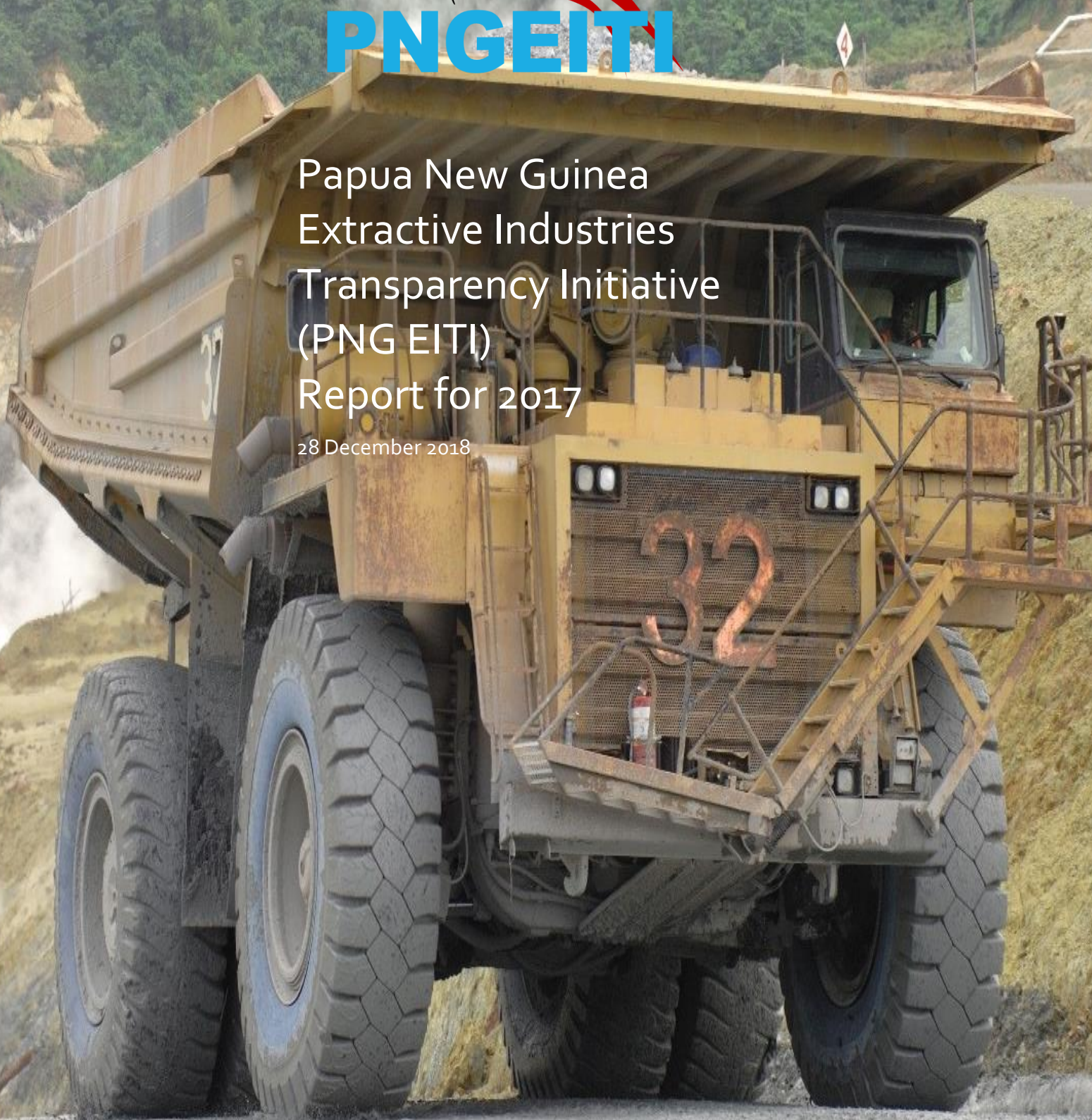




Papua New Guinea
Extractive Industries
Transparency Initiative
(PNG EITI)
Report for 2017

28 December 2018



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Independent administrator's notes

Reporting period

This report covers the calendar year from 1 January 2017 to 31 December 2017. In instances where figures for 2017 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 2017 within the text.

Reporting on cash basis

Receipts and payments reconciliations incorporated within this report is on 'cash basis', consistent with decisions made by the MSG. That is, we included only payments made or received during the 2017 calendar year. Some of these payments may have been accrued in previous years. Where payments were accrued during 2017, but made during 2018, these will be included in the 2018 EITI Report.

Currency

Most figures in this report are given in PNG kina (PGK), while some are in US dollars (USD). This reflects the data as received; the independent administrator has not converted any amounts, nor have we checked conversion rates. A suggested average 2017 exchange rate of USD1: PGK3.188 was included in the reporting templates.

Abbreviations

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

Minister's foreword



As the Minister responsible for Extractive Industries Transparency Initiative (EITI) implementation in Papua New Guinea, I am greatly pleased to deliver to you the fifth annual EITI Report for PNG and the third consecutive report under the O'Neil - Abel Government. This fifth Report for the financial year 2017 is a culmination of the sustained efforts and enhanced collaboration between our esteemed members of the PNGEITI Multi Stakeholder Group (MSG). The annual EITI Report presents to our populace an informative illustration of the PNG extractives sector, its economic impacts, more particularly the revenue it generates and how these revenues are being managed.

The fifth Report develops further from the past four reports that have preceded and sets out the platform for PNG's transition within the EITI process. The 2017 financial year Report is also significant in the fact that it seeks to address, amongst other things, some of the recommendations of PNG's recently completed Validation process, in which the country was granted 'meaningful progress' by the EITI International Board. The Report proceeds to also address reporting gaps identified in the previous report for the fiscal year 2016 to ensure the reports are more comprehensive and at the same time, improve the quality of the reporting process.

I encourage all segments of the community to utilise this report in order to ensure better understanding of the impact the extractives sector makes on the economy. From the Government's perspective, this Report is a demonstration of its continued commitment to promoting transparency and accountability in this important sector. More importantly, it is a recognition of the country's efforts in identifying systematic weaknesses in government processes in managing the extractive sector and in initiating necessary reforms to address such areas.

Amidst this period of economic transition, our Government remains steadfast in supporting important initiatives such as the EITI to safeguard our revenues and strengthen the foundation for continued economic growth.

This Report will further enhance investor confidence and demonstrate to Papua New Guineans, development partners and others that the Government of PNG is committed to transparency and an improved environment for further investment in the sector.

A handwritten signature in blue ink, appearing to read "Charles Abel". The signature is fluid and cursive.

HON. CHARLES ABEL, MP

Deputy Prime Minister, Minister for Treasury & Chairman,
PNG Extractive Industries Transparency Initiative

Multi-stakeholder group statement

The Papua New Guinea Extractive Industries Transparency Initiative Multi-Stakeholder Group (PNG EITI MSG) was established in 2014 to provide guidance and oversight on the EITI implementation process. One of the MSG's main activities is the production of annual EITI reports as required by the EITI International Secretariat. Since the MSG was established, members representing the Government, Civil society and the Industry worked collaboratively and published four reports covering the calendar years 2013–2016. This is the fifth PNG EITI Report which covers the financial year 2017.

The EITI process is helping to improve current policy settings for the extractive sector. It is set to ensure PNG adheres to global best practices in the sector by increasing transparency and accountability of revenues paid by the companies to the National, Provincial and Local level governments and landowner associations. It further enhances transparency in the distribution of revenues from the national governments to sub-national levels. The publication of the fifth Report is intended to stimulate further discussions on the management of the sector and will continue to build trust between local communities, government and the industry to improve governance and enhance accountability.

This fifth Report focuses on the objectives of:

- ▶ Improving public understanding of the management of the extractives industry;
- ▶ Improving the accountability of both Government and Industry through enhanced understanding of the management of the extractives sector;
- ▶ Improving the transparency of payments and transfers made to provincial and local level governments and landowner groups; and
- ▶ Ensuring that revenue generation and collections are consistent with Government's policy settings for the extractives sector.

The role of the MSG has been very important in that it has provided a platform for the Government, Industry and Civil Society to work together and improve communication and awareness of the extractives industry. Some of the activities of the MSG can be found on the PNGEITI website (www.pngeiti.org.pg). These include the annual activity reports and a range of awareness activities on the EITI process and roadshows conducted in regional centres and resources impact areas. These outreach activities were targeted at mainstreaming EITI implementation and communicating the outcome and findings from the PNGEITI reports and the recommendations. The MSG has been implementing a Beneficial Ownership Roadmap since 2017 in preparation for PNG to disclose company beneficial ownership details in 2020 as required under the 2016 EITI Standard. The MSG has also been working on the EITI national policy framework and a legislation since 2017. It has completed the first phase of the policy framework and the legislation that will be pursued in 2019 to enable the PNGEITI National Secretariat to become an independent statutory entity. Furthermore, the MSG has progressed work on a Scoping Study on subnational payments and transfers with the assistance of the Australian Government to extend EITI reporting to sub-national levels of governments in future EITI Reports.

Through the chairmanship of the MSG by the Government, it has further strengthened the relationship between policy, revenue administration and regulating agencies. Inter-agency collaboration is key to getting the most positive resource revenue management outcomes, both in terms of collections, expenditure and transparency. Inter-agency collaboration has greatly improved to identify opportunities to make systems and processes more user- friendly for business.

Industry representatives on the MSG have been drawn from both the mining and petroleum sector. Our industry representatives have worked consistently with us, with great generosity of time and resources to help advance all aspects of the EITI process. This fifth Report shows what valuable partners they are in the pursuit of our development objectives as a nation and the real contribution they can make to the economy. The Report is not only focused on revenues generated by this sector in 2017 financial year but also sets out other important economic contributions such as voluntary social expenditures.

The MSG would like to extend their thanks and appreciation to the PNG EITI National Secretariat headed by Mr Lucas Alkan and his staff for their advice and continued support in the production of this Report. The MSG would also like to thank Ernst & Young for performing its duties as the Independent Administrator for the fifth time in producing this Report.

Papua New Guinea Extractive Industries Transparency Initiative



Department of Treasury

Internal Revenue Commission

Department of Petroleum and Energy

Department of Finance

Department of National Planning and Monitoring

Department of Mineral Policy and Geohazards Management

Department of Prime Minister & NEC

Office of Public Solicitor

Auditor General's Office



Conservation & Environment Protection Authority

Newcrest Mining Ltd



Mineral Resources Authority

Oil Search (PNG) Ltd



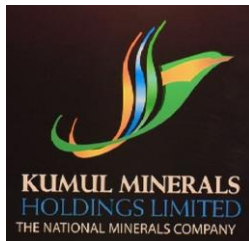
Kumul Consolidated Holdings Ltd

PNG Chamber of Mines and Petroleum



Kumul Minerals Holdings Ltd

Transparency International PG (TIPNG)



Kumul Petroleum Holdings Ltd



Institute of National Affairs (INA)



Mineral Resources Development Company

Consultative Implementation and Monitoring Council (CIMC)



Total E & P Ltd



EcoForestry Forum



Barrick Niugini Ltd



Business Against Corruption Alliance (BACA)



ExxonMobil PNG Ltd



Papua New Guinea Mining Watch Association Inc.



Harmony Gold



PNG Council of Churches (PNGGCC)

PNG Resource Governance Coalition

1. Introduction

'The EITI Board decided that Papua New Guinea (PNG) has made meaningful progress in implementing the EITI Standard. The Board recognised PNG's efforts in implementing reforms to address weaknesses in government systems and in improving the level of transparency on state participation in the country's extractive industries.'¹

EITI Secretariat, 30 October 2018

The development of Papua New Guinea's wealth of natural resources represents a significant opportunity for the government of Papua New Guinea to reduce poverty, increase wealth and improve the wellbeing of its citizens. By making meaningful progress towards implementing the Extractive Industries Transparency Initiative (EITI) Standard, Papua New Guinea is improving transparency regarding the collection and distribution of revenues from the natural resource sector. In 2018, Fredrik Reinfeldt, chair of EITI, expressed the important and positive impact of this initiative on the citizens of Papua New Guinea (PNG).²

1.1 About the Extractive Industries Transparency Initiative

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



Figure 1: The resources value chain³

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 51 countries at various stages of implementing the EITI Standard. Of these, five have achieved satisfactory progress, 27 (including PNG) have achieved meaningful progress, five have inadequate progress or political instability and the remaining are yet to be assessed against the 2016 EITI Standard through the validation process.⁴

1.2 EITI implementation in Papua New Guinea

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 PNG citizens. However, despite these abundant resources, many PNG citizens continue to remain in poverty. PNG ranked 135 out of 180 countries in Transparency International's *Corruption Perception Index* for 2017, with its score improving from 25 to 29 over the past two years.⁵ Similarly challenging assessments of corruption and attractiveness for foreign investment have been published by the World Bank,⁶ Natural Resource Governance Institute,⁷

¹ EITI Validation report 2018, 30 October 2018, <https://eiti.org/news/eiti-board-recognises-papua-new-guineas-achievements-in-improving-natural-resource-governance> accessed 15 November 2018

² *ibid*

³ EITI Website, <https://eiti.org/>, accessed 13 August 2018

⁴ EITI Website, <https://eiti.org/countries>, accessed 9 November 2018

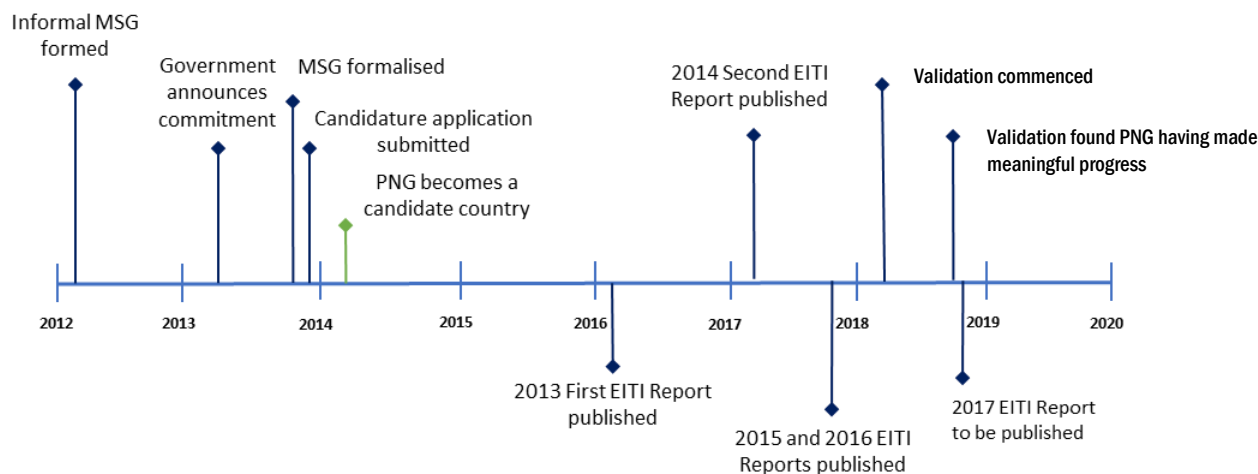
⁵ Corruption Perceptions Index 2017', *Transparency International*, https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table, accessed 13 August 2018

⁶ Doing Business 2017, Equal Opportunity for All, World Bank, 2016 (accessed via <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>, 15 November 2018

⁷ 2017 Resource Governance Index', Natural Resource Governance Institute, <https://resourcegovernance.org/sites/default/files/documents/2017-resource-governance-index.pdf>, accessed 15 November 2018

Fraser Institute⁸ and more recently the PNG Institute of National Affairs (INA) 2017 Business Survey.⁹ In this context, it is important that PNG continues to strive for increased transparency.

The Government is endeavouring to address this issue and improve PNG’s attractiveness for foreign investment. Led by the Minister for Treasury at the time, PNG applied for EITI candidacy in 2013, and has since published reports for the calendar years 2013, 2014, 2015 and 2016. The timeline for EITI implementation in PNG is shown in the figure below. The 2016 PNG EITI Report¹⁰ (2016 Report) was subject to validation by the EITI International Secretariat and was found to represent meaningful progress towards implementing the EITI Standard. This report focuses on the 2017 calendar year.



The PNG EITI has stated its objectives for implementing EITI in PNG are:¹¹

- To increase transparency of revenue flows from the companies to government, various landowners’ trust funds, associations, and the provincial governments
- To increase investors’ confidence to invest in PNG
- To assess government’s management of resource revenue and its policy settings with recommendations to be used as a platform for broader reforms
- To provide a forum for enhancing dialogue between the government, industry, landowners and citizens
- To provide reliable data for citizens to stimulate debate and hold government and companies accountable
- To support and complement PNG’s Sovereign Wealth Fund (SWF) and Government reforms to fight corruption

1.3 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

⁸ Survey of Mining companies, Fraser Institute, 2017, (accessed via <https://www.fraserinstitute.org/categories/mining> 14 August 2018)
⁹ PNG INA 2017 Business survey http://www.inapng.com/pdf_files/Being%20Heard%20wca%20proof.pdf accessed 15 November 2018
¹⁰ 2016 Papua New Guinea Extractive Industries Transparency Initiative Report, EY, <https://eiti.org/document/papua-new-guinea-eiti-report-2016>, accessed 15 December 2018
¹¹ PNG EITI Annual Progress Report 2017

2012, and the group was formalised on 1 November 2013 via a Memorandum of Understanding. Figure 2 shows the governance structure of the PNG EITI including the multi-stakeholder group.

The MSG is chaired by the PNG Treasurer, and comprises:¹²

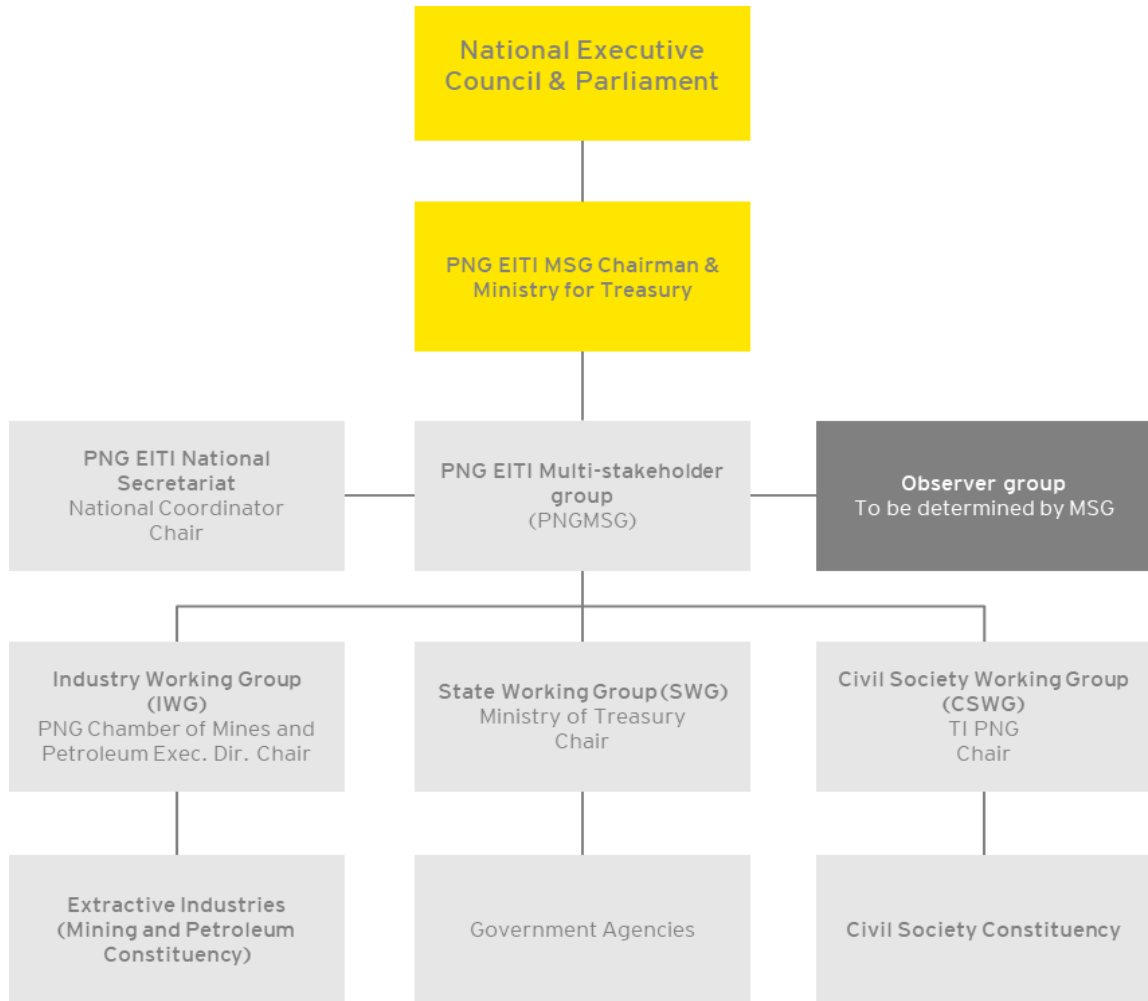
- ▶ Eleven representatives from the Government of PNG, including four voting and seven non-voting members, selected through internal processes and through direct engagement with participating ministries, agencies and departments
- ▶ Four representatives from state-owned enterprises, including three voting members and one non-voting member
- ▶ Eight representatives from civil society, including seven voting members and one non-voting member, selected through a democratic process based on agreed criteria, representing a range of perspectives and constituencies
- ▶ Seven representatives from the extractive industries, selected through a democratic process based on agreed criteria, in collaboration with the PNG Chamber of Mines and Petroleum.

Each MSG member has a primary and two alternate representatives; a proxy vote can be given to others in case these representatives are unable to join a meeting. The organisational structure is shown in Figure 2 below, and the complete list of members and representatives is provided at Appendix A.

¹² 2017 Final PNGEITI MSG MoU, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/2017-Final-PNGEITI-MSG-MoU.pdf>, accessed 11 December 2018

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.

Figure 2: Structure of governance of PNG EITI

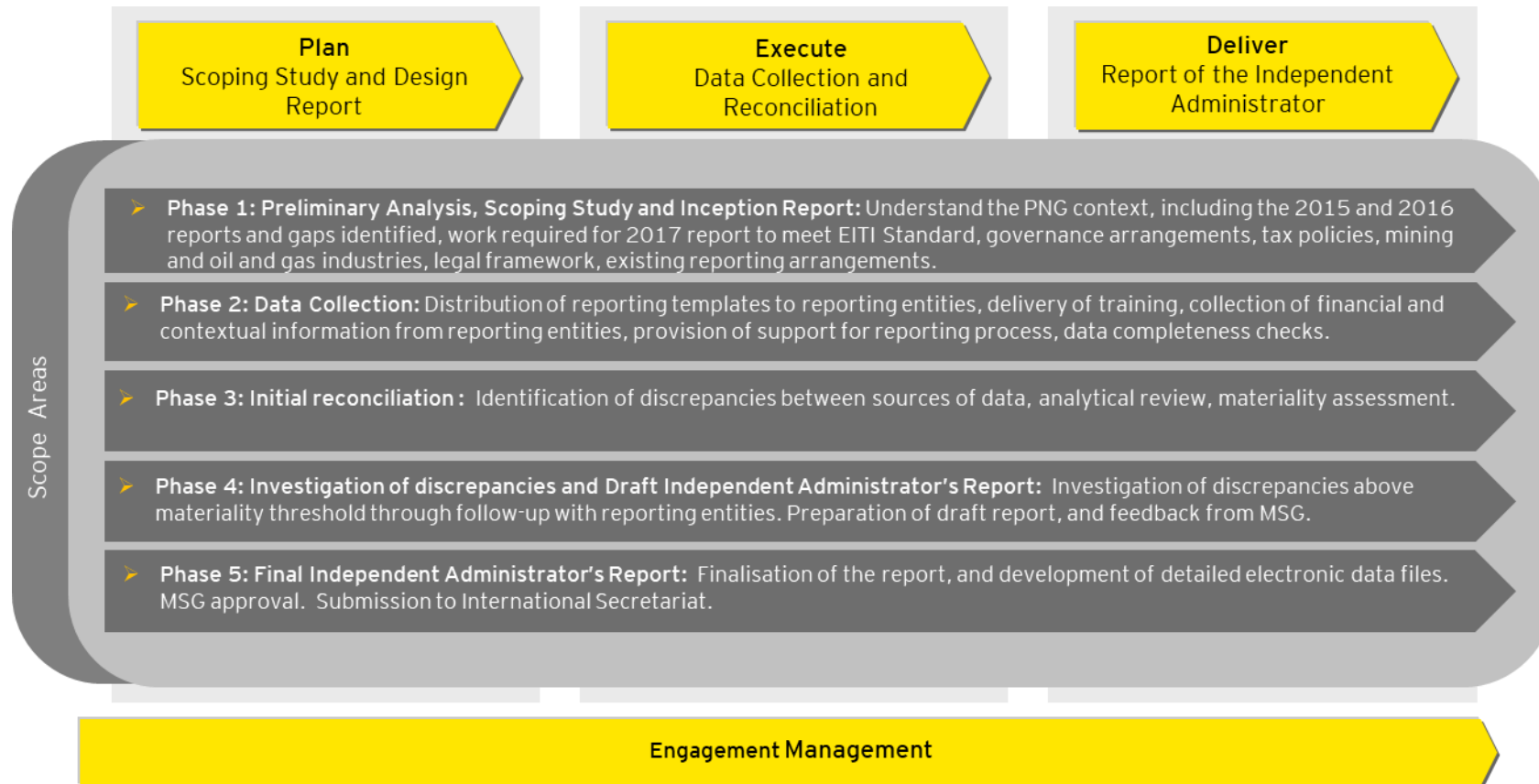


1.4 The role of the independent administrator

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

EY's process in preparing this report is shown in Figure 3 below.

Figure 3: EY's process for preparing this report



1.5 Progress in implementing EITI in PNG

PNG has made progress in implementing the EITI Standard in all categories, as assessed by the independent validator assigned by the EITI International Secretariat. This progress ranges from inadequate to satisfactory. MSG oversight was assessed as satisfactory for all requirements, while there were several aspects of revenue collection and revenue allocation that remained with inadequate progress, as seen in Table 1 Overall, PNG was assessed as having made meaningful progress in implementing the EITI Standard.

Table 1: PNG's progress in implementing the EITI Standard (Initial assessment card)¹³

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	
Licenses and contracts	2.1 Legal framework						4	
	2.2 License allocations						7, 8	The non-financial data request templates for MRA and DPE were updated to specifically request, for each tenement/licence awarded, extended, or transferred, extended, surrendered or cancelled during the reporting period: ID, ownership and date of award/transfer/extension. [Remaining data not available to the time this report was finalised will be made available on the PNG EITI website.]
	2.3 License register						7, 8	
	2.4 Policy on contract disclosure						4.10	
	2.5 Beneficial ownership (BO)*						4.11	BO reporting becomes mandatory under the Standard in 2020. The MSG has completed a BO roadmap and has begun the implementation phase of addressing this requirement.
	2.6 State participation						4.8, 9	
Monitoring production	3.1 Exploration data						8	
	3.2 Production data						8	We have again requested this information in the reporting templates. Estimates of these values based on available information have been included in this report where actual values were not supplied by the reporting entities.
	3.3 Export data						8	
Revenue collection	4.1 Comprehensiveness						2	IRC reporting template was updated to clarify that total revenue stream value is requested and the IA have been working to confirm full unilateral disclosure of all government extractive revenue streams. Specifically, with regard to the revenue streams from projects that are not yet producing.
	4.2 In-kind revenues^							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. ¹⁴
	4.3 Barter agreements^							Validation process consultation found that extractives companies are not required to undertake expenditures that could be categorised as barter agreements. ¹⁵
	4.4 Transportation revenues^							Treasury has confirmed that transport revenues do not exist in PNG except for pipeline fees, which are not material. ¹⁶
	4.5 SOE transactions						9	
	4.6 Direct subnational payments						5.5	A scoping study of sub-national payments and transfers is being undertaken. EY has met with this consultant to compare approach and confirm timeframes.

¹³ PNG Validation Report, https://eiti.org/sites/default/files/documents/png_validation_-_validators_final_validation_report.pdf accessed 16 November 2018

¹⁴ <https://eiti.org/papua-new-guinea#validation>, accessed 19 December 2018

¹⁵ ibid

¹⁶ PNG EITI 2016 Report, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNG-EITI-2016.pdf>

	4.7	Disaggregation							10	
	4.8	Data timeliness							10	
	4.9	Data quality							5.6, 10.5	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.
Revenue allocation	5.1	Distribution of revenues							5, 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.
	5.2	Subnational transfers							5.5	A scoping study of sub-national payments and transfers is being undertaken. EY has met with this consultant to compare approach and confirm timeframes.
	5.3	Revenue management and expenditures*					n/a		5	
Socio-economic contribution	6.1	Mandatory social expenditures							6	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.
	6.2	SOE quasi-fiscal expenditures							9	We requested contextual and financial information from each SOE subsidiary (including Ok Tedi Power and Ok Tedi Foundation) and KPH to assist with addressing this requirement in this report. At the time this report was finalised, we have not yet received this information.
	6.3	Economic contribution							3	
Outcomes and Impact	7.1	Public debate								
	7.2	Data accessibility*					n/a			
	7.3	Follow up on recommendations							1.5	
	7.4	Outcomes and impact of implementation								

* These requirements are only encouraged or recommended and are not currently taken into account 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 report. Some 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.

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 state owned entities including the Mineral Resources Development Company (MRDC), Kumul Minerals Holdings Ltd (KMH) and Kumul Petroleum Holdings (KPH), and will ensure that this is continued.¹⁷ The Mineral Resources Authority (MRA) is currently consulting solicitors on the legality of making MOAs public. If this is approved this will further promote transparency and improve PNG's compliance with the EITI standard.

The 2018 budget incorporated a minor technical amendment to the secrecy provisions pertaining to the *Income Tax Act*, allowing the Internal Review Commission (IRC) to directly report data without a tax waiver letter from the reporting entities as was previously required for PNG EITI reporting processes.

Further directives that relate to implementing systems improvements should flow through to improvements in EITI reports from 2018 onwards. These include:

- ▶ Implementing an electronic registry system at the Department of Petroleum and Energy (DPE). The DPE reported that this process has been initiated, but for the period covered in this report, the manual register books were still the primary register for oil and gas licensing.¹⁸
- ▶ Amending budget and fiscal reports to collect information on subnational payments
- ▶ Improving audit processes for government agencies.

¹⁷ 2018 Validation Report, https://eiti.org/sites/default/files/documents/png_validation_-_validators_final_validation_report.pdf accessed 16 November 2018

¹⁸ DPE non-financial reporting template submitted (partially complete) for this report, received 23 October 2018

2. Revenue streams and reporting entities

This report covers all known material revenue streams from the material reporting entities in the extractive industries in the 2017 calendar year. These are defined below:

Material reporting entities	<ul style="list-style-type: none"> ▶ Companies that had interests in operations producing saleable product during 2017 ▶ Companies that had interests in mining projects that were not yet producing saleable quantities in 2017, but which had a Mining Lease (ML) or Special Mining Lease (SML) granted, or had submitted SML applications ▶ Companies that had interests in advanced stage oil and gas projects, as identified through discussions with DPE and IRC ▶ Government departments and statutory bodies that were recipients of material revenue streams ▶ A quantitative materiality definition has been proposed for use in future reporting
Material revenue streams	<ul style="list-style-type: none"> ▶ Revenue streams known to contribute 2% or more of government revenue from the sector. For 2017, salary & wages tax (group tax) and foreign company/contractor withholding tax revenue streams were added to existing revenue streams under this definition, based on the data reported by the IRC for the 2016 PNG EITI Report. ▶ 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 or environmental fees.

2.1 Determination of materiality

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

PNG EITI's objective for this report is to assist in addressing fraud and corruption, improve PNG's attractiveness as an investment prospect, and improve transparency and accountability. The MSG therefore adopted a definition of materiality that goes beyond the quantitative, including revenue streams that were:

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

The quantitative threshold applied to define materiality was all revenue streams that contribute 2% or more to the total known revenue received by the government from the mining and oil and gas sectors. Two percent is within the range usually applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. For 2017, revenue streams meeting this definition of materiality covered 96% of the known government revenue attributed to the extractives sector in PNG. We note that the revenue from dividend withholding tax approached 2% of the total known extractive industry government revenue in 2017. This is the result changes in the 2017 budget that required Oil Search to pay a withholding tax on their interim dividend payments in 2017. Oil Search has stated that due to clarifications in subsequent PNG budgets, they are no longer required to pay this tax as they pay dividends from profits associated with the PNG LNG project, which is exempt from DWT.¹⁹

Some revenue streams that fall below this threshold, but which are considered potentially material based on our qualitative definition of materiality have also been reconciled. For 2017, these revenue streams included production levy and

¹⁹ Oil Search 2017 Annual Report, p.23 https://www.oilsearch.com/__data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, accessed 12 December 2018

development levies. Individually, these fall below the quantitative threshold for materiality, but together they represent greater than 2% of known revenue from the extractive industries.

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.

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

2.2 Reporting entities

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

2.2.1 Resource companies

Resource companies considered material were those with interests in extractive projects that were producing saleable commodities during the reporting period. For 2017, it was recognised that a material amount of salary & wages tax (group tax) was also paid in relation to projects in advanced stages of exploration or pre-production. The number of reporting entities was thus expanded to include companies with interests in these projects. These companies were initially identified through discussions with the MRA and DPE, due to challenges in developing a quantitative threshold based on availability and reliability of this data. The IA requested the IRC to supply the value of all tax revenue from extractive industry companies, encompassing any that had ownership in any active mining exploration licences, mining leases, special mining leases, or leases for mining purposes, petroleum development, pipeline, processing facility or retention licences, as identified by the MRA and DPE. Once received from the IRC, this revenue data was used to test the materiality threshold for reporting entities and propose a quantitative threshold for future EITI reporting.

The proposed quantitative materiality threshold for mining, oil and gas companies was calculated as: a resource company active in PNG that makes tax payments above either of the following thresholds:

Salary and wages tax: PGK13 million
Total tax payable: PGK19 million

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

The table below shows the reporting entities initially identified for the 2017 report and those that are considered material under the proposed quantitative definition.

Table 2: Material mining companies 2017

Project (Mine)	PNG entity	Parent company	Material under quantitative definition
Edie Creek	Niuminco Edie Creek Ltd	Niuminco Group Ltd	
Frieda River - SML application lodged	Highlands Frieda Ltd	Highlands Pacific Ltd	
	Frieda River Ltd	PanAust Ltd, 100% owned by Guangdong Rising Assets Management Co. Ltd	
Hidden Valley	Harmony PNG 20 Ltd	Harmony Gold Mining Company Ltd	Y
	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	Y
Kainantu	K92 Mining Ltd	K92 Mining Inc	
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	Y
Mt Crater (HGZ Mine) (not producing in 2017)	Anomaly Ltd	Crater Gold Mining Ltd	
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Ltd	Ok Tedi Mining Ltd	Y
Porgera	Barrick (Niugini) Ltd	Barrick Gold Corporation/Zijin Mining Group	Y
Ramu Nickel (Kurumbukari)	MCC Ramu NiCo Ltd	MCC-JJJ Mining	Y
	Ramu Nickel Ltd	Highlands Pacific Ltd	
	Ramu Nickel Management (MCC) Ltd	MCC-JJJ Mining	Y
Simberi	Simberi Gold Co. Ltd	St Barbara Ltd	Y
Solwara (Bismarck Sea) (not producing in 2017)	Eda Kopa (Solwara) Ltd	Kumul Mineral Holdings Ltd	
	Nautilus Minerals Niugini Ltd	Nautilus Minerals Inc	
Tolukuma (not producing in 2017)	Tolukuma Gold Mine Ltd	Asidokona Mining Resources Pty Ltd	
Wafi-Golpu (Wafi Mt) - SML application lodged	Newcrest PNG 2 Ltd	Newcrest Mining Ltd	Y
	Wafi Mining Ltd	Harmony Gold Mining Company Ltd	Y
Woodlark (Kulamadau) (not producing in 2017)	Woodlark Mining Ltd	Geopacific Resources Ltd/ Kula Gold Ltd	

Table 3: Material oil and gas companies 2017

Project (Field)	PNG entity	Parent company	Material under quantitative definition
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	Total S.A.	Y
Gobe	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	Y
	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	Y
	Southern Highlands Petroleum Company Ltd	Kumul Petroleum Holdings Ltd ²⁰	Y
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	
	Oil Search (PNG) Ltd	Oil Search Ltd	Y
	Petroleum Resources Gobe Ltd	MRDC	
	Barracuda Ltd	Santos Ltd	
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	Oil Search Ltd	Y
Kutubu	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	Y
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd	Y
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, Japan Papua New Guinea Petroleum Company, Marubeni Corporation	
	Petroleum Resources Kutubu Ltd	MRDC	
	Oil Search (PNG) Ltd	Oil Search Ltd	Y

²⁰ 4.JX Nippon interest in PDL3, SE Gobe, sold to KPH in June 2017, <http://kumulpetroleum.com/licence-interests/> accessed 12 December 2018

Project (Field)	PNG entity	Parent company	Material under quantitative definition
Moran Unit	Ampolex (Highlands) Inc	ExxonMobil Ltd	Y
	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	Y
	Esso PNG Moran Ltd	ExxonMobil Ltd	Y
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd	Y
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd	
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, Japan Papua New Guinea Petroleum Company, Marubeni Corporation	
	Petroleum Resources Moran Ltd	MRDC	
	Petroleum Resources Kutubu Ltd	MRDC	
	Oil Search (PNG) Ltd	Oil Search Ltd	Y
	PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Ltd
Esso Highlands Ltd		ExxonMobil Ltd	Y
Esso PNG Juha Ltd		ExxonMobil Ltd	Y
ExxonMobil PNG Ltd		ExxonMobil Ltd	Y
Kumul Petroleum (Kroton) Ltd		Kumul Petroleum Holdings Ltd	
Kumul Petroleum (PNG LNG) Ltd		Kumul Petroleum Holdings Ltd	
Nippon PNG LNG LLC		Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	
Oil Search (LNG) Ltd		Oil Search Ltd	Y
Oil Search (Tumbudu) Ltd		Oil Search Ltd	Y
Lavana Ltd		Santos Ltd	
Santos (Hides) Ltd		Santos Ltd	
Gas Resources		MRDC	

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

2.2.2 State-owned enterprises and trustees

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

Table 4: SOEs and trustees 2017

Reporting entity	Revenue stream received	Revenue stream paid to PNG Government
Kumul Petroleum Holdings Ltd (KPH)	Share of sales 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
Kumul Mineral Holdings (KMH) – Not material for 2017 data reconciliation but contextual information was requested by the IA	No revenue reported for 2017 as subsidiary companies that are joint venture partners in mining projects were not producing.	Salary & wages tax (Group tax)
Mineral Resources Development Company Ltd (MRDC)	Management fees from trusts managed on behalf of subsidiary landholder companies. MRDC also report the royalty and equity distributions received from subsidiary landholder companies and on payments to relevant trust funds.	MRDC taxes paid to IRC Subsidiary company taxes paid to IRC
Ok Tedi Mining Ltd (OTM)	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 2017 data reconciliation, but contextual information was requested by the IA)		Potential quasi-fiscal payments

State participation in the extractive industries gives rise to material government revenues through dividends paid by the SOEs to the PNG Treasury and taxes paid to the IRC. Where the SOE is also the operator of the project (as is the case with Ok Tedi), the SOE also pays production levy to the MRA. Royalty payments are also distributed to subnational governments and landholders through the MRDC.

Each SOE, and associated subsidiary companies is considered material for reporting purposes regardless of the quantitative threshold outlined in the previous section is met. This is due to the requirement of the EITI standard to report transparently of the management of funds through these entities. Each SOE, its structure, relevant subsidiaries and how it contributes to extractive industry revenues, is discussed in more detail in Chapter 9 of this report.

2.2.3 Government entities

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

Table 5: Material government entities 2017

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

2.3 Revenue streams

The PNG Government revenue streams relevant to the extractives sector, as identified to date, are shown in Table 6 below. Amounts generated through each of these revenue streams during the reporting period were requested from the relevant reporting entity. In the case of reconciled revenue streams, amounts were requested from the resource company (or SOE), as well as the relevant government receiving entity. In cases where a revenue stream has been identified as material, but has not been reconciled, the reasons are stated below the table.

Table 6: Extractive Industry revenue streams

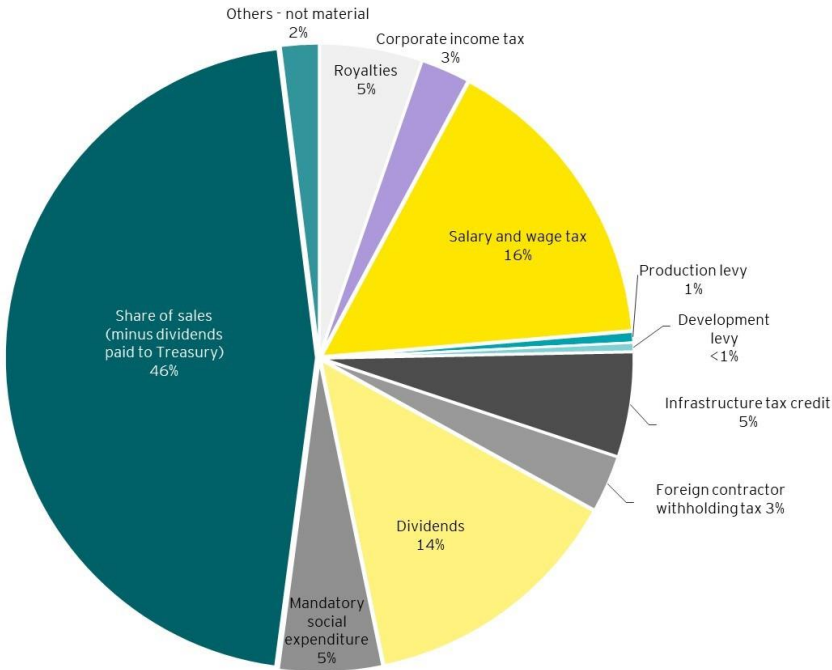
Revenue stream	% of known revenue	% of known Government revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Mining							
Mine closure bond	<1%	<1%	N	N	Conservation and Environment Protection Agency (CEPA)	n/a	n/a
Production levy	1%	<1%	Y ²¹	Y	Mineral Resources Authority (MRA)	4.7	Production levy
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	<1%	<1%	N	N			
Public Investment Program (PIP) project funds					Individual projects	7.10	
Petroleum							
Decommissioning bonds	0	0	N	N	Conservation and Environment Protection Agency (CEPA)	n/a	Environment permit fees (not reconciled)

²¹ Identified as material by MSG due to qualitative definition 'of significant interest'

Revenue stream	% of known revenue	% of known Government revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Development levy	<1%	1%	Y	Y	Collected by Department of Petroleum and Energy (DPE), recorded by Treasury, and paid to relevant local or provincial government	4.7	Development levy
Licence fees	<1%	<1%	N	N	Department of Petroleum and Energy (DPE)	8.9	DPE licence fees (not reconciled)
Additional profits tax	0%	0%	Y	N	Internal Revenue Commission (IRC)	4.3.5.4	Additional profits tax
Equity distributions / Share of sales	46%	0%	Y	N	State-owned enterprises	5.5	Equity distributions and share of sales
Mining and petroleum							
Import taxes	<1%	<1%	N	N	PNG Customs Service	4.3.5.1	Other taxes (not reconciled)
Goods and services tax	<1%	<1%	N	N	PNG Customs Service (& IRC)	4.3.5.2	Other taxes (not reconciled)
Royalties	5%	11%	Y	Y	O&G: Oil Search pays by cheque to DPE, ExxonMobil makes payments direct to trust account to be apportioned to relevant landowners, local-level governments and provincial governments Mining: Paid directly to State of PNG, relevant landowners, local-level governments and provincial governments; also reported to MRA	4.7	Mining royalties Oil and gas royalties
Dividends	14%	28%	Y	Y	Treasury	4.8	Dividends
Environment permit fees	<1%	<1%	N	N	Conservation and Environment Protection Agency (CEPA)	7.9	Environment permit fees (not reconciled)
Salary and wage tax (Group tax - taxes withheld on employees' salaries)	16%	32%	Y	Y	Internal Revenue Commission (IRC)	4.3.2	Salary and wage tax (group tax)
Mining and petroleum tax (corporate income tax)	3%	5%	Y	Y		4.3.1	Corporate income tax (mining and petroleum tax)
Business payments tax	<1%	1%	N	N		4.3.5.5	Other taxes (not reconciled)
Dividend withholding tax	1%	2%	N	N		4.3.5.6	Other taxes (not reconciled)
Interest withholding tax	<1%	<1%	N	N		4.3.5.7	Other taxes (not reconciled)
Management fee withholding tax	<1%	1%	N	N		4.3.5.8	Other taxes (not reconciled)
Royalty withholding tax	<1%	<1%	N	N		4.3.5.9	Other taxes (not reconciled)
Foreign contractor withholding tax	3%	6%	Y	N		4.3.3	Other taxes (not reconciled)
Training Levy	<1%	<1%	N	N		4.3.5.10	Other taxes (not reconciled)
Infrastructure tax credits	5%	11%	Y	Y		Spending reported to Department of National Planning and Monitoring (DNPM); offset reported to IRC	4.3.4

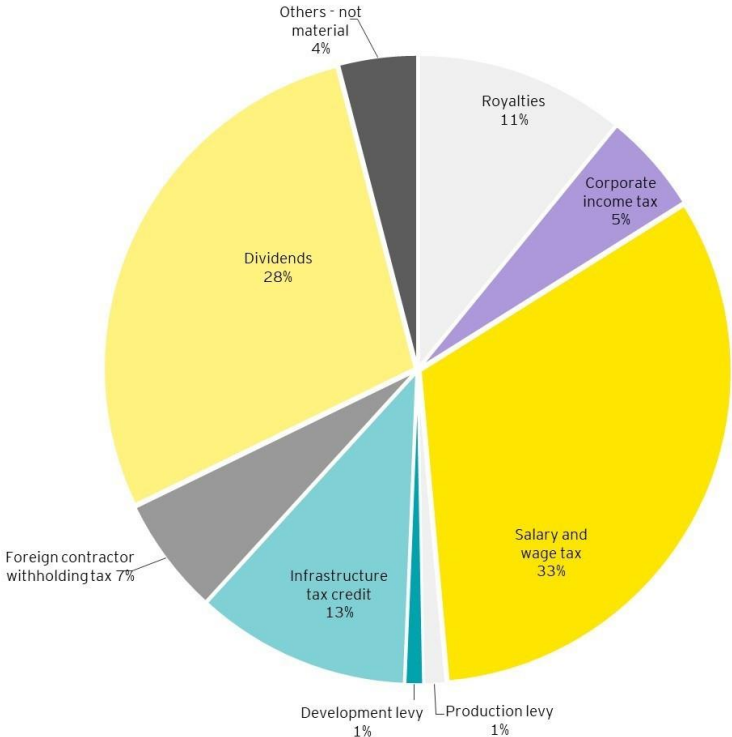
The relative magnitude of each revenue stream is shown in Figure 4 below. This includes Share of sales, which is received by state-owned enterprises and trustees. Some of this ultimately flows to the State via dividends, but some is received on behalf of landowners. Similarly, social expenditures flow not to the State but direct to a variety of recipients.

Figure 4: Relative amount of each known revenue stream, 2017



The relative contribution to government revenue, excluding Share of sales and social expenditure, is shown in the Figure 5.

Figure 5: Relative contribution to government revenue of each known revenue stream, 2017



3. Contribution of the extractive industries to the economy

3.1 About Papua New Guinea

Papua New Guinea (PNG) is a country in Oceania, occupying the eastern half of the island of New Guinea and numerous offshore islands. PNG's capital and largest city is Port Moresby.

PNG is one of the most diverse countries on earth, with over 800 indigenous languages and at least as many traditional societies, within a population of only 8 million people.²² It is also one of the most rural societies in the world, with only 13% of people living in urban centres.²³

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

PNG has now experienced 16 years of economic growth, progressing from 'low income' to 'lower middle income' according to World Bank classifications.²⁴ This progress is echoed in the United Nations' Human Development Index, with an HDI of 0.544 in 2017, a steady improvement from 0.422 in 2000. However, the country is still classified as 'low human development', ranking 153 out of 188 countries.²⁵

Challenges to improving the wellbeing of the PNG population remain, as the country is still developing infrastructure, establishing governance structures, and has a substantially non-monetised economy. During 2017, an Institute of National Affairs (INA) survey of businesses in PNG also showed corruption as an increasing concern.²⁶

However, the PNG Government has expressed a strong commitment to meeting the UN Sustainable Development Goals, working towards improvements in sustainable development and reducing incidents of corruption.²⁷

Table 7 below provides an overview of PNG's performance against a range of economic and social development indicators.

