EITI Timor-Leste

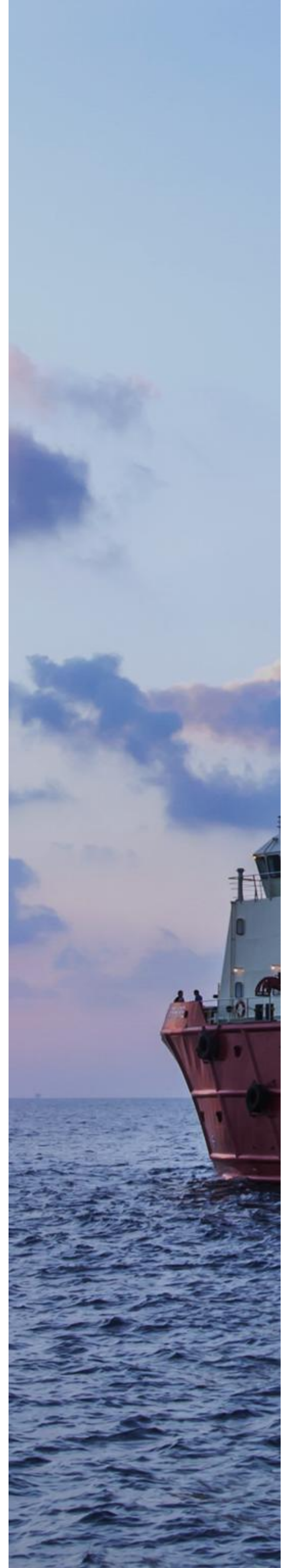
INCEPTION REPORT

2024

Preliminary version to be approved by the MSWG

Index

1 Inception Report



EY Portugal has been appointed by the EITI Multi-Stakeholders Working Group (MSWG) of Timor-Leste as the Independent Administrator (IA) to produce the annual EITI report for the year 2024, in accordance with service contract number RFP/MPRM-2026 dated 10th August 2026. This 2024 EITI Reconciliation Report will mark the 17th report prepared by Timor-Leste and builds on the progress achieved in previous reporting cycles under the 2023 EITI Standard. Following the implementation of the 2023 EITI Standard in the 2022 and 2023 Reports, Timor-Leste has continued to strengthen transparency and disclosure practices, including the reporting of data aligned with the enhanced requirements of the Standard.

The 2024 Report will focus on further improving the quality and comprehensiveness of disclosures, addressing recommendations from previous validation processes, and ensuring continued compliance with the requirements of the 2023 EITI Standard, reflecting Timor-Leste's ongoing commitment to transparency and accountability amid evolving conditions in the extractive sector.

The inception report describes the initial start-up activities. In addition to the already demonstrated and presented to the MSWG it elaborates the methodology, processes, procedures and methods which shall be used in the collection of the data as well as evaluation strategies of the information to be gathered.

The objectives of the inception report are to:

- Confirm the scope of the EITI 2024 Report;
- Summary of Methodology and Approach;
- Approve the data reporting templates as (also prepared by EY Portugal);
- Identification of the Materiality;
- Develop the data collection processes and Reconciliation Plan;
- Confirm the schedule for publishing the EITI report for the year 2024.

The Report has been prepared at the request of Timor-Leste Extractive Industries Initiative (TL EITI) secretariat, and it is not for general circulation or publication or is it to be reproduced, either in part or in full for any other purpose. We do not assume any responsibility or liability for any losses.

