

Nigeria Sao Tome and Principe, Joint Development Zone First EITI Report 2003-2013

First EITI Report

November 2014





Mr Luís dos Prazeres
Executive Director
Joint Development Authority
117, Aminu Kano Crescent – Wuse II/Abuja
Nigeria

H.E. Mr Américo de Oliveira Ramos
Minister of Finance and Public Administration and Chairman of the STP-EITI Committee
CP168 – São Tomé
Sao Tome and Principe

December 3, 2014

Subject: Independent EITI Report for the Joint Development Zone

Dear Sir,

We are pleased to send you the first independent EITI report of Nigeria-Sao Tome and Principe Joint Development Zone (JDZ) covering the period from January 1, 2003 to December 31, 2013. The Report covers contextual information related to the oil operations in the JDZ as well as the reconciliation of oil company payments and receipts of the Joint Development Authority.

The main issues highlighted in our report include the results of independent reconciliation, the challenges faced during its execution and suggestions for improvements that, in our view, bearing in mind the limitations of the scope of our work, the EITI should consider for future processes of independent reconciliations.

In accordance with our usual practice, maximizing the usefulness of our collaboration, we remain at your disposal for any additional clarifications that are considered useful and necessary.

We must finally acknowledge the input we received from the , the JDZ-EITI Sub-Committee and STP-EITI Committee, the World Bank and other entities with whom we contacted,

Yours truly,

PricewaterhouseCoopers & Associados
– Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Jorge Manuel Santos Costa

*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
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Index

Glossary of abbreviations and terms	2
Independent Administrator Nature and Function	3
1. Executive Summary	4
2. EITI background and Extractive Industry in Sao Tome and Principe	13
3. Oil Revenues identification and description and materiality defined by MSG	21
4. Governmental Agencies and Companies involved in the EITI process	26
5. Approach and Methodology	29
6. Reconciliation Results	32
7. Deadlines and Challenges	53
8. Suggestions and improvements for future reconciliations	54
<i>Annex I – Reporting Templates</i>	<i>59</i>
<i>Annex II – Deadlines</i>	<i>73</i>
<i>Annex III – Technical and financial criteria for the bidding rounds</i>	<i>75</i>

Glossary of abbreviations and terms

Abbreviations	Definition
ANP-STP	National Petroleum Agency of Sao Tome and Principe (Agência Nacional do Petróleo de Sao Tome and Principe)
CBSTP	Central Bank of Sao Tome and Principe
EEZ	Exclusive Economic Zone
EITI	Extractive Industries Transparency Initiative
EL	Exploration Licenses
GRDSTP	Government of the Democratic Republic of Sao Tome and Principe (Governo da República Democrática de Sao Tome and Principe)
GRIP	Record and Public Information Office (Gabinete de Registo e Informação Pública)
IA	Independent Administrator
JDA/JA	Joint Development Authority/Joint Authority
JDZ	Joint Development Zone
JMC	Joint Ministerial Council
MSG	Multi Stakeholder Group
OGE	Annual Budget of the Sao Tome and Principe Government (Orçamento Geral do Estado)
OML	Oil Mining Leases
OPL	Oil Prospecting Licenses
PSC	Production Sharing Contract
STP	Sao Tome and Principe
STP EITI Committee	National EITI Committee Of Sao Tome and Principe

Term	Definition
Extractive companies	Refers to entities involved in the Independent Reconciliation for the period 2003-2013.
Government/ Governmental Agencies	Refers to government entities involved in the Independent Reconciliation Process for the period 2003-2013.
Independent Administrator	Responsible entity for conduct the EITI Report, including the reconciliation of data reported by the operators, Government and Governmental Agencies and the disclosure information on the oil industry in Sao Tome e Principe.
Independent Reconciliation	Independent reconciliation work between payments made by extractive companies and the amounts received by the government and/or government agencies.
Reporting templates	Templates prepared by the Independent Administrator to report the amounts paid/received which were sent to all parties involved.