²² World Bank in Papua New Guinea - Overview <http://www.worldbank.org/en/country/png/overview>, April 2018, accessed 17 August 2018

²³ World Data Bank - World Development Indicators <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&>, accessed 17 August 2018

²⁴ World Bank in Papua New Guinea - Data <https://data.worldbank.org/country/papua-new-guinea>, accessed 17 August 2018

²⁵ UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 30 November 2018

²⁶ http://www.inapng.com/pdf_files/Being%20Heard%20wcA%20proof.pdf accessed 19 November 2018

²⁷ PNG Department of National Planning and Monitoring, Millennium Development Goals Final Summary Report 2015, http://www.pg.undp.org/content/papua_new_guinea/en/home/library/millennium-development-goals-final-summary-report-2015.html, accessed 17 August 2018, http://www.pg.undp.org/content/papua_new_guinea/en/home/presscenter/pressreleases/2018/04/04/more-government-agencies-join-fight-against-corruption-.html, accessed 20 November 2018

Table 7: PNG's World Development Indicators²⁸

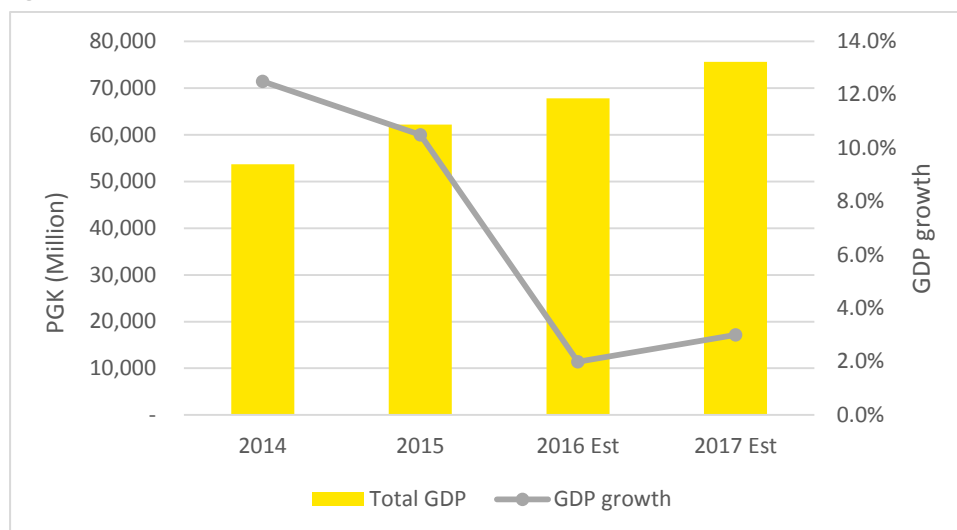
	Indicator	2014	2015	2016	2017	Average East Asia Pacific Country Value (2017)
Population	Surface area (sq. km)	462,840				-
	Population, total	7,755,785	7,919,825	8,084,991	8,251,162	-
	Population density (people per sq. km of land area)	17.13	17.49	17.85	18.2	93.54
	Population growth (annual %)	2.12	2.09	2.06	2.03	0.70
	Urban population (% of total)	12.99	13.01	13.04	13.10	57.50
	Rural population (% of total)	87.02	87.00	86.96	86.90	42.50
Economy	Gross Domestic Product (GDP) real growth (annual %)^	12.5	10.5	2.00	3.0	-
	Gross National Income (GNI) per capita, Atlas method (current US\$)	2,160	2,780	2,530	2,410	9,858
	Inflation, GDP deflator (annual %)*	5.20	6.0	6.7	5.4	2.10
	Ease of doing business index (1=most business-friendly regulations)	-	133	119	109	-
	Unemployment, total (% of total labour force) (modelled ILO estimate)	2.58	2.48	2.49	2.7	4.10
	Labour force, total	3,404,688	3,501,238	3,598,105	3,695,703	-
	Labour force, female (% of total labour force)	49.00	48.97	48.94	48.90	43.30
Health	Fertility rate, total (births per woman)	3.76	3.71	3.66	-	1.80
	Improved sanitation facilities (% of population with access)	18.90	18.90	-	-	77.21
	Improved sanitation facilities, rural (% of rural population with access)	13.30	13.30	-	-	64.33
	Improved sanitation facilities, urban (% of urban population with access)	56.40	56.40	-	-	87.10
	Improved water source (% of population with access)	40	40	-	-	94.14
	Improved water source, rural (% of rural population with access)	32.80	32.80	-	-	90.19
	Mortality rate, under-5 (per 1,000 live births)	59.10	57.30	54.30	-	16.4
	Life expectancy at birth, total (years)	65.23	65.38	65.50	-	75.40
Infrastructure	Fixed broadband subscriptions (per 100 people)	0.18	0.20	0.2	-	18.80
	Fixed telephone subscriptions (per 100 people)	1.94	1.97	1.90	-	15.60
	Individuals using the Internet (% of population)	6.50	7.90	9.6	-	52.90
	Mobile cellular subscriptions (per 100 people)	44.93	46.65	46.8	-	110
	Access to electricity (% of population)	20.26	22.2	22.9	-	96.90
	Access to electricity, rural (% of rural population)	12	14.7	15.5	-	94.10
Access to electricity, urban (% of urban population)	76.35	72.1	72.7	-	99.00	

²⁸ Values in table sourced from World Data Bank except values for ^GDP and *inflation are sourced from the PNG 2019 National Budget Vol 1, Appx 3, Table 9, p. 174 (Actual data for 2007 to 2014: National Statistical Office. Estimates and projections: Dept. of Treasury) and *Asian Development Outlook 2017 - Transcending the middle-income challenge*. Asian Development Bank, 2017; most 2017 values not available at time of writing

3.2 PNG economic overview for 2017

PNG's Gross Domestic Product (GDP) in recent years is shown in Figure 6 below.

Figure 6: GDP and GDP Growth 2017²⁹



In 2017, PNG's economy grew by 3.0%, which was a 1.0% increase from the 2016 GDP growth. The Treasury's Mid-Year Economic and Fiscal Outlook had previously forecast the 2017 GDP growth to be 2.7%.

Hydrocarbons are the largest sector in PNG in terms of real GDP, and experienced negative growth of 3.0% in 2017 following the 2016 decline in oil field production. The negative growth in hydrocarbons was offset by growth in other key areas, including mining and quarrying. In addition, 2017 saw an increase in gold, nickel and cobalt production, compounding with recovering commodity prices, which contributed to GDP growth.

The non-extractives sector did not contribute significantly to GDP growth in 2017, with non-mineral GDP growth at 0.2% overall, a decrease of 0.5% from 2016.

3.3 Post-2017 developments and projections

Growth amongst sectors including wholesale retail and trade, manufacturing, construction and agriculture was forecast to grow in 2018. However, this may be offset by forecast declines in mining, oil and gas due to an earthquake in the first half of 2018 that resulted in a decline in oil and gas production. The medium-term economic outlook for PNG however, remains positive. The PNG economy was forecast to grow by approximately 0.3% in 2018, driven largely by non-extractive industries – in particular agriculture, forestry and fisheries – before increasing to 4.0% in 2019.³⁰

Influencing factors include:³¹

- ▶ Non-resource sectors were expected to be supported by election-related spending in 2017, as well as continued capital investment in key infrastructure
- ▶ PNG LNG has experienced three consecutive years of production, with ongoing gradual efficiency gains; however, due to falling commodity prices, the project has not delivered the economic returns to PNG as initially anticipated
- ▶ Growth in non-extractive industries, and likelihood of continued growth in agriculture and agri-business as well as the tourism industry, among others

²⁹ 2019 National Budget, Appendix 3, Table 2, p. 166, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 28 November 2018

³⁰ Ibid, p. 167

³¹ Ibid, p. 174

- ▶ Expenditure was forecast to increase by 18.6% in 2018.³² This may be slightly offset by the projected 16.3% increase in revenues
- ▶ Inflation was forecast to rise to 5.6% in 2018, an increase from 5.4% in 2017. This is partly due to the anticipated increase in spending and consumption of goods and services as a result of the Asia-Pacific Economic Cooperation Leaders' Meeting hosted in Port Moresby during 2018, as well as the projected rise in tariffs and excise rates outlined in the Budget

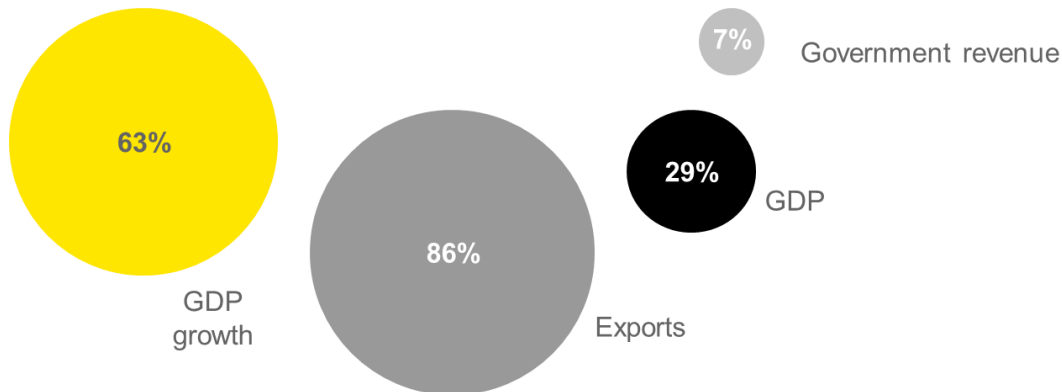
Beyond 2018, the prospects of developing further LNG facilities (Papua LNG and P'nyang) and possible further mining developments, provide potential economic stimuli, combined with proceeds from PNG LNG enhancing revenue. However, sustainable economic growth is contingent upon broader-based investment that will spread economic activity and opportunity across PNG.³³

3.4 Impact of the extractive industries

For the purposes of EITI reporting, the MSG agreed that the extractive industries include mining, oil and gas. Quarrying, forestry and fisheries have been excluded.³⁴

The extractive industries dominate exports, and are correlated with economic activity in other sectors such as construction and transport. The relative contribution of the extractive industries to a selection of economic measures for the 2017 reporting period are shown in Figure 7 below.

Figure 7: Percentage contribution of the extractives sector to economic measures in 2017



³² 2019 National Budget, Table 13A, p. 178, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 28 November 2018

³³ Institute of National Affairs, PNG's Economy 2016- past, present and future prospects. http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20%202016%20%20Word%202007.pdf

³⁴ Minutes of MSG meeting #2, 27 March 2015

3.5 Contribution to GDP

The contribution of mineral (including mining and oil and gas) and non-mineral sectors to gross domestic product (GDP) in recent years is shown in Figure 8 and Table 8 below.

Figure 8: Extractive Industry contribution to GDP 2017

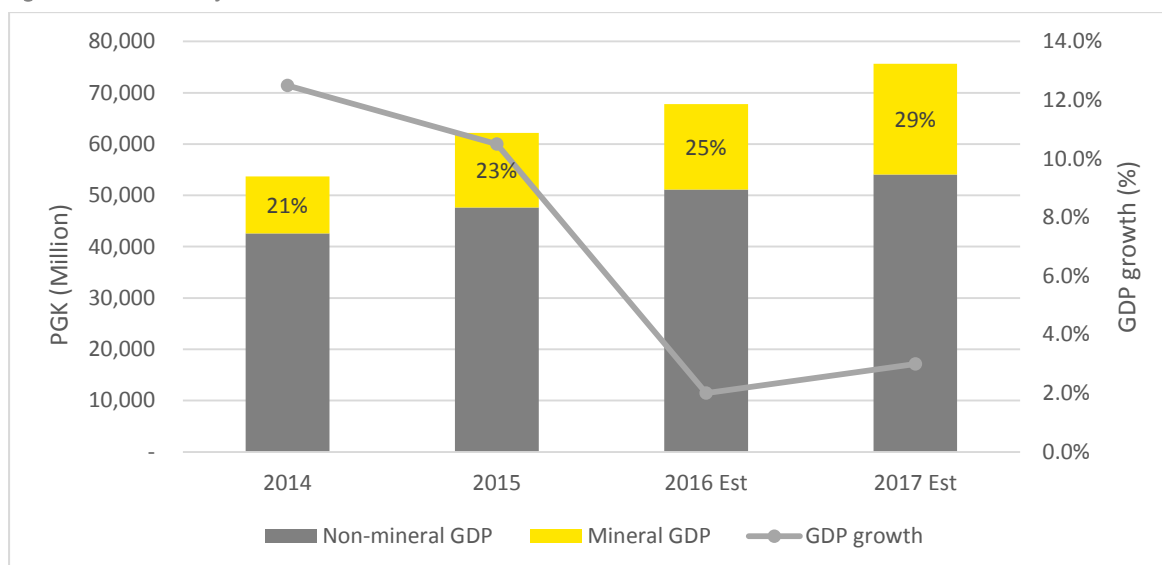


Table 8: Contributions to growth in real GDP (% points) during 2014-17³⁵

Contributions to growth in Real Gross Domestic Product (% points)				
	2014	2015	2016 Est	2017 Est
Agriculture, Forestry and Fishing	0.6	0.4	0.6	0.3
Oil and Gas Extraction	9.1	10.2	0.5	1.6
Mining and Quarrying	0.6	-0.2	1.1	1.2
Manufacturing	0	0	0	0
Electricity Gas & Air conditioning	0	0	0	0
Water Supply & Waste Management	0	0	0	0
Construction	0	0	0.1	-0.6
Wholesale and Retail Trade	0.1	0.2	0.1	0.1
Transport and Storage	-0.2	0	0	0
Accommodation and Food Services	0	0	0	0
Information and Communication	0.3	0.1	0.1	0
Financial and Insurance Activities	-0.8	-0.6	-0.3	-0.1
Real Estate Activities	0.2	0.1	0.1	0
Professional and Scientific	-0.1	-0.1	0	0
Administrative and Support Services	0	0	0	0.1
Public Administration and Defence	0.5	0.2	0.2	0.1
Education	0.2	0.1	0.1	0.1
Health and Social Work Activities	0.1	0.1	0	0
Other Service Activities	-0.1	0	0	0
TOTAL	12.5%	10.5%	2.0%	3.0%
Total Non-Mineral	3.3	0.7	0.7	0.2

³⁵ 2019 National Budget, Vol 1, Appx 3, Table 2, p. 1670 (Actual National Statistical data up to 2015. Estimates and projections-Department of Treasury) http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 28 November 2018

3.6 Contribution to government revenue

Figures drawn from the 2019 Budget indicate that the mining and petroleum sectors contributed 6.70% of government revenue (via corporate income tax and dividends) in 2017, as shown in Table 9 below.

Table 9: Contribution of the mining and oil and gas sectors to government revenue³⁶

	2014 (PGK million)	2015 (PGK million)	2016 (PGK million)	2017 (PGK million)
Total tax and non-tax revenue (excluding grants)	10,975.7	10,183.6	9,055.5	10,085.2
Mining and petroleum tax (Corporate Income Tax)	864.0	195.4	92.0	113.6
Mining and petroleum dividends	507.2	456.4	300.5	562.3
Grants Stabilisation Fund (Sovereign Wealth Fund (SWF))	-	-	-	-
Contribution of mining and petroleum in government revenue	12.49%	6.40%	4.33%	6.70%
Salary & wages tax (group tax) contribution by extractive industries*	426,779.3	572,639.1	572,948.8	597,526.3

*As per IRC templates 2014-17

Revenue flows to the government from the extractive industries can be volatile, as the financial performance of the individual operations can fluctuate according to factors including commodity prices, and impacts of severe weather events such as drought and flood. After a decline in the contribution of the extractives sector to government revenue in 2016, there was a substantial increase in 2017, partly attributed to increases in commodity prices as well as the full operation of major resource projects including the Ok Tedi mine, which was closed for seven months in 2015-16 due to drought and low copper prices. In 2017, the largest sources of government revenue from the extractive industries were salary and wage tax, dividends from the State's interest in extractive projects, infrastructure tax credit, and royalties.

The International Monetary Fund (IMF) has concluded that PNG's taxes on the extractives sector are low by international standards.³⁷ Furthermore, since 2015, corporate taxes and dividends from the extractive sector have been at their lowest level since 1992. High profile projects such as PNG LNG and Ramu Nickel contribute little to resource sector revenues, largely as a result of accelerated depreciation and tax exemptions. Similarly, Lihir, one of the largest mines, has paid almost zero corporate income tax since 2013. In 2017, Santos subsidiaries and Morobe Consolidated Goldfields Ltd also paid no corporate income tax.

Table 10: Comparison of 2017 Budget figures with figures from reconciliation (see Chapter 10)³⁸

	2017 budget figure (PGK million)	2017 reconciliation figure (PGK million)	Variance (PGK million)	Variance (%)
Corporate income tax (Mining and petroleum tax)	113.6	104.06	9.54	9.17%
Mining and petroleum dividends (paid to treasury)	562.3	562.30	-	0%

We note that the contribution to government revenue for mining and oil and gas sectors as defined in the 2019 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.

3.7 Contribution to exports

The value of total mineral exports for 2017 was estimated at PGK26,120.8 million, comprising 86% of total export value.³⁹ This is an increase on the previous year, partly attributed to 2017 being the first full year of production since Ok Tedi mine resumed operations in March 2016. A breakdown of the value of exports by commodity is provided in Figure 9 below.

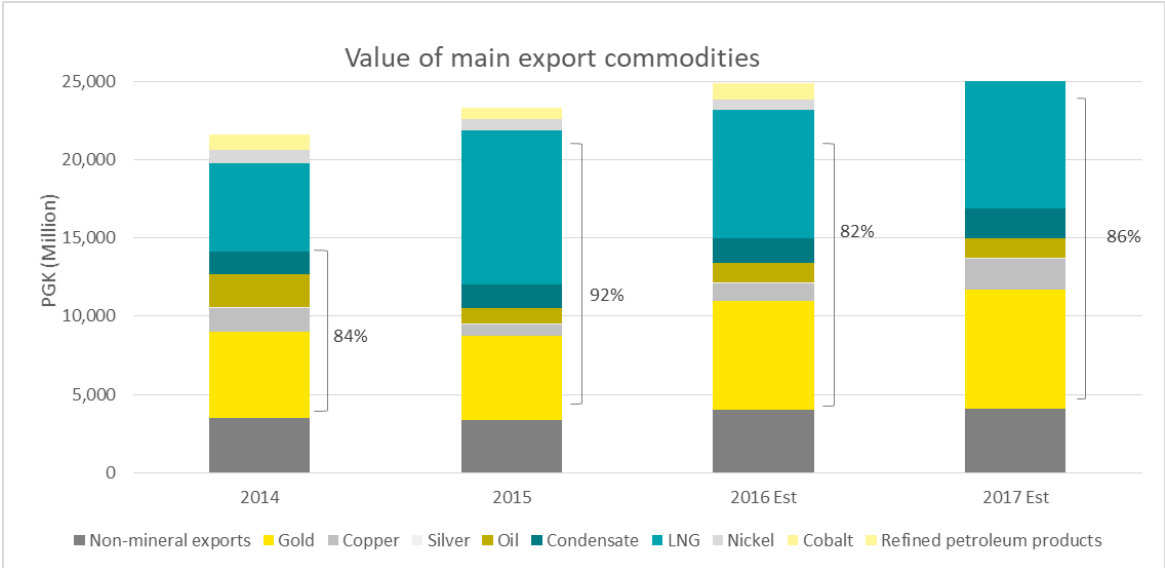
³⁶ 2019 National Budget, Vol 1, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf Accessed 29 November 2018. Note - Under the GFS 2014 methodology, non-payable infrastructure tax credits, revenue on asset sales and GST transfers to WPA and Trust Accounts are excluded from revenue

³⁷ Rohan Fox et. al., 2018 Economic Survey, http://www.devpolicy.org/2018_economic_survey_final_draft_29June.pdf

³⁸ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 29 November 2018

³⁹ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 29 November 2018

Figure 9: Mineral exports as a proportion of total exports, 2003–17⁴⁰



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

Exports from the extractive industries make up the majority of total exports. In combination with the limited range of commodities being exported, this leaves the PNG economy vulnerable to commodity price fluctuations. The government has made attempts to manage this, such as the development of the Sovereign Wealth Fund, discussed further in Chapter 5.

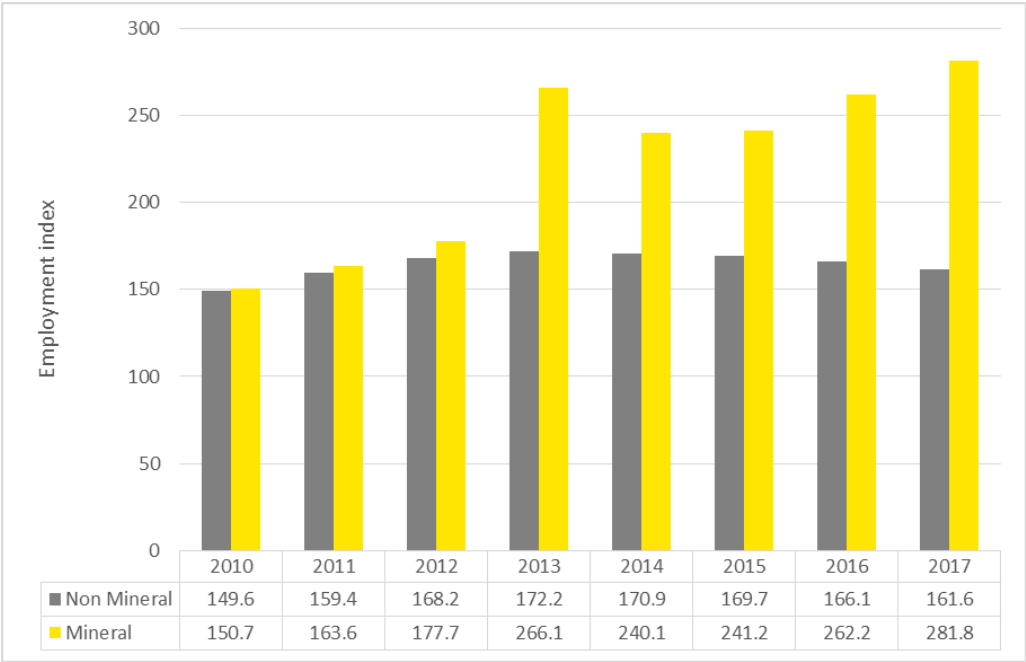
3.8 Contribution to employment

There is limited up dated employment data for PNG. Treasury draws on an index compiled by the Bank of PNG through its Business Liaison Surveys of around 400 private sector business entities across different regions and industries. The Bank of PNG Employment Index, shown over the past 8 years in Figure 10, is reported relative to March 2002, which is equal to an index of 100.⁴¹

⁴⁰ 2014 figures from 2016 Budget, Vol 1, Appx 3, Table 5, p. 111 (Actuals from BPNG. Projections from Dept. of Treasury.), http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf, 2015 actuals and 2016 estimates from 2019 Budget, Vol 1, Appx 3, Table 5, p. 170, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf

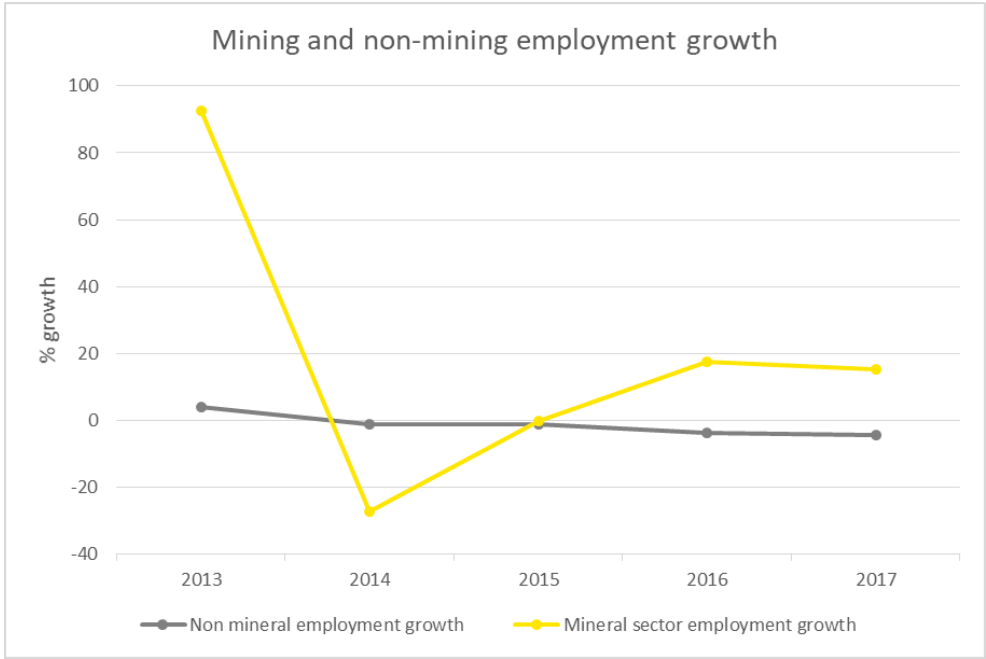
⁴¹ Bank of PNG, 9.7 Employment Classified by Industry <https://www.bankpng.gov.pg/statistics/quarterly-economic-bulletin-statistical-tables/> accessed 20 November 2018

Figure 10: Mineral and non-mineral employment⁴²



The most recent data from the Development Policy Centre at the Australian National University states that formal sector employment in PNG has contracted for four years in a row, from 2013 to 2017.⁴³ This is partly attributed to a lack of appropriate policy responses, and the worsening shortage of foreign exchange.

Figure 11: Mineral and non-mineral employment growth⁴⁴



A study from the Institute of National Affairs comments:

⁴² 2019 PNG National Budget, Vol 1, Appx 3, Table 7, p. 172, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 20 December 2018

⁴³ Rohan Fox et. al. 2018 PNG Economic Survey, http://www.devpolicy.org/2018_economic_survey_final_draft_29June.pdf

⁴⁴ 2019 PNG National Budget, Vol 1, Appx 3, Table 7, p. 172, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 20 December 2018

'Although mining and quarrying only provides limited direct employment, in practice it supports a significant amount of employment in other sectors of the economy. For example, during the construction phase of mineral and hydrocarbon resource projects, employment is classified in the construction sector even though its primary purpose is to support the mining and hydrocarbon sector. Moreover, many of the other domestic sectors primarily serve the mining industry or gain significant increases in trade as a result of an increase in activity in the mineral and hydrocarbon sectors.'⁴⁵

A report from the United Nations Development Program for PNG in 2014 notes that PNG's total formal labour market provides livelihoods to less than 12% of the working-age population.⁴⁶ A much larger informal labour market, centred on semi-subsistence agriculture, forestry and fisheries, generates livelihoods for most of the remaining working-age population.

Employment opportunities in PNG generally emerge from four industrial sectors – education; agriculture, hunting and forestry; real estate, renting and business services; and construction. Data from The Lowy Institute states that these four sectors account for 52% of all formal employment.⁴⁷

Nevertheless, the extractive industries have been important to the growth of formal employment in PNG. Large mines such as Ok Tedi employ up to 2000 staff, and mine development contracts may require mining companies to employ local staff. The PNG LNG project provided a significant number of jobs in recent times during its construction (peaking at 21,200 in 2012) but this number declined as the project moved into production. As at December 2017, more than 2,580 workers were engaged in production-related roles in the PNG LNG project, of which over 2,100, or 82%, were PNG citizens.⁴⁸

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

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

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

Recent government policies such as the Sovereign Wealth Fund, *Vision 2050*, and the Responsible Sustainable Development Strategy (STARS) seek to capitalise on the economic boon of the extractive industries, while also diversifying the economy to avoid over-dependence on the sector.⁴⁹ These policies have the potential to benefit PNG over the long term, if prudently implemented.⁵⁰

⁴⁵ Luke T. Jones and Paul A. McGavin, 'Grappling afresh with labour resource challenges in Papua New Guinea: a framework for moving forward', Institute of National Affairs, June 2015.

⁴⁶ PNG NHDR 2014

⁴⁷ Paul Barker and Jonathan Pryke, 2017, 'A Bumpy Road: Societal Trends in Papua New Guinea', <http://interactives.lowyinstitute.org/publications/PNGin2017/png-in-2017-society-a-bumpy-road-societal-trends-in-papua-new-guinea.html>

⁴⁸ PNG LNG Environmental and Social Report-Annual 2017, PNG LNG, 2017 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2017-Annual-ES-Report-FINAL-27-04-2018-FULL-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2017-Annual-ES-Report-FINAL-27-04-2018-FULL-(ENG-WEB).pdf) accessed 20 August 2018

⁴⁹ 'Vision 2050', 2009, PNG Government, <https://sustainabledevelopment.un.org/content/documents/1496png.pdf> accessed 19 November 2018

⁵⁰ Institute of National Affairs, PNG's Economy 2016 – past, present and future prospects. http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20%202016%20%20Word%202007.pdf accessed 19 November 2018

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 sub-national 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 2017, Prime Minister Peter O'Neill was re-elected for a second term. Prior to the election the Hon. Patrick Pruaitch, MP was removed as Treasurer and replaced by the Hon. Charles Abel.

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.

4.2 Ownership of subsoil assets

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

Section 5 of the MA states, 'All minerals existing on, in or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State.'⁵¹

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.'⁵²

4.3 Taxation

The Internal Revenue Commission (IRC) is mandated by Parliament under the various taxation acts and regulations and is tasked with the administration and collection of taxation, including taking action against parties that choose to avoid or evade tax.⁵³ The IRC collects the majority of State revenue, comprising corporate income tax and tax on salary and wages, as well as indirect taxes such as GST. It also assists Treasury with the development of taxation policy. The IRC is managed by the Commissioner General of the IRC with support from the Commissioner Taxation and Commissioner Services.

The 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 to access data on tax payments from the resources sector for this 2017 report.

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 contains 91 recommendations, seven of which relate to the extractive industries. The recommendations include reducing levels of State

⁵¹ Department of Mining, *Mining Act 1992 and Regulation*. Port Moresby: Department of Mining, 1992.

http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, Accessed 24 October 2018

⁵² 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

⁵³ 'Tax avoidance' generally refers to aggressive tax planning – for instance transfer pricing or treaty shopping; 'tax evasion' refers to fraudulent activity.

equity participation, extending the additional profits tax to the mining and petroleum sector, and changing the terms and availability of fiscal stability agreements. A number of 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 2017 many of these recommendations had been implemented, including:⁵⁴

- Resourcing revenue-raising agencies for improved compliance, including the IRC in the 2017 budget
- Developing policy and principles to guide State equity participation
- Implementing an updated Additional Profit Tax which applies to all resource projects except those with a Fiscal Stability clause
- Removal of the exemption on interest paid to foreign lenders

4.3.1 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.

As of 1 January 2017, corporate income tax has been standardised to 30% for all petroleum companies to align with the effective corporate tax rate of mining and non-resource companies.⁵⁵

Corporate tax is levied on taxable income, that is, assessable income less deductions allowed under the *Tax Act*. The taxation regime for extractive industries is designed such that a resource company is taxed on a project basis ('ring fencing'), effectively taxing each project like a separate taxpayer. This means that revenue, expenses and losses from each project are effectively quarantined from each other, with any expense attributable to more than one project apportioned to the projects on a reasonable basis. However, the regime does allow some concessions to ring fencing with respect to exploration expenditure and expenditure carried forward from discontinued projects, as seen below.

Concessions to ring fencing for resource companies include the ability to:⁵⁶

- ▶ Pool exploration expenditures and deduct this against project income at year end
- ▶ Include exploration expenditure incurred by an exploration licence into the project if the licence has been surrendered or cancelled or has expired
- ▶ Allocate residual capital expenditure to other resource project(s) if the taxpayer ceases to have an interest in a resource project due to the surrender, cancellation or expiry of the resource development licence

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%.⁵⁷ During the production phase, ordinary operating and administrative expenses can be immediately deducted, but there are deduction

⁵⁴ The 2017 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf, accessed 22 October 2018

⁵⁵ 2017 PNG Budget http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf accessed 23 October 2018

⁵⁶ Information provided by the IRC non-financial template 23 October 2018

⁵⁷ *Income Tax Act 1959* s155N (PNG) http://www.paclii.org/pg/legis/consol_act/ita1959116/

limits in relation to certain expenditure such as interest and management fees. Exploration expenditure, as well as capital expenditures, are written off over the life of the project and deductions allowed each year are limited such that it does not create a tax loss. In 2017, the double tax deduction for exploration expenditure in the mining sector was abolished.

4.3.2 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.

4.3.3 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. This new amendment no longer links this to the non-resident corporate tax rate.⁵⁸

4.3.4 Infrastructure tax credits

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

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 ITCs are managed by the Department of National Planning and Monitoring (DNPM).

The tax credit scheme has been halted in 2018 and is under review.⁵⁹ Prime Minister Peter O'Neil is reported to have attributed this halt to the failure of some companies to 'properly' execute the scheme.⁶⁰ As this change occurred subsequent to the 2017 reporting period, ITC is still included as a revenue stream in this report.

4.3.5 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:

4.3.5.1 Import taxes

Revenue from 2017 import taxes was significantly lower than predicted in the 2017 budget. This is attributed to reduced economic activity and decreased import demand due to a foreign exchange imbalance. Import taxes may be applicable to resource companies depending on the tariff classification of the imported goods. For 2017 revenue, there were no material amounts reported and we have not included this as a material revenue stream for 2017. 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.

4.3.5.2 Goods and services tax

Goods and services tax (GST) is collected in accordance with the *Goods and Services Act 2003*. Supplies to resource companies for the carrying out of resource operations, other than the supply of cars, were zero rated for GST purposes in 2017. Export sales by resource companies are also zero rated. Domestic sales by a resource company are subject to GST, with the exception of the domestic supply of crude oil sourced from a field in PNG which is a GST zero rated supply. There were no material GST amounts reported by PNG Customs for 2017, so this has not been included as a material revenue stream in the 2017 report. We note that from 1 January 2019, supplies to resource companies will no longer be zero rated.⁶¹

⁵⁸ 2017 PNG Budget

http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf accessed 24 October 2018

⁵⁹ Oxford Business Group news article, <https://oxfordbusinessgroup.com/analysis/hold-tax-credit-scheme-halted-government-review> accessed 22 October 2018

⁶⁰ PNG EITI <http://www.pngeiti.org.pg/pngeiti-welcomes-halt-on-tax-credit-scheme/> accessed 24 October 2018

⁶¹ PNG 2019 Budget, p66. http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 12 December 2018

4.3.5.3 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.⁶²

Fiscal stability currently applies to the PNG LNG Gas Project companies, although the 2% premium to the applicable rate of income tax was waived in this case.⁶³ No other current resource project has opted for fiscal stability.⁶⁴

4.3.5.4 Additional profits tax

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

Initially, APT applied specifically to the PNG LNG project. This was expressly provided in the definition of 'resource project' contained in section 159A of the *Income Tax Act*. That definition was subsequently repealed effective 1 January 2017 such that APT potentially applies to all resource projects. The application of APT is subject to the terms of an applicable fiscal stability agreement. The relevant fiscal stability agreement for the PNG LNG project would need to be reviewed to determine how the APT provisions apply to that project. Additional profits tax has not been paid to date.

Where a fiscal stability agreement does not impact the application of the APT, an APT rate of 30% is applied where net cash receipts are positive after allowing for an accumulation rate of 15%.⁶⁵

4.3.5.5 Business payments tax

A business payment tax is a tax incurred through a taxable business payment. Those with a 'Certificate of Compliance' have a payment rate of nil, while those without this certificate will incur a 10% business payment tax. A credit may be provided by the IRC after a review of the payer's tax return.

4.3.5.6 Dividend withholding tax

From January 2017, a standardised dividend withholding tax (DWT) rate across all sectors of 15% came into effect.⁶⁶ 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.

As a result of this, the 2017 interim dividend for Oil Search was subjected to a 15% withholding tax. 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.⁶⁷ Oil Search stated in its 2017 Annual Report that consequently, the final dividend for 2017 will be exempt from PNG dividend withholding tax, as it will be paid solely from PNG LNG-sourced profits.⁶⁸

The PNG LNG project and its partners are exempt from paying the DWT.⁶⁹

⁶² 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.'

⁶³ 2019 PNG Budget, p. 125, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

⁶⁴ Email from IRC, 4 July 2017

⁶⁵ 2017 PNG Budget

http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf accessed 24 October 2018

⁶⁶ *ibid*

⁶⁷ 2019 PNG Budget, p. 124, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

⁶⁸ Oil Search 2017 Annual Report, p. 23 https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf accessed 12 December 2019

⁶⁹ 2019 PNG Budget, p. 124, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

4.3.5.7 Interest withholding tax

The interest withholding tax (IWT) rate is applied to interest paid by companies on funds borrowed from a lender at a rate of 15%.⁷⁰

Resource companies have previously been exempt from the IWT. The 2017 budget repealed this exemption due to the lack of clear policy rationale.⁷¹ Therefore, as of 1 January 2017, this tax applies to all resource companies except participants of the PNG LNG project with fiscal stability clauses.⁷²

4.3.5.8 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 and at what rate. If the resident country is not a part of this agreement then the gross management fee is subject to a 17% tax.⁷³

4.3.5.9 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 reduced to 10%.⁷⁴

4.3.5.10 Training Levy

The training levy (TL) is deemed as an income tax, and it is applicable to employers with an annual payroll in excess of PGK200,000. The levy is equal to 2% of the annual payroll, less the amount spent on 'Qualifying training expenses' in that year.⁷⁵

The training levy was abolished as of 1 January 2018 however, it was still applied during 2017 and is therefore included in this report.

4.4 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 2015,⁷⁶ 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 is established under the *Mineral Resources Authority (MRA) Act* 2005. During 2018, the *MRA Act* 2005 was repealed and replaced with the

⁷⁰ IRC, <http://irc.gov.pg/tax-information> accessed 23 October 2018

⁷¹ 2017 PNG Budget

http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf accessed 24 October 2018

⁷² 2019 PNG Budget, p. 125, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

⁷³ IRC, <http://irc.gov.pg/tax-information> accessed 23 October 2018

⁷⁴ IRC, * <http://irc.gov.pg/tax-information/withholding-taxes/>, access 3 December 2018

⁷⁵ Training Levy Information Brochure, IRC, <http://irc.gov.pg/wp-content/uploads/2016/12/TrainingLevy.pdf>. accessed 23 October 2018

⁷⁶ http://www.abg.gov.pg/uploads/acts/Act_2015-3-Bougainville_Mining_compressed.pdf accessed 26 October 2018

Mineral Resources Authority Act 2018; however, during the 2017 reporting period to which this report relates, the *MRA Act 2005* was the relevant legislation.

As an independent statutory authority, the MRA's functions are executed on behalf of the Government of PNG.⁷⁷ The functions of the MRA are set out in Section 5 of the *MRA Act* and include:

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

Although the MRA issues all tenements in relation to mining, once the application assessment process has been completed, the application is forwarded to the 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 licences). 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, with the exception of Special Mining Leases, which are approved by the Governor-General of PNG, on advice from the National Executive Council and the recommendation of the MAC.

The MA has been under review since 2009.⁷⁸ In 2016, the Prime Minister 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.⁷⁹ In mid-2017, the new Minister for Mining stated that a revised MA would be passed in 2017; however, this did not occur and the MA has yet to be amended at the time of reporting. 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.⁸⁰

The *Mining (Safety) Act* is also under review, and there are plans to develop an alluvial mining policy.⁸¹

Matters relating to the environment within mining and exploration tenements are governed by the *Environment Act 2000*.

An export licence is required in order to export gold. The relevant requirements can be found on the Bank of PNG website.⁸²

⁷⁷ The former Department of Mining, now the Department of Mineral Policy and Geohazards Management, is now solely responsible for policy development.

⁷⁸ Information provided by MRA 27 November 2017

⁷⁹ 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/>

⁸⁰ <https://www.smh.com.au/business/companies/australian-miners-in-firing-line-of-png-law-shake-up-20180716-p4zrpc.html> accessed 16 November 2018

⁸¹ PNG Industry News article, <http://www.pngindustrynews.net/pngindustrynews/news/1144858/png-develop-alluvial-mining-policy>, accessed 26 October 2018

⁸² <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 20 December 2018

4.5 Regulation of the petroleum industry

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

- ▶ Licensing, exploration, development, production, processing, storage, transportation, and sale of petroleum or petroleum products
- ▶ Directing benefits to, sub-national entities comprised of provincial and local level governments and project area landowners, and also non-monetary benefits such as infrastructure development, training, employment, business development and community participation
- ▶ Compliance mechanisms relating to health, safety, security, environmental protection, and project monitoring and reporting.

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

- ▶ The granting of various prospecting, retention, development, pipeline and process facility licences and imposing supplementary conditions upon the holders of those licences (such as the requirement to lodge security deposits) or varying existing licence conditions.
- ▶ The disbursement of royalty benefit and equity benefit 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 development agreement with the sub-national entities, the Minister determines the proportionate disbursement of royalties.

4.5.1 Regulation of unconventional hydrocarbons

Unconventional hydrocarbons are defined as any naturally occurring mixture of one or more hydrocarbons (whether in gaseous, liquid or solid state) and any other substance, including those extracted from coal, shale or other rock, but does not include any hydrocarbons extracted from a conventional petroleum pool.⁸³ 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. 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 licence areas, fees, royalties, development levies, rights of landowners and State participation.

4.6 Resource development agreements

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

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

Section 3 of the MA sets out a broad consultation process before a special mining lease is granted. The Minister convenes a development forum of affected parties to agree the flow of benefits from the project, which are captured in a Memorandum of Agreement (MOA) and subsequently approved by the National Executive Council (see Chapter 6).

⁸³ As per the *Unconventional Hydrocarbons Act 2015*, http://www.paclii.org/pg/legis/num_act/uha2015316/, accessed 10 November 2017

4.7 Royalties, development levy and production levy

Resource projects are subject to a royalty which is equal to 2% of the gross revenue from resource sales or wellhead value in the case of oil and gas projects. Since 2001, new petroleum and gas projects are also subject to a development levy, which again is equal to 2% of the wellhead value. Where a petroleum or designated gas project is liable for both royalty and development levy, and the total amount of royalty and development levy exceeds 2% of the wellhead value of petroleum or gas sales for that year, the excess may be claimed as a credit against income tax payable. Royalties are collected by the State and apportioned to relevant landowners, local-level governments and provincial governments. Development levies are paid to the relevant local or provincial government (see more detail in 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 Mineral Resources Authority, the statutory authority charged with regulating the mining industry.

In the 2018 budget the Government amended the treatment of petroleum and gas royalties and the development levy to be treated as deductions from taxable income rather than offsets against tax owed. This will now be consistent with the mining sector and is predicted to have a positive effect on revenue.⁸⁴ This did not come into effect until 1 January 2018 and therefore does not affect 2017 reporting.

4.8 State's equity participation right

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

In return, the State can receive a share of the project profits, paid as dividends,⁸⁵ in accordance with its right as a shareholder. As the State does not always have the resources to buy into the project or pay cash calls on resource projects as they incur expenses during the development phase, the resource development agreement may allow for the government to forego their shares of resource income (dividends) to meet the State's accumulated liability.

4.9 Other stakeholder equity participation rights

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

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

4.10 Government policy on disclosure of contracts

The details of contracts and licences are protected by confidentiality provisions in Section 163 of the MA, Section 51 of the *MRA Act* and Section 159 of the OGA. Contracts are held and maintained by the Solicitor General's office. Without legislative amendment, at this stage agreements could only be made public with the approval of both the company and the DPE or MRA (as appropriate). To date, no contracts have been made publicly available. This is an issue which civil society organisations in particular seek to change in the interests of greater transparency. The MRA have shown support for an amendment to the ITA to promote greater public disclosure of tax information. Furthering this support, the MRA is seeking legal advice on making all mining projects Memorandum of Agreements (MOAs) publicly available.⁸⁶ 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.

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/>.

⁸⁴ PNG 2018 Budget, pp 54-55. http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf accessed 15 December 2018

⁸⁵ 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.

⁸⁶ <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf> accessed 23 October 2018

The principle of freedom of information is enshrined in the constitution, under the ‘Goals and Directive’ principles, under ‘Basic Rights (d) freedom of conscience, of expression, of information and of assembly and association’ and, specifically under Sections 51 and 52 on enforceability of those rights. Specific clauses clarifying public access to the content of agreements signed by or with the State on resource projects would be valuable. Part 1 of the MA however, provides for constitutional limitations as the mining legislation is for the purpose of giving effect to the national interest.

Work commenced in August 2018 through the Japan International Cooperation Agency (JICA) Technical Cooperation Program to improve resource-related revenue management in PNG. This will support the DPE and MRA in addressing public disclosure of mining tenements and oil and gas licences. Efforts made by the MSG in 2017 ensured the start of this program and it is expected that this progress will continue for the next three years.

Insight on stakeholder views of public contract disclosure

The importance of public disclosure of extractives contracts has been recognised by PNG government representatives, and the lack of this disclosure has been highlighted as an issue for government entities such as PNG Customs. Currently, provisions in the MA and OGA prevent the disclosure of these contracts, and civil society representatives note that this will likely not change without a freedom of information act.

Due to an absence of confidentiality clauses and bespoke fiscal terms within mining contracts, several mining companies were not opposed to the public disclosure of contracts. However, due to the commercially sensitive information within oil and gas contracts it is unlikely that oil and gas companies will support this without specific provisions protecting this information.

Stakeholder Views, PNG Validation Report 2018

4.11 Disclosure of beneficial ownership

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.⁸⁷

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

In compliance with this requirement, the MSG commissioned a [Beneficial Ownership Roadmap](#), which was published in March 2017, and includes a costing and work plan from April 2017 to December 2019.⁸⁸ The MSG will evaluate implementation of the roadmap as part of their annual progress report (as per EITI Requirement 7.4avi). It is expected that the document will evolve over time through iterations and improvements.

A [Scoping Study on Beneficial Ownership](#) was also published in March 2017.⁸⁹

Further information relating to implementation of the beneficial ownership roadmap in PNG is available on the PNG EITI website at <http://www.pngeiti.org.pg/>.

4.12 Relevant legislation and agreements

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

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

Table 11: Relevant legislation with hyperlinks

⁸⁷ The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership
⁸⁸ PNG EITI, KPMG, Papua New Guinea Roadmap for Beneficial Ownership Disclosure March 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/PNGEITI-Beneficial-Ownership-RoadMap-1.pdf>
⁸⁹ PNG EITI, KPMG, Report on Outcome of the Scoping Study on Beneficial Ownership March 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/PNGEITI-BO-Scoping-Study-Report.pdf>

Legislation

[Environment Act 2000](#)

[Goods and Services Act 2003](#)

[Income Tax Act 1959](#)

[Mineral Resources Authority Act 2005](#)

[Mineral Resources Authority Act 2018](#)

[Mining Act 1992](#)

[Mining Safety Act 1977](#)

[Oil and Gas Act 1998](#)

[Oil and Gas Regulation 2002](#)

[Mining \(Ok Tedi Agreement\) Act 1986](#)

[Mining \(Ok Tedi Tenth Supplemental Agreement\) Act 2013](#)

[Resource Contracts Fiscal Stabilisation Act 2000](#)

[Government Gazettes](#)

[Unconventional Hydrocarbons Act 2015](#)

[Bougainville Mining Act 2015](#)

5. Management and distribution of revenues

The [2017 EITI validation report](#) noted inadequate progress in revenue allocation, and in several aspects of revenue collection. This was due to both information gaps and concerns around the accuracy of the data provided (see further detail in Chapter 1).⁹⁰ This 2017 report seeks to address those gaps.

5.1 Budget process

The national budget process is led by the Department of Treasury. The documents, processes and governance structures that guide the PNG budget are outlined below.



In recent years there has been an effort to introduce rules-based constraints so that the budget process is directed towards achieving sound fiscal policy. This is reflected in the Medium Term Fiscal Strategy 2013–2017 (MTFS), the Medium Term Debt Strategy, the *Papua New Guinea Fiscal Responsibility Act 2006 (amended in 2017)*, the *Public Finance (Management) Act 1995 (amended in 2016⁹¹)* and the establishment of the Sovereign Wealth Fund (SWF).

The MTFS sets fiscal rules regarding the size of the deficit and debt, but it has been amended in the context of the annual budget. The *Fiscal Responsibility Act 2006* legislates a debt limit of 35% of GDP for the years 2013, 2014 and 2015 (increased from 30% via an amendment in 2013) which returned to a limit of 30% of GDP in 2016 and 2017. The *Fiscal Responsibility Act* has now been amended again to a range of 30 to 35% for the debt to GDP ceiling range with a 30% ratio to be attained by 2022.⁹²

PNG places emphasis on development planning, as reflected in the Vision 2050 report, *PNG Development Strategic Plan 2010–2030* and the *Medium Term Development Plan 2016–2017* available on the Department of National Planning and Monitoring website.⁹³ Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections.

5.2 Budget governance structures

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

Committee	Composition	Role in budget
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⁹⁰ PNG 2017 Validation Report <https://eiti.org/scorecard-pdf?filter%5Bcountry%5D=46&filter%5Byear%5D=2018>, accessed 30 November 2018

⁹¹ *Public Finances (Management) Act 1995* Amendment 2016, http://www.parliament.gov.pg/uploads/acts/16A_05.pdf accessed 12 November 2018

⁹² *ibid*

⁹³ <http://www.planning.gov.pg/images/dnpm/pdf/MTDP2.pdf> accessed 12 November 2018

Bureaucratic	Budget Strategic Committee ⁹⁴	Deputy secretaries of the central agencies ⁹⁵	To work with agencies to review their budget submissions
	Central Agencies Coordinating Committee ⁹⁶	Chaired by the Chief Secretary to the government ⁹⁷	To coordinate policy and development planning in PNG
Political	Ministerial Economic Committee (also referred to as the Senior Ministerial Budget Committee) ⁹⁸	Chaired by the Treasurer and comprises of ministers of Finance and National Planning as well as the Prime Minister and NEC	To drive budget strategy setting and advises the National Executive Council on the budget
	National Executive Council (NEC)	Key government decision making body	To approve the final budget

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

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

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

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

At the end of July, the Mid-year Economic and Fiscal Outlook (MYEFO) report is released, which provides an update on the fiscal performance of the past six months, economic forecasts for the next six months and the medium-term budget and economic forecast.

In the end of August, the Budget Strategy Paper is planned to be released (although for the 2017 Budget, the strategy paper was released in October 2016).⁹⁹ This sets out high-level fiscal parameters and broad policy strategy for the coming budget.

