020.

## 7.5.2 Mt Crater

Figure 44: Mt Crater production data, as reported by MRA

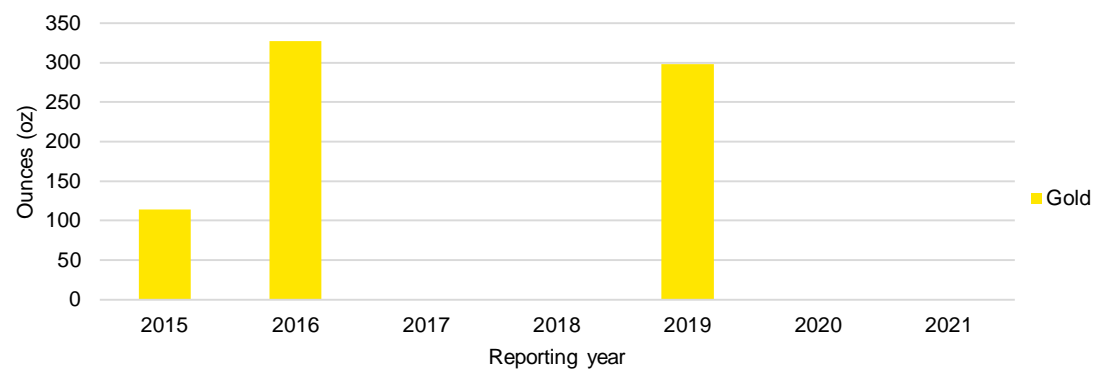
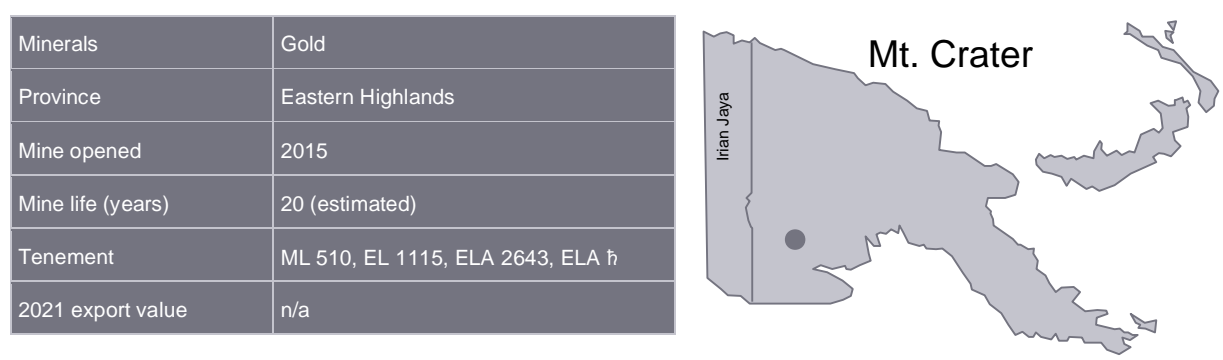


Figure 45: Mt Crater mine ownership structure



Mining of this potential multi-million-ounce gold deposit commenced operations in 2015.<sup>213</sup> Production was halted in 2017 while an internal review was conducted to assess whether the mine could generate the cash flow expected by the board of Crater Gold Mining Ltd.

In June 2020 annual report, the Company produced approximately 110oz of gold from mining operations at the High-Grade Zone (“HGZ”) at Crater Mountain. Mining continued three levels, 1960RL, 1950RL and 1930RL.<sup>214</sup> The Company remains focused on the renewal process of EL1115 and ML510 and is working closely with the Mineral Resources Authority (MRA) to secure a new ten (10) year mining licence, in addition to working in parallel for the renewal and grant of exploration licenses at the Company’s Crater Mountain Gold Project.<sup>215</sup>

<sup>213</sup> Crater Mountain, <http://www.cratergold.com.au/irm/content/crater-mountain.aspx?RID=211>, accessed 07<sup>th</sup> September 2022.  
<sup>214</sup> Crater Gold Mining, Annual Report, page 3 High Grade Zone (HGZ) project at Crater Mountain <http://www.cratergold.com.au/irm/file/5/view/CGNAnnualReport2020finalsignedandcompiled.pdf>  
<sup>215</sup> Crater Gold Mining, Annual Report 2022 page 3, <http://www.cratergold.com.au/irm/file/9/view/2446026.pdf>, 31 January 2023

## 7.6 Mining production data

Mining companies provide production data to the MRA monthly as a requirement of their reporting obligations under the MA. 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. Table below shows production and export quantities and values reported by companies and the MRA for 2021.<sup>216</sup>

Table 86: Production and export quantities and values reported by companies and the MRA for 2021

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure	MRA reported figure	Variance	Variance (%)
Porgera	Gold	Mine under care and maintenance					
	Silver						
Kainantu	Gold	Quantity produced	oz	95,051	95,052	-1	0%
		Produced value	PGK	587,907,245	587,933,228	-25,983	0%
		Quantity exported	oz	94,132	90,987	3,145	3%
		Exported value	PGK	582,223,067	562,789,637	19,433,430	3%
	Silver	Quantity produced	oz	70,790	70,790	0	0%
		Produced value	PGK	5,944,176	5,933,678	10,498	0%
		Quantity exported	oz	63,660	60,563	3,097	5%
		Exported value	PGK	5,345,476	5,076,442	269,034	5%
	Copper	Quantity produced	tonnes	1532	1,534	-2	0%
		Produced value	PGK	48,940,632	48,936,917	3,716	0%
		Quantity exported	tonnes	1396	1,325.00	71	5%
		Exported value	PGK	44,596,033	42,269,501	2,326,532	6%
Lihir (Luise Caldera)	Gold	Quantity produced	oz	664,597	664,597	0	0%
		Produced value	PGK	4,195,542,219	4,195,544,400	-2,180	0%
		Quantity exported	oz	689,466	689,466	0	0%
		Exported value	PGK	4,352,540,285	4,352,540,284	1	0%
	Silver	Quantity produced	oz	25,220	25,220.00	0	0%
		Produced value	PGK	2,129,361	2,129,361	0	0%
		Quantity exported	oz	25,220	25,220.00	0	0%
		Exported value	PGK	2,129,361	2,129,361.00	0	0%
Kurumbukari mine/ Ramu Nickel	Nickel	Quantity produced	tonnes	31,594	31,594	1	0%
		Produced value	PGK	1,848,554,462	1,863,273,765	-14,719,303	-1%
		Quantity exported	tonnes	32,790	31,930	861	3%
		Exported value	PGK	1,918,517,909	1,883,084,452	35,433,457	2%
	Cobalt	Quantity produced	tonnes	2,955	2,953	2	0%
		Produced value	PGK	441,341,416	451,501,855	-10,160,438	-2%
		Quantity exported	tonnes	3,033	2,963	70	2%
		Exported value	PGK	452,984,896	452,984,896	0	0%
	Chromite	Quantity produced	tonnes	119,625	119,625	0	0%
		Produced value	PGK	69,908,168	50,229,016	19,679,151	39%
		Quantity exported	tonnes	106,582	106,582	0	0%
		Exported value	PGK	62,286,048	44,752,519	17,533,529	39%
Gold	Quantity produced	oz	142,952	142,895	57	0%	

<sup>216</sup> MRA reported export values and produced values as FOB values

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure	MRA reported figure	Variance	Variance (%)
Hidden Valley mine/ Hidden Valley		Produced value	PGK	881,937,951	880,839,630	1,098,321	0%
		Quantity exported	oz	145,107	145,106	1	0%
		Exported value	PGK	895,746,379	894,468,773	1,277,606	0%
	Silver	Quantity produced	oz	2,648,005	2,647,578	427	0%
		Produced value	PGK	185,749,809	185,562,922	186,888	0%
		Quantity exported	oz	2,724,345	2,724,345	0	0%
	Exported value	PGK	193,256,084	190,943,352	2,312,732	1%	
Edie Creek mine/ Edie Creek	Gold	Quantity produced	oz	0	254	-254	-100%
		Produced value	PGK	0	1,543,605	-1,543,605	-100%
		Quantity exported	oz	0	254.18	-254	-100%
		Exported value	PGK	0	1,543,605	-1,543,605	-100%
	Silver	Quantity produced	oz	0	239.06	-239	-100%
		Produced value	PGK	0	18,836	-18,836	-100%
		Quantity exported	oz	0	239.06	-239	-100%
	Exported value	PGK	0	18,836	-18,836	-100%	
Mt Fubilan mine/ Ok Tedi	Gold	Quantity produced	oz	211,656	213,712	-2,056	-1%
		Produced value	PGK	1,306,902,145	1,395,673,473	-88,771,328	-6%
		Quantity exported	oz	208,334	196,978	11,356	6%
		Exported value	PGK	1,286,389,951	1,286,389,951	0	0%
	Silver	Quantity produced	oz	539,074	550,359	-11,285	-2%
		Produced value	PGK	41,103,618	44,155,773	-3,052,156	-7%
		Quantity exported	oz	537,056	510,399	26,657	5%
		Exported value	PGK	40,949,748	40,949,748	0	0%
	Copper	Quantity produced	tonnes	65,426	65,426	0	0%
		Produced value	PGK	2,188,314,159	2,188,314,159	0	0%
Quantity exported		tonnes	64,034	64,034	0	0%	
Exported value		PGK	2,141,755,707	2,141,755,707	0	0%	
Simberi mine/ Simberi	Gold	Quantity produced	oz	29,805	35,749	-5,944	-17%
		Produced value	PGK	185,911,314	218,500,409	-32,589,095	-15%
		Quantity exported	oz	32,685	32,550	135	0%
		Exported value	PGK	203,874,021	198,947,895	4,926,126	2%
	Silver	Quantity produced	oz	0	18,365	-18,365	-100%
		Produced value	PGK	0	1,636,813	-1,636,813	-100%
		Quantity exported	oz	0	18,365	-18,365	-100%
		Exported value	PGK	0	1,636,813	-1,636,813	-100%

\*If the produced value was not provided by the MRA or company it was calculated at:

Value of commodity = (Export Value / Export quantity)

Produced value = Value of commodity \* quantity produced

^ The quantity produced was not provided by the MRA, therefore it was calculated at:

Value of commodity = (Export Value / Export quantity)

Quantity produced = Produced value / Value of commodity

Differences are mainly due to result of calculation derived from the formula above.

Table 87: Comparison of export quantities and values reported by companies, MRA and in the 2023 Budget figures

Commodity <sup>217</sup>	Export amount reported by companies	Export amount reported by MRA	Export value reported by companies (PGK)	Export value reported by MRA (PGK)	Export value reported in Budget <sup>218</sup> (PGK)
Gold (oz)	1,169,724	1,155,341	7,320,773,703	7,296,680,145	8,967,900,000
Silver (oz)	3,350,281	3,339,131	241,680,669	240,754,552	31,100,000
Copper (tonnes)	65,430	65,359	2,186,351,740	2,184,025,208	1,141,800,000
Nickel (tonnes)	32,790	31,930	1,918,517,909	1,883,084,452	1,973,000,000
Cobalt (tonnes)	3,033	2,963	452,984,896	452,984,896	473,100,000
Chromite (tonnes)	106,582	106,582	62,286,048	44,752,519	0

There are variances between the amounts reported by all parties, but at the time of publication these are unresolved.

Table 88: Mining export quantities, values and country of destination as reported by Customs

Table below shows export information reported by Customs for the year-ended 31 December 2021.<sup>219</sup>

Exporter Name	Commodity	Quantity	Units	Value (PGK)
Lihir Gold Limited	Gold	21,757	KGM	3,902,718,487
OK Tedi Mining Ltd	Copper Ores and Concentrates	140,018,793	TNE	1,618,269,054
OK Tedi Mining Ltd	Silver Ores and Concentrates	3,977,031	KGM	40,950,948
OK Tedi Mining Ltd	Gold Ores and Concentrates	100,428,600	KGM	1,057,771,716
Simberi Gold Company Limited	Gold / Silver	1,711	KGM	216,884,170
Ramu Nico Management (MCC) Limited	CHROME ORE	797	NMB	9,326,707
K92 Mining Limited	Manganese Ores and Concentrates	504	TNE	22,324,372
K92 Mining Limited	Copper Ores and Concentrates	817,460	TNE	149,220,233
K92 Mining Limited	Silver Ores and Concentrates	3,101,422	KGM	3,711,554
K92 Mining Limited	Gold Ores and Concentrates	3,029,872	KGM	387,942,695
Morobe Consolidated Goldfields Limited	Silver	29	KGM	155,991,823
Morobe Consolidated Goldfields Limited	Gold Bars	3,512,982	GRM	874,208,094
Morobe Consolidated Goldfields Limited	Gold	1	NMB	26,711,675

<sup>217</sup> Note that the MRA values for gold and silver also include alluvial exports

<sup>218</sup> 2023 PNG Budget, Appendix 2, Table 5, [https://www.treasury.gov.pg/html/national\\_budget/files/2023/Volume1.pdf](https://www.treasury.gov.pg/html/national_budget/files/2023/Volume1.pdf), accessed 31 January 2023.

<sup>219</sup> Provided by PNG Customs



## 7.7 Regulation of the mining sector

Mining regulation in PNG is overseen by the MRA, established under the *Mineral Resources Authority (MRA) Act 2005*, and now governed by the updated *Mineral Resources Authority Act 2018*. The MRA receives 75% of its funding from production levies, and the balance from alluvial gold export levies, tenement fees and rents as prescribed.

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

## 7.8 Register of tenements<sup>220</sup>

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.<sup>221</sup> 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 86 above. The MRA have advised that they do not plan to add this information to the cadastre.

## 7.9 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 (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.<sup>222</sup> Tenements are not awarded through a bidding process, but through clear, detailed, and consistent criteria.<sup>223</sup>

The Regulatory Operations Division of the MRA is responsible for the assessment of tenement applications in accordance with the MA 1992. Relevant technical and financial criteria are provided in Part V of the Act.<sup>224</sup> In summary, these include:

- ▶ Completion of application forms, including:
  - ▶ Form 8 - Application form
  - ▶ Form 17 - Boundary description form
  - ▶ Form 20 - Exploration work program form

<sup>220</sup> Where the EITI standard refers to ‘licenses’, this section refers to ‘tenements’, which include mining leases, leases for mining purposes, mining easements and exploration licenses.; Mining Act 1992, s. 113, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 7 September 2022

<sup>221</sup> MRA, PNG Mining Cadastre Portal, <http://portal.mra.gov.pg/Map/>, accessed 7 September 2022

<sup>222</sup> Mining Tenements in Papua New Guinea, MRA, <https://mra.gov.pg/regulatory/permitting/>, accessed 7 September 2022.

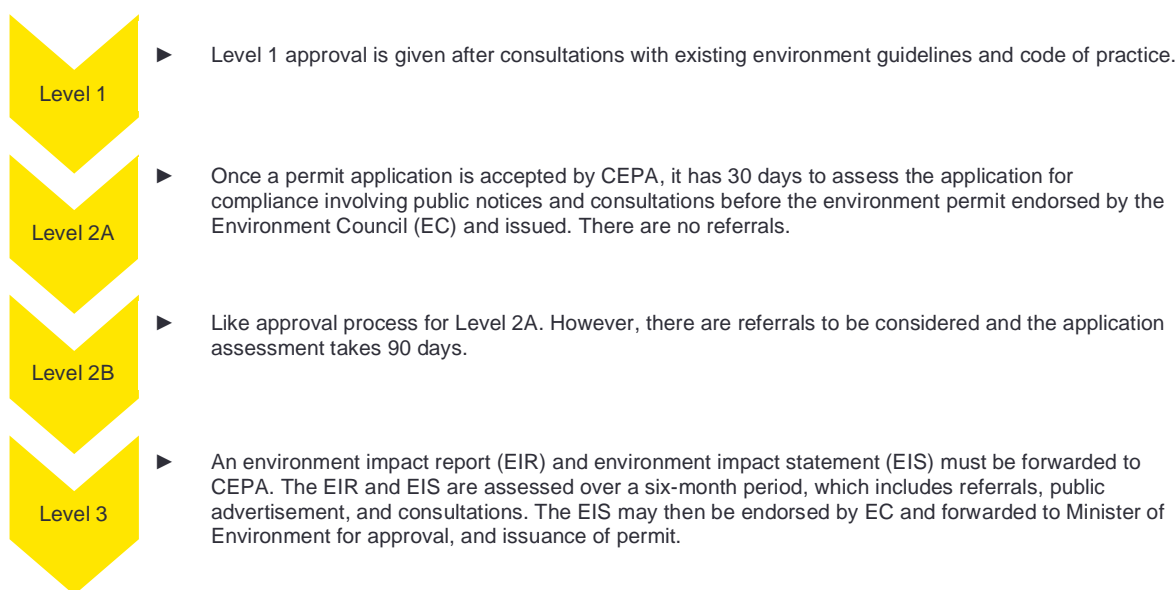
<sup>223</sup> Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 7 September 2022

<sup>224</sup> Ibid

- ▶ Evidence of registration with the Investment Promotion Authority,<sup>225</sup> 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.

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

CEPA facilitates three levels of the environmental permit approval process, as outlined below:<sup>226</sup>



For 2021 CEPA provided the following listing of environmental permits issued, amended, renewed and expired.

Table 89: Environmental permits as reported by CEPA in 2021

Status	Total Permits
Issued in 2021	22
Amended	2
Renewals	3
Expired	15
Other valid permits	100

Refer to Appendix E: CEPA Permit Listing for details.<sup>227</sup>

<sup>225</sup> Investment Promotion Authority, <https://www.ipa.gov.pg/> accessed 7 September 2022  
<sup>226</sup> CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017  
<sup>227</sup> 2021 data template provided by CEPA

Prior to a new mining lease being issued, a development forum is held with representatives from the national and regional government, landowners 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 Ramu Nickel mine and the State apparently includes significant tax concessions.<sup>228</sup> In light of hearings and objections, the Mining Advisory Board makes recommendations over tenements to the Minister (MA 1992, s. 11–14).<sup>229</sup>

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.

Leases awarded or extended during 2021 can be seen in Appendix B, and further details can be found on the Mining Cadastre Portal (see above).

MRA reported no tenement transfers during the reporting period.

## 7.10 Public Investment Program

The Public Investment Program (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.<sup>230</sup> 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, including the MRA in the case of projects relating to the mining sector.<sup>231</sup>

Data related to those PIP funds administered by MRA is presented below.<sup>232</sup> This data was provided unilaterally by MRA.

Information on other revenue streams specific to mining can be found in Chapter 10.

Table 90: PIP funds administered by MRA, 2021

Project	2021 Budget (a)	Funds disbursed (b)
Wafi-Golpu	1,000,000	1,310,036
Porgera MOA	1,000,000	243,764
Lihir MOA	1,000,000	947,735
Advanced Exploration	1,000,000	-
<b>Total</b>	<b>4,000,000</b>	<b>2,501,535</b>

<sup>228</sup> Communication from Treasury, 10 October 2016

<sup>229</sup> Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 7 September 2022

<sup>230</sup> 2014 Annual Public Investment Program Implementation Report, Department of National Planning and Monitoring, <https://documents.pub/document/2014-pip-report.html?page=1>, accessed 7 September 2022

<sup>231</sup> Q1 2015 Public Investment Program Implementation <https://www.rpxcorp.com/wp-content/uploads/sites/2/2015/06/RPX-Public-PAE-Report-Q1-2015-Final.pdf>, report, accessed 7 September 2022

<sup>232</sup> Financial Data in the MRA Reporting Template

Oil and gas



## 8. Oil and gas

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.<sup>233</sup>

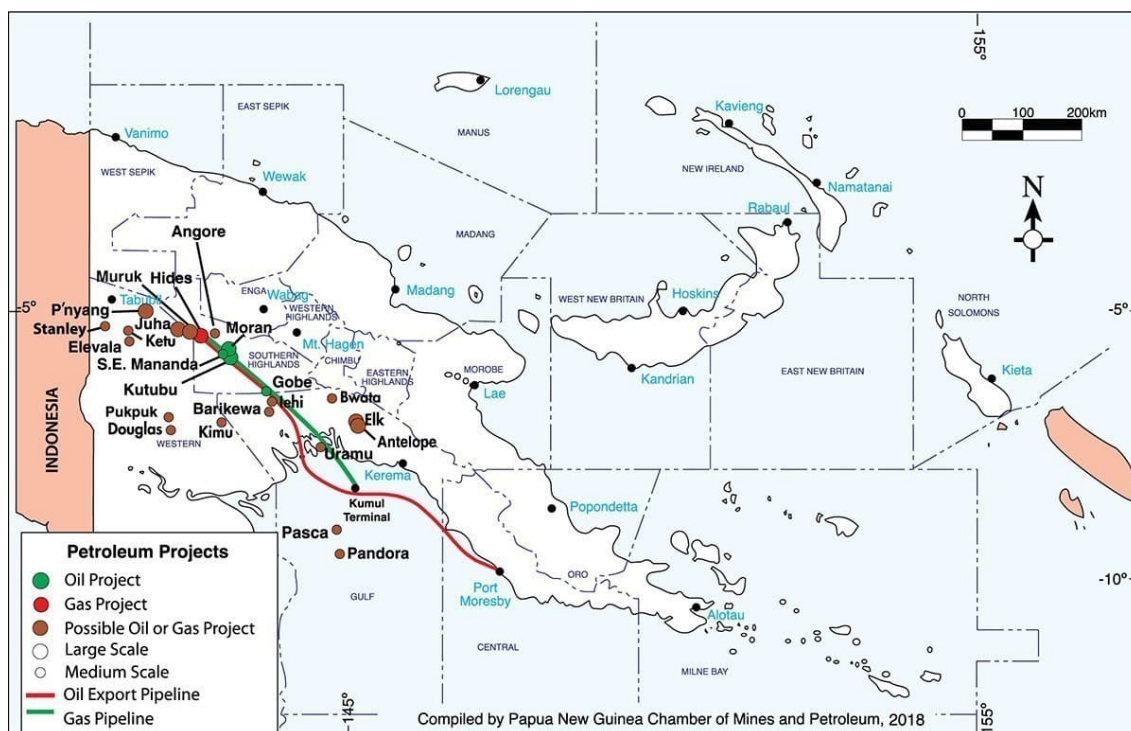
In 2021, as part of a new ExxonMobil PNG Limited 'Big Value, Small Changes' focus, multiple production optimisation measures were implemented throughout the year. This included extending the LNG Plant's advanced process controls by recommissioning the fractionation system dynamic matrix controller, changing choke valves on the Hides producing wells, and cleaning the LNG Plant air coolers.<sup>234</sup>

Through these optimisation efforts, PNG LNG achieved record monthly production levels that reached the equivalent of 9.0 million tonnes of LNG per year in August, with 1,103 million standard cubic feet of gas produced per day and 579 cubic metres of naphtha per day on average.<sup>235</sup>

By the end of 2021, 8.4 million tonnes of LNG were produced, and 110 cargoes loaded. Since the start of production in 2014, more than 60 million tonnes of LNG and 808 LNG cargoes have been loaded for customers in Asia.<sup>236</sup>

Figure 46: Oil and gas projects 2021, as compiled by the PNG Chamber of Mines and Petroleum

Current and proposed oil and gas projects are shown below.<sup>237</sup> (Map dated 2018; no significant updates noted.)



<sup>233</sup> Papua New Guinea Crude Oil Production by Year, <https://www.indexmundi.com/energy/?country=pg&product=oil&graph=production>, accessed 9 December 2022

<sup>234</sup> PNG LNG 2021 Annual Report, [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2021-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2021-Annual-ES-Report-FULL-REPORT-(ENG-WEB).pdf), accessed 13 February 2023

<sup>235</sup> Ibid

<sup>236</sup> Ibid

<sup>237</sup> <http://pngchamberminpet.com.pg/our-resource-industry/petroleum>, accessed 9 December 2022

## 8.1 Classification of Licenses

Five types of license are defined in the *Oil and Gas Act 1998*.<sup>238</sup>

License type	Abbreviation	Section of OGA
▶ Petroleum Prospecting License	PPL	s. 25
▶ Petroleum Retention License	PRL	s. 42
▶ Petroleum Development License	PDL	s. 59
▶ Petroleum Pipeline License	PLL	s. 76
▶ Petroleum Processing Facility License	PPFL	s. 90

## 8.2 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 2021, the companies involved in active production were owners of petroleum development licenses (PDLs) associated with:

- ▶ PNG LNG project (operated by ExxonMobil PNG Ltd)
- ▶ Producing oil fields (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 affiliates)
- ▶ Oil Search (PNG) Ltd and subsidiaries (under Santos Ltd)
- ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)
- ▶ Kumul Petroleum Holdings Ltd (and subsidiary)
- ▶ Mineral Resources Development Company (MRDC) (and subsidiaries)

In the 2017 report it was identified that Puma Energy operates the NapaNapa Refinery, a downstream facility located adjacent to Port Moresby that refines up to 32,500 barrels of oil per day. Puma acquired the plant in 2014.<sup>239</sup> It was determined by the MSG that this would not be included as a reporting entity as it does not come under the “extractive” industries.

PDL 10 was granted for the Stanley joint venture in 2014, with the below participants. However, it was still in the development and pre-development stage in 2021, and production had not yet started.<sup>240</sup>

- ▶ Repsol (Talisman Energy Niugini Ltd) (since sold to Arran Energy)
- ▶ Horizon Oil Papua Ltd (since sold to Arran Energy)
- ▶ Osaka Gas Niugini Pty Ltd
- ▶ Mitsubishi Corporation (Diamond Gas Niugini B.V.)

Similarly, the Papua LNG project (PRL 15), led by Total E&P PNG Limited, is progressing but not yet started development. The participants in this project are:<sup>241</sup>

- ▶ Total E&P PNG Limited (operator)
- ▶ ExxonMobil
- ▶ Santos
- ▶ State

<sup>238</sup> Papua New Guinea Sessional Legislation, *Oil and Gas Act 1998*, [http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num\\_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas%20act](http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas%20act), accessed 07<sup>th</sup> September 2022  
<sup>239</sup> Puma Energy Papua New Guinea, <https://www.apacoutlookmag.com/company-profiles/229-puma-energy-papua-new-guinea>, accessed 07<sup>th</sup> September 2022  
<sup>240</sup> Horizon Oil, Projects and operations, <https://horizonoil.com.au/operations/>, accessed 08<sup>th</sup> September 2022  
<sup>241</sup> Total and State of Papua New Guinea Sign Gas Agreement for Papua New Guinea, <https://totalenergies.com/media/news/press-releases/total-and-state-papua-new-guinea-sign-gas-agreement-papua-lng-project>, accessed 08<sup>th</sup> September 2022

A number of companies hold petroleum retention licenses, including:<sup>242</sup>

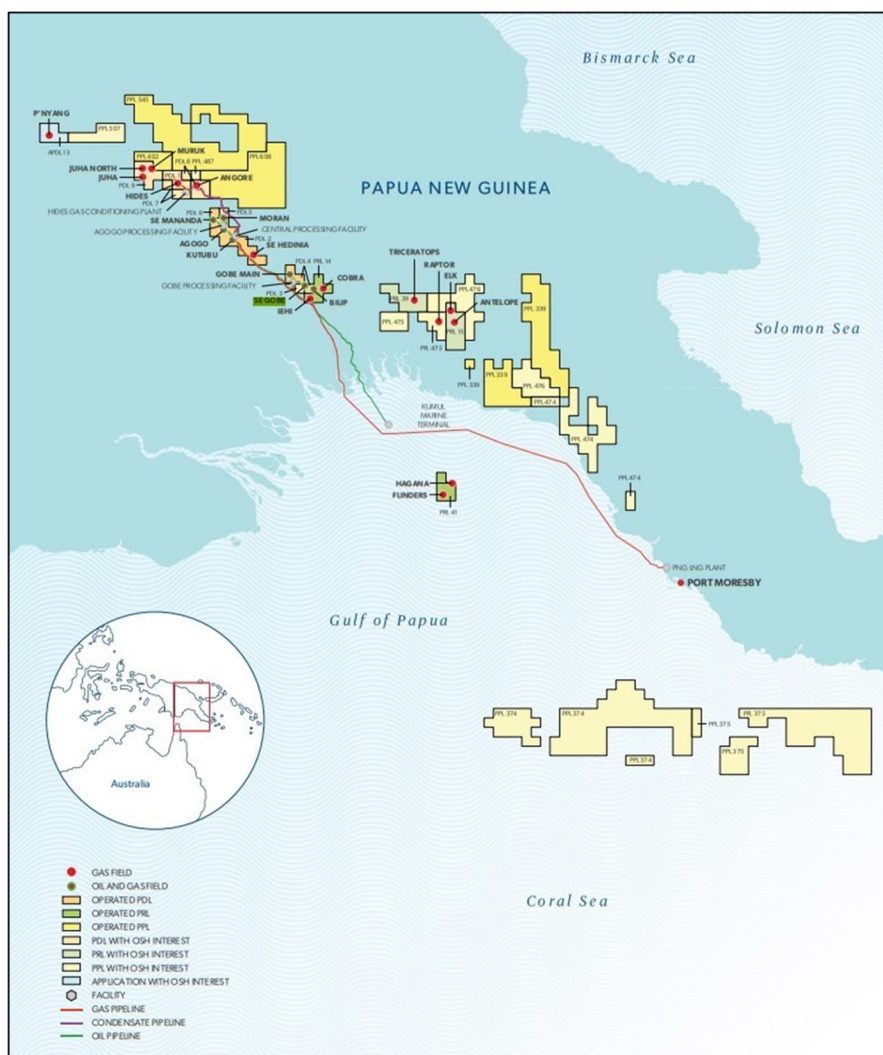
- ▶ ExxonMobil PNG Ltd
- ▶ Total E&P PNG Ltd
- ▶ Horizon Oil Papua Ltd
- ▶ InterOil SPI E & P Ltd
- ▶ Oil Search (PNG) Ltd (4)
- ▶ Repsol Oil and Gas Niugini
- ▶ Asian Oil & Gas (PNG) Ltd

There are also a large number of companies that hold a PPL conducting exploration activities during the reporting period.

### 8.3 Oil Search (PNG) Ltd projects

Oil Search operates all projects that are currently producing oil in PNG, outlined below.<sup>243</sup>

Figure 47: Oil Search licence interests, processing and distribution routes



<sup>242</sup> Sourced from data reporting template provided by DPE for this report.