2 EITI Background

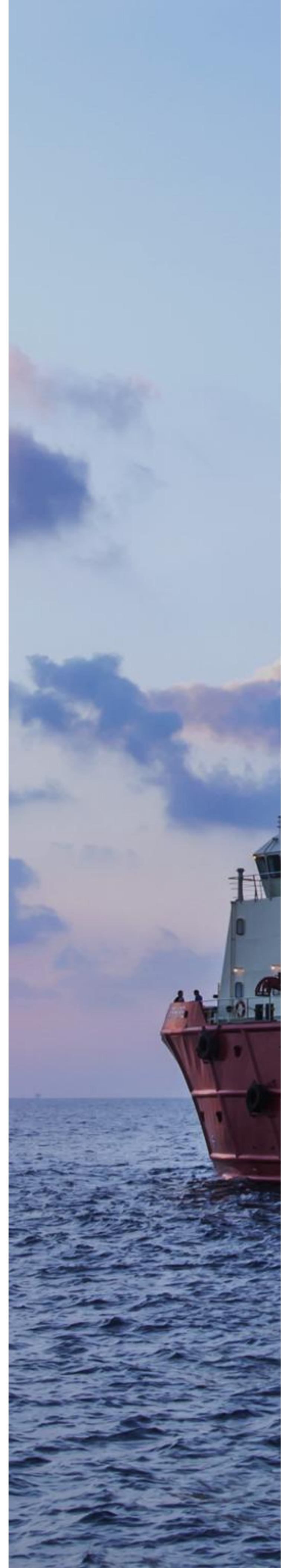
2.1 EITI Worldwide

The Extractive Industries Transparency Initiative is a global standard aiming to improve transparency and to promote good governance of oil, gas and mineral resources.

Created in September 2002, EITI has now more than 50 implementing countries that are required to fulfil the latest 2023 EITI Standard, the 4^{th} edition of the global standard for transparency and good governance of the oil, gas and mining sector. The EITI Standard postulates that the implementing countries must disclose the financial and non-financial data of its extractive industry, fighting the corruption and promoting the country's transparency.

On June 12^{th}, 2023, EITI International launched the 2023 EITI's Standard, replacing the 2019 EITI Standard. The amended EITI Standard includes several new and refined provisions that mandate countries to respond to the most pressing challenges that concern natural resource governance. It strengthens EITI disclosures and governance requirements to improve understanding of the impact of the energy transition, address corruption risks, promote gender equity and strengthen revenue collection.

EITI implementing countries have been assessed against the 2023 EITI Standard since 1 January 2025.



2 EITI Background

2.2 EITI in Timor-Leste

Timor-Leste joined the EITI in 2008 and had the 1st Validation commenced on 1 July 2016. The Board agreed that Timor-Leste has made meaningful progress overall in implementing the 2016 EITI Standard. In taking this decision, the EITI Board noted the strong commitment by the Government of Timor-Leste to the EITI implementation and the effective oversight provided by the Timor-Leste Multi-Stakeholder Working Group.

Timor-Leste's 2nd Validation commenced on 11 January 2018. The EITI Board agreed that Timor-Leste has fully addressed the corrective actions from the country's 1st Validation. Consequently, Timor-Leste has made satisfactory progress overall in implementing the 2016 EITI Standard.

In February 2023, the EITI International Secretariat issued its Report on the validation of Timor-Leste it had conducted in 2022, finding that Timor-Leste has fully met 11 EITI Requirements, mostly met 9 and partly met 6. The total score achieved in implementing the 2019 EITI Standard was assessed as "fairly low" at 58 points, reflecting the average of the three component scores on Stakeholder engagement, Transparency, and Outcomes and impact.

The International EITI Board identified regressions in 8 requirement areas when compared to the previous Validation and established April 2025 as the deadline for addressing the identified corrective actions.

In May 2023, the EITI Board approved transitional arrangements related to the implementation of the 2023 EITI Standard. These arrangements established that EITI Reports prepared following the approval of the 2023 Standard should align with its reporting requirements, while formal Validations against the 2023 Standard would only commence from 1 January 2025 onwards.

Accordingly, Timor-Leste has progressively incorporated the requirements of the 2023 EITI Standard into its reporting process. The 2022 and 2023 EITI Reports were prepared in accordance with the 2023 EITI Standard and relevant international professional standards, supporting Timor-Leste's ongoing efforts to enhance transparency and address recommendations arising from previous Validation exercises.

The 2024 EITI Report represents a significant milestone in Timor-Leste's EITI implementation, as it will be the first report to be assessed through a Validation process under the 2023 EITI Standard. As such, it provides an important opportunity to demonstrate the progress achieved in addressing corrective actions from previous Validations, strengthening disclosure practices, and ensuring alignment with the requirements and objectives of the 2023 EITI Standard.