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

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

⁹⁴ 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

⁹⁵The 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

⁹⁶ Information received from Treasury 4 December 2017

⁹⁷ http://press-files.anu_downloads/press/p78541.edu.au//mobile/ch03s03.html

⁹⁸ Information received from Treasury 4 December 2017

⁹⁹ [PNG 2017 Budget Strategy paper.](http://www.treasury.gov.pg/html/national_budget/files/2017/FINAL%202017%20BUDGET%20STRATEGY%20PAPER%20%2029%20OCT%202016.pdf)

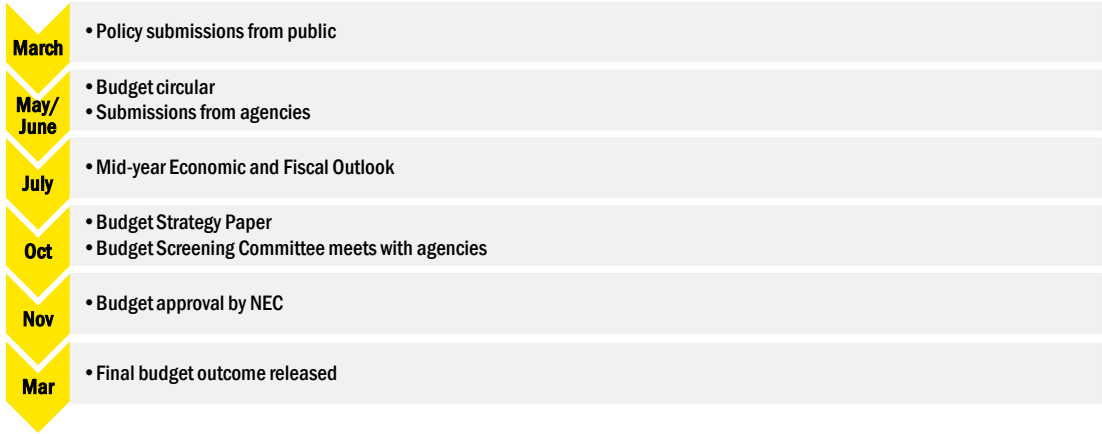
http://www.treasury.gov.pg/html/national_budget/files/2017/FINAL%202017%20BUDGET%20STRATEGY%20PAPER%20%2029%20OCT%202016.pdf, accessed 27 August 2018

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

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

A Final Budget Outcome report is released within three months of the end of the financial year, which includes annual expenditure.¹⁰⁰

Figure 12: Timeline of key steps in PNG budget process in 2017¹⁰¹



5.3 Recent reforms to the budget process

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

- ▶ Introduction of multi-year budgeting framework based on the Governments priorities and trends of the Medium Term Development Plan and Medium term Fiscal Strategy.¹⁰²
- ▶ Separate consideration of new and ongoing expenditure. The 2016 and 2017 budgets involved a two-stage approach: the first stage calls for new activities in order of priority; the second stage covers ongoing operating costs and projects.¹⁰³
- ▶ Budgeting by sector to avoid duplication, align sector priorities, and help distribute funding across the government's priority areas; particularly highlighting funding to health and higher education.¹⁰⁴
- ▶ Shifting emphasis from inputs to outcomes by: integrating more information into resource allocation decisions, particularly on program goals and performance; and assessing the validity of historical budget decisions.¹⁰⁵

¹⁰⁰ PNG 2017 Final Budget Outcome, http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2017%20FINAL%20BUDGET%20OUTCOME.pdf accessed 20 November 2018

¹⁰¹ MYEFO released, http://www.treasury.gov.pg/html/national_budget/files/2012/budget_html/related_budget_documents.htm, Budget Strategy Paper http://www.treasury.gov.pg/html/national_budget/files/2017/FINAL%202017%20BUDGET%20STRATEGY%20PAPER%20%2029%20OCT%202016.pdf, Final Budget released, http://www.treasury.gov.pg/html/national_budget/files/2012/budget_html/related_budget_documents.htm accessed 2 December 2018

¹⁰² http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf accessed 12 November 2018

¹⁰³ *ibid*

¹⁰⁴ PNG 2015 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2015/Vol1-Economic%20and%20Development%20Policies.pdf p. 54, accessed 12 November 2018

¹⁰⁵ *ibid*

- ▶ Increased transparency ‘through the quarterly release of information about appropriations, warrant releases and expenditure to date of every Government agency’ this is done by publishing information in the major newspapers and online through the Department of Treasury website (www.treasury.gov.pg/).¹⁰⁶
- ▶ Ensuring the sustainability of projects by requiring four-year forward estimates, including future operational costs of capital expenditures.¹⁰⁷

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.¹⁰⁸

On 5 December, 2017, the PNG National Parliament passed the *Public Money Management Regularisation Act*. The purpose of this Act is to standardise the way in which public money is managed by public and statutory bodies in PNG through the Consolidated Revenue Fund (CRF). Through the implementation of this Act (after a transition process), by 1 January 2020, PNG public and statutory bodies shall only receive public money by appropriations made by, or under the National Budget.

Note that this Act does not apply to Kumul Petroleum Holdings Ltd, Kumul Minerals Holdings Ltd, or Kumul Consolidated Holdings Ltd.

Classifications of the State budget and public accounts are in accordance with the International Monetary Fund’s *Government Financial Statistics Manual 2014*.

5.4 PNG Sovereign Wealth Fund

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

The *Organic Law on the Sovereign Wealth Fund* was passed by the Parliament in July 2015 and commenced mid-2016.¹⁰⁹ At the time of writing the Government is in the process of reviewing candidates and appointing the inaugural Chairman and Board Members of the PNG SWF.¹¹⁰

The SWF, when operational, will comprise two funds: the Stabilisation Fund and the Savings Fund. Tax revenues received from mining and petroleum projects, including the PNG LNG project, will be directed to the Stabilisation Fund, and be available to be drawn down into the budget in accordance with a five-year moving average, to fund expenditure needs. When revenue flows are large, the excess will be deposited into the Savings Fund. The SWF Organic Law requires a split of mineral and petroleum dividends into the SWF; however, until the SWF is in operation these are directed to the National Budget.¹¹¹

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

According to Treasury, the projected mineral and petroleum revenues and medium-term inflows between the budget and the SWF were yet to be operationalised.¹¹² Based on current estimates by Treasury, 50% of mining and petroleum tax revenues will be channelled to the SWF Stabilisation Fund, while the other 50% will flow directly to the CRF to finance government operations. Until the SWF is operationalised, all mineral and petroleum dividends are directed to the National budget.¹¹³

5.5 How extractive industry revenues are recorded

Table 12 below provides a list of revenues and payments from the extractive sector, and where they are recorded.

Table 12: Public records of extractive industry revenues

¹⁰⁶ *ibid*

¹⁰⁷ *ibid*

¹⁰⁸ http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf, p. 66 accessed 12 November 2018

¹⁰⁹ http://www.treasury.gov.pg/html/public_debt/swf.htm accessed 12 November 2018

¹¹⁰ PNG 2019 Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 30 November 2018

¹¹¹ http://www.treasury.gov.pg/html/public_debt/swf.htm accessed 12 November 2018

¹¹² PNG 2019 Budget p.150-151, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 10 December 2018

¹¹³ *ibid*

Revenue Stream	Where recorded	Available online?
Mining		
Mine closure bond	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Production levy	Financial reports of the MRA	No
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	Accounts/Financial reports of MRA	No
Royalties	Paid by the project developer directly to the recipients, which are defined in each project MOA. Receipts of payments are furnished to the MRA. Estimates of mining and petroleum royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC based on actuals from 2017.	Yes ¹¹⁴
PIP project funds	National Budget Volume 3	Yes ¹¹⁵
Petroleum		
Decommissioning bonds	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Development levy	Paid to DPE Trust Account, and financial reports are furnished to the Trust Fund Management Division of the Department of Finance as per the <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 mining and petroleum royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC based on actuals from 2017.	Yes ¹¹⁶
Additional profits tax	National Budget, Volume 1, Economic and development policies. None paid to date, therefore no figure to report. ¹¹⁷	NA
Equity distributions/ share of sales	Relevant annual reports (e.g. KPH, KMH, MRDC, OTML)	Yes
Mining and petroleum		
Import taxes	National Budget, Volume 1, Economic and development policies	Yes
Goods and services tax	National Budget, Volume 1, Economic and development policies	Yes ¹¹⁸
Licence/tenement fees	Paid to MRA and DPE for mining and petroleum respectively	No
Mandatory social expenditure	Some company annual reports	
Discretionary social expenditure	Some company annual reports	
Dividends	National budget (listed under non-tax revenue)	Yes ¹¹⁹
Environment permit fees	Financial reports of Conservation and Environment Protection Agency (CEPA)	No

¹¹⁴ PNG 2019 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, accessed 15 December 2018

¹¹⁵ PNG 2019 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf, accessed 3 December 2018

¹¹⁶ PNG 2019 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, accessed 15 December 2018

¹¹⁷ Ibid

¹¹⁸ 2019 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 12 November 2018

¹¹⁹ PNG 2019 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf, accessed 3 December 2018

Revenue Stream	Where recorded	Available online?
Royalties & dividends paid to provincial governments	National Economic Fiscal Commission's Report	Yes ¹²⁰
Salary and wages tax (taxes withheld on employees' salaries)	IRC annual report	No ¹²¹
Corporate income tax (mining and petroleum tax)	National budget	Yes
Infrastructure tax credits	IRC accounts and DNPM	Yes ¹²²
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
Management fee tax*	National Budget, Volume 1, Economic and development policies	Yes
Royalty withholding tax [^]	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 PaCI.

**Recorded in the budget as Management tax*

[^]Recorded in the budget as Royalties tax

5.6 Subnational payments and transfers

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. Some relevant information is to be found in the 2017 National Economic and Fiscal Commission (NEFC) *Budget Fiscal Report*,¹²³ but does not always align to the EITI reporting requirements. The IA has attempted to include as much information as possible in this report.

The PNG EITI commissioned a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations in October 2017.¹²⁴ The study was to be completed in 2018, but at the time of writing had not yet been published.

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/>.

¹²⁰ National Economic and Fiscal Commission 2017 Annual Budget Fiscal Report, http://www.nefc.gov.pg/documents/publications/fiscalReports/2017Fiscal_Report.pdf accessed 12 November 2018

¹²¹ 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 <http://irc.gov.pg/wp-content/uploads/2017/01/2013-Annual-Report.pdf>, accessed 12 November 2018

¹²² Summary of annual values included in Appendix 1 – Revenue Tables of 2018 Budget, 2018 National Budget, Vol 1, http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 4 December 2018

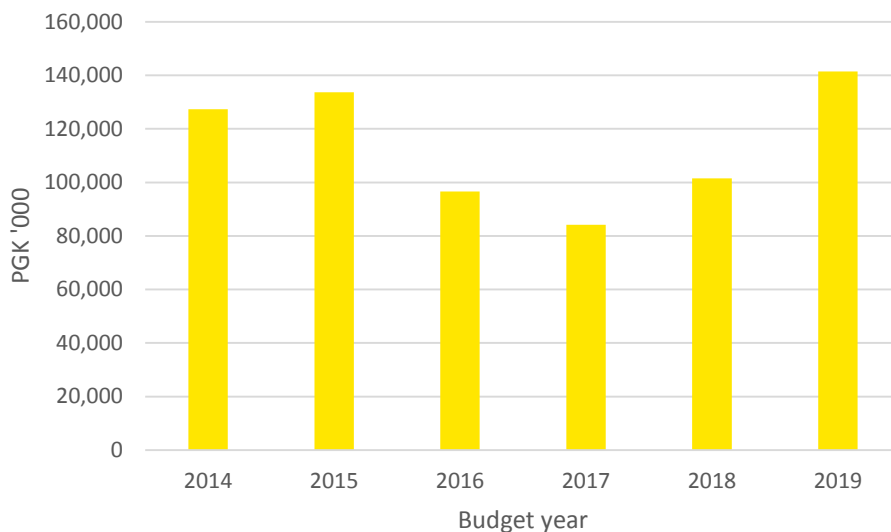
¹²³ National Economic and Fiscal Commission 2018 Annual Budget Fiscal Report, www.nefc.gov.pg/documents/publications/fiscalReports/2018Fiscal_Report.pdf accessed 12 November 2018

¹²⁴ Terms of reference for this study available on the PNG EITI website <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNGEITI-TOR-Subnational-payments-scoping-study-final.pdf> accessed 12 November 2018

5.7 Subnational payments and transfers: mining

The National Economic and Fiscal Commission Provincial Government Budget Reports outlines the revenues received by provincial governments. At the time of writing, the NEFC had not released actuals for 2017.¹²⁵ The table below is derived from figures in the National Budget.

Table 13: Mining and petroleum royalties/dividends transferred to provinces*¹²⁶



* 'Year' correlates to budget year, and appears to represent actuals for two years prior. The figure for 2019 is listed as PGK141,407,439 under a table labelled 'Kina thousand', but this can be assumed an error.

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

- ▶ **Royalty:** A royalty benefit of 2% of the FOB value from resource sales is provided by tenement holder 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 land owners 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 the Department of National Planning and Monitoring (DNPM) through a Guideline.

Accountability mechanisms vary significantly depending on the entity receiving the allocation. Audits of provincial, local government and landowners groups should occur on an annual basis but capacity constraints within both the local and provincial governments and the Auditor General prevent this from occurring. Other mechanisms such as board review or government oversight also vary considerably depending on the entity receiving the distribution.

¹²⁵ NEFC 2018 Budget Fiscal report, http://nefc.gov.pg/documents/publications/fiscalReports/2018Fiscal_Report.pdf, accessed 28 August 2018

¹²⁶ Sourced from Table 1.2, National budgets 2014–2019, <http://www.treasury.gov.pg/>, accessed 10 December 2018

5.8 Subnational payments and transfers: oil and gas

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

- ▶ **Royalty:** A royalty benefit of 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:** A development levy of 2% of the wellhead value, calculated in the same manner as royalties, is payable by a development licensee directly to a trust fund, which is then available to the provincial governments and the local level governments (s. 160).
- ▶ **Equity:** The State has the right to acquire all or part of a participating interest not exceeding 22.5% in each petroleum project (s. 165). The State grants to the project area landowners and affected local-level governments an equity benefit in that petroleum project (s. 167). These benefits shall be held in trust and shared in proportions agreed upon in a development agreement, or in default of the agreement, as determined by the Minister (s. 167). Governments and landowners are also at liberty to freely negotiate a participating interest in addition to the interest granted them (s. 175).
- ▶ **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).

5.9 Auditing of the public accounts

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

The Auditor-General's responsibilities extend to:

- ▶ Departments of the National Public Service and arms, agencies and instrumentalities of the national government
- ▶ Provincial governments, and arms, agencies and instrumentalities of provincial governments
- ▶ Bodies established by statute or act of the National Executive.¹²⁷

¹²⁷ <http://www.ago.gov.pg/index.php/about-the-ago> accessed 28 August 2018

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

- Part 1 Public accounts of Papua New Guinea (latest report on 2012)
- Part 2 National government departments and agencies (latest report on 2013/14)
- Part 3 Provincial governments and local-level governments (latest report on 2016)
- Part 4 Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (latest report on 2016)

The reports highlight serious and pervasive deficiencies in accounting practices at all levels of government. The most recent report on the national accounts notes that the 2013 financial statements were not received by the Auditor-General until June 2015. The report 'draws attention to significant financial risk, control and related management issues within operating and accounting processes and financial systems of major Government entities.' It concludes that there is a lack of fundamental processes relating to financial statement reporting, to the extent that there was insufficient evidence on which to base an audit opinion. It also finds significant non-compliance with legislation and accounting principles. The report makes 26 recommendations 'which are directed towards addressing the major concerns in financial systems, controls and processes.'¹²⁸

The reports on departments, subnational governments and other public bodies similarly find 'weaknesses of such magnitude that material error could have been processed or misappropriation and fraud could have occurred.'¹²⁹ The reports from 2016 note 'my audit findings that have been repeatedly highlighted show a slow progress in making improvements to governance structures and public accountability mechanisms in relation to expending public finances. Without strong governance support, service delivery as envisaged by the National Government remains to be frustrated.' Poor financial management was found to be consistent in the 2016 report as it had been in earlier years. The Auditor General also expressed concerns that the weaknesses found in the financial management of PNG are causing waste to financial resources of which is leading to reduced transparency and ultimately negatively impacting the citizens of PNG.¹³⁰

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

¹²⁸ Auditor General's Office, 2015, Report of the Auditor-General 2012 on the Public Accounts of Papua New Guinea, http://www.ago.gov.pg/images/downloads/Part_1_NGAD_12_DAG_QUALITY_REVIEW%2029%20-11-15.pdf, accessed 30 November 2018

¹²⁹ Auditor General's Office, 2015, Report of the Auditor-General 2014-2013: Part II National Government Departments & Agencies, <http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf>, accessed 30 November 2018

¹³⁰ Auditor General's Office, 2016, Report of the Auditor-General 2016: Part 4 Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies, <http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf>, accessed 30 November 2018

6. Social expenditure

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

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

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

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.

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

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.'¹³¹

In 2016, the IA asked the MSG to define 'social' expenditure; the MSG referred the IA back to the EITI Standard, and to the categories suggested in the original scoping study for the PNG EITI.¹³²

1. Compensation to landowners

- ▶ General compensation
- ▶ Environmental compensation
- ▶ Community asset and relocation compensation
- ▶ Lease fees

¹³¹ 'Guidance note 17 on social expenditures', *EITI*, https://eiti.org/sites/default/files/documents/guidance_note_17_social_expenditure_en_2016.pdf

¹³² PNG EITI Scoping Study for First EITI Report <https://www.pngeiti.org.pg/download/pngeiti-scoping-study-by-deloitte-touche-tohmatsu/>

2. Education

- ▶ Scholarship
- ▶ University sponsorship
- ▶ Other training costs

3. Infrastructure Development

- ▶ Other infrastructure development programs (as per MOA)

4. Community development programs

5. Business development programs

6. Health programs

7. Township development

The reporting templates distributed to reporting entities for the 2017 report contained a detailed description of what is considered a mandatory social expenditure. 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/ies was requested. Some companies have disclosed this.

6.1 Mandatory and discretionary social expenditure reported for the 2017 reporting period

Table 14: Summary of social expenditure by company and sector in 2017

	Mandatory social expenditure (PGK)	Discretionary social expenditure (PGK)
Mine operator (mine)		
Lihir Gold Ltd (Lihir (Luise Caldera) mine)	85,771,961	49,278,331
Barrick (Niugini) Ltd (Porgera mine)	38,783,856	620,922
Morobe Consolidated Goldfields Ltd (Hidden Valley mine)	888,403	1,080,387
Simberi Gold Company Ltd (Simberi mine)	1,119,446	624,084
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu)	8,996,911	180,057
Niuminco Edie Creek Ltd (Edie Creek mine)	No template received	No template received
Anomaly Ltd (Mt Crater mine)	No template received	No template received
Oil and gas		
Oil Search (operator oil projects)	2,348,303	47,605,470
ExxonMobil PNG (operator PNG LNG)	0	8,748,867
JX Nippon (and subsidiaries)	0	0
Santos Ltd (and subsidiaries)	0	2,024,380
State-owned enterprises		
Ok Tedi Mining Ltd (Mt Fubilan mine)	90,153,033	61,722
Mineral Resources Development Company Ltd (MRDC)	0	910,501
Kumul Mineral Holdings (KMH)	No template received	No template received
Kumul Petroleum Holdings (KPH)	No template received	No template received

We have included a project-level summary of social expenditure below where information is available:

6.2 2017 social expenditure by project

6.2.1 Lihir: Lihir (Luise Caldera) mine

Mandatory

Mandatory expenditure made by Lihir includes native title/landholder agreements and indigenous land use agreements.¹³³

Discretionary

Discretionary expenditure made by Lihir includes investment in local communities, donations made to charities and community department costs.¹³⁴ Lihir runs several programs, as detailed in their annual report. For example the Healthy Living Program encourages and provides benefits for employees to eat healthier food, have better hydration, increased exercise and appropriate sleep. Other projects include investing USD21 million in village development schemes (housing power, water supply, garbage and sewer systems); investing USD6.9 million in the Lihir medical centre; and investing USD9.8 million to improve sealing and drainage of local roads.¹³⁵

6.2.2 Barrick (Niugini): Porgera mine

Social expenditure through compensation – Case study

During 2017, Barrick Gold Corporation and Barrick (Niugini) Ltd commissioned a research report in an effort to help enhance access to remedy for people living in the communities surrounding the Porgera Mine, located in Enga, a remote Province of Papua New Guinea.¹³⁶ The report included a recommendation that the operational grievance mechanism be reformed, as the current mechanism is unresponsive, slow and opaque, resulting in grievances being neither addressed nor resolved. Further to this, the mechanism should be independent of both the company and the community, in accordance with international norms.

Development of the mechanism should also help inform the development of a culturally sensitive compensation matrix, cogniscent of cultural nuances including the tendency for women to be awarded less compensation than men for the same harms. This should result in a standardised approach to compensation and grievance remedy in Porgera. Consultation with the community on grievance mechanism reform is due to be complete by March 2019, with the new mechanism due to be implemented by November 2019.

Mandatory

Mandatory social expenditure for Porgera mine included compensation, Tax Credit Scheme (TCS), and education and training costs.

Discretionary

Barrick report providing donations to local schools, hospitals and the community; however, no specific values were provided.

6.2.3 Harmony: Hidden Valley

Mandatory

Table 15: Mandatory social expenditure paid by Harmony in 2017

Entity paid to	Amount paid (PGK)
ME 82 Lease Comp Agreement	325,262
ML 151 Lease Compo Agreement	329,035
Land for Wau Camp Water Supply	10,837
Rainfall Monitoring Station	12,828

¹³³ 2017 Newcrest Sustainability Report, http://www.newcrest.com.au/media/sustainability_reports/2018/Newcrest_Sustainability_Report_2017.pdf, accessed 4 December 2018

¹³⁴ *ibid*

¹³⁵ *ibid*

¹³⁶ Jungk, Margaret, Chichester, Ouida, and Fletcher, Chris. 2018. 'In Search of Justice: Pathways to Remedy at the Porgera Gold Mine', BSR, San Francisco.

Dust Monitoring Station	4,574
Hydrology Monitoring Station	42,667
Water Discolouration	163,200

Discretionary

Table 16: Discretionary social expenditure paid by Harmony in 2017

Entity paid to	Amount paid (PGK)
Hidden Valley Mine Trust, includes PGK54,019 withholding tax paid to IRC	1,080,387

A further break down of the discretionary payments is illustrated below:

Table 17: Break down of discretionary payments made by Harmony in 2017

Donation type	Amount donated	Donation recipient
Tutu desks donation	1000 Units purchased under CA Account: USD11,000	HV LO Community Schools
Cash donation for outstanding power bill	PGK6,000 paid direct to PNG Power Account.	Wau Health Centre-CEO
School stationery	School stationery worth PGK1,879	Winima Elementary School
Fuel drum	1 x Fuel Drum One fuel drum	Late George Apising (Morobe Provincial Government Staff under Mining Section) funeral movement.
Food donation	Food worth PGK1,000	NAUTI village Lutheran Church gathering
Food donation	Food worth PGK14,500	HV LO communities during the Christmas period
Bikers major sponsor	PGK30,000	2017 Morobe Show
Sponsorship of 2017 World Cup Trophy Tour to HV & Wau Bulolo area	PGK30,000	

6.2.4 Simberi Gold Company: Simberi mine

Mandatory

Mandatory social expenditure for the Simberi mine is paid to the Simberi land owners and this include land compensation.

Discretionary

Simberia reported discretionary expenditure for the water distribution project; high school equivalent training; support of building local schools; medical facilities on the island; and building materials. St Barbara also reported spending PGK10,000 towards classroom books for school support, participating in a joint venture with landowners to construct two teachers' houses and continuing Simberi Ring Road maintenance.¹³⁷

6.2.5 Exxon Mobil: PNG LNG

Mandatory

Exxon Mobil has not reported any mandatory social expenditure paid in 2017.

¹³⁷ St Barbara 2017 Sustainability report, https://stbarbara.com.au/wp-content/uploads/2018/03/2017.10.20_asx_2017_sustainability_report.pdf, accessed 4 December 2018

Discretionary

Table 18: Exxon Mobil's reported discretionary payments in 2017

Sector distributions	Amount paid (PGK)
Civic and community	3,304,375
Health	1,988,764
Environment	1,906,207
Education	1,499,775
Contingency	40,220
Public policy	9,526

Exxon Mobil's discretionary payments are distributed among a range of partner organisations in each of the above areas, which implement their social investment programs.

6.2.6 Santos Ltd: PNG LNG

Mandatory

Santos have not reported any mandatory social expenditure.

Discretionary

Table 19: Discretionary expenditure paid by Santos in 2017

Subsidiary	Donation recipient	Amount paid (PGK)
Hides	Tari Hospital	1,632,565
Lavana	Tari Hospital	391,815

6.2.7 Ok Tedi Mining Ltd: Ok Tedi (Mt Fubilan)

Mandatory

Table 20: Reported mandatory expenditure paid by Ok Tedi in 2017

Entity paid to	Amount paid (PGK)
CMCA	
Nupmo	3,848,071
Tutuwe	5,340,273
Wari Tri	9,896,346
Middle Fly	10,857,026
Kiwaba	6,671,918
Suki Fly Gogo	6,670,185
Dudi	6,788,664
Manawette	6,171,326
Total CMCA	56,243,809
Mine villages	
Atemkit	2,187,565
Bultem	985,254
Finalbin	2,222,591

Kavorabip	2,248,118
Migalsimbip	2,155,053
Wangbin	2,354,506
Total mine villages	12,153,087
Lease*	
Lease – local	1,858,695
Land rental (government)	726,229
Land lease payments (community)	836,133
Land lease compensation – LMP79 – Kobom	836,549
Land lease compensation – LMP37 – Aekyom	758,766
Lease – Lamin Trust	569,992
Total lease	5,586,363
Eight supplement	
Eighth Supplemental Agreement -Heduru	16,169,774

*Included according to template provided, however please note that lease payments would typically be classed as commercial operating costs rather than that social expenditure

Discretionary

Table 21: Discretionary expenditure as reported by Ok Tedi in 2017

Entity paid to	Amount paid (PGK)
Various Donations	10,700
Compensation General (Others)	51,022

6.2.8 MCC Ramu Nico Ltd: Ramu Nickel

Mandatory

Table 22: Expenditure as reported by MCC Ramu in 2017

Entity paid to	Amount paid (PGK)
Community relations	557,055
Business opportunity	6,787,795
Compensation of land and environment	1,652,061

Discretionary

Ramu Nickel reported PGK180,057 paid in donations for the 2017 period.

6.2.9 MRDC Ltd: multiple projects

Mandatory

MRDC reported no mandatory social expenditure for the 2017 reporting period.

Discretionary

MRDC reported the following discretionary payments for 2017.

Table 23: Discretionary expenditure as reported by MRDC in 2017

Entity paid to	Amount paid (PGK)
----------------	-------------------

Charity	89,657
Sports	301,815
Social & community	321,665
Educational sponsorship	197,365

7. Mining

7.1 Overview of mining operations in 2017

The following entities were owners (or JV partners) of active Mining Leases (ML) or Special Mining Leases (SML) in PNG during 2017.¹³⁸

Table 24: Active ML and SML tenement owners in 2017, as reported by MRA

ML tenement code	Tenement name	Owners / JV partner ownership by percentage (100% unless otherwise indicated)
ML 514	Ningerum	Upper Ok Tedi Resources Company Ltd (51%), Apollo Mineral Resources Ltd (49%)
ML 513	Tamo	Lost River Mining Ltd
ML 510	Mt. Crater	Anomaly Ltd
ML 509	Malalaua	Hells Gate Exploration Ltd
ML 508	Kulumadau	Woodlark Mining Ltd
ML 507	Mt Daum	Kawari Wiem Ltd
ML 506	Simbai	Kuh Chun Ltd (51%), Dae Han Resources Development Ltd (49%)
ML 501	Kaubwaga	Paulos Kalo (50%), Watson Ilai (50%)
ML 462	Eddie Creek	Niuminco Eddie Creek Ltd
ML 457	Bulowat	PNG Forest Products Mining (Bulolo) Ltd (50%), Pacific Niugini Minerals (Bulolo) Ltd (50%)
ML 444	Eddie Creek	Niuminco Eddie Creek Ltd
ML 402	Eddie Creek	Niuminco Eddie Creek Ltd
ML 384	Eddie Creek	Niuminco Eddie Creek Ltd
ML 380	Bartletts Creek	Niuminco Eddie Creek Ltd
ML 346 - ML 349	Bulolo River	Faranz Kenggis
ML 345	Bulolo River	Faranz Kenggis
ML 296 - ML 301	Koranga	Kula Sionjin, Koihma Lian, Willie Gabo, Bun Man, Bataki Tiving, Tom Marika, Yowas Juari
ML 289 - ML 291	Karonga Creek	Yowas Juri
ML 285 - ML 288	Lower Eddie Creek	Bunip Orok (50%), Guwi Yanzing (50%)
ML 270 - ML 277	Bulolo River	Aviong Ritewong
ML 244	Upper Watut	Kenneth Merik
ML 237 - ML 239	Bulolo River	Aviong Litewong (50%), Muloing Belekin (50%)
ML 217	Upper Eddie, Merri Creek	Kipson Tirisa Avengo
ML 204	Bulolo River	Gwailong Nalek
ML 154	Bismarck Sea	Nautilus Minerals Niugini Ltd (85%), Eda Kopa (Solwara) Ltd (15%)
ML 151	Hidden Valley	Harmony PNG 20 Ltd (50%), Morobe Consolidated Goldfields Ltd (50%)
ML 150	Bilimoia - Kainantu	K92 Mining Ltd
ML 149	Basamuk	Ramu Nickel Ltd
ML 144	Wau Station	Niuminco Eddie Creek Ltd
ML 136	Simberi	Simberi Gold Company Ltd
ML 126	Lihir	Lihir Gold Ltd
ML 125	Lihir	Lihir Gold Ltd

¹³⁸ Email from MRA received 19 November 2018

ML 104	Tolukuma	Tolukuma Gold Mines Ltd
ML 101	Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
SML tenement code	Tenement name	Owners / JV partner ownership by percentage
SML 8	Kurumbukari	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (8.56%), Mineral Resources Ramu Ltd (3.94%), Mineral Resources Madang Ltd (2.5%)
SML 6	Luise Caldera	Lihir Gold Ltd
SML 1 (P)	Pogera	Barrick (Niugini) Ltd (95%), Mineral Resources Enga Ltd (5%)
SML 1 (O)	Mt Fubilan	Ok Tedi Mining Ltd
SML 1 (B)	Panguna	Bougainville Copper Pty Ltd

For a list of all active exploration licences in 2017 please refer to Appendix B.

The companies identified as material for this report (see section 2.2.1) are listed below.

Table 25: Material mining companies 2017

Mining project (mine)	Mining operator and JV partners	Notes
Ok Tedi (Mt Fubilan) SML 1 (O)	Ok Tedi Mining Ltd (operator) MRDC (managing funds for Mineral Resources OK Tedi No. 2 Ltd)	Producing in 2017
Pogera SML 1 (P)	Barrick Niugini Ltd (operator) MRDC (managing funds for Mineral Resources Enga Ltd (MREL 5%))	Producing in 2017
Lihir (Luise Caldera) SML 6	Newcrest 100% owner of Lihir Gold Ltd	Producing in 2017
Ramu Nickel (Kurumbukari) SML 8	MCC Ramu NiCo Ltd (operator) Highlands Pacific (100% owner - Ramu Nickel Ltd 8.56%) MRDC (managing funds for Mineral Resources Madang Ltd 2.5% and Mineral Resources Ramu Ltd 3.94%)	Producing in 2017
Simberi ML 136	St. Barbara 100% owners of Simberi Gold Co. Ltd (operator)	Producing in 2017
Hidden Valley ML 151	Hidden Valley JV (operator) 100% owned by Harmony	Producing in 2017
Edie Creek ML 144	Niuminco Edie Creek Ltd	Producing in 2017
Kainantu ML 150	K92 Mining Inc.	Producing in 2017
Mt Crater (HGZ Mine) ML 510	Anomaly Ltd (Crater Gold)	Not producing in 2017
Woodlark ML508	Geopacific Resources Ltd Kula Gold	Not producing in 2017
Solwara ML 154	Nautilus Minerals KMH Eda Kopa (Solwara) Ltd 15%	Not producing in 2017
Frieda River	(PanAust and Highlands Pacific Joint Venture)	(SML Application lodged)
Wafi-Golpu	Newcrest & Harmony Joint Venture	(SML Application lodged)

7.2 Mines operating in 2017

This section of the report presents an overview of material mining projects active in PNG during 2017. Any changes that occurred to the ownership structures during the 2017 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.

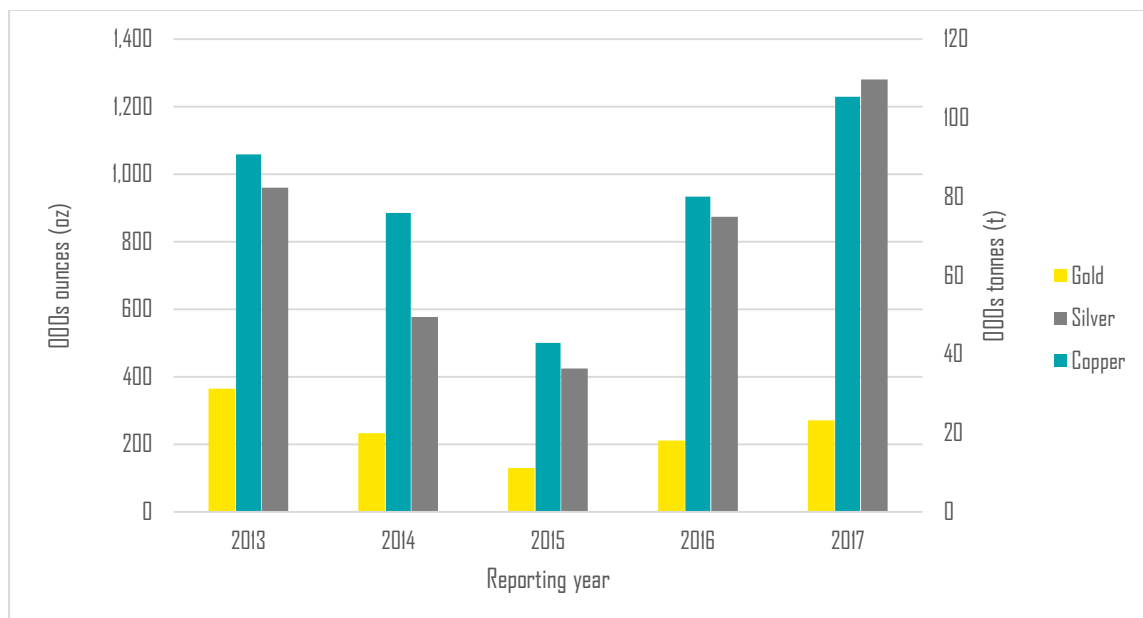
In the ownership structure figures, the yellow boxes identify the operator of the mine, (or in some cases the owner of the operator). This is the reporting entity that provides the majority of EITI reporting information. The other joint venture owners were also asked to provide contextual information and to notify the amount of tax paid for the data reconciliation process. Ownership (to the extent known) is shown in blue.

7.2.1 Mt Fubilan (Ok Tedi Mine), Ok Tedi

Minerals	Gold, silver and copper
Province	Western
Mine opened	1984
Mine life	to 2025 ¹³⁹
Tenement	SML1 (0)
2017 export value	PGK3,179,111,003



Figure 13: Mt Fubilan production data, as reported by MRA



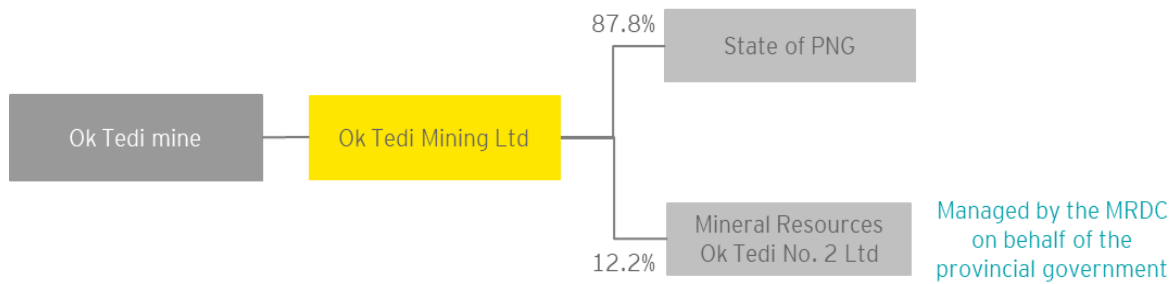
The Ok Tedi mine returned to continuous production in 2017, following a seven-month shut down in 2015–16 due to drought conditions.¹⁴⁰

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

Figure 14: Ownership structure of OkTedi mine

¹³⁹ Ok Tedi Mining Ltd Annual Review 2017, p.97, <https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file>. Accessed 23 October 2018

¹⁴⁰ Ok Tedi Mining Ltd Annual Review 2017, p.2, <https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file>. Accessed 23 October 2018



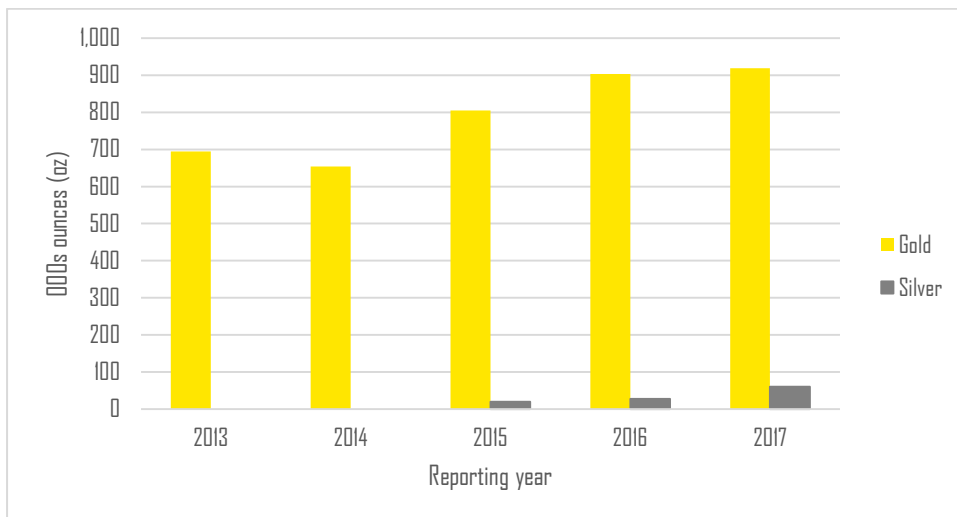
The State of PNG's holding is set to be reduced to 67% following the decision of the National Executive Council (NEC) in 2016 that the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity. At the time of writing, this change in ownership did not appear to have been formalised by the execution of relevant share transfers.¹⁴¹

7.2.2 Lihir (Luise Caldera) mine

Minerals	Gold and silver
Province	New Ireland
Mine opened	1997
Mine life (years)	30+ (gold reserves estimated at 25,297,577 oz ¹⁴²)
Tenement	SML6, ML125, 126
2017 export value	PGK3,689,771,775 ¹⁴³



Figure 15: Lihir (Luise Caldera) production data, as reported by MRA*



*Silver values were provided in the Newcrest Lihir reporting template, however 2013 and 2014 were not recorded

Figure 16: Lihir ownership structure



¹⁴¹Ok Tedi Mining Ltd Annual Review 2017, p.14 <https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file>, accessed 23 October 2018

¹⁴² Reported by Newcrest Mining in LGL data template completed for this report 12 September 2018

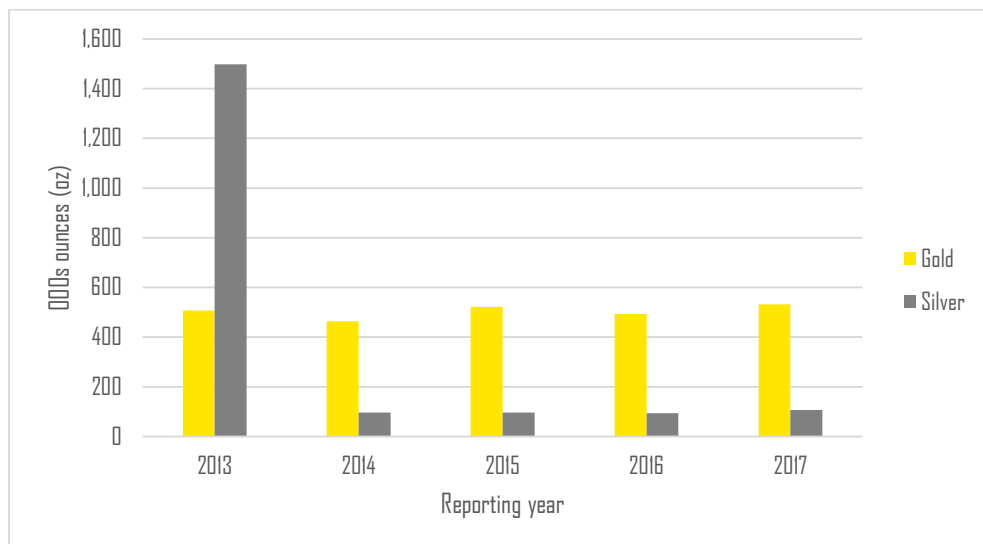
¹⁴³ *ibid*

7.2.3 Porgera

Minerals	Gold and silver
Province	Enga
Mine opened	1989
Mine life (years)	2024 ¹⁴⁴
Tenement	SML1 (P), ML101
2017 export value	PGK2,157,867,914

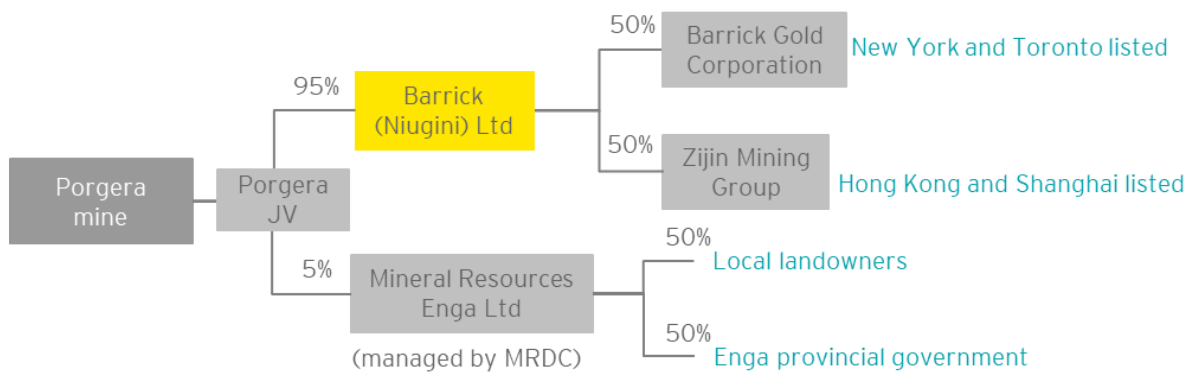


Figure 17: Porgera production data, as reported by MRA*



*Please note that 2016/17 silver values are as reported by Porgera JV. The MRA reports silver production figures as 299,242.6 for 2016 and 436,195.6 for 2017.

Figure 18: Porgera mine ownership structure¹⁴⁵



¹⁴⁴ As per correspondence with Porgera JV, received 12 December 2018

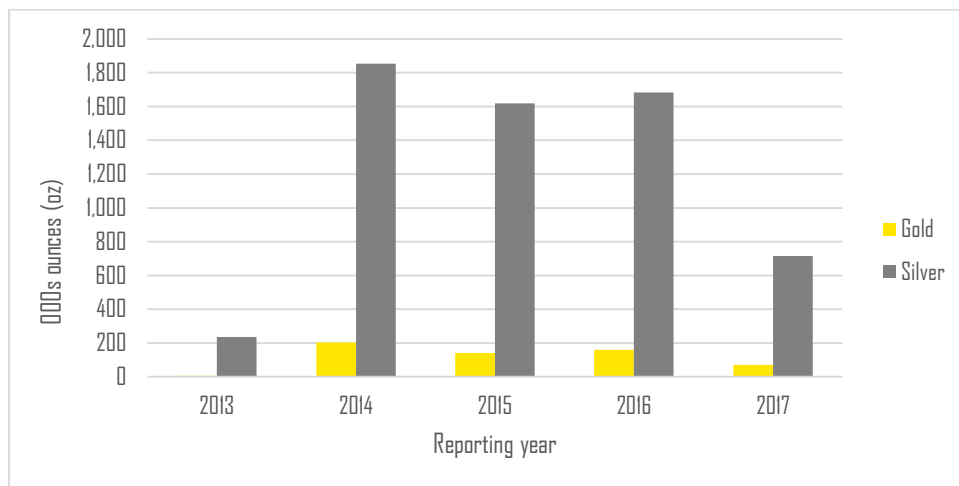
¹⁴⁵ <http://www.porgerajv.com/Company/Our-Story> accessed 25 October 2018

7.2.4 Hidden Valley

Minerals	Gold and silver
Province	Morobe
Mine opened	2009 (commenced production)
Mine life (years)	10
Tenement	ML151
2017 export value	PGK330,387,848*

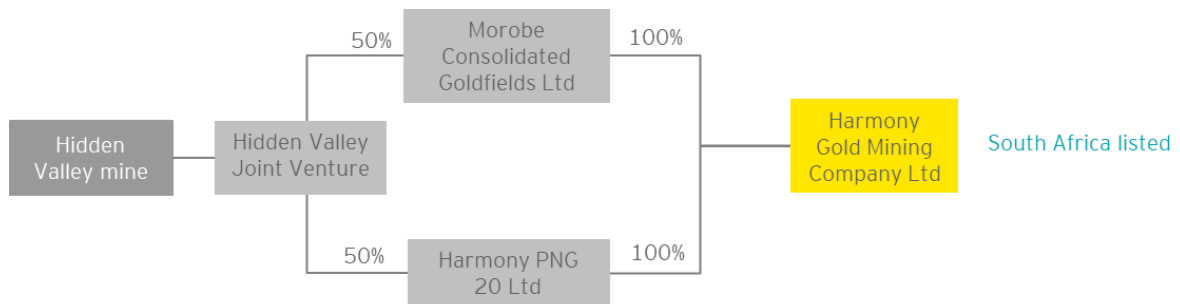


Figure 19: Hidden Valley production data, as reported by MRA*



*quantities are approximately half previous years, suggesting possibly only half of the joint venture has been reported.

Figure 20: Hidden Valley mine ownership structure



7.2.5 Kurumbukari, Ramu

Minerals	Nickel and cobalt
Province	Madang
Mine opened	2012 (commenced production)
Mine life	20+ ¹⁴⁶
Tenement	SML8
2017 export value	PGK1,269,785,363

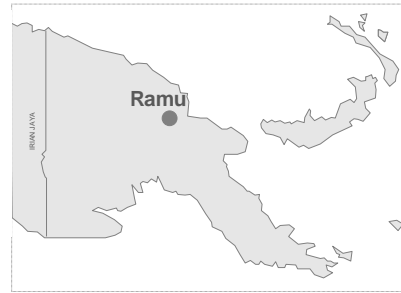
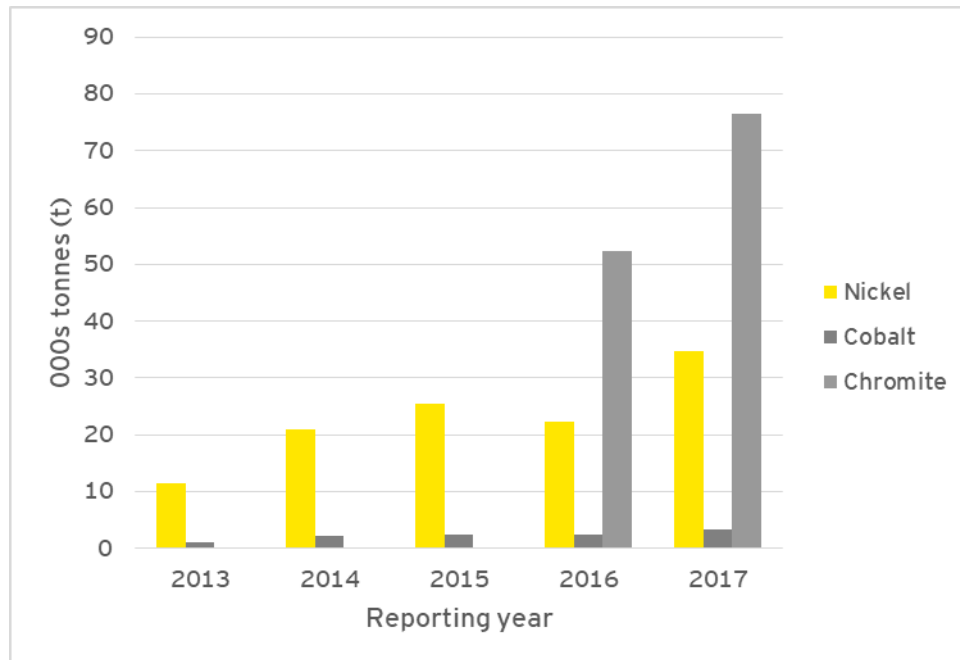


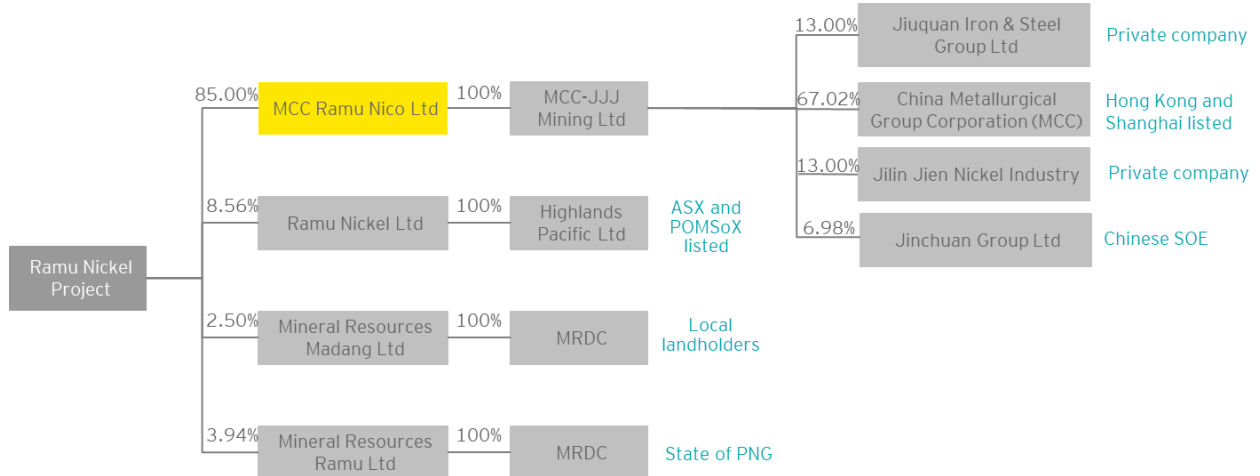
Figure 21: Kurumbukari production data, as reported by MRA*



*Chromite production was reported by MRA for 2016 but not for 2017. Chromite production 2017 values are from the operator reporting template as MRA did not report chromite for 2017.