<sup>243</sup> Oil Search – Operated Production, <https://www.oilsearch.com/our-business/png/operated-production>, accessed 18 July 2022

In December 2021, Santos completed a merger with Oil Search Limited (“Oil Search”) following approvals by Oil Search shareholders and the National Court of Papua New Guinea. The merger combined two industry leaders to create a company with a diversified portfolio of assets and cash flows to successfully navigate the transition to a lower carbon future. The Oil Search assets are included in the results of the consolidated group from 11 December 2021.<sup>244</sup>

The scheme allowed for each Oil Search shareholder to receive 0.6275 new Santos shares for each Oil Search share held.<sup>245</sup>

The merger with Oil Search, substantially increased Santos’ asset position in PNG. Santos’ interest in the PNG LNG project increased to 42.5%, and the merger also added interests in the proposed Papua LNG project and PRL3 (P’nyang) to the portfolio. Santos also became operator of all of PNG’s oil fields. Following the merger with Oil Search, Santos operates the Kutubu, Agogo, Moran and Gobe fields, which produce all of PNG’s oil and supply raw gas to PNG LNG.<sup>246</sup>

The following are the material joint operations in which the Santos Ltd has an interest:<sup>247</sup>

Table 91: Material joint operations of Santos Ltd

Joint operation	Area of Interest	Principal Activities	2021 % Interest	2020 % Interest
<b>Oil and gas assets – Producing assets</b>				
PNG LNG	PNG LNG	Gas and liquids production	42.5	13.5
<b>Exploration and evaluation assets</b>				
Muruk 1	PNG	Gas and liquids exploration	57.5	20
PRL-9	PNG	Gas and liquids exploration	40.0	40.0
PRL-15 (Papua LNG Project)	PNG	Gas exploration	22.8	-
PRL-3	PNG	Gas exploration	38.5	

### 8.3.1 SE Gobe

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 eight-kilometer pipeline. During 2020, Gobe Main and SE Gobe production declined 8% and 5%, respectively, as the fields approach the end of their life. The SE Gobe field contributed 1.5 bcf (net) of gas to PNG LNG during the year.<sup>248</sup>

The SE Gobe Unit comprises PDL 3 (59%) and PDL 4 (41%). During 2017, KPHL reported the acquisition of Southern Highlands Petroleum’s share in PDL 3.<sup>249</sup> One report indicated that MRDC subsidiary Petroleum Resources Gobe Ltd was to take 75% of the purchased equity. However, the IA could not confirm whether this had taken place.<sup>250</sup>

Table 92: Compliance summary of partners/owners or SE Gobe Project

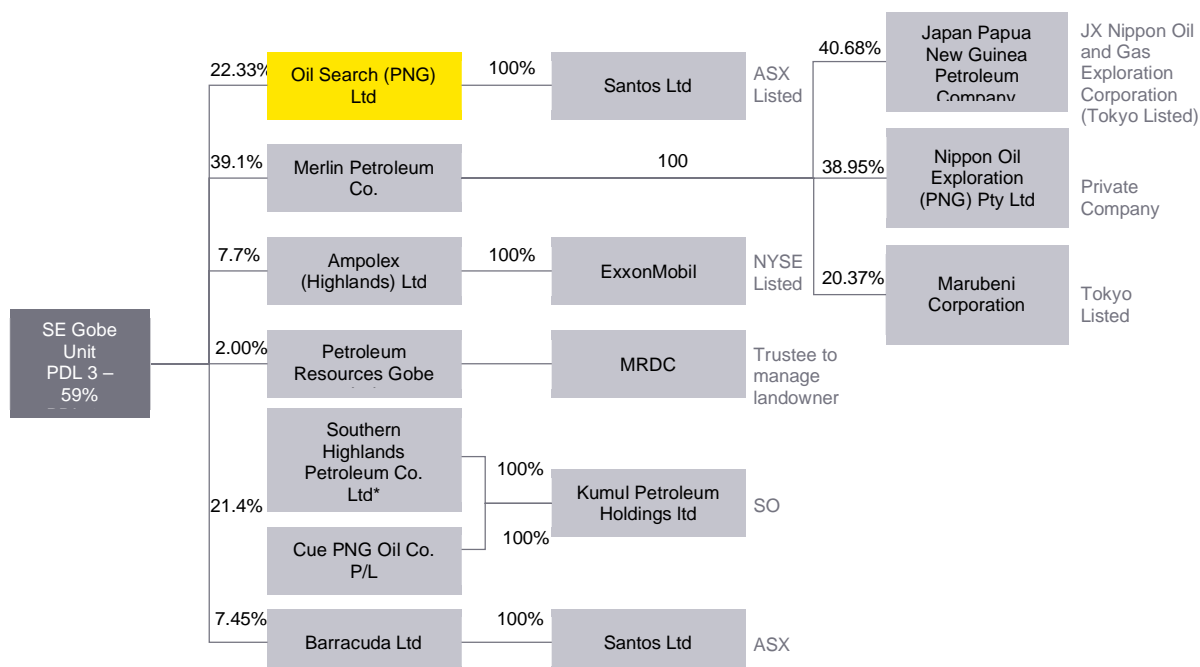
Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Santos Ltd	Yes	IPA under upgrade	●	●	●	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	●	●	◆

<sup>244</sup> Directors Report, <https://www.pngx.com.pg/wp-content/uploads/2022/02/2021-Annual-Report.pdf>, 13 February 2023  
<sup>245</sup> Santos and Oil Search Merger, <https://www.santos.com/news/santos-and-oil-search-merger-becomes-effective/>, 13 February 2023  
<sup>246</sup> Directors Report, <https://www.pngx.com.pg/wp-content/uploads/2022/02/2021-Annual-Report.pdf>, 13 February 2023  
<sup>247</sup> Santos Annual Report 2021 page 126, <https://www.santos.com/wp-content/uploads/2022/02/2021-Annual-Report.pdf>, 13 February 2023  
<sup>248</sup> Oil Search Annual Report 2020 [https://www.oilsearch.com/\\_data/assets/pdf\\_file/0008/54278/2020-AR-Final.pdf](https://www.oilsearch.com/_data/assets/pdf_file/0008/54278/2020-AR-Final.pdf)  
Oil Search Annual Report, accessed 7 September 2022  
<sup>249</sup> Oil Search - Operated Production, <https://www.oilsearch.com/our-business/png/operated-production>, accessed 7 September 2022  
<sup>250</sup> Kumul acquires 40pc interest, <https://www.oilsearch.com/our-business/png/operated-production> accessed 07<sup>th</sup> September 2022



Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Ampolex (Highlands) Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Gobe Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Southern Highlands Petroleum Co. Ltd	IPA under upgrade	IPA under upgrade	Provided by KPHL	Provided by KPHL	Provided by KPHL	◆
Cue PNG Oil Company P/L	IPA under upgrade	IPA under upgrade	Provided by KPHL	Provided by KPHL	Provided by KPHL	◆
Barracuda Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 48: SE Gobe Unit interests after sale of Southern Highlands Petroleum<sup>251</sup>



### 8.3.2 Kutubu

The Kutubu development comprises a network of wells that produce oil from the lagifu-Hedinia, Usano and Agogo fields, a gathering system, on-site processing facilities (the Agogo and Central Processing Facilities), supporting infrastructure, a 270-kilometre crude oil export pipeline to the coast and a marine loading terminal in the Gulf of Papua. The pipeline operates under Pipeline License 2 (PL 2), while the oil field operates under Petroleum Development License 2 (PDL 2). Both licenses were issued in December 1990 for a term of 25 years and were extended in December 2009 until December 2035.<sup>252</sup>

<sup>251</sup> Operated Oil and Gas Field Partners - OSL Annual Report [https://www.oilsearch.com/\\_data/assets/pdf\\_file/0008/46961/OS-AR19-WISDOM\\_FA5C.pdf](https://www.oilsearch.com/_data/assets/pdf_file/0008/46961/OS-AR19-WISDOM_FA5C.pdf), accessed 7 July 2022

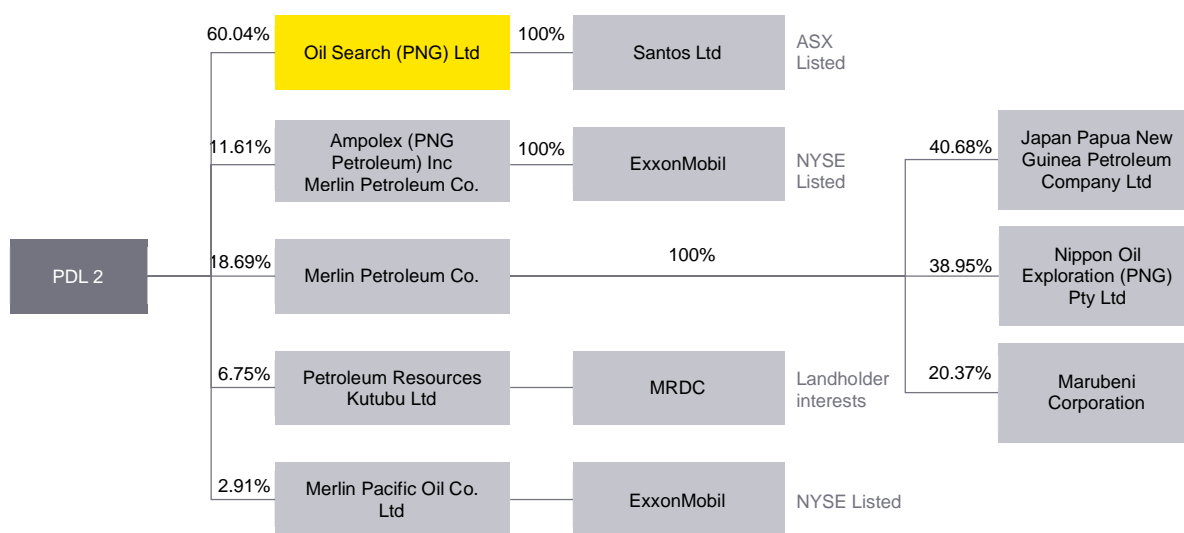
Updated ownership of Oil Search (PNG) Limited to Santos Limited

<sup>252</sup> Oil Search - <https://www.oilsearch.com/what-we-do/png/operated-production>, accessed 7 September 2022

Table 93: Compliance summary of partners/owners of Kutubu Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Santos Ltd	Yes	IPA under upgrade	●	●	●	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Ampolex (Highlands) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Petroleum Resources Gobe Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Barracuda Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆

Figure 49: PDL 2 (Kutubu Field Complex, Iagifu, Hedinia, Usano, Agogo) interests<sup>253</sup>



### 8.3.3 Moran Unit

Oil produced at the Moran fields is processed at the Agogo Processing Facility then piped to the Central Processing Facility for further processing, storage, and export through the export pipeline. Following the February 2018 earthquake, the Moran oil fields production remained impacted by damage to flow lines and key wells. The Moran field was shut-in for 202 days, primarily to preserve reservoir pressure, given extended high compression outages at the Agogo Processing Facility. Production resumed late in the fourth quarter. In late December 2019, Santos and NW Moran landowners reached an agreement allowing Santos to access the site after it was restricted following the 2018 earthquake due to tribal conflicts within the area that were unrelated to the Company’s activities. This will allow Santos to undertake repairs related to the 2018 earthquake. Subject to ongoing access and the successful

<sup>253</sup> Oil Search - 2020 License interest <https://www.santos.com/our-business/interests>, accessed 7 September 2022  
 Distribution of interests in Merlin Petroleum Co. <http://www.nex.jx-group.co.jp/english/activity/oceania/png.html>, accessed 18 July 2022.  
 Japan Papua New Guinea Petroleum Company registration <https://www.nex.jx-group.co.jp/english/project/oceania/png.html>, accessed 07<sup>th</sup> September 2022  
 Nippon Oil Exploration entity type, <http://www.abr.business.gov.au/SearchByAbn.aspx?SearchText=69134179810>, accessed 07<sup>th</sup> September 2022  
 Marubeni Corporation registration <https://www.marubeni.com/en/company/profile/>, accessed 07<sup>th</sup> September 2022  
 Updated ownership of Oil Search (PNG) Limited to Santos Limited

completion of repairs, the Company expects production from the NW Moran area to be brought back on-stream in the second half of 2020.<sup>254</sup>

This project runs over three license areas, PDL 2, PDL 5 and PDL 6. NW Moran (PDL 6) is an extension to the Moran field discovered in late 2003.

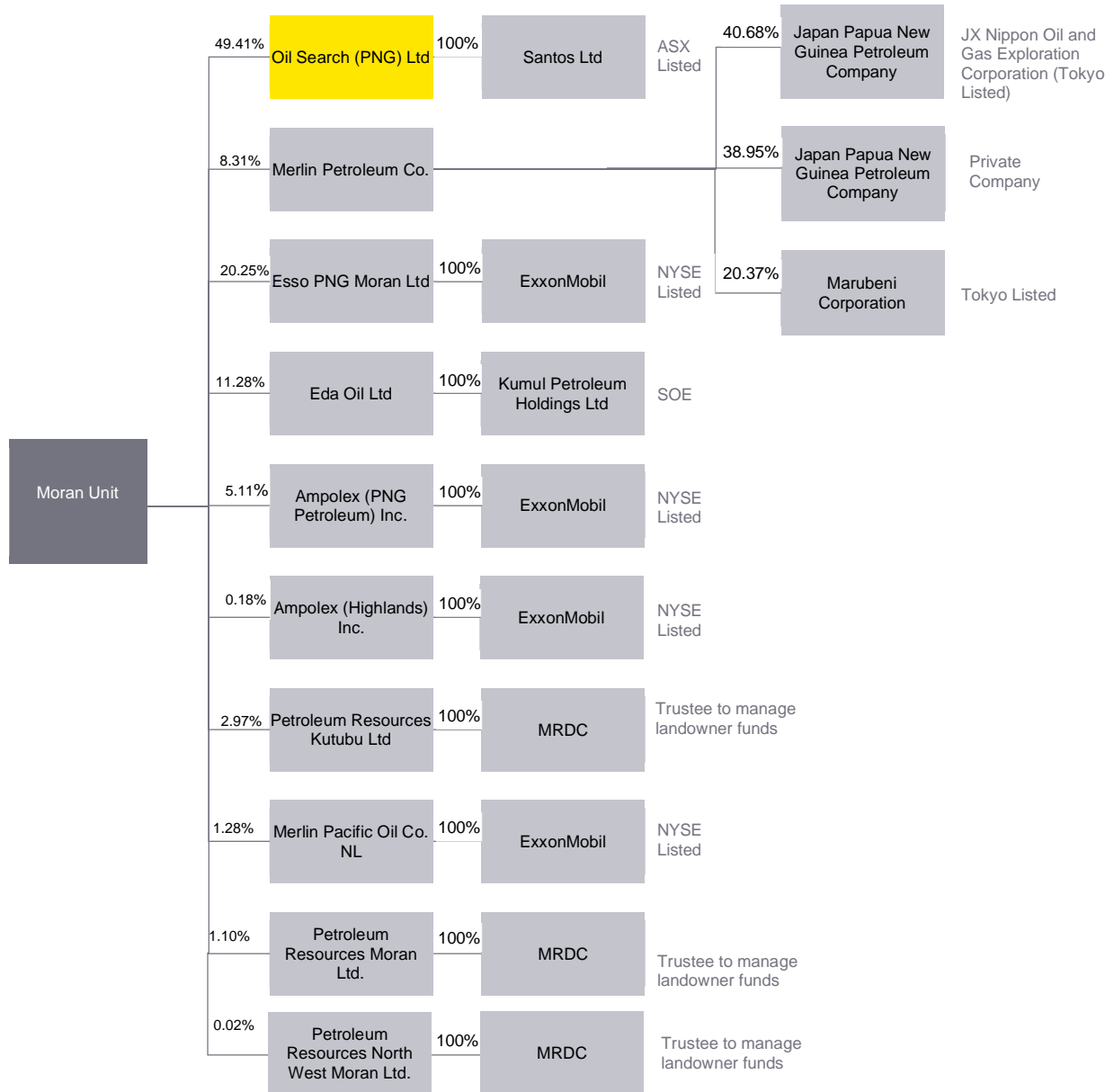
Strong performance from Agogo and Moran fields. A coiled tubing campaign commenced in 4Q21 on the Moran and Agogo fields to deliver incremental production in 2022.

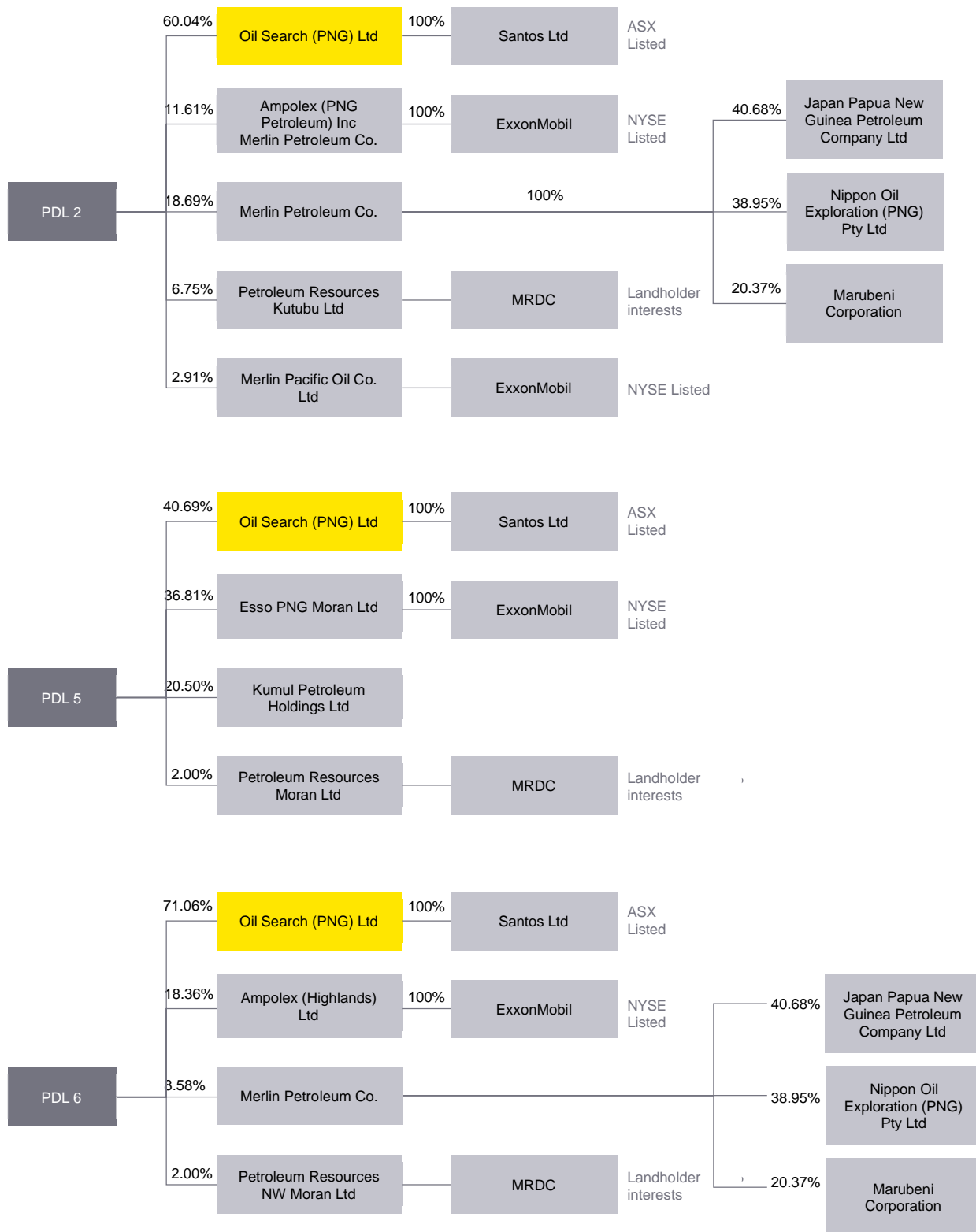
Table 94: Compliance summary of partners/owners of Moran Unit Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Santos Ltd	Yes	IPA under upgrade	●	●	●	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
Esso PNG Moran Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Eda Oil Ltd	IPA under upgrade	IPA under upgrade	●	Provided by KPHL	Provided by KPHL	◆
Ampolex (PNG Petroleum) Inc.	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Ampolex (Highlands) Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Kutubu Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Merlin Pacific Oil. Co. Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Moran Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

<sup>254</sup> Oil Search 2021 Director's Report, [https://www.oilsearch.com/investors/performance/annual-reports?year=2021&queries\\_year\\_query\\_fromvalue%5Bd%5D=1&queries\\_year\\_query\\_fromvalue%5Bm%5D=1&queries\\_year\\_query\\_fromvalue%5By%5D=2021&queries\\_year\\_query\\_tovalue%5Bd%5D=31&queries\\_year\\_query\\_tovalue%5Bm%5D=12&queries\\_year\\_query\\_tovalue%5By%5D=2021](https://www.oilsearch.com/investors/performance/annual-reports?year=2021&queries_year_query_fromvalue%5Bd%5D=1&queries_year_query_fromvalue%5Bm%5D=1&queries_year_query_fromvalue%5By%5D=2021&queries_year_query_tovalue%5Bd%5D=31&queries_year_query_tovalue%5Bm%5D=12&queries_year_query_tovalue%5By%5D=2021), accessed September 2022

Figure 50: Moran unit interests





## 8.4 Hides GTE

The Hides Gas to Electricity Project (GTE) is fully owned and operated by Santos (see Figure 49). It comprises a pipeline from the gas wells in the Hides field (PDL 1), to the Hides Production Plant in the Tabari River Valley. Following processing, the gas is used by the Porgera Joint Venture to generate electricity for the Porgera gold mine and the surrounding community. 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

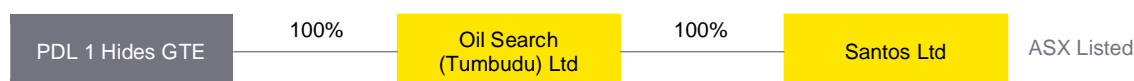
running of the power station. Gas supplied from the Hides gas field is sold under long-term contracts that were last revised in 2012.

The project also produced 96,338 barrels of liquids, up by 16% on 2018 levels, which were impacted by the earthquake and subsequent repairs to the Porgera Joint Venture electricity generation facility. This was despite the facility being shut in for 27 days in April and June 2019 due to vandalism of the power line between the Barrick-operated power generation facility and the Porgera mine site. Negotiations to extend the Hides GTE contract with the Porgera Joint Venture, which is due to expire in 2021, have commenced.<sup>255</sup> The Hides GTE project shut down in 2020 following the closure of the Porgera Mine.

Table 95: Compliance summary of partners/owners of Hides Gas to Electricity Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Santos Ltd	Yes	IPA under upgrade	●	●	●	◆

Figure 51: Hides Gas to Electricity Project interests<sup>256</sup>



## 8.5 PNG LNG Project

Figure 52: PNG LNG Project Location and Pipeline<sup>257</sup>



The PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014 and the project achieved financial completion in February 2015. The project capacity has exceeded expectations, reaching more than eight million tonnes per annum. A re-certification and upgrading of the natural gas reserves should enable the project to sustain these higher rates of production.<sup>258</sup>

<sup>255</sup> Santos - 2021 Annual Report, p. 86, [2021-Annual-Report.pdf \(santos.com\)](https://www.santos.com/2021-Annual-Report.pdf), accessed 7 September 2022

<sup>256</sup> Ibid

<sup>257</sup> PNG LNG Map <https://www.pnqlng.com/>, accessed 26 December 2022

<sup>258</sup> PNG LNG Location and Pipeline Map, <https://www.pnqlng.com/>, accessed 7 September 2022

Contract customers for the LNG include Sinopec (China), Jera (TEPCO) (Japan), Osaka Gas (Japan) and CPC (Taiwan).

Lower global LNG prices relative to forecasts at production start-up have negatively impacted project returns with flow-through implications for government tax receipts from the project. However, higher production levels have mitigated this to a degree, and the PNG LNG Project remains competitive and is expected to make a significant long-term contribution to the economy.<sup>259</sup> Global demand for LNG is forecast to grow as markets priorities gas over coal or nuclear power.

As of December 2021, 2,978 workers were engaged in production-related roles in the PNG LNG project.<sup>260</sup> The project provided a significant number of jobs during its construction (peaking at 21,200 in 2012). The project has had significant impacts on affected communities (see case study in PNG EITI Report for 2016).<sup>261</sup>

The PNG LNG Global Company LDC (“GloCo”) is a joint marketing and financing company. All proceeds from sales to third parties are received by GloCo, and payment of all financing, marketing, ship chartering, and operating costs are made from GloCo. GloCo is owned by the PNG LNG project partners in proportion to their equity interests (as illustrated in Figure 51). It is operated by ExxonMobil, but it is not an ExxonMobil affiliate or subsidiary. Net proceeds from sales are periodically distributed to each of the project partners in accordance with the financing.

Although GloCo is a pass-through entity, to ensure transparency, reporting by GloCo is required under the EITI Standard. The IA has requested, via ExxonMobil, that GloCo report on PNG LNG distributions; however, we understand that this requires agreement from all owners of the project. In its capacity as the operator of PNG LNG, ExxonMobil does provide confirmation of the reported share of sales and equity distributions by Kumul Petroleum Holdings Limited and landowner companies that are partners in the PNG LNG project (where they have submitted a reporting template),

Figure 53 illustrates the ownership structure of the PNG LNG project, while the subsequent figures illustrate the license interests associated with each PDL within the PNG LNG Project. The operating entities are shown in yellow.

Table 96: Compliance summary of partners/owners of PNG LNG Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
ExxonMobil PNG Ltd	Yes <sup>262</sup>	IPA under upgrade	●	●	●	◆
Esso PNG Juha Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Ampolex (PNG) Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Santos Ltd	Yes	IPA under upgrade	●	●	●	◆
Kumul Petroleum Holdings Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
JX Nippon Oil and Gas Exploration Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
MRDC	IPA under upgrade	IPA under upgrade	●	●	●	◆

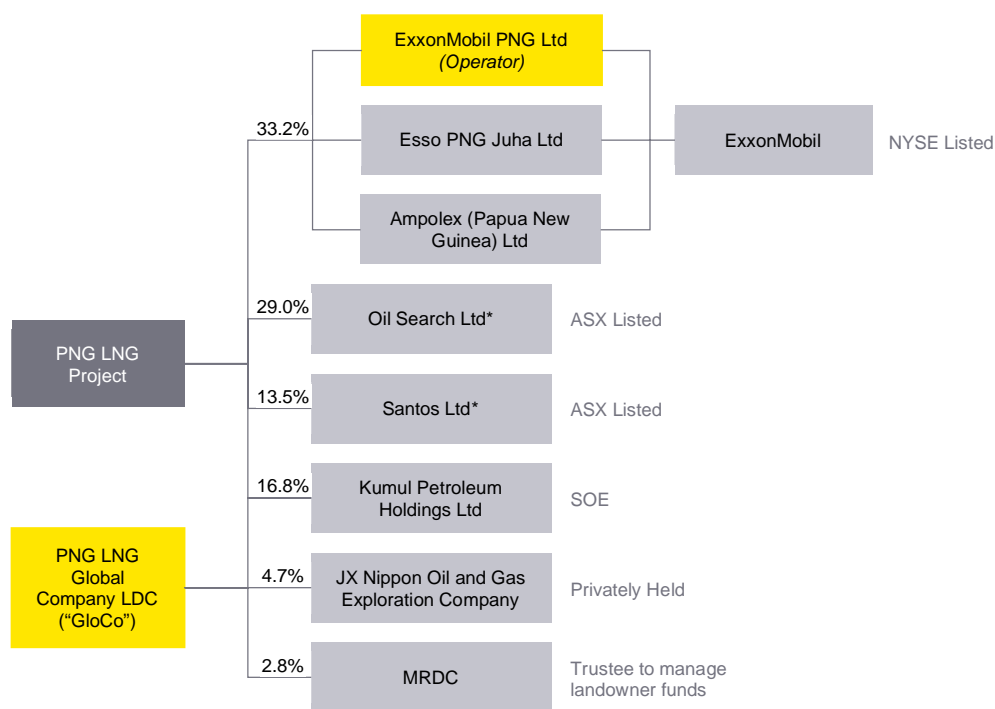
<sup>259</sup> Ibid

<sup>260</sup> PNG LNG Environmental and Social Report-Annual 2021, PNG LNG, 2021, [https://www.pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2021-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\)-v2.pdf](https://www.pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2021-Annual-ES-Report-FULL-REPORT-(ENG-WEB)-v2.pdf), accessed 07<sup>th</sup> September 2022

<sup>261</sup> PNG EITI Report 2016, <https://pngeti.org.pg/reports-or-publications/>, accessed 07<sup>th</sup> September 2022

<sup>262</sup> Exxon Mobil PNG Limited is presented as part of Australia / Oceania segment group in the Exxon Mobil consolidated Financial Statements, <https://corporate.exxonmobil.com/-/media/Global/Files/investor-relations/annual-meeting-materials/financial-statements/2019-financial-statements.pdf>, accessed 07<sup>th</sup> September 2022

Figure 53: The relative interests of each partner in the PNG LNG project for the 2021 reporting period<sup>263</sup>



\*Following the merger with Oil Search Limited (OSL), Santos Limited has a 42.5% interest in the PNG LNG Project.

Table 97: Compliance summary of partners/owners of PDL 1

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
ExxonMobil PNG Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Oil Search (Tumbudu) Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Lavana Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (Kroton) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Gigira Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Santos (Hides) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

<sup>263</sup> PNG LNG Co-venturers <https://pnglng.com/About/Co-venturers>, accessed 07<sup>th</sup> September 2022. KPHL's holding is elsewhere stated as 16.57%; 16.8% may include 0.02% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.