Independent Administrator Nature and Function

A fundamental criteria in the recognition process as a member of the EITI is the need to perform reconciliation between payments reported by extractive industry companies with the receipts declared by governments and governmental agencies, being that reconciliation performed by an independent entity.

In this sense, PricewaterhouseCoopers, SROC, Lda. (PwC) was appointed by the National EITI Committee of Sao Tome and Principe on August 22, 2014, as Independent Administrator for the First EITI Report covering the period from January 1, 2003 to December 31, 2013.

Our functions as Independent Administrator comprises:

- Preparation of the reconciliation process in all material payments made by extractive industry companies, who acted in the Joint Development Zone, to the Government and Government Agencies in the period between January 1, 2003 and December 31, 2013;
- Produce a report, consistent with the information available related to the oil industry environment in Sao Tome and Principe evidencing the payments made by extractive industry companies to the Government and Government Agencies and to identify the discrepancies, if any, performing an independent reconciliation. The report will also include improvement opportunities to be implemented in subsequent proceedings;
- Document the procedures for future independent reconciliations.

The implicit advising function of the Independent Administrator does not constitute any form of audit, and the Independent Administrator is not responsible for confirming the accuracy of the reported values and the legal and contractual obligations of companies in extractive industries, Government and Government Agencies. The information presented in our report is the responsibility of the participating entities. The procedures performed by the Independent Administrator for the collection of numeric and non-numeric data, the reconciliation of information received from various entities, and compilation in the form of a report does not constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements. Accordingly, we do not express any opinion on the payments/receipts disclosed. Neither the information presented in our report nor the information reported in the reporting process will be subject to audit procedures. PwC does not accept any responsibility for consequences arising from the fact that other steps or actions as a result of the contents of this report are taken.

1. Executive Summary

Taking into consideration the need to address issues relating to overlapping maritime boundaries of Nigeria and Sao Tome and Principe, the Governments of both countries signed a 45-year “Treaty on the Joint Exploration of Oil and Other Resources existing on the Existing Exclusive Economic Zone of the two States” on February 21, 2001 establishing the Joint Development Zone (JDZ). The key provisions of the Treaty are a definition of the JDZ by 32 coordinates and a 60% and 40% of the resources sharing formula to Nigeria and STP respectively. The Treaty also established the Joint Development Authority to develop and manage the petroleum and other resources in the JDZ and the Joint Ministerial Council (JMC) to have the overall political responsibility and to supervise the JDA.

The JDA by invitation of the World Bank scheduled a meeting of representatives of the National EITI multi stakeholders committees, representatives of the operators, and the JDA, on March 23, 2009, in Lagos, Nigeria to prepare a proposal to implement the EITI in the JDZ.

Further to the agreement reached at the meeting, the Joint Ministerial Council (JMC), in December 2009, approved the creation of a Sub-Committee to implement EITI in the JDZ, comprising of representatives from the each government nominated by the respective national multi-stakeholders committees; each country civil society organisation, nominated by the respective national multi stakeholders committees; a representative nominated by the JDA; and a representative from the oil industry operators of the JDZ, nominated by the operators forum.

The Government of Sao Tome and Principe endorsed the EITI principles of the Abuja Declaration and became an EITI candidate country in February 2008. It established a National EITI Committee to prepare and manage the EITI process in STP. However, the JDZ-EITI Report (the main component of the Report)¹ could not be produced due to coordination issues with Nigeria, which delayed the decision by the Joint Ministerial Council to move forward with the Report. As a result, the EITI Board delisted STP from the EITI in April 2010, while Nigeria was granted “near compliant” status in October 2010. STP was encouraged to reapply once it could demonstrate a renewed commitment and provide a clear outline of how it had corrected previous barriers to effective implementation.