3 Methodology and Approach

3.1 Independent Administrator

The IA's approach for the preparation of the 2024 EITI Report is aligned with the requirements of the 2023 EITI Standard and with the MSWG's agreed objectives and expectations for the EITI process.

On 12th June 2023, EITI International launched the 2023 EITI's Standard, which corresponds to the 4th edition of the standard for transparency and good governance in the extractive industries sector.

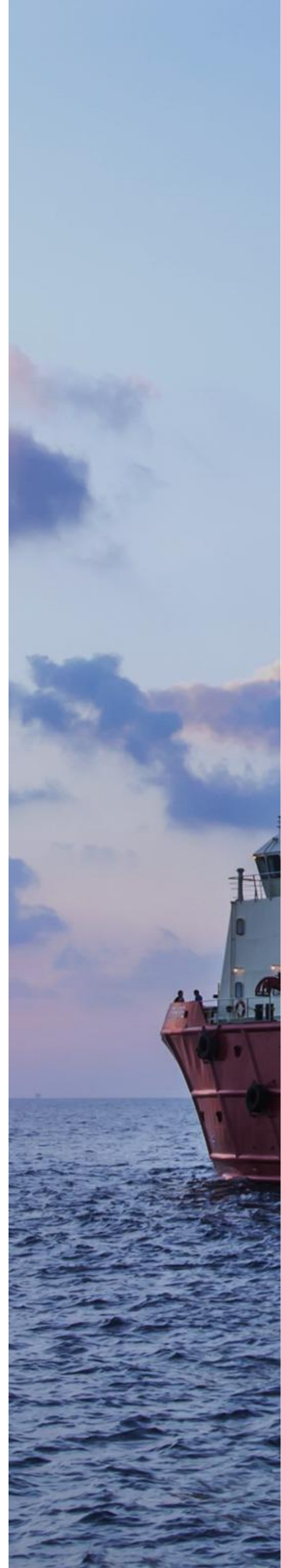
The reconciliation of payments and revenues will be undertaken by applying international professional standards, namely using a circularization procedure to challenge revenue data shared by the government and material selected entities.

The role of the IA is to support the MSWG in the preparation of the 2024 TL-EITI Report. As part of this assignment, the IA must be able to reconcile 2024 data submitted by companies and government reporting entities. The IA must also obtain the necessary assurances from the reporting entities around the comprehensiveness and reliability of the data.

The IA will also work closely with the MSWG to agree on the procedures for incorporating and analyzing contextual and other non-revenue information. The IA's work must be independent and performed in a manner that is consistent with the ToR.

The following phases will be pursued by the IA:

1. Preliminary analysis, including the inception report;
2. Data collection though appropriate and approved templates;
3. Initial reconciliation of the data submitted by the entities and by the government;
4. Investigation of the discrepancies and final reconciliation;
5. Final Report, with the minimum amount of differences.



3 Methodology and Approach

3.2 Overview of data collection and reconciliation

According the EITI Requirements, the reconciliation of payments is subject to credible, independent audit, applying international professional standards.

Process of Data Collection and Reconciliation:

- In phase one we will review and update a reporting template that will be used to confirm the position of each company and government entities. In that reporting template we will include a request to the management signs to confirm the following statement: "I certify that the information above is true and consistent with standard government auditing Procedures". The reporting template have included detailed information about the Beneficial Ownership and politically exposed persons (PEPs) .
- The reporting template will be sent to the companies by the TL-EITI National Coordinator when it is approved by the MSWG.
- The answers will be managed by IA and EITI Local Secretariat.
- The analysis of the information requested will be performed by EY and for significant differences it will be send a request to provide a written explanation of the difference and additional documentation to support that explanation.
- Every time there will be differences/doubts about the information reported, IA requests the entities to resend of the information updated.

<u>The reliability of the data provided will be supported by the following methods:</u>

- All forms received from companies and government agencies will be checked. The signature will be confirmed in order to ensure the correctness of data provided.
- Analytical procedures - Compared the amounts provided with the amounts of previous periods.
- Verification if the entities are subject to external audit procedures in order to validate the degree of quality expected from the data.
- Revenue information will be reconciled comparing GoV information with stakeholders information.