Figure 54: PDL 1 Gigira interests

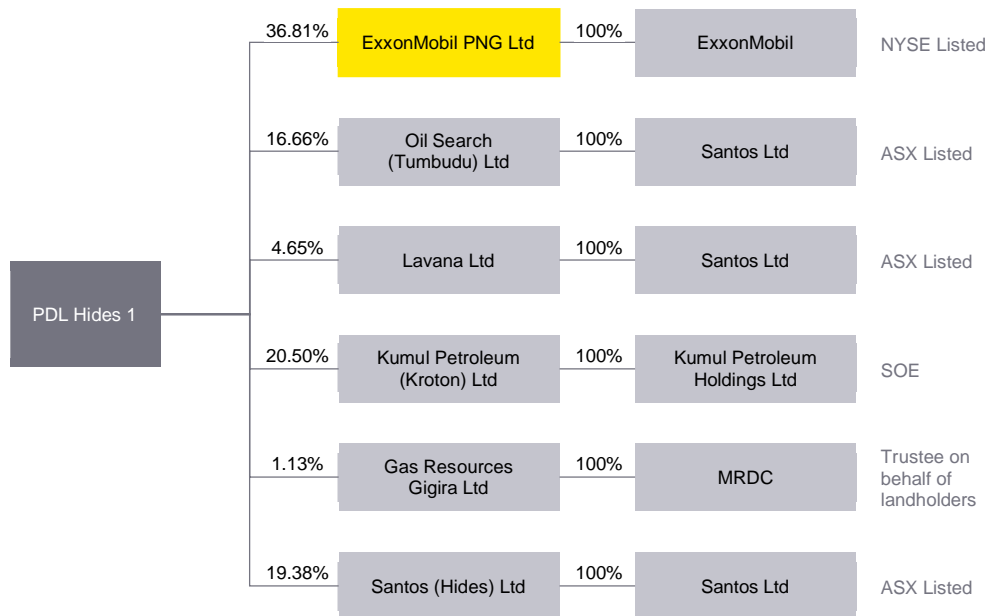
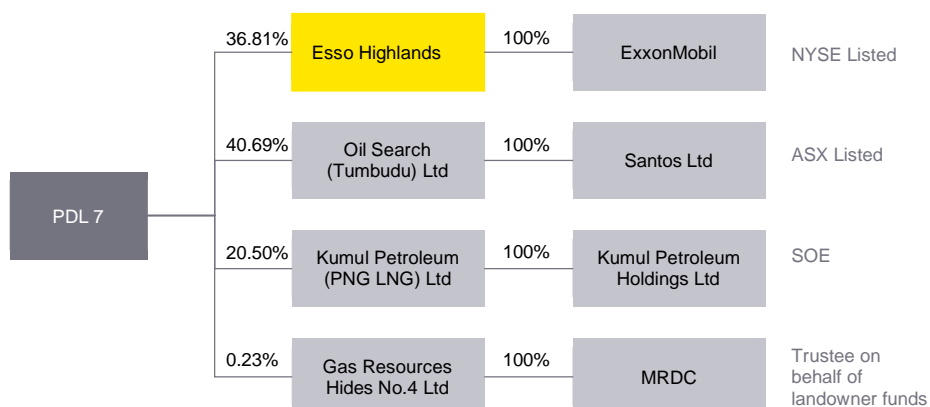


Table 98: Compliance summary of partners/owners of PDL 7

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Esso Highlands	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Hides No. 4 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 55: PDL 7 (Hides) interests



**Table 99: Compliance summary of partners/owners of PDL 8**

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Esso Highlands	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Hides No. 4 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

**Figure 56: PDL 8 (Angore) interests**



**Table 100: Compliance summary of partners/owners of PDL 9**

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Esso PNG Juha Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Ampolex (PNG) Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Nippon Papua New Guinea LNG LLC	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Juha No. 1 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

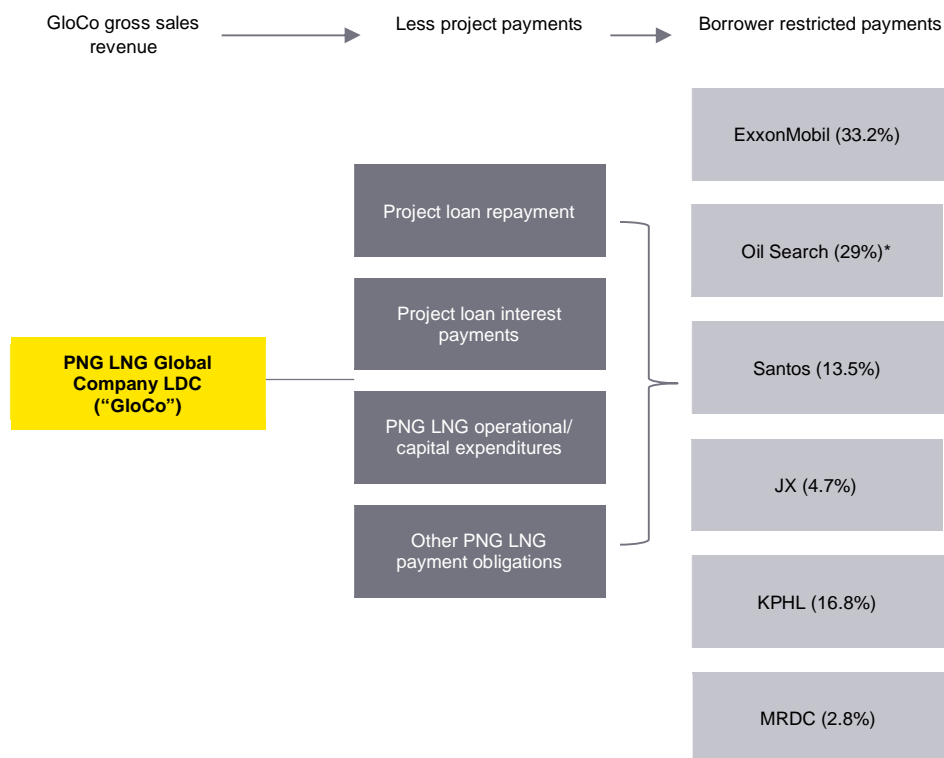
Figure 57: PDL 9 (Juha) interests<sup>264</sup>



### 8.5.1 PNG LNG Revenue

The flow of payments from GloCo is illustrated below in Figure 58 (as described by KPHL, with adaptations by the IA for clarity). Payment streams from KPHL are detailed in Chapters 9 and 10, and payment streams from other participating entities are detailed in Chapter 10.

Figure 58: Payment flows from GloCo



\*Following the merger with Oil Search Limited (OSL), Santos Limited has a 42.5% interest in the PNG LNG Project.

<sup>264</sup> <http://www.openbriefing.com/AsxDownload.aspx?pdfUrl=Report%2FComNews%2F20181206%2F02057076.pdf>, accessed 07<sup>th</sup> September 2022

Executive summary  
Introduction  
Reporting entities and revenue streams  
Contribution of extractive industries to the economy  
Legal framework and fiscal regime  
Management and distribution of revenues  
Social and subnational payments  
Mining  
Oil and gas  
State-owned enterprises  
Reconciliation of revenue streams  
Findings and recommendation  
Appendices

## 8.5.2 PNG LNG Borrowings

Secured loan from joint operation Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the “Borrower”) was organised to conduct certain activities of the PNG LNG Project outside of PNG, including the borrowing and on-lending to the Project participants of the Project Finance Debt Facility, and the purchase and re-sale of PNG LNG Project liquids and LNG. The Borrower is owned by each Project participant in a percentage equal to its interest in the PNG LNG Project.

Interest and principal on the Project Finance Debt Facility is payable on specified semi-annual dates, which commenced in June 2015, with the principal being repayable over 11.5 years based on a customised repayment profile and with 4.5 years remaining on the facility as of 31 December 2021.

The liquids and LNG sales proceeds from the PNG LNG Project are received into a sales escrow account from which agreed expenditure obligations and debt servicing are firstly made and, subject to meeting certain debt service cover ratio tests, surpluses are distributed to the Project participants.

The Borrower granted to the security trustee for the Project Finance Debt Facility:

- ▶ A first-ranking security interest in all of its assets, with a few limited exceptions
- ▶ A fixed and floating charge over existing and future funds in the offshore accounts; a deed of charge (and assignment) over the sales contracts, LNG charter party agreements, rights under insurance policies, LNG supply and sales commitment agreements, on-loan agreements and the sales, shipping and finance administration agreements, collectively known as “Borrower Material Agreements”
- ▶ A mortgage of contractual rights over Borrower Material Agreements.

The Project Finance Debt Facility is subject to various covenants and a negative pledge restricting further secured borrowings, subject to several permitted lien exceptions. Neither the covenants nor the negative pledge have been breached at any time during the reporting period.<sup>265</sup> Financial Completion for the PNG LNG Project was achieved on 5 February 2015. From that date, the completion guarantee that was provided by the Company for its share of the Project Finance Debt Facility was released.<sup>266</sup>

Estimated share of Kumul Petroleum Holdings Limited and MRDC on the secured loan amounts to US\$1.29 Billion and US\$215 million, respectively. \*

*\*Recalculated using secured loan figures from Santos Limited 2021 Annual Report.<sup>267</sup>*

*Total Outstanding Loans = (total current and non-current secured loan from joint operation)/ 42.5%*

*KPHL Share of the Loans = Total Loans x 16.8%*

*MRDC Share of the Loans = Total Loans x 2.8%*

<sup>265</sup> Santos 2021 Annual Report, note 5.1, Interest-Bearing Loans and Borrowings, <https://www.santos.com/wp-content/uploads/2022/02/2021-Annual-Report.pdf>, accessed 7 September 2022

<sup>266</sup> Oil Search Annual Report, note 28, Secured Loan from Joint Operation, [https://www.oilsearch.com/\\_data/assets/pdf\\_file/0008/46961/OS-AR19-WISDOM\\_FA5C.pdf](https://www.oilsearch.com/_data/assets/pdf_file/0008/46961/OS-AR19-WISDOM_FA5C.pdf), accessed 7 September 2022

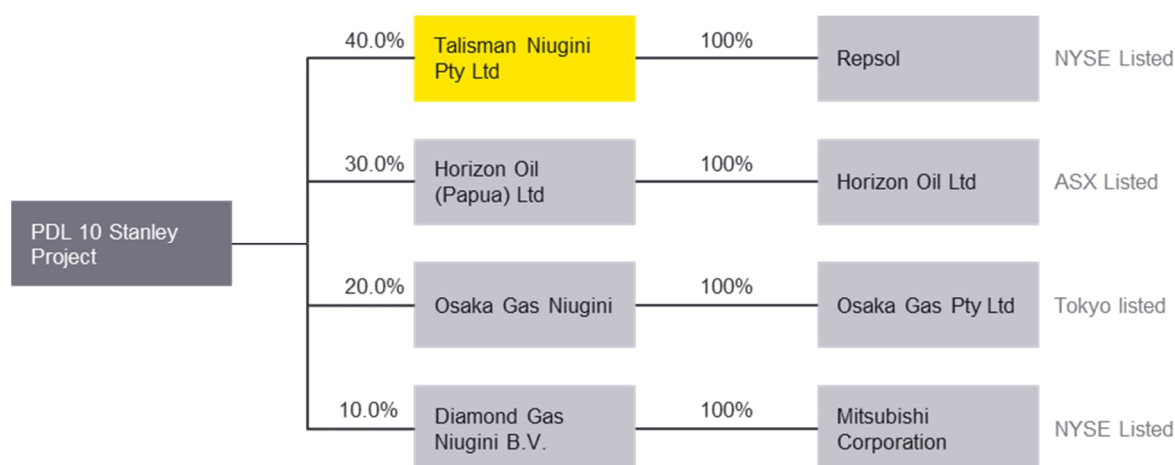
<sup>267</sup> Santos 2021 Annual Report, note 5.1, Interest-Bearing Loans and Borrowings, <https://www.santos.com/wp-content/uploads/2022/02/2021-Annual-Report.pdf>, accessed 7 September 2022 – Balance outstanding US\$3,260 million

## 8.6 New oil and gas projects

### 8.6.1 Stanley project (under DPE supervision)

The Stanley Gas Agreement was approved in April 2014. The Stanley gas-condensate field is located in PDL 10 and was operated by Repsol during the reporting period.<sup>268</sup> In 2018 the PNG Government gave notice that it intended to cancel PDL 10 and PL 10, allegedly for failure to construct, commission and commence production operations. To date the planned engineering, procurement and construction of the project has not progressed. Discussions are ongoing to resolve this matter in the interests of both the state and the developer(s).<sup>269</sup> In January 2020, Repsol sold its interests to Arran Energy Investments Pty Ltd, a privately owned Australian company, whose subsidiary Arran Energy Niugini Pty Limited then became the operator. In October 2020, Osaka Gas Pty Ltd sold Osaka Gas Niugini to Arran Energy.<sup>270</sup> Further, in December 2020, Horizon Oil also sold its PNG assets to Arran Energy.<sup>271</sup>

Figure 59: Stanley project interest



### 8.6.2 Papua LNG Project (Elk-Antelope gas discoveries) (under DPE supervision)

PRL 15 Elk-Antelope Gas field is located in the Gulf Province. Major Developer is Total E&P \ with Joint Venture Partnership with ExxonMobil and Oil Search Limited (OSL). Soon to be another milestone LNG Project, Papua LNG is estimated to have 6.2 TCF of gas and 98 million barrels of condensate. Plans are under way to utilize the same facilities at the Foundation PNG LNG Plant at Caution Bay (PPFL2).

The participants under PRL 15 in 2018 were (post the State back-in right of 22.5%):<sup>272</sup>

Total (operator)	31.1%
ExxonMobil	28.7%
Santos	17.7%
Papua New Guinea	22.5%

In November 2018, the partners in the Papua LNG Project entered a Memorandum of Understanding (MoU) with the Independent State of Papua New Guinea for the development of the Papua LNG

<sup>268</sup> Western LNG Project, <https://horizonoil.com.au/projects-operations/papua-new-guinea/western-lng-project/>, accessed 07<sup>th</sup> September 2022

<sup>269</sup> Stanley Gas Condensate Project, <https://petroleum.gov.pg/stanley-gas-condensate-project/>, accessed 07<sup>th</sup> September 2022

<sup>270</sup> Osaka sale to Arran, <https://www.argusmedia.com/en/news/2154235-osaka-gas-spins-off-papua-new-guinea-gas-assets>, 18 July 2022

<sup>271</sup> Horizon asset sale to Arran, <https://www.oilandgastoday.com.au/horizon-departs-png-with-asset-sale/>, 18 July 2022

<sup>272</sup> Papua New Guinea government, partners sign LNG agreement, <https://www.ogj.com/pipelines-transportation/lng/article/17279091/papua-new-guinea-government-partners-sign-lng-agreement>, accessed 07<sup>th</sup> September 2022

Project.<sup>273</sup> The Gas Agreement, which allocates project benefits and returns among stakeholders, was finalised in April 2019. However, necessary implementing legislation and agreements are still needed.

### 8.6.3 Pasca A (under DPE supervision)

Pasca A (Twinza Oil) is a gas condensate discovery (PPL 328 (APDL14)) located at the Gulf of Papua, Offshore Papua New Guinea. The field type is liquids-rich gas-condensate accumulation in carbonate pinnacle reef. The reserves have been proven, the development plan has been completed and the production license is pending approval.<sup>274</sup> The operator is Twinza oil, which currently holds 100% interest in the project. The State has the right to acquire a 22.5% working interest if it chooses.<sup>275</sup>

### 8.6.4 Other gas projects in development

Oil and gas exploration is active across PNG. In 2021, there were 73 Petroleum Prospecting Licenses, covering large parts of the country, and much of the near-shore environment.<sup>276</sup> The Papua LNG project is expected to be the first of a series of new gas developments, including:

- ▶ Potential development of the P'nyang field to supply PNG LNG Project expansion
- ▶ Possible aggregation of several gas accumulations in the Western Province
- ▶ The introduction of the *Unconventional Hydrocarbons Act 2015* (UHA) cleared f for further exploration and production including unconventional hydrocarbons such as shale oil and gas that were previously excluded from the OGA.

## 8.7 Oil and gas production data

Oil and gas project operators report production data to DPE daily. DPE does not currently perform detailed reviews or audits of this data due to resourcing constraints.<sup>277</sup>

Below we present production and export quantities as reported by companies and by DPE.

Table 101: Oil and gas production and export quantities provided by companies<sup>a</sup>

Commodity quantity	PNG LNG (ExxonMobil Operated)			Oil and Associated Gas (Santos Operated)		
	Produced	Exported	Remarks	Produced	Exported	Remarks
Oil (stbo)				6,795	13,939	Gross oil barrels produced by OSL as operator and exported
Hides Condensate (stbop)	8,364,619		PNG LNG condensate from Hides Gas Conditioning Plant (HGCP) that goes by pipeline to the OSL operated Central Processing Facility (Kutubu)			Condensate from gas produced from Hides Wells 1 & 2 that is removed at the Hides GTE facility and transported by truck to HGCP and then by pipeline to Kutubu
PNG LNG liquids (stbop)	1,162,263	1,171,644	Naphtha produced and exported from the PNG LNG Plant	6,259	23,277	PNG LNG condensate piped from HGCP and OSL condensate from Hides wells 1 & 2 after going through the OSL

<sup>273</sup> Oil Search, 'Papua LNG JV signs MoU with PNG Government', [https://www.oilsearch.com/\\_data/assets/pdf\\_file/0018/27135/181116-Papua-LNG-JV-signs-MOU-with-Government.pdf](https://www.oilsearch.com/_data/assets/pdf_file/0018/27135/181116-Papua-LNG-JV-signs-MOU-with-Government.pdf) accessed 07<sup>th</sup> September 2022

<sup>274</sup> Pasca A - Twinza Oil, <https://www.twinzaoil.com/what-we-do/papua-new-guinea-pasca-a>, accessed 07<sup>th</sup> September 2022

<sup>275</sup> Ibid

<sup>276</sup> DPE 2021 reporting template

<sup>277</sup> Direct communication from DPE, 2016 PNG EITI Report.

	PNG LNG (ExxonMobil Operated)			Oil and Associated Gas (Santos Operated)		
						operated CPF for export
Hides Gas (MMscf)	373,487		Gross PNG LNG gas produced from HGCP			
PNG LNG Associated Gas (MMscf)				1,382	0	Associated Gas from Kutubu, Gobe Main, SEG - goes to the PNG LNG Plant
PNG LNG Project LNG (tonnes)	8,396,300	8,206,715	Gross LNG produced and exported at LNG Plant	2,256,107		
Domestic Gas (mmscf)		2,443	PNG LNG domestic gas sold from LNG Plant to Niu Power to generate electricity for POM	655		
Electricity sales to PNG Power (mmscf)		1,244	PNG LNG gas converted to electricity and sold to PNG Power at LNG Plant (~21 MW)	480		
PNG LNG Project Naptha (stbopd)				832		

#### Notes:

- ▶ Empty cells are not applicable
- ▶ All amounts are in gross total volume for the year - total bbls, MMscf, tonnes
- ▶ PNG LNG volumes are confirmed by ExxonMobil
- ▶ Oil and Associated Gas volumes are confirmed by Santos

Table 102: Oil and gas production and export quantities reported by DPE

Commodity quantity	Produced	Exported
Oil (stbopd)	13,454	34,554
Hides Liquids (stbopd)	-	-
PNG LNG liquids (stbopd)	22,810	-
Hides Gas (MMscf)/d	1,018	-
PNG LNG Project LNG (tonnes)	8,113,516	8,066,854

There are inconsistencies in the quantities reported. As the regulator, DPE should enforce proper guidelines for reporting, including reviews to verify accuracy of numbers.

Table 103: Oil and gas export quantities, values and country of destination as reported by Customs<sup>278</sup>

Exporter Name	Commodity	Quantity	Units	Value (PGK)
Exxon Mobil PNG Limited	Naphthalene	84,703	LTR	52,589,679
Exxon Mobil PNG Limited	Other	11,056,375	LTR	58,574,700
Exxon Mobil PNG Limited	Liquified National Gas	16,433,423	TNE	11,968,420,674
Oil Search (PNG) Limited	Crude Oil	60,445,490	LTR	2,815,711,574

<sup>278</sup> Provided by PNG Customs

## 8.8 Regulation of the oil and gas sector

Oil and gas regulation in PNG is overseen by the DPE, an entity that has progressed from a state of being under-resourced to a fully resourced organization. Achievements by the DPE include the appointment of the officers to the DPE EITI unit, solely responsible for EITI matters, with technical assistance by JICA. The other achievement was the setting up of the DPE website which was initiated in 2019 and is now fully operational.

Oil and gas regulation in PNG is overseen by DPE, an entity that is chronically under-resourced, and has not produced an annual report since 2010. DPE has now established a basic website.

DPE informed the IA in 2016 that there were plans to establish an independent authority to regulate the oil and gas industry (as is the case for the mining industry, with the MRA). No update on this could be obtained by the IA.

DPE was the subject of several priority recommendations in the 2013 and 2014 PNG EITI Reports that have subsequently been endorsed by the National Executive Council (NEC).

### Register of licenses

The official register of oil and gas licenses are maintained by the DPE in handwritten ledgers. These ledgers are organized sequentially by license numbers; new entries are made when applications are lodged. In principle the registers are publicly accessible and the DPE continues to ensure these remains so. The register is set up to record all information for a license, which is also required by the EITI Standard. A number of information gaps identified by the IA originally in 2015, continue to be filled in.<sup>279</sup>

The reliance on hard copy documentation poses a risk of catastrophic data loss.

See Appendix D for the list of active oil and gas licenses in 2021. For the 2021 reporting period, DPE advised that no PPLs had been cancelled, however, refused 4 APRLs.<sup>280</sup>

The physical distribution of oil and gas tenements in PNG is shown in Appendix E. A larger version can also be found on the website of the PNG Chamber of mines and petroleum.

## 8.9 Allocation of licences<sup>281</sup>

Oil and gas licenses are allocated by DPE, according to the process illustrated in figure below.

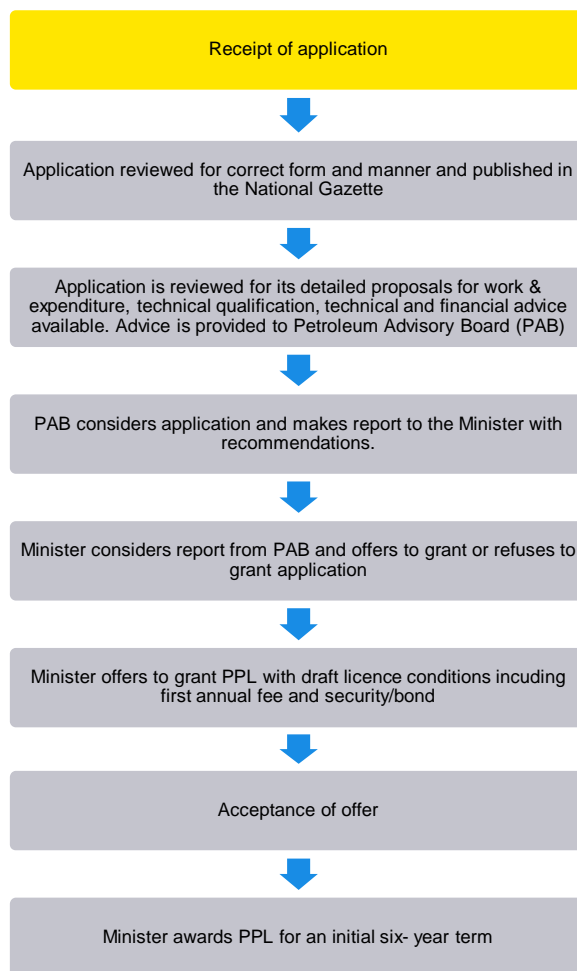
<sup>279</sup> See PNG EITI Report 2013 Appendix B, [https://eiti.org/sites/default/files/attachments/2013\\_papua\\_new\\_guinea\\_eiti\\_report.pdf](https://eiti.org/sites/default/files/attachments/2013_papua_new_guinea_eiti_report.pdf), accessed 07<sup>th</sup> September 2022

<sup>280</sup> 2021 Non-financial data template provided by DPE for this report.

<sup>281</sup> *Petroleum division - an overview*, p. 21



Figure 60: Process for DPE licence allocation



Information on the technical and financial criteria for petroleum prospecting licenses is set out in the Petroleum Policy Handbook and includes the following criteria for considering applications for licenses:<sup>282</sup>

When granting a prospecting license, the Minister must be satisfied that the applicant has a coherent exploration strategy for the license area as well as the technical and financial resources to carry out the required work program. The following information should therefore be included in an application:

- ▶ The full name of the individuals or companies who are to be the license holders
- ▶ If more than one individual or company is to hold the license, the respective participating interests, and the identity of the operator
- ▶ The specific blocks over which a license is being sought, and a sketch map indicating their position
- ▶ An outline of the technical resources of the applicant, including prior experience in PNG and descriptions of similar exploration programs carried out elsewhere, as well as the resumes of key individuals to be involved in the proposed program
- ▶ Details of the financial and asset resources of the applicants including the most recent financial statements and where appropriate outlines of similar ventures undertaken
- ▶ Detailed work and expenditure programs proposed for the first two years of the initial license period

<sup>282</sup> *Petroleum policy handbook*, pp. 8 and 9, 2003

- ▶ Indicative work and expenditure programs proposed for the final four years of the initial license period
- ▶ A synopsis of the technical rationale used in developing the work program proposed
- ▶ Postal, fax and email addresses of the applicants
- ▶ 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 License and Unconventional Hydrocarbon Prospecting License can co-exist on the same area of land. Sections 63–65 of the UHA address conflicts regarding this, indicating where ownership of the resource reverts to if either conventional or unconventional hydrocarbons are discovered within a licensed area.

DPE advised that applications are assessed on a first-come, first-served basis. The main criteria used are:

- ▶ Technical capability of the applicant. The applicant must have the personnel with relevant industry experience and qualifications and must furnish supporting documents.
- ▶ Financial capacity of the applicant to pay fees/charges and to carry out the work program as per license commitments. Relevant financial statements must be supplied.
- ▶ The applicant's history of work and expenditure undertaken in other areas/licenses, to assess genuineness of the applicant.

DPE confirmed that no licenses were awarded through a bidding process in 2021.

DPE advised that in some cases the first-come basis was not strictly followed; “applications that were lodged earlier had to await publication in the National Gazette due to lack of funding. Whilst earlier applications were pending, later applications would be lodged and by the time funding was made available for publication, all applications would be gazetted simultaneously and thus considered at the same time.”

Before a production license 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 finalize 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 landowner groups have become much more adept at negotiating for their interests in recent years.

Production licenses 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 license area.”<sup>283</sup>

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). No information regarding agreements or deviations were provided by companies for 2021.

A petroleum development license 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*. The process for environmental permit approval is outlined in section 7.9 of this report. Information from CEPA identifying the environmental permits

<sup>283</sup> OGA s.54

that were issued, amended, or renewed in 2021 were received and this information is reconciled in chapter 10 of this report.

Table below shows the different types of licenses and the number of license applications by type as of 31 December 2021. For full details, see Appendix D.<sup>284</sup>

Table 104: DPE license statistics for 2021

Licence type	Total Licences	Awarded	Extended	Expired	Surrendered	Cancelled	Transferred
Petroleum Development Licence	10	0	0	0	0	0	0
Application for PDL	4	0	0	0	0	0	0
Petroleum Retention Licence	11	3	0	0	0	0	0
Application for PRL	3	0	0	0	0	0	0
Petroleum Prospecting Licence	73	8	1	4	13	0	1
Application for PPL	2	0	0	0	0	0	0
Petroleum Processing Facility Licence	2	0	0	0	0	0	0
Application for PPFL	0	0	0	0	0	0	0
Petroleum Pipeline Licence	17	0	0	0	0	0	0
Application for PPL	0	0	0	0	0	0	0

Transfer processes are outlined in the OGA.<sup>285</sup> Transfers are registered by DPE but are a commercial transaction between organizations to which DPE is not party; no criteria are applied by DPE. Exploration licenses cannot be transferred for a period of two years from being granted. The list of licenses awarded and transferred in 2021 can be found in Appendixes D.

### JICA, DPE and PNG EITI<sup>286</sup>

JICA was the first development partner to come on board to support EITI implementation after the PNG Government published its first PNG EITI Report in 2016. Over the last three years, the JICA Technical Cooperation Program enhanced efforts to strengthen the government agency's process for collecting and recording extractive revenues and developing the database and capacity for better management of these revenues. The project, initiated in January 2018, entails improving the data systems of EITI reporting entities to equip them with modern tools such as online platforms to help to generate timely data for EITI reporting and other purposes. The country's regulator of the petroleum industry, DPE is the main beneficiary of this project.

The specific areas in which JICA is helping PNG EITI reporting agencies and stakeholders to improve the EITI reporting process include:

- ▶ The management of relevant data and information in DPE to be improved
- ▶ The reporting mechanism among extractive companies and government agencies (mainly PNG EITI National Secretariat) to be enhanced
- ▶ Awareness and implementation structure for EITI to be enhanced in the country

A revised work plan to cater for the extended period will be finalised between JICA and PNG EITI shortly.

<sup>284</sup> 2021 Non-financial data template provided by DPE for this report.

<sup>285</sup> Section 97

<sup>286</sup> JICA supports mining and petroleum transparency in Papua New Guinea through technical cooperation, <https://www.developmentaid.org/#!/news-stream/post/81177/jica-supports-mining-and-petroleum-transparency-in-papua-new-guinea-through-technical-cooperation>, accessed 07<sup>th</sup> September 2022

## Other updates from DPE

Due to the Covid 19 pandemic lockdown, the JICA Team implementing the JICA funded Project for improving resource related Revenue Management in Papua New Guinea (jointly with the PNGEITI National Secretariat, Department of Treasury) were not physically available in PNG to deliver several output relating to the establishment, and improvement of the management of resource data which was initiated in 2019.

DPE, however, through the JICA Technical Assistance achieved internal milestone in 2020 such as appointment of a permanent Focal Person, establishment of an EITI Unit within DPE, improved accuracy of compiling data from issuance of Licensing, Production/Volume, and Revenue collection information for both Oil Projects and the foundation PNG LNG Project.

### National Petroleum Authority (NPA)

The PNG government policy directive at that time was to change resource ownership by way of reforms to the Mining Act and Oil & Gas Act. As a result, a draft Petroleum Resource Authority (PRA) Bill (2016) was established. In 2017, the Government re-prioritized its policy under the Alotau Accord (II) in its 100 Day Plan towards the establishing of a National Energy Authority (NEA). The PRA was then shelved up until now. The push for the new Authority, now referred to as the National Petroleum Authority (NPA) is now being proposed to align its regulatory functions to reflect the recent industry development, which is leaning more towards the LNG industry, and promotion of global emission of carbon dioxide capture and reduction.

Any further information that becomes available after this report is finalised will be made available on the PNG EITI website at <http://www.pngeiti.org.pg/>

An aerial photograph of an industrial facility, possibly a refinery or chemical plant, situated in a valley. The facility consists of numerous large, rectangular buildings with corrugated metal roofs, arranged in a somewhat circular pattern. There are several large storage tanks and various pieces of industrial equipment scattered throughout the site. A dirt road winds through the facility, and a paved road is visible in the foreground. In the background, there are lush green hills and a range of mountains under a cloudy sky. A large, semi-transparent number '9' is overlaid on the left side of the image, partially obscuring the buildings.

# 9 State-owned enterprises

## 9. State-owned enterprises

### 9.1 Legal basis

The EITI Standard 2016 defines a state-owned enterprise (SOE) as: “a wholly or majority government owned company that is engaged in extractive activities on behalf of the government”. In PNG, 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.

In 2015, all government mining interests except for Ok Tedi Mining Limited (OTML) were consolidated to Kumul Mineral Holdings Ltd (KMHL) and all government petroleum interests were consolidated to Kumul Petroleum Holdings Ltd (KPHL). Each of these is discussed further in this chapter.

In addition, this chapter covers two organizations that have been described as state-owned enterprises in earlier PNG EITI reports, but which more accurately act as trustees:

- ▶ Mineral Resources Development Company Ltd (MRDC)
- ▶ Ok Tedi Development Foundation.

### 9.2 Quasi-fiscal expenditures

Quasi-fiscal expenditures are outlined in the EITI Standard as “arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process.”<sup>287</sup> This can include, for example, providing services at below market rates.

Previous PNG EITI reports have highlighted that the classification of quasi-fiscal expenditures is not straightforward, which may result in under-reporting of this category. The 2017 report recommended that “PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal.”<sup>288</sup>

### 9.3 Kumul Petroleum Holdings Ltd

#### 9.3.1 Creation, ownership, and structure

Kumul Petroleum Holdings Ltd (KPHL) has been through a series of changes of structure and name since it was first incorporated in June 2008.<sup>289</sup> It has been in its current form since 2015, when the *Kumul Petroleum Holdings Ltd Authorization Act* 2015 was passed, making KPHL the State nominee for all commercial matters relating to oil and gas projects.