Subsequently, on May 10, 2012, Sao Tome and Principe presented a new application to the EITI, and was admitted as a candidate country on October 26, 2012. As a result of the membership application, and in accordance with the EITI Standard and the associated regime, the country was forced to publish its first EITI report until October 26, 2014, and had to publish its first EITI Report on October 26, 2014. Nigeria has been including the reconciliation of payments by the JDA to the Accountant General of the Federation in its EITI Reports since 2012. The JDA is eager to publish the first JDZ-EITI Report, as it will contribute to enhancing the transparency of their operations in the oil sector and attract new investments in the blocks.

Legal Framework and Fiscal Regime

The Abuja Declaration (2004): On June 26, 2004, President Olusegun Obasanjo of Nigeria and President Fradique De Menezes, of Sao Tome and Principe, signed the Abuja Declaration regarding transparency and governance in the Joint Development Zone between Nigeria and Sao Tome and Principe. The highlight of the nine-point Declaration is:

¹ No blocks had yet been awarded in the Exclusive Economic Zone of São Tomé e Príncipe. The first bidding round ended in 2011.

"All payments to the Joint Development Authority by oil companies shall be made public on an individual company basis, quarterly and annually, by the Joint Development Zone and by the companies. Our guidelines for this reporting are those adopted by the Extractive Industries Transparency Initiative." (Point 2)

It also stipulates that the agreement and all financial information related to it be made public (Point 6). Finally, the declaration recognized the importance of engaging civil society in monitoring its implementation, consistent with the EITI principles.

JDZ Petroleum Regulations 2003: In April 2003, the JMC adopted these regulations to regulate (i) the conditions for granting licenses, leases and contracts; (ii) fees, rental a royalty rates; (iii) the rights and obligations of license and lease holders, and contractors; (iv) the way to inform and manage accounts; and (v) national content requirements. The Model PSC is a part of these Regulations.

JDZ Tax Regulations: The JDZ Tax Regulations establish the main parameters of the fiscal regime as follows:

- i. Biddable signature and production bonuses;
- ii. Area rentals;
- iii. Royalty (maximum 5% rate; lower for small fields and fields in decline);
- iv. Calculation of Royalty, Cost Recovery and Profit Sharing on a field by field "ring fence" basis;
- v. Cost recovery up to 80% of production after royalty;
- vi. Tax levied at 50% rate;
- vii. Profit Sharing linked to post-tax field profitability rather than cumulative production or water depth.

JDZ PSC Model Contract 2003: The fiscal regime of this contract is defined in the Petroleum Regulations, and specially Regulation 23, and in the Tax Regulations. Other highlights of the contract are the duration of the contract is for 28 years, including an exploration phase of 8 years; between USD 100,000 and USD 250,000 a year in training of nationals; and dispute resolution by means of an independent expert determination.

Oil sector developments in the JDZ

The Gulf of Guinea is one of the most prolific hydrocarbon provinces of the world. Intensive exploration efforts over the last 35 years in and around the Niger Delta, in particular, has led to a succession of the significant discoveries, notably the Bonga, Agbami;Ekoli and Akpo discoveries in Nigeria and Zafiro and Alba in Equatorial Guinea. The full potential of the JDZ continental shelf has not yet been fully assessed, although eight wells have been drilled in 4 blocks.

Despite nor so encouraging results by Chevron in the Obo well in Block 1, in 2006, the takeover in the operatorship by TOTAL in 2010 heightened expectations in 2010, since the block is located adjacent to OML 130 in Nigeria where the company successfully extracts oil in the Akpo field, and TOTAL expected to tie both fields. However, after drilling two new wells in 2013, TOTAL announced in July 2013 that the find was too limited to justify further investment. Additionally, Sinopec and Addax also walked away from blocks 2-4 for the same reasons. JDA continues to promote JDZ blocks and believes that the Block 1 find may be sufficiently attractive to medium-size operators and at least 12 of them have shown interest in this block. JDA Management states that a PSC may be signed in the near future with a consortium of three companies for Block 1.

Licensing process

The principal criteria for the consideration of applications are the technical and financial capability of companies; work program commitment; and the proposed signature bonus. The application must be accompanied by evidence of financial standing and technical competence. The JDA seeks the prior approval from the JMC to enter into a tender agreement with the successful applicant or group of applicants. Further details of the licensing process can be found in the JDZ Petroleum Regulation 2003.