Reporting Templates

The reporting templates were sent to be approved by MSWG.

4 Identification of the Materiality and Scope

4.1 Materiality

The EITI Standard defines materiality as follows: "*Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report*." Different ways could be used to define materiality for the 2024 Report.

In establishing the materiality definitions and thresholds, the MSWG should consider the size of the revenue streams relative to total revenue. Materiality shall be applied to the following:

Understanding of the revenue streams in the extractive sector

↓

Identifying material revenue streams

↓

Identifying reporting entities

↓

Documenting the materiality decisions adopted

Based on the image displayed, the MSWG has approved a materiality threshold of 100.000 USD for the revenue streams in scope and for all aggregated year end payments made by an entity in the year 2024. Any discrepancies must be analyzed and reported.

Although the reporting year 2024 was characterized by a continued decline in petroleum production and revenues, the application of this threshold will still allow to collect around 99% of total tax and non-tax revenues received from the extracted industry.

Sectors

Based on the information obtained during the scoping phase, the sectors considered in scope for the 2024 EITI Report are Mining and Oil & Gas.

According to the Petroleum Fund Annual Report, petroleum revenues received during 2024 amounted to USD 85.4 million. Bayu-Undan remained the only producing petroleum field and production decreased from 7.0 million BOE in 2023 to 1.9 million BOE in 2024 (on top off a average brent price decrease compared with 2023). Despite this decline and a known even further decline in subsequent years, in 2024 the O&G sector continues to represent the most significant source of extractive revenues in Timor-Leste and remains material for EITI reporting purposes.

Given the continued decline in petroleum revenues, the voluntary inclusion of selected mining entities also contributes to enhancing transparency across the broader extractive sector, in line with recommendations arising from the previous Validation process.

4 Identification of the Materiality and Scope

4.2 Revenue Streams

According to the threshold defined and approved by MSWG (and based on the information received from ANP, ANM, Petroleum Fund and Minister of Finance) the material revenue streams from Timor-Leste relevant to the EITI report are listed below. According to the MSGW these revenue streams cover virtually all receivables from the O&G and Mining Industry.

OIL & GAS REVENUE STREAMS	
TAX REVENUE	**NON-TAX REVENUE**
TL RESIDENT OR PE WHT TAX	FTP
TL NON-RESIDENT OR NON PE WHT TAX	PROFIT OIL & GAS PAYMENTS
TL RESIDENT EMPLOYEES WAGES INCOME TAX	CONTRACT SERVICES FEE
TL NON-RESIDENT EMPLOYEES WAGES INCOME TAX	DEVELOPMENT FEE
ADDITIONAL PROFIT TAX (APT)	SURFACE RENTAL FEE
CORPORATE INCOME TAX (CIT)	OTHER PAYMENTS
VAT	
ADDITIONAL TAX	

MINING REVENUE STREAMS
TAX REVENUE
PAYMENT FOR MINERAL LICENSE
PAYMENT FOR MINERAL PERMITS
COMPENSATION FOR UNAUTHORIZED MINING ACTITVITY
EXPLORATION LICENSE - SURFACE FEE
MINERAL PUBLIC TENDER

4 Identification of the Materiality and Scope

4.3 Extractive companies and government entities in Scope

EITI Standard defines that all extractive companies and government entities above the threshold (materiality) are required to report as part of the reconciliation.

Based on the materiality threshold defined by MSWG, it were identified the following entities in scope in 2024:

Mining Entities
CBMI Construction Co., & Chongqing Road Engineering (Group) Co., Lda.
China Railway International Group Co., Ltd., R.P. & COVEC (CRIG - COVEC, JV.)
Sinohydro Corporation Limited, R.P
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Subcontractors* - O&G
Baker Huges Aust Pty Ltd
Caltech Unipessoal Lda
Clough Wood Pty Ltd
Compass Group (Australia) Pty Ltd
Haliburton Australia Pty Ltd
Hertel Modern Pty Ltd
Konnekto Unip Lda
Konnekto Unip Lda (CGA Tax)
Konnekto Unip Lda (KKT P Tax)
Konnekto Unip Lda. (BABCOCK P Tax)
KONNEKTO UNIPESSOAL LDA
KONNEKTO UNIPESSOAL LDA KKT PETROTAX
KONNEKTO UNIPESSOAL LDA(BABCOCK)
Laloran Marine Service Lda
Noble Drilling Offshore
SGS Australia Pty Limited
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* Please note that the names of the entities provided refers to the information presented in the Petroleum Fund Report, therefore it is expected that some entities could be members of the same business group.