#### 9.3.2 Projects and fiscal arrangements

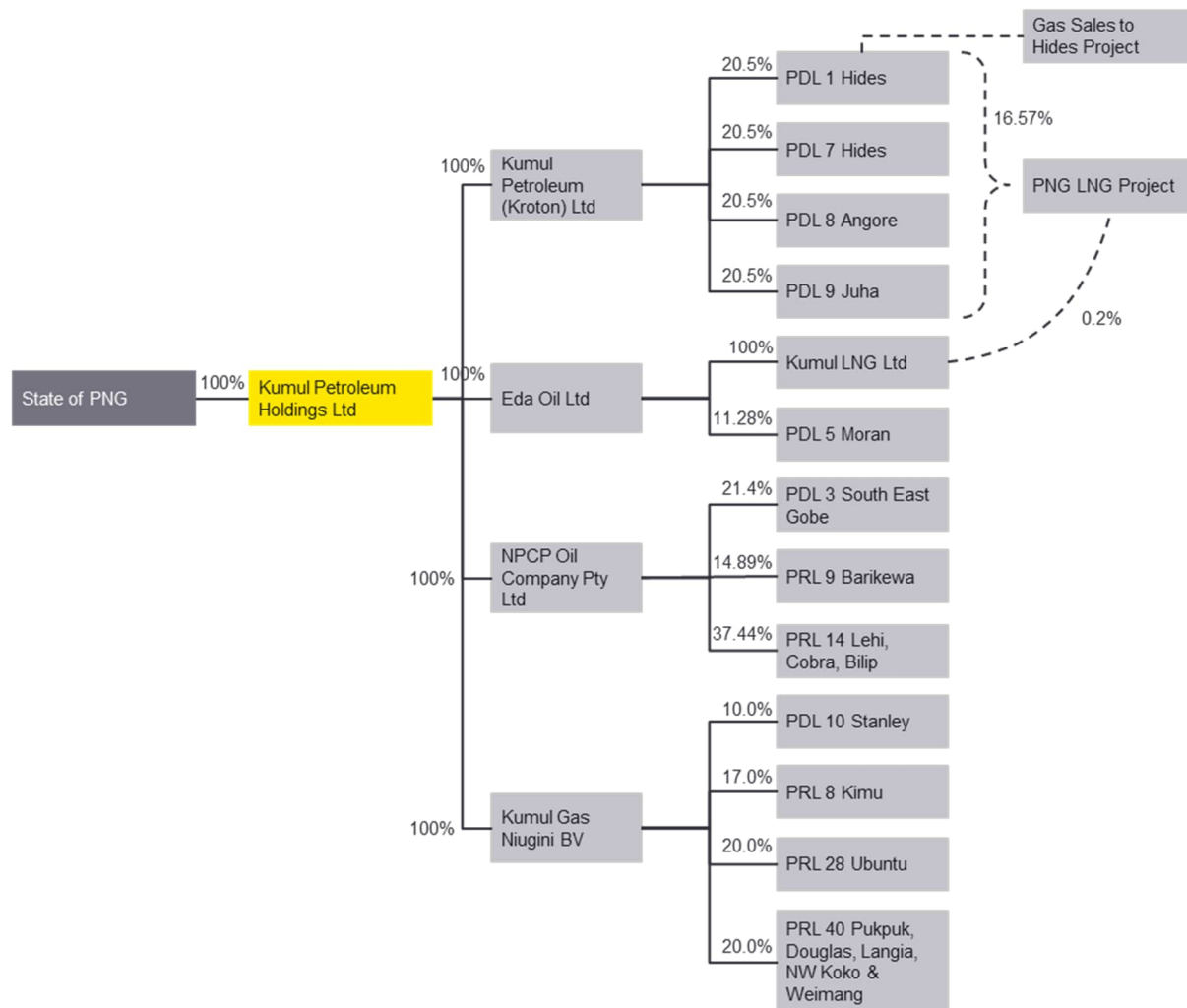
KPHL’s data template for 2021 lists the following holdings:

- ▶ Kumul Petroleum (Kroton) Limited
- ▶ NPCP Oil Company Pty Ltd
- ▶ Eda Oil Limited
- ▶ Kumul LNG Limited
- ▶ Kumul Energy Limited

<sup>287</sup> Guidance on quasi-fiscal expenditures, <https://eiti.org/guidance-notes/quasi-fiscal-expenditures>, accessed 18 July 2022  
<sup>288</sup> PNG EITI 2018, p. 124, <https://eiti.org/sites/default/files/attachments/png-eiti-2019-report-report.pdf>, accessed 18 July 2022  
<sup>289</sup> For further detail see PNG EITI 2018, p. 124, <https://eiti.org/sites/default/files/attachments/png-eiti-2019-report-report.pdf>, accessed 18 July 2022

However, KPHL’s website lists a broader set of interests, together with an interactive map.<sup>290</sup> These are outlined below.

Figure 61: KPHL projects and fiscal arrangements. Note that NPCP Oil Company Pty Ltd is also sometimes referred to as Cue Oil.



<sup>290</sup>The ownership % of PDL 3 has been confirmed by KPHL to be 45.72%, though on the KPHL website it lists ownership percentages of 21.4% and 45.72%. We also note that information from the MSG indicated an 8.85% ownership.<sup>291</sup>

As outlined above, KPHL’s subsidiary Kumul Petroleum (Kroton) Ltd<sup>292</sup> holds a 20.50% interest in four petroleum development licenses which together represent a 16.57% interest in the PNG LNG project.<sup>293</sup> KPHL’s participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. KPHL participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.<sup>294</sup>

KPHL, through its co-ownership in PDL 1, also jointly sells gas to the Santos owned and operated gas to electricity plant (the Hides Project). The Hides Project buys gas from the PDL 1 partners, which it conditions and sells to the Barrick-operated Porgera gold mine.<sup>295</sup>

<sup>290</sup>Petroleum Retention s, <http://kumulpetroleum.com/-interests/>, accessed 28 December 2022

<sup>291</sup> Information from KPHL website (ibid) and from information submitted for previous EITI reports.

<sup>292</sup> We have also found references to ‘Kumul Petroleum (Kroton No 2) Holdings Ltd’ and to ‘NPCP Kroton Ltd’. At the time of writing, it was initially unclear whether these all refer to the same entity. KPHL subsequently confirmed that KPHL was referred to previously by a different name.

<sup>293</sup> PNG LNG Project, Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/>, accessed 18 July 2022. KPHL’s data template disclosed a 16.8% holding in PNG LNG. This may refer to the additional 0.2% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.

<sup>294</sup> Direct communication from KPHL, 20 November 2015

<sup>295</sup> Gas Sales to Hides Project’ Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/>, accessed 18 July 2022.

### 9.3.3 Revenue and payment streams

KPHL advised that total receipts (share of sales less share of payments – otherwise known as “borrower restricted payments” or “equity distribution” used across in the report) from the project for 2021 by way of distributions from GloCo was approximately PGK1.13 billion (US\$322.18 million). The equity distribution reported by KPHL was confirmed by ExxonMobil, in its capacity as the operator of PNG LNG project.

The gas produced by PNG LNG is jointly marketed through the PNG LNG Global Company LDC (“GloCo”) (see further section 8.5).

KPHL reported the following payment streams for 2021:

Table 105: KPHL payment streams

Payment stream	Recipient	PGK
Dividends	Treasury	300,000,000
Group tax	IRC	22,615,241
Goods and service tax	IRC	3,499,930
Licences	DPE	527,764
<b>Total</b>		<b>326,028,426</b>

KPHL also reported the following payments by PNG LNG on behalf of the Company.

Table 106: KPHL reported payments (Paid by PNG LNG on behalf of the Company)

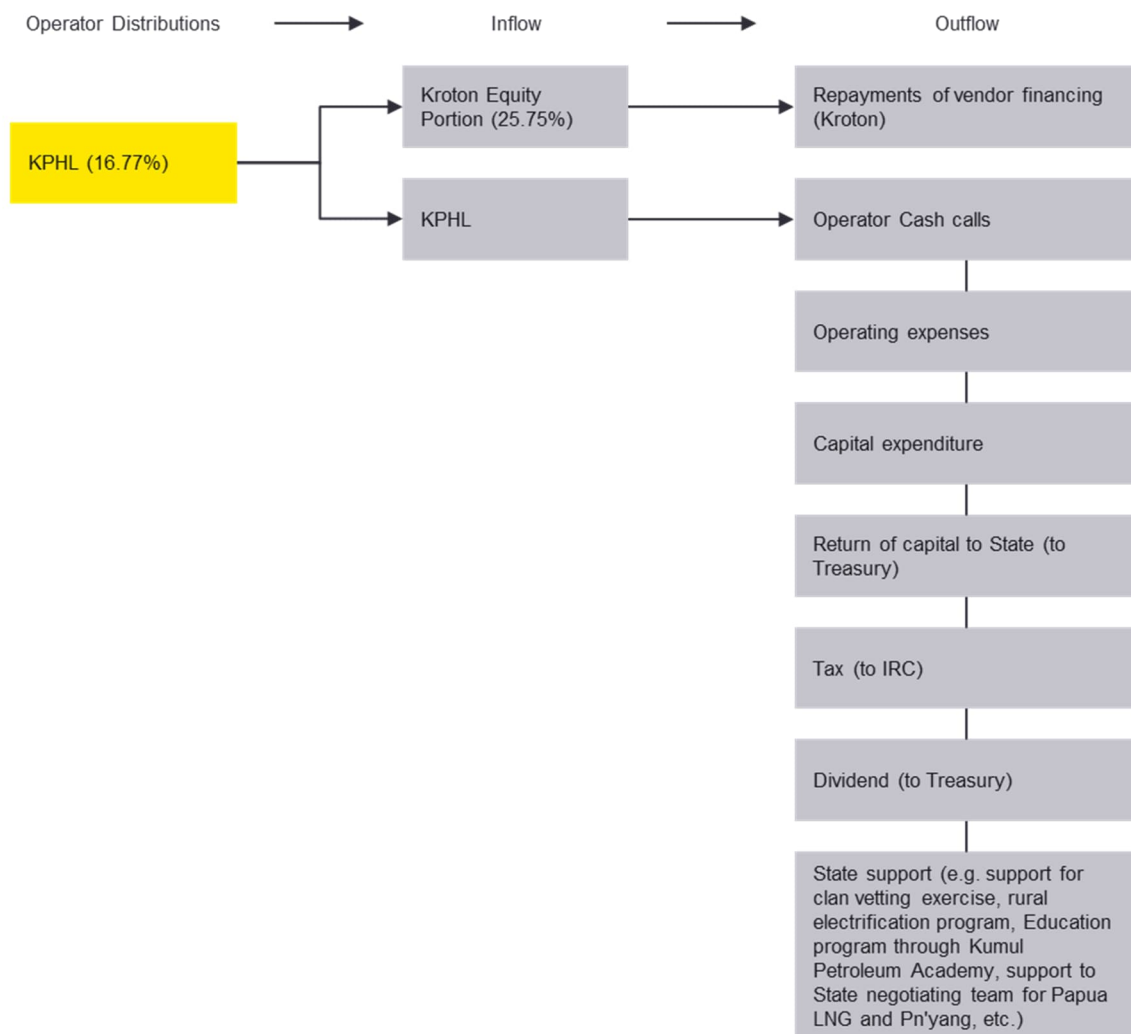
Payment stream	Recipient	PGK
Royalties – Paid to Landholders	MRDC	23,151,360
Group tax	IRC	12,800,000
Development levy	State	24,757,615
<b>Total</b>		<b>60,708,975</b>

Refer to Chapter 6 for other payments made by KPHL.

KPHL provided a process flow of payments from GloCo; this is illustrated below in Figure 60, with amendments by the IA for clarity.



Figure 62: KPHL payment streams from PNG LNG project

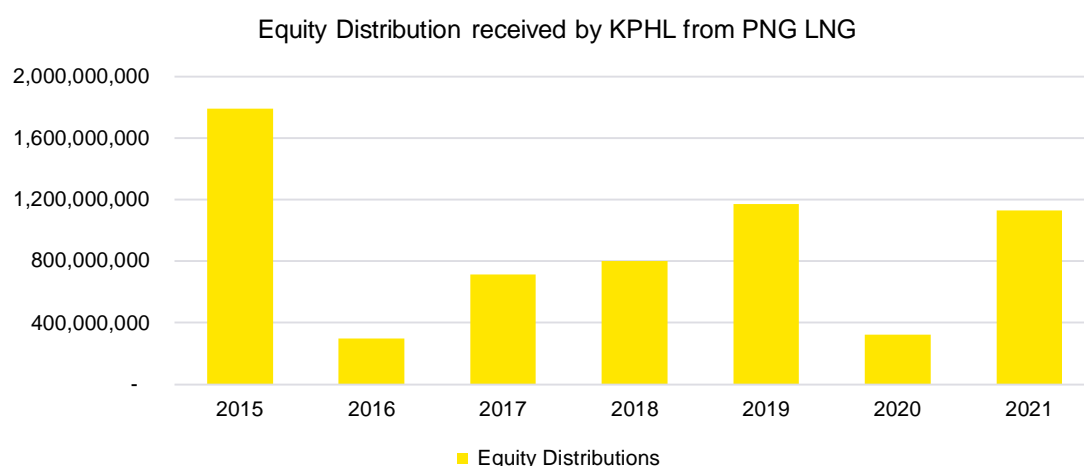


The Umbrella Benefits Sharing Agreement for the PNG LNG project included an option for affected project area landowners and provincial governments to purchase a shareholding interest in the PNG LNG Project by way of indirect equity holding in Kumul Petroleum (Kroton) Ltd. This is known as the “Kroton Equity Option”.<sup>296</sup> In September 2016, KPHL was endorsed by the NEC to offer vendor finance to enable landowner beneficiary groups and provincial governments to make these purchases.<sup>297</sup>

<sup>296</sup> KPH website, <http://kumulpetroleum.com/news-article/kumul-petroleum-clarifies-kroton-equity/>, accessed 18 July 2022

<sup>297</sup> Kroton Equity Unit Application Signing Ceremony’ 12 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-equity-unit-application-signing-ceremony/>, accessed 18 July 2022

Figure 63: Equity distributions received by KPHL from PNG LNG



Average annual equity distribution received by KPHL over the past 7 years amounted to PGK889m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK297m.

By the deadline of 31 December 2016, the following provincial governments and landowner beneficiary groups had elected to take up their option using KPHL’s vendor finance, and subsequently signed a Unit Application Agreement:<sup>298</sup>

- ▶ 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)
- ▶ PNG LNG Plant site (Papa, Lealea, Boera, Porebada)
- ▶ PDL 6 North West Moran

This process is now complete and awaiting further directive from the NEC.

### 9.3.4 Social and quasi-fiscal expenditure

Refer to Chapter 6 for the KPHL’s disclosure on social and quasi-fiscal expenditure.

KPHL’s data template refers to “Government support” in relation to quasi-fiscal expenditures but does not provide further explanation.

KPHL reported that no infrastructure tax credits were applicable for the reporting period.

KPHL disclosed no mandatory social expenditures for 2021 but listed discretionary social expenditures totaling PGK55.9 million, for various activities and PGK72.2 million of quasi-fiscal expenditures.

<sup>298</sup> Kumul Petroleum News, <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 18 July 2022.

## 9.4 Kumul Mineral Holdings Ltd

### 9.4.1 Creation, ownership and structure

Kumul Mineral Holdings Ltd (KMHL), a 100% state-owned company, was created in 2007 as Petromin PNG Holdings Ltd (Petromin), to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral, and oil and gas sectors. Its objective 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. When the *Kumul Minerals Holdings Authorization Act 2015* was passed, Petromin was renamed Kumul Mineral Holdings Ltd.

### 9.4.2 Projects and fiscal arrangements

During the reporting period, KMHL did not hold any subsidiaries with interests in active resource projects. For this reason, KMHL is not a material reporting entity for 2021 (or the previous four years). Information for this report has been drawn from KMHL's 2016 reporting template, and from a copy of KMHL's audited financial statements for 2016, which were previously provided to the IA.

Kumul Minerals is the parent or holding company for a number of subsidiaries. Those subsidiaries are below:<sup>299</sup>

- **Eda Minerals Limited** holds the 17.04% State interests in the Bougainville Copper Limited. That share would be transferred to the Autonomous Region of Bougainville per the Prime Minister's commitment when all necessary conditions are ready. On transfer, this company will be available for all other mineral project investments that are brought on board. This subsidiary has a three directors Board system for its management and operations.
- **Eda Kopa Limited** - Solwara 1 Project is managed under this subsidiary. Kumul Minerals' predecessor, Petromin made an investment of US\$120 million to secure a fifteen percent (15%) interest stake in the Solwara 1 Deep Sea Mining. Kumul Minerals plans to exit the project by selling the held stocks to any interested parties of interest as part of its Business Plan. This subsidiary could be retained for Copper Projects Investments in Frieda, Yandera and the Copper Smelter Refinery business concept. As at reporting date, Eda Kopa Limited has two directors who report to Kumul Minerals.
- **Eda LNG Limited** - Once US\$9 million outstanding of the investment is settled, this subsidiary will be de-registered. There is one director in charge of its name.
- **Eda Energy Limited** is a carry-over from Petromin. A cash call was made for 10% equity in Pasca Gas Project by Twinza to Petromin. The sale of ten percent (10%) equity in Pasca will be made once PDL is issued. However, through the Kumul Authorization Act, all Petroleum assets were transferred to Kumul Petroleum Holdings Limited in 2016. For that decision Kumul Minerals Holdings Limited formerly Petromin was to be paid its investments, less outstanding cash calls. The subsidiary will be deregistered and cease to be a subsidiary of Kumul Minerals upon closure of the transaction.
- **Kumul Minerals Ok Tedi Limited** holds the majority share of sixty seven percent (67%) in Ok Tedi Mine and is the only income earning subsidiary (through dividend) to date. The subsidiary is represented by three directors (who are also directors of Kumul Minerals Board) who make representations to the Ok Tedi Mining Limited Board.
- **Kumul Minerals Porgera Limited** is a partner to the New Porgera incorporated joint venture arrangement for the soon to be re-opened Porgera Gold Mine. It holds thirty six percent (36%) stake in the new structure. It has three (3) directors on New Porgera Limited, the incorporated joint venture company.

<sup>299</sup> Kumul Minerals Subsidiaries, <https://kumulminerals.com.pg/kmhl-subsidiaries/>, 26 December 2022

- **Kumul Minerals Exploration Limited** is responsible for the mineral exploration business of Kumul Minerals and is represented by four directors. It will not have direct field exploration but will apply for and secure target exploration tenements and farm-out those prospects to experienced explorers to partner in developing the mineral resource.
- **Kumul Minerals Wafi Golpu Limited** is only a proposed company and will be incorporated once all negotiations are completed. It will be the joint venture partner in the Wafi Golpu Copper Gold Project.

KMHL's 2016 financial statements noted that, with no producing assets, "there is material uncertainty that may cast significant doubt on whether the group will continue as a going concern." The statements have nevertheless been prepared on a going concern basis, on the grounds that:

- ▶ "The company will continue to operate under new legislation as Kumul Minerals Holdings Ltd and it will hold all the State's share of mineral interests.
- ▶ The company will continue to explore cost reduction and restructuring measures and pursue other revenue generating activities to manage its cash flow requirements.
- ▶ The group has an indemnity from the State in respect of its borrowing relating to its investment in Solwara 1 project.
- ▶ The National Executive Council (by decision no 223/2016) has approved deferment of the payment of tax liabilities of PGK20.8million for five years. The group also plan to negotiate a settlement arrangement with other creditors including other government entities.
- ▶ The Group continues to engage with a broad range of its stakeholders in the other producing mineral assets that are meant to be held by the KMHL under KMHL Act.
- ▶ The directors believe that the Group will be successful in its efforts and have prepared the financial statements on that basis."<sup>300</sup>

No further information was obtained at the time of writing.

### 9.4.3 Revenue and payment streams

The State is paid a dividend as and when a dividend is declared by the Board. Dividends are paid to the Department of Treasury. For 2016, KMHL stated that they paid no dividend to the State; did not provide loans or loan guarantees to mining or oil and gas companies operating within the country and made no subnational payments or transfers.<sup>301</sup>

### 9.4.4 Social and quasi-fiscal expenditure

For 2016, KMHL reported that no social or quasi-fiscal payments were made.<sup>302</sup>

## 9.5 Ok Tedi Mining Limited (OTML)

### 9.5.1 Creation, ownership and structure

Ok Tedi Mining Limited (OTML) was incorporated in 1981 as the operator of the joint venture open pit mine at the Mt Fubilan copper, gold, and silver deposit.

<sup>300</sup> Ibid

<sup>301</sup> Data provided by KMH in data template completed for 2016 PNG EITI report, 30 August 2017.

<sup>302</sup> Ibid

BHP exited the joint venture in 2002, and its shares were transferred to the Papua New Guinea Sustainable Development Program (PNGSDP), a not-for-profit company limited by guarantee, which was incorporated on 20 October 2001 in Singapore.<sup>303</sup>

In 2012, OTML purchased the shares in the project owned by Canadian company Inmet Mining Corporation, and in 2013 OTML became a 100% state-owned entity with the passing of the *Ok Tedi (10<sup>th</sup> Supplemental Agreement) Act 2013*.<sup>304</sup>

At this time, shares held by PNGSDP were cancelled and the Government of PNG increased its direct ownership to 87.8%. 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.”<sup>305</sup> However, this move has been the subject of ongoing legal battles in PNG and Singapore. Most recently, it appears the High Court of Singapore has rejected the government’s argument that it had a right to control and oversee the operations of the PNG Sustainable Development Program.<sup>306</sup>

The ownership structure of OTML during the 2021 reporting period can be seen in chapter 7.<sup>307 308</sup>

OTML had three subsidiaries during the reporting period:<sup>309</sup>

- ▶ **Ok Tedi Australia Pty Ltd** is the marketing and Australian logistics arm of OTM, 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 (100% ownership)

## 9.5.2 Projects and fiscal arrangements

OTML operates the Ok Tedi Mine at Mt Fubilan in the Star Mountains of the Western Province. OTML also holds a portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations.<sup>310</sup>

OTML dividends are distributed as illustrated in Figure 62. (Note that Ok Tedi’s payments to local governments and landowners could be classed as “equity distributions” under the definitions in the reporting template.)

<sup>303</sup> 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-sqhc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/2016-sqhc-19-(amended-26-feb)-pdf.pdf), accessed 26 November 2020

<sup>304</sup> ‘History’, Ok Tedi Mining Limited, <https://oktedi.com/who-we-are/our-history/>, accessed 26 November 2020.

<sup>305</sup> Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013 (PNG) [http://www.parliament.gov.pg/uploads/acts/13A\\_09.pdf](http://www.parliament.gov.pg/uploads/acts/13A_09.pdf), accessed 26 November 2020

<sup>306</sup> PNG govt loses legal battle to control billion-dollar Sustainable Development Program’, ABC, 9 April 2019, <https://www.abc.net.au/radio-australia/programs/pacificbeat/png-govt-loses-legal-battle-to-control-pngsdp/10983202>, accessed 26 November 2020

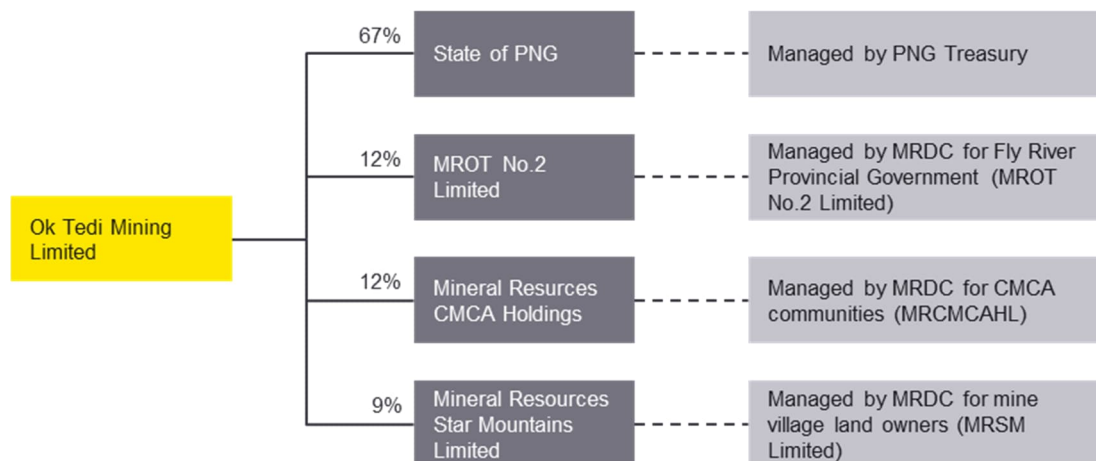
<sup>307</sup> Ok Tedi Mining Limited Annual Review 2019, p.13 <https://oktedi.com/who-we-are/annual-performance/>, accessed 26 November 2020.

<sup>308</sup> Ibid

<sup>309</sup> Ibid

<sup>310</sup> Ok Tedi Mining Limited, <http://www.oktedi.com/>, accessed 19 December 2022

Figure 64: Dividend revenue streams from Ok Tedi Mining Limited



OTML facilitates a formal CMCA with communities across eight CMCA regions and six mine villages representing the 158 communities. The agreement outlines the annual compensation, investment, and development payments for affected communities, and is reviewed and updated regularly. Each of the eight CMCA regions has an established trust, trustees, and elected representatives from both genders. The six mine villages have development committees comprising representation from men, women, youth, and church groups. . In 2021 the total payment was PGK75.3 million.<sup>311</sup>

### 9.5.3 Revenue and payment streams

Table 107: OTML reported material revenue streams 2021

Payment stream	Recipient	PGK
Corporate income tax	IRC	96,900,214
Group tax	IRC	118,681,000
Foreign contractor withholding tax	IRC	17,684,695
Dividends	Treasury	301,500,000
Production levy	MRA	18,540,000
Royalty	Fly River Provincial Government	30,453,422
Royalty	Mine Villages Land- owners	30,291,943
<b>Total</b>		<b>614,051,274</b>

Total revenue and profit from operations in 2021 amounted to PGK3.5 billion and PGK376 million, respectively.<sup>312</sup>

Ok Tedi disclosed the following dividend payments in 2021:

Table 108: OTML dividend payments in 2021

Payee	PGK millions
Independent State of Papua New Guinea (Treasury)	301.50
Mineral Resources Ok Tedi No.2 Ltd (via MRDC)*	54.00
Mineral Resources CMCA Holdings Ltd (CMCA Peoples Dividend Trust account)	54.00
Mineral Resources Star Mountain Ltd (Mine Villagers)	40.50

<sup>311</sup> Ok Tedi Mining Limited, Annual Review 2021 page 46, <https://oktedi.com/who-we-are/annual-performance/>, accessed 13 February 2023.

<sup>312</sup> Ok Tedi 2021 Annual Financial Review, <https://oktedi.com/who-we-are/annual-performance/>, accessed 19 December 2022

Per annual report OTML did not provide any loans or loan guarantees to mining or oil and gas companies operating in the country during 2021.<sup>313</sup>

## 9.5.4 Social and quasi-fiscal expenditures

OTML supports community development through a number of mechanisms. These include:

- ▶ Contributing funding to the Ok Tedi Development Foundation (OTDF) which delivers programs focusing on health, education, infrastructure, local and regional economic development, and community and social development<sup>314</sup>
- ▶ Compensation payments
- ▶ Voluntary donations
- ▶ Funding social infrastructure projects through the tax credit scheme (TCS)
- ▶ 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 Chapter 6.

## 9.6 Mineral Resources Development Company Ltd

### 9.6.1 Creation, ownership and structure

The Mineral Resources Development Company Ltd (MRDC) was 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. Under the definition of the EITI Standard (2.6a),<sup>315</sup> MRDC is classed as a trustee rather than a state-owned enterprise, as it is not directly engaged in extractive activities, and does not pay any dividends to the State.

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.<sup>316</sup>

<sup>313</sup> Ok Tedi 2021 Annual Financial Review, <https://oktedi.com/who-we-are/annual-performance/>, accessed 19 December 2022

<sup>314</sup> OTDF Five Year Strategic Direction, [https://www.otdfpng.org/wp-content/uploads/2017/03/STRATEGIC-PLAN-2016-2020\\_compressed-09052016.pdf](https://www.otdfpng.org/wp-content/uploads/2017/03/STRATEGIC-PLAN-2016-2020_compressed-09052016.pdf), accessed 26 November 2020

<sup>315</sup> EITI Standard 2019, <https://eiti.org/document/eiti-standard-2019#r2-6>, accessed 26 November 2020

<sup>316</sup> 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

Under the OGA (s. 176), the MRDC is responsible for managing petroleum royalties, future generation, and community infrastructure trust funds.<sup>317</sup> 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.” An NEC decision in 2009 gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.<sup>318</sup>

The MOA 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.<sup>319</sup>

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.<sup>320</sup>
- ▶ Direct equity in resource projects, including the following:<sup>321</sup>
  - ▶ 3.94% in the Ramu Nickel Project
  - ▶ 2.50% in the McArthur River Mine
  - ▶ 2.80% in the PNG LNG Project
- ▶ Subsidiary companies that hold equity interests in trust for landowners. The boards of these companies are chaired by landowners.<sup>322</sup>

MRDC Group of Companies hold the following interests of Landowners and Provincial Governments in Mining and Petroleum Projects in PNG.<sup>323</sup>

Table 109: MRDC subsidiaries and ownership structure

Company	Ownership structure	Underlying asset	% Ownership of asset	Beneficiary <sup>324</sup>
<b>Interest in Mining Projects</b>				
Mineral Resources Star Mountains Ltd (MRSM)	Wholly owned subsidiary of MRDC	Ok Tedi	9.00	10 Ok Tedi landowning communities
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Wholly owned subsidiary of MRDC	Ok Tedi	12.00	Fly River Provincial Government
Mineral Resource CMCA Holdings Ltd	Wholly owned subsidiary of MRDC	Ok Tedi	12.00	CMCA regions – Western Province
Mineral Resource Enga Ltd (MRE)	Managed by MRDC on behalf of the shareholders	Porgera	5.00	Porgera Landowners and Enga Provincial Government
Mineral Resources Ramu Ltd	Equity held directly by MRDC	Ramu Nickel Project	2.50	MRDC
Mineral Resource Madang Ltd (MRM)	Wholly owned subsidiary of MRDC	Ramu Nickel Project	2.50	Ramu landowners
<b>Interest in Oil Projects</b>				
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%)

<sup>317</sup> Oil and Gas Act s. 176. [http://www.pacii.org/pg/legis/consol\\_act/oaga199894/](http://www.pacii.org/pg/legis/consol_act/oaga199894/), accessed 26 November 2020

<sup>318</sup> Company Profile document emailed from MRDC, p. 5

<sup>319</sup> Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 26 November 2020

<sup>320</sup> It appears that only Mineral Resources Enga comes into this category, but this has not been confirmed by MRDC

<sup>321</sup> Direct communication from MRDC, 3 December 2019

<sup>322</sup> 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.

Validation of Papua New Guinea, p.53, [https://eiti.org/sites/default/files/documents/comments\\_from\\_the\\_msg\\_merged.pdf](https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf), accessed 26 November 2020.