¹⁴⁶ 'Mining in PNG,' PNG Chamber of Mines and Petroleum, <http://pngchamberminpet.com.pg/mining-in-png/>, accessed 23 October 2018

Figure 22: Ramu Nickel Project ownership structure¹⁴⁷

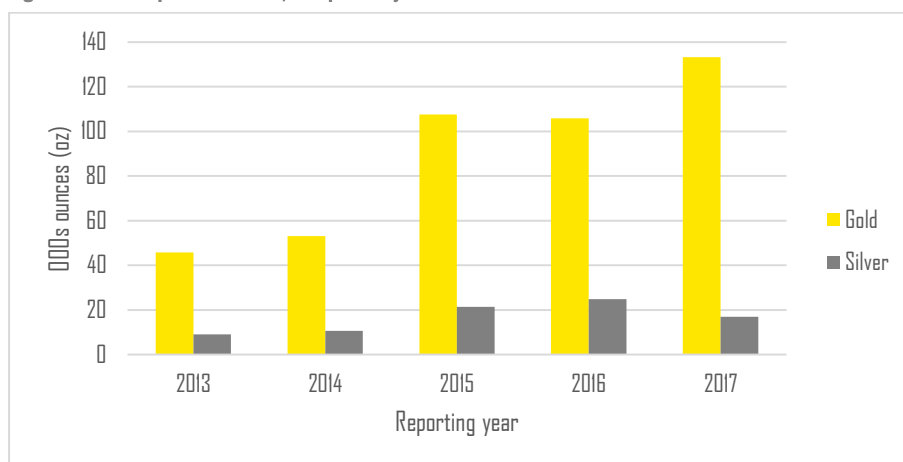


The ownership structure illustrated in Figure 22 includes the Kurumbukari Mine, Basamuk Refinery and Slurry Pipeline.¹⁴⁸ The mine is located on the Kurumbukari plateau and conducts 19 unit projects including open-pit mine, de-agglomeration plant and beneficiation plant.¹⁴⁹ The slurry pipeline is 135km and runs from the mine to the refinery for processing. The Basamuk Refinery is on the coast of Basamuk bay and conducts slurry treatment, high pressure acid leaching, CCD washing Fe/Al removal and precipitation and various other methods for its 28 unit projects.¹⁵⁰

7.2.6 Simberi

Minerals	Gold and silver
Province	New Ireland
Mine opened	2008 (commenced production)
Mine life (years)	12
Tenement	ML136
2017 export value	PGK522,423,220

Figure 23: Simberi production data, as reported by MRA



¹⁴⁷ Highlands Pacific ownership details from Annual Report 2017, p. 6, accessed 24 October 2018. Ownership structure from Ramu Nico <http://www.ramunico.com/plus/list.php?tid=240>, accessed 17 December 2018. Jinchuan Group listing from <http://www.metorexgroup.com/investors-and-media/shareholder-information/>, accessed 17 December 2018. Jiuquan iron & steel group listing from <https://www.bloomberg.com/profiles/companies/JQISGZ:CH-jiuquan-iron-&-steel-group-co-ltd>, accessed 17 December 2018. Jilin Jien Nickel Industry Co. Ltd listing from <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=12708013>, accessed 17 December 2018.

¹⁴⁸ Ramu Nico, <http://www.ramunico.com/plus/list.php?tid=240>, accessed 17 December 2018

¹⁴⁹ *ibid*


¹⁵⁰ Ramu Nico, <http://www.ramunico.com/plus/list.php?tid=240>, accessed 17 December 2018

Figure 24: Simberi mine ownership structure



7.2.7 Edie Creek

Minerals	Gold and silver
Province	Morobe
Mine opened	2014*
Mine life (years)	10 ¹⁵¹
Tenement	ML144, 384, 402, 444, 462
2017 export value	PGK1,232,288



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

Figure 25: Edie Creek production data, as reported by MRA

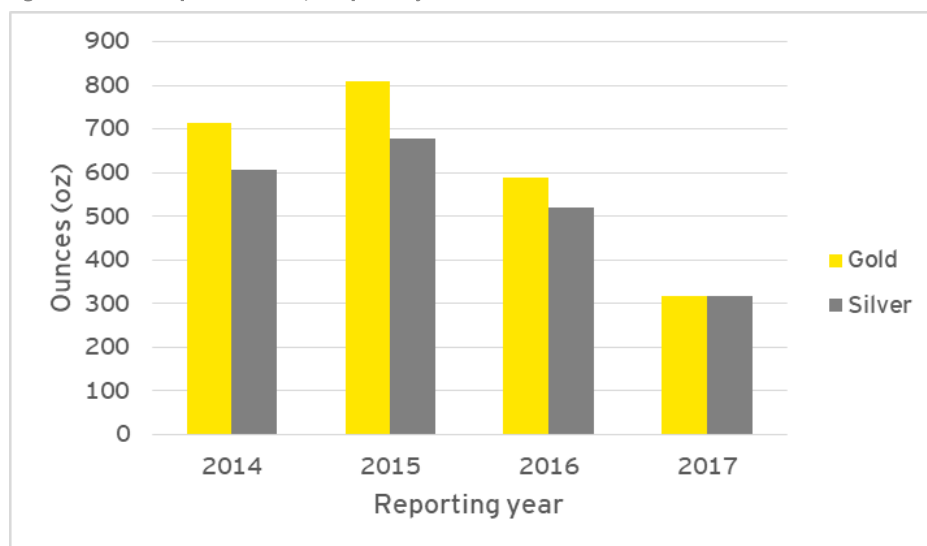


Figure 26: Edie Creek mine ownership structure prior to August 2017



In August 2017, Niuminco Group Ltd completed an agreement to purchase the 17% interest in the Edie Creek mining leases held by joint venture partner Mincor Resources NL. This purchase will take the ownership of Edie Creek mine to 100% for Niuminco Group Ltd and terminate the joint venture.¹⁵²

Figure 27: Edie Creek mine ownership structure after August 2017

¹⁵¹ Chamber of Mines and Petroleum http://pngchamberminpet.com.pg/wordpress/wp-content/uploads/17-117c-Overview-of-the-PNG-Minerals-SectorJuly2017_Small.pdf accessed 24 October 2018

¹⁵² 'Completion of purchase of 17% of Edie Creek', Niuminco Group Ltd. ASX announcement 7 August 2017, <http://www.mincor.com.au/images/mincor--iozootaequ.pdf>, accessed 24 October 2018



7.2.8 Kainantu Mine

Minerals	Gold, Silver and Copper
Province	Eastern Highlands
Mine opened	2005
Mine life (years)	10+ years
Tenement	ML150
2017 export value	PGK15,197,791



Figure 28: Kainantu mine production data, as reported by MRA

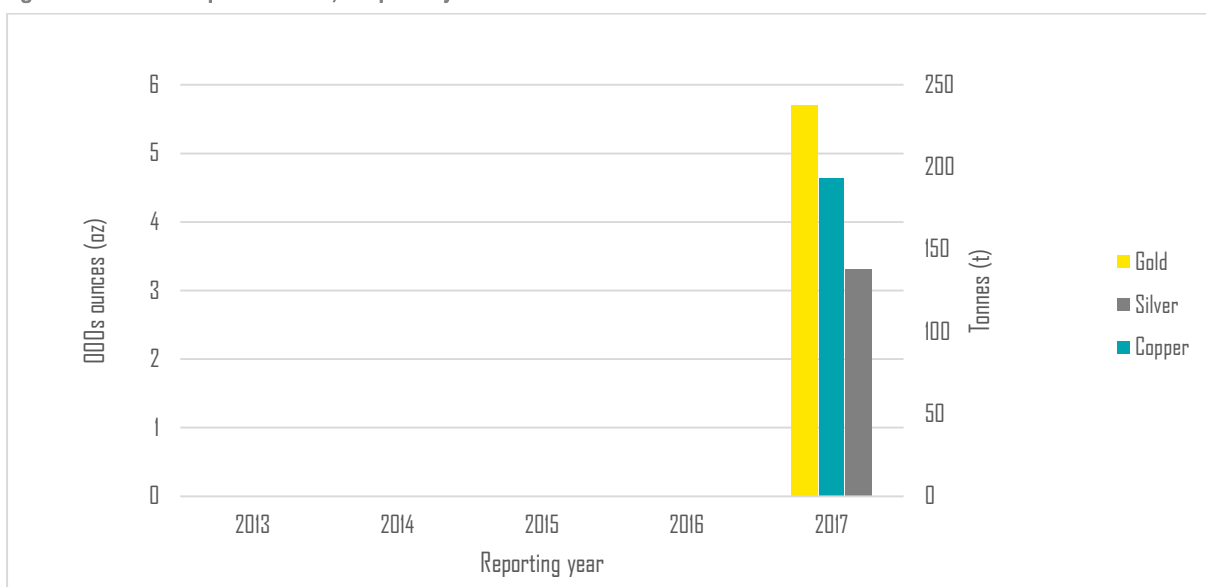
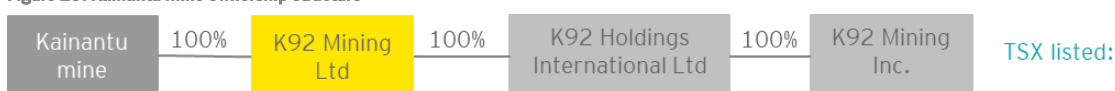


Figure 29: Kainantu mine ownership structure



This project had been in care and maintenance since 2009 but was acquired by K92 Mining Inc in 2015,¹⁵³ and recommenced production in 2017.

7.2.9 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 licence, provided that the land is not the subject of tenement (other than exploration licence) and that the mining is carried out safely.¹⁵⁴ This sector is therefore largely unmonitored, and there is limited information about its size. The MRA estimates that there are up to 80,000 small-scale miners in this category and as at November 2016, over 4,000 of these had completed training at the MRA's small-scale mining centre in Wau.¹⁵⁵

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease or Mining Lease (for alluvial purposes) from the MRA. The former are granted for up to 5 hectares of land that is a river bed and extends no further than 20

¹⁵³ <https://www.k92mining.com/operations/>, accessed 7 December 2018

¹⁵⁴ *Mining Act 1992*s.9 (PNG), http://mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, accessed 24 October 2018

¹⁵⁵ MRA, interview 28 November 2016; a more recent estimate has not been obtained.

metres from any river bed. The latter may cover up to 60km². There is a requirement for a minimum 51% ownership by PNG nationals.¹⁵⁶ In 2017, there were 108 Alluvial Mining Leases.¹⁵⁷

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

7.3 New mining projects

There are a number of major projects that had mining leases during 2017 but were still in development stage. These have been included as material reporting entities in this report. The list of all active mining leases and special mining leases for 2017 provided by the MRA is included in the beginning of Chapter 7.

7.3.1 Woodlark

The Woodlark mining lease was granted on 4 July 2014; however, there was no production reported for 2017.

Figure 30: Woodlark ownership structure



7.3.2 Solwara

A mining lease for the Solwara project (ML 154) was granted in 2011.¹⁵⁸ This deep-sea mining venture of Nautilus Minerals will primarily mine copper and gold from massive seafloor deposits 1,600 metres below the surface of the Bismarck Sea at the Solwara 1 project site. The State holds 15% equity in the project, which is still in development phase. A recent update suggests the venture is facing various problems, and production is not expected to start until late 2019 at the earliest.¹⁵⁹ An additional ML for the Solwara project (ML 512) was under assessment during 2017 (see advanced exploration reporting entities below).

Figure 31: Solwara ownership structure



7.4 Advanced exploration mining projects

The MRA identified the following tenements as being in an advanced phase of exploration during 2017.

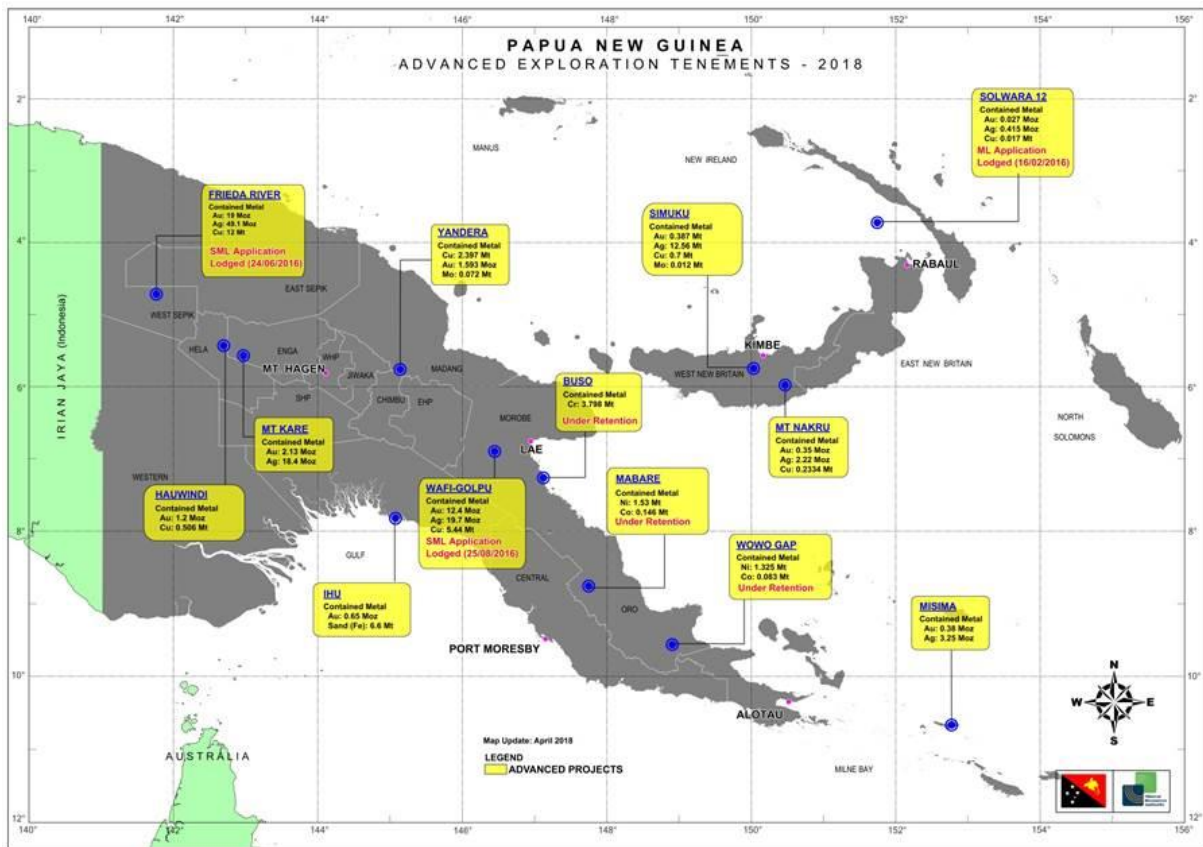
¹⁵⁶ *Mining Act 1992*s.38 (PNG), http://mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, accessed 23 October 2018

¹⁵⁷ MRA, response to data request for 2017 PNG EITI Report, received 23 October 2018. A large number of leases (768-774) and (775-798) were awarded to the same tenement holders.

¹⁵⁸ Nautilus Minerals Inc. Revised Annual Information Form For the Fiscal Year Ended December 31, 2010, <http://www.nautilusminerals.com/IRM/PDF/1390/RevisedAnnualInformationformEnglish>, accessed 17 October 2017

¹⁵⁹ <https://www.economist.com/business/2018/12/06/a-high-profile-deep-sea-mining-company-is-struggling>, accessed 10 December 2018

Figure 32: Advanced exploration tenement locations, 2017–18



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) were requested to report for the 2017 period as special mining lease applications have been lodged. The entities relating to the Solwara 12 ML application are already captured as a new mining project that is not yet producing (ML154).

Figure 33: Frieda River project ownership structure¹⁶⁰

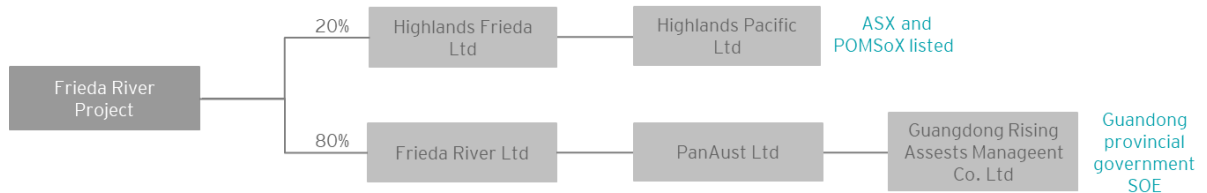


Figure 34: Wafi-Golpu Joint Venture ownership structure



¹⁶⁰ Highlands Pacific Annual Report 2017 https://hig.irmau.com/site/PDF/1680_0/AnnualReporttoShareholders, accessed 17 December 2018

7.4.2 Advanced exploration non-reporting entities

The following advanced exploration projects identified in the map above have not been identified as material under the current definition for reporting entities.

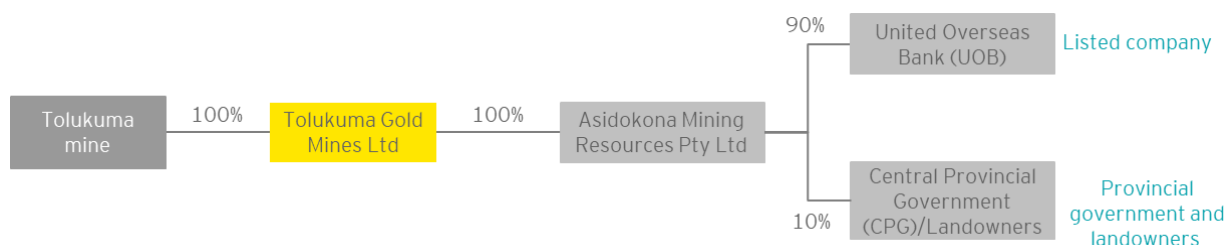
- Yandera Copper Project (Era Resources)
- Hauwindi – Kili Teke gold and copper (Harmony Gold (PNG) Exploration Ltd)
- Mt Kare Project – gold and silver (Indochine Mining Ltd)
- Ihu – gold and iron sand (Mayur Resources)
- Buso – chromium resource (Katana Iron Ltd)
- Misima – gold and silver (Gallipoli Exploration (PNG) Ltd owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%))
- Mt Nakru - copper (Coppermoly Ltd and wholly owned subsidiary Copper Quest (PNG) Ltd)
- Simuku – copper, molybdenum (Coppermoly Ltd and wholly owned subsidiary Copper Quest (PNG) Ltd)
- Wowo Gap Nickel Project (Niugini Nickel Ltd, a wholly owned subsidiary of Resource Mining Corporation Ltd)

7.5 Mines not operating in 2017

7.5.1 Tolukuma

The Tolukuma gold mine was operated by the SOE Petromin (now Kumul Mineral Holdings Ltd) until October 2015. In November 2015 the State of PNG sold Tolukuma Gold Mines Ltd to Asidokona Mining Resources Pty Ltd.¹⁶¹ (See further Section 9.4) The IRC has reported tax paid by the mine for 2017;¹⁶² however, the mine has since been liquidated in February 2018 after being taken to court for non-payment of bills.¹⁶³

Figure 35: Tolukuma ownership structure



7.5.2 Mt Crater

Minerals	Gold
Province	Eastern Highlands
Mine opened	2015
Mine life (years)	20 (estimated)
Tenement	ML 510
2017 export value	n/a



¹⁶¹ KMH Annual financial statements for year ended 31 December 2016, provided by KMH 13 December 2018.

¹⁶² IRC template received

¹⁶³ Tolukuma Mine Liquidated, Post-Courier, 13 February 2018 <https://postcourier.com.pg/tolukuma-mine-liquidated/> accessed 19 November 2018

Figure 36: Mt Crater production data, as reported by MRA

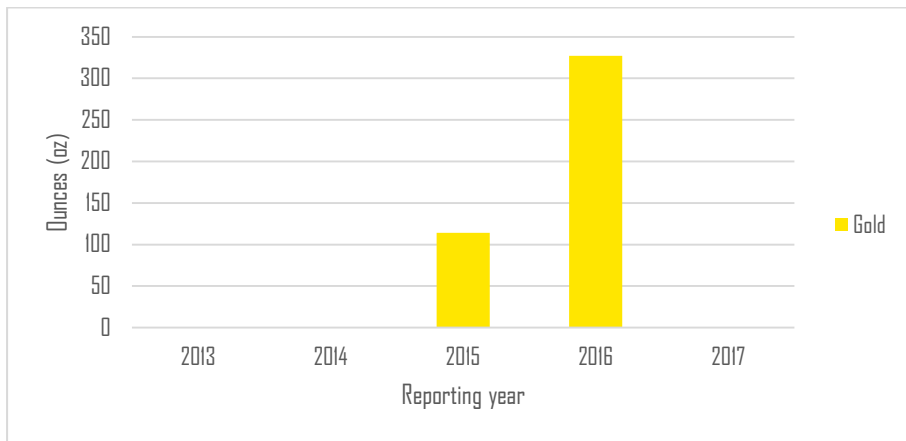


Figure 37: Mt Crater mine ownership structure

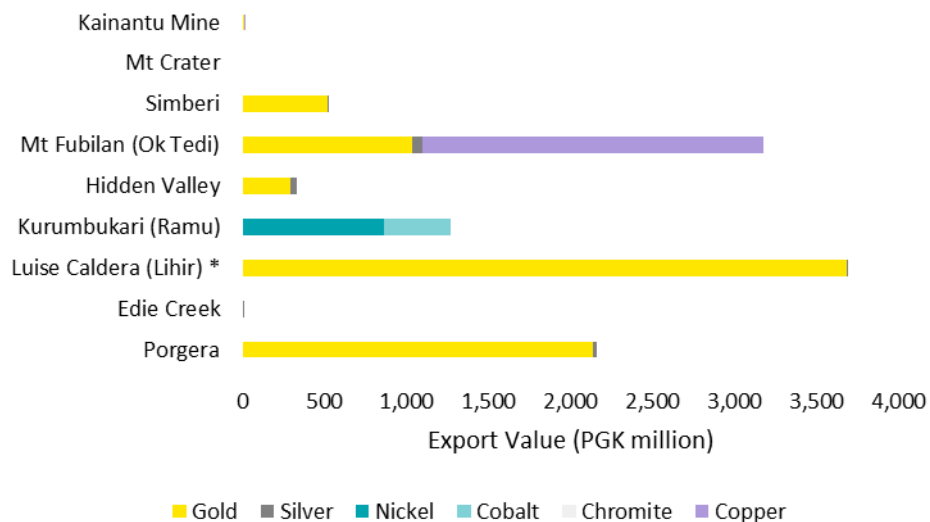


Mining of this potential multi-million ounce gold deposit commenced operations in 2015.¹⁶⁴ Production was halted for 2017 while an internal review was conducted to assess whether the mine could generate the cash flow expected by the board of Crater Gold Mining Ltd. The findings were positive, and on 8 March 2018 the MRA gave approval to recommence operations.¹⁶⁵

7.6 Mining production data

Mining companies provide production data to the MRA on a monthly basis 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.

Figure 38: Export values reported by MRA for 2017¹⁶⁶



¹⁶⁴ <http://www.cratergold.com.au/irm/content/crater-mountain.aspx?RID=211>, accessed 13 November 2017

¹⁶⁵ Crater Gold Mining Annual Report to Shareholders 2018

¹⁶⁶ Except for Lihir (*) where value of silver exports was not reported by the MRA

Table 26: Production and export quantities and values reported by companies and the MRA for 2017

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure ¹⁶⁷	MRA reported figure ^{*168}	Variance	Variance (%)
Porgera mine/ Porgera	Gold	Quantity produced	oz	454,976	532,448	-77,472	-14.6%
		Produced value	PGK	1,835,689,248	2,125,704,192	-290,014,944	-13.6%
		Quantity exported	oz	454,950	535,944	-80,994	-15.1%
		Exported value	PGK	1,835,689,248	2,139,661,352	-303,972,104	-14.2%
	Silver	Quantity produced	oz	106,354	436,196	-329,842	-75.6%
		Produced value	PGK	16,777,969	22,337,878	-5,559,909	-24.9%
		Quantity exported	oz	101,100	355,523	-254,423	-71.6%
		Exported value	PGK	16,777,969	18,206,562	-1,428,593	-7.8%
Edie Creek mine/ Edie Creek	Gold	Quantity produced	oz	Not provided	318	n/a	n/a
		Produced value	PGK	Not provided	1,214,600	n/a	n/a
		Quantity exported	oz	Not provided	318	n/a	n/a
		Exported value	PGK	Not provided	1,214,600	n/a	n/a
	Silver	Quantity produced	oz	Not provided	317	n/a	n/a
		Produced value	PGK	Not provided	17,688	n/a	n/a
		Quantity exported	oz	Not provided	317	n/a	n/a
		Exported value	PGK	Not provided	17,688	n/a	n/a
Lihir (Luise Caldera) mine/ Lihir	Gold	Quantity produced	oz	918,612	918,611	1	0.0%
		Produced value	PGK	3,686,208,316	3,686,203,355	4,961	0.0%
		Quantity exported	oz	918,685	918,685	0	0.0%
		Exported value	PGK	3,686,500,302	3,686,500,302	0	0.0%
	Silver	Quantity produced	oz	60,159	Not provided	n/a	n/a
		Produced value	PGK	3,271,473	Not provided	n/a	n/a
		Quantity exported	oz	60,159	Not provided	n/a	n/a
		Exported value	PGK	3,271,473	Not provided	n/a	n/a
Kurumbukari mine/ Ramu Nickel	Nickel	Quantity produced	tonnes	29,464	34,664	-5,200	-15.0%
		Produced value	PGK	523,136,715	839,117,838	-315,981,123	-37.7%
		Quantity exported	tonnes	30,344	35,699	-5,355	-15.0%
		Exported value	PGK	747,612,044	864,172,274	-116,560,230	-13.5%
	Cobalt	Quantity produced	tonnes	2,792	3,298	-506	-15.3%
		Produced value	PGK	246,181,984	390,003,489	-143,821,505	-36.9%
		Quantity exported	tonnes	2,916	3,430	-515	-15.0%
		Exported value	PGK	347,778,896	405,613,089	-57,834,193	-14.3%
	Chromite	Quantity produced	tonnes	76,603	Not provided	n/a	n/a
		Produced value	PGK	24,175,821 [^]	Not provided	n/a	n/a
		Quantity exported	tonnes	22,889	Not provided	n/a	n/a
		Exported value	PGK	Not provided	Not provided	n/a	n/a

¹⁶⁷ MRA reported export values and produced values as FOB values¹⁶⁸ ibid

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure ¹⁶⁷	MRA reported figure ^{*168}	Variance	Variance (%)
		Exported value	PGK	7,223,650	Not provided	n/a	n/a
Hidden Valley mine/ Hidden Valley	Gold	Quantity produced	oz	71,088	71,085	3	0.0%
		Produced value	PGK	281,940,639	302,038,001	-20,097,362	-6.7%
		Quantity exported	oz	68,845	68,867	-22	0.0%
		Exported value	PGK	292,613,787	292,613,787	0	0.0%
	Silver	Quantity produced	oz	725,155	714,679	10,476	1.5%
		Produced value	PGK	39,366,517	41,068,174	-1,701,657	-4.1%
		Quantity exported	oz	657,235	657,354	-119	0.0%
		Exported value	PGK	37,774,060	37,774,061	-1	0.0%

Mt Fubilan mine/ Ok Tedi	Gold	Quantity produced	oz	Not provided	270,749	n/a	n/a
		Produced value	PGK	Not provided	1,073,785,952	n/a	n/a
		Quantity exported	oz	425,359	260,660	164,699	63.2%
		Exported value	PGK	Not provided	1,033,773,149	n/a	n/a
	Silver	Quantity produced	oz	Not provided	1,280,415	n/a	n/a
		Produced value	PGK	Not provided	62,756,653	n/a	n/a
		Quantity exported	oz	260,661	1,231,361	-970,700	-78.8%
		Exported value	PGK	Not provided	60,352,382	n/a	n/a
	Copper	Quantity produced	tonnes	Not provided	105,418	n/a	n/a
		Produced value	PGK	Not provided	2,136,379,527	n/a	n/a
		Quantity exported	tonnes	1,231,360	102,882	1,128,478	1096.9%
		Exported value	PGK	Not provided	2,084,985,472	n/a	n/a
Simberi mine/ Simberi	Gold	Quantity produced	oz	133,208	133,208	0	0.0%
		Produced value	PGK	521,828,161^	521,831,582	-3,422	0.0%
		Quantity exported	oz	133,127	133,126	1	0.0%
		Exported value	PGK	521,510,354	521,510,354	0	0.0%
	Silver	Quantity produced	oz	16,934	16,935	-1	0.0%
		Produced value	PGK	912,866^	912,866	0	0.0%
		Quantity exported	oz	16,934	16,935	-1	0
		Exported value	PGK	912,866	912,866	0	0

*Produced value was not provided by the MRA so was calculated at:

Value of commodity = (Export Value/Export quantity)

Produced value = Value of commodity * quantity produced

^ Not provided by company so calculated at:

Value of commodity = (Export Value/Export quantity)

Produced value = Value of commodity * quantity produced

Table 27: Comparison of export quantities and values reported by companies, MRA and in the 2019 Budget figures¹⁶⁹

Commodity ¹⁷⁰	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 (PGK)*
Gold (oz)	2,000,966	1,921,122	6,336,313,691	7,688,828,094	7,598,100,000
Silver (oz)	1,096,089	2,264,667	58,736,368	117,394,921	63,100,000
Copper (tonnes)	1,231,360	102,958 [^]	Not provided	2,086,497,351	1,962,200,000
Nickel (tonnes)	30,344	35,699	747,612,044	864,172,274	1,179,000,000
Cobalt (tonnes)	2,916	3,430	347,778,896	405,613,089	614,100,000
Chromite (tonnes)	22,889	Not provided	7,223,650	Not provided	Not provided

*Listed as 'estimate'

[^]Large variance may be due to different units being applied

There are variances between the amounts reported by all parties, but at the time of publication these are unexplained.

7.7 Regulation of the mining sector

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

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

7.8 Register of tenements¹⁷¹

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.¹⁷² 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

¹⁶⁹ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, Actuals from BPNG. Projections Dept. of Treasury. accessed 6 December 2018

¹⁷⁰ Note that the MRA values for gold and silver also include alluvial exports

¹⁷¹ Where the EITI standard refers to 'licences', this section refers to 'tenements', which include mining leases, leases for mining purposes, mining easements and exploration licences.

¹⁷² MRA, PNG Mining Cadastre Portal, <http://portal.mra.gov.pg/Map/> accessed 24 October 2018

Table 27 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 Licence (s. 24)
- ▶ Special Mining Lease (s. 35)
- ▶ Mining Lease (s. 42)
- ▶ Alluvial Mining Lease (s. 52)
- ▶ Lease for Mining Purpose (s. 70)
- ▶ Mining Easement (s. 85)

The MRA website includes information on the different types of tenements and the application process, including a step-by-step flow chart outlining the process, fees and minimum expenditures. This information can be accessed on the MRA website [here](#).¹⁷³ Tenements are not awarded through a bidding process.¹⁷⁴

The Regulatory Operations Division of the MRA is responsible for the assessment of tenement applications in accordance with the MA. Relevant technical and financial criteria are provided in Part V of the Act. In summary, these include:

Completion of application forms, including:

- ▶ Form 8 – Application form
- ▶ Form 17 – Boundary description form
- ▶ Form 20 – Exploration work program form
- ▶ Evidence of registration with the Investment Promotion Authority, 175 as either a new company registered in PNG, or as an overseas company, registered under the laws of another country
- ▶ Statements and evidence of financial and technical capacities
- ▶ Payment of an application fee
- ▶ Minimum annual expenditure requirements related to acquisition and interpretation of exploration data, including related laboratory and feasibility work
- ▶ Requirement to comply with approved program of work.

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

The PNG Taxation Review 2015 evaluated the awarding of mineral exploration licences as part of its mining and petroleum taxation review. The Review made no recommendations for mining tenements, stating 'The Chamber of Mines and Petroleum supports maintaining the current system of awarding exploration licences. It argues that it has worked well for the country and should not be changed'.¹⁷⁶

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

CEPA facilitates three levels of the environment permits approval process as outlined below:¹⁷⁷

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

¹⁷³ 'Licence,' Mining Resources Authority, <http://www.mra.gov.pg/Licence.aspx>, accessed 24 October 2018

¹⁷⁴ *Mining Act* 1992

¹⁷⁵ Investment Promotion Authority, <http://www.ipa.gov.pg/>

¹⁷⁶ Papua New Guinea Taxation Review, Tax Review Committee Report to the Treasurer Part 2 of 2: Detailed Analysis. October 2015 (p. 101)

¹⁷⁷ CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017

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

Information was requested from CEPA in relation to environmental permits issues, amended or renewed in 2017, but no data was received.

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

Prior to a new mining lease being issued, a development forum is held with representatives from the national and regional government, landholders and the mining company, to determine the benefits package. The memorandum of agreement arising from this process is negotiated by the MRA Development Coordination Division and drafted by the State Solicitor. However, s. 18 of the MA also allows for a separate Mining Development Contract, which is negotiated by the State rather than the MRA. For example, the agreement between Ramu Nickel mine and the State apparently includes significant tax concessions.¹⁷⁸ In light of hearings and objections, the Mining Advisory Board makes recommendations over tenements to the Minister (MA s. 11–14).

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

The MRA advised that 54 mining leases were issued during 2017, and that all tenements awarded during 2017 were assessed based on the criteria prescribed by the MA.

Table 28: Tenements awarded by MRA in 2017¹⁷⁹

Code	Region of tenement	Date awarded	Tenement holders (100% ownership unless otherwise indicated)
LMP 102	Alpilungu 1	29/06/2017	Barrick (Niugini) Ltd
EL 2523	Aiyura, Eastern Highlands	13/09/2017	W & M Industry Ltd
EL 2521	Bitoi, Wau Morobe	12/09/2017	Terra Resources Ltd
AML 807	Bulolo	29/06/2017	Anton Bingtau
AML 827	Gomore Village	30/04/2017	Kila Muduka
AML 826	Gomore Village	30/04/2017	Kila Muduka
AML 825	Gomore Village	30/04/2017	Kila Muduka
AML 824	Gomore Village	30/04/2017	Kila Muduka
EL 2478	Ilam river	25/08/2017	Highlands Pacific Resources Ltd
AML 804	Kemaea	18/03/2017	Willie Lalai
AML 803	Kemaea	18/03/2017	Willie Lalai
EL 2524	Krisa, Vanimo	24/10/2017	Pacific Energy Consulting Ltd
EL 2512	Kubor Range	12/09/2017	Munga River Ltd

¹⁷⁸ Communication from Treasury, 10 October 2016

¹⁷⁹ MRA, response to data request for 2017 PNG EITI Report, received 19 November 2018

Code	Region of tenement	Date awarded	Tenement holders (100% ownership unless otherwise indicated)
EL 2530	Kubuna, Central Province	24/10/2017	Rio Tinto Exploration (PNG) Ltd
EL 2479	Kwikila Station	29/06/2017	Combuco Ltd
AML 643	Little Wau Creek	11/09/2017	Martin Killimbu
AML 805	Madang	18/03/2017	Andakole Benjamin Adada
EL 2514	Makmak	12/09/2017	Copper Quest PNG Ltd
ML 509	Malalaua	20/05/2017	Hells Gate Exploration Ltd
EL 2485	Mapamolwa	12/09/2017	Pacific Arc Resources (Nugini) Ltd
EL 2466	Metewoi	12/09/2017	Rio Tinto Exploration (PNG) Ltd
EL 2503	Mt Kuta	12/09/2017	Kraip Energy Ltd
ML 514	Ningerum	18/03/2017	Upper Ok Tedi Resources Company Ltd (51%), Apollo Mineral Resources Ltd (49%)
AML 823	Ningerum Station	12/09/2017	Dawantem Clan
AML 822	Ningerum Station	12/09/2017	Dawantem Clan
AML 821	Ningerum Station	12/09/2017	Dawantem Clan
AML 820	Ningerum Station	12/09/2017	Dawantem Clan
AML 819	Ningerum Station	12/09/2017	Dawantem Clan
AML 818	Ningerum Station	12/09/2017	Tama Clan
AML 817	Ningerum Station	12/09/2017	Tama Clan
AML 816	Ningerum Station	12/09/2017	Tama Clan
AML 815	Ningerum Station	12/09/2017	Tama Clan
AML 814	Ningerum Station	12/09/2017	Tama Clan
AML 813	Ningerum Station	12/09/2017	Ok Temka Clan
AML 812	Ningerum Station	12/09/2017	Ok Temka Clan
AML 811	Ningerum Station	12/09/2017	Ok Temka Clan
AML 810	Ningerum Station	12/09/2017	Ok Temka Clan
EL 2511	Opa	12/09/2017	Munga River Ltd
AML 751	Pakalliam	30/04/2017	Peter Malex
AML 750	Pakalliam	30/04/2017	Peter Malex
AML 721	Pakalliam	30/04/2017	Peter Malex
AML 720	Pakalliam	30/04/2017	Peter Malex
AML 719	Pakalliam	30/04/2017	Peter Malex
AML 718	Pakalliam	30/04/2017	Peter Malex
AML 717	Pakalliam	30/04/2017	Peter Malex
EL 2502	Pakapuna	12/09/2017	LogiKon Corporation Pty Ltd
EL 2528	Pomio, East New Britain	24/10/2017	PCP Minerals Ltd
EL 2510	Screw River	12/09/2017	Kavra Maah Ltd
EL 2491	Sehulea	12/09/2017	Reekara Ltd
EL 2517	Star Mountains	26/07/2017	Highlands Pacific Resources Ltd
AML 808	Tabubil	24/10/2017	Dimangl Buman

Code	Region of tenement	Date awarded	Tenement holders (100% ownership unless otherwise indicated)
EL 2472	Tabubil	18/03/2017	Ok Tedi Mining Ltd
EL 2525	Wabo, Gulf Province	24/10/2017	Pacific Energy Consulting Ltd
AML 809	Wau	29/06/2017	Papras Geame

MRA reported one tenement transfer during the reporting period: EL 2150, transferred from Mayur Exploration PNG Limited (100%) to Mayur Iron PNG Limited (100%), 25 January 2017.

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.¹⁸⁰ 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.¹⁸¹

Data related to those PIP funds administered by MRA is presented below. This data was provided unilaterally by MRA.

Table 29: PIP funds administered by MRA, 2017¹⁸²

PIP project	funds received from DNPM (PGK)	funds disbursed (PGK)
20843 Ok Tedi MOA	0	283,169
20844 Hidden Valley MOA	500,000	205,517
20845 Ramu Nickel MOA	1,000,000	733,728
20847 Lihir Outstanding MOA	2,500,000	2,199,723
20848 Mining Agreement – Porgera	0	3,801,249
20849 Sinivit MOA	Not reported	Not reported
20850 Simberi MOA	0	59,558
21433 Women in Mining	0	14,883
20254 Tolukuma MOA	0	405,732
21741 Advanced Mining Projects	0	337,079
22797 Human Resource Training for the Mining Sector	0	0

Information on other revenue streams specific to mining can be found in Chapter 10.

¹⁸⁰ 2014 Annual Public Investment Program Implementation Report, Department of National Planning and Monitoring, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgramAnnualReport2014.pdf> accessed 21 December 2018

¹⁸¹ Q1 2015 Public Investment Program Implementation Report, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgram1stQuarterReport2015.pdf> accessed 21 December 2018

¹⁸² Financial Data in the MRA Reporting Template October 2018

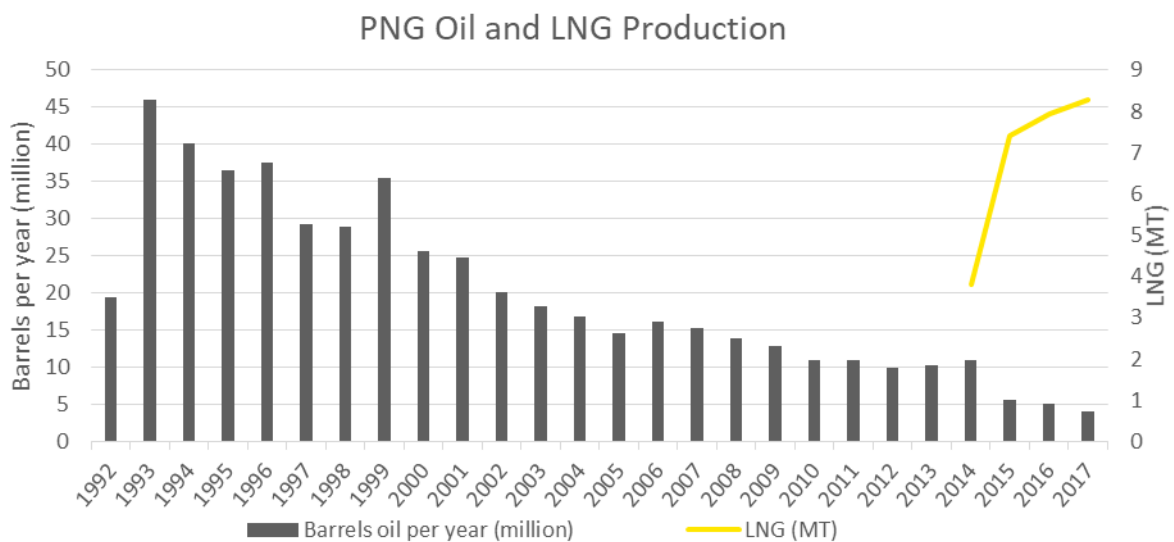
8. Oil and gas

Oil Search estimates PNG's proven crude oil and condensate reserves to be 59.1 million barrels.¹⁸³ 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 1993.¹⁸⁴

Gas production, by contrast, is increasing due to the PNG LNG project (see p.85). The project had exceeded its original design capacity of 6.9 million tonnes of LNG per annum by 20% in 2017,¹⁸⁵ and despite current suppressed prices, is expected to have a significant long-term positive impact on the economy and government revenues. In addition to the PNG LNG project, there is also a domestic gas project for the sale of natural gas from the Hides field to Porgera, operated by Oil Search.

Figure 39: PNG Oil and LNG production, 1992–2017¹⁸⁶



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

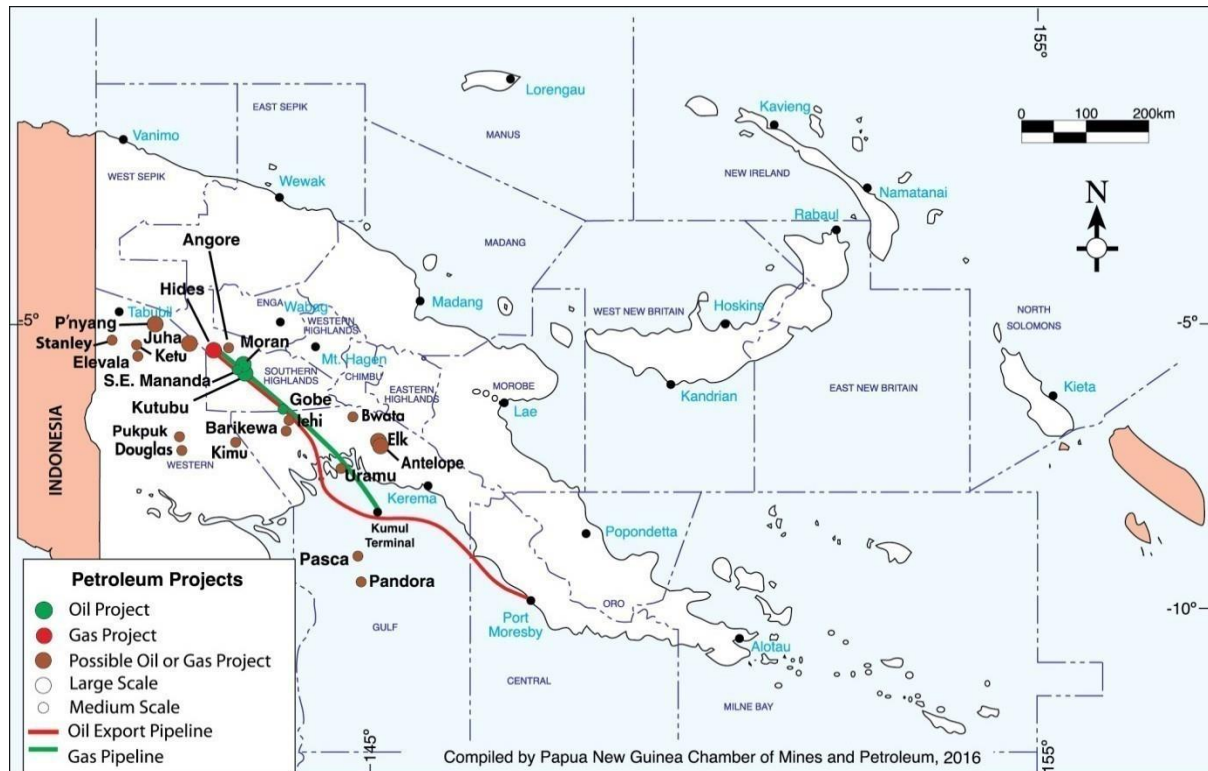
¹⁸³ Oil Search 2017 annual report, accessed 20 August 2018 http://www.oilsearch.com/data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf

¹⁸⁴ <https://www.indexmundi.com/energy/?country=pg&product=oil&graph=production>, accessed 19 November 2018, sourced to United States Energy Information Administration

¹⁸⁵ <http://pnglng.com/project/index.html>

¹⁸⁶ Adapted from United States Energy Information Administration, cited in <http://www.indexmundi.com/energy/?country=pg&product=oil&graph=production> with additional data from ExxonMobil PNG provided in data template for the report, received 23 October 2018

Figure 40: Oil and gas projects in PNG¹⁸⁷



8.1 Classification of licences

The four types of licences are defined in the Oil and Gas Act 1998 as follows.¹⁸⁸

Petroleum Development Licence (PDL)

A petroleum development licence, while it remains in force, confers on the licensee exclusive rights to:

- ▶ Explore for petroleum in the licence area
- ▶ Carry on operations for the recovery of petroleum in the licence area
- ▶ Sell or otherwise dispose of the petroleum recovered
- ▶ Carry on such operations and execute such works in the licence area as are necessary for or in connection with the purposes specified above including the construction and operation of flow lines or gathering lines and water lines

Petroleum Retention Licence (PRL)

A petroleum retention licence, while it remains in force, confers on the licensee exclusive rights to:

- ▶ Explore for petroleum in the petroleum retention licence area
- ▶ Carry on field studies to obtain information to ensure timely economic development of the gas field in the petroleum retention licence area
- ▶ Carry on such operations and execute such works in the petroleum retention licence area as are necessary for or in connection with the purposes specified above, including the construction and operation of water lines

¹⁸⁷ Provided by PNG Chamber of Mines & Petroleum

¹⁸⁸

- ▶ If authorized by the Director, to complete wells, carry out drill stem tests or extended production tests for appraisal of a petroleum pool (including the construction and the operation of pipes and facilities to gather and transport petroleum to a point of testing or treatment or disposal), and to recover and sell or otherwise dispose of all petroleum produced.

Petroleum Prospecting Licence (PPL)

A Petroleum Prospecting Licence (PPL) confers the exclusive right to explore for petroleum, and to carry out appraisal of a petroleum discovery, and to carry on such operations and execute works as necessary in the licence area. These works include the construction and operation of water lines, and, if authorized by the Director, the completion of wells, the conduct of drill stem or extended production tests for appraisal of a petroleum pool (including the construction in accordance with the authorization and the operation of pipes and facilities to gather and transport petroleum to a point of testing or treatment or disposal), and the recovery and sale or other disposal of all petroleum so produced.

Petroleum Processing Facility Licence (PPFL)

A petroleum processing facility licence, while it remains in force, confers on the petroleum processing facility licensee exclusive rights to:

- ▶ Construct the petroleum processing facility at the site for which the petroleum processing facility licence was granted
- ▶ Conduct operations for petroleum processing through the petroleum processing facility
- ▶ Carry on such operations and execute such works at the site of the petroleum processing facility, other than a major modification, as are necessary and reasonable for or in connection with the purposes specified in above.

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 2017, the companies involved in active production were owners of petroleum development licences (PDLs) associated with:

PNG LNG project (operated by ExxonMobil PNG Ltd)

Producing oil fields (operated by Oil Search (PNG) Ltd)

Hides gas project (operated by Oil Search (PNG) Ltd)

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

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

Additionally, it has been identified that Puma Energy operates the Napa 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 2014.¹⁸⁹ This was identified late in preparation of this report, so it has not been possible to obtain a reporting template from Puma. It is recommended that a further investigation into downstream sources of revenue be carried out to assess materiality for inclusion in the PNG EITI 2018 report.

PDL 10 was granted for the Stanley joint venture in 2014, with the following participants. However, it was still in the development and pre-development stage in 2017, and production had not yet started.¹⁹⁰

¹⁸⁹ <https://www.asiaoutlookmag.com/outlook-features/puma-energy-papua-new-guinea-aug-2018>, accessed 20 November 2018

¹⁹⁰ Horizon Oil, Projects – operations, <https://horizonoil.com.au/projects-operations/>, accessed 21 August 2018

- ▶ Repsol (Talisman Energy Niugini Ltd)
- ▶ Horizon Oil Papua Ltd
- ▶ Osaka Gas Niugini Pty Ltd
- ▶ Mitsubishi Corporation (Diamond Gas Niugini B.V.)