Contractors*- O&G
BU12 Australia Pty Ltd
BU13 Australia Pty Ltd
Conocophillips Timor Leste
ENI JPDA 03-13 LTD
Eni JPDA 06-105 PTY LTD
ENI JPDA 11-105 Pty Ltd
ENI JPDA 11-106
ENI JPDA Pty Ltd
ENI Timor Leste Spa Branch
ENI Timor Leste S.P.A (PSC 4)
ENI KITAN
ENI BLOCK P
ENI 06-04
Offshore Service Australia Pty
Santos Ltd
Santos NA (19-12)
Santos NA TL Pty Ltd
SANTOS BAYU UNDAN
Sunda Gas Timor Leste Sahul
Sundagas Banda Unip Lda
SUNDA GAS CHUDITH
Timor GAP Chudit Unip, Lda
Timor Gap EP
TIMOR GAP EP (PSC 11-106)
Timor Gap Rarahana Unip, Lda
Timor Gap G Sunrise Unip Lda
Timor Gap Onsh Block Unip.Lda.
Timor GAP Onshore Block C Unip, Lda
Timor Gap PSC 11-106 Unip Ld
Timor GAP Pualaca Block Unip, Lda
Timor Gap Pualaka Unip
Timor Gap Greaters Sunrine 03-20 Unip, Lda
Timor Gap Offshore Block Unipessoal
Timor Gap Seismic
Timor Gap PSC TL-OT-22-22, Unip Lda
Timor Gap Bayu-Undan 19-12, Unip Lda
Timor Gap Greater Sunrise RL2, Unip Lda
Timor Gap Greater Sunrise 03-19 Unip, Lda
Timor Resources Pty Ltd
Tokyo Timor Sea Resources Pty Ltd
Inpex Sahul
WOODSIDE (GSSRA)
FINDER 19-11
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4 Identification of the Materiality and Scope

4.4 Other Scope Decisions

- **Revenue received from transportation of Oil and Gas**

The revenues from the transportation of oil and gas constitute one of the revenue streams in the extractive sector and should be disclosed, according to Requirement 4.4 of the 2023 EITI Standard.

Based on our analysis, no transportation revenue was identified as the "pipeline fee" is a fee and not a transportation service payment.

- **Social Expenditures**

According to requirement 6 from EITI Standard social expenditures and the impact of the extractive sector on the economy should be disclosed helping readers to assess social and economic impacts and outcomes that these industries create on the country. Those requirements include:

- Social expenditures by companies;
- SOE quasi-fiscal expenditures;
- The contribution of the extractive sector to the economy.

There is no legal requirement to consider social expenditure as mandatory for extractive companies. However, for the Operators there are mandatory ("Social costs accepted has a Cost recovery") expenses that were included in the reporting templates and will be analyzed in order to understand if they are or not social mandatory expenses.

The voluntary social expenses, in alignment with EITI Requirements, were also requested in the reporting template in order to disclose a unilateral information.

- **In kind transactions**

According to requirement 4.2 from EITI Standard, the sale of the state's share of production or other revenues collected in-kind, the government, including state owned enterprises are required to disclose the volumes sold and the revenues received.

However, and taking into consideration the initial study phase, there are no such payments in Timor-Leste. We have decided to request this information in reporting template in order guarantee our initial conclusions.

- **Environmental Expenditures**

According to Requirement 6.1, the multi-stakeholder group is required to agree a procedure to address data quality and assurance of information on social and environmental expenditures.

Therefore, we have included in the template, information regarding the environmental expenditures.

4 Identification of the Materiality and Scope

4.4 Other Scope Decisions

- **Subnational payments and transfers**

According to Requirement 4.6 of the EITI Standard implementing countries have to report on subnational revenues.