<sup>323</sup> Mineral Resources Development Company Subsidiaries, <https://www.mrdc.com.pg/our-profile.html>, 26 December 2022

<sup>324</sup> Beneficiaries from prior MRDC templates and MRDC portal, <https://www.mrdc.com.pg/our-profile.html>, 26 December 2022



Company	Ownership structure	Underlying asset	% Ownership of asset	Beneficiary <sup>324</sup>
<b>Interest in Mining Projects</b>				
				Southern Highlands landowners: Fasu (1.1553%) and Foe (0.696%) Gulf landowners (Kikori (1.8%))
Petroleum Resources Gobe Ltd (PRG)	Wholly owned subsidiary of MRDC	PDL3 and PDL 4 Gobe Oil fields	2.00	Landowners in the Southern Highlands Province and Gulf Province – Erave and Kikori
Petroleum Resources Moran Ltd (PRM)	Wholly owned subsidiary of MRDC	PDL 5	2.00	Landowners in the Southern Highlands Province – Moran Huli (90%), Moran Fasu (10%)
<b>Interest in Gas Projects</b>				
Gas Resources Gigira Ltd	Wholly owned subsidiary of MRDC	PDL 1	1.13	
Gas Resources Hides 4 Ltd	Wholly owned subsidiary of MRDC	PDL 7	0.23	Southern Highlands Government
Gas Resources Juha Ltd	Wholly owned subsidiary of MRDC	PDL 9	0.13	Western (Fly River Provincial Government)
Gas Resources Angore Ltd	Wholly owned subsidiary of MRDC	PDL 8	0.13	Southern Highlands and Hela Provincial Governments
Gas Resources Kutubu Ltd	Wholly owned subsidiary of Petroleum Resources Kutubu	PDL 2	1.13	Southern Highlands Government
Gas Resources Gobe Ltd	Wholly owned subsidiary of Petroleum Resources Gobe	PDL 3 & 4	1.13	Gulf, Hela Provincial and Southern Highlands Governments
Gas Resources Moran Ltd	Wholly owned subsidiary of Petroleum Resources Moran	PDL 5	1.13	Southern Highlands Government
Gas Resources North West Moran Ltd	Wholly owned subsidiary of MRDC	PDL 6	1.13	Moran Huli, Moran Fasu landowners, Southern Highlands Provincial Government, Hela Provincial Government
Gas Resources Pipeline Ltd	Wholly owned subsidiary of MRDC	PPL 4	0.13	Landowners living in areas where the LNG pipeline runs through from Hela to Central Province
Gas Resources PNG LNG Plant Ltd	Wholly owned subsidiary of MRDC	PPFL 2	1.13	Papa, Lealea, Boera, Porebada (Central Province), Central Provincial Government

## 9.6.2 Projects and fiscal arrangements

The OGA (s. 176) sets out in some detail the structure and functions of landowner trusts.<sup>325</sup> 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 landowner representatives.<sup>326</sup>

The beneficiaries are incorporated land groups (ILGs) - legal entities recognised by the State as representing the local landowners. 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.

<sup>325</sup> Oil and Gas Act s. 176. [http://www.pacii.org/pg/legis/consol\\_act/oaga199894/](http://www.pacii.org/pg/legis/consol_act/oaga199894/), accessed 26 November 2020

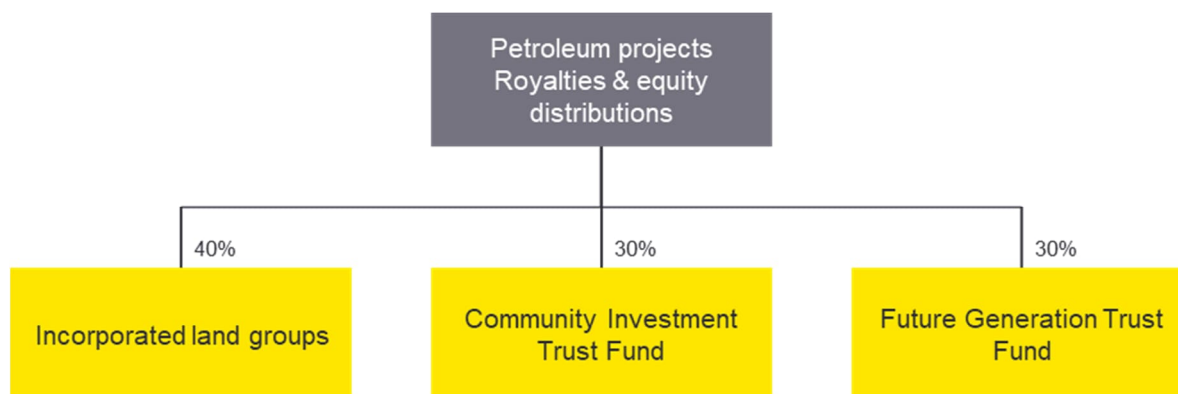
<sup>326</sup> Validation of Papua New Guinea, p.53, [https://eiti.org/sites/default/files/documents/comments\\_from\\_the\\_msg\\_merged.pdf](https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf), accessed 26 November 2020

MRDC has stated that it 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. MRDC disclosed that although there is no set fee, management fees increase relative to the size of the trustee, and all fees are approved at a Board level. The fees received are disclosed in Table 111 below. Royalty payments from oil and gas projects go from extractive industry companies to DPE and/or the Department of Finance,<sup>327</sup> and from there to MRDC.

Royalty and equity distribution payments for each project are divided as follows:

Figure 65: MRDC revenue distributions



The Community Investment Trust Fund is 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.”<sup>328</sup> This is intended to ensure that “some of the revenue is invested in infrastructure for the whole community to improve quality of life”.<sup>329</sup> Decisions on when and how to allocate these funds are made by the board of the subsidiary company.

The Future Generation Trust Fund is intended to provide landowner groups with a flow of benefits after the life of the project, “for future generations of project area landowners.”<sup>330</sup> To date no FGTF monies have been spent, in accordance with legal requirements.

Benefit Sharing Agreements may specify payments to relevant provincial and local governments as well as to landowners (Incorporated Land Groups).

<sup>327</sup> See discussion in Oil and Gas chapter re ExxonMobil payments.

<sup>328</sup> ‘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

<sup>329</sup> Ibid

<sup>330</sup> Oil and Gas Act s. 176. [http://www.pacii.org/pg/legis/consol\\_act/oaga199894/](http://www.pacii.org/pg/legis/consol_act/oaga199894/), accessed 26 November 2020

### 9.6.3 Revenue and payment streams

MRDC provided the information in Table 110 below, in relation to their subsidiary entities and the associated trusts for the year 2021.

Table 110: MRDC subsidiaries: reported receipts for 2021

Subsidiary/ trust entity	Share of Sales (PGK)	Received from	Dividends Received (PGK)	Received from
Petroleum Resources Kutubu Ltd (PRK)	56,676,031	Oil Search Ltd	67,438,573	BSP/PIH/PBF
Petroleum Resources Gobe Ltd (PRG)	790,150	Oil Search Ltd	2,029,156	BSP/Credit Corp/PBF
Petroleum Resources Moran Ltd (PRM)	7,492,726	Oil Search Ltd	956,000	BSP/Credit Corp/PBF
Petroleum Resources North West Moran Ltd	128,631	Oil Search Ltd	-	-
Mineral Resources Star Mountains Ltd (MRSM)	-	-	44,468,677	OK Tedi Mine/Kina Security/BSP/Credit Corp/PBF/City Pharmacy
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	-	-	60,162,299	OK Tedi Mine/Kina Security/BSP/Credit Corp/PBF/City Pharmacy
Mineral Resources CMCA Ltd	-	-	55,624,178	OK Tedi Mine/Kina Security/BSP
Gas Resources Gigira	75,894,737	Exxon Mobil	-	-
Gas Resources Gobe	1,550,877	Exxon Mobil	-	-
Gas Resources Angore	8,940,351	Exxon Mobil	-	-
Gas Resources Hides	15,168,421	Exxon Mobil	-	-
Gas Resources Juha	8,929,825	Exxon Mobil	-	-
Gas Resources Kutubu	77,059,649	Exxon Mobil	-	-
Gas Resources Moran	1,326,316	Exxon Mobil	-	-
Gas Resources North West Moran	20,530	Exxon Mobil	-	-
Gas Resources LNG PNG plant	14,786,319	Exxon Mobil	537,968	Kina Security
Gas Resources LNG Pipeline	13,648,909	Exxon Mobil	-	-
<b>Total</b>	<b>282,413,472</b>		<b>231,216,851</b>	

Table 111: MRDC subsidiaries: reported payments for 2021

Subsidiary/trust entity	Corporate income tax (PGK)	Group Income Tax (PGK)	Management Fees paid to MRDC (PGK)
Mineral Resource Enga Ltd (MRE)	-	230,275	1,083,333
Petroleum Resources Kutubu Ltd (PRK)	16,500,000	518,949	4,837,096
Petroleum Resources Gobe Ltd (PRG)	-	120,183	233,333
Petroleum Resources Moran Ltd (PRM)	1,400,000	120,183	811,974
Mineral Resources Star Mountains Ltd (MRSM)	-	210,488	3,850,498
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	-	-	1,990,320
Mineral Resources CMCA Ltd	-	-	3,287,720
Mineral Resource Madang Ltd (MRM)	-	280,458	-
Gas Resources Gigira	-	-	6,337,720
Gas Resources Gobe	-	-	170,940
Gas Resources Angore	-	-	738,421
Gas Resources Hides	-	51,429	1,321,755
Gas Resources Juha	-	-	759,475
Gas Resources Kutubu	-	-	1,581,197
Gas Resources Moran	-	-	170,940
Gas Resources LNG PNG plant	-	158,768	519,255
Gas Resources LNG Pipeline	-	146,850	2,269,255
<b>Total</b>	<b>17,900,000</b>	<b>1,837,584</b>	<b>29,963,234</b>

Table 112: Total value held in MRDC trusts for oil and gas projects

Subsidiary/trust entity	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)	CITF Expenditures on Community Based Projects
Petroleum Resources Kutubu Ltd (PRK)	51,441,563	121,081,610	19,198,891
Petroleum Resources Gobe Ltd (PRG)	20,814,480	29,182,255	46,049,313
Petroleum Resources Moran Ltd (PRM)	21,664,823	28,582,525	3,544,766
Gas Resources LNG Pipeline	16,569,020	-	-
<b>Total</b>	<b>110,489,886</b>	<b>178,846,390</b>	<b>68,792,970</b>

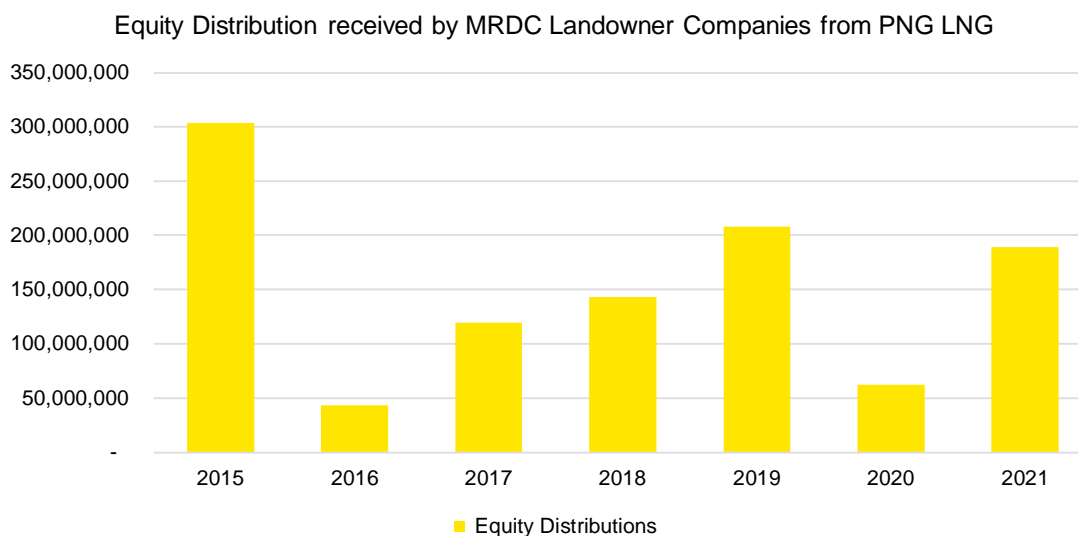
The table above reflects data as provided by MRDC. However, since payments into these funds have been disclosed for 2014–21 an accrued amount would be expected for all.

MRDC also reported the following interests, investments, and other subsidiaries.

Table 113: MRDC interest, investments, and other subsidiaries

Name of Subsidiary, JV, or Investment	Country of registration	Nature of Holding	Terms of Interest	Percentage Interest	Names of Projects or Activities
Pearl Resort Ltd- Suva	Fiji	Subsidiary Company	Full-paid equity	100%	Hospitality
Star Mountain Plaza (Operated by Hilton)	PNG	Subsidiary Company	Full-paid equity	80%	Hospitality
Taumeasina Resort - Apia	Samoa	Subsidiary Company	Full-paid equity	50%	Hospitality
Coleman Properties- Cairns	Australia	Subsidiary Company	Full-paid equity	100%	Real Estate
Hevilift	PNG	Investment Company	50% -paid equity	50%	Aviation and Logistics
Dirio Gas and Power Company Ltd	PNG	Subsidiary Company	Full-paid equity	100%	Energy
Ramu Nickel Ltd	PNG	Investment Company	Share Equity	6.94%	Mining
Ok Tedi Mines	PNG	Investment Company	Share Equity	33%	Mining
Pacific Property Trust	PNG	Subsidiary Company	Full-paid equity	100%	Property Trust
Queental Ltd	PNG	Subsidiary Company	Full-paid equity	100%	Land Development
Credit Corporation Ltd	PNG	Investment Company	Share Equity	4%	Finance
Pacific International Hospital	PNG	Investment Company	Share Equity	28%	Medical
Pacific Balanced Fund	PNG	Investment Company	Share Equity	5%	Fund Management
Bank of South Pacific	PNG	Investment Company	Share Equity	12%	Banking

Figure 66: Equity distributions received by MRDC Landowner Companies from PNG LNG



Average annual equity distribution received by MRDC Landowner Companies over the past years amounted to PGK152m. Highest collections were recorded in 2015 amounting to PGK303m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK43m.

### 9.6.4 Social and quasi-fiscal expenditure

MRDC’s discretionary social expenditure can be found in Chapter 6.

# 10

Reconciliation of revenue streams



## 10. Reconciliation of revenue streams

In this chapter, we compare 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 mining and oil and gas companies, 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

Most reporting entities were identified early in the reporting process and representatives were invited to attend a virtual training session conducted by the IA together with PNG EITI Secretariat in Port Moresby on 18 May 2022. Some additional reporting entities were identified through subsequent research and consultation. These reporting entities were briefed on requirements via phone and email.

Following the training session, the IA sent 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
  - ▶ Subnational payments

IA used a revised reporting template for SOE as recommended by the SOE Scoping Study.

The IA arranged discussions with most entities to walk through the reporting templates, provide guidance on the information provided, and answer any questions. Face to face meetings were limited due to COVID-19 precautions. 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 follow-ups. During follow-ups and subsequent communications with reporting entities, 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. IA also experienced delays in the receipt of information. The IA followed up with these entities, but nevertheless gaps remain in the report.

#### 10.1.1 Data requested

As agreed with the MSG, one of two approaches were 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

Together, the revenue streams reconciled equate to approximately 99.17% of total government revenue from the sector in 2021.

### 10.2 Reporting compliance

The template included a dashboard where the reporting entities can assess completeness of information for each section in the reporting template.

The completeness of information received from each of the reporting entities is summarised in the table below. The table indicates which entities are material under a quantitative definition, but as outlined in Chapter 2, all these entities are considered material under a qualitative definition.

Cells left blank indicate that template information was either not received or insufficient.

Table 114: Summary of information provided by reporting entities

Project	Reporting Entity*	Material under quantitative definition	2021 Financial Statements Audited	Sent by Authorized Representative	Financial	Non-financial and Subnational
				Reporting Template		
Porgera	Barrick (Niugini) Ltd	Y	Y	Y	Y	Y
	Mineral Resources Enga Ltd	N	N	Y	Y	Partial
Kainantu	K92 Mining Ltd		Y	Y	Y	Y
Lihir	Lihir Gold Ltd	Y	Y	Y	Y	Y
Kurumbukari	MCC Ramu NiCo Ltd	Y	Y	Y	Y	Y
Hidden Valley	Morobe Consolidated Goldfields Ltd	Y	Y	Y	Y	Y
Ok Tedi Mine	Ok Tedi Mining Limited	Y	Y	Y	Y	Y
Simberi	Simberi Gold Co. Ltd	Y	Y	Y	Y	Y
PNG LNG	ExxonMobil PNG Ltd	Y	Y	Y	Y	Partial
PNG LNG and Other Oil Projects	Oil Search (PNG) Ltd	Y	Y	Y	Y	Partial
PNG LNG and Other Oil Projects	Kumul Petroleum Holdings Ltd	Y	Y	Y	Y	Partial
Gobe	Merlin Petroleum Company	N	Y - Part of JX Nippon Annual Report	Y	Y	Partial
	Ampolex Highlands Ltd	N	Y - Part of ExxonMobil Annual Report	Y	Y	Partial
	Petroleum Resources Gobe Ltd	N	N	Y	Y	Y
	Barracuda Ltd	N	Y - Part of Santos Ltd Annual Report	Y	Y	Partial
Kutubu	Ampolex (PNG Petroleum) Inc	N	Y	Y	Y	Partial
	Petroleum Resources Kutubu	N	N	Y	Y	Y
	Merlin Pacific Oil Co.	N	Y - Part of ExxonMobil Annual Report	Y	Y	Partial
Moran	Esso PNG Moran Ltd	N	Y - Part of ExxonMobil Annual Report	Y	Y	Partial
	Eda Oil Ltd	N	Y - Part of ExxonMobil Annual Report	Y	Y	Partial
	Petroleum Resources Moran Ltd	N	N	Y	Y	Y
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	N	Y	Y	Y	Y
PNG LNG	Ampolex (PNG) Ltd	N	Y - Part of ExxonMobil Annual Report	Y	Y	Partial



Project	Reporting Entity*	Material under quantitative definition	2021 Financial Statements Audited	Sent by Authorized Representative	Financial	Non-financial and Subnational
				Reporting Template		
	Esso PNG Juha Ltd	Y	Y - Part of ExxonMobil Annual Report	Y	Y	Partial
	Nippon PNG LNG LLC	N	Y - Part of JX Nippon Annual Report	Y	Y	Partial
	Oil Search (LNG) Ltd	Y	Y - Part of Santos Annual Report	Y	Y	Partial
	Oil Search (Tumbudu) Limited	Y	Y - Part of Santos Annual Report	Y	Y	Partial
	Lavana Ltd	N	Y - Part of Santos Ltd Annual Report	Y	Y	Partial
	Santos (Hides) Ltd	N	Y - Part of Santos Ltd Annual Report	Y	Y	Partial
	Gas Resources Gigira	N	N	Y	Y	Partial
	Gas Resources Gobe	N	N	Y	Y	Partial
	Gas Resources Angore	N	N	Y	Y	Partial
	Gas Resources Hides	N	N	Y	Y	Partial
	Gas Resources Juha	N	N	Y	Y	Partial
	Gas Resources Kutubu	N	N	Y	Y	Partial
	Gas Resources Moran	N	N	Y	Y	Partial
	Gas Resources North West Moran	N	N	Y	Y	Partial

\*To avoid duplication, certain Companies with interest in more than one oil and gas projects are shown only once above.

Table 115: Summary of information provided by government reporting entities

Reporting Entity	2021 Financial Statements Audited	Signed Reporting Template	Sent by Authorized Representative	Financial	Non-financial and Subnational
			In protected format	Reporting Template	
Internal Revenue Commission	N	Y	Y	Y	Y
Mineral Resources Authority	N	Y	Y	Y	Y
Department of Treasury	N	Y	Y	Y	Y
Department of Petroleum and Energy	N	Y	Y	Y	Y
Department of National Planning and Monitoring	N	Y	Y	Y	N
PNG Customs	N	Y	Y	Y	N

Table 116: Summary of information provided by State-Owned Entities reporting entities

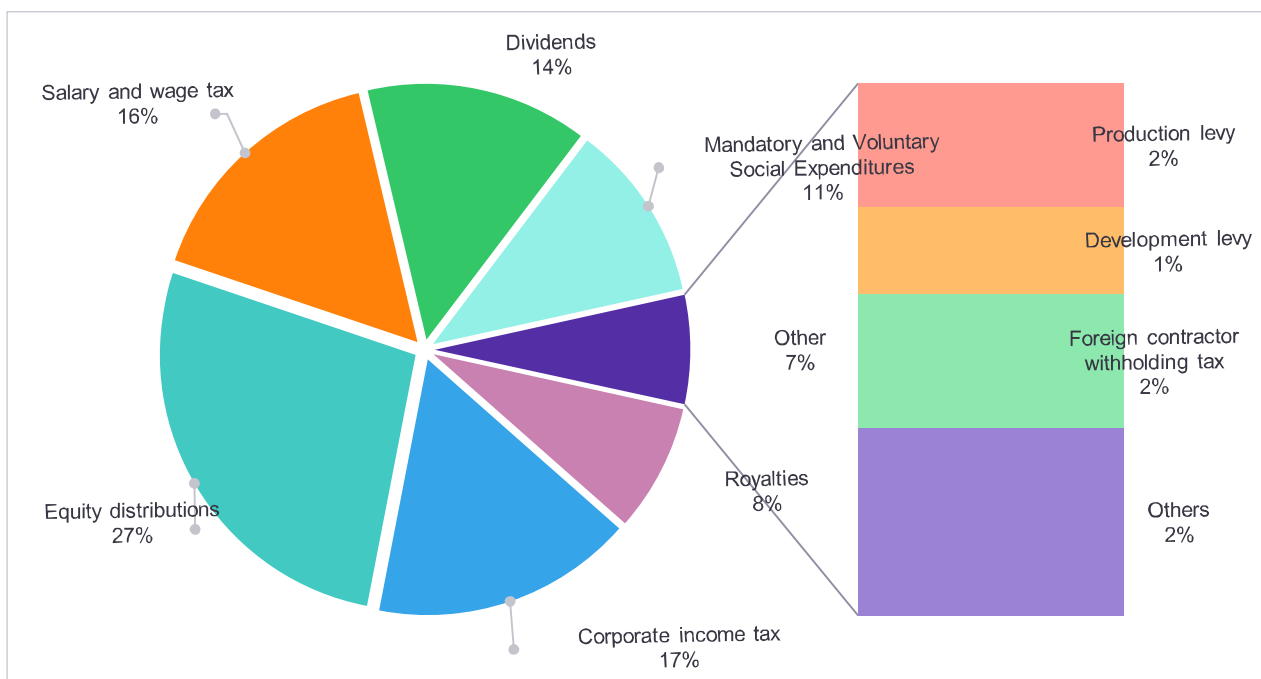
Reporting entity	2021 Financial statements audited	Sent by authorised representative in protected format	Financial	Non-financial and Subnational
		Reporting Template		
Kumul Petroleum Holdings Ltd	N	Y	Y	Partial
Ok Tedi Mining Limited	Y	Y	Y	Y
Mineral Resources Development Company	N	Y	Y	Partial

The IA received data templates in a protected format from 100% of the authorised representatives of reporting entities. Material reporting entities were also more compliant with reporting financial and non-financial information, with compliance 100%.<sup>331</sup>

### 10.3 Reconciliation overview

The following graph shows the relative size of each of the revenue streams received by the State in 2021.

Figure 67: Revenue streams received by the State



<sup>331</sup> Entities which reported partial non-financial information were counted as having complied with non-financial reporting requirements in the table.

Table 117: Summary of revenue streams reported and reconciled

	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance
		Unilateral					
Mining	Production levy	Reconciled	MRA	51,975,854	61,801,793	9,825,939	15.90%
	MRA fees	Unilateral (MRA)	MRA	-	6,584,346	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	43,848,760	43,854,222	5,461	0.01%
	Licence fees	Unilateral (DPE)	DPE	-	3,314,050	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	-	-	-	0.00%
	Equity distribution	Reconciled	SOEs	1,319,432,603	1,347,855,553	28,422,950	2.11%
	Mandatory social expenditure	Unilateral (companies)	See section 6.5	182,421,743	-	Not applicable	Not applicable
	Voluntary social expenditure	Unilateral (companies)	See section 6.5	251,901,932	-	Not applicable	Not applicable
	Dividends	Reconciled	State and Landowners	750,000,000	540,755,154	(209,244,846)	-38.69%
	Salary and wage tax	Reconciled	IRC	695,976,163	624,404,789	(71,571,374)	-11.46%
	Corporate income tax	Reconciled	IRC	625,195,136	639,191,309	13,996,173	2.19%
	Foreign contractor withholding tax	Reconciled	IRC	76,614,483	66,489,875	(10,124,608)	-15.23%
Mining and petroleum	Infrastructure tax credit – 2. ITC offset from tax paid in reporting period	Reconciled	IRC	110,255,512	193,407,726	83,152,214	42.99%
	Infrastructure tax credit – 1. ITC actually spent on projects in reporting period	Reconciled	DNPM	104,482,901	56,966,177	(47,516,724)	-83.41%
	Business payments tax	Unilateral (IRC)	IRC	Not applicable	4,940,750	Not applicable	Not applicable
	Dividend withholding tax	Unilateral (IRC)	IRC	Not applicable	-	Not applicable	Not applicable
	Interest withholding tax	Unilateral (IRC)	IRC	Not applicable	6,883,758	Not applicable	Not applicable
	Management fee withholding tax	Unilateral (IRC)	IRC	Not applicable	2,775,254	Not applicable	Not applicable
	Royalty withholding tax	Unilateral (IRC)	IRC	Not applicable	4,133,793	Not applicable	Not applicable
	Goods and services tax	Unilateral (IRC)	IRC	7,713,908	11,434,430	3,720,522	32.54%
	Environmental permit fees	Reconciled	CEPA	8,652,906	9,222,547	569,641	6.18%
	Royalties - MRA	Reconciled	MRA landowners and subnational governments	195,493,285	212,271,641	16,778,356	7.90%
Royalties - DPE	Reconciled	DPE, landowners and subnational governments	167,859,295	99,026,387	(68,832,908)	-69.51%	
Import Duty	Reconciled	Customs	28,712,914	21,811,766	(6,901,149)	-31.64%	
Excise Duty	Reconciled	Customs	7,641,954	22,132,807	14,490,853	65.47%	

## 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.

## 10.5 Mining and oil gas payments 2021

### 10.5.1 Corporate income tax (mining and petroleum tax)

Corporate income tax is paid by resource companies to the IRC.



Corporate income tax reported by companies is reconciled with data reported by the IRC in the table below.

Table 118: Reconciliation of corporate income tax payments

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Ok Tedi	Ok Tedi Mining Ltd	96,900,214	96,900,214	0	0.00%	
Kainantu	K92 Mining Ltd	40,610,841	40,610,841	0	0.00%	
Simberi	Simberi Gold Co. Ltd	19,817,715	0	(19,817,715)	-100.00%	
Oil Projects	Santos Limited	24,962,050	48,455,386	23,493,336	48.48%	Note A
SE Mananda	Petroleum Resources Kutubu (SE Mandana) Ltd	16,500,000	0	(16,500,000)	-100.00%	
Moran	MRDC Petroleum Resources Moran Ltd	1,400,000	1,400,000	0	0.00%	
PNG LNG	ExxonMobil PNG Ltd	345,518,485	345,496,026	(22,459)	-0.01%	
Oil Projects	Oil Search Ltd	0	12,576,600	12,576,600	0.00%	Note A
PNG LNG	Oil Search (Tumbudu) Limited	0	12,383,828	12,383,828	0.00%	Note A
PNG LNG	Esso PNG Juha Ltd	16,357,056	16,437,446	80,390	0.49%	
PNG LNG	Ampolex (Papua New Guinea) Ltd	13,578,721	8,800,112	(4,778,609)	-35.19%	
PNG LNG	Lavana Ltd	0	10,099,077	10,099,077	0.00%	
PNG LNG	Nippon PNG LNG LLC	49,550,055	46,031,779	(3,518,276)	7.64%	
<b>Total</b>		<b>625,195,137</b>	<b>639,191,309</b>	<b>13,996,172</b>	<b>2.19%</b>	

Remarks:

- A. Oil Search reported as a group total for Oil Search Group. The corporate tax paid was for the two PNG LNG participants Oil Search (LNG) and Oil Search (Tumbudu) Ltd. No corporate tax was paid in respect of Oil Search's share in the oil projects.

## 10.5.2 Tax credit scheme (TCS)

Expenditure by mining and oil and gas companies on prescribed infrastructure developments can be claimed as a credit against tax payable.

The amount spent on prescribed TCS 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 subsequent 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.



Table 119: Reconciliation of ITCs actually spent on projects in 2021 reported by companies and DNPM

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	2,274,977	1,942,720	(332,257)	-14.60%
Ok Tedi	Ok Tedi Mining Limited	35,171,119	52,301,457	17,130,338	48.71%
PNG LNG	ExxonMobil PNG Ltd	50,878,039	0	(50,878,039)	-100.00%
Oil projects (and Hides GTE)	Santos Ltd	16,158,766	2,722,000	(13,436,766)	493.64%
<b>Total</b>		<b>104,482,901</b>	<b>56,966,177</b>	<b>(47,516,724)</b>	<b>-45.48%</b>

Table 120: Reconciliation of ITC offsets reported by companies as credit against tax payable and values provided by IRC.

Project	Company	Amount reported offset by companies (PGK)	Amount reported offset by IRC (PGK)	Variance (PGK)	Variance (%)	Remarks
Ok Tedi	Ok Tedi Mining Ltd	35,171,119	117,649,837	82,478,718	234.51%	Note A
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	61,303,690	61,907,989	604,299	0.99%	
PNG LNG	Esso PNG Juha Ltd	2,897,423	2,932,351	34,928	1.21%	
PNG LNG	Ampolex (Papua New Guinea) Ltd	2,894,300	2,929,089	34,789	1.20%	
PNG LNG	Nippon PNG LNG LLC Santos	7,988,979	7,988,460	(519)	-0.01%	
<b>Total</b>		<b>110,255,512</b>	<b>193,407,726</b>	<b>83,152,214</b>	<b>75.42%</b>	

Remarks:

- A. IRC provided updated ITC amount, however, this has yet to be reconciled with Ok Tedi as at reporting date.

### 10.5.3 Salary and wage tax (group tax)

Salary and wage tax (also referred to as 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.



Salary and wage tax reported by material companies is reconciled with data reported by the IRC in the table below.

Table 121: Salary and wage tax 2021

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	145,559,129	145,559,129	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	118,681,000	118,681,380	380	0.00%	
Ok Tedi	Mineral Resources Star Mountains Ltd	210,488	0	(210,488)	-100.00%	
Porgera	Barrick (Niugini) Ltd	37,528,173	37,528,173	0	0.00%	
Porgera	Mineral Resources Enga Ltd	230,275	167,743	(62,532)	-27.16%	
Ramu Nickel	MCC Ramu NiCo Ltd	54,812,367	54,812,367	0	0.00%	
Ramu Nickel	Mineral Resources Madang Ltd	280,458	0	(280,458)	-100.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	41,912,424	25,643,793	(16,268,631)	-38.82%	Note A
Kainantu	K92 Mining Ltd	29,099,776	28,213,184	(886,592)	-3.05%	Note B
Simberi	Simberi Gold Co. Ltd	22,519,246	20,024,756	(2,494,490)	-11.08%	
Oil projects	Oil Search Ltd	102,288,165	80,120,099	(22,168,066)	-21.67%	
SE Mananda	Petroleum Resources Kutubu (SE Mandana) Ltd	518,949	0	(518,949)	-100.00%	
Moran	Petroleum Resources Gobe Ltd	120,183	120,183	0	0.00%	
Gobe	Barracuda Ltd	0	281,734	281,734	0.00%	
Moran	Petroleum Resources Moran Ltd	120,183	120,183	0	0.00%	
PNG LNG	ExxonMobil PNG Ltd	110,537,833	100,778,885	(9,758,948)	-8.83%	
PNG LNG	Kumul Petroleum (Kroton) Ltd	22,615,241	0	(22,615,241)	-100.00%	
PNG LNG	Gas Resources Hides No.4 Ltd	51,429	0	(51,429)	-100.00%	
PNG LNG	Gas Resources LNG PNG plant	158,768	0	(158,768)	-100.00%	
PNG LNG	Gas Resources LNG Pipeline	146,850	0	(146,850)	-100.00%	
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	8,585,226	8,585,226	0	0.00%	
Trustee	Mineral Resources Development Co. Ltd	0	3,767,955	3,767,955	0.00%	
<b>Total</b>		<b>695,976,163</b>	<b>624,404,790</b>	<b>(71,571,373)</b>	<b>-10.28%</b>	

Notes:

- A. Morobe Consolidated Goldfields Ltd - Difference pertain to timing of receipt of payments
- B. K92 Mining Ltd - Difference appears to be due to SWT for December 2020 paid in 2021.