Similarly, the Papua LNG project (PRL 15), led by Total SA, is progressing but not yet in production. The participants in this project are:

- ▶ Total (operator)
- ▶ ExxonMobil
- ▶ Oil Search
- ▶ Minorities (0.5%)

There are a number of companies holding petroleum retention licences including:¹⁹¹

- ▶ ExxonMobil PNG Ltd
- ▶ Horizon Oil Papua Ltd
- ▶ InterOil SPI E & P Ltd
- ▶ Oil Search (PNG) Ltd (4)
- ▶ Repsol Oil and Gas Niugini
- ▶ Repsol SA

There are also a large number of companies that hold petroleum prospecting licences (PPL) conducting exploration activities during the reporting period. These are listed in Appendix E. Overview of producing operations in 2017

8.3 Oil projects

Oil Search operates all of the oil projects that are currently producing oil in PNG, outlined below.¹⁹²

Figure 41: Oil Search licence interests, processing and distribution routes¹⁹³



8.3.1 Kutubu

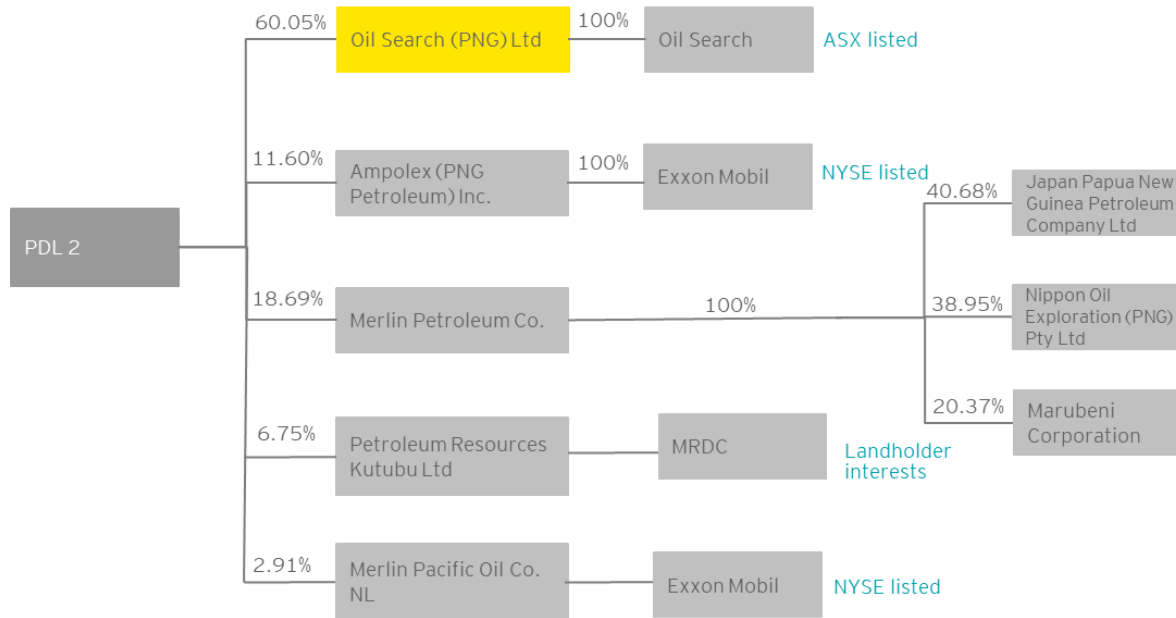
The Kutubu project consists of a network of wells that produce oil from the lagifu-Hedinia, Usano and Agogo fields. The oil is processed on site at Agogo Processing Facility (APF) and Central Processing Facility (CPF) and then pumped through the 270 kilometre Kutubu Export Pipeline to the coast and the Kumul Marine Terminal in the Gulf of Papua. The Kutubu field complex is situated in PDL 2, the ownership of which is outlined in the figure below.

¹⁹¹ Sourced from data reporting template provided by DPE for this report. Received 23 October 2018

¹⁹² Oil Search – Operated Production, <http://www.oilsearch.com/what-we-do/production/operated-production>, accessed 14 November 2018

¹⁹³ Oil Search Annual Report 2017, p.31 https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, accessed 16 August 2018.

Figure 42: PDL 2 (Kutubu Field Complex, Iagifu, Hedlnia, Usano, Agogo) Licence Interests¹⁹⁴

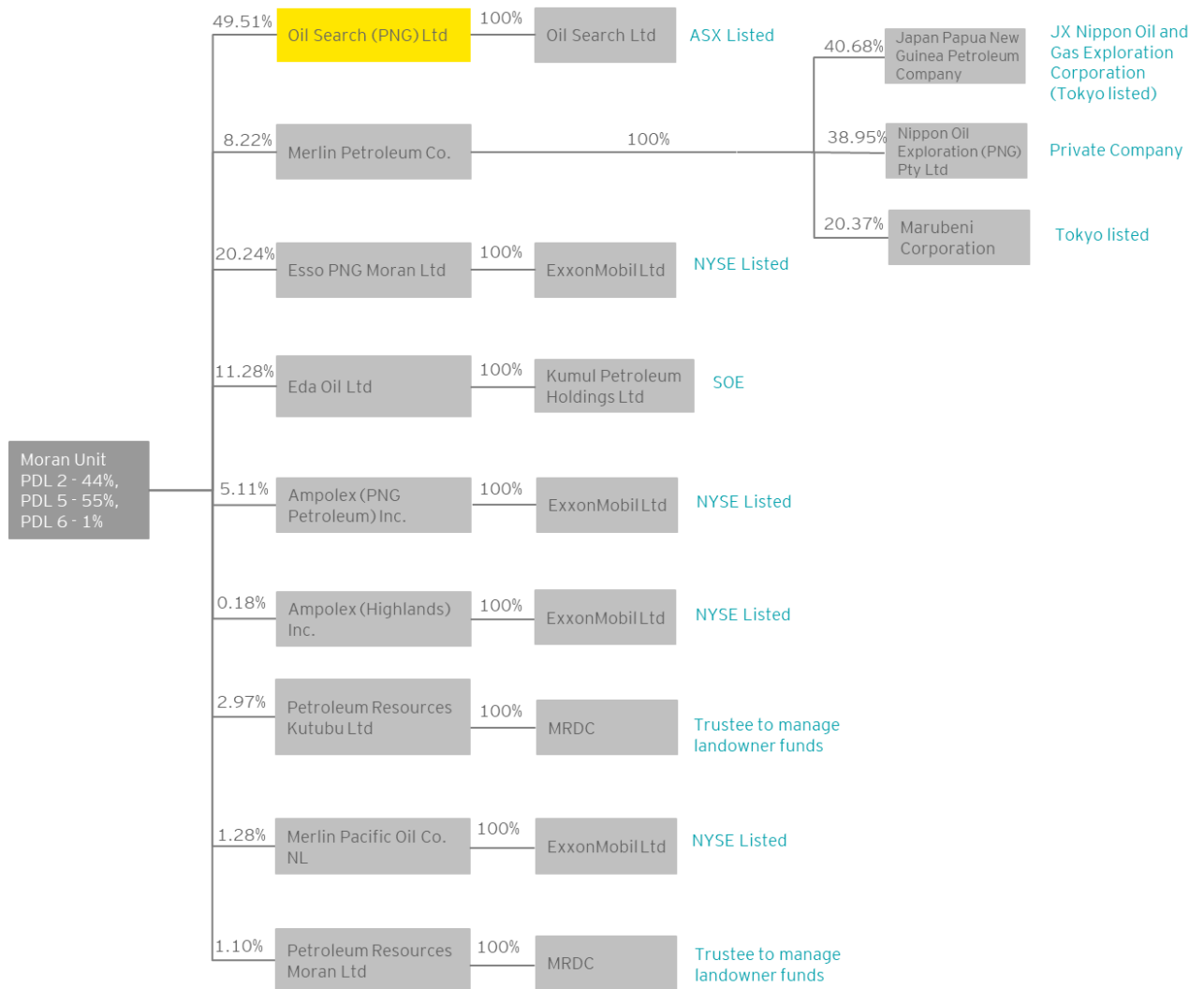


8.3.2 Moran Unit

Oil produced at the Moran fields is processed at the APF then piped to the CPF for further processing, storage and export through the export pipeline. This project runs over three licence areas, PDL2, PDL5 and PDL6. NW Moran (PDL6) is an extension to the Moran field discovered in late 2003. The ownership of the Moran Unit is a combination of PDL 2: 44% PDL 5: 55% and PDL 6: 1%, as outlined in the figure below.

¹⁹⁴ Oil Search – 2017 Annual Report Licence Interests https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf. Distribution of licence interests in Merlin Petroleum Co. <http://www.nex.jx-group.co.jp/english/activity/oceania/png.html>, accessed 13 November 2018, Japan Papua New Guinea Petroleum Company registration <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=128311971>, accessed 13 November 2018, Nippon Oil Exploration entity type <http://www.abr.business.gov.au/SearchByAbn.aspx?SearchText=69134179810>, accessed 13 November 2018, Marubeni Corporation registration <https://www.marubeni.com/en/company/profile/>

Figure 43: Moran unit licence interests



8.3.3 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 8 kilometre pipeline. Oil production rates from these fields fell in 2017 due to maintenance at the Gobe Production Facility in early March.¹⁹⁵

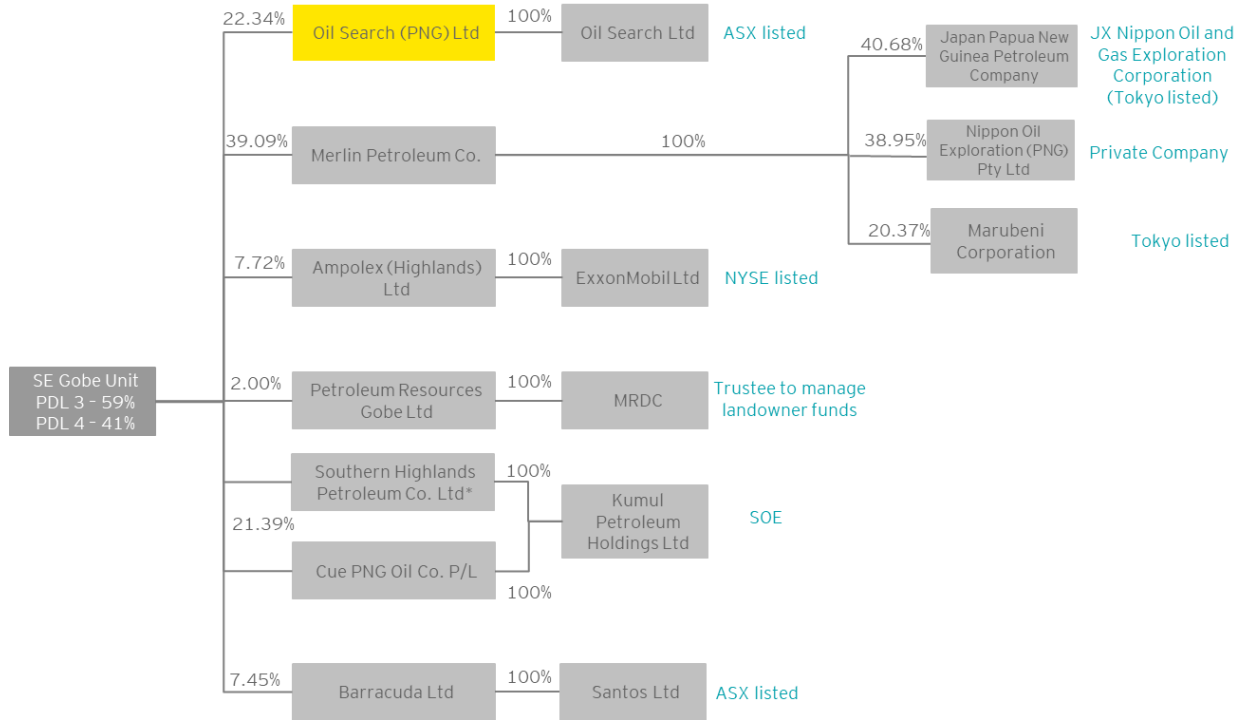
Ownership of the Gobe Unit is comprised of PDL 3 (59%) and PDL 4 (41%). During 2017, KPH reported the acquisition of Southern Highlands Petroleum's share in PDL 3.¹⁹⁶ One report indicated that MRDC subsidiary Petroleum Resources Gobe Ltd was to take 75 per cent of the purchased equity however, we could not confirm if this had taken place.¹⁹⁷

¹⁹⁵ Oil Search Annual Report 2017, p. 86, https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, accessed 14 December 2018

¹⁹⁶ <http://kumulpetroleum.com/production/>, accessed 12 November 2018

¹⁹⁷ <https://oglinks.news/article/3a19dc/kumul-acquires-40pc-interest>, accessed 19 November 2018

Figure 44: SE Gobe Unit licence interests after sale of Southern Highlands Petroleum¹⁹⁸



8.4 Gas projects

The Hides Gas to Electricity Project (GTE) is fully owned and operated by Oil Search (see Figure 45). It comprises a pipeline from the gas wells in the Hides field (PDL1), to the Hides Production Plant in the Tagari River Valley. Following processing, the gas is used by the Porgera Joint Venture to generate electricity for the Porgera gold mine. The condensate produced in the process is distilled into diesel and naphtha and sold locally. The diesel is used as a back-up fuel for the running of the power station. Gas supplied from the Hides gas field is sold under long-term contracts that were last revised in 2012. During 2017, Oil Search delivered 5,843 MMscf natural gas to the Porgera Gold Mine.¹⁹⁹

Figure 45: Hides Gas to Electricity Project licence interests²⁰⁰



8.5 PNG LNG Project

The PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014 and the project achieved financial completion on 6 February 2015. The project capacity has exceeded expectations, reaching in excess of 8 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.²⁰¹

¹⁹⁸ Kumul Petroleum “JX Nippon interest in PDL3, SE Gobe, sold to KPH in June 2017, increasing Kumul Petroleum Holdings interest to 45.72%”, <http://kumulpetroleum.com/licence-interests/>, accessed 18 December 2018. Figures taken from direct communication with Exxon Mobil and the Oil Search 2017 Annual Report Licence Interests https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, received 12 December 2018

¹⁹⁹ Oil Search – 2017 Annual Report, p28 https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf accessed 20 November 2018

²⁰⁰ *ibid*

²⁰¹ http://pngchamberminpet.com.pg/wordpress/wp-content/uploads/17-117b-Overview-of-the-PNG-Petroleum-SectorJuly2017_Small.pdf, accessed 19 November 2018

Contract customers for the LNG include Sinopec (China), Jera (TEPCO) (Japan), Osaka Gas (Japan) and CPC (Taiwan).

Falling global LNG prices have negatively impacted project returns, with flow through implications for government's tax receipts from the project. However, the PNG LNG Project remains competitive and is expected to make a significant long-term contribution to the economy and government revenues.²⁰² Global demand for LNG is forecast to grow as markets prioritise gas over coal or nuclear power. While surplus global LNG capacity is forecast in the short term, new capacity is expected to be required in the early 2020s.²⁰³

As at December 2017, 2580 workers were engaged in production-related roles in the PNG LNG project.²⁰⁴ 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, both positive and negative (see case study in PNG EITI Report for 2016²⁰⁵).

The PNG LNG Global Company LLC ('GloCo') was incorporated to facilitate project financing and the management of all revenue, sales, marketing, ship chartering, operating costs and revenue payments to the State of PNG. GloCo is a shell company that is owned by the PNG LNG project partners in proportion to their equity interests (as illustrated in Figure 46). It is operated by ExxonMobil, but it is not an ExxonMobil affiliate or subsidiary. Key transactions pass through GloCo including providing the sale proceeds to each of the project partners.

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 profits; however, we understand that this requires agreement from all of the owners of the project. We currently receive information relating to the share of profits (as assessable income) received from GloCo by the state-owned entities that are partners in the PNG LNG project (where they have submitted a reporting template), but no information on payments made from the GloCo entity. Please see Chapter 11 for further discussion of our recommendations relating to this.

Figure 46 illustrates the ownership structure of the PNG LNG project. While the following figures illustrate the licence interests associated with each PDL within the PNG LNG Project.

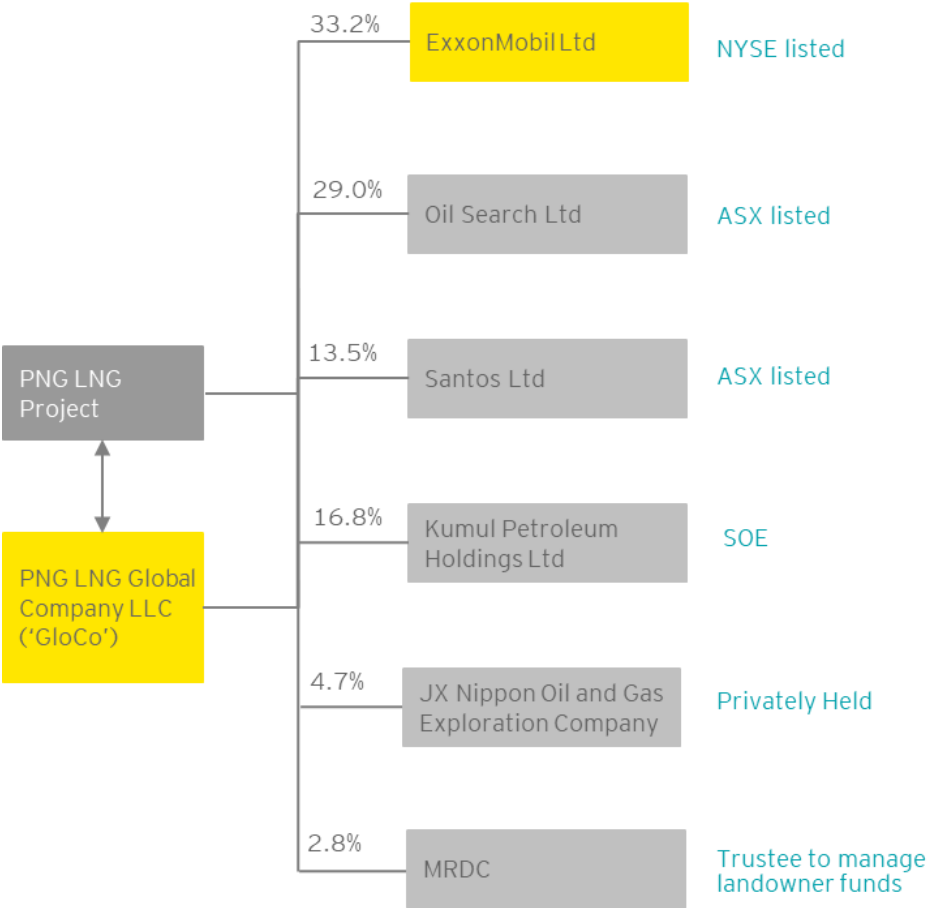
²⁰² Chamber of Mines and Petroleum, http://pngchamberminpet.com.pg/wordpress/wp-content/uploads/17-117b-Overview-of-the-PNG-Petroleum-SectorJuly2017_Small.pdf accessed 14 November 2018

²⁰³ Oil Search 2017 Annual Report, https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf accessed 15 November 2018

²⁰⁴ PNG LNG Environmental and Social Report-Annual 2017, PNG LNG, 2017 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2017-Annual-ES-Report-FINAL-27-04-2018-FULL-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2017-Annual-ES-Report-FINAL-27-04-2018-FULL-(ENG-WEB).pdf) accessed 20 August 2018

²⁰⁵ PNG EITI Report 2016, available at: <https://www.pngeiti.org.pg/reports/>

Figure 46: The relative interests of each partner in the PNG LNG project for the 2017 reporting period²⁰⁶



²⁰⁶ PNG LNG Co-venturers <https://pnglng.com/About/Co-venturers> accessed 14 November 2018

Figure 47: PDL 1 Hides licence interests

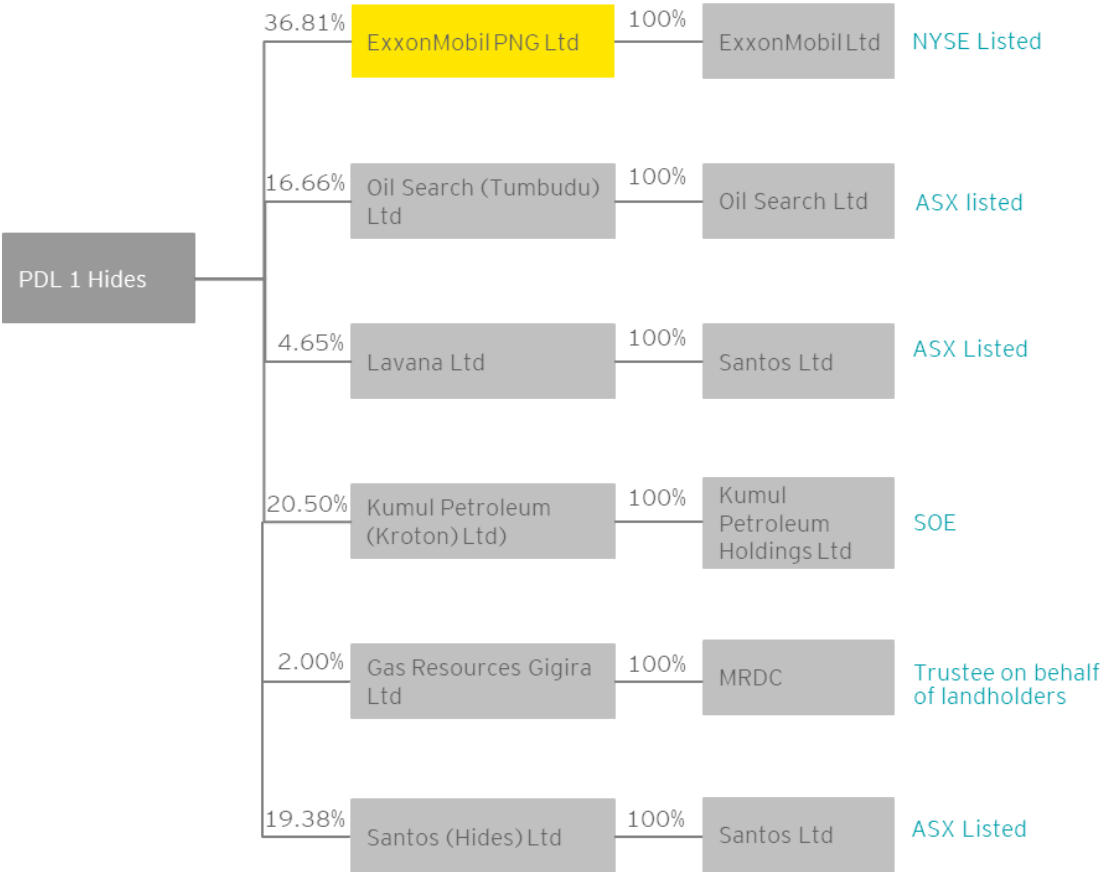


Figure 48: PDL 7 licence interests

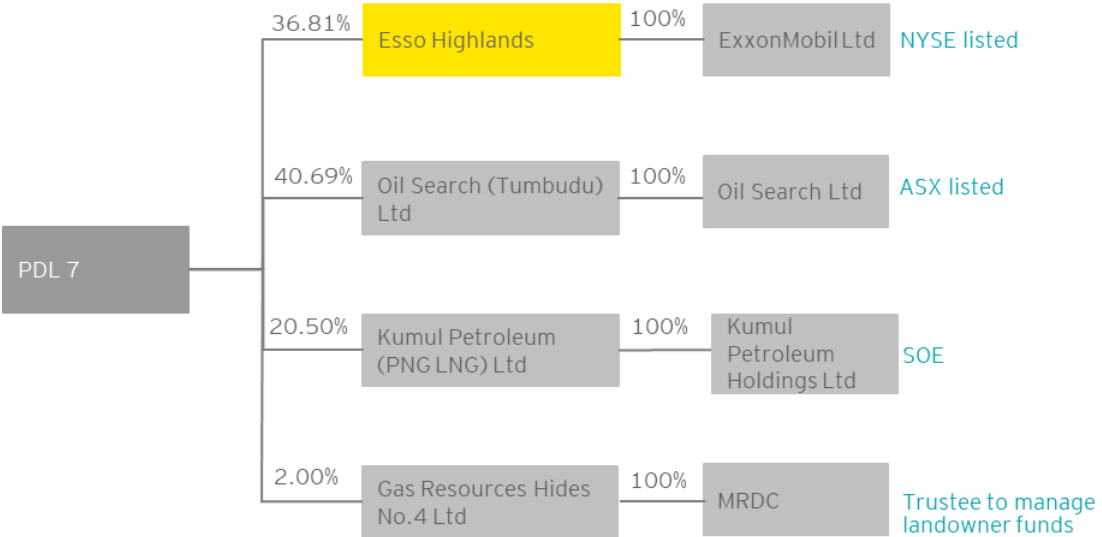


Figure 49: PDL 8 licence interests

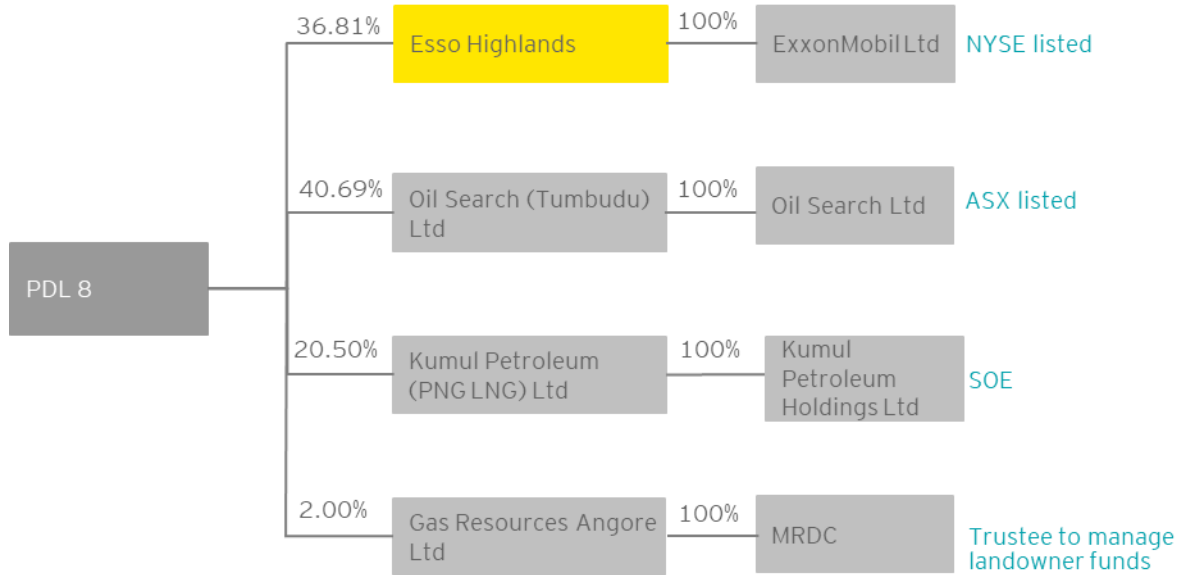
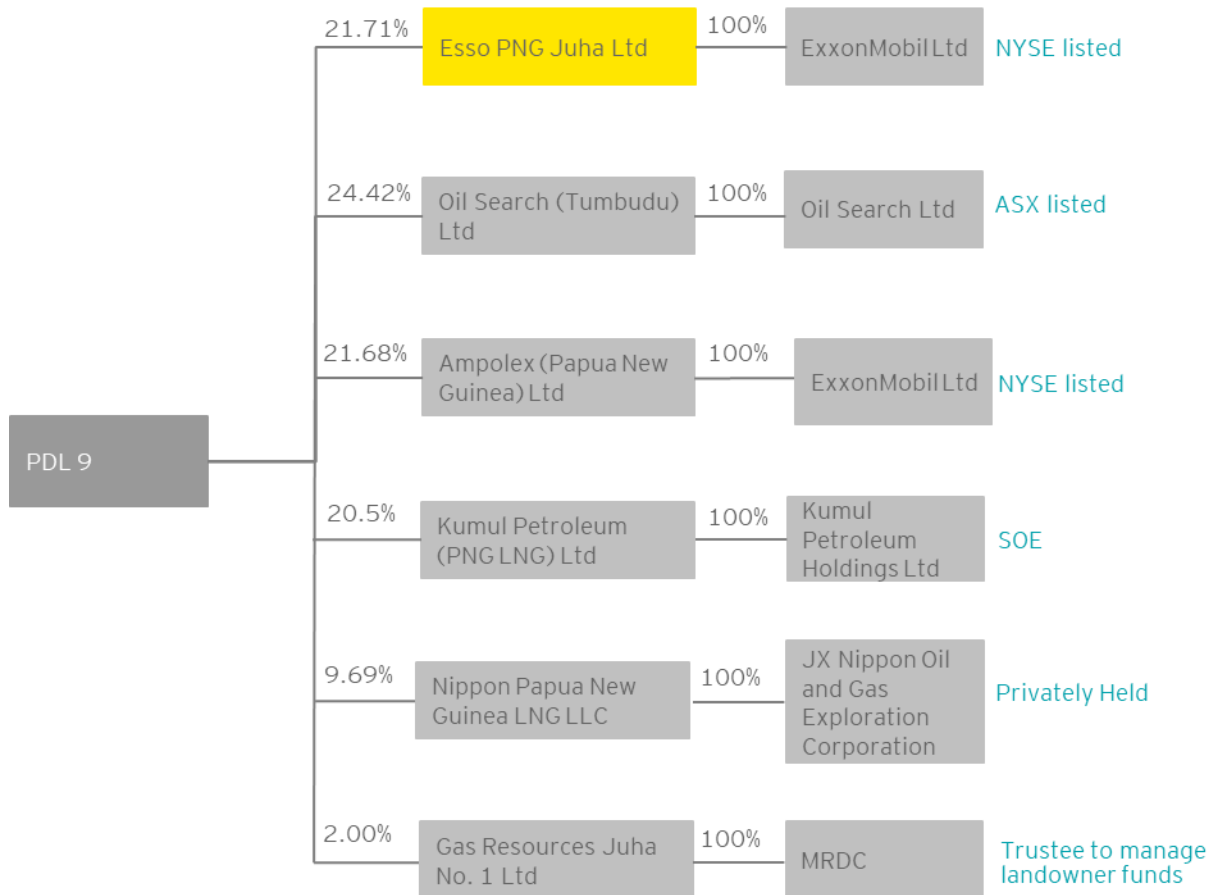


Figure 50: PDL 9 licence interests²⁰⁷

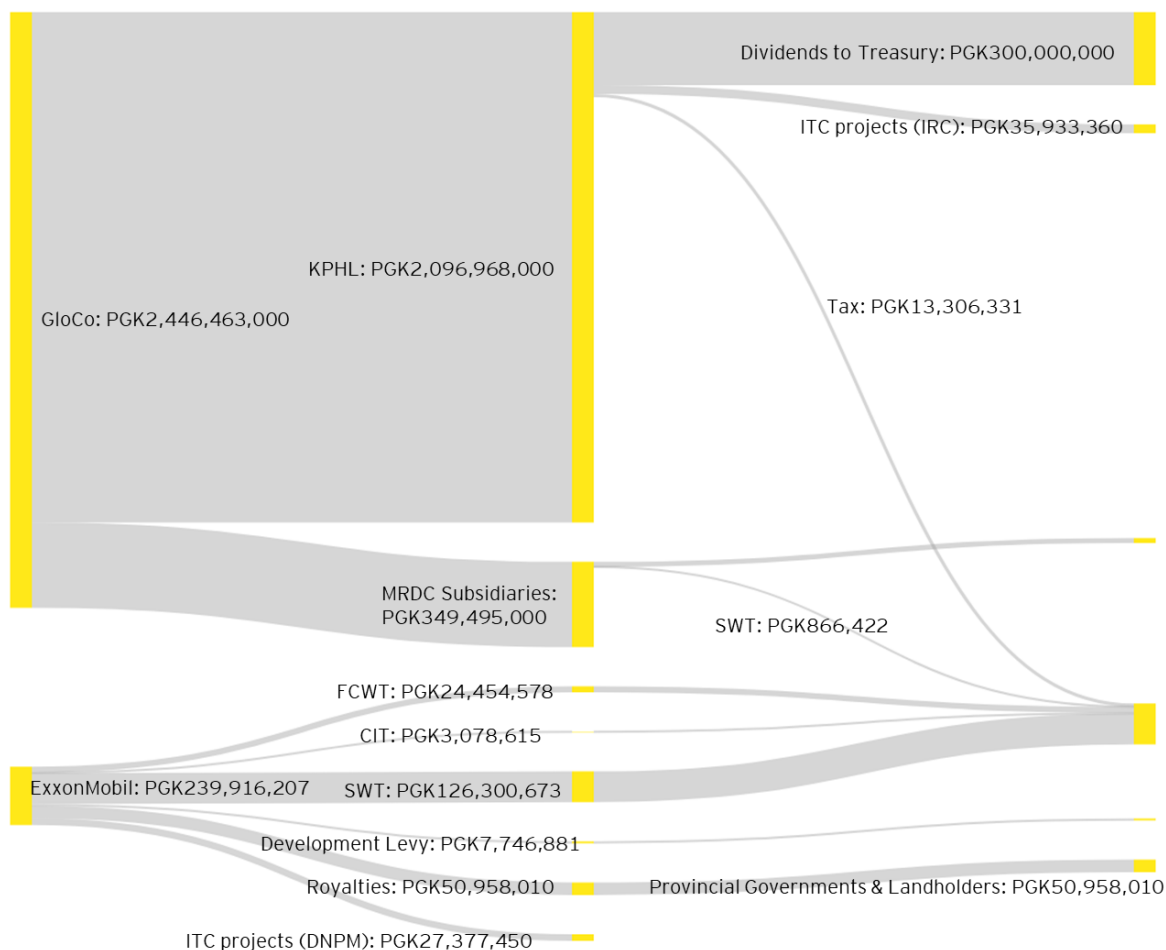


²⁰⁷ <http://www.openbriefing.com/AsxDownload.aspx?pdfUrl=Report%2FComNews%2F20181206%2F02057076.pdf>, accessed 11 December 2018

8.5.1 PNG LNG revenue

The diagram below shows the revenue flow to the PNG Government from the PNG LNG project in 2017. The significant amounts reflect the share of sales paid by the 'Glo Co' to KPH (SOE) and MRDC (on behalf of landholder companies). A dividend payment of PGK 300 million was reported by Treasury, although at the time this report was finalised, KPH had not provided confirmation of this amount. Tax payments from the participating entities to the IRC are recorded as well as royalty payments to sub-national governments and development levy payments to DPE.

Figure 51: Estimates of PNG Government revenue flow from PNG LNG project²⁰⁸



8.6 New oil and gas projects

8.6.1 Stanley project

The Stanley Gas Agreement was approved in April 2014. The Stanley gas-condensate field is located in PDL 10 and is operated by Repsol.²⁰⁹ Its main focus to date has been to provide Ok Tedi mine with gas for electricity to extend its mine life. The project includes a condensate recovery plant with the aim of producing a commercially viable end-product for the domestic market. Production had not begun during the reporting period, so the joint venture partners were not included as material reporting entities.

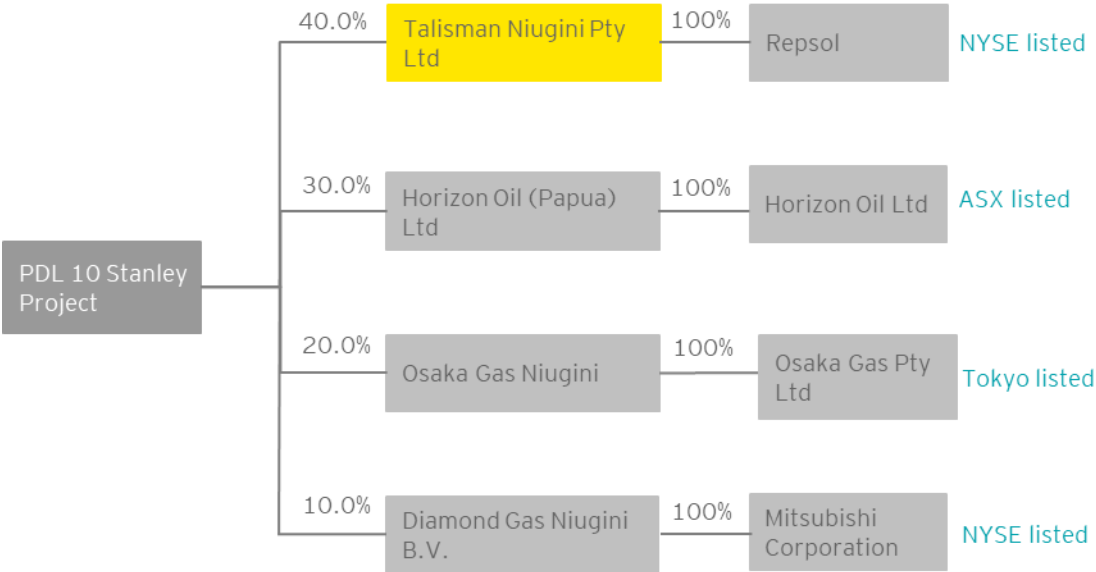
In June 2018, Repsol announced an agreement to sell their shares to Balang International Pte Ltd (Balang), part of the China Changcheng Natural Gas Power Co Ltd Group with investments in natural gas and power throughout the Asia Pacific

²⁰⁸ Share of sales revenue from the 'GloCo' are estimated based on assessable income reported by other partners in the PNG LNG project and % ownership in the project of KPH and MRDC subsidiaries. These figures are estimates only and have not been confirmed by reporting entities

²⁰⁹ <http://horizonoil.com.au/projects-operations/papua-new-guinea/ppl-4/>, accessed 14 November 2018

Region.²¹⁰ At the time of writing, the sale had not been finalised, and Repsol was involved in legal action regarding the Stanley project.²¹¹

Figure 52: Stanley project licence interest



8.6.2 Papua LNG Project (Elk-Antelope gas discoveries)

The Elk-Antelope gas discoveries (PRL 15) are one of the largest undeveloped gas resources in PNG.

The participants under the PRL 15 licence in 2017 were:

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

In July 2016, ExxonMobil announced that it had entered into an agreement to acquire InterOil, resulting in the entry of ExxonMobil into PRL 15.²¹² This acquisition was completed in February 2017 and has promoted cooperation and an alignment of interests between the Papua LNG and PNG LNG project for expansion discussions. In November 2018, the partners in the Papua LNG Project entered into a Memorandum of Understanding (MoU) with the Independent State of Papua New Guinea for the development of the Papua LNG Project. The agreement forms the basis for a Gas Agreement that allocates Project benefits and returns among stakeholders.²¹³

8.6.3 Other gas projects in development

Oil and gas exploration is at a high across PNG. In 2017, there were 66 Petroleum Prospecting Licences and 28 applications pending, covering large parts of the country, and much of the near-shore environment.²¹⁴ The PNG LNG and Papua LNG projects are expected to be the first of a series of potential gas developments, including:

- Potential development of the P’nyang field to support PNG LNG Project expansion
- Possible aggregation of a number of gas accumulations in the Western Province

²¹⁰ <https://www.thenational.com.pg/chinese-firm-taking-over-repsol-asset/>, accessed 19 November 2018
²¹¹ <https://www.upstreamonline.com/hardcopy/1636681/repsol-goes-to-court-in-png-over-stanley-gas-field>, accessed 10 December 2018
²¹² ExxonMobil press release 21 July 2016, ‘ExxonMobil to Acquire InterOil’ <http://news.exxonmobil.com/press-release/exxonmobil-acquire-interoil-transaction-worth-more-25-billion>, accessed 11 November 2018
²¹³ https://www.oilsearch.com/_data/assets/pdf_file/0018/27135/181116-Papua-LNG-JV-signs-MOU-with-Government.pdf accessed 19 December 2018
²¹⁴ DPE data template received 23 October 2018

- Offshore Pandora field for a possible LNG development.²¹⁵
- The introduction of the *Unconventional Hydrocarbons Act 2015* (UHA) during 2015 has also cleared the way for further exploration and production including unconventional hydrocarbons such as shale oil and gas that were previously excluded from the OGA.

8.7 Oil and gas production data

Oil and gas project operators report production data to DPE on a monthly basis. The Department of Petroleum and Energy (DPE) does not currently perform detailed reviews or audits of this data due to resourcing constraints.²¹⁶

The figures below were reported by Oil Search and ExxonMobil.²¹⁷ The estimated figures included in the Budget for 2019 are also included for comparison.²¹⁸

Table 30: Oil and gas production and export data provided by the operator

Commodity	Amount reported produced by the operator	Amount reported exported by the operator	Value of exports reported in the Budget (PGK '000)
Oil (stbo)	3,966,127	1,419,704	1,255.9
Condensate (Hides) (stbo)	118,016	21,541	1,935.1
Condensate (PNG LNG) (stbo)	1,236,985	1,153,400	-
Hides Gas (MMscf)	5,843	3,145	-
PNG LNG Project LNG (tonnes)	8,294,494	8,353,171	10,467.5

*Export values not provided by operators

²¹⁵ Information from MSG & 'Petroleum in PNG,' *PNG Chamber of Mines and Petroleum*, <http://pngchamberminpet.com.pg/petroleum-in-png/>, accessed 15 November 2018

²¹⁶ Direct communication from DPE, 2016 PNG EITI Report

²¹⁷ Information included in Oil Search and ExxonMobil data templates provided for this report, received 23 October 2018

²¹⁸ 2017 estimates from 2019 Budget, Vol 1, Appx 3, Table 5, p. 170 (Actuals from BPNG. Projections from Department of Treasury) http://treasury.gov.pg/html/national_budget/2019/Volume%201.pdf

Table 31: Oil and gas production and export data provided by DPE*²¹⁹

Project	Commodity		Volume	Units
Oil projects	Oil	Production	7,545,277	stbo
	Gas	Production	183,980,601	MMscf
	Crude oil	Export	14,669,576	stbo
PNG LNG	Condensate	Production	5,429,901	Barrels
	Gas	Production	356,045	MMscf
	Naphtha	Export	1,051,052	Barrels
	LNG	Export	17,707,001	m ³
Hides project	Gas	Sold to Porgera Joint Venture	4,840	mmscf
	Naphtha	Sold to Porgera Joint Venture	7,569	m ³
	Condensate	Sold to Porgera Joint Venture	-	m ³

*export value, and production volumes by PDL was not received

Figure 53: Oil and gas export quantities and values as reported by Customs²²⁰

Commodity	Unit	Quantity	FOB value (PGK)
Petroleum oils and oils obtained from bituminous minerals, crude.	LTR	15,347,156	2,540,494,200
Natural gas	TNE	26,710,508	9,096,164,584
Naphthalene	LTR	106,888,890	141,548,637

8.8 Regulation of the oil and gas sector

Oil and gas regulation in PNG is overseen by the Department of Petroleum and Energy (DPE), an entity that is chronically under-resourced, has no website, and has not produced an annual report for the past nine years.

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 a number of priority recommendations in the 2013 and 2014 PNG EITI Report that have subsequently been endorsed by the National Executive Council (NEC).

During 2015, new legislation was passed to govern the exploration for and production of unconventional hydrocarbons²²¹ in Papua New Guinea. Previously, exploration for unconventional hydrocarbons was not permitted under the *Oil and Gas Act 1998* (OGA). Further information about the OGA and the *Unconventional Hydrocarbons Act 2015* (UHA) can be found in Section 4.5.1.

8.9 Register of licences

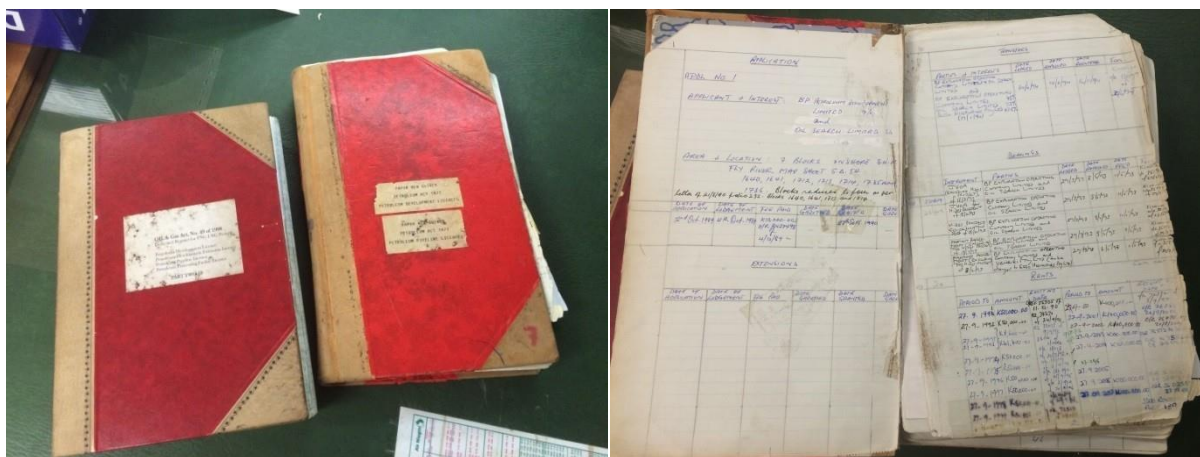
The official register of oil and gas licences is maintained by the DPE in handwritten ledgers. Figure 54 below shows the ledgers as they appeared in 2015. This ledger is not organised sequentially on the basis of licence numbers; new entries are made when applications are made. In principle the register is publically accessible, but clearly this is not a practical reality.

²¹⁹ Provided by DPE, 13 December 2018

²²⁰ Provided by PNG Customs, received 13 December 2018

²²¹ Unconventional hydrocarbons such as coal seam gas or shale gas require additional methods of extraction other than traditional methods.

Figure 54: Oil and gas licence registers, 2015



The reliance on hard copy documentation, coupled with sub-optimal file storage, posed a significant risk, which could result in a catastrophic data loss should, for example, a fire occur at DPE's premises. In 2016, DPE reported that the licence register had been scanned so there is a digital copy. They also reported that a workshop was held to investigate establishing a licencing database similar to the one implemented by the MRA for mining tenements.

In 2018, DPE have reported that a project has been initiated to establish a digital register. However, the manual register books were still being used for the 2017 reporting period. See Appendix C for the list of active oil and gas licences in 2017.

The register is set up to record all information required by the EITI Standard, but a number of information gaps in individual entries were identified.²²²

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

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

The initial findings of the compliance review indicated that 50% of all licences did not comply with the *OGA*. For the 2017 reporting period, DPE advised that three PPLs had been cancelled, but at the time of writing had not supplied the reasons for cancellation.²²³

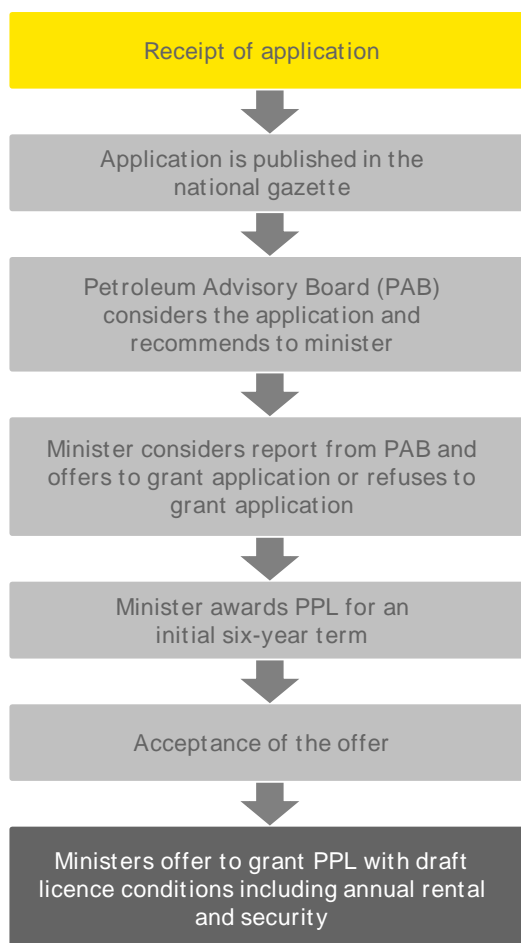
8.10 Allocation of licences

Oil and gas licences are allocated by DPE, according to the process illustrated in Figure 55 below.

²²² See PNG EITI Report 2013 Appendix B available here: <http://www.pngeiti.org.pg/wp-content/uploads/2017/06/2013-PNG-EITI-REPORT.pdf>

²²³ Non-financial data template provided by DPE for this report. Received 23 October 2018

Figure 55: Process for DPE licence allocation²²⁴



Information on the technical and financial criteria for petroleum prospecting licences is set out in the Petroleum Policy Handbook and in the Oil and Gas Act Section 22 which includes the following criteria for considering applications for licences:²²⁵

When granting a prospecting licence the Minister must be satisfied that the applicant has a coherent exploration strategy for the licence area as well as the technical and financial resources to carry out the required work programme. The following information should therefore be included in an application:

- The full name of the individuals or companies who are to be the licence holders
- If more than one individual or company is to hold the licence, the respective participating interests and the identity of the operator
- The specific blocks over which a licence 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 programmes carried out elsewhere, as well as the resumes of key individuals to be involved in the proposed programme
- 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 programmes proposed for the first two years of the initial licence period
- Indicative work and expenditure programmes proposed for the final four years of the initial licence period
- A synopsis of the technical rationale used in developing the work programme proposed
- Postal, fax and email addresses of the applicants

²²⁴ Petroleum division – an overview, p. 21

²²⁵ Petroleum policy handbook, pp. 8 and 9, 2003

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

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

DPE confirmed that no licences were awarded through a bidding process in 2017 and there were no non-trivial deviations from the regulatory regime.²²⁶

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

Production licences also require 'detailed proposals by the applicant for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage and transportation of petroleum from the licence area.'²²⁷

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 Petroleum Advisory Board.

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

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

CEPA facilitates three levels of the environment permits approval process as outlined below:²²⁸

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

Information from CEPA identifying the environmental permits that were issued, amended or renewed in 2017 had not been received at the time this report was finalised.

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/>.

Table 32 shows the different types of licences and the number of licence applications by type as at 31 December 2017.