The JDA launched two bidding rounds: one in 2003 (April 22 – October 13) and one in 2004 (November 15 – December 15). Blocks 1 – 9 were offered in the first round out of a total of 25. On October 27, 2003, 20 companies submitted 26 proposals. Although the Tender committee recommended concessions in 5 blocks, the JMC decided to grant a concession only on Block 1. Chevron (51%), ExxonMobil (49%) and Energy Equity Resources (9%) remained with this block. The JMC was not satisfied with the offers made for the remaining blocks and launched the second licensing round for blocks 2 – 6 in 2004. The preparation period for this round was short however 22 companies submitted 26 proposals. ExxonMobil did not participate in this round and did not wish to bid for blocks where Environmental Remediation Holding Company (ERHC) had preferential rights. The concession (i.e. the operators of blocks 2 and 4), which were announced 5.5 months later, were different than those of the original bids. This was due to the fact that the operators of block 2 and 4 which were Noble Energy and Pioneer respectively withdraws before concluding of the PSC negotiations and with the approval of the Joint Ministerial Council (JMC), Ms Sinopec and Addax Petroleum took over blocks 2 and 4 respectively under the same terms and conditions given to Noble Energy and Pioneer.

Type of revenues and allocation

With no oil production in the JDZ, Signature Bonuses constitute the most important revenue representing 92% of the total revenues. Other material revenues are Oil Prospecting License Fees, Annual Area Rental, Transfer Fees and Sale Seismic Data. The JDA reported a total of USD 302 million received from the oil operators in the JDZ during the period 2003 – 2013. Only signature bonuses in the amount of USD 272 million were transferred to the State Parties as follows:

Table 1: Distribution of signature bonuses by JDA (in thousand USD)

Description	2005	2006	2007	2008	2009 to 2013	Interest	Total
Signature bonuses received by JDA	123,000		149,200				272,200
Paid to the Government of Nigeria*	56,647		106,107	1,670			164,424
Received by Government of Nigeria			114,889	0,000			114,889
Difference	-56,647		8,782	-1,670			-49,536
Paid to Government of STP**	37,765		13,600			2,394	53,759
Amounts received by CBSTP**	37,765		13,600			0	53,759
Difference	0		0			2,394	2,394

* Nigeria was entitled to USD 56.6 million in 2005, but Hallmark Bank went bankrupt and paid only USD 7,171,003.71. The Central Bank of Nigeria and Nigeria Deposit Insurance Company are in the process of assets recovery.

** STP should have received USD 28.6 million, but paid USD 15 million to Nigeria on account of a debt.

Reconciliation of revenues and receipts

In order to produce the present report, we acted as Independent Administrator to the circularization process for the entities involved in the extractive industry in the JDZ. As of this date, we received the following confirmations:

1. Joint Development Authority;
2. Nigeria Government;
3. Central Bank of Sao Tome and Principe;
4. Ministry of Planning and Finance of Sao Tome and Principe;
5. Addax;
6. Sinopec;
7. Equator Exploration;
8. Dangote;
9. Afren PLC;
10. Petroleum Geo-Services (PGS);
11. DNO/EER;
12. Atlas Petroleum;
13. Exxon Mobil;
14. Total;
15. Anadarko.

The responses represent around 66% of the amounts paid by the material operators from January 1, 2003 up to December 31, 2013.

Given the results to circularization process up to the present date, namely the missing answers by petroleum operators, we cannot confirm on various payments made to JDA in the total amount of USD 99,932,542. The entities that not replied to our request were:

1. Chevron;
2. ONGC;
3. Amber;
4. Foby Energy
5. Momo Oil;
6. Ophir Energy;
7. Hercules;

The table below summarizes, based on the information reported by JDA, the amounts of the operators who replied to our request vs. non replies.