## 10.5.4 Foreign Contractor Withholding Tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG.



Foreign contractor withholding tax reported by material companies is reconciled with data reported by the IRC in the table below:

Table 122: Foreign Contractor Withholding tax 2021

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)	Remarks
Lihir	Lihir Gold Ltd	24,973,267	24,973,267	0	0.00%	
Ok Tedi	Ok Tedi Mining Limited	17,684,695	17,684,695	0	0.00%	
Porgera	Barrick (Niugini) Ltd	340,654	340,654	0	0.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	1,186,130	1,186,130	0	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	1,731,781	970,545	(761,235)	-43.96%	Note A
Simberi	Simberi Gold Co. Ltd	949,560	746,283	(203,278)	-21.41%	
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	15,039,702	12,495,943	(2,543,759)	-16.91%	
Oil Projects	Oil Search (PNG) Ltd	12,678,396	7,981,489	(4,696,906)	-37.05%	
Kutubu	Merlin Petroleum Company	1,919,430	0	(1,919,430)	-100.00%	
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	110,869	110,869	0	0.00%	
<b>Total</b>		<b>76,614,484</b>	<b>66,489,875</b>	<b>(10,124,608)</b>	<b>-13.22%</b>	

Notes:

- A. Morobe Consolidated Goldfields Ltd - Difference pertain to timing of receipt of payments

## 10.5.5 Goods and Service Tax

Goods and Service Tax (GST) is a tax, which is imposed on the sale of goods and services in Papua New Guinea or the importation of goods into Papua New Guinea. GST is imposed at a rate of 10% of the value of the goods and services sold (or goods imported).



GST tax reported by material companies is reconciled with data reported by the IRC in the table below:

Table 123: Goods and Service Tax reported in 2021

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)
Ramu Nickel	MCC Ramu NiCo Ltd	10,524,358	0	(10,524,358)	-100.00%
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	7,825,200	11,434,430	3,609,230	46.12%
PNG LNG	Esso PNG Juha Ltd	(14,135,580)	0	14,135,580	-100.00%
PNG LNG	Kumul Petroleum (Kroton) Ltd	3,499,930	0	(3,499,930)	-100.00%
<b>Total</b>		<b>7,713,908</b>	<b>11,434,430</b>	<b>3,720,522</b>	<b>48.23%</b>

Lihir Gold Limited and Total E&P reported GST credits/refunds amounting to PGK89m and PGK17m, respectively.

### 10.5.6 Other taxes (not reconciled)

Extractive industry tax revenue streams that were not identified as material are reported in aggregate in the table below.

Table 124: Other taxes reported by IRC

Tax revenue stream (non-material)	Total reported by IRC for extractive industry companies (PGK)
Management fee withholding tax (MFWT)	2,775,254
Interest withholding tax (IWT)	6,883,758
Business payments tax (BPT)	4,940,750
Royalty withholding tax (PRWT)	4,133,793
<b>Total</b>	<b>18,733,555</b>

Other taxes represent less than 2% of the total revenue received by the government.

### 10.5.7 Dividend and Return of Capital

For the purposes of this report, dividends refer to payments from SOEs to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. Dividends are deposited with Treasury.



The information provided by reporting entities and the entity receiving the dividend payments in 2021 are summarised below.



Table 125: Reconciliation of dividend payments to Treasury and Landowners

Company (Dividends)	Paid to	Total Project Paid (PGK)	Reported received by SOEs / Landowners (PGK)	Variance (PGK)	Variance (%)
Ok Tedi Mining Limited	Treasury	301,500,000	80,500,000	-221,000,000	-73%
Ok Tedi Mining Limited	Mineral Resources OK Tedi Star No.2 Ltd	54,000,000	60,162,299	6,162,299	11%
Ok Tedi Mining Limited	Mineral Resources Star Mountains Ltd (MRSM)	40,500,000	44,468,677	3,968,677	10%
Ok Tedi Mining Limited	Mineral Resources CMCA Ltd	54,000,000	55,624,178	1,624,178	3%
Kumul Petroleum Holdings Limited	Treasury	300,000,000	300,000,000	-	0%
<b>Total</b>		<b>750,000,000</b>	<b>540,755,154</b>	<b>-209,244,846</b>	<b>-38.69%</b>

### 10.5.8 Mandatory social expenditure (not reconciled)

Mandatory social expenditure as reported by the resource companies is detailed in Chapter 6.

### 10.5.9 Discretionary social expenditure (not reconciled)

Discretionary social expenditure as reported by the resource companies is detailed in Chapter 6.

### 10.5.10 Environment permit fees and user charges

There were no oil and gas decommissioning bonds or mine closure bonds received or managed during the reporting period.

Environmental permit and user charges are paid by mining and oil and gas entities to CEPA. The total fees reported by CEPA for the 2021 are illustrated below.

Table 126: Fees reported by CEPA for 2021

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	1,136,473	1,136,473	0	0.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	1,056,053	1,056,053	0	0.00%	
Hidden Valley	Harmony	733,170	190,000	(543,170)	-74.09%	Note A
Kainantu	K92 Mining Ltd	530,325	530,135	(190)	-0.04%	
Simberi	Simberi Gold Co. Ltd	0	1,066,200	1,066,200	0.00%	
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	1,388,213	1,931,383	543,170	39.13%	
PNG LNG	Oil Search Ltd	1,350,453	1,350,453	0	0.00%	
PNG LNG	Esso PNG Juha Ltd	543,170	0	(543,170)	-100.00%	
PNG LNG	Gas Resources Hides No.4 Ltd	0	8,570	8,570	0.00%	
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	1,915,049	1,953,280	38,231	2.00%	
<b>Total</b>		<b>8,652,906</b>	<b>9,222,547</b>	<b>569,641</b>	<b>6.58%</b>	

Note A – Hidden valley provided remittance document supporting the payment of PGK543,170. This is yet to be confirmed by CEPA.

## 10.6 Mining payments 2021

### 10.6.1 Production levy

The production levy is paid by mining companies to the MRA.



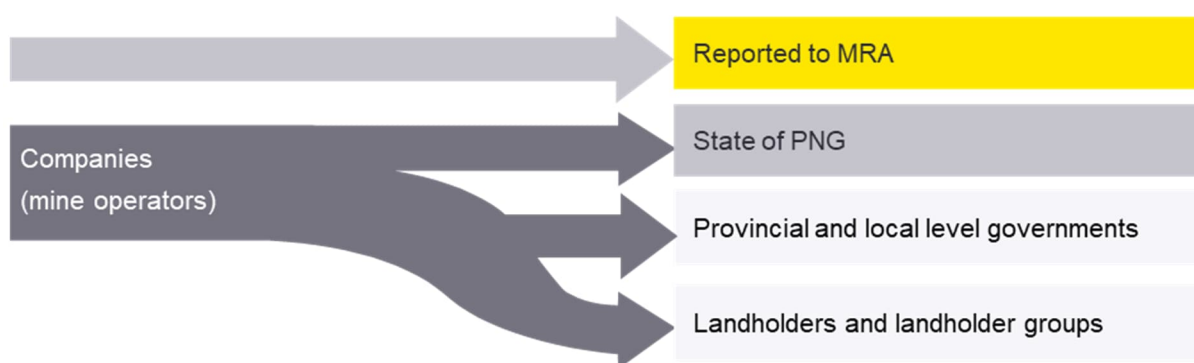
Amounts reconciled in the table below are payments made to the MRA during 2021. Payments are made annually in arrears in the year following the year of production to which the payment relates.

Table 127: Reconciliation of production levy

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	21,775,242	23,923,148	2,147,906	9.86%	
Ok Tedi	Ok Tedi Mining Limited	18,540,000	18,538,946	(1,054)	-0.01%	
Porgera	Barrick (Niugini) Ltd	4,800,695	4,800,695	0	0.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	3,549,607	3,459,607	(90,000)	-2.54%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	5,290,371	5,290,371	0	0.00%	
Kainantu	K92 Mining Ltd	2,820,634	2,800,634	(20,000)	-0.71%	
Simberi	Simberi Gold Co. Ltd	0	2,988,392	2,988,392	0.00%	
<b>Total</b>		<b>56,776,549</b>	<b>61,801,793</b>	<b>5,025,244</b>	<b>8.85%</b>	

### 10.6.2 Mining royalties

Mining royalties are calculated and paid directly by mine operators to beneficiaries monthly 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 reporting entities are provided in Chapter 6.

Table 128: Reconciliation of mining royalty payments paid to local/provincial government (as reported by the MRA)

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	69,421,599	69,421,601	2	0.00%	
Ok Tedi	Ok Tedi Mining Limited	30,453,422	37,277,638	6,824,216	22.41%	
Ramu Nickel	MCC Ramu NiCo Ltd	6,391,144	10,863,681	4,472,537	69.98%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	12,326,829	12,126,598	(200,231)	-1.62%	
Kainantu	K92 Mining Ltd	2,750,697	7,100,617	4,349,921	158.14%	Note A
Simberi	Simberi Gold Co. Ltd	455,207	387,361	(67,847)	-14.90%	
<b>Total</b>		<b>121,798,898</b>	<b>137,177,495</b>	<b>15,378,597</b>	<b>12.63%</b>	

**Remarks:**

- A. K92 Mining Ltd - Difference relates to amounts paid directly to BLA and not the MRA.

Table 129: Reconciliation of mining royalty payments paid to landowners (as reported by the MRA)

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	16,487,630	16,485,630	(2,000)	-0.01%	Note A
Ok Tedi	Ok Tedi Mining Limited	30,291,943	17,034,291	(13,257,652)	-43.77%	
Ramu Nickel	MCC Ramu NiCo Ltd	12,256,736	24,180,451	11,923,715	97.28%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	11,018,360	8,356,666	(2,661,694)	-24.16%	
Kainantu	K92 Mining Ltd	0	5,423,306	5,423,306	0.00%	Note B
Simberi	Simberi Gold Co. Ltd	3,612,158	3,370,038	(242,121)	-6.70%	
<b>Total</b>		<b>73,666,826</b>	<b>74,850,382</b>	<b>1,183,555</b>	<b>1.61%</b>	

**Remarks:**

- A. Per Lihir Gold Limited, 20% Gross Royalties paid to Landowners was K17,355,400. Amount per table above of K16,487,630 is net after deduction of 5% Royalty Tax.
- B. K92 Mining Ltd - Difference relates to amounts paid directly to BLA and not the MRA.

**10.6.3 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 130: Fees paid to MRA (unilaterally disclosed)

Fee reported	Amount reported received (PGK)
Alluvial levies	2,624,882
Mine security deposits	70,200
Exploration security deposits	138,000
Mining lease rentals	468,572
Exploration	1,827,164
Data sale fees	110,726
Applications, extension, renewal, transfer and dealings fees (related to exploration)	637,450
Applications, extension, renewal, transfer and dealings fees (related to mining)	707,352
<b>Total</b>	<b>6,584,346</b>

MRA tenement fees represent less than 2% of the total revenue received by the government

## 10.6.4 Equity distributions and share of sales



Table 131: Reconciliation of Equity Distribution

Project	Company	Total Project Paid (PGK)	Reported received by SOEs / Landowners (PGK)	Variance (PGK)	Variance (%)	Remarks
PNG LNG	KPHL	1,130,529,620	1,130,529,620	-	0.00%	
PNG LNG	MRDC Landholders	188,902,983		188,902,983	0.00%	
PNG LNG	Gas Resources Gigira		75,894,737	-75,894,737	-100.00%	
PNG LNG	Gas Resources Gobe		1,550,877	-1,550,877	-100.00%	
PNG LNG	Gas Resources Angore		8,940,351	-8,940,351	-100.00%	
PNG LNG	Gas Resources Hides		15,168,421	-15,168,421	-100.00%	
PNG LNG	Gas Resources Juha		8,929,825	-8,929,825	-100.00%	
PNG LNG	Gas Resources Kutubu		77,059,649	-77,059,649	-100.00%	
PNG LNG	Gas Resources Moran	0	1,326,316	-1,326,316	-100.00%	
PNG LNG	Gas Resources North West Moran	0	20,530	-20,530	-100.00%	
<b>Total</b>		<b>1,319,432,603</b>	<b>1,347,855,553</b>	<b>-28,422,950</b>	<b>-2.11%</b>	

Equity distribution amounts were provided by KPHL and MRDC, participants of PNG LNG project, which was confirmed by ExxonMobil in its capacity as operator of PNG LNG project.

MRDC provided a break-up of the equity distribution receipts per landowner.

Overall equity distribution is substantially reconciled with -2.11% unreconciled difference.

## 10.6.5 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 1998.2 Santos pays the levy to DPE by cheque. ExxonMobil PNG Ltd pays the levy to Bank of PNG via electronic transfer and sends remittances advice 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 for control purposes. Finance then administers 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 132: Reconciliation of development levy

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	39,204,822	39,202,275	(2,547)	-0.01%
Oil Projects	Santos Ltd	4,643,939	4,651,947	8,008	0.17%
<b>Total</b>		<b>43,848,760</b>	<b>43,854,222</b>	<b>5,461</b>	<b>0.01%</b>

Remarks:

- ExxonMobil and Oil Search reported development levies on behalf of the projects operated
- Santos variance with DPE relates to reactivation of NWM PDL6 Development Levy Trust Account in year 2021 and advised Oil Search to resubmit year 2019 Development Levy cheque amount of K8,008.46 which was banked in 2021

Overall development levy is substantially reconciled with 0.01% unreconciled difference.

Table 133: Development levy reported by other participants of the project

Project	Reporting company	Amount reported paid (PGK)
PNG LNG	Nippon PNG LNG LLC	6,681,697
PNG LNG	Kumul Petroleum (Kroton) Ltd	7,055,462
<b>Total</b>		<b>13,737,159</b>

These development levies are already reported by operators on behalf of participants of respective projects.

### 10.6.6 Oil and gas royalties

Oil Search (Santos) pays royalties to DPE by cheque. ExxonMobil PNG Ltd pays royalties to Bank of PNG via electronic transfer and sends transmittal reports to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.



Table 134: Reconciliation of oil and gas royalty payments

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Oil & Gas Projects	ExxonMobil PNG Ltd	101,033,939	72,752,022	(28,281,916)	-27.99%
PNG LNG	Santos	26,282,373	26,274,364	(8,009)	-0.03%
<b>Total</b>		<b>127,316,312</b>	<b>99,026,387</b>	<b>(28,289,925)</b>	<b>-28.57%</b>

Table 135: Royalties reported by participants of the project

Project	Reporting company	Amount reported paid (PGK)
PNG LNG	Nippon PNG LNG LLC	6,681,697
PNG LNG	Kumul Petroleum (Kroton) Ltd	6,597,709
PNG LNG	Gas Resources LNG Pipeline	5,107,019
PNG LNG / Kutubu	Merlin Petroleum Company	5,602,906
<b>Total</b>		<b>23,989,331</b>

Remarks:

These royalty payments are already reported by operators on behalf of participants of respective projects.

### 10.6.7 Additional profits tax

In 2021, the additional profits tax was applicable to all resource projects (subject to the terms of any applicable fiscal stability agreements - see section 4.8.4).



There were no reported additional profits tax in 2021.

### 10.6.8 DPE fees (unilateral)

Fees and other application fees are paid by the oil and gas industry to DPE.



Table 136: DPE reported fees

No. of Licenses	Type licenses	Fees (PGK)
61	Petroleum Prospecting License (PPL)	1,094,050
14	Petroleum Retention License(PRL)	420,000
9	Petroleum Development License(PDL)	1,000,000
7	Petroleum Pipeline License(PPL)	600,000
3	Petroleum Processing Facility License (PPFL)	200,000
<b>Total</b>		<b>3,314,050</b>

Licence fees represent less than 2% of the total revenue received by the government.

## 10.6.9 Import Duty and Excise Duty

Table 137: Import Duty and Excise Duty

Reporting Company	Amount reported paid (PGK)	Per Customs		Final Variance (PGK)	Final variance (%)
		Import Duty Amount reported received (PGK)	Excise Taxes Amount reported received (PGK)		
Lihir Gold Limited	21,602,475	6,852,622	7,053,839	-7,696,014	-55.34%
OK Tedi Mining Ltd	17,761	9,576,313	781,963	10,340,515	99.83%
Simberi Gold Company Limited	0	508,360	0	508,360	100.00%
Mineral Resources Development Limited	0	175	0	175	100.00%
Exxon Mobil PNG Limited	0	677,222	40,557	717,779	100.00%
Barrick Niugini Ltd	6,728,677	1,962,309	5,168,210	7,130,519	100.00%
Ramu Nico Management (MCC) Limited	381,762	185,134	0	-196,628	-106.21%
Oil Search (PNG) Limited	0	839,326	116	839,442	100.00%
K92 Mining Limited	0	535,661	2,134,700	2,670,361	100.00%
Total E&P PNG LTD	0	259	132	391	100.00%
Morobe Consolidated Goldfield Limited	7,624,193	674,385	6,952,856	3,048	0.04%
<b>Total</b>	<b>36,354,868</b>	<b>21,811,766</b>	<b>22,132,373</b>	<b>14,317,948</b>	<b>32.58%</b>

## Data quality and audit of financial statements 2021

Most government departments and agencies, and some SOEs, do not yet have audited statements for the reporting period, and previous audits indicate serious flaws (see Table below). Improved data assurance was the subject of a recommendation in previous reports (see section 11). In certain cases where significant variances were identified in the reconciliation, or the other party did not provide data, we requested evidence of payments, which in some cases (for example, Exxon) was received and sighted by the IA.

The IA met with the Auditor General's office to gain a better understanding of the current audit status of the relevant SOEs and government agencies. This has resulted in some updates below, but in most cases the audit reports are not yet public and have not been sighted by the IA.

Other than the reconciliation process, no quality assurance, audit, verification, or review has been provided to test or confirm the accuracy of the data. The variances identified during the reconciliation process - some of which were resolved on further investigation - are in themselves indicative of flaws in processes and/or record-keeping.

Table 138: Overview of status of financial audits for EITI reporting entities for the reporting period<sup>332</sup>

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
<b>Mining</b>				
Crater Gold	Anomaly Ltd	FY2021	Audited by RSM. No qualifications noted.	<a href="http://www.cratergold.com.au/irm/content/annual-report.aspx?RID=226">http://www.cratergold.com.au/irm/content/annual-report.aspx?RID=226</a>
Barrick Gold Corporation	Porgera Mine – Barrick (Niugini) Ltd	FY2021	Under care and maintenance	<a href="http://www.barrick.com/annual-report-2021">Annual Report 2021 (q4cdn.com)</a>
Newcrest Mining Ltd	Lihir Gold Ltd	FY2021	Audited by EY. No qualifications noted.	<a href="https://www.newcrest.com/sites/default/files/2021-09/20393_Newcrest_AR_2021.pdf">https://www.newcrest.com/sites/default/files/2021-09/20393_Newcrest_AR_2021.pdf</a>
Metallurgical Corporation of China Ltd. (MCC)	MCC Ramu NiCo Ltd	FY2021	Audit by Deloitte Touché Tohmatsu CPA LLP. No qualifications noted.	<a href="http://www.mcc.com.cn/mccen/channel/_325446/831400/2022042616521657378.pdf">http://www.mcc.com.cn/mccen/channel/_325446/831400/2022042616521657378.pdf</a>

<sup>332</sup> Where a financial statement audit was not conducted for this period, the most recent audit report available is listed.

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
Kainantu	K92 Mining Limited	FY2021	Audited by PWC. No qualifications noted	<a href="https://sec.report/otc/financial-report/276111">https://sec.report/otc/financial-report/276111</a>
Harmony Gold Mining Ltd	Hidden Valley JV	FY2021	Audit by PwC. No qualifications noted.	<a href="https://www.har.co.za/21/download/HAR-IR21.pdf">https://www.har.co.za/21/download/HAR-IR21.pdf</a>
	Ok Tedi Mining Limited	2021	Financial audit by PWC. No qualifications noted. ESG audit by Materiality Counts. No qualifications noted.	<a href="https://oktedi.com/who-we-are/annual-performance/">https://oktedi.com/who-we-are/annual-performance/</a>
St Barbara Ltd	Simberi Gold Co. Ltd	FY2021	Audit by PwC. No qualifications noted.	<a href="https://stbarbara.com.au/2021.09.17-asx-2021-annual-report.pdf">2021.09.17-asx-2021-annual-report.pdf (stbarbara.com.au)</a>
<b>Oil and gas</b>				
Santos	Santos (and subsidiaries)	2021	Audited by EY. No qualifications noted.	<a href="https://www.santos.com/ASX/MediaRelease">ASX / Media Release (santos.com)</a>
JX Nippon Oil and Gas Exploration Corporation	JX Nippon Oil and Gas (and subsidiaries)	Year ending March 31, 2021	ENEOS Holdings, Inc. and Consolidated Subsidiaries – Audited by EY. No qualifications noted.	<a href="https://www.eneos.com/Integrated-Report">Integrated Report (Annual Reports &amp; Fact Books)   IR Library   ENEOS Holdings</a>
ExxonMobil	ExxonMobil PNG Ltd (PNG LNG project operator)	2021	SEC filings Form 10K Financial statements audited by PWC. No qualifications noted.	<a href="https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_XOM_2021.pdf">https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_XOM_2021.pdf</a>
<b>State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea</b>				
Ok Tedi Mining Limited			See Ok Tedi Mining Limited above for details.	<a href="https://oktedi.com/who-we-are/annual-performance/">https://oktedi.com/who-we-are/annual-performance/</a>
Kumul Petroleum Holdings Ltd		2019	<b>Comments on Financial Statements:</b> 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 year ended 31 December 2019 had been completed and the results were being evaluated. 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 year ended 31 December 2020 was in progress.	<a href="https://www.ago.gov.pg/images/Part_4_Report_2020.pdf">https://www.ago.gov.pg/images/Part_4_Report_2020.pdf</a>
Mineral Resources Development Company Ltd		2016	<b>Comments on Financial Statements:</b> Qualified opinion issues for 2016. 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 2017 and 2018 were in progress. The Company had not submitted its financial statements for the years ended 31 December 2019 and 2020 for AGO inspection and audit.	<a href="http://www.ago.gov.pg/images/Part_4_Report_2019.pdf">http://www.ago.gov.pg/images/Part_4_Report_2019.pdf</a>



Entity	Year audited	Qualifications / emphasis of matter / comments	Source
<b>Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea</b>			
Conservation and Environment Protection Authority	2017	<b>Comments on Financial Statements:</b> 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 2018 was in progress. The Authority had submitted its financial statements for the years ended 31 December 2019 and 2020 for AGO inspection and audit.	<a href="http://www.ago.gov.pg/images/Part_4_Report_2020.pdf">http://www.ago.gov.pg/images/Part_4_Report_2020.pdf</a>
Internal Revenue Commission	2017	<b>Comments on Financial Statements:</b> 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 Commission for the years ended 31 December 2016 and 2017 had been completed on 23 April 2019 and 20 June 2019 respectively. The Management responded to the 2016 management letter on 20 August 2020, however, I was not able to issue the report due to outstanding issues relating to the financial statements. The Management responses along with the signed financial statements for 2017 were being awaited to finalise the audit reports. The Commission had not submitted its financial statements for the years ended 31 December 2018, 2019, and 2020 for my inspection and audit.	<a href="http://www.ago.gov.pg/images/Part_4_Report_2020.pdf">http://www.ago.gov.pg/images/Part_4_Report_2020.pdf</a> - page 9  <a href="http://irc.gov.pg/publication_guides_category/irc-annual-reports/">http://irc.gov.pg/publication_guides_category/irc-annual-reports/</a>
Minerals Resource Authority	2020	<b>Comments on Financial Statements:</b> My reports to the Ministers under Section 8(4) of the Audit Act on the Authority's financial statements for the year ended 31 December 2015 was issued on 21 August 2020 while 2016, 2017 and 2018 were issued on 29 March 2021. The reports contained similar Qualified Opinions, hence, only the 2018 report is reproduced.  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 2019 was in progress. The Authority had submitted its financial statements for the year ended 31 December 2020 and arrangements were being made to commence the audit shortly.	<a href="http://www.ago.gov.pg/images/Part_4_Report_2020.pdf">http://www.ago.gov.pg/images/Part_4_Report_2020.pdf</a> - page 97
Department of Treasury	2014–2015	Adverse opinion: “The results of my audit indicate that only little improvement was made, available, overall, there were still notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliations, data processing, segregation of duties, system access, management monitoring, etc. we're not sufficiently robust to prevent, detect or correct errors or fraud.”	<a href="http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf">http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf</a>
Department of Finance	2014–2015	Adverse opinion: “The results of the audit indicate ties, such as delegations, authorisations, reconciliations, data processing, segregation of duties and system access were not sufficiently robust to prevent, detect or correct error or fraud.”	<a href="http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf">http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf</a>

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
Department of Petroleum	2014	Adverse opinion: "The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safeguard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable."	<a href="http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf">http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf</a>
Department of National Planning & Monitoring	2014	Adverse opinion: "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 safeguard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable."	<a href="http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf">http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf</a>
PNG Customs	2013–2014	Adverse opinion: "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."	<a href="http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf">http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf</a>

# 11

Findings and recommendation

## 11. Findings and recommendation

The independent validation of PNG’s 2016 EITI Report found that PNG has made meaningful progress in addressing the requirements of the EITI Standard. Through the IA’s process of collecting and analysing revenue data, and via engagement with government, industry, and civil society, we have observed that the MSG and other stakeholders in the PNG EITI continue to seek to improve transparency, systems, and accountability across the extractives sector.

Based on the work we have undertaken, we present the following recommendations to enable the MSG to improve its EITI process across PNG for future reporting periods, in line with the requirements of the EITI Standard. Our recommendations from this report are outlined below.

Table 139: Findings and recommendations

Observations	Recommendations
<p>1. Address findings of Independent Validation</p> <p>The independent validation of PNG’s progress against the EITI standard identified a number of areas where progress was “inadequate”. The IA has endeavoured to address each of these through the 2017 to 2020 reporting process. Whilst the IA has seen improvements over the years, a number will still require further coordination and effort to accomplish.</p> <p>The following sections were updated in the 2021 PNG EITI Report: SOE procedures, subnational payments, production data, licence allocations and beneficial ownership.</p>	<p>We recommend that the MSG continuously address the findings made in the independent validation of the PNG EITI 2016 Report. The MSG and IA should continue to work together to fully meet the requirements of EITI standard.</p> <p>We have seen improved engagement from reporting entities and frequent discussions among participants aiming to provide clarity on certain areas of the 2021 report. Continued engagement is required to further resolve gaps.</p>
<p>2. Data collection</p> <p>Whilst the IA and National Secretariat exert considerable effort in training and co-ordinating with the reporting entities, the data collected still has the following issues:</p> <ul style="list-style-type: none"> <li>▶ Data is not being delivered in accordance with timelines and often comes in very late in the process putting pressure on deadlines</li> <li>▶ Date is incomplete and requires multiple inquiries with the reporting entities to resolve</li> <li>▶ Erroneous financial and non-financial information is submitted</li> </ul>	<p>The following is recommended:</p> <ul style="list-style-type: none"> <li>▶ Mandatory participation of representatives from all reporting entities on the PNG EITI reporting template training. We also recommend attendance of representatives of PNG Chamber of Mines and Petroleum to provide insights prior to release of reporting templates</li> <li>▶ Reporting entities should raise earlier in the process of the engagement known issues that may arise during provision of data. (i.e., difficulty in providing reserves and production data, treatment of GST refunds)</li> </ul>
<p>3. Presentation of government revenue</p> <p>During the engagement, reporting entities have presented different views on the definition and presentation of Government Revenue from the extractive industry including the way it is disclosed in the PNG EITI report.</p>	<p>We recommend the MSG to discuss with the reporting entities and other participants of the PNG EITI and put forward a definition of Government Revenue including a suggested disclosure for the PNG EITI Report. The MSG also needs to ensure this recommendation does not deviate from the EITI Standard.</p>
<p>4. Reconcile mandatory and social expenditures</p> <p>Other participating countries in EITI have started or performed a reconciliation of mandatory and voluntary social expenditures to increase transparency of the report.</p>	<p>We recommend the MSG to create a mechanism where social expenditures are reported and reconciled between the reporting entities and the recipients starting with the mandatory expenditures. This mechanism should include compliance with the contract agreement and appropriateness of amounts claimed as infrastructure tax credits in the income tax returns.</p>
<p>5. Increase data availability through PNG government web portals for licence allocation</p> <p>Progress has been observed incorporating licence information in the MRA cadastre portal and DPE starting to digitise oil and gas licence data. However, updates on mining licences have not been uploaded on the web portals. Moreover, during the initial phase of the engagement, there were discussions and plans for oil and gas licences data to be available on one of the government portals, however, this has not come to fruition.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>▶ MRA to keep up to date the information within web portals.</li> <li>▶ DPE to be more engaged in creating a licence portal accessible by the public. DPE can leverage the knowledge gained from other licensing agencies such as MRA.</li> <li>▶ We also recommend coordination with other government agencies such as BPNG and Customs to publish consistent data.</li> </ul>

Observations	Recommendations
<p>6. Assurance and compliance reviews over royalties and levies</p> <p>MRA and DPE are the government agencies who report royalties and levies, which are revenue streams paid to various landowners and local/provincial governments by the reporting entities. Reconciliation on amounts paid and reported is always a recurring issue. Based on our observation, variances arose due to insufficient compliance reviews and cross-checking whether these payments have been calculated properly and actually paid to the correct recipient which can prevent reconciliation issues.</p>	<p>We recommend MRA and DPE to perform regular inspection of amounts reported by extractive companies through the following:</p> <ul style="list-style-type: none"> <li>▶ Perform independent recalculation on amounts reported by obtaining the basis of calculation.</li> <li>▶ Obtain receipts or bank statements to support the amounts reported</li> <li>▶ Cross-check to respective recipients whether these have been actually received</li> <li>▶ Any matters or discrepancies arising from the independent checks should be explained by the extractive companies.</li> </ul> <p>These checks and balances can assist the government agencies in ensuring that payments have occurred and are complete. Propriety of payments can be a criterion when approving further licences. MRA and DPE should have access to relevant government data to support its financial close process and reconcile companies' remittances against receipts.</p>
<p>7. Improve comprehensiveness of data</p> <p>Significant variances were observed in the reconciliation process based on the initial data submitted. One of the areas that can prevent reconciliation variances is to resolve issues on unaudited data from government entities and some SOEs. Several departments and SOEs are yet to be audited for the year-ended 2021, or even some years earlier. During the initial phase of the engagement and prior to the pandemic there were plans for the AGO currently does not have the capacity to perform receipts testing on revenues relevant for the PNG EITI report, however, this is yet to be started.</p> <p>We further note that KPHL's latest audited financial statements are not available on their website.</p>	<p>Auditing the receipts of government agencies and SOE's, and early identification of issues prior to submission of data, will ensure that reporting entities provide more accurate and reliable information. The testing of receipts does not require additional resources as this can be performed as part of the audits already being performed on the reporting entities.</p> <p>To increase transparency, all SOEs financial statements should be published and included on their respective websites.</p>
<p>8. Improve consistency of data reported</p> <p>Production data for the oil and gas industry remains a challenge. There is no available public information unless derived through estimates and recalculation from participants in the oil and gas projects.</p> <p>Further, reporting of production and export data remained inconsistent for both mining and oil and gas. We note that Customs have different export data from other agencies such as BPNG, MRA and DPE</p>	<p>We recommend the following:</p> <p>DPE to have regular production data update published on its web portal. In addition to the reports provided by reporting entities, DPE should conduct inspection of data provided.</p> <p>Government agencies involved in reporting production and export data should uniformly report the type, amount, commodity and measurement used. This data should also be publicly accessible.</p>
<p>9. Co-ordinated reconciliation of sub-national payments and transfers</p> <p>Significant progress has been made in the area of subnational payments and transfers. However, complete reconciliation of material subnational payments and transfers are yet to be undertaken due to pandemic.</p> <p>We understand that the scope is complex, but this exercise will improve trust and transparency.</p>	<p>We recommend the MSG and the National Secretariat devise a work-plan that will result in the reconciliation of subnational payments and transfers. We understand that the exercise requires movement of resources and is currently limited due to restrictions.</p> <p>We recommend that PNGEITI National Secretariat should work with NEFC to improve subnational reporting for compliance to the EITI standard.</p>
<p>10. Address findings of the PNG Beneficial Ownership Report 2020</p> <p>PNG EITI released the PNG Beneficial Ownership Report 2020 which includes the approach, definitions, scope and recommendations that will need to be considered upon implementation of Beneficial Ownership disclosure.</p> <p>The report provides key deficiencies and observations such as incomplete and failure to provide data. It also lists out the challenges faced by the reporting entities when gathering data and action plans recommended by the consultant.</p>	<p>We recommend MSG and National Secretariat to address the observations and review the action plans in the PNG Beneficial Ownership Report. We understand that resolving these observations requires time and movement of resources, however, certain comments should be addressed to improve transparency and compliance to the EITI standard.</p>
<p>11. Availability of Financial Reports</p> <p>Certain companies who are participants in the mining and oil and gas projects do not have readily available financial reports. Some of these PNG companies are consolidated into their Parent Company financial reports which provides incomplete information about the PNG Company's financial and operating activities.</p>	<p>We recommend that in the absence of publicly available financial reports, this financial information should be disclosed in the PNG EITI report. Financial information about the participating Companies provides meaningful information about the revenues generated from the extractive industry and enhances transparency.</p>

Observations	Recommendations
Further, certain companies also do not have complete IPA required lodgements.	