²²⁶ Non-financial data template provided by DPE for this report. Received 23 October 2018

²²⁷ OGA s.54

²²⁸ CEPA, response to data request for 2016 PNG EITI Report, received 2 October 2017

Table 30: DPE licence statistics for 2017²²⁹

Licence type	Quantity	Applications	Awarded	Extended	Expired	Cancelled	Surrendered	Transferred
Petroleum Development Licence (PDL)	10	0	0	0	0	0	0	1
Petroleum Retention Licence (PRL)	12	1	1	1	1	0	0	5
Petroleum Prospecting Licence (PPL)	66	28	13	2	3	3	4	10
Petroleum Processing Facility Licence (PPFL)	2	0	0	0	0	0	0	0

Transfer processes are outlined in the OGA.²³⁰ Transfers are registered by DPE but no criteria are applied; it is a commercial transaction between organisations. Exploration licences cannot be transferred for a period of two years from being granted. The list of licences awarded and transferred in 2017 can be found in Appendixes D and F, but did not include full details at the time this report was finalised.

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/>.

²²⁹ Non-financial data template provided by DPE for this report. Received 23 October 2018

²³⁰ Section 97

9. State-owned enterprises

9.1 Legal basis

The State holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or 'sunk cost'. In return, the State can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder. Further information on the State's equity participation rights is provided in Chapter 4.

Since 2015, the structure of PNG SOEs has been changed in accordance with the Kumul Consolidation Agenda, with the aim of improving synergy, coordination and efficiency of the National Government's participation in commercial activities.²³¹ This includes the aggregation of all government mining interests to Kumul Mineral Holdings Ltd (KMH) and all government petroleum interests to Kumul Petroleum Holdings Ltd (KPH).

The state-owned enterprises (SOEs) involved with the extractive sector in PNG during 2017 were:

- ▶ Kumul Petroleum Holdings Ltd (KPH)
- ▶ Kumul Mineral Holdings Ltd (KMH) – although not participating in active projects
- ▶ Ok Tedi Mining Ltd (OTML)
- ▶ Each of these is discussed further in this chapter

In addition, there are two organisations that have been described as state-owned enterprises in previous PNG EITI reports, but which more accurately act as trustees:

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

These are also discussed in this chapter.

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.'²³² This can include, for example, providing services at below market rates.

No quasi-fiscal expenditures were disclosed for the reporting period. However, this may be because reporting entities are unclear on what should be classed as a quasi-fiscal expenditure. This is the subject of a recommendation in this EITI Report (see Chapter 11)

9.3 Kumul Petroleum Holdings Ltd (KPH)

9.3.1 Creation, ownership and structure

Kumul Petroleum Holdings Ltd (KPH) has been through a series of changes of structure and name since it was first incorporated in June 2008 under the name Kroton No. 2 Ltd. In 2010 the name was changed to National Petroleum Company of PNG (Kroton) Ltd (NPCP Kroton), at which time it was mandated by the State to be a special purpose vehicle to hold and manage the State's 16.57% interest in the PNG LNG Project.

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

On 2 September 2014, the NEC approved the establishment of NPCP Holdings Ltd as a wholly-owned subsidiary of Independent Public Business Corporation (IPBC) and directed that all petroleum assets of the State, including the Oil Search

²³¹ Press release from Minister Abel, February 22 2017, <https://www.kch.com.pg/minister-clarifies-consolidation/>, accessed 13 November 2017

²³² <https://eiti.org/guide/quasi-fiscal-expenditures>, accessed 19 December 2018

shares held by Treasury, all petroleum assets held through Petromin and the NPCP Kroton shares held by IPBC, be consolidated into NPCP Holdings Ltd. The shares of NPCP Kroton Ltd held by IPBC were transferred to NPCP Holdings Ltd on 17 December 2014.²³³

The *Kumul Petroleum Holdings Ltd Authorization Act* 2015 was passed in June 2015, changing the name of NPCP Holdings Ltd to Kumul Petroleum Holdings Ltd (KPH), and making it the State nominee for all commercial matters relating to oil and gas projects.²³⁴ Immediately following the Act coming into operation, in October 2015 all issued shares, including any rights to receive dividends or distributions were transferred to the Kumul Petroleum Trustee. This transfer occurred without payment of any consideration to the IPBC, whether in its own right or in its capacity as trustee under the General Business Trust.

9.3.2 Projects and fiscal arrangements

No data template was received for 2017, so information derives from 2016 PNG EITI report and public sources.

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/>.

KPH, through its ownership of NPCP Kroton Ltd, holds a 20.5% interest in four petroleum development licences: PDL 1 Hides, PDL 7 Hides, PDL 8 Angore and PDL 9 Juha.²³⁵ Together, these equate to a 16.57% interest in the PNG LNG project. KPH's participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. KPH participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.²³⁶

KPH, through its co-ownership in PDL 1, also jointly sells gas to the Oil Search owned and operated gas to electricity plant (the Hides Project). The Hides Project buys gas from the PDL 1 partners, conditions and sells to the Barrick operated Porgera gold mine.²³⁷

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

KPH also holds interests in the following assets through its 100% ownership of NPCP Oil Company Pty Ltd. The company holds the following asset interests:²³⁸

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

Figure 56: Kumul Petroleum Holdings Ltd (KPH) projects and fiscal arrangements

²³³ Kumul Petroleum Holdings Limited – About Us - History, <http://kumulpetroleum.com/our-history/> accessed 20 November 2018

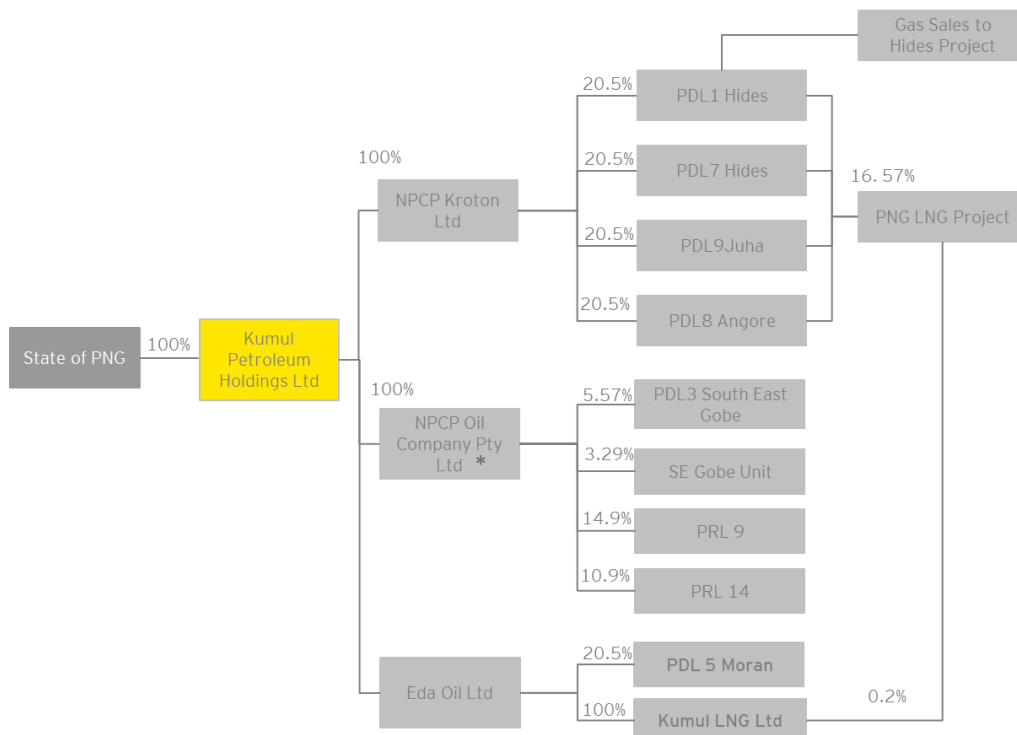
²³⁴ Kumul Petroleum Holdings Limited Authorisation Act 2015, <http://www.parliament.gov.pg/uploads/acts/15A-06.pdf> accessed 20 November 2018

²³⁵ 'PNG LNG Project,' Kumul Petroleum Holdings Limited, <http://kumulpetroleum.com/production/> accessed 20 November 2018

²³⁶ Direct communication from Kumul Petroleum, 20 November 2015

²³⁷ 'Gas Sales to Hides Project' Kumul Petroleum Holdings Limited, <http://kumulpetroleum.com/production/> accessed 20 November 2018

²³⁸ Cue completes the sale of Papua New Guinea portfolio, Cue Energy ASX release, 24 December 2014, http://www.cuenrg.com.au/irm/PDF/1846_0/CuecompletesthesaleofPapuaNewGuineaportfolio, accessed 20 November 2018



*Note that NPCP Oil Company Pt Ltd is also sometimes referred to as Cue Oil.

KPH also holds interest in the following petroleum retention licences:

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

During 2017, the PNG Government confirmed that Kumul Petroleum Holdings sold its 10% stake in Oil Search. The perceived lack of transparency surrounding this agreement received media attention during 2017, as outlined in the case study below.

KPH sale of Oil Search shares – case study

In 2014, the PNG Government took out a loan of circa AUD1.2 billion from UBS to purchase a 10% stake in Oil Search, a key player in the PNG oil and gas industry, and a joint venture partner in the PNG LNG project. The loan was controversial for its size, complexity, and the lack of transparency about the terms of the loan, which were deemed to be commercial in confidence. The Government did not pass legislation to enable the transaction, and Prime Minister O'Neill was referred to a tribunal for allegedly failing to comply with 'administrative and financial processes including the normal borrowing process.' However, Mr O'Neill contested this referral in the courts, and the tribunal was not convened.

In 2016 the loan arrangements were amended, bringing in JP Morgan in addition to UBS. As part of the loan arrangement, the purchased shares were held as collateral by the two banks. As the share price fell, UBS and JP Morgan sold shares to limit their exposure. By September 2017 the share price had fallen by about 20 per cent, and the Government decided to sell its remaining shares rather than repay or refinance the loan.

Kumul Petroleum Holdings managing director Wapu Sonk has admitted that Kumul Petroleum lost at least \$US254 million on the deal. However, others argue the total cost may be far higher. Prime Minister O'Neill has defended the acquisition as being the right decision at the time, and has stated that the Government made a profit of PGK100 million from the sale.²³⁹

²³⁹ <https://www.afr.com/business/energy/oil/png-government-exit-from-oil-search-opens-up-door-to-ma-20170921-gymiib>; <https://www.abc.net.au/news/2017-09-22/png-government-sells-stake-in-oil-search/8976648>; accessed 31 October 2018

9.3.3 Revenue and payment streams

The gas produced by PNG LNG is jointly marketed through an incorporated entity known as GloCo which is jointly owned by co-venturers of the PNG LNG Project in proportion to their ownership in the project. Liquids produced are marketed individually (or grouped) through GloCo. GloCo may provide sales proceeds to partners net of lender and operating cost obligations (by way of borrower restricted payment) up to once per quarter. GloCo is operated on behalf of all co-venture partners by ExxonMobil PNG Ltd, but it is not an ExxonMobil affiliate or subsidiary (see also section 8.5).²⁴⁰

KPH did not submit a data template for 2017. Revenue streams reported for 2016 included:

- ▶ PNG LNG equity distribution (by way of borrower restricted payments)
- ▶ PDL 1 revenue (Hides GTE)
- ▶ Oil Search shares dividends
- ▶ Share of sales

Payments reported by KPH in 2016 included dividend payments made to Treasury.

KPH did not respond to the contextual data template provided by the IA for the 2017 or 2016 reports. For the 2014 EITI report, KPH reported that no subnational payments were made during the reporting period.

In September 2016, KPH was endorsed by the NEC to offer vendor finance to landowner beneficiary groups and provincial governments.²⁴¹ These loans will provide the opportunity for the relevant groups to exercise their 'Kroton Equity Option' under the terms expressed in the UBSA. The UBSA allows them to purchase a shareholding interest in Kumul Petroleum (Kroton) Ltd, the State's nominee company in the PNG LNG Project. The following provincial governments and landowner beneficiary groups elected to take up their option using KPH's vendor finance:²⁴²

- ▶ 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)
- ▶ North West Moran

The intent to exercise their option was signed by these entities (or by the MRDC as their representative) prior to the option's expiry date of 31 December 2016. The shareholding interests, however, were not all registered by the end of 2016.²⁴³ No further update was available at the time of publication of this report.

9.3.4 Social and quasi-fiscal expenditure

KPH did not provide a data template for 2017. For 2016, KPH reported no mandatory or voluntary social payments or quasi-fiscal expenditures.²⁴⁴

9.4 Kumul Mineral Holdings Ltd (KMH)

9.4.1 Creation, ownership and structure

Kumul Mineral Holdings Ltd (KMH), a 100% state-owned company, was created 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

²⁴⁰ Information provided by ExxonMobil in data template submission for the 2015–16 reports, received 9 September 2017

²⁴¹ 'Kroton Equity Unit Application Signing Ceremony' 12 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-equity-unit-application-signing-ceremony/>, accessed 11 December 2017

²⁴² 'Kroton Option Exercise by PDL 4 Beneficiary Group' 17 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 11 December 2017

²⁴³ 'Kroton Option Exercise by PDL 4 Beneficiary Group' 17 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 11 December 2017

²⁴⁴ Data provided by KPH in data template completed for this report, 4 October 2017

gas sectors. Its mission included encouraging more production and downstream processing of oil, gas and minerals in PNG through proactive investment strategies either wholly or in partnership with other investors.

When the *Kumul Minerals Holdings Authorization Act* 2015 was passed on 5 June 2015, Petromin was renamed Kumul Mineral Holdings Ltd.

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

9.4.2 Projects and fiscal arrangements

Information for this report has been drawn from KMH's 2016 reporting template, and from a copy of KMH's audited financial statements for 2016, which were provided to the IA. No data relating to 2017 has been received.

KMH's only operating mine, Tolukuma, was sold to Asidokona Mining Resources Pte Ltd, a Singapore on 30 November 2015.²⁴⁵ (For further detail, refer to PNG EITI report for 2015, section 7.2.2.) KMH's 2016 accounts indicate that as part of the disposal, KMH assumed liabilities of PGK37.1 million. Of the total sale price of PGK26 million, only PGK0.7 million has been received. Further payments were to be settled as follows:

Payment amount	Due on or before
PGK16 million	31 December 2016
PGK2 million	31 December 2017
PGK1.4 million	31 December 2018

However, the 2016 accounts state that 'as the recovery of the outstanding sales proceeds is considered doubtful, this has been fully provided for in these financial statements'.²⁴⁶ As at October 2017, KMH confirmed that no further payments had been received.²⁴⁷

Tolukuma has not been in operation since the sale. In June 2017 there were reports that the mine was about to go into production.²⁴⁸ However, in February 2018 the operating company, Tolukuma Gold Mines Ltd, was placed into liquidation, having been taken to court by its creditors.²⁴⁹

During the reporting period, Kumul Mineral Holdings did not hold any subsidiaries with interest in active resource projects. However, there are exploration projects and project in development stage. These include:

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

The 2016 financial statements note that, on 30 June 2016, Rio Tinto Ltd transferred its 53.8% share in Bougainville Copper Ltd (BCL) to Eda Minerals Ltd, a wholly owned subsidiary of KMH. BCL, an ASX-listed company, is working towards resuming copper mining at the Panguna mine on Bougainville.²⁵⁰

KMH's interests in oil and gas assets, held by Eda Oil Ltd and its wholly owned subsidiary Kumul LNG Ltd were transferred to Kumul Petroleum Holdings on 30 June 2016, for nil consideration.²⁵¹

The 2016 financial statements note 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:

²⁴⁵ KMH Annual financial statements for year ended 31 December 2016, provided by KMH 13 December 2018

²⁴⁶ *ibid*

²⁴⁷ Email correspondence from Kumul Mineral Holdings, 6 October 2017

²⁴⁸ <https://postcourier.com.pg/tolukuma-gold-mine-begins-production/>, accessed 14 December 2018

²⁴⁹ 'Tolukuma lies with financiers', *Post Courier*, 25 February 2018, <https://postcourier.com.pg/tolukuma-lies-financiers/>,

²⁵⁰ KMH Annual financial statements for year ended 31 December 2016, provided by KMH 13 December 2018

²⁵¹ *ibid*

- ▶ The company will continue to operate under new legislation as Kumul Minerals Holdings Ltd and it will hold all of 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 K20.8million for 5 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 KMH under KMH Act.
- ▶ The directors believe that the Group will be successful in its efforts and have prepared the financial statements on that basis.²⁵²

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 Finance. KMH did not submit a data template for 2017.

For 2016, KMH 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.²⁵³

9.4.4 Social and quasi-fiscal expenditure

For 2016, KMH reported that no social or quasi fiscal payments were made.²⁵⁴

9.5 Ok Tedi Mining Ltd (OTML)

9.5.1 Creation, ownership and structure

Ok Tedi Mining Ltd (OTML) was incorporated in 1981 as the operator of the joint venture open pit mine at the Mt Fubilan copper, gold and silver deposit. After the exit of BHP in 2002, the shares owned by BHP were transferred to the Papua New Guinea Sustainable Development Program (PNGSDP). The PNGSDP is a not-for-profit company limited by guarantee which was incorporated on 20 October 2001 in Singapore.²⁵⁵ In 2011, shares owned by Canadian company Inmet Mining Corporation were bought and then cancelled by OTML and, on 19 September 2013, OTML became a 100% state-owned entity with the passing of the *Ok Tedi (10th Supplemental Agreement) Act 2013* by Parliament.²⁵⁶ At this time, shares held by PNGSDP were cancelled and new shares were issued by the State. The State was also given 'all necessary powers to restructure PNGSDP and its operations to ensure that PNGSDP applies its funds for the exclusive benefit of the people of the Western Province.'²⁵⁷ The agreement that formed the PNGSDP has since been the subject of litigation.²⁵⁸ A trial between the parties in the Singapore High Court was postponed after being scheduled to take place on 4 October 2016.²⁵⁹

²⁵² *ibid*

²⁵³ Data provided by KMH in data template completed for 2016 PNG EITI report, 30 August 2017

²⁵⁴ *ibid*

²⁵⁵ *Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd* [2016] SGHC 19 [http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf) accessed 17 October 2017

²⁵⁶ 'History', *Ok Tedi Mining*, <http://www.oktedi.com/about-us/history>, accessed 7 February 2017

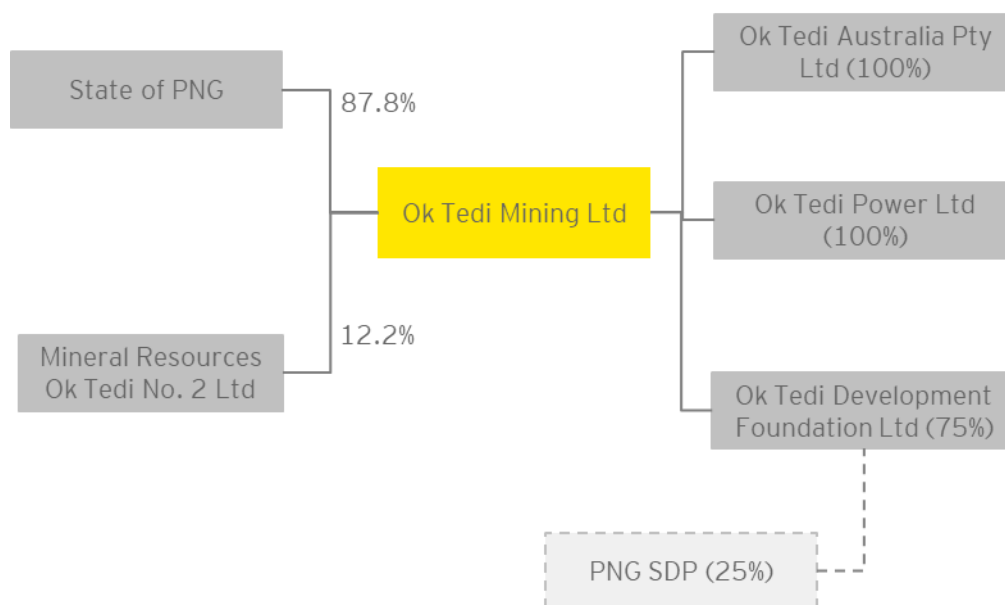
²⁵⁷ *Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013 (PNG)* http://www.parliament.gov.pg/uploads/acts/13A_09.pdf accessed 17 October 2017

²⁵⁸ *Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd* [2016] SGHC 19 [http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf) accessed 17 October 2017

²⁵⁹ Prime Minister of Papua New Guinea, *SDP Should not be Treated as a Retirement Fund* by Sir Mekere Oct 18, 2016 <http://www.pm.gov.pg/sdp-should-not-be-treated-as-a-retirement-fund-by-sir-mekere/> accessed 17 October 2017

The ownership structure of OTML during the 2017 reporting period is summarised in Figure 57 below.²⁶⁰

Figure 57: Ownership structure of OTML



In 2016, the State, the Fly River Provincial Government (FRPG) and the CMCAs, reached an agreement whereby the FRPG and special purpose community entities will collectively hold a 33% equity interest in Ok Tedi, with the State retaining the balance. This change is expected to be completed in 2018.²⁶¹

OTML had three subsidiaries during the reporting period:

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

9.5.2 Projects and fiscal arrangements

OTML operates the Ok Tedi Mine at Mt Fubilan in the Star Mountains of the Western Province. OTML also holds a portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations.²⁶²

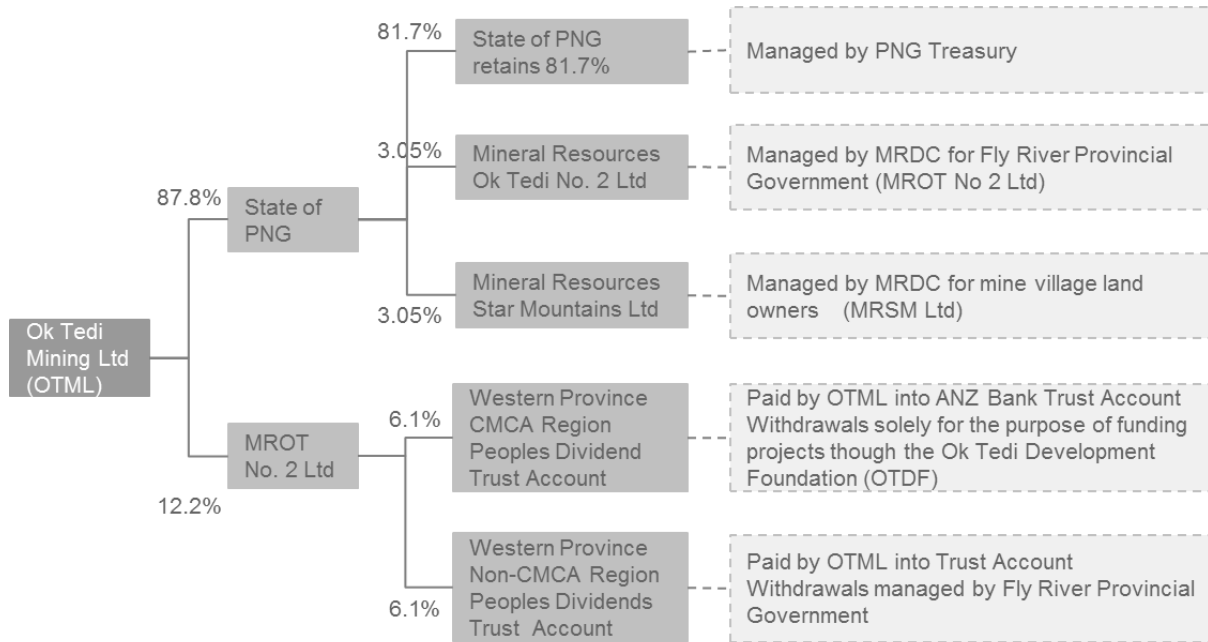
OTML dividends are distributed as illustrated in Figure 58 below:

²⁶⁰ Ok Tedi Mining Limited Annual Review 2013, p.18, <http://www.oktedi.com/media-items/publications/annual-review/220-2013-annual-review/file> accessed 17 October 2017

²⁶¹ OTML Annual Review, <https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file>, accessed 29 October 2018

²⁶² Ok Tedi Mining Limited, <http://www.oktedi.com/>, accessed 20 November 2018

Figure 58: Dividend revenue streams from Ok Tedi Mining Ltd



NEC decision 29/11/06 and MRA 02/08/07 direct 6.1% to the Western Province Peoples Dividend Trust Account – CMCA and 6.1% to the Western Province Peoples Dividend Trust Account – non-CMCA.

The 3.05% dividend payments outlined in the above figure are managed by MRDC as trustee under management arrangements for MROT No. 2 (FRPG) and MRSM. Further information is included in the MRDC section of this report in section 9.6.

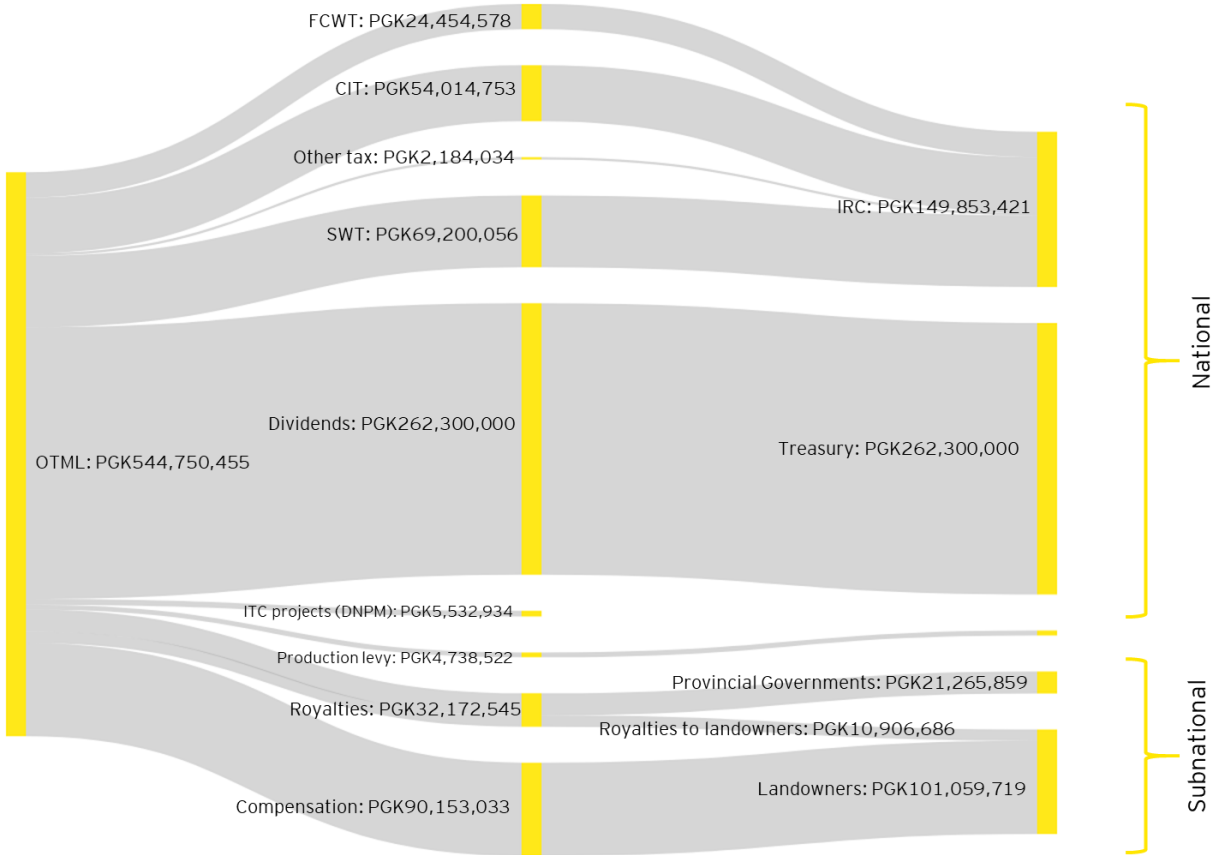
The Western Province Community Mine Continuation Agreement (CMCA) payments are agreed between the 158 village communities affected by the operations of the mine, and OTML.²⁶³ These villages are grouped into nine trust regions that receive cash compensation, investment and development payments from OTML including dividend payments of 6.1%. The Ok Tedi Development Foundation is the only company that can submit and receive project funds from this account to implement projects in the mine village and CMCA corridor. An equal dividend payment is also made to the non-CMCA region (6.1%) which is not recognised in these agreements. The Fly River Provincial Government is responsible for project submissions and delivery in relation to this fund.

9.5.3 Revenue and payment streams

Figure 59 below summarises the revenue streams reported by OTML and the receiving entities for 2017.

²⁶³ Ok Tedi Mining Limited, Annual Review, 2017, p.62 <https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file>, accessed 20 November 2018

Figure 59: OTML reported revenue streams 2017



OTML disclosed the following dividend payments for 2017:

Table 31: OTML dividend payments 2017

Recipient	Amount (PGK)	% of total dividends	% per Figure 58
PNG Government	261,875,282	81.7	81.7
MRSM	21,357,212	6.7	3.05
FRPG	16,017,909	5.0	3.05
Western Province CMCA	10,678,606	3.3	6.1
Western Province non-CMCA	10,678,606	3.3	6.1

We note a discrepancy between these amounts and the distribution implied by Figure 58; Ok Tedi did not provide an explanation of the amounts.

OTML confirmed that they did not provide any loans or loan guarantees to mining or oil and gas companies operating in the country during 2017.²⁶⁴

9.5.4 Social and quasi-fiscal expenditure

OTML supports community development through a number of mechanisms. These include:

²⁶⁴ Reporting template received from OTML for this report, 18 September 2018

- ▶ Contributing funding to the Ok Tedi Development Foundation (OTDF) which delivers and manages the major social responsibility programs for the CMCA communities, including the Community Health Program.²⁶⁵
- ▶ 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.

OTML did not report any quasi-fiscal payments for the 2017 period. However, subsidised power may be classified as a quasi-fiscal payment, as may be some activities of OTDF. Data templates were not completed for OTDF or Ok Tedi Power.

9.6 Mineral Resources Development Company Ltd (MRDC)

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 \(2.6a\)](#), 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.²⁶⁶

Under the OGA, the MRDC is responsible for managing petroleum royalties, future generation and community infrastructure trust funds. The act specifies that the benefits of equity held by the State 'shall be received and held upon trust for those persons by a corporate trustee which is wholly owned by MRDC.'²⁶⁷ An NEC decision in 2009 gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.²⁶⁸

The Mining Act 1992 allows for the MRDC to hold the State's interest, but does not mandate it; consequently, not all mining operations have an associated MRDC subsidiary.

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

²⁶⁵ Ok Tedi Development Foundation Annual Report 2015, <https://www.otdfpng.org/wp-content/uploads/2017/03/OTDF-Annual-Report-2015.pdf> accessed 20 November 2018

²⁶⁶ 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

²⁶⁷ Oil and Gas Act s. 176

²⁶⁸ Company Profile document emailed from MRDC, p. 5

- ▶ Management of landowner / provincial government interests in resources projects, as trustee, under a management agreement.²⁶⁹
- ▶ Direct equity in resource projects, including the following:
 - ▶ 7% interest in Highlands Pacific Ltd
 - ▶ 3.94% in the Ramu Nickel Project
- ▶ Subsidiary companies that hold equity interests in trust for landowners. The boards of these companies are chaired by landowners.²⁷⁰

²⁶⁹ It appears that only Mineral Resources Enga comes into this category, but this has not been confirmed by MRDC

²⁷⁰ Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014?, p. 4, provided directly by MRDC, 24 Nov 2015

Figure 60: MRDC subsidiaries and ownership structure

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Highlands Pacific Ltd	Equity held directly by MRDC	Ramu Nickel Project	7.0	MRDC	no dividends paid to date
Mineral Resources Ramu Ltd	Equity held directly by MRDC	Ramu Nickel Project	3.94	MRDC	
Mineral Resource Enga Ltd (MRE)	Managed by MRDC on behalf of the shareholders	Porgera	5.0	Porgera Landowners and Enga Provincial Government	MRE is direct participating member of the Porgera joint venture. MRE is entitled to 5% of gold production, and liable for 5% of operating costs. MRDC organises contract sales and manages cash calls.
Petroleum Resources Kutubu Ltd (PRK)	Wholly owned subsidiary of MRDC	PDL 2	6.75	Southern Highlands Provincial Government (1.1575%) Gulf Provincial Government (1.125%) Southern Highlands landowners: Fasu (1.1553%) and Foe (0.696%) Gulf landowners (Kikori (1.8%))	Petroleum Resources Kutubu (PRK) is entitled 6.75% of oil production, and also liable for 6.75% of operating costs. MRDC manages cash calls. PRK dividends are declared net of costs and distributed to beneficiaries as outlined
Petroleum Resources Gobe Ltd (PRG)	Wholly owned subsidiary of MRDC	PDL3 and PDL 4 Gobe Oil fields	2.0	Landowners in the Southern Highlands Province and Gulf Province – Erave and Kikori	Unitised development – holding is 2% across both PDLs
Petroleum Resources Moran Ltd (PRM)	Wholly owned subsidiary of MRDC	PDL 5	2.0	Landowners in the Southern Highlands Province – Moran Huli (90%), Moran Fasu (10%)	
Mineral Resources Star Mountains Ltd (MRSM)	Wholly owned subsidiary of MRDC	Ok Tedi	3.05	10 Ok Tedi landowning communities	Passive interests that receive dividends from Ok Tedi Mining Ltd. MRSM running costs and investments are deducted before distribution to beneficiaries. Board comprises: Managing Director of MRDC; Secretary of the Department of Mineral Policy and Geohazard Management (DMPGM); Landowner Representatives (one of whom is chairperson) Landowner directors make decisions about how to reinvest money. The distribution of funds between the 10 landowner groups is set out in the mining agreement.
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Wholly owned subsidiary of MRDC	Ok Tedi	3.05	Fly River Provincial Government	Direct shareholding in Ok Tedi Mining Ltd. Dividend is paid directly to the provincial government. Board comprises: Managing Director of MRDC; Secretary of DMPGM; Governor of the province (currently in prison); administrator of the provincial government
Mineral Resource Madang Ltd (MRM)	Wholly owned subsidiary of MRDC	Ramu Nickel Project	2.5	Ramu landowners	
Gas Resources Gigira Ltd	Wholly owned subsidiary of MRDC	PDL 1	2		
Gas Resources Gobe Ltd	Wholly owned subsidiary of Petroleum Resources Gobe	PDL 3 & 4	0.02	Gulf and Southern Highlands Governments	
Gas Resources Angore Ltd	Wholly owned subsidiary of MRDC	PDL 8	0.02	Southern Highlands Government	
Gas Resources Hides 4 Ltd	Wholly owned subsidiary of MRDC	PDL 7	0.02	Southern Highlands Government	

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Gas Resources Juha Ltd	Wholly owned subsidiary of MRDC	PDL 9	0.02	Western (Fly River Provincial Government)	
Gas Resources Kutubu Ltd	Wholly owned subsidiary of Petroleum Resources Kutubu	PDL 2	6.75	Southern Highlands Government	
Gas Resources Moran Ltd	Wholly owned subsidiary of Petroleum Resources Moran	PDL 5	0.02	Southern Highlands Government	
Gas Resources North West Moran Ltd	Wholly owned subsidiary of MRDC	PDL 6	unknown	unknown	Entity reported for the first time; details could not be confirmed
Gas Resources PNG LNG Plant Ltd	unknown	unknown	unknown	Papa, Lealea, Boera, Porebada (Central Province)	Entity reported for the first time; details could not be confirmed

9.6.2 Projects and fiscal arrangements

The *Oil and Gas Act 1998* (s. 176) sets out in some detail the structure and functions of landholder trusts. The activities and management of each trust are set out in a trust deed that specifies who the beneficiaries are, rules under which the trust is operated, and who the trustee is. Petroleum trusts specify the composition of the board of directors for the trusts, which includes the Managing Director of MRDC, the Secretary of DPE and three landholder representatives.²⁷¹

The beneficiaries are incorporated land groups (ILGs) – legal entities recognised by the State as representing the local land owners. These are established before a lease is granted through a process of social mapping and a development forum that brings together the landowners, local and national government with the prospective leaseholder to agree the distribution of benefits. In some cases there are ongoing disputes or uncertainties regarding the correct identification of beneficiaries.

MRDC manages the assets on behalf of these beneficiaries. It is responsible for managing receipts and payments for each subsidiary company and ensuring liquidity; managing legal and administrative requirements; managing the administration of sales for entities which are entitled to a share of production (e.g. Porgera and PNG LNG); and administration of the landowner trust fund accounts. MRDC has stated for previous reports 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. This was not confirmed for the 2017 report.

MRDC itself is maintained by management fees from each subsidiary company. There is no fixed rate for these, and a clear explanation of the fee arrangements could not be obtained. However, the fees are disclosed in Table 32 below.

Royalty payments from oil and gas projects go from extractive industry companies to DPE and/or the Department of Finance,²⁷² and from there to MRDC.

Royalty and equity dividend payments for each project are divided as follows:

- ▶ 30% is allocated to a 'Future Generation Trust Fund', 'for future generations of project area landowners'.²⁷³ This is intended to provide landholder groups with a flow of benefits after the life of the project. To date no FGTF monies have been spent, in accordance with legal requirements
- ▶ 30% is allocated to a 'Community Investment Trust Fund' to be applied to '(a) the general health, welfare, education and wellbeing of the project area landowners; (b) the provision or maintenance of community projects in the area of the petroleum project; (c) such other purpose for the benefit of the project area landowners as is approved by the Minister.'²⁷⁴ This is intended to ensure that 'some of the revenue is invested in infrastructure for the whole community to improve quality of life'.²⁷⁵ Decisions on when and how to allocate these funds are made by the board of the subsidiary company
- ▶ 40% is paid as cash to landowners (Incorporated Land Groups). Benefit Sharing Agreements may also specify payments to relevant provincial and local governments.

²⁷¹ *ibid*

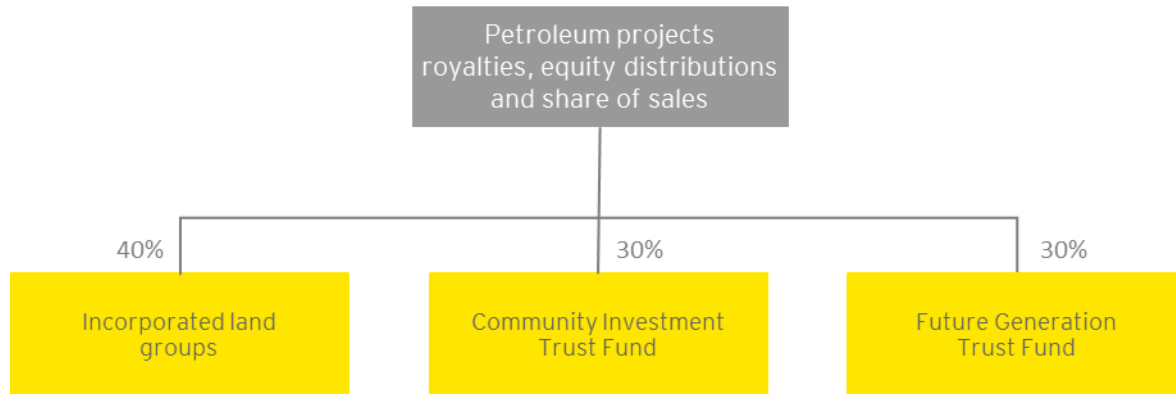
²⁷² See discussion in Oil and Gas chapter re ExxonMobil payments.

²⁷³ Oil and Gas Act p. 147

²⁷⁴ *ibid*

²⁷⁵ 'Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', p.4, undated (2014?), provided directly by MRDC, 24 November 2015

Figure 61: MRDC revenue distributions



For the 2016 report, MRDC advised that all trust accounts have been audited through to 2015, and that they were currently working on publication of the 2010–12 accounts. An update has not been obtained. MRDC advised that they provide loans to their own subsidiaries but not to any external organisations. They confirmed that both the organisation itself and all its subsidiaries are subject to corporate income tax.

9.6.3 Revenue and payment streams

MRDC provided the information in Table 32 below, in relation to their subsidiary entities and the associated trusts for the year 2017.

Table 32: MRDC subsidiaries: reported receipts and payments for 2017

Subsidiary/trust entity	Receipts		Payments					Management fees (Paid to MRDC)
	Royalty (PGK)	Equity distribution or share of sales (PGK)	Incorporated Land Groups (PGK) ^a	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)	Sub-national governments (PGK)	Corporate income tax (PGK) Paid to IRC	
Mineral Resource Enga Ltd (MRE)	1,805,508	106,426,131				-	6,248,554	1,000,000
Petroleum Resources Kutubu Ltd (PRK)	1,256,212	61,619,928		376,864	376,864	SHPG: 1,101,784.54 GPG: 1,491,708.99 DPE: 418,139.23	61,901	3,000,000
Petroleum Resources Gobe Ltd (PRG)	48,618	2,786,567		14,585	14,585	0	200,972	1,000,000
Petroleum Resources Moran Ltd (PRM)	77,581	4,908,291		23,274	23,274	-	-	1,000,000
Petroleum Resources North West Moran Ltd	1,295	108,142		389	389	-	-	-
Mineral Resources Star Mountains Ltd (MRSM) ^b	-	-		-	-	-	-	2,000,000
Mineral Resource Ok Tedi No. 2 Ltd (MROT) ^c	-	-		-	-	1,355,926	965,280	2,000,000
Mineral Resource Madang Ltd (MRM)	-	-		-	-	-	-	-
Gas Resources Gigira Ltd	723,372	142,602,953		217,012	217,012	-	-	3,000,000
Gas Resources Gobe Ltd	15,258	2,971,594		4,577	4,577	-	-	1,000,000
Gas Resources Angore Ltd	79,442	16,650,110		23,833	23,833	-	-	1,050,000
Gas Resources Hides Ltd	144,650	28,259,603		43,395	43,395	-	-	1,050,000
Gas Resources Juha Ltd	85,136	16,612,921		25,541	25,541	-	-	1,050,000
Gas Resources Kutubu Ltd	734,224	143,450,973		220,267	220,267	-	-	3,000,000
Gas Resources Moran Ltd	12,981	2,503,416		3,894	3,894	-	-	-
Gas Resources North West Moran Ltd	127	51,200		38	38	-	-	-
Gas Resources PNG LNG Plant Ltd	150,346	29,588,746		45,104	45,104	-	-	684,320

a) According to the information from MRDC, no payments were made to Incorporate Land Groups during the reporting period. No mining income was received during the period. In relation to the PNG LNG project, the process of officially recognising Incorporate Land Groups has still not been finalised.²⁷⁶

b) Information from OTML indicates a dividend payment to MRSM of PGK21,357,212

c) Information from OTML indicates a dividend payment to FRPG of PGK16,017,909

²⁷⁶ <http://www.devpolicy.org/png-lng-landowner-royalties-long-20161216/>, accessed 31 October 2018

Table 33: Total value held in MRDC trusts for oil and gas projects

Subsidiary/trust entity	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)
Petroleum Resources Kutubu Ltd (PRK)	49,656,616.29	94,619,002.46
Petroleum Resources Gobe Ltd (PRG)	18,565,827	20,123,971
Petroleum Resources Moran Ltd (PRM)	20,914,018	27,466,193
Petroleum Resources North West Moran Ltd	-	-
Gas Resources Gigira	-	-
Gas Resources Gobe	-	-
Gas Resources Angore	-	-
Gas Resources Hides	-	-
Gas Resources Juha	-	-
Gas Resources Kutubu	-	-
Gas Resources Moran	-	-
Gas Resources North West Moran	-	-
Gas Resources PNG LNG Plant Ltd	-	-

The table above reflects data as provided by MRDC. However, since payments to these funds have been disclosed for 2014–17, an accrued amount would be expected.

9.6.4 Social and quasi-fiscal expenditure

MRDC reported discretionary social expenditure for the reporting period as follows:

Table 34: MRDC discretionary social expenditure for 2017

Beneficiary	PGK
Charity	89,657
Sports	301,815
Social & community	321,665
Educational sponsorship	197,365
Total	910,501

MRDC reported that there were no quasi-fiscal expenditures for the 2017 reporting period.

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

The majority of reporting entities were identified early in the reporting process and representatives were invited to attend a training session conducted by the IA in Port Moresby on 5 July 2018. Some additional reporting entities were identified through subsequent research and consultation. These reporting entities (mainly mining companies) were briefed on requirements via phone and email.

Following the training session, the IA emailed each reporting entity a data pack containing:

- ▶ Introduction letter from the PNG EITI Secretariat
- ▶ Tailored reporting template, which set out:
 - ▶ Revenue/payment streams to be reported
 - ▶ Relevant questions on non-financial information

The IA arranged meetings with most entities to walk through the reporting templates, provide guidance on the information provided, and answer any questions.

Following the data collection deadline, an initial reconciliation was carried out by the IA and variances identified. Variances of more than 5% have been deemed material.

To understand and address the variances identified, the IA, with the assistance of the PNG EITI Secretariat and the MSG, contacted both paying and receiving entities for subsequent discussions. In most cases, meetings were arranged with both the reporting and receiving entities to understand discrepancies in reported amounts. During these meetings, and in subsequent communications with 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. The IA followed up with these entities, but nevertheless gaps remain in the report.

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/>.

10.2 Data requested

As agreed with the MSG, one of two approaches was adopted for requesting and collecting data for each revenue stream:

1. **Reconciled revenue streams:** data collected from both the paying and receiving entity
2. **Unilaterally disclosed revenue streams:** data collected from either paying or receiving entity only

Together, the revenue streams reconciled equate to approximately 96% of total known government revenue from the sector in 2017 (see Figure 4).

10.3 Reporting compliance

The completeness of information received from each of the reporting entities is summarised in the table below:

Table 35: Summary of information provided by reporting entities – mining projects

Project (Mine)	PNG entity	Parent company	Material under quantitative definition	Reporting templates		
				Financial	Signed	Non-financial
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Ltd	Ok Tedi Mining Ltd	Y	Y	Y	Partial
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	Y	Y	Y	Y
Porgera	Barrick (Niugini) Ltd	Barrick Gold Corporation/Zijin Mining Group	Y	Y	Y	Y
Hidden Valley	Harmony PNG 20 Ltd	Harmony Gold Mining Company Ltd	Y	Y	Y	Y
	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	Y	Y	Y	Y
Ramu Nickel (Kurumbukari)	MCC Ramu NiCo Ltd	MCC-JJJ Mining	Y	Y	N	Y
	Ramu Nickel Ltd	Highlands Pacific Ltd		N	N	N
	Nautilus Minerals Niugini Ltd	Nautilus Minerals Inc		N	N	N
Simberi	Simberi Gold Co. Ltd	St Barbara Ltd	Y	Y	Y	Y
Edie Creek	Niuminco Edie Creek Ltd	Niuminco Group Ltd		N	N	N
Kainantu	K92 Mining Ltd	K92 Mining Inc		N	N	N
Woodlark (not producing in 2017)	Woodlark Mining Ltd	Geopacific Resources Ltd/ Kula Gold Ltd		N	N	N
Solwara (not producing in 2017)	Eda Kopa (Solwara) Ltd	Kumul Mineral Holdings Ltd		NA	NA	Y
Mt Crater (HGZ Mine)	Anomaly Ltd	Crater Gold Mining Ltd		N	N	N
Frieda River - SML application lodged	Highlands Frieda Ltd	Highlands Pacific Ltd		N	N	N
	Frieda River Ltd	PanAust Ltd, 100% owned by Guangdong Rising Assets Management Co. Ltd		N	N	N
Wafi-Golpu (Wafi Mt) - SML application lodged	Newcrest PNG 2 Ltd	Newcrest Mining Ltd	Y	Y	Y	Y
	Wafi Mining Ltd	Harmony Gold Mining Company Ltd	Y	Y	Y	Y

Table 36: Summary of information provided by reporting entities – oil & gas projects

Project (Field)	PNG entity	Parent company	Material under quantitative definition	Reporting templates		
				Financial	Signed	Non-financial
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	Total S.A.	Y	Y	Y	N
Gobe	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd*	Y	Y	Y	Partial
	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	Y	N	N	N
	Southern Highlands Petroleum Company Ltd	Kumul Petroleum Holdings Ltd ²⁷⁷	Y	Y	Y	Y
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation		Y	Y	Y
	Oil Search (PNG) Ltd	Oil Search Ltd^	Y	Y	Y	Partial
	Barracuda Ltd	Santos Ltd		Y	Y	Y
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	Oil Search Ltd^	Y	Y	Y	Partial
Kutubu	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd*	Y	Y	Y	Partial
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd*	Y	Y	Y	Partial
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation				
	Oil Search (PNG) Ltd	Oil Search Ltd^	Y			
Moran	Ampolex (Highlands) Inc	ExxonMobil Ltd*	Y	Y	Y	Partial
	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd*	Y	Y	Y	Partial
	Esso PNG Moran Ltd	ExxonMobil Ltd*	Y	Y	Y	Partial
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd*	Y	Y	Y	Partial
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd		N	N	N
	Merlin Petroleum Co	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation		Y	Y	Y
	Oil Search (PNG) Ltd	Oil Search Ltd^	Y	Y	Y	Partial
PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Ltd*	Y	Y	Y	Partial
	Esso Highlands Ltd	ExxonMobil Ltd*	Y	Y	Y	Partial
	Esso PNG Juha Ltd	ExxonMobil Ltd*	Y	Y	Y	Partial
	ExxonMobil PNG Ltd	ExxonMobil Ltd*	Y	Y	Y	Partial
	Kumul Petroleum (Kroton) Ltd	Kumul Petroleum Holdings Ltd		N	N	N
	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd		N	N	N
	Nippon PNG LNG LLC	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation		Y	Y	Y
	Oil Search (LNG) Ltd	Oil Search Ltd^	Y	Y	Y	Partial
	Oil Search (Tumbudu) Ltd	Oil Search Ltd^	Y	Y	Y	Partial
	Lavana Ltd	Santos Ltd		Y	Y	Y
Santos (Hides) Ltd	Santos Ltd		Y	Y	Y	

* ExxonMobil provided one consolidated reporting template for its upstream companies for 2017

^ Oil Search provided one consolidated report for all its PNG subsidiary companies for 2017

Table 37: Summary of information provided by government reporting entities

Reporting entity	Reporting templates
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²⁷⁷ JX Nippon interest in PDL3, SE Gobe, sold to KPH in June 2017, <http://kumulpetroleum.com/licence-interests/> accessed 12 December 2018. However, JX Nippon included Southern Highlands Petroleum Company Ltd in its reporting template response.