However, and taking into consideration the initial study phase, there are no such payments in Timor-Leste, all O&G revenues are expected to flow to the Petroleum Fund.

- **Mainstreaming anti-corruption into EITI objectives**

The EITI Standard introduces new requirements that shed light on companies' safeguards against corruption. All reporting companies, including state-owned enterprises, are now expected to publish an anti-corruption policy that sets out how they manage corruption risks. This policy should provide a clear framework for how they identify, manage, and mitigate corruption risks.

In accordance with this requirement, we have implemented a request for entities to submit their anti-corruption policies as part of their EITI data reporting submission.

- **Gas Emissions**

Requirement 3.4 requires provide with disaggregation of GHG emissions under existing disclosure standards.

In accordance with this requirement, we created GHG emission template to gather data on greenhouse gas emissions from the extractive entities in Timor-Leste.

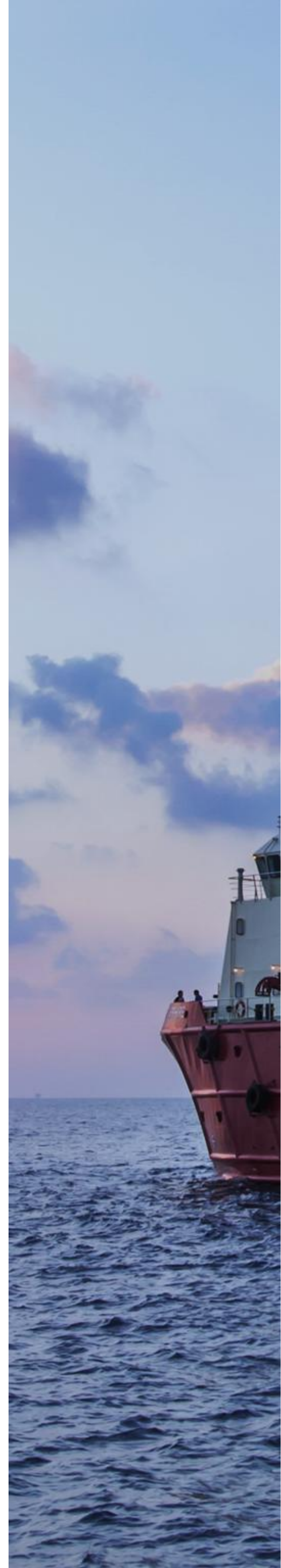
5 Reporting & Milestones

5.1 Work and Deliverables

EY was appointed to establish the scope of the 17th EITI Report for year 2024 and will prepare the EITI report in accordance with 2023 standards. As part of that report, EY will reconcile the data submitted by the companies and government entities.

The objective is to produce the final EITI report for the year 2024, and the key activities are:

- Produce electronic data files that can be published together with the final Report;
- Following approval by the MSWG, we will submit summary data from the TL-EITI Report electronically to the International Secretariat according to the standardized reporting format available from the International Secretariat (Requirement 7.2). We will publish/make public their final report only upon the instruction of the MSWG. The MSWG will endorse the report prior to its publication. Where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.



5 Reporting & Milestones

5.2 Milestones

The work will be split in the following phases, with the specific timelines and deliverables:

2024 EITI Report	Owner	Timeline
Scoping study delivered (Entity selection)	IA (EY)	07/09/2026
Send 2024 EITI data collection templates	IA (EY)	09/09/2026
Data collection from entities in scope	National Coordinator (IA)	09/09/2026 - 23/09/2026
Data analysis and reconciliation process	IA (EY)	24/09/2026 - 16/10/2026
Data quality assurance	IA (EY)	01/10/2026 - 16/10/2026
Drafting the TL-EITI Reconciliation Report*	IA (EY)	19/10/2026 - 06/11/2026
Feedback on draft versions	MSWG and Stakeholders	During Oct-Nov 2026
Final report preparation	IA (EY)	03/11/2026 - 20/11/2026
Share final version of TL-EITI Report	IA (EY)	02/12/2026
Summary data delivered	IA (EY)	04/12/2026
Translation delivered	IA (EY)	31/01/2027

*The IA will submit draft chapters to the MSWG for review and comments as they are completed.