# Appendices

## Appendix A PNG MSG members and alternates

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	GoPNG	Hon. Ian Ling-Stuckey, CMG, MP MP Treasurer & PNGEITI Chairman	Dairi Vele Secretary	Andrew Oaeko -Acting Deputy Secretary, Economic Policy Division Donald Hehona -First Assistant Secretary - Sectoral Policy Division	Department of Treasury
Voting Member	GoPNG	NIL	NIL	Jeffrey Murley- Senior Policy Officer Bruce Java	Department of Prime Minister * National Executive Council (PMNEC)
Voting Member	GoPNG	Sam Koim - Commissioner General	NIL	Ketty Masu- Director Resource Policy and Advice	Internal Revenue Commission
Voting Member	GoPNG	Jerry Garry - Managing Director	NIL	Arnold Lakamanga- Manager - GIS Mineral Information	Mineral Resources Authority
Voting Member	GoPNG	Gunther Joku - Managing Director	Michael Wau - Deputy Director - Environmental Regulation Division	Robert Sine - Manager - Mining Industry Compliance	Conservation & Environment Protection Authority (CEPA)
Voting Member	GoPNG	David Manau - Secretary Channan Kumalau - Director, Special Projects	NIL	NIL	Department of Petroleum & Energy (DPE)
Voting Member	GoPNG	Dr. Ken Ngangan Secretary	Samuel Penias Deputy Secretary - Support Wing	Margaret Tenakanai Acting Deputy Secretary - Support Services Wing	Department of Finance (DoF)
Voting Member	GoPNG	Koney Samuel Secretary	Sanja Pepae Assistant Secretary - Economic Policy Division	Langa Kopio Assistant Secretary - Social & General Policy Branch Marie Pais - First Assistant Secretary - Economic Sector Division	Department of National Planning & Monitoring (DNPM)
Voting Member	GoPNG	Harry Kore Secretary	Winterford Eko Acting Deputy Secretary	Asavi Kendua Acting Director - Mineral Policy & Legislation Division	Department of Mineral Policy & Geohazards Management
Voting Member	GoPNG	Gordon Kega, CPA Acting Auditor General	Albert Kimisi Acting Deputy Auditor General - Corporate Services Division	Lemeki Ila Deputy Auditor General - Statutory Bodies Audit Division	Auditor General's Office
Voting Member	Industry	Prof. Albert Mellam Executive Director	Leah Warupi-Morlin - Project Coordinator	Jimmy Yareba Project Coordinator	PNG Chamber of Mines & Petroleum
Voting Member	Industry	Stanley Komunt Country Manager	Stanley Komunt Manager - Government Relations & Country Office	Anna Madgwick Manager - Social Investment & National Engagement	Newcrest Mining Limited
Voting Member	Industry	Musje Werror Managing Director	Roberto Justo Acting Finance Manager	NIL	Ok Tedi Mining Limited (OTML)
Voting Member	Industry	Dr Ila Temu Executive Director	Anthony Smare General Manager - Corporate & Legal	Gertrude Tamade Elai - Senior Legal Counsel	Barrick (Niugini) Limited



Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	Industry	Kepas Wali Executive General Manager - Stakeholder Relations and Corporate Affairs PNG	Mary McKinlay Manager - Tax and Technical Accounting	Aubrey Testa Chief Financial Officer - EXCO	Harmony Gold (PNG) Exploration Limited
Voting Member	Industry	Philip Samar - Vice President - External	NIL	NIL	Kainantu Gold Mine
Voting Member	Industry	Andrew Barry - Lead Country Manager	General Manager - External Affairs	Stanley Yarka Advisor - Government Relations	Exxon Mobil PNG Limited
Voting Member	Industry	Gerea Aopi PNG Country Chairman	Wayne Kasou General Manager Government Affairs	Cornelius Soagai Government Affairs Lead	Oil Search (PNG) Limited
Voting Member	Industry	Jean-Marc Noiray Managing Director	Richard E. Kassman Manager-Exploration / Production, and PNG Chamber of Mines & Petroleum Chairman	Fiona-Opal Pagla Manager - Government Relations	Total E&P Limited
Voting Member	SOE	Isikeli Taureka Managing Director	Judith Kuk - Chief Financial Officer	Executive Manager - SOEs & Projects	Kumul Consolidated Holdings (KCH)
Voting Member	SOE	Wapu Sonk Managing Director	Luke Liria Executive Manager - Corporate Services	Greg Heaney - Chief Financial Officer	Kumul Petroleum Holdings Limited (KPHL)
Voting Member	SOE	Peter Graham Chairman & Acting Managing Director	Francis M. Lola Company Secretary & Manager, Legal	NIL	Kumul Mineral Holdings Limited (KMHL)
Voting Member	SOE	Augustine Mano Managing Director	Imbi Tagune General Manager - External Affairs	Steven Evekone Manager -External Affairs	Mineral Resources Development Company (MRDC)
Voting Member	CSO	Interim CSO Coordinator	NIL	NIL	PNG Resource Governance Coalition (PNG RGC) (c/- CIMC)
Voting Member	CSO	Peter Aitsi Chairman	Arianne Kassman Executive Director	Yuambari Haihuie Deputy Director, Policy and Advocacy Barbra Ruin Advocacy Liaison Officer Michael Arnold Communications Officer	Transparency International PNG (TIPNG)
Voting Member	CSO	Paul Barker Executive Director	Deputy Director	Steven Goie Research Officer	Institute of National Affairs (INA)
Voting Member	CSO	Wallis Yakam Executive Officer	Henry Yamo Deputy Executive Officer	Elizabeth Avaisa Snr. Project Officer - Public Budgets & Expenditure	Consultative Implementation & Monitoring Council (CIMC)
Voting Member	CSO	Executive Director	Harrison Owage Program Manager	Baru Amenu - Project Coordinator	PNG Mining Watch Association
Voting Member	CSO	Bishop Denny Guka Chairman	Isu Aluvula, MBE ML - General Secretary	NIL	PNG Council of Churches (PNGCC)
Voting Member	CSO	NIL	Alois Sinen - Legal Intern	NIL	Centre for Environmental Law & Community Rights (CELCOR)

## Appendix B Mining tenements awarded/extended 2021

The table below shows mining tenements awarded or extended during the reporting period, (as reported by MRA). A complete list of active tenements can be seen on the Mining Cadastre Portal (<https://portal.mra.gov.pg>).

### Grants 2021

Code	Name	Parties	Application Date	Grant Date	Expiry Date
AML 873	Kuminimbus	Morris Siragin (100%)	20-Jun-19	03-Jun-21	02-Jun-26
AML 874	Kuminimbus	Morris Siragin (100%)	20-Jun-19	03-Jun-21	02-Jun-26
AML 875	Kuminimbus	Morris Siragin (100%)	20-Jun-19	03-Jun-21	02-Jun-26
AML 876	Kuminimbus	Morris Siragin (100%)	20-Jun-19	03-Jun-21	02-Jun-26
AML 877	Kuminimbus	Morris Siragin (100%)	20-Jun-19	03-Jun-21	02-Jun-26
AML 878	Aperas	Danny Kameso (100%)	02-Aug-19	03-Jun-21	02-Jun-26
AML 879	Aperas	Danny Kameso (100%)	02-Aug-19	03-Jun-21	02-Jun-26
AML 881	Upper Slate Creek	Anonga Damiando (100%)	12-Sep-19	02-Aug-21	01-Aug-26
AML 904	Wewak, ESP	Titus Aulohim (100%)	15-Jan-20	03-Jun-21	02-Jun-26
AML 908	Walihiga, West Sepik	Francis Nailaba (100%)	24-Apr-20	27-May-21	26-May-26
AML 909	Walihiga	Abun Dalsum (100%)	24-Apr-20	27-May-21	26-May-26
AML 934	Yuha creek	Gilbert Kusiamo (100%)	11-Dec-20	03-Jun-21	02-Jun-26
AML 935	Mini creek	Gilbert Kusiamo (100%)	11-Dec-20	03-Jun-21	02-Jun-26
AML 993	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 994	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 995	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 996	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 997	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 998	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 999	Menangus River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 1000	Awari River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 1001	Awari River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
AML 1002	Awari River	Kay Matthew (100%)	24-Dec-20	02-Aug-21	01-Aug-26
EL 2620	Tirai	K92 Mining Limited (100%)	15-Feb-19	03-Jun-21	02-Jun-23
EL 2656	Mapamoiwa	D'Entrecasteaux Exploration Limited (100%)	03-Feb-20	29-Jan-21	28-Jan-23
EL 2657	Bolubolu	D'Entrecasteaux Exploration Limited (100%)	03-Feb-20	29-Jan-21	28-Jan-23
EL 2658	Wamun	Canterbury Resources (PNG) Limited (100%)	04-Feb-20	29-Jan-21	28-Jan-23
EL 2661	Moreguina Station	MI - DO Mining Company Limited (100%)	23-Mar-20	20-Sep-21	19-Sep-23
EL 2662	Mt. Penck	Lole Mining Limited (100%)	03-Apr-20	26-Oct-21	25-Oct-23
EL 2665	Ono river	Footprint Resources Pty Ltd (100%)	04-May-20	29-Jan-21	28-Jan-23
EL 2667	Konos, NIP	B2GOLD CORP (100%)	25-May-20	02-Aug-21	01-Aug-23
EL 2668	Aseki	Goldsearch International Limited (100%)	27-May-20	27-May-21	26-May-23

Code	Name	Parties	Application Date	Grant Date	Expiry Date
EL 2670	Mt. Kuta	Kraip Energy Limited (100%)	18-Jun-20	02-Aug-21	01-Aug-23
EL 2673	Tauya river	Footprint Resources Pty Ltd (100%)	30-Jun-20	25-Oct-21	24-Oct-23
EL 2677	Bitoi, Wau, Morobe Province	Terra Resources Limited (100%)	11-Sep-20	02-Aug-21	01-Aug-23
EL 2684	Goroka	Chryso Resources Limited (100%)	24-Nov-20	02-Aug-21	01-Aug-23
EL 2686	Kompam	Niugini Highlands Resources Limited (100%)	16-Dec-20	20-Sep-21	19-Sep-23
EL 2687	Yengis	Niugini Highlands Resources Limited (100%)	16-Dec-20	20-Sep-21	19-Sep-23
EL 2688	Hamisi	Niugini Highlands Resources Limited (100%)	16-Dec-20	20-Sep-21	19-Sep-23
EL 2689	Bewani Mountains	Niugini Highlands Resources Limited (100%)	16-Dec-20	20-Sep-21	19-Sep-23
ME 105	Kulumadau, Milne Bay Province	Woodlark Mining Limited (100%)	26-Mar-20	29-Jan-21	03-Jul-34
ME 111	Kulumadau, Milne Bay Province	Woodlark Mining Limited (100%)	11-Sep-20	03-Jun-21	03-Jul-34
ML 342	Lower Eddie Creek	Brown Bangan (100%)	16-Aug-94	02-Aug-21	01-Aug-26
ML 524	Bulolo	Gibing Darius (100%)	06-Mar-19	03-Jun-21	02-Jun-26
ML 541	Orokolo Bay	Mayur Iron PNG Limited (100%)	14-Dec-20	07-Dec-21	06-Dec-41

## Renewal 2021

Code	Name	Parties	Application Date	Grant Date	Expiry Date	Last Renewal Date	Renewal Period
EL 609	Mapua	Nord Australex Nominees (PNG) Limited (100%)	04-Mar-85	06-May-85	05-May-23	6/05/2021	18
EL 1105	Wafi Mt	Newcrest PNG 2 Limited (50%); Wafi Mining Limited (50%)	07-Jan-94	26-Jan-95	25-Jan-23	26/01/2021	13
EL 1212	Frieda	Frieda River Limited (100%)	20-Feb-97	30-May-97	29-May-23	30/05/2021	12
EL 1677	Kauwol	Ok Tedi Mining Limited (100%)	18-Aug-08	25-Mar-09	24-Mar-23	25/03/2021	6
EL 1747	Misima Island	Gallipoli Exploration (PNG) Limited (100%)	19-Aug-09	21-Mar-11	20-Mar-23	21/03/2021	5
EL 2256	Tabubil	Ok Tedi Mining Limited (100%)	12-Oct-12	20-May-13	19-May-23	20/05/2021	4
EL 2472	Tabubil	Ok Tedi Mining Limited (100%)	14-Sep-16	18-Mar-17	17-Mar-23	18/03/2021	2
EL 2482	Basima	Solway Group Mining (PNG) Limited (100%)	03-Nov-16	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2531	Tolukuma, Central Province	Frontier Copper (PNG) Limited (100%)	04-May-17	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2556	Kupiano	Mayur Iron PNG Limited (100%)	01-Nov-17	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2565	Londol	Viva Gold (PNG) Limited (100%)	02-Jan-18	27-May-19	26-May-23	27/05/2021	1
EL 2566	Abau	Munga River Limited (100%)	20-Dec-17	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2567	Buso	Munga River Limited (100%)	20-Dec-17	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2569	Sichala	Kallow Limited (100%)	24-Jan-18	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2579	Kurumbukari	MCC Ramu NiCo Limited (85%); Ramu Nickel Limited (8.56%); Mineral Resources Ramu Limited (3.94%); Mineral Resources Madang Limited (2.5%)	29-Mar-18	25-Feb-19	24-Feb-23	25/02/2021	1
EL 2591	Konos	Mayur Exploration PNG Limited (100%)	28-May-18	20-Jun-19	19-Jun-23	20/06/2021	1
EL 2594	Rambutyo	Mayur Exploration PNG Limited (100%)	20-Jul-18	09-Jan-19	08-Jan-23	9/01/2021	1

## Transfer of Tenement 2020 and 2021

Tenement Code	Name	Sub Type	Transferor	Transferee	Registered Start	Status
EL 1761	Esalala, Sewa Bay	Transfer of a Tenement	Highlands Pacific Resources Limited (100%)	Pure Minerals Limited (100%)	19/10/2020	Active
EL 2525, EL 2592	Wabo, Gulf Province	Transfer of a Tenement	Pacific Energy Consulting Limited (100%)	Gulf Resources Limited (100%)	29/01/2021	Active
EL 2558, EL 2559	Kainantu	Transfer of a Tenement	Pacific Energy Consulting Limited (100%)	Kainantu Resources Limited (100%)	29/01/2021	Active

## Appendix C Oil and gas license fees in 2021

Based on DPE reporting of License data

	Paid by Company / Operator	Amount (PGK)
<b>Petroleum Prospecting Licenses (PPL)</b>		
PPL 374	ExxonMobil PNG Limited	164,000
PPL 375	ExxonMobil PNG Limited	132,000
PPL 504	Oil Search (PNG) Ltd	12,000
PPL 666	MKS Equities Limited	19,500
PPL 402	Oil Search (PNG) Ltd	9,000
PPL 608	Oil Search (PNG) Ltd	20,000
PPL 339	Oil Search (PNG) Ltd	83,500
PPL 338	Kina Petroleum Limited	80,000
PPL 581	Kina Petroleum Limited	4,000
PPL 579	Larus Energy Limited	55,000
PPL 638 & 639	Granite Services Limited	13,550
PPL 669	Hela Investment Limited	12,000

	Paid by Company / Operator	Amount (PGK)
PPL 478	ExxonMobil PNG Limited	500
PPL 672	Moonbi Energy Limited	1,000
PPLs 645,646 & 647	Sino Industrial Energy Pty Limited	26,500
PPL 665	Concord Guangda Energy Limited	10,500
PPL 616	Benshill Corporation Limited	12,500
PPL 617	Benshill Corporation Limited	10,000
PPL 476	ExxonMobil PNG Limited	43,500
PPL 545	Oil Search (PNG) Ltd	29,500
PPL 475	ExxonMobil PNG Limited	18,000
PPL 474	ExxonMobil PNG Limited	43,500
PPL 589	Total Energies EP PNG Limited	92,000
<b>Total PPL</b>		<b>1,094,050</b>

	Paid by Company / Operator	Amount (PGK)
<b>Petroleum Retention Licenses (PRL)</b>		
PRL 41	Oil Search (PNG) Ltd	30,000
PRL 3	ExxonMobil PNG Limited	30,000
PRL 15	Total E&P PNG Limited	30,000
PRLs 48,49 & 50	Kumul Petroleum Holdings Ltd	90,000
PRL 14	Oil Search (PNG) Ltd	30,000
PRL 40 (Yr 2020)	Arran Energy Niugini Pty Ltd	30,000
PRL 40 (Yr 2021)	Arran Energy Niugini Pty Ltd	30,000
PRL 21	Arran Energy Niugini Pty Ltd	30,000
PRL 28	Arran Energy Niugini Pty Ltd	30,000

	Paid by Company / Operator	Amount (PGK)
PRL 39	ExxonMobil PNG Limited	30,000
PRL 47	Kumul Petroleum Holdings Ltd	30,000
PRL 55	Papuan Oil & Gas Limited	30,000
<b>Total PRL</b>		<b>420,000</b>
PDL 5	ExxonMobil PNG Ltd	100,000
PDLs 1,7,8 & 9	ExxonMobil PNG Ltd	400,000
PDL 6	Oil Search (PNG) Ltd	100,000
PDL 10	Arran Energy Niugini Pty Ltd	100,000
PDL 2	Oil Search (PNG) Ltd	100,000
PDL 3	Oil Search (PNG) Ltd	100,000

	Paid by Company / Operator	Amount (PGK)
PDL 4	Oil Search (PNG) Ltd	100,000
<b>Total PDL</b>		<b>1,000,000</b>
PLs 4,5,6,7,8 & 16	ExxonMobil PNG Ltd	380,000
PL 1	Oil Search (PNG) Ltd	10,000
PL 10	Arran Niugini Energy Ltd	100,000
PL 2	Oil Search (PNG) Ltd	100,000

	Paid by Company / Operator	Amount (PGK)
PL 3	Oil Search (PNG) Ltd	10,000
<b>Total PL</b>		<b>600,000</b>
PPFL 1	Puma Energy PNG Refining Ltd	100,000
PPFL 2	ExxonMobil PNG Ltd	100,000
<b>Total PPFL</b>		<b>200,000</b>

## Appendix D Changes to petroleum licenses in 2021

### Petroleum Development Licenses (PDL)

Active PDL Licenses 2021			
License	Licensee	Grant Date	Expiry Date
PDL 01	ExxonMobil PNG Ltd	27-Sep-15	26-Sep-35
PDL 02	Santos Ltd	10-Dec-15	09-Dec-35
PDL 04	Santos Ltd	24-Dec-96	23-Dec-21
PDL 04	Oil Search (PNG) Ltd	23-Dec-21	23-Dec-41
PDL 05	Esso Highlands Ltd	17-Feb-26	07-Dec-34
PDL 06	PNG LNG Project	30-Apr-33	29-Apr-53
PDL 07	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 08	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 09	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 10	Horizon Oil (Papua) Ltd	30-May-14	29-May-39
Applications for a PDL (APDL)			
License	Licensee	Lodged date	Duration (Yrs)
APDL 11	Oil Search (PNG) Ltd	16-Aug-13	25
APDL 12	Horizon Oil (Papua) Ltd	17-Mar-14	25
APDL 13	Oil Search (PNG) Ltd	6-Feb-15	25
APDL 14	Twinza Oil (PNG) Ltd	30-Jun-15	25

### Petroleum Retention Licenses(PRL)

Active PRL Licenses 2021			
License	Licensee	Grant Date	Expiry Date
PRL 3	ExxonMobil	19-Mar-15	18-Mar-20
PRL 14	Santos	31-Mar-17	30-Mar-22
PRL 15	Total	30-Nov-16	30-Nov-21
PRL 21	Horizon Oil Ltd	18-Mar-11	17-Mar-16
PRL 28	Horizon Oil Ltd	31-Jan-17	30-Jan-22
PRL 39*	ExxonMobil	20-Dec-13	19-Dec-18
PRL 40	Repsol	28-Feb-17	27-Feb-22
PRL 41	Oil Search	6-Feb-16	9-Feb-16
PRL 48	Kumul Petroleum (PRL 9) Limited	13-Apr-21	12-Apr-26
PRL 49	Kumul Petroleum (PRL 9) Limited	13-Apr-21	12-Apr-26
PRL 50	Kumul Petroleum (PRL 9) Limited	13-Apr-21	12-Apr-26

Applications for a PRL (APRL)			
Licence	Applicant	Lodged date	Duration (Yrs)
APRL 54	Rhema Energy Limited	29-Jan-21	5
APRL 55	Papuan Oil & Gas Limited	29-Jan-21	5
APRL 56	Hela Investment Limited	3-Feb-21	5
APRL 48	Kumul Petroleum Holdings Ltd	28 Oct 2020	5
APRL 49	Kumul Petroleum Holdings Ltd	28 Oct 2020	5
APRL 50	Kumul Petroleum Holdings Ltd	28 Oct 2020	5
APRL 51	Twinza Oil (PDA) Ltd	21 Dec 2020	5
APRL 52	Twinza Oil (PDA) Ltd	21 Dec 2020	5
APRL 53	Gulf of Pandora Ltd	7 Dec 2020	5
PRL Licenses Expired			
Licence	Licensee	Grant Date	Expiry Date
PRL 8	Oil Search	28-Oct-15	27-Oct-20
PRL 9	Oil Search	28-Oct-15	27-Oct-20
PRL 10	Oil Search	28-Oct-15	27-Oct-20
PRL Licenses Refused			
Licence	Licensee	Expiry Date	Duration (Yrs)
APRL 51	Twinza Oil (PDA) Ltd	13 Apr 2021	5
APRL 52	Twinza Oil (PDA) Ltd	13 Apr 2021	5
APRL 57	Papuan Oil & Gas Limited	13 Apr 2021	5
APRL 58	Selamg Holdings Limited	13 Apr 2021	5

## Petroleum Prospecting Licenses(PPL)

Active PPL Licenses 2021				
Licence	Licensee	Date of lodged	Date of award	Expiry Date
PPL 219 [E]	Oil Search (PNG)( Oil Search (PNG) Ltd (71.25%), Merlin Petroleum Company (8.75%), Nippon Oil Exploration (Niugini) Pty Ltd (20%)		19-Mar-2015	18-Mar-2020
PPL 328 [E]	Twinza Oil (PNG) Ltd (Twinza Oil (PNG) Ltd (90%), Ed a E n e r g y Ltd (10 %)	21-Nov-09	31-Oct-2011	30-Oct-2017
PPL 338 [E]	Kina Petroleum Ltd (100%)	18-Mar-09	30-Nov-2016	29-Nov-2021
PPL 339 [E]	Oil Search (PNG) Ltd (Kina Petroleum Ltd (30%), Oil Search Ltd (70%) )	18-Mar-09	31-Oct-2019	30-Oct-2024
PPL 340	Kina Petroleum Ltd (Kina Petroleum Ltd, Hunt Energy and Minerals (PNG))	18-Mar-09	31-Mar-2017	30-Mar-2023
PPL 352	Peak Oil (PNG) Ltd (100%)	20-Jun-09	25-Jul-2013	24-Jul-2019
PPL 372	Jurassic International Holdings Ltd (100%)	17-Jun-10	25-Jul-2013	24-Jul-2019
PPL 373	Jurassic International Holdings Ltd (100%)	17-Jun-10	23-Jan-2012	22-Jan-2018
PPL 374 [E]	ExxonMobil PNG Limited (100%)	16-Dec-16	18-Jan-2019	17-Jan-2024
PPL 375 [E]	ExxonMobil PNG Limited (100%)	28-Sep-10	18-Jan-2019	17-Jan-2024
PPL 378 [E]	Gini Energy Ltd (100%)	28-Sep-10	26-Sep-2018	25-Sep-2023



Active PPL Licenses 2021				
PPL 388	Petro Energy Ltd (100%)	09-Nov-10	30-Jun-2015	29-Jun-2021
PPL 391	Taurus Oil Ltd (100%)	01-Jun-11	27-Mar-2012	26-Mar-2018
PPL 395	Oil Search (PNG) Ltd (100%)	27-Jun-11	18-Nov-2013	17-Nov-2019
PPL 402	Oil Search (PNG) Ltd	12-Jul-11	27-Mar-2012	25-Mar-2018
PPL 413	Bismarck Oil Company Ltd (100%)	07-Nov-11	19-Jan-2017	18-Jan-2023
PPL 414	Bismarck Oil Company Ltd (100%)	05-Dec-11	19-Jan-2017	18-Jan-2023
PPL 426	Arran Energy(Niugini) Limited (41%) Talisman Energy Niugini Ltd (39%), Mitsui (20%)	23-Jan-12	19-Oct-2012	18-Oct-2018
PPL 437	Kina PL	21-Jun-12	19-Feb-2013	18-Feb-2019
PPL 442	Kengaku Petroleum Ltd (100%)	26-Nov-12	31-Jan-2014	30-Jan-2020
PPL 444	Kengaku Petroleum Ltd (100%)	26-Nov-12	31-Jan-2014	30-Jan-2020
PPL 452	Hillsborough (100%)	01-Nov-12	11-Feb-2014	10-Feb-2020
PPL 461	Stratton Energy Ltd (100%)	22-Mar-13	30-Jul-2014	29-Jul-2020
PPL 462	Stratton Energy Ltd (100%)	22-Mar-13	30-Jul-2014	29-Jul-2020
PPL 470	PT Medcoenergi	06-Sep-13	11-Dec-2013	10-Dec-2019
PPL 474	SPI (210) Ltd	16-Oct-13	6-Mar-2014	5-Mar-2020
PPL 475	SPI (220) Ltd	16-Oct-13	6-Mar-2014	5-Mar-2020
PPL 476	SPI (208) Ltd	16-Oct-13	6-Mar-2014	5-Mar-2020
PPL 486	Telemu No.18 Ltd (Heritage PNG 319 Ltd (80%), Telemu No. 18 (20%))	25-Nov-13	16-Jun-2014	15-Jun-2020
PPL 487	Esso PNG Papuan Gulf Ltd	08-Jan-14	30-Nov-2016	29-Nov-2022
PPL 504	Oil Search (PNG) Ltd (Esso PNG Finch Ltd (50%), Oil Search (PNG) Ltd (50%))	25-Jul-14	31-Jan-2017	30-Jan-2023
PPL 507	Oil Search (PNG) Ltd (Esso PNG Finch Ltd (50%), Oil Search (PNG) Ltd (50%))	31-Jul-14	20-Feb-2017	19-Feb-2023
PPL 515	Hillsborough Ltd (100%)	24-Oct-14	14-Sep-2015	13-Sep-2021
PPL 516	Hillsborough Ltd (100%)	24-Oct-14	14-Sep-2015	13-Sep-2021
PPL 523	Hides Gas Development Company Ltd (100%)	07-Apr-15	31-Aug-2015	30-Aug-2021
PPL 528	Deutsche Group Limited (100%)	27-Apr-15	14-Sep-2015	13-Sep-2021
PPL 532	Igiri Petroleum Limited (Hides Gas Development Company Ltd (90%), Geoservices (PNG) Ltd (10%))	14-May-15	31-Aug-2015	30-Aug-2021
PPL 537	Twhite Petroleum Pty Ltd (100%)	03-Jun-15	14-Sep-2015	13-Sep-2021
PPL 538	Twhite Petroleum Pty Ltd (100%)	03-Jun-15	14-Sep-2015	13-Sep-2021
PPL 545	Oil Search (PNG) Ltd	17-Apr-15	31-Aug-2017	30-Aug-2023
PPL 548	Oil Search (PNG) Ltd	29-Jun-15	31-Oct-2017	30-Oct-2023
PPL 549	Dondonald Limited (100%)	31-Jul-15	27-May-2016	26-May-2022
PPL 560	Dondonald Limited (100%)	12-Aug-15	30-Nov-2016	29-Nov-2022
PPL 563	Hillsborough Ltd	19-Aug-15	28-Oct-2015	27-Oct-2021
PPL 564	Hillsborough Ltd	19-Aug-15	28-Oct-2015	27-Oct-2021
PPL 565	South Pacific (PNG) Investment Ltd (100%)	21-Aug-15	24-Dec-2015	23-Dec-2021
PPL 566	Twhite Petroleum Ltd (100%)	31-Aug-15	24-Dec-2015	28-Jan-2021
PPL 569	ExxonMobil PNG Oriole Limited (100%)	04-Sep-15	30-Nov-2016	29-Nov-2022
PPL 571	Geoforce Drilling Ltd	20-Oct-15	30-Nov-2016	29-Nov-2022