	Financial	Signed	Non-financial
Internal Revenue Commission (IRC)	Y	N	Y
Mineral Resources Authority (MRA)	Y	N	Partial
Department of Treasury	Y	N	Y
Department of Finance	N	N	N
Department of Petroleum and Energy (DPE)	Y	Y	Partial
Department of National Planning and Monitoring (DNPM)	Y	N	Y
PNG Customs	Partial	N	Partial
Conservation and Environment Protection Authority (CEPA)	N	N	N
Bank of PNG	N	N	N

Table 40: Summary of information provided by SOEs

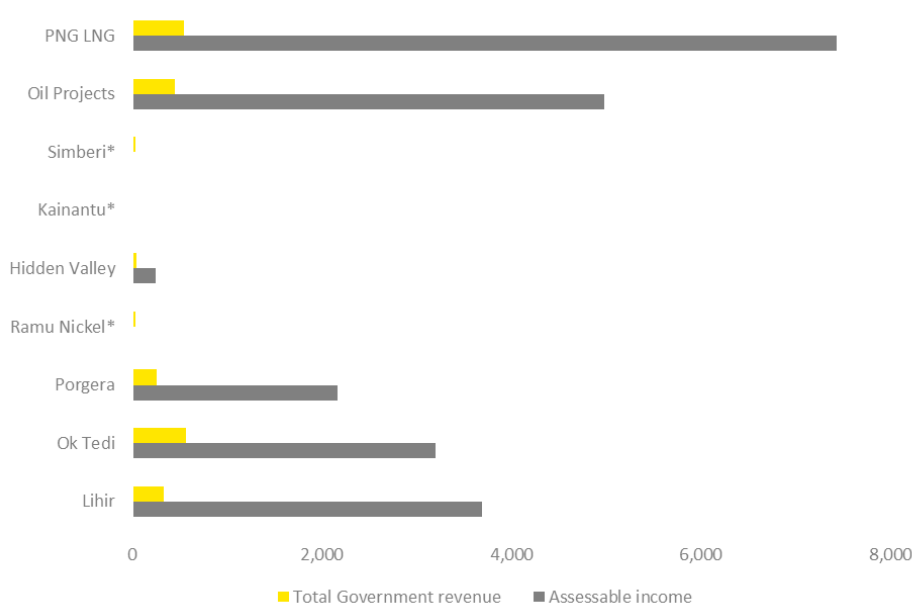
Reporting entity	Reporting templates		
	Financial	Signed	Non-financial
Kumul Petroleum Holdings Ltd	N	N	N
Kumul Mineral Holdings Ltd	N	N	N
Ok Tedi Mining Ltd	Y	Y	partial
Ok Tedi Development Foundation Ltd	N	N	N
Mineral Resources Development Company	Y	Y	Y

10.4 Reconciliation overview

To put these reported revenue streams in context, the figure below highlights a comparison between the assessable income (where this data was provided by IRC or reporting entity) and State revenue received as identified through this data reconciliation process.

The revenue streams represented in the chart below include corporate income tax, development levies, dividends, equity distributions, group tax, foreign contractor withholding tax, infrastructure tax credits, production levies and royalties. Note that mandatory and voluntary social expenditure has not been included here.

Figure 62: Comparison of assessable income and State revenue received per project for 2017²⁷⁸

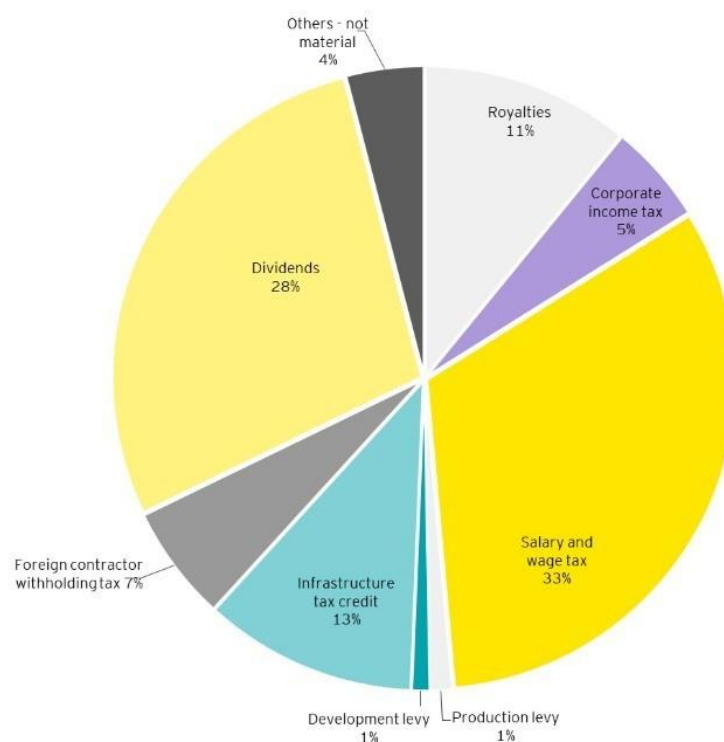


*No assessable income information received from these entities

The following graph shows the relative size of each of the revenue streams received by the State in 2017.

²⁷⁸ *These reporting entities did not report their assessable income

Figure 63: Revenue streams received by the State



The table below summarises the reported amounts for each known revenue stream, including revenue that was not reconciled.

Table 41: Summary of revenue streams reported

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Mining	Production levy	Reconciled	MRA	23,219,283	22,818,137	401,146	1.76%
	MRA fees	Unilateral (MRA)	MRA	-	6,089,572	N/A	N/A
Oil and gas	Development levy	Reconciled	Finance (via DPE)	15,592,973	7,334,173	8,258,800	112.61%
	Licence fees	Unilateral (DPE)	DPE	-	2,998,554	N/A	N/A
	Additional profits tax	Reconciled	IRC	1,575,219	-	1,575,219	0.00%
	Equity distributions	Unilateral (KPH)	KPH	-	-	N/A	N/A
	Equity distributions (Oil Search shares)	Reconciled	KPH	-	-	-	0.00%
	Share of sales	Unilateral (SOEs)	State partners in PNG LNG	-	-	N/A	N/A
Mining and petroleum	Mandatory social expenditure	Unilateral (companies)	See section 6.5	228,467,205	-	228,467,205	N/A
	Voluntary social expenditure	Unilateral (companies)	See section 6.5	110,570,199	-	110,570,199	N/A
	Dividends	Reconciled	State (Treasury)	280,925,527	562,300,000	-281,374,473	-50.04%
	Salary and wage tax	Partially reconciled	IRC	597,496,850	619,220,325	-21,723,475	-3.51%

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
	Corporate income tax	Reconciled	IRC	115,823,673	104,055,017	11,768,656	11.31%
	Infrastructure tax credit - 2. ITC offset from tax paid in reporting period	Reconciled	IRC	113,777,656	138,254,083	-24,476,427	-17.70%
	Infrastructure tax credit - 1. ITC actually spent on projects in reporting period	Reconciled	DNPM	258,230,138	222,498,434	35,731,704	16.06%
	Business payments tax	Unilateral (IRC)	IRC	-	13,431,493	-13,431,493	N/A
	Dividend withholding tax	Unilateral (IRC)	IRC	-	47,229,739	-47,229,739	N/A
	Interest withholding tax	Unilateral (IRC)	IRC	-	7,215,745	-7,215,745	N/A
	Management fee withholding tax	Unilateral (IRC)	IRC	8,769,712	10,672,799	-1,903,087	N/A
	Royalty withholding tax	Unilateral (IRC)	IRC	-	2,547,178	-2,547,178	N/A
	Training Levy	Unilateral (IRC)	IRC	489,837	71,264	418,573	N/A
	Special support grants	Unilateral (Treasury)	Provincial governments, special purpose authorities	-	20,500,000	-20,500,000	N/A
	Environmental permit fees	Unilateral (CEPA)	CEPA	3,288,469	-	3,288,469	N/A
	Royalties	Reconciled	DPE, MRA landowners and subnational governments	258,894,982	217,769,874	41,125,108	18.88%

10.5 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.

10.6 Mining and oil and gas payments 2017

10.6.1 Corporate income tax (mining and petroleum tax)

Corporate income tax is paid by resource companies (including SOEs and subsidiaries) to the IRC.



Corporate income tax reported by companies is reconciled with data reported by the IRC in the table below.

Table 38: Reconciliation of corporate income tax payments

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	-	-	-	-	
Ok Tedi	Ok Tedi Mining Ltd	53,915,306	54,014,753	- 99,447	-0.18%	
Ok Tedi	Mineral Resources OK Tedi Star No.2 Ltd	965,280	965,280	-	0.00%	
Porgera	Barrick (Niugini) Ltd	40,432,811	31,556,754	8,876,057	28.13%	A
Porgera	Mineral Resources Enga Ltd	6,248,554	6,248,554	-	0.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	-	-	-	-	
Ramu Nickel	Ramu Nickel Management (MCC) Ltd	-	-	-	-	
Ramu Nickel	Ramu Nickel Ltd	-	-	-	-	
Ramu Nickel	Mineral Resources Madang Ltd	-	-	-	-	
Hidden Valley	Morobe Consolidated Goldfields Ltd	-	-	-	-	
Hidden Valley	Newcrest PNG 1 Ltd	-	-	-	-	
Hidden Valley	Harmony PNG 20 Ltd	-	-	-	-	
Kainantu	K92 Mining Ltd	-	-	-	-	
Simberi	Simberi Gold Co. Ltd	-	-	-	-	
Mt Crater	Anomaly Ltd	-	-	-	-	
Solwara	Nautilus Minerals Niugini Ltd	-	-	-	-	
Solwara	Eda Kopa (Solwara) Ltd	-	-	-	-	
Woodlark	Woodlark Mining Ltd	-	-	-	-	
Frieda River	Frieda River Ltd	-	-	-	-	
Frieda River	Highlands Frieda Ltd	-	-	-	-	
Wafi-Golpu	Newcrest PNG 2 Ltd	-	-	-	-	
Wafi-Golpu	Wafi Mining Ltd	-	-	-	-	
Oil projects (and Hides GTE)	Oil Search Ltd	3,798,167	3,824,703	-26,536	-0.69%	
Gobe	Barracuda Ltd	-	-	-	-	
Kutubu	Merlin Petroleum Company	4,084,161	4,101,837	-17,676	-0.43%	
Not in the List	Southern Highlands Petroleum Company Ltd	-	-	-	-	
Moran	Eda Oil Ltd	-	-	-	-	
Kutubu	Petroleum Resources Kutubu Ltd	61,901	61,901	-	0.00%	
Gobe	Petroleum Resources Gobe Ltd	200,972	200,972	-	0.00%	
Moran	Petroleum Resources Moran Ltd	-	-	-	0.00%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	3,078,615	3,080,263	-1,648	-0.05%	B

PNG LNG	Lavana Ltd	-	-	-	-	
PNG LNG	Santos (Hides) Ltd	-	-	-	-	
PNG LNG	Nippon PNG LNG LLC	118,290	-	118,290	0.00%	
PNG LNG	Kumul Petroleum (Kroton) Ltd	-	-	-	-	
PNG LNG	Kumul Petroleum (PNG LNG) Ltd	-	-	-	-	C
PNG LNG	Gas Resources Gigira Ltd	-	-	-	-	
PNG LNG	Gas Resources Hides No.4 Ltd	-	-	-	-	
PNG LNG	Gas Resources Angore Ltd	-	-	-	-	
PNG LNG	Gas Resources Juha Ltd	-	-	-	-	
Gobe	Gas Resources Gobe Ltd	-	-	-	-	
Kutubu	Gas Resources Kutubu Ltd	-	-	-	-	
Moran	Gas Resources Moran Ltd	-	-	-	-	
Papua LNG	Total E&P PNG Ltd	-	-	-	-	
Trustee	Mineral Resources Development Co. Ltd	2,919,617	-	2,919,617	0.00%	D
SOE	Kumul Petroleum Holdings Ltd	-	-	-	-	
SOE	Kumul Mineral Holdings Ltd	-	-	-	-	
	Total	115,823,673	104,055,017	11,768,656		

Remarks

- A Barrick stated that corporate income tax was based on gross income tax of USD12,682,814 (PGK40,432,811.03). IRC amount appears to be the net tax payable after allowable infrastructure credit. IRC yet to confirm the balance.
- B Exxon stated that lower commodity prices in 2017 resulted in no income tax instalments paid in 2017. Commodity prices and revenue improved towards the end of 2017, and upon completion of the 2017 income tax return, ExxonMobil had a corporate income tax liability of USD44 million.
- C IRC stated that income tax return has not been filed yet. We were not able to obtain a data template from KPH. Instead we obtained data from the audited 2017 Annual Financial Report published on the KPH website,²⁷⁹ which lists income tax payments of USD424,000 (PGK1,351,712).
- D IRC stated that income tax return has not been filed yet.

10.6.2 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.

²⁷⁹ <http://kumulpetroleum.com/annual-reports/>, accessed 19 December 2018

Table 39: Salary and wage tax 2017

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	117,989,662	117,989,662	-	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	69,200,056	69,200,056	-	0.00%	
Ok Tedi	Mineral Resources OK Tedi Star No.2 Ltd	-	-	-	0.00%	
Porgera	Barrick (Niugini) Ltd	105,138,192	127,777,506	-22,639,314	-17.72%	A
Porgera	Mineral Resources Enga Ltd	-	166,761	-166,761	-100.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	-	-	-	0.00%	
Ramu Nickel	Ramu Nickel Management (MCC) Ltd	27,972,329	27,972,329	-	0.00%	
Ramu Nickel	Ramu Nickel Ltd	-	-	-	0.00%	
Ramu Nickel	Mineral Resources Madang Ltd	-	-	-	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	29,487,811	13,115,226	16,372,586	124.84%	
Hidden Valley	Newcrest PNG 1 Ltd	-	-	-	0.00%	
Hidden Valley	Harmony PNG 20 Ltd	-	-	-	0.00%	
Kainantu	K92 Mining Ltd	-	1,904,054	-1,904,054	-100.00%	B
Simberi	Simberi Gold Co. Ltd	17,318,480	17,318,480	-	0.00%	
Mt Crater	Anomaly Ltd	-	1,228,107	-1,228,107	-100.00%	C
Solwara	Nautilus Minerals Niugini Ltd	-	-	-	0.00%	
Solwara	Eda Kopa (Solwara) Ltd	-	-	-	0.00%	
Woodlark	Woodlark Mining Ltd	-	193,028	-193,028	-100.00%	
Frieda River	Frieda River Ltd	-	2,602,345	-2,602,345	-100.00%	D
Frieda River	Highlands Frieda Ltd	-	-	-	0.00%	
Oil projects (and Hides GTE)	Oil Search Ltd	89,629,178	86,873,274	2,755,904	3.17%	E
Gobe	Barracuda Ltd	-	11,079	11,079	-100.00%	
Kutubu	Merlin Petroleum Company	-	-	-	0.00%	
Not in the List	Southern Highlands Petroleum Company Ltd	-	-	-	0.00%	
Moran	Eda Oil Ltd	-	-	-	0.00%	
Kutubu	Petroleum Resources Kutubu Ltd	-	-	-	0.00%	
Gobe	Petroleum Resources Gobe Ltd	-	-	-	0.00%	
Moran	Petroleum Resources Moran Ltd	-	-	-	0.00%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	120,098,841	120,815,794	-716,953	-0.59%	
PNG LNG	Lavana Ltd	-	-	-	0.00%	
PNG LNG	Santos (Hides) Ltd	-	-	-	0.00%	

PNG LNG	Nippon PNG LNG LLC	-	-	-	0.00%	
PNG LNG	Kumul Petroleum (Kroton) Ltd	-	90,665	-90,665	-100.00%	
PNG LNG	Kumul Petroleum (PNG LNG) Ltd	-	-	-	0.00%	
PNG LNG	Gas Resources Gigira Ltd	-	-	-	0.00%	
PNG LNG	Gas Resources Hides No.4 Ltd	-	-	-	0.00%	
PNG LNG	Gas Resources Angore Ltd	-	-	-	0.00%	
PNG LNG	Gas Resources Juha Ltd	-	-	-	0.00%	
Gobe	Gas Resources Gobe Ltd	-	-	-	0.00%	
Kutubu	Gas Resources Kutubu Ltd	-	-	-	0.00%	
Moran	Gas Resources Moran Ltd	-	-	-	0.00%	
Papua LNG	Total E&P PNG Ltd	18,838,102	18,838,102	-	0.00%	
Tolukuma	Tolukuma Gold Mine Ltd	-	791,225	791,225	-100.00%	
Trustee	Mineral Resources Development Co. Ltd	-	866,422	-866,422	-100.00%	
SOE	Kumul Petroleum Holdings Ltd	-	11,466,212	-11,466,212	-100.00%	F
SOE	Kumul Mineral Holdings Ltd	-	-	-	0.00%	
Wafi-Golpu	Newcrest PNG 2 Ltd/ Wafi Mining Ltd	1,824,199	-	1,824,199	100.00%	
	Total	597,496,850	619,220,325	- 21,723,475		

Remarks

- A Barrick stated that group tax aligns with their submissions to IRC. IRC yet to confirm the balance.
- B We did not receive a template from K92 Mining Ltd. Instead we obtained the latest annual financial report from the parent company website.²⁸⁰ Based on the consolidated financial statements, payroll taxes on expatriate withholdings amounted to USD469,873 (PGK1,497,955).
- C We did not receive a template from Anomaly Ltd. We looked for the latest annual financial report from the Investment Promotion Authority;²⁸¹ however, the latest financial statements filed is for the reporting period 30 June 2016.
- D We did not receive a template from Frieda River Ltd. We looked for the latest annual financial report on their website; however, the latest Annual Financial Report is for the 2016 December reporting period.
- E Per Oil Search, the amount disclosed in the EITI report was converted from USD. The difference above is due to foreign exchange rates used.
- F We did not receive a template from KPH. Instead we obtained the Annual Financial Report published in their official website;²⁸² however, this does not specify data on salary and wage tax.

10.6.3 Other taxes (not reconciled)

Extractive industry tax revenue streams that were not identified as material are reported in aggregate in the table below.

Table 40: Other taxes reported by IRC

Tax revenue stream (not-material)	Total reported by IRC for extractive industry companies (PGK)
Management fee withholding tax (MFWT)	10,672,799

²⁸⁰ <https://www.k92mining.com/wp-content/uploads/2018/05/2017-12-31-fs.pdf>, accessed 19 December 2018

²⁸¹ <https://www.ipa.gov.pg/>, accessed 19 December 2018

²⁸² <http://kumulpetroleum.com/annual-reports/>, accessed 19 December 2018

Interest withholding tax (IWT)	7,215,745
Training levy (TL)	71,264
Business payments tax (BPT)	13,431,493
Royalty withholding tax (PRWT)	2,547,178
Dividend withholding tax (DWT)	47,218,661
Total	81,157,140

10.6.4 Infrastructure tax credits (ITC)

Expenditure by mining and oil and gas companies on prescribed infrastructure developments can be claimed as a credit against tax payable (see section 4.3.4).

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 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 41 shows the amount spent by companies on ITC projects during 2017 to generate credits, reconciled with values reported by the DNPM.

Table 41: Reconciliation of ITCs actually spent on projects in 2017 reported by companies and DNPM

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Porgera	Barrick (Niugini) Ltd	8,793,983	9,627,659	-833,676	-8.66%	
PNG LNG	ExxonMobil PNG Ltd	27,377,450	-	27,377,450	0.00%	A
Lihir	Lihir Gold Ltd	23,050,702	23,050,701	1	0.00%	
Oil projects (and Hides GTE)	Oil Search Ltd	193,475,069	184,749,000	8,726,069	4.72%	B
Ok Tedi	Ok Tedi Mining Ltd	5,532,934	5,071,074	461,860	9.11%	
	Total	258,230,138	222,498,434	35,731,704		

Remarks

- A ExxonMobil have stated that this spend is part of the PGK50M per annum (over 3 years) project for the maintenance of the Highlands Highway, approved as Infrastructure expenditure under sub-sections 219C (12) to 219C (14) of the Income Tax Act, which allows for tax credit claims for PNG LNG Project companies for spending on public infrastructure. State approval was given by the Minister for National Planning, so this did not go through the normal ITC Scheme approval and monitoring process that is administered by DNPM.
- B Oil Search shared ITCS 2nd quarter report sent to DNPM. Oil Search have not sent the 3rd quarter report and the 4th quarter report is in progress.

Table 42 shows the amount claimed by companies as credit against tax payable for 2017 reconciled with the amounts reported by the IRC.

Table 42: Reconciliation of ITC offsets reported by companies and IRC

Project	Company	Amount reported offset by companies (PGK)	Amount reported offset by IRC (PGK)	Variance (PGK)	Variance (%)	Remarks
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Porgera	Barrick (Niugini) Ltd	10,284,609	-	10,284,609	0.00%	A
PNG LNG	ExxonMobil PNG Ltd	50,749,382	50,749,382	-	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	41,704,530	42,164,000	- 459,470	-1.09%	
SOE	Kumul Petroleum Holdings Ltd	-	-	-	0.00%	B
Oil projects (and Hides GTE)	Oil Search Ltd	11,039,135	11,080,688	-41,553	-0.38%	
	Total	113,777,656	103,994,070	9,783,586		

Remarks

- A Barrick stated that the amount spent on projects and tax offset aligns to the Barrick Niugini Ltd tax return. IRC's corporate tax amount appears to be the net tax payable after allowable infrastructure credit. IRC yet to confirm the balance.
- B We did not receive a template from KPH. Instead we obtained the Annual Financial Report published in their official website;²⁸³ however, this does not specify data on ITCs.

10.6.5 Dividends

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 2017 are summarised below.

Table 43: Reconciliation of dividend payments to Treasury

Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Kumul Petroleum Holdings Ltd	-	300,000,000	-300,000,000	NA	A
Ok Tedi Mining Ltd	261,875,282	262,300,000	-424,718	-0.16%	
Oil Search Ltd	19,050,245	-	19,050,245	100.00%	
Total	280,925,527	562,300,000	-281,374,473		

Remarks

- A We did not receive a template from KPH. Instead we obtained the Annual Financial Report published on their official website.²⁸⁴ Note 21 (b) states that KPH declared and paid dividends of USD93.40 million (PGK300 million)

Ok Tedi Mining Ltd also reported dividend payments made to the following Sub-national entities:

- ▶ Mineral Resources Star Mountains Ltd (MRSM): PGK21,357,212
- ▶ Fly River Provincial Government (FRPG): PGK16,017,909

²⁸³ <http://kumulpetroleum.com/annual-reports/>, accessed 19 December 2018

²⁸⁴ *ibid*

10.6.6 Mandatory social expenditure (not reconciled)

Mandatory social expenditure as reported by the resource companies is detailed in section 6.1.

10.6.7 Discretionary social expenditure (not reconciled)

Discretionary social expenditure as reported by the resource companies is detailed in section 6.1.

10.6.8 Environment permit fees (not reconciled)

There were no oil and gas decommissioning bonds or mine closure bonds received or managed during the reporting period.

Environmental permit fees are paid by mining and oil and gas entities to CEPA. The total fees reported by CEPA for the 2017 were not received at the time this report was finalised. These will be made available on the PNG EITI website when provided by CEPA.

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/>.

10.7 Mining payments 2017

10.7.1 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 2017. Payments are made annually in arrears in the year following the year of production to which the payment relates.

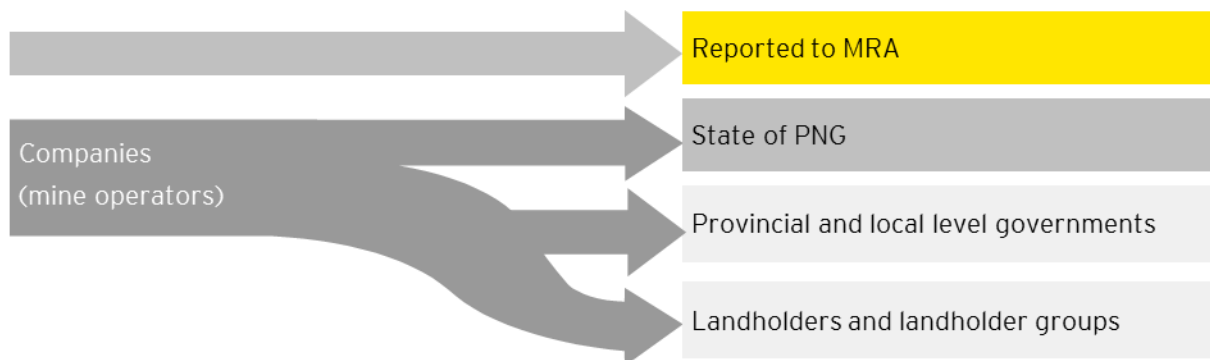
Table 44: Reconciliation of production levy

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	9,024,943	9,024,943	-	0%
Ok Tedi	Ok Tedi Mining Ltd	4,738,522	4,738,522	-	0%
Porgera	Barrick (Niugini) Ltd	5,147,847	4,746,701	401,146	8%
Ramu Nickel	MCC Ramu NiCo Ltd	1,554,175	1,554,175	-	0%
Hidden Valley	Morobe Consolidated Goldfields Ltd	1,760,102	1,760,102	-	0%
Kainantu	K92 Mining Ltd	-	-	-	0%
Simberi	Simberi Gold Co. Ltd	993,694	993,694	-	0%
Mt Crater	Anomaly Ltd	-	-	-	0%
Edie Creek	Niuminco Edie Creek Ltd	-	-	-	0%

	Total	23,219,283	22,818,137	401,146	
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10.7.2 Mining royalties

Mining royalties are calculated and paid directly by mine operators to beneficiaries on a monthly basis, and are also reported to the MRA.



The reconciliation below has been carried out between the amounts reported by the mine operators and the amounts reported by the MRA. No royalties were paid to the PNG Government directly. The receiving entities for each of the mines as reported by the reporting entities are provided in Appendix E.

Table 45: Reconciliation of mining royalty payments paid to local/provincial government (as reported by the MRA)

Project	Company/Operator	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	60,052,061	37,532,538	22,519,523	60%	A
Ok Tedi	Ok Tedi Mining Ltd	21,265,859	23,257,613	-1,991,753	-3%	
Porgera	Barrick (Niugini) Ltd	20,216,568	21,190,547	973,979	-5%	
Ramu Nickel	MCC Ramu NiCo Ltd	-	-	-		
Hidden Valley	Morobe Consolidated Goldfields Ltd	4,192,744	8,114,606	3,921,863	-48%	
Kainantu	K92 Mining Ltd	-	-	-	0%	
Simberi	Simberi Gold Co. Ltd	-	996,526	996,526	-100%	
Mt Crater	Anomaly Ltd	-	-	-	0%	
Edie Creek	Niuminco Edie Creek Ltd	-	-	-	0%	
	Total	105,727,232	91,091,830	14,635,402		

Remarks

A This variance is largely offset by the negative variance in payments to landholders (below). It may be that Lihir and MRA have categorised the payments differently. Taken together, the variance is PGK750,000.

Table 50: Reconciliation of mining royalty payments paid to landholders (as reported by the MRA)

Project	Company/Operator	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	15,013,015	36,781,887	- 21,768,872	-59	A
Ok Tedi	Ok Tedi Mining Ltd	26,694,575	26,998,239	-303,663	-1	
Porgera	Barrick (Niugini) Ltd	20,216,570	21,184,548	-967,978	-5	
Ramu Nickel	MCC Ramu NiCo Ltd	-	-	-	0	

Hidden Valley	Morobe Consolidated Goldfields Ltd	4,352,810	6,056,974	-1,704,165	-28
Kainantu	K92 Mining Ltd	-	-		
Simberi	Simberi Gold Co. Ltd	9,280,255	8,968,731	311,524	3
Mt Crater	Anomaly Ltd	-	-	-	-
Edie Creek	Niuminco Edie Creek Ltd	-	-	-	-
	Total	75,557,225	99,990,379	-24,433,154	-90

Remarks

A This variance is largely offset by the positive variance in payments to local/provincial government (above). It may be that Lihir and MRA have categorised the payments differently. Taken together, the variance is PGK750,000.

10.7.3 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 51: Fees paid to MRA (unilaterally disclosed)

Fee reported	Amount reported received (PGK)
Alluvial levies	934,917
Mine security deposits	102,000
Exploration security deposits	138,000
Mining lease rentals	249,978
Special Mining lease rentals	233,579
Lease for Mining Purpose rentals	606,382
Alluvial Mining Lease rentals	387
Exploration licence	2,842,500
Data sale fees	46,346
Applications, extension, renewal, transfer and dealings fees (related to exploration)	632,682
Applications, extension, renewal, transfer and dealings fees (related to mining)	302,800
Total	6,089,572

10.8 Oil and gas payments 2017

10.8.1 Equity distributions and share of sales

The equity distributions referred to in this section relate to the share of sales received from joint ventures of the PNG LNG project, in proportion to ownership stake.

At the time of finalising this report, we had not received a completed reporting template from KPH, so below we have estimated the share of sales from the PNG LNG project based on % ownership of KPH subsidiaries and MRDC landowner

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/>.

companies in the project. These figures have been estimated based on assessable income reported by other partners in the PNG LNG project and have not been verified by KPH.



Table 46: Estimate of share of sales

Company	% ownership in PNG LNG project	Estimate of share of sales (PGK)
KPH PNG LNG	16.8%	2,096,968,000
MRDC landholder companies	2.8%	349,495,000
Total		

A summary of equity distribution payments reported by MRDC for subsidiary landowner companies is included in Chapter 9. These payments are not reconciled as payments are made from the 'Glo Co' (see further discussion in Chapter 11 of this report).

10.8.2 Development levy

Development levies are calculated at 2% of well-head value of the oil and gas produced as per Section 160 of the *Oil and Gas Act 1998*. Oil Search pays the levy to DPE by cheque. ExxonMobil PNG Ltd pays the levy to Bank of PNG via electronic transfer, and sends remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.

DPE deposits levies into a trust account held by the Department of Finance. Finance then administer payments from the trust account to the relevant local or provincial government.



Development levies are paid annually in arrears on or before 31 January in the year following the year of production to which the development levy relates.

The table below summarises the development levy information provided by the operators and DPE for the reporting period.

Table 47: Reconciliation of development levy

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
PNG LNG	ExxonMobil PNG Ltd	7,746,881	-	7,746,881	n/a	A
Oil projects (and Hides GTE)	Oil Search Ltd	7,846,092	7,334,173	511,919	7	
Total		15,592,973	7,334,173	8,258,800		

Remarks

- A Royalty and development levies are paid directly to a BPNG Trust Account by Exxon Mobil and an acknowledgement letter form is provided to DPE. The IA obtained Transmittal form number 2017/04, which includes a cover letter and the reporting entity's Annual PNG LNG Development Report of USD2,430,012.86 (PGK7,746,881). The letter has been stamped as received by the office of the secretary 18 January 2017. Exxon stated that the development levy paid in 2017 was for the 2016 reporting period. Lower commodity prices in early 2016 significantly impacted the 2016 Development Levy payment. Prices improved in 2017, resulting in payment of USD20 million (PGK64 million) in January 2018.

10.8.3 Oil and gas royalties

Oil Search pays royalties to DPE by cheque. ExxonMobil PNG Ltd pays royalties to Bank of PNG via electronic transfer, and sends remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.



Table 48: Reconciliation of oil and gas royalty payments

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
PNG LNG	ExxonMobil PNG Ltd	50,958,010	-	50,958,010	n/a	A
Oil projects (and Hides GTE)	Oil Search Ltd	26,652,515	26,687,665	- 35,150	0	
	Total	77,610,525	26,687,665	50,922,860		

Remarks

A Royalty and development levies are paid directly to a BPNG Trust Account by Exxon Mobil and an acknowledgment letter form is provided to DPE. The IA obtained Transmittal forms which include a cover letter and the reporting entity's total PNG LNG Royalty calculation of USD15,984,319.23 (PGK50,958,010). The letters have been stamped as received by the office of the secretary. Refer to details Appendix E.

10.8.4 Additional profits tax

In 2017, the additional profits tax was applicable to all resource projects (subject to the terms of any applicable fiscal stability agreements - see section 4.3.5.4).



We noted that two companies included payments of APT in their reporting template for this report, as shown below, but the IRC did not report receiving any specific APT payments in 2017.

Table 49: Additional profits tax payments reported

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Oil Projects	Merlin Petroleum Company	902,314	-	902,314	100
PNG LNG	Nippon PNG LNG LLC	672,905	-	672,905	100
	Total	1,575,219	-	n/a	

10.8.5 DPE licence fees (not reconciled)

Licence fees and other application fees are paid by the oil and gas industry to DPE.



DPE have reported the following licence fees for 2017:

No. Licences	Licence type	Fees (PGK)
57	Petroleum Prospecting Licence (PPL)	1,518,500
10	Petroleum Retention Licence (PRL)	360,000
7	Petroleum Development Licence (PDL)	700,000
4	Petroleum Pipeline Licences (PPL)	220,054
1	Petroleum Processing Facility Licence (PPFL)	200,000
	Total	2,998,554

10.9 Data quality and audit of financial statements 2017

As with previous PNG EITI reports, the MSG agreed that the data templates provided by reporting entities should be signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. Only a third of reporting entities provided these signatures.

Most government departments and agencies, and some SOEs, do not yet have audited statements for the reporting period, and that previous audits indicate serious flaws (see Table 50 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 (eg Ok Tedi) was received and sighted by the IA.

Table 50 below provides an overview of the status of financial audits for each of the EITI reporting entities for the reporting period. Where a financial statement audit was not conducted for this period, the most recent audit report available is listed.

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, meaning that no conclusion is provided as to the accuracy and completeness of the data and information presented.

Table 50: Auditing of reporting entities

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
Mining				
Crater Gold Mining Ltd	Anomaly Ltd	FY2017	Audited by BDO. No qualifications noted.	http://www.cratergold.com.au/irm/PDF/2709_0/annualreport2017
Barrick Gold Corporation	Barrick (Niugini) Ltd	FY2017	Audit by PwC. No qualifications noted	https://barrick.q4cdn.com/788666289/files/doc_financials/annual/2017/Barrick-Annual-Report-2017.pdf
Harmony Gold Mining Ltd	Hidden Valley JV	FY2017 and FY2018	Audit by PwC. No qualifications noted.	https://www.harmony.co.za/investors/reporting/annual-reports
Newcrest Mining Ltd	Lihir Gold Ltd	FY2017 and FY2018	Audited by EY. No qualifications noted.	http://www.newcrest.com.au/media/annual_reports/Newcrest_Annual_Report_2017.pdf http://www.newcrest.com.au/media/annual_reports/Newcrest_Annual_Report_2018_1.pdf
Metallurgical Corporation of China Ltd (MCC)	MCC Ramu NiCo Ltd	2016 -First Quarterly Report	No audit report included in first quarterly report.	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN201604261233.pdf

Parent Company	Operator In PNG	Year audited	Qualifications / emphasis of matter / comments	Source
	Niuminco Edie Creek Ltd	FY2017	Audited by BDO. No qualifications noted.	http://www.niuminco.com.au/docs/Annual%20Report%202017.pdf
	Ok Tedi Mining Ltd	2017	Financial audit by PWC. No qualifications noted. ESG audit by Materiality Counts. No qualifications noted.	https://www.oktedi.com/index.php/media-items/publications/annual-review/573-2017-annual-review/file
	Ramu Nickel Ltd	2017	Comments on potential increase of percentage ownership: The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised. Audit by PwC. No qualifications noted.	https://hig.irmau.com/site/PDF/1680_0/AnnualReporttoShareholders
St Barbara Ltd	Simberi Gold Co. Ltd	FY2017	Audited by PwC. No qualifications noted.	http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Ltd_Annual_Report_2016.pdf
Zijin Mining Group	Pogera Mine - Joint operator with Barrick (Niugini) Ltd from 31 August 2015	2017	Comments on Pogera Ownership: Barrick and Zijin Mining Group each own 47.5% of the operation, with the remaining 5% interest held by Mineral Resources Enga. Audited by EY. No qualifications found.	http://www.zijinmining.com/upload/file/2017/05/08/65aac8c4d4634c0e889a8231eb056da3.pdf
	(Woodlark)	2017		https://geopacific.com.au/wp-content/uploads/2018/04/20180430_Annual-Report.pdf
Oil and gas				
ExxonMobil	ExxonMobil PNG Ltd (PNG LNG project operator)	2017	SEC filings Form 10K Financial statements audited by PWC. No audit report included in 2017 integrated report.	http://ir.exxonmobil.com/phoenix.zhtml?c=115024&p=irol-sec http://corporate.exxonmobil.com/en/company/annual-report
JX Nippon Oil and Gas Exploration Corporation	JX Nippon Oil and Gas (and subsidiaries)	Year ending March 31, 2017	JXNG Report Integrated Report -Audited by EY. No qualifications noted.	http://ssl.eir-parts.net/doc/5020/ir_material_for_fiscal_yr9/46516/00.pdf
Oil Search		2017	Audited by Deloitte. No qualifications noted.	http://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf
Santos	Santos (and subsidiaries)	2017	Audited by EY. No qualifications noted.	https://www.santos.com/media/4319/2017-annual-report.pdf

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea			
Kumul Mineral Holdings	2016	AGO: 'Some entities owned by the State have amended their enabling Acts to exclude my Office from performing the audit of those entities and appointed their own auditors contrary to the <i>Audit Act</i> ' [including KMH]	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , p. xvi PwC audit not publically available

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
		KMH is audited by PwC. The IA has sighted the 2016 audit statement, which is not qualified.	
Kumul Petroleum Holdings Ltd	2016	No qualifications noted The AGO has informed the IA that the 2017 audit has been finalised, but has not yet been published online.	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , p. 306
Mineral Resources Development Company Ltd	2014	Disclaimer of Opinion 'Due to the limitation of information available, I was unable to comment whether the financial statements presented all matters that are required to be disclosed under <i>International Financial Reporting Standards (IFRS) or the Companies Act.</i> The AGO has informed the IA that the 2015 audit has been finalised, with a Disclaimer of Opinion, but has not yet been published online. The 2016 audit is not yet completed.	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , pp. 315-19
Ok Tedi Mining Ltd		See Ok Tedi Mining Ltd above for details.	
Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea			
Conservation and Environment Protection Authority	n/a	No record of audit available for CEPA or previous Department of Environment and Conservation. The AGO has informed the IA that the 2016 audit has been completed and is awaiting sign-off.	
Internal Revenue Commission	2014	To be updated The AGO has informed the IA that the 2014 audit has now been completed without qualification. The 2015-17 audits are underway.	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , pp. 67
Minerals Resource Authority	2013	Qualification and several issues raised, eg.: 'I noted that the Authority did not have proper controls and procedures to capture all production levies.'; 'I identified several weaknesses in the Authority's accounting system and overall internal control environment operated during the year.'; 'I noted during my review that the Authority kept in its books royalty funds for Simberi Gold and New Guinea Gold landowners. These monies or funds were noted to be held without a proper royalty trust deed in place setting out the rights and responsibilities of all parties including the operator or the mine, the landowners and MRA. In the absence of a royalty trust deed, any legal issues arising from the use of those funds would affect MRA in the future. 'I recommended management that all future trust funds held for and on behalf of land owners should come with a properly executed trust deed. The management responded as follows: 'Board has asked management to look into this matter and pay money back to the various custodians by June 2017.' The AGO has informed the IA that the 2014 and 2015 audits are underway	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , pp. 89-95
Department of Treasury	Last published audit 2014	QUALIFIED: 'In my opinion, except for the effects of the matters referred to in the basis for qualification paragraphs above: (a) the financial statements of the Institute are based on proper accounts and records; and (b) the financial statements are in agreement with those accounts and records, and show fairly the state of affairs of the Papua New Guinea Institute of Public Administration in accordance with the Financial Instructions under the Public Finances (Management) Act 1995 as at 31 December 2013, and the results of its financial operations for the year then ended.'	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf , p. 25

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
		No update obtained	
Department of Finance	Last published audit 2013	<p>'The results of my audit indicate that overall, there were notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliation, data processing, segregation of duties, system access and management monitoring were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there was an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'</p> <p>The AGO has informed the IA that the 2017 audit has commenced.</p>	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf , p. 148
Department of Petroleum and Energy	Last published audit 2014	<p>'The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there was an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'</p> <p>The AGO has informed the IA that the 2016 is complete; the 2017 audit has not yet commenced due to a backlog of audits.</p>	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf , p. 139
Department of National Planning & Monitoring	Last published audit 2013	<p>'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 was an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'</p> <p>No update obtained</p>	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf , p. 164
PNG Customs	No published audit	<p>'At the time of preparing this Report, the Service had not submitted its financial statements for the period ended 21 October 2014 to 31 December 2014 and for the years 2015 and 2016 for my inspection and audit despite my reminder.'</p> <p>No update obtained</p>	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor%20General%20-%202016.pdf , p. 212

11. Findings and recommendations

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 EY'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.

Recommendation 1: Address the findings of the validation report

Observation	Recommendation
<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 reporting process (see Error! Reference source not found.); however, a number will require further effort to achieve.</p> <p>The challenging areas of sub-national payments and beneficial ownership have their own scoping studies and work plans in place.</p>	<p>The MSG and IA should continue to work to overcome barriers to fully meeting the EITI Standard.</p> <p>A number of the specific recommendations below will contribute to this aim.</p> <p>Continued engagement with material reporting entities will be required to encourage full participation.</p>

Recommendation 2: Increase data availability through PNG government web portals for licence allocation and production data

Observation	Recommendation
<p>Significant progress has been observed incorporating licence information in the MRA cadastre portal and we understand that DPE have started a project to digitise oil and gas licence data.</p> <p>During the data gathering process for this report, however, there were still delays experienced accessing data associated with licences and tenements awarded or transferred during the reporting period.</p> <p>There is scope to improve the search function on the public access MRA cadastre portal to enable users to conduct more complex searches of the database. This could include for example, using search date ranges to return licences and leases awarded or transferred during certain timeframes. Enabling better public access to extract information in formats that are useful will also reduce the burden on MRA and DPE staff manually providing this information.</p> <p>Linking data that is already being collected to the cadastre data, such as production volumes and values as well as information regarding the development agreements will also address the requirement of the EITI standard to increase transparency of this information. During the validation process for the 2016 report for example, a government representative noted that the MRA had not previously been aware of silver production at the Lihir mine.²⁸⁵ Increasing the ease with which this data can be accessed will improve consistency between departments when liaising with companies and developing and implementing fiscal policy.</p>	<p>We recommend that the MRA investigate the feasibility of system improvements to:</p> <ul style="list-style-type: none"> ▶ Increase the amount of data available through the online cadastre portal, and ▶ Improve the search functions of the PNG online cadastre portal. <p>This will give the user greater access to specific data of interest as well as a choice of formats for exporting data.</p> <p>As DPE continues its project to implement a digital register of licences, we recommend that it leverages the knowledge gained from implementing the MRA cadastre portal as well as the KPH licence interest web portal.</p>

²⁸⁵ Validation of Papua New Guinea: Report on initial data collection and stakeholder consultation, p.66
https://eiti.org/sites/default/files/documents/png_validation_draft_report_on_initial_data_collection_and_stakeholder_consultations_final_1.pdf
 accessed 14 December 2018

Recommendation 3: Improve comprehensiveness of revenue data

Observation	Recommendation
<p>Although the completeness of tax revenue data has improved greatly in this report, we continue to experience difficulty accessing finalised, complete payment and revenue data from all entities in a timely manner for EITI reporting purposes. These delays have impacted the ability to put in place meaningful quantitative materiality definitions for reporting entities during the scoping phase of EITI reporting.</p> <p>This is attributed to two main causes:</p> <ol style="list-style-type: none"> The IRC reports that the majority of companies have not yet lodged tax returns for the reporting period at the time when the scoping study is being compiled. Multiple subsidiaries of the same parent company are often involved in different elements of resource projects and therefore pay different amounts of various tax revenue streams. The possible contribution from downstream revenue sources including refining and processing also requires further investigations to rule out the possibility of additional revenue sources. 	<p>We recommend that the quantitative definition for material reporting entities proposed in this report, based on 2017 reported revenue, be implemented in advance for the 2018 PNG EITI report.</p> <p>We recommend that the IRC initiate a process to flag material reporting entities in advance of the next report data validation phase, based on revenue received on 'cash basis' for 2018.</p> <p>This data should be available by early in 2019. At this stage, a secondary assessment of materiality can take place, based on the 2018 revenue (where available) and, if required, the threshold for material entities can be re-assessed.</p> <p>The existing process for evaluating the 'ring fencing' of project-based taxable income should be utilised to identify all entities for reporting on a project basis.</p> <p>We recommend that a further investigation into downstream sources of revenue be carried out to assess materiality for inclusion in the PNG EITI 2018 report.</p>

Recommendation 4: Co-ordinated reconciliation of sub-national payments and transfers

Observation	Recommendation
<p>Significant progress has been made engaging with sub-national government and landholder groups through the development of the sub-national scoping study.</p> <p>To show that significant progress has been made against this requirement of the EITI standard, a validation of sub-national payments should be undertaken and reported on during 2019, prior to PNG undergoing the second validation against the EITI standard.</p> <p>We understand that the scope of PNG's sub-national revenue payments are complex and subject to volatility and this process will be a complex, but ultimately very valuable exercise to improve trust and transparency for this element of the extractive industry.</p> <p>We believe that, as this process is rolled out, there will also be an opportunity to incorporate the most material social payments (currently only unilaterally reported by companies) into this reconciliation process.</p>	<p>We recommend that the first co-ordinated sub-national reconciliation process be initiated early in 2019, within the same timeframe as the national level reconciliation for 2018 data. This will be required to show meaningful progress prior to the second validation assessment against the EITI standard.</p> <p>As the sub-national reconciliation process will be very complex, we recommend that a risk-based approach be implemented. This will allow efforts to be focused on the sub-national areas and projects where the most benefit can be gained through the reconciliation process.</p>

Recommendation 5: Improving data quality by integrating EITI with annual financial reporting requirements

Observation	Recommendation
<p>During the 2017 data reconciliation process, we again noted that not all data templates were signed by an authorised company representative to confirm consistency with audited financial statements. For some reporting entities, especially government departments, SOEs and corporate entities reporting on a July to June financial year, finalised audited figures for the 2017 calendar year were not available at the time that we initiated the data collection process for EITI reporting purposes.</p> <p>During our discussions with the Auditor General's Office, we became aware that the 2017 annual report for KPH had been completed.</p> <p>Much of the data relevant to EITI reporting is contained in annual reports. Improving the timeliness and transparency of these reports that are already being written and audited would address many of the requirements of the EITI standard.</p>	<p>For future PNG EITI reports, we recommend that companies be required to supply a copy of the relevant financial report(s) with associated independent audit opinions (where available) when they submit their reporting template. Eventually, in cases where companies include the required EITI elements within their annual financial report, these entities will be able to simply submit their annual report to the IA.</p> <p>As EITI reporting continues to be implemented, both in PNG and globally, we encourage multi-national extractive companies to incorporate the transparency requirements of the EITI standard within their annual financial, sustainability or integrated reports.</p> <p>For PNG government entities, we recommend that EITI reporting requirements be mandated within annual financial reporting. The IA will continue to liaise closely with the Auditor General's office to track the progress of auditing of the accounts of government entities.</p>

Recommendation 6: Quasi-fiscal payments within extractive sector

Observation	Recommendation
<p>No quasi-fiscal payments have been disclosed for the reporting period. However, we believe there may be some confusion around what actions qualify as 'quasi-fiscal' payments (see section 9.2).</p> <p>Further information relating to SOE subsidiaries was requested in the 2017 reporting templates to address this, and to better understand the potential for quasi-fiscal payments by SOEs. Entities were requested to provide contextual information relating to each subsidiary company. For example, Ok Tedi was asked to supply a reporting template for its 100% owned subsidiary, Ok Tedi Power as well as the 75% owned Ok Tedi Foundation. At the time this report was finalised, the IA had not received further information relating to either of these entities.</p> <p>There was also concern raised by some stakeholders during the validation process that there is evidence that KPH's off-budget repayment of sovereign debt through the novation of the UBS loan during 2017 could be classified as a quasi-fiscal payment. The KPH reporting template included a request to provide clarification around the sell-off of the Oil Search shares during 2017 so that this issue could be addressed thoroughly within the 2017 PNG EITI report. At the time this report was finalised, no reporting template had been received from KPH for the 2017 PNG EITI Report.</p>	<p>We support the recommendation of the International Secretariat following the validation process that, in accordance with Requirement 6.2, PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal.</p> <p>We encourage both KPH and Ok Tedi to make available the additional information requested during the 2017 reporting process, so that the materiality of any potential quasi-fiscal payments can be properly assessed.</p> <p>If there are any ongoing arrangements identified for any SOE or subsidiary that can be classed a quasi-fiscal payment, these should be incorporated in future reporting. This will enable a level of transparency commensurate with other payments and revenue streams.</p>

Recommendation 7: Reconciliation of PNG LNG share of sales

Observation	Recommendation
<p>The payments from the share of sales as a result of direct participation in the PNG LNG project is the largest revenue received by KPH and also by the MRDC landowner companies. These payments are made to each JV partner through the GloCo entity. Although GloCo is a pass-through entity, to ensure transparency, reporting by GloCo is required under the EITI Standard. We understand that this requires agreement from all of the owners of the project. We currently receive information relating to the share of profits from the PNG LNG project for the state-owned entities that are partners in the project, but no information on payments made from the GloCo entity to reconcile these.</p>	<p>We recommend that the MSG engage the partners of the PNG LNG project to gain agreement on reporting of any material revenue streams that currently pass through the GloCo entity.</p> <p>Agreement on the scope and method of this reporting should be finalised prior to the initiation of the 2018 PNG EITI report.</p>