Active PPL Licenses 2021				
PPL 574	Eaglewood Energy (BVI) Ltd	27-Nov-15	30-Nov-2016	29-Nov-2022
PPL 576	Total E&P PNG-2 B.V	10-Dec-15	30-Nov-2016	29-Nov-2022
PPL 578	PNG Prime Energy Limited	29-Jan-16	31-Mar-2017	30-Mar-2023
PPL 579	Larus Energy	01-Dec-16	31-Mar-2017	30-Mar-2023
PPL 581	Kina Petroleum Ltd	29-May-15	31-Jan-2017	30-Jan-2023
PPL 589	Total E&P PNG-2 B.V	24-Mar-16	31-Oct-2017	30-Oct-2023
PPL 595	Oil Search (PNG) Ltd	04-Aug-16	31-Aug-2017	30-Aug-2023
PPL 596	Kina Petroleum Ltd	04-Aug-16	31-Mar-2017	30-Mar-2023
PPL 597	Kina Petroleum Ltd	04-Aug-16	31-Mar-2017	30-Mar-2023
PPL 598	Kina Petroleum Ltd	04-Aug-15	31-Mar-2017	30-Mar-2023
PPL 600	Esso PNG Robin Ltd	29-Aug-16	26-Sep-2018	25-Sep-2024
PPL 610	Kapul Petroleum Ltd	17-Mar-17	21-Jul-2018	30-Jul-2024
PPL 624	TnF Holdings Limited	22-Nov-17	21-May-2019	20-May-2027
PPL 638	Granite Services Limited	09-Aug-18	23-May-2019	22-May-2025
PPL 639	Granite Services Limited	09-Aug-18	23-May-2019	22-May-2025
PPL 643	Gini Energy Ltd	13-Sep-18	25-Apr-2019	24-Apr-2025
PPL 645	Sino Industrial Energy PNG Ltd	26-Jul-18	23-May-2019	22-May-2025
PPL 646	Sino Industrial Energy PNG Ltd	26-Jul-18	23-May-2019	22-May-2025
PPL 647	Sino Industrial Energy PNG Ltd	26-Jul-18	23-May-2019	22-May-2025

Applications for a PPL (APPL)			
License	Licensee	Lodged date	
APPL 459	Wagaman Petroleum Exploration Ltd (100%)	09-Jan-13	
APPL 478	Helios No.58 Limited (100%)	08-Nov-13	
APPL 572	United Pacific Drilling (UDP) (100%)	09-Sep-15	
APPL 584	Twinsa Oil (PNG) Ltd (100%)	26-Feb-16	
APPL 599	Waves Petroleum Ltd (100%)	15-Aug-16	
APPL 614	Hides Gas Development Company (100%)	10-Jul-17	
APPL 625	Peak Oil (PNG) Ltd (100%)	16-Mar-12	
APPL 634	Igiri Petroleum Limited (100%)	19-Dec-17	
APPL 642	Kina Petroleum Limited (100%)	02-May-19	
APPL 652	Peak Oil (PNG) Pty Limited (100%)	17-Apr-19	
APPL 653	Peak Oil PNG Pty Limited (100%)	24-Apr-19	
APPL 654	Oil Search (PNG) Limited (100%)	29-Aug-19	
APPL 656	Granite Services Limited	10-Jul-19	
APPL 657	Granite Services Limited	11-Jul-19	
APPL 658	East New Britain Development Corporation Ltd (100%)	22-Aug-19	
APPL 659	East New Britain Development Corporation Ltd (100%)	17-Oct-19	

## Petroleum Processing Facility Licenses(PPFL)

Active PPFL Licenses 2021			
Licence	Licensee	Application Date	Date Awarded
PPFL01	Puma Energy PNG Refining Ltd	14-Feb-00	23-Aug-11
PPFL02	Esso Highlands Ltd	27-Aug-09	8-Dec-09

Applications for a PPFL (APPFL)			
License	Licensee	Lodged date	Duration (Yrs)
APPFL 3	Eaglewood Energy (BVI) Ltd	1-May-12	

## Pipeline Licenses (PL)

Active PL's 2021			
Licence	Licensee	Grant Date	Expiry Date
PL 01	Santos (Tumbudu) Pty Ltd	27-Sep-90	26-Sep-15
PL 02	Oil Search (PNG) Ltd	10-Dec-90	9-Dec-15
PL 03	Oil Search (PNG) Ltd	24-Dec-96	23-Dec-21
PL 04	PNG LNG	8-Dec-09	7-Dec-34
PL 05	Oil Search	8-Dec-09	7-Dec-34
PL 06	PNG LNG	8-Dec-09	7-Dec-34
PL 07	PNG LNG	8-Dec-09	7-Dec-34
PL 08	Horizon Oil Limited	8-Dec-09	7-Dec-34
PL 10	Arran Energy	30-May-14	29-May-39
PL 14	Pacific Energy Aviation (PNG) Limited	14-Feb-20	13-Feb-45

Active PL's 2021			
PL 15	Mobil Oil New Guinea Pty Ltd	7-Jul-20	7-Jun-45
PL 16	ExxonMobil PNG Limited	28-Nov-19	27-Nov-44
PL 17	Dirio Gas and Power Company	4-Sep-20	3-Sep-45
Applications for a Pipeline licenses (APL)			
Licence	Licensee	Lodged date	
APL 9	Eaglewood Energy (BVI) Ltd	01-May-12	
APL 11	Repsol	17-Mar-14	
APL 12	ExxonMobil	06-Feb-15	
APL 13	ExxonMobil	06-Feb-15	

## Transfers

Transfers 2021					
Licence	Transactions	Parties and Interest	Date Lodged	Date Approved	Date Registered
PPL 219	Instrument of Transfer Dated 18th March 2020	<ul style="list-style-type: none"> <li>Oil Search (PNG) Limited – 71.25%</li> <li>Merlin Petroleum Company – 8.75%</li> <li>Nippon Oil Exploration (Niugini) Pty Ltd – 20%</li> </ul> And <ul style="list-style-type: none"> <li>Oil Search (PNG) Limited – 100%</li> </ul>	1st October 2020	9th July 2021	13th July 2021
PPL 352	Instrument of Transfer Dated 18th March 2020	<ul style="list-style-type: none"> <li>Peak Oil (PNG) Pty Ltd – 100%</li> </ul> ["Transferor"]           And <ul style="list-style-type: none"> <li>Peak Oil (Lihir) Pty Ltd – 100%</li> </ul> ["Transferee"]	9th December 2021	7th April 2022	8th April 2022
PPL 426	Instrument of Transfer Dated 1st June 2019	<ul style="list-style-type: none"> <li>Repsol Oil &amp; Gas Niugini Limited – 60%</li> <li>Barracuda Limited – 30%</li> <li>Kumul Foreland 268 B.V – 10%</li> </ul> ["Transferors"]           And <ul style="list-style-type: none"> <li>Repsol Oil &amp; Gas Niugini Limited – 100%</li> </ul>	18th October 2019	9th July 2021	13th July 2021
PPL 625	Instrument of Transfer Dated 9th November 2021	<ul style="list-style-type: none"> <li>Peak Oil (PNG) Pty Ltd – 100%</li> </ul> ["Transferor"]           And <ul style="list-style-type: none"> <li>Peak Oil (Lihir) Pty Ltd – 100%</li> </ul> ["Transferee"]	9th December 2021	7th April 2022	8th April 2022

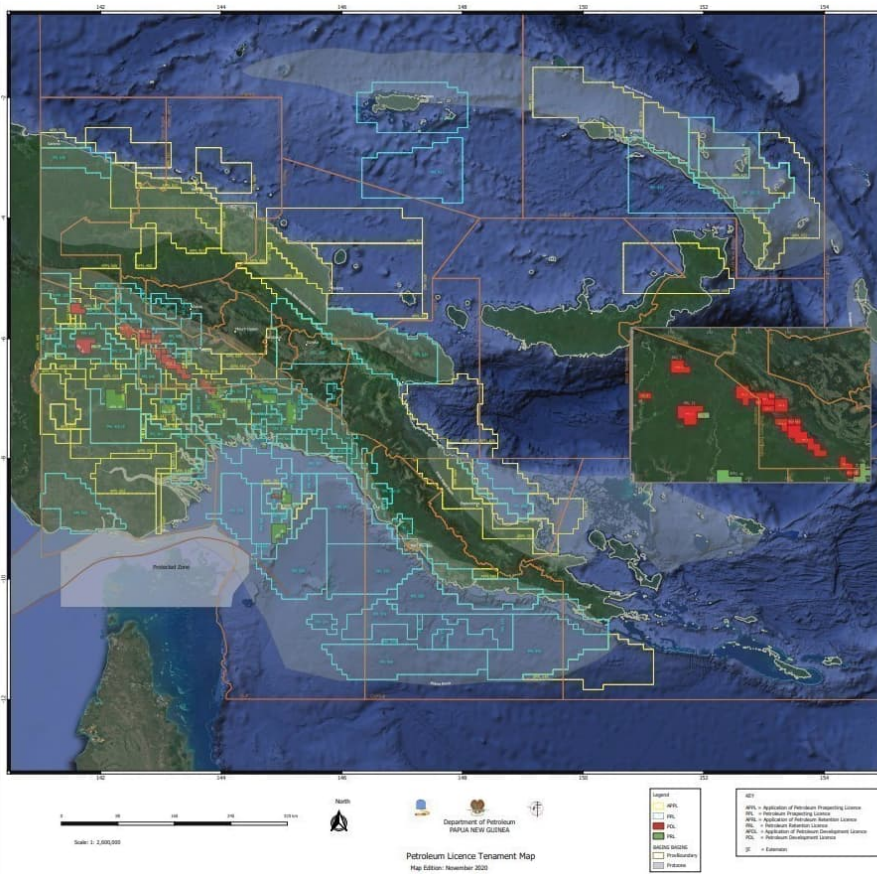
# Appendix E CEPA Permit Listing

Permit No.	Status / Formerly	Permit Holder/Applicant	Project Name	Date Issued	Term of Permit	Expiry Date	Date Amended	Date Renewal	Transfer date	Status
EP-L2(661)	New	Aron Nangan	AML 418	20-Feb-19	5 Years	19-Feb-24				Valid
EP-L2(690)	New	Aron Nangan	ML 206	24-Jun-19	5 years	25-Jul-24				Valid
EP-L2(691)	New	Aron Nangan	AML 867	24-Jun-19	5 years	25-Jul-24	30-Sep-19			Valid
EP-L2(785)	New	Arus Philip	ML 339 & AML 918	19-Apr-21	5 years	20-May-26				Valid
EP-L2(804)	New	Bodia Yasa	AML 907	25-Oct-21	5 Years	21-Nov-26				Valid
EP-L2(763)	New	Brown Bangan	ML 342	08-Dec-20	5 years	08-Jan-25				Valid
EP-L2(796)	New	Bui Kipuae	AML 930	01-Sep-21	5 years	31-Aug-26				Valid
EP-L2(758)	New	Buki Investment Limited	AML 904	20-Oct-20	10 years	16-Nov-30				Valid
EP-L2(596)	New	Cheroh Mining (PNG) Limited	EL 2396	20-Feb-18	25 years	28-Feb-43				Valid
EP-L2(746)	New	Danny Kameso	AML 878 & 879	12-Aug-20	3 years	08-Sep-23				Valid
EP-L2(710)	New	Dorcas Simiriong	ML 528	16-Oct-19	10 years	17-Nov-29				Valid
EP-L3(541)	New	Esso PNG P'Nyang Limited	P'Nyang Project	23-Feb-17	25 years	23-Feb-42				Valid
EP-L3(210)	Amendment	ExxonMobil PNG Limited	PNG LNG	09-Sep-09	25 years	06-Oct-34	12-Sep-22			Valid
EP-L2(294)	Amend/Renew - Formerly WD-L2(294) and WE-L2(218)	ExxonMobil PNG Limited	Triceratops 2 within PRL 39	29-Apr-11	5 years	25-May-26	23-Aug-11	26-May-21		Valid
EP-L2(295)	Amend/Renew - Formerly WD-L2(295) and WE-L2(219)	ExxonMobil PNG Limited	Wolverine 1 within PPL 238	29-Apr-11	5 years	26-May-26		27-May-21		Valid
EP-L2(795)	New	ExxonMobil SPI 220 Limited	Triceratops 2 (Plug and Abandonment)	12-Aug-21	2 years	11-Aug-23				Valid
EP-L2(702)	New	Footprint Resources Pty Ltd	EL 2548	20-Nov-19	5 years	19-Sep-24				Valid
EP-L2(783)	New	Frank Kinok	ML 240	19-Apr-21	5 years	20-May-26				Valid
EP-L2(728)	New	Gibing Darius	ML 524	04-Feb-20	5 years	01-Mar-25				Valid
EP-L2(718)	New	Golden Ashet Limited	AML 529	15-Nov-19	10 years	12-Dec-29				Valid
EP-L2(788)	New	Golden Valley Enterprises Limited	ML 518	16-May-21	10 years	15-May-31				Valid
EP-L2(793)	New	Gutis Sinze	ML 411	12-Jul-21	5 years	11-Aug-26				Valid
EP-L2(579)	New	Harmony Gold (PNG) Exploration Limited	EL 497	02-Oct-17	10 years	01-Nov-27				Valid
EP-L2(580)	New	Harmony Gold (PNG) Exploration Limited	EL 2313	02-Oct-17	10 years	01-Nov-27				Valid
EP-L2(808)	New	Harmony Gold (PNG) Exploration Limited	EL 497	30-Nov-21	10 years	29-Dec-31				Valid
EP-L2B(394)	New	Hells Gate Exploration Limited	Tauri River Mechanized Mining project	21-Apr-14	25 years	19-Apr-39				Valid
EP-L3(480)	New	Horizon Oil (Papua) Limited	Elavala Development Project	16-Dec-15	25 years	11-Jan-30				Valid
EP-L2A(469)	New	InterOil SPI (208) Ltd	Triceratops 4	21-Sep-15	10 Years	17-Oct-25				Valid
EP-L2(784)	New	Isakao Were	ML 281	22-Apr-21	5 years	23-May-26				Valid
EP-L2(709)	New	Japeth Marcus	ML 527	16-Oct-19	10 years	17-Nov-29				Valid
EP-L2(802)	New	John Nick Wami	ML 260-269	25-Oct-21	10 Years	21-Nov-31				Valid
EP-L2(608)	New	John Sukubalen	AML 834	23-Mar-18	10 years	24-Apr-28				Valid
EP-L2(604)	New	John Sukubalen and Alex Suweni	AML 835, 836 and 837	23-Mar-18	10 years	24-Apr-28				Valid
EP-L3(34)	Transfer - Formerly WD-L3(34) & WE-L3(13) from Barrick Kainantu Ltd	K92 Mining Limited	ML 150, LMP 78, ME 80 and ME 81	14-Jun-02	50 years	31-Dec-53	12-Aug-19		20-Nov-18	Valid
EP-L3(246)	Transfer - Formerly WD-L3(246)	Kakuna-Lote Resources Development Limited (Land-Owner Company)	Kukus-Melkoi Large-Scale Integrated	04-Mar-10	25 years	30-Mar-35			12-Jul-19	Valid
EP-L2(770)	New	Kay Mathew Mara	AMLs 993, 994, 995, 996, 997, 998, 999, 1000, 1001 and 1002	20-Jan-21	5 Years	20-Feb-26				Valid
EP-L2(526)	New	Kevin Karika and Kenny Muwom	AML 775-798 Mining	29-Sep-16	10 years	26-Oct-26				Valid
EP-L2(504)	New	Kuranga Alluvial Mine Limited	ML 278 & ML 242 Alluvial Mining	20-May-16	10 years	20-Jun-26				Valid
EP-L2(600)	New	Leonard Langiro	AML 838	05-Feb-18	5 years	04-Mar-23				Valid
EP-L2(759)	Amendment	Lihir Gold Limited	EL 485 - Groundwater Investigation Drilling	26-Oct-20	5 years	22-Nov-25				Valid
EP-L2(776)	New	Lopa Josangu Supeto	ML 159	08-Mar-21	5 Years	07-Mar-26				Valid
EP-L2(531)	New	Makru Alluvial Gold Mining Limited	AML 768, 769, 770, 771, 772, 773 and 774	10-Oct-16	5 years	10-Nov-26		10-Nov-21		Valid
EP-L2(515)	New	Martin Kilumbu	AML 643 Alluvial Mining	05-Aug-16	5 years	29-Nov-21				Expired
EP-L2(668)	New	Mayur Iron (PNG) Limited	EL2305 and EL 2150	15-Mar-19	25 Years	16-Mar-44				Valid
EP-L2(780)	New	Messre Dick Koromeng & Hubert Koromeng	AML 915, AML 916 & AML 917	08-Apr-21	5 years	09-Apr-26				Valid
EP-L2(803)	New	Michael Maracus	AML 1006 - 1009	25-Oct-21	5 Years	21-Nov-26				Valid
EP-L2(626)	New	Mickey's Carrier Transport	Basiwa Crusher Processing Plant	29-May-18	10 years	27-Jun-28				Valid
EP-L2(722)	New	Mineral Resources Star Mountain Limited	ML 532	20-Dec-19	10 years	21-Jan-30				Valid
EP-L2(775)	New	Mineral Resources Star Mountain Limited	AML 937 - 992	08-Mar-21	5 Years	07-Mar-26				Valid
EP-L2(787)	New	Morobe Alluvial Mining Limited	ML 167	14-May-21	5 years	15-May-26				Valid
EP-L3(578)	Amalgamation - WD-L3(50) & WE-L3(38)	Morobe Consolidated Goldfields Limited (1-12047)	ML 151	02-Mar-05	25 years	29-Mar-30	24-Mar-21			Valid
EP-L2(761)	New	Morris Siragin	AML 873 - 877	25-Nov-20	10 years	24-Nov-30				Valid
EP-L2(482)	New	Mr. Amal Waimayoko	Mongai River Alluvial Mining	11-Jan-16	10 years	06-Feb-26				Valid
EP-L2(701)	New	Mr. Tony Gariama and Arthur Duruak	AML 8882, 883, 884, & 8885	20-Nov-19	5 years	19-Sep-24				Valid
EP-L3(234)	Amendment	Nautilus Minerals Niugini Ltd	Solwara 1 Seafloor Massive Sulphides Mining	29-Dec-09	25 years	25-Jan-25	04-Sep-15			Valid
EP-L2(729)	New	Nelias Jeffery	ML 523	04-Feb-20	5 years	01-Mar-25				Valid
EP-L2(711)	New	New Dawn Mining (PNG) Limited	ML 521	17-Oct-19	5 years	18-Nov-24				Valid
EP-L2(717)	New	Niuminco Edie Creek Limited	ML 511	25-Nov-19	10 years	24-Nov-29				Valid
EP-L2A(419)	New	Oil Search (PNG) Limited	PDL1,2,3,4,5,6,7,8,9; PL1,2,3,4,5,6,7,8; PPFL2; PRL3,8,9,11,14,15;	15-Dec-14	10 Years	10-Jan-25				Valid

			PPL 219,233,240,260,277,3 12,339, EL1724,1725,1726; PPL240						
EP-L3(584)	New	Oil Search (PNG) Limited		09-Mar-18	50 years	08-Mar-68	28-Jan-21		Valid
EP-L2(683)	New	Oil Search (PNG) Limited	Single Off-shore Appraisal Drilling - PRL 10	31-May-19	5 years	30-May- 24			Valid
EP-L2(486)	New	Oil Search (PNG) Ltd	Muruk Well	01-Dec-15	10 years	28-Dec-25			Valid
EP-L3(636)	New	Ok Tedi Mining Ltd	Ok Tedi Mine Operations	20-Jul-18	20 years	12-Feb-38			Valid
EP-L2(782)	New	Peter Mandin	AML 868	19-Apr-21	5 years	20-May- 26			Valid
EP-L2(789)	New	Petrus Asin Usimba	ML 164 & ML 337	14-May-21	5 years	15-May- 26			Valid
EP-L3(13)	Amendment - Formerly WD- L3(13)/Transfere d from InterOil Limited	Puma Energy PNG Refining Limited	Napa Oil Refinery	19-Apr-04	10 years	16-May- 24		15-Jan-15	Valid
EP-L2(607)	New	Raphael Waliha	AML 833	23-Mar-18	10 years	24-Apr-28			Valid
EP-L2(774)	New	Raymond Wally	AML 933	08-Mar-21	5 Years	07-Mar-26			Valid
EP-L2(726)	New	Saim Buta & Linda Peter	AML 852	04-Feb-20	5 years	01-Mar-25			Valid
EP-L2(765)	New	Samuel Wenive	AML 880	08-Dec-20	5 years	08-Jan-25			Valid
EP-L2(727)	New	Simunq Marowi	AML 869	04-Feb-20	5 years	01-Mar-25			Valid
EP-L2(714)	New	Sky Foam Limited	9 Mile Foam Production and Recycling Facilities	14-Nov-19	25 years	13-Nov-44			Valid
EP-L29606	New	Somon Wesiawen and Raphael Waliha	AML 832	23-Mar-18	10 years	24-Apr-28			Valid
EP-L2(605)	New	Somon Wesiawen, Steven Ubum, Otto Utekelip and Roy Akele	AML 831	23-Mar-18	10 years	24-Apr-28			Valid
EP-L2(601)	New	Tony Vaket	AML 839	05-Feb-18	5 years	04-Mar-23			Valid
EP-L2(468)	Transfer/Transfer red from InterOil SPI (208) Limited	Total E & P PNG Limited	Antelope - South 1 Development and Operations of the Herd Base	21-Sep-15	10 Years	17-Oct-25		15-Jan-16	Valid
EP-L2(532)	New	Total E & P PNG Limited	Mailu-1 Exploration Drilling - PPL 576	10-Oct-16	35 years	09-Oct-46			Valid
EP-L2(657)	New	Total E & P PNG Limited	Antelope-1 Well Maintenance Program	01-Feb-19	2 years	31-Jan-21			Expired
EP-L2(673)	New	Total E & P PNG Limited	Antelope-2 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(674)	New	Total E & P PNG Limited	Elk-1 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(675)	New	Total E & P PNG Limited	Elk-2 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(676)	New	Total E & P PNG Limited	Elk-4 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(677)	New	Total E & P PNG Limited	Antelope-3 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(678)	New	Total E & P PNG Limited	Antelope-5 Well Maintenance Program	04-Apr-19	10 years	03-Apr-29			Valid
EP-L2(679)	New	Total E & P PNG Limited	Preparatory Works associated with the development of the Papua LNG Project upstream facilities	03-Jun-19	5 years	02-Jun-24			Valid
EP-L2(682)	New	Total E & P PNG Limited	Pasca "A"	17-Mar-17	25 years	16-Mar-42			Valid
EP-L3(457)	New	Twinza Oil (PNG) Limited	Pomio Limestone Mining Project	07-Jul-14	25 years	03-Aug-39			Valid
EP-L2B(406)	New	Unichamp Jaquinet Bay Limited							Valid
EP-L3(767)	New	Wafi Mining Limited and Newcrest PNG 2 Limited (in their several capacities as participants in the unincorporated Wafi- Golpu Joint Venture)	Wafi-Golpu Project Coal Exploration Drilling Program and Bulk Sampling Program	18-Dec-20	50 years	17-Dec-70			Valid
EP-L2(621)	New	Waterford Limited	ML 162	08-Jun-18	10 years	05-Jul-28			Valid
EP-L2(777)	New	Wayang Kawa	AML 799-804	08-Mar-21	5 Years	07-Mar-26			Valid
EP-L2(530)	New	Willie Lalai & Kila Muduka	AML 906	03-Oct-16	5 years	03-Oct-21			Expired
EP-L2(805)	New	Willie Yasa	AML 906	25-Oct-21	5 Years	21-Nov-26			Valid
EP-L3(388)	Amendment - Formerly WD- L3(388)	Woodlark Mining Limited	ML 508	17-Feb-14	20 years	15-Mar-34	07-May-20		Valid
EP-L2(764)	New	Yaengo Alao	ML 534	08-Dec-20	5 years	08-Jan-25			Valid
EP-L2(794)	New	Yamo Alluvial Mining	ML 540	26-Jul-21	5 years	25-Aug-26			Valid
EP-L2(662)	New	Yowas Juari	ML 289, 290 and 291	20-Feb-19	5 Years	19-Feb-24			Valid
WD-L2B(355)	New	Baolin Investments (PNG) Limited	Tamo Alluvial Mining Project	11-Mar-13	25 years	06-Apr-38			Valid
WD-L3(121)	Amendment WUP 29/496, 29/506, 29/495C, 29/491, 29/442, 29/1250, 29/611, 29/1177, 29/963, 29/962, 29/961, 29/851, 29/490A, 29/490C	Barrick (Niugini) Limited	Porgera Mine Project	29-Nov-88	50 years	31-Dec-38			Valid
WD-L2A (207)	New	Esso Highlands Limited	LNG Plant Site	01-Jul-09	25 years	03-Aug-34			Valid
WD-L2B(345)	New	Esso Highlands Ltd		26-Oct-12	25 years	30-Nov-37			Valid
WD-L2A(299)	New	Foreland Oil Limited		17-May-11	10 years	13-Jun-21			Expired
WD-L2A(300)	New	Foreland Oil Limited		17-May-11	10 years	13-Jun-21			Expired
WD-L2A(351)	New	Frontier Copper (PNG) Limited		07-Jan-13	10 years	02-Feb-23			Valid
WD-L2A(352)	New	Frontier Copper (PNG) Limited		07-Jan-13	10 years	02-Feb-23			Valid
WD-L2A(319)	New	Horizon Oil (Papua) Limited	Elavala Gas/Condensate Project	19-Sep-11	10 years	16-Oct-21			Expired
WD-L2A(326)	New	Horizon Oil (Papua) Limited		16-Dec-11	25 years	13-Jan-37			Valid
WD-L2A(359)	New	Horizon Oil (Papua) Limited		08-Apr-13	10 years	04-May-23			Valid
WD-L3(264)	New	InterOil SPI (208) Limited	Elk-Antelope Gas Project	22-Jul-10	25 years	21-Aug-35			Valid
WD-L3(191)	Amendment	Lihir Gold Limited		01-Mar-95	50 years	31-Dec-53			Valid
WD-L3(62)	Amendment WUP 29/949, 960,	Macmin (PNG) Limited	Mt. Sinitiv Gold Project area,	29-Jan-96	50 years	31-Dec-53			Valid

WD-L2B(30)	New	OIL SEARCH (PNG) LIMITED	Extended Production Test at North West Moran	02-Jul-04	25 years	12-Aug-29			Valid
WD-L3(231)	Amendment	OIL SEARCH (PNG) LIMITED		09-Dec-90	50 years	04-Dec-40			Valid
WD-L2A(321)	New	Oil Search (PNG) Limited		03-Oct-11	10 years	30-Oct-21			Expired
WD-L2A(325)	New	Oil Search (PNG) Limited		16-Nov-11	10 years	14-Dec-21			Expired
WD-L2A(354)	New	Oil Search (PNG) Limited	Hagana 1 & Flinders 1	07-Jan-13	10 years	02-Feb-23			Valid
WD-L2A(371)	Amendment	Oil Search (PNG) Limited		13-Aug-13	10 years	09-Sep-23			Valid
WD-L2B(174)	New	PNG Sustainable Energy Limited	Stanley Gas Project	26-May-08	25 years	22-Jun-33			Valid
WD-L3(115)	Amendment/Transfer	Ramu NiCo Management (MCC) Limited	Ramu Nickel project	21-Mar-00	50 years	31-Dec-53			Valid
WD-L3(36)	Amendment WUP 29/1003	Simberi Gold Company Limited		30-Dec-96	50 years	29-Dec-46			Valid
WD-L2A(324)	New	Talisman Energy Niugini Limited		16-Dec-11	25 years	13-Jan-37			Valid
WD-L3(373)	New	Talisman Niugini Pty Ltd	Stanley Gas Development Project	25-Nov-13	25 years	22-Dec-38			Valid
WE-L2B(270)	New	Baolin Investments (PNG) Limited	Tamo Alluvial Mining Project	11-Mar-13	25 years	06-Apr-38			Valid
WE-L3(91)	Amendment WUP 29/1088, 29/1043, 29/613, 29/451	Barrick (Niugini) Limited		29-Nov-88	50 years	31-Dec-53			Valid
WE-L2A(223)	New	Foreland Oil Limited		17-May-11	10 years	13-Jun-21			Expired
WE-L2A(224)	New	Foreland Oil Limited		17-May-11	10 years	13-Jun-21			Expired
WE-L2A(267)	New	Frontier Copper (PNG) Limited		07-Jan-13	10 years	02-Feb-23			Valid
WE-L2A(268)	New	Frontier Copper (PNG) Limited		07-Jan-13	10 years	02-Feb-23			Valid
WE-L2A(240)	New	Horizon Oil (Papua) Limited		19-Sep-11	10 years	16-Oct-21			Expired
WE-L2A(252)	New	Horizon Oil (Papua) Limited		16-Dec-11	10 years	13-Jan-21			Expired
WE-L2A(272)	New	Horizon Oil (Papua) Limited		08-Apr-13	10 years	04-May-23			Valid
WE-L3(197)	New	InterOil SPI (208) Limited		22-Jul-10	25 years	22-Jul-35			Valid
WE-L3(143)	Amendment	Lihir Gold Limited		01-Mar-95	50 years	31-Dec-45			Valid
WE-L3(49)	Amendment WUP 29/758, 950, 951	Macmin (PNG) Limited		29-Jan-96	50 years	31-Dec-53			Valid
WE-L3(174)	Amendment	OIL SEARCH (PNG) LIMITED		09-Dec-90	50 years	04-Dec-40			Valid
WE-L2A(245)	New	OIL SEARCH (PNG) LIMITED		03-Oct-11	10 years	30-Oct-21			Expired
WE-L2A(251)	Amendment	OIL SEARCH (PNG) LIMITED		16-Nov-11	10 years	13-Dec-21			Expired
WE-L2A(281)	New	OIL SEARCH (PNG) LIMITED		13-Aug-13	10 years	09-Sep-23			Valid
WE-L2B(214)	New	OK Tedi Mining Limited		17-Jan-11	25 years	12-Feb-36			Valid
WE-L3(85)	Transfer/Amendment	Ramu NiCo Management (MCC) Limited	Ramu Nickel Project	21-Mar-00	50 years	31-Dec-53			Valid
WE-L3(15)	Amendment WUP	Simberi Gold Company Limited		30-Dec-96	50 years	31-Dec-53			Valid
WE-L2A(250)	New	Talisman Energy Niugini Limited (PNG)		16-Dec-11	10 years	13-Jan-21			Expired

# Appendix F Map of Petroleum Tenements



Source: [https://petroleum.gov.pg/wp-content/uploads/2020/12/Petroleum--Tenement-Map-withbasin\\_November-20-Rev1.3.pdf](https://petroleum.gov.pg/wp-content/uploads/2020/12/Petroleum--Tenement-Map-withbasin_November-20-Rev1.3.pdf), accessed 31 August 2022



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