Recommendation 8: Additional profits tax

Observation	Recommendation
<p>The 2019 Budget states that the mandatory income tax returns do not require the tax payer to file details of the net cash flow which is used to calculate the additional profits tax. Due to this, it is unclear (even to the IRC, it seems) whether the PNG LNG project, or any future project, should be paying additional profits tax, and if so, how much should be paid.</p> <p>We noted that two of the partners in the PNG LNG project included payments of APT in their reporting template for this report, but the IRC did not report receiving any specific APT payments in 2017. There would appear to be some confusion among resource companies as to how this tax applies in practice.</p>	<p>The reporting requirements of the mandatory income tax returns should be updated to include the information that is required for the IRC to calculate the APT liability for the company. If this information cannot be provided, restructuring the APT to be based on data that can be provided would offer greater transparency and options for modelling future revenue.</p>

Appendix A PNG MSG members and alternates

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	GoPNG	Hon. Charles Abel, CMG, MP Treasurer, PNGEITI MSG Chairman	Dairi Vele Secretary Department of Treasury	Manu Momo, Deputy Secretary Economic Policy Department of Treasury	Department of Treasury
Voting Member	GoPNG	Betty Palaso, Commissioner General	Dr Alois Daton, Commissioner Taxation	Ketty Masu- Director Resource Policy and Advice	Internal Revenue Commission
Voting Member	GoPNG	Philip Samar, Managing Director	Sean Ngansia, Executive Manager Coordination Division	Arnold Lakamanga- Manager - GIS Mineral Information	Mineral Resources Authority
Voting Member	GoPNG	Kepsey Puiye, Acting Secretary	Herry Howard Manda, Manager – Petroleum Division	Michael Kunma Awi, Economist – Petroleum Division	Department of Petroleum and Energy
Non-voting member	GoPNG	Dr Ken Ngangan, Secretary	Samuel Penias, Deputy Secretary	Margaret Tenakanai, First Assistant Secretary, Non-Tax Revenue Division	Department of Finance
Non-voting Member	GoPNG	Harry Hakaua, Secretary	Sanja Pepae, Assistant Secretary – Economic Policy Branch	Langa Kopio, Senior Economist Policy Division	Department of National Planning and Monitoring
Voting Member	SoE	Thomas Abe, Managing Director	Saki Ipata- Chief Financial Officer	Noreen Gugume – Manager Accounts	Kumul Minerals Holdings Ltd
Voting Member	SoE	Wapu Sonk, Managing Director	Ian Maru General Manager Stakeholder Relations	Brad Mitchel, General Manager, Corporate Services,	Kumul Petroleum Holdings Ltd
Non-voting Member	GoPNG	Shandrick Himata, Secretary	Harry Kore, Director Mineral Policy and Legislative Division	Asavi Kendua, Assistant Director Policy Advisory Branch	Department of Mineral Policy and Geohazards Management
Non-voting Member	GoPNG	Bruce Java	Acting Director, Non-renewable Resources		Department of Prime Minister & NEC
Non-voting Member	GoPNG				Office of Public Solicitor
Non-voting Member	GoPNG	Gunther Joku, Managing Director	Michael Wau, Deputy Director Environmental Regulation Division	Robert Sine, Manager Mining Industry Compliance	Conservation & Environment Protection Authority
Non-voting Member	GoPNG	Philip Nauga, Auditor general	Andy Vui- Deputy Auditor -General	Lemekii Ila- Deputy Auditor -General	Auditor General's Office
Voting Member	SoE	Augustine Mano, Managing Director	Imbi Tagune, General Manager External Affairs	Steven Evekone, Manager External Affairs	Mineral Resources Development Company
Non-voting member	SoE	Garry Hersey, Managing Director	Apaitia Veioogo, Chief Financial Officer	Steven Kikala, Senior Portfolio Manager	Kumul Consolidated Holdings Ltd
Voting Member	Industry	Philippe Blanchard, Managing Director	Richard Kassman OBE, Government Relations Manager		Total E & P Ltd
Voting Member	Industry	Anthony Smare, Director	Ila Temu, Country Manager		Barrick Niugini Ltd
Voting Member	Industry	Andrew Barry, Lead Country Manager	Robert Aisi, General Manager, External Affairs	Stanley Yarka, Advisor External Affairs	ExxonMobil PNG Ltd

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	Industry	Kepas Wali, General Manager Sustainability			Morobe Mining Joint Ventures (MMJV)
Voting Member	Industry	Peter Aitsi, Country Manager	Borone Isana, Manager Government Liaison		Newcrest Mining Ltd
Voting Member	Industry	Gerea Aopi, Executive General Manager of External Affairs & Sustainability	Willie Kupo, General Manager of Community & External Affairs	Cornelius Soagai, Government Affairs	Oil Search (PNG) Ltd
Voting Member	Industry	Greg Anderson, Executive Director	Leah Warupi, Project Coordinator	Emmanuel Powuh David, Project Coordinator	PNG Chamber of Mines and Petroleum
Voting Member	CSO	Lawrence Stephens, TIPNG Chairman	Emily Taule, Executive Director		Transparency International PG (TIPNG)
Voting Member	CSO	Paul Barker, Executive Director	Douveri Henao, Research Officer	Marjorie Andrew, Research Fellow	Institute of National Affairs (INA)
Voting Member	CSO	Wallis Yakam, Executive Officer	Henry Yamo, Deputy Executive Officer	Elizabeth Avaisa, Sr. Project Officer, Public Budgets & Expenditure	Consultative Implementation and Monitoring Council (CIMC)
Voting Member	CSO	Senson Mark, Manager Lobby, Advocacy and Networking	Mary Boni, Manager Programs, Governance & Research		EcoForestry Forum
Voting Member	CSO	Mayambo Peipul, Project Manager			Business Against Corruption Alliance (BACA)
Voting Member	CSO	Patrick Yepe Lombaia, Executive Director	Harrison Owage, Program Manager	Baru Amenu, Project Coordinator	Papua New Guinea Mining Watch Association Inc.
Voting Member	CSO	Father Denny Guka			PNG Council of Churches (PNGGCC)
Non-voting Member	CSO	Martyn Namorong, National Coordinator			PNG Resource Governance Coalition

Appendix B

Active mining tenements for 2017

(as reported by MRA)

Code	Name	Parties
Active tenements for reporting period, as at 31 December 2016		
Exploration Licence		
EL 1	Kieta	CRA Minerals (PNG) Limited (100%)
EL 2	Kieta	CRA Minerals (PNG) Limited (100%)
EL 3	Kieta	CRA Minerals (PNG) Limited (100%)
EL 4	Kieta	CRA Minerals (PNG) Limited (100%)
EL 5	Kieta	CRA Minerals (PNG) Limited (100%)
EL 6	Kieta	CRA Minerals (PNG) Limited (100%)
EL 7	Kieta	CRA Minerals (PNG) Limited (100%)
EL 58	Frieda River	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 193	Ramu	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (8.56%), Mineral Resources Ramu Limited (3.94%), Mineral Resources Madang Limited (2.5%)
EL 454	Porgera	Barrick (Niugini) Limited (100%)
EL 470	Kainantu	K92 Mining Limited (100%)
EL 485	Londolovit	Lihir Gold Limited (100%)
EL 497	Wau	Harmony Gold (PNG) Exploration Limited (100%)
EL 609	Mapua	Nord Australex Nominees (PNG) Limited (100%)
EL 677	Waria River	Harmony Gold (PNG) Exploration Limited (100%)
EL 693	Kainantu	K92 Mining Limited (100%)
EL 858	McNicol Range	Barrick (Niugini) Limited (100%)
EL 1043	NAKRU	Copper Quest PNG Limited (100%)
EL 1103	Zilani	Newcrest PNG 3 Limited (50%), Morobe Exploration Limited (50%)
EL 1105	Wafi Mt	Newcrest PNG 2 Limited (50%), Wafi Mining Limited (50%)
EL 1115	Mt Crater	Anomaly Limited (100%)
EL 1165	Safia Embessa & Obea	Niugini Nickel Limited (100%)
EL 1170	Mahur Island	Lihir Gold Limited (100%)
EL 1172	Kulumadau	Woodlark Mining Limited (100%)
EL 1196	Namatanai	Nautilus Minerals Niugini Limited (100%)
EL 1212	Frieda	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1279	Kulumadau	Woodlark Mining Limited (100%)
EL 1312	Nong River	Highlands Pacific Resources Limited (100%)
EL 1316	Mumeng	Newcrest PNG 3 Limited (50%), Morobe Exploration Limited (50%)
EL 1335	Yandera	Yandera Mining Company Limited (100%)
EL 1341	Yonki	K92 Mining Limited (100%)
EL 1369	Tsile	Newcrest PNG Exploration Limited (100%)
EL 1374	Namatanai	Nautilus Minerals Niugini Limited (100%)
EL 1390	Kokoda	Oro Nickel Limited (100%)
EL 1392	Tifalmin	Highlands Pacific Resources Limited (100%)
EL 1438	Bolobip Station	Niuminco (ND) Limited (100%)
EL 1441	Hotmin & Ama	Niuminco (ND) Limited (100%)
EL 1462	Kimbe	Sagittarius Mining Limited (100%)
EL 1465	Kulumadau	Woodlark Mining Limited (100%)
EL 1595	Bulago River	Frontier Gold (PNG) Limited (100%)
EL 1611	Mangiki	Regional Resources (PNG) Limited (100%)
EL 1629	Garaina	Morobe Consolidated Goldfields Limited (50%), Newcrest PNG 3 Limited (50%)
EL 1677	Kauwol	Ok Tedi Mining Limited (100%)
EL 1704	Obura	Newcrest PNG Exploration Limited (100%)
EL 1705	Obura	Newcrest PNG Exploration Limited (100%)
EL 1744	Iniok	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1745	Magleri	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1746	Magleri	Frieda River Limited (100%)
EL 1747	Misima Island	Gallipoli Exploration (PNG) Limited (100%)
EL 1748	Mumeng	Newcrest PNG Exploration Limited (100%)
EL 1761	Esa!ala	Highlands Pacific Resources Limited (100%)

Code	Name	Parties
EL 1781	Munbil	Highlands Pacific Resources Limited (100%)
EL 1854	Lila Village	Yandera Mining Company Limited (100%)
EL 1857	Yangoru	Alexander Mining Limited (100%)
EL 1873	Kabarau	Waterford Limited (100%)
EL 1874	Kare	Waterford Limited (100%)
EL 1875	Wabo	Waterford Limited (100%)
EL 1876	Kare	Waterford Limited (100%)
EL 1877	Lihir South	Bismarck Mining Corporation (PNG) Limited (100%)
EL 1895	Wabia	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1896	Kubkaain	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1956	Ok Isai	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1957	Paupe	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1966	Wabag 1	Viva No. 20 Limited (100%)
EL 1967	Wabag 2	Viva No. 20 Limited (100%)
EL 1968	Wabag 3	Viva No. 20 Limited (100%)
EL 2001	Benstead	Highlands Pacific Resources Limited (100%)
EL 2008	Wabag	Pristine No. 18 Limited (100%)
EL 2040	Mt Hagen	Mayur Exploration PNG Limited (100%)
EL 2051	Mt Nambom	Aries Mining Limited (100%)
EL 2095	Sideia	Mayur Exploration PNG Limited (100%)
EL 2096	Warambif	Mayur Exploration PNG Limited (100%)
EL 2150	Gulf South	Mayur Iron PNG Limited (100%)
EL 2156	Tabubil	Ok Tedi Mining Limited (100%)
EL 2203	Crater Mountain	Anomaly Limited (100%)
EL 2212	Dagua	West Coast Mining Limited (100%)
EL 2249	Gwasa	Anomaly Limited (100%)
EL 2256	Tabubil	Ok Tedi Mining Limited (100%)
EL 2266	Kiwai Island	Mayur Iron PNG Limited (100%)
EL 2267	Segero	Mayur Iron PNG Limited (100%)
EL 2268	Dibiri	Mayur Iron PNG Limited (100%)
EL 2269	Baimuru	Mayur Iron PNG Limited (100%)
EL 2281	Maruta	Titan Mines Limited (100%)
EL 2289	Tabubil	Ok Tedi Mining Limited (100%)
EL 2297	Daru	Mayur Iron PNG Limited (100%)
EL 2302	Bulolo	Canterbury Resources (PNG) Limited (100%)
EL 2303	Pinu Village	Mayur Iron PNG Limited (100%)
EL 2304	Terapo	Mayur Iron PNG Limited (100%)
EL 2305	Ihu	Mayur Iron PNG Limited (100%)
EL 2306	Kompam Station	Khor ENG Hock & Sons (PNG) Limited (100%)
EL 2309	Tsile	Rio Tinto Exploration (PNG) Limited (100%)
EL 2310	Hauwindi	Harmony Gold (PNG) Exploration Limited (100%)
EL 2313	Wau	Harmony Gold (PNG) Exploration Limited (100%)
EL 2314	Bulolo	Canterbury Resources (PNG) Limited (100%)
EL 2318	Haia Village	Anomaly Limited (100%)
EL 2321	Kau Creek	Pacific Niugini Minerals (PNG) Limited (100%)
EL 2322	Ulpuna	Sagittarius Mining Limited (100%)
EL 2324	Tambu Bay	Komomoa Energy Resources PNG Limited (100%)
EL 2325	Rambusa-Sudest Island	Sudest Island Mining Limited (100%)
EL 2328	Yangoru and Kubalia	West Coast Mining Limited (100%)
EL 2329	Bulolo	Niugini Gold Mining Limited (100%)
EL 2330	Ningerum	Apollo Mineral Resources Limited (100%)
EL 2331	Port Moresby, Metago	New Britain Lime & Cement Limited (100%)
EL 2332	Port Moresby, Boera	New Britain Lime & Cement Limited (100%)
EL 2334	Ubaigubi	Anomaly Limited (100%)
EL 2335	Maimafu	Anomaly Limited (100%)
EL 2349	Hukim/Ningerum	Aus PNG Mining Limited (100%)
EL 2351	Kandep	ESDA PETROMINING LIMITED (100%)
EL 2356	Muller Range	Frontier Copper (PNG) Limited (100%)
EL 2357	Dumpu	MB Transport Limited (100%)
EL 2359	Vanimo and Wutung Govt Stns	Oenake Nickel Limited (100%)

Code	Name	Parties
EL 2366	Subutuya	Solway Group Mining (PNG) Limited (100%)
EL 2367	Sebutuya	Solway Group Mining (PNG) Limited (100%)
EL 2372	Green River Station	Telemu No.92 Limited (100%)
EL 2375	Ala River	Fronrunner Exploration PNG Ltd (100%)
EL 2376	Basamuk	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (8.56%), Mineral Resources Ramu Limited (3.94%), Mineral Resources Madang Limited (2.5%)
EL 2378	Lorengau	Finny Limited (100%)
EL 2379	Simuku and Ismin	Copper Quest PNG Limited (100%)
EL 2384	Gerepo	Solway Group Mining (PNG) Limited (100%)
EL 2385	Ononge/Sigufe	Tolukuma Gold Mines Limited (100%)
EL 2386	Kuabini	Harmony Gold (PNG) Exploration Limited (100%)
EL 2390	Lorengau	Finny Limited (100%)
EL 2391	Doma Village	Papuan Minerals Limited (100%)
EL 2396	Manus	Cheroh Mining PNG Limited (100%)
EL 2401	Amanab	EL Dorado Mining and Energy Limited (100%)
EL 2405	Kupiano	Kavra Maah Limited (100%)
EL 2406	Sulovat, Kimbe WNB	GMG Global Mining Group Limited (100%)
EL 2408	Sikut Government Station	Ballygowan Limited (100%)
EL 2409	Roku/Ulpuna	Sagittarius Mining Limited (100%)
EL 2413	Leron Plains	Rio Tinto Exploration (PNG) Limited (100%)
EL 2415	Maprik	West Coast Mining Limited (100%)
EL 2416	Upper Yandera	Cheroh Mining PNG Limited (100%)
EL 2417	Simbai	Golden Dook International Limited (100%)
EL 2418	Bulolo	Canterbury Resources (PNG) Limited (100%)
EL 2419	Tamo	EL Dorado Mining and Energy Limited (100%)
EL 2420	Kwikila	Property New Group Limited (100%)
EL 2421	Amboin	Aiabba Minerals (PNG) Limited (100%)
EL 2426	Keman	GMN 6768 (PNG) Limited (100%)
EL 2430	Meriamanda	GMN 6768 (PNG) Limited (100%)
EL 2431	Tamo	EL Dorado Mining and Energy Limited (100%)
EL 2432	Sinua	Footprint Resources Pty Ltd (100%)
EL 2444	Tamo	EL Dorado Mining and Energy Limited (100%)
EL 2451	Alotau	Apollo Mineral Resources Limited (100%)
EL 2460	Kompam	Property New Group Limited (100%)
EL 2461	Mt Andewa	Baldoye Limited (100%)
EL 2462	Mapua	Nord Australex Nominees (PNG) Limited (100%)
EL 2466	Metewoi	Rio Tinto Exploration (PNG) Limited (100%)
EL 2467	Mount Abemh	Highlands Pacific Resources Limited (100%)
EL 2472	Tabubil	Ok Tedi Mining Limited (100%)
EL 2478	Ilam river	Highlands Pacific Resources Limited (100%)
EL 2479	Kwikila Station	Combuco Limited (100%)
EL 2485	Mapamoiwa	Pacific Arc Resources (Niugini) Limited (100%)
EL 2491	Sehulea	Reekara Limited (100%)
EL 2502	Pakapuna	LogiKon Corporation Pty Ltd (100%)
EL 2503	Mt Kuta	Kraip Energy Limited (100%)
EL 2510	Screw River	Kavra Maah Limited (100%)
EL 2511	Opa	Munga River Limited (100%)
EL 2512	Kubor Range	Munga River Limited (100%)
EL 2514	Makmak	Copper Quest PNG Limited (100%)
EL 2517	Star Mountains	Highlands Pacific Resources Limited (100%)
EL 2521	Bitoi, Wau Morobe	Terra Resources Limited (100%)
EL 2523	Aiyura, Eastern Highlands	W & M Industry Limited (100%)
EL 2524	Krisa, Vanimo	Pacific Energy Consulting Limited (100%)
EL 2525	Wabo, Gulf Province	Pacific Energy Consulting Limited (100%)
EL 2528	Pomio, East New Britain	PCP Minerals Limited (100%)
EL 2530	Kubuna, Central Province	Rio Tinto Exploration (PNG) Limited (100%)
Special mining lease		
SML 1 (B)	Panguna	Bougainville Copper Pty Ltd (100%)
SML 1 (O)	Mt Fubilan	Ok Tedi Mining Limited (100%)

Code	Name	Parties
SML 1 (P)	Porgera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
SML 6	Luise Caldera	Lihir Gold Limited (100%)
SML 8	Kurumbukari	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (8.56%), Mineral Resources Ramu Limited (3.94%), Mineral Resources Madang Limited (2.5%)
Mining Lease		
ML 101	Porgera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
ML 104	Tolukuma	Tolukuma Gold Mines Limited (100%)
ML 125	Lihir	Lihir Gold Limited (100%)
ML 126	Lihir	Lihir Gold Limited (100%)
ML 136	Simberi	Simberi Gold Company Limited (100%)
ML 144	Wau Station	Niuminco Eddie Creek Limited (100%)
ML 149	Basamuk	Ramu Nickel Limited (100%)
ML 150	Bilimoia - Kainantu	K92 Mining Limited (100%)
ML 151	Hidden Valley	Harmony PNG 20 Limited (50%), Morobe Consolidated Goldfields Limited (50%)
ML 154	Bismarck Sea	Nautilus Minerals Niugini Limited (85%), Eda Kopa (Solwara) Limited (15%)
ML 204	Bulolo River	Gwailong Nalek (100%)
ML 217	Upper Eddie, Merri Creek	Kipson Tirisa Avengo (100%)
ML 237 - ML 239	Bulolo River	Aviong Litewong (50%), Muloing Belekin (50%)
ML 244	Upper Watut	Kenneth Merik (100%)
ML 270 - ML 277	Bulolo River	Aviong Ritewong (100%)
ML 285 - ML 288	Lower Eddie Creek	Bunip Orok (50%), Guwi Yanzing (50%)
ML 289 - ML 291	Karonga Creek	Yowas Juri (100%)
ML 296 - ML 301	Koranga	Kula Sionjin (100%), Kohima Lian (100%), Willie Gabo (100%), Bun Man (100%), Bataki Tiving (100%), Tom Marika (100%), Yowas Juari (100%)
ML 345	Bulolo River	Faranz Kenggis (100%)
ML 346 - ML 349	Bulolo River	Faranz Kenggis (100%)
ML 380	Bartletts Creek	Niuminco Eddie Creek Limited (100%)
ML 384	Eddie Creek	Niuminco Eddie Creek Limited (100%)
ML 402	Eddie Creek	Niuminco Eddie Creek Limited (100%)
ML 444	Eddie Creek	Niuminco Eddie Creek Limited (100%)
ML 457	Bulowat	PNG Forest Products Mining (Bulolo) Limited (50%), Pacific Niugini Minerals (Bulolo) Limited (50%)
ML 462	Eddie Creek	Niuminco Eddie Creek Limited (100%)
ML 501	Kaubwaga	Paulos Kalo (50%), Watson Ilai (50%)
ML 506	Simbai	Kuh Chun Limited (51%), Dae Han Resources Development Limited (49%)
ML 507	Mt Daum	Kawari Wiem Limited (100%)
ML 508	Kulumadau	Woodlark Mining Limited (100%)
ML 509	Malalaua	Hells Gate Exploration Limited (100%)
ML 510	Mt. Crater	Anomaly Limited (100%)
ML 513	Tamo	Lost River Mining Limited (100%)
ML 514	Ningerum	Upper Ok Tedi Resources Company Limited (51%), Apollo Mineral Resources Limited (49%)
Alluvial Mining Lease		
AML 581	Mt Victor	Joe Bumbandi (100%)
AML 582	No.2 Ship	Panias Alom (100%)
AML 591	Bulolo	Aking Soap (100%)
AML 595	Indirike Creek 1	Jeremiah Geme (100%), Itama Mosapip (100%), Ninga Yawa (100%)
AML 596	Indirike Creek 1	Douglas Tuvelo (100%), Ephrain Yakam (100%), Ninga Yawa (100%), Eric Ben (100%)
AML 598	Kobiak	Ninga Yawa (100%)
AML 603	Fatako	Tembi Simungí (100%)
AML 643	Little Wau Creek	Martin Kilimbu (100%)
AML 693	Maprik-Kimbaungna	John Tika (100%)
AML 701	Ningerum Station	Brulla Clan (100%)
AML 702	Ningerum Station	Brulla Clan (100%)
AML 703	Ningerum Station	Brulla Clan (100%)
AML 704	Ningerum Station	Brulla Clan (100%)
AML 705	Ningerum Station	Brulla Clan (100%)
AML 715	Tabubil	David Dakopnak (50%), Joel Asek (50%)
AML 717	Pakaliliam	Peter Malex (100%)

Code	Name	Parties
AML 718	Pakaliliam	Peter Malex (100%)
AML 719	Pakaliliam	Peter Malex (100%)
AML 720	Pakaliliam	Peter Malex (100%)
AML 721	Pakaliliam	Peter Malex (100%)
AML 724	Wanabelo Village	Solomon Telepimo (100%)
AML 725	Wanabelo Village	Solomon Telepimo (100%)
AML 726	Wanabelo Village	Solomon Telepimo (100%)
AML 727	Wanabelo Village	Solomon Telepimo (100%)
AML 728	Blackcat Mt	Levi Iling (100%)
AML 729	Blackcat Mt	Levi Iling (100%)
AML 730	Blackcat Mt	Levi Iling (100%)
AML 731	Blackcat Mt	Levi Iling (100%)
AML 732	Blackcat Mt	Levi Iling (100%)
AML 733	Blackcat Mt	Levi Iling (100%)
AML 734	Blackcat Mt	Levi Iling (100%)
AML 735	Blackcat Mt	Levi Iling (100%)
AML 736	Blackcat Mt	Thomas Wanas (100%)
AML 737	Blackcat Mt	Thomas Wanas (100%)
AML 738	Blackcat Mt	Thomas Wanas (100%)
AML 739	Blackcat Mt	Thomas Wanas (100%)
AML 740	Blackcat Mt	Thomas Wanas (100%)
AML 741	Blackcat Mt	Thomas Wanas (100%)
AML 742	Blackcat Mt	Thomas Wanas (100%)
AML 743	Blackcat Mt	Migel Kumbe (100%)
AML 744	Blackcat Mt	Migel Kumbe (100%)
AML 745	Blackcat Mt	Migel Kumbe (100%)
AML 746	Blackcat Mt	Migel Kumbe (100%)
AML 747	Blackcat Mt	Migel Kumbe (100%)
AML 748	Blackcat Mt	Migel Kumbe (100%)
AML 750	Pakaliliam	Peter Malex (100%)
AML 751	Pakaliliam	Peter Malex (100%)
AML 752	Bulolo National Highway	Jimmy Kusambi (100%)
AML 753	Kompiani	Amai Waimayoko (100%)
AML 754	Kompiani	Amai Waimayoko (100%)
AML 755	Kompiani	Amai Waimayoko (100%)
AML 757	Siu	Siu Peoples Association Inc (100%)
AML 767	Bulolo	Ismael Kila Kawa (100%)
AML 768	Tamo	William Kurusi Asin (100%)
AML 769	Tamo	William Kurusi Asin (100%)
AML 770	Tamo	William Kurusi Asin (100%)
AML 771	Tamo	William Kurusi Asin (100%)
AML 772	Tamo	William Kurusi Asin (100%)
AML 773	Tamo	William Kurusi Asin (100%)
AML 774	Tamo	William Kurusi Asin (100%)
AML 775	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 776	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 777	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 778	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 779	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 780	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 781	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 782	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 783	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 784	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 785	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 786	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 787	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 788	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 789	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 790	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)

Code	Name	Parties
AML 791	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 792	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 793	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 794	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 795	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 796	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 797	Tamo 1 Village	Kenny Muwom (50%), Kevin Karika (50%)
AML 798	Tamo 1 Village	Kevin Karika (50%), Kenny Muwom (50%)
AML 803	Kemaea	Willie Lalai (100%)
AML 804	Kemaea	Willie Lalai (100%)
AML 805	Madang	Andakole Benjamin Adada (100%)
AML 807	Bulolo	Anton Bingtau (100%)
AML 808	Tabubil	Dimangi Buman (100%)
AML 809	Wau	Papras Geame (100%)
AML 810	Ningerum Station	Ok Temka Clan (100%)
AML 811	Ningerum Station	Ok Temka Clan (100%)
AML 812	Ningerum Station	Ok Temka Clan (100%)
AML 813	Ningerum Station	Ok Temka Clan (100%)
AML 814	Ningerum Station	Tama Clan (100%)
AML 815	Ningerum Station	Tama Clan (100%)
AML 816	Ningerum Station	Tama Clan (100%)
AML 817	Ningerum Station	Tama Clan (100%)
AML 818	Ningerum Station	Tama Clan (100%)
AML 819	Ningerum Station	Dawantem Clan (100%)
AML 820	Ningerum Station	Dawantem Clan (100%)
AML 821	Ningerum Station	Dawantem Clan (100%)
AML 822	Ningerum Station	Dawantem Clan (100%)
AML 823	Ningerum Station	Dawantem Clan (100%)
AML 824	Gomore Village	Kila Muduka (100%)
AML 825	Gomore Village	Kila Muduka (100%)
AML 826	Gomore Village	Kila Muduka (100%)
AML 827	Gomore Village	Kila Muduka (100%)
Lease for Mining Purpose		
LMP 1 (O)	Mt Fubilan	Ok Tedi Mining Limited (100%)
LMP 1 (P)	Suyan - Pogera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 2 (B)	Kumo Gravel	Bougainville Copper Pty Ltd (100%)
LMP 2 (P)	Waile Creek - Pogera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 3 (B)	Rorovana	Bougainville Copper Pty Ltd (100%)
LMP 3 (P)	Anawe - Pogera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 4 (P)	Tipinini Camp - Pogera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 6 (B)	Jaba River Water Supply	Bougainville Copper Pty Ltd (100%)
LMP 7 (B)	Western Access Road	Bougainville Copper Pty Ltd (100%)
LMP 8 (B)	Tailings Disposal Area	Bougainville Copper Pty Ltd (100%)
LMP 9 (B)	Port Mine Access Road	Bougainville Copper Pty Ltd (100%)
LMP 9 (O)	Primpen Smarden	Ok Tedi Mining Limited (100%)
LMP 10 (B)	Kieta	Bougainville Copper Pty Ltd (100%)
LMP 12 (O)	Near Ningerum	Ok Tedi Mining Limited (100%)
LMP 16 (O)	Sawmill Flats	Ok Tedi Mining Limited (100%)
LMP 17(O)	Lower Ok Tedi Gravel Pit South	Ok Tedi Mining Limited (100%)
LMP 22 (O)	Near yuk Creek	Ok Tedi Mining Limited (100%)
LMP 27 (O)	Kumsumbip	Ok Tedi Mining Limited (100%)
LMP 28 (O)	Tabubil	Ok Tedi Mining Limited (100%)
LMP 29 (O)	Dublan Creek	Ok Tedi Mining Limited (100%)
LMP 31	Kuambit - Kiunga	Ok Tedi Mining Limited (100%)
LMP 32	Krohoi - Kiunga	Ok Tedi Mining Limited (100%)
LMP 33	Hukit - Kiunga	Ok Tedi Mining Limited (100%)
LMP 34	Kennecott	Lihir Gold Limited (100%)
LMP 35	Lihir	Lihir Gold Limited (100%)
LMP 36	Wangbin Settlement	Ok Tedi Mining Limited (100%)

Code	Name	Parties
LMP 38	Lihir	Lihir Gold Limited (100%)
LMP 39	Lihir	Lihir Gold Limited (100%)
LMP 40	Lihir	Lihir Gold Limited (100%)
LMP 41	Kogai	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 42	Plant Site - Basamuk	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
LMP 43	Accomodation Site - Basamuk	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
LMP 44	Water Pump Site - Kurumbukari	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
LMP 49	Pipeline Pump Station 2 - Rai Cost	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
LMP 61 (P)	Kaiya River	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 72	Anawe North	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 73	Ningerum	Ok Tedi Mining Limited (100%)
LMP 74	Ningerum	Ok Tedi Mining Limited (100%)
LMP 75	Tabubil	Ok Tedi Mining Limited (100%)
LMP 76	Ningerum	Ok Tedi Mining Limited (100%)
LMP 77	Anawe South	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 78	Kainantu	K92 Mining Limited (100%)
LMP 79	OTML	Ok Tedi Mining Limited (100%)
LMP 80	Hidden Valley	Newcrest PNG 1 Limited (50%), Morobe Consolidated Goldfields Limited (50%)
LMP 81	Ningerum	Ok Tedi Mining Limited (100%)
LMP 82	Wakiam	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
LMP 84	Basamuk	Ramu Nickel Management (MCC) Limited (100%)
LMP 85	Bige	Ok Tedi Mining Limited (100%)
LMP 87	Portion 12C	Ok Tedi Mining Limited (100%)
LMP 88	Lukwi	Ok Tedi Mining Limited (100%)
LMP 89	Kulumadau	Woodlark Mining Limited (100%)
LMP 90	Kulumadau	Woodlark Mining Limited (100%)
LMP 91	Kulumadau	Woodlark Mining Limited (100%)
LMP 92	Kulumadau	Woodlark Mining Limited (100%)
LMP 93	Kulumadau	Woodlark Mining Limited (100%)
LMP 102	Aipilungu 1	Barrick (Niugini) Limited (100%)
Mining Easement		
ME 1 (B)	East Coast-Kieta	Bougainville Copper Pty Ltd (100%)
ME 1 (P)	Hydes Power	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
ME 2 (P)	Walie River Pipeline	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
ME 3 (O)	Tabubil	Ok Tedi Mining Limited (100%)
ME 3 (P)	Suyan Creek - Pongema	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
ME 4 (O)	Yuk Dablan Creek	Ok Tedi Mining Limited (100%)
ME 4 (P)	Suyan Creek - Aipulunga	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
ME 71	Lihir	Lihir Gold Limited (100%)
ME 72	Lihir	Lihir Gold Limited (100%)
ME 73	Lihir	Lihir Gold Limited (100%)
ME 75	Slurry pipe - Kurumbukari	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
ME 77	Water pipe - Kurumbukari	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
ME 78	Plant site to accomodation	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
ME 79	Plant site to quarry	MCC Ramu NiCo Limited (85%), Ramu Nickel Limited (9%), Mineral Resources Ramu Limited (4%), Mineral Resources Madang Limited (2%)
ME 80	Kainantu	K92 Mining Limited (100%)
ME 81	Kainantu	K92 Mining Limited (100%)
ME 82	Wau	Newcrest PNG 1 Limited (50%), Morobe Consolidated Goldfields Limited (50%)
ME 83	Usino	MCC Ramu NiCo Limited (100%)
ME 85	Kulumandau	Woodlark Mining Limited (100%)
ME 86	Kulumadau	Woodlark Mining Limited (100%)

New applications granted for reporting period, as at 31 December 2017

Code	Name	Parties
Exploration Licence		
EL 2466	Metewoi	Rio Tinto Exploration (PNG) Limited (100%)
EL 2472	Tabubil	Ok Tedi Mining Limited (100%)
EL 2478	Ilam river	Highlands Pacific Resources Limited (100%)
EL 2479	Kwikila Station	Combuco Limited (100%)
EL 2485	Mapamoiwa	Pacific Arc Resources (Niugini) Limited (100%)
EL 2491	Sehulea	Reekara Limited (100%)
EL 2502	Pakapuna	LogiKon Corporation Pty Ltd (100%)
EL 2503	Mt Kuta	Kraip Energy Limited (100%)
EL 2510	Screw River	Kavra Maah Limited (100%)
EL 2511	Opa	Munga River Limited (100%)
EL 2512	Kubor Range	Munga River Limited (100%)
EL 2514	Makmak	Copper Quest PNG Limited (100%)
EL 2517	Star Mountains	Highlands Pacific Resources Limited (100%)
EL 2521	Bitoi, Wau Morobe	Terra Resources Limited (100%)
EL 2523	Aiyura, Eastern Highlands	W & M Industry Limited (100%)
EL 2524	Krisa, Vanimo	Pacific Energy Consulting Limited (100%)
EL 2525	Wabo, Gulf Province	Pacific Energy Consulting Limited (100%)
EL 2528	Pomio, East New Britain	PCP Minerals Limited (100%)
EL 2530	Kubuna, Central Province	Rio Tinto Exploration (PNG) Limited (100%)
Special mining lease		
0		
Mining Lease		
ML 509	Malalaua	Hells Gate Exploration Limited (100%)
ML 514	Ningerum	Upper Ok Tedi Resources Company Limited (51%), Apollo Mineral Resources Limited (49%)
Alluvial Mining Lease		
AML 643	Little Wau Creek	Martin Kilimbu (100%)
AML 717	Pakaliliam	Peter Malex (100%)
AML 718	Pakaliliam	Peter Malex (100%)
AML 719	Pakaliliam	Peter Malex (100%)
AML 720	Pakaliliam	Peter Malex (100%)
AML 721	Pakaliliam	Peter Malex (100%)
AML 750	Pakaliliam	Peter Malex (100%)
AML 751	Pakaliliam	Peter Malex (100%)
AML 803	Kemaea	Willie Lalai (100%)
AML 804	Kemaea	Willie Lalai (100%)
AML 805	Madang	Andakole Benjamin Adada (100%)
AML 807	Bulolo	Anton Bingtau (100%)
AML 808	Tabubil	Dimangi Buman (100%)
AML 809	Wau	Papras Geame (100%)
AML 810	Ningerum Station	Ok Temka Clan (100%)
AML 811	Ningerum Station	Ok Temka Clan (100%)
AML 812	Ningerum Station	Ok Temka Clan (100%)
AML 813	Ningerum Station	Ok Temka Clan (100%)
AML 814	Ningerum Station	Tama Clan (100%)
AML 815	Ningerum Station	Tama Clan (100%)
AML 816	Ningerum Station	Tama Clan (100%)
AML 817	Ningerum Station	Tama Clan (100%)
AML 818	Ningerum Station	Tama Clan (100%)
AML 819	Ningerum Station	Dawantem Clan (100%)
AML 820	Ningerum Station	Dawantem Clan (100%)
AML 821	Ningerum Station	Dawantem Clan (100%)
AML 822	Ningerum Station	Dawantem Clan (100%)
AML 823	Ningerum Station	Dawantem Clan (100%)
AML 824	Gomore Village	Kila Muduka (100%)
AML 825	Gomore Village	Kila Muduka (100%)

Code	Name	Parties
AML 826	Gomore Village	Kila Muduka (100%)
AML 827	Gomore Village	Kila Muduka (100%)
Lease for Mining Purpose		
LMP 102	Aipilungu 1	Barrick (Niugini) Limited (100%)
Mining Easement		
0		
Renewal applications granted for reporting period, as at 31 December 2017		
Exploration Licence		
EL 58	Frieda River	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 485	Londolovit	Lihir Gold Limited (100%)
EL 1103	Zilani	Newcrest PNG 3 Limited (50%), Morobe Exploration Limited (50%)
EL 1172	Kulumadau	Woodlark Mining Limited (100%)
EL 1196	Namatanai	Nautilus Minerals Niugini Limited (100%)
EL 1212	Frieda	Frieda River Limited (80%), Highlands Frieda Limited (20%)
EL 1279	Kulumadau	Woodlark Mining Limited (100%)
EL 1335	Yandera	Yandera Mining Company Limited (100%)
EL 1390	Kokoda	Oro Nickel Limited (100%)
EL 1392	Tifalmin	Highlands Pacific Resources Limited (100%)
EL 1438	Bolobip Station	Niuminco (ND) Limited (100%)
EL 1441	Hotmin & Ama	Niuminco (ND) Limited (100%)
EL 1462	Kimbe	Sagittarius Mining Limited (100%)
EL 1704	Obura	Newcrest PNG Exploration Limited (100%)
EL 1705	Obura	Newcrest PNG Exploration Limited (100%)
EL 1761	Esa!ala	Highlands Pacific Resources Limited (100%)
EL 1854	Lila Village	Yandera Mining Company Limited (100%)
EL 1966	Wabag 1	Viva No. 20 Limited (100%)
EL 1967	Wabag 2	Viva No. 20 Limited (100%)
EL 1968	Wabag 3	Viva No. 20 Limited (100%)
EL 2203	Crater Mountain	Anomaly Limited (100%)
EL 2249	Gwasa	Anomaly Limited (100%)
EL 2256	Tabubil	Ok Tedi Mining Limited (100%)
EL 2289	Tabubil	Ok Tedi Mining Limited (100%)
EL 2302	Bulolo	Canterbury Resources (PNG) Limited (100%)
EL 2306	Kompam Station	Khor ENG Hock & Sons (PNG) Limited (100%)
EL 2314	Bulolo	Canterbury Resources (PNG) Limited (100%)
EL 2318	Haia Village	Anomaly Limited (100%)
EL 2322	Ulpuna	Sagittarius Mining Limited (100%)
EL 2324	Tambu Bay	Komomoa Energy Resources PNG Limited (100%)
EL 2329	Bulolo	Niugini Gold Mining Limited (100%)
EL 2331	Port Moresby, Metago	New Britain Lime & Cement Limited (100%)
EL 2332	Port Moresby, Boera	New Britain Lime & Cement Limited (100%)
EL 2334	Ubaigubi	Anomaly Limited (100%)
EL 2335	Maimafu	Anomaly Limited (100%)
EL 2351	Kandep	ESDA PETROMINING LIMITED (100%)
EL 2356	Muller Range	Frontier Copper (PNG) Limited (100%)
EL 2357	Dumpu	MB Transport Limited (100%)
EL 2359	Vanimo and Wutung Govt Stns	Oenake Nickel Limited (100%)
EL 2366	Subutuya	Solway Group Mining (PNG) Limited (100%)
EL 2367	Sebutuya	Solway Group Mining (PNG) Limited (100%)
EL 2375	Ala River	Frontrunner Exploration PNG Ltd (100%)
EL 2378	Lorengau	Finny Limited (100%)
EL 2379	Simuku and Ismin	Copper Quest PNG Limited (100%)
EL 2386	Kuabini	Harmony Gold (PNG) Exploration Limited (100%)
EL 2390	Lorengau	Finny Limited (100%)
EL 2391	Doma Village	Papuan Minerals Limited (100%)
EL 2413	Leron Plains	Rio Tinto Exploration (PNG) Limited (100%)

Code	Name	Parties
Special mining lease		
SML 1 (P)	Porgera	Barrick (Niugini) Limited (95%), Mineral Resources Enga Limited (5%)
Mining Lease		
0		
Alluvial Mining Lease		
0		
Lease for Mining Purpose		
0		
Mining Easement		
0		
Applications under assessment for reporting period, as at 31 December 2016		
Applications under assessment for the reporting period was not provided. Refer to the Papua New Guinea 2016 EITI Report ²⁸⁶ .		

Appendix C Active oil and gas licenses in 2017

Based on DPE reporting of fee payments (reconstructed from PDF original; totals recalculated by IA)

Description	Company / Operator	Amount (PGK)
PETROLEUM PROSPECTING LICENCES		
PPL 436	Kina Petroleum Limited	81,000
PPL 504	Oil Search (PNG) Limited	12,000
PPL 338	Kina Petroleum Limited	10,000
PPL 581	Kina Petroleum Limited	4,000
PPL 372	Horizon Oil (Papua) Limited	12,500
PPL 373	Horizon Oil (Papua) Limited	9,000
PPL 507	ExxonMobil PNG Limited	4,500
PPL 477	InterOil SPI E&P Limited	15,000
PPL 476	InterOil SPI E&P Limited	29,000
PPL 475	InterOil SPI E&P Limited	12,500
PPL 474	InterOil SPI E&P Limited	29,500
PPL 452	Hillsborough Limited	7,500
PPL 437	Kina Petroleum Limited	9,000
PPL 579	Larus Energy Limited	55,000
PPL 340	Kina Petroleum Limited – part payment of K26,000	13,000
PPL 596	Kina Petroleum Limited	2,500
PPL 597	Kina Petroleum Limited	1,500
PPL 598	Kina Petroleum Limited	1,500
PPL 340	Kina Petroleum Limited – part payment of K26,000	13,000
PPL 352	Peak Oil (PNG) Pty Ltd	91,500
PPL 294	MKS Ltd – 2016 rental payment	31,000
PPL 294	MKS Ltd – 2017 rental payment	31,000
PPL 578	Prime PNG Energy	36,000
PPL 219	Oil Search (PNG) Limited	20,000
PPL 339	Oil Search (PNG) Limited	49,000
PPL 537	TWhite Petroleum Pty Ltd	6,000
PPL 538	TWhite Petroleum Pty Ltd	5,000
PPL 565	TWhite Petroleum Pty Ltd	23,5000
PPL 566	TWhite Petroleum Pty Ltd	1,500
PPL 287	Repsol Oil & Gas Niuginin Ltd	132,000
PPL 395	Oil Search (PNG) Limited	3,500
PPL 430	Horizon Oil (Papua) Limited	4,000
PPL 589	Total E&P PNG 2 B.V	92,000
PPL 464	ExxonMobil PNG Limited	500
PPL 374	ExxonMobil PNG Canary Limited	82,000
PPL 375	ExxonMobil PNG Limited	66,000
PPL 339	Oil Search (PNG) Limited	49,000
PPL 545	Oil Search (PNG) Limited	29,500
PPL 595	Oil Search (PNG) Limited	6,000
PPL 435	Kina Petroleum Limited	33,000
PPL 385	Oil Search (PNG) Limited	8,000
PPL 549	Rawson Resources Limited	29,000
PPL 516	Hillsborough Limited	5,000
PPL 515	Hillsborough Limited	28,500
PPL 426	Repsol Oil & Gas Niugini Ltd	39,500
PPL 405	Gini Energy Limited	4,500
PPL 548	Oil Search (PNG) Limited	2,500
PPL 563	Hillsborough Limited	31,000
PPL 564	Hillsborough Limited	9,500
PPL 563	Hillsborough Limited	31,000
PPL 564	Hillsborough Limited	9,500
PPL 569	ExxonMobil PNG Limited	100,000
PPL 487	ExxonMobil PNG Limited	500
PPL 436	Kina Petroleum Limited	81,000
PPL 244	Oil Search (PNG) Limited	24,000

²⁸⁶ <https://eiti.org/document/papua-new-guinea-2016-eiti-report>

PPL 402	Oil Search (PNG) Limited	3,000
	Total PPLs	1,518,500
PETROLEUM RETENTION LICENCES		
PRL 39	InterOil SPI E & P Limited – 4 th annual rental fee	30,000
PRL 40	Repsol S.A	30,000
PRL 21	Horizon Oil Papua Limited	30,000
PRL 8	Oil Search (PNG) Ltd	30,000
PRL 9	Oil Search (PNG) Ltd	30,000
PRL 10	Oil Search (PNG) Ltd	30,000
PRL 14	Oil Search (PNG) Ltd	30,000
PRL 39	ExxonMobil – 5 th annual rental fee – Took over by ExxonMobil	30,000
PRL 3	ExxonMobil PNG Limited	90,000
PETROLEUM PIPELINE LICENCES		
PL 10	Repsol (Talisman Niugini Energy Ltd)	100,000
PL 1	Oil Search (PNG) Ltd	10,000
PL 2	Oil Search (PNG) Ltd	100,000
PL 3	Oil Search (PNG) Ltd	10,054
	Total PLs	220,054
PETROLEUM PROCESSING FACILITY LICENCE		
PPFL 1	Puma Energy PNG Refining Ltd – Annual licence fees for 2016 & 2017	200,000
	Total PPFLs	200,000

PRL 38	Repsol Oil & Gas Niugini Ltd	30,000
	Total PRLs	360,000
PETROLEUM DEVELOPMENT LICENCES		
PDL 5	Exxon Mobil PNG Ltd	100,000
PDL 6	Oil Search (PNG) Ltd	100,000
PDL 10	Repsol (Talisman Niugini Energy Ltd)	100,000
PDL 2	Oil Search (PNG) Ltd	100,000
PDL 3	Oil Search (PNG) Ltd	100,000
PDL 4	Oil Search (PNG) Ltd	100,000
PDL 1	Exxon Mobil PNG Ltd	100,000
	Total PDLs	700,000

Appendix D Oil & gas licenses transferred in 2017

PPL	Dated	Approved	Transferor	Transferee
PDL 3	TBC	TBC	TBC	TBC
PL 3	TBC	TBC	TBC	TBC
PRL 15	TBC	TBC	TBC	TBC
PRL 21	TBC	TBC	TBC	TBC
PRL 28	TBC	TBC	TBC	TBC
PRL 38	TBC	TBC	TBC	TBC
PRL 39	TBC	TBC	TBC	TBC
PPL 244	TBC	TBC	TBC	TBC
PPL 339	TBC	TBC	TBC	TBC
PPL 372	TBC	TBC	TBC	TBC
PPL 373	TBC	TBC	TBC	TBC
PPL 395	TBC	TBC	TBC	TBC
PPL 475	TBC	TBC	TBC	TBC
PPL 523	TBC	TBC	TBC	TBC
PPL 532	TBC	TBC	TBC	TBC

Source: DPE reporting template

Appendix E

Receiving entities for mining royalty payments – as reported by MRA

Simberi	
Receiving entity	Amount reported paid 2017 (PGK)
Simberi Land Owners	9,280,255
Total	9,280,255

Hidden Valley	
Receiving entity	Amount reported paid 2017 (PGK)
Affected River Communities	1,199,336
Buang LLG	74,870
Bulolo District Treasury	1,347,668
Kwembu	626,023
Morobe Provincial Government	1,347,668
Mumeng LLG	224,611
Nakuwi Future Generations	142,921
Nakuwi Landowner Association	142,921
Nauti	1,330,564
Settler Community Trust	142,921
Subsidiary Communities	107,183
Wafi Landowner Association	35,725
Waria LLG	149,741
Watut LLG	374,352
Wau/Bulolo Urban LLG	299,482
Wau/Rural LLG	374,352
Winima	625,216
Total	8,545,553

Pogera

Receiving entity	Amount reported paid 2017 (PGK)
Enga Provincial Government	20,216,568
Pogera Development Authority	2,021,657
SML Landowners	6,064,971
SML Children's Trust	4,043,314
Pogera Landowners Association	4,851,977
Pogera Young Adults	3,234,651
Total	40,433,138

Lihir

Receiving entity	Amount reported paid 2017 (PGK)
Block Owners	15,013,015
New Ireland Province (NIPG)	37,532,538
NILLG	22,519,523
Total	75,065,076

Ok Tedi

Receiving entity	Amount reported paid 2017 (PGK)
Atemkit Landowners	3,495,733
Bultem Landowners	3,495,733
Finalbin Landowners	3,495,733
Fly River Provincial Government	21,265,859
Kavorabip Landowners	3,495,733
Migalsibip Landowners	1,398,293
LLG - Ok Tedi Landowners (MOA) Admin Fund	279,659
LLG - Ok Tedi Landowners Royalty Trust Fund	10,906,686
Wangbin Landowners	127,008
Total	47,960,434

Appendix F Oil & gas licenses awarded in 2017

PPL	Dated	Approved	Transferor	Transferee
PRL 40	TBC	TBC	TBC	TBC
PPL 413	TBC	TBC	TBC	TBC
PPL 414	TBC	TBC	TBC	TBC
PPL 504	TBC	TBC	TBC	TBC
PPL 507	TBC	TBC	TBC	TBC
PPL 545	TBC	TBC	TBC	TBC
PPL 578	TBC	TBC	TBC	TBC
PPL 579	TBC	TBC	TBC	TBC
PPL 581	TBC	TBC	TBC	TBC
PPL 589	TBC	TBC	TBC	TBC
PPL 595	TBC	TBC	TBC	TBC
PPL 596	TBC	TBC	TBC	TBC
PPL 597	TBC	TBC	TBC	TBC
PPL 598	TBC	TBC	TBC	TBC

Details were not supplied by DPE at the time of publication

Source: DPE reporting template