Table 2: Amounts of obtained replies vs. non-replies amounts

<i>Nr</i>	<i>Operator</i>	<i>Amounts paid in USD (Source: JDA)</i>	<i>Amounts reported by JDA (for obtained replies)</i>	<i>Amounts reported by JDA (for non-replies)</i>
1.	Chevron	67,794,389		67,794,389
2.	Exxon Mobil	49,200,052	49,200,052	
3.	Addax Petroleum	49,278,258	40,994,925	8,283,333
4.	Anadarko	23,404,585	23,404,585	
5.	Conoil	22,499,950	22,499,950	
6.	Sinopec	18,263,933	18,263,933	
7.	ONGC	10,649,895		10,649,895
8.	Hercules	9,500,000	9,000,000	500,000
9.	Equator Exploration	7,099,930	7,099,930	
10.	Dangote	5,645,648	5,645,648	
11.	Afren PLC	5,424,248	5,424,248	
12.	Petroleum Geo-Services (PGS)	4,337,240	4,337,240	
13.	DNO/EER	4,000,000	4,000,000	
14.	Amber Petroleum	3,999,980		3,999,980
15.	Foby Energy	3,555,000		3,555,000
16.	Momo Oil	3,549,945		3,549,945
17.	Ophir Energy	1,600,000		1,600,000
18.	Atlas Petroleum	1,482,920	1,482,920	
19.	TOTAL	1,367,718	1,367,718	
	Total	292,653,690	192,721,149	99,932,541
	% of the total		66%	34%

The following table summarizes the external confirmation process results executed by the Independent Administrator, based on the information received by JDA and the operators:

Table 3: Amounts confirmed by JDA (in USD)

Type of flow/Operator	Amounts confirmed by JDA	%
Signature Bonus	272,200,000	90%
Sales of seismic data	4,473,172	1%
Training projects	1,984,542	1%
Shares transfers	3,882,677	1%
License Fees	1,143,908	0%
Concessional rental	3,954,794	1%
Farming Out	1,500,000	0%
Transfer fees	1,429,548	0%
Social projects	555,286	0%
Application to export samples	40,000	0%
Baseline studies	1,966,200	1%
Application fees	1,980,000	1%
Others	1,094,958	0%
Accrued interest	6,487,947	2%
Total amounts confirmed by JDA	302,693,032	100%
Total amounts confirmed by Operators	184,088,954	61%
Total of no replies	99,932,542	33%
Differences only for replies obtained	8,632,195	3%
Total	292,653,690	97%
Immaterial amounts(*)	10,039,342	3%
Total	302,693,032	100%

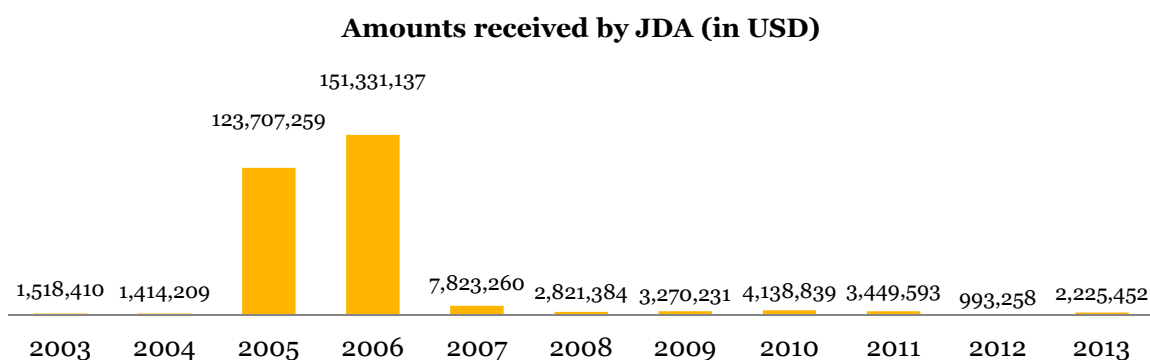
(*) See explanation of immaterial amounts in table 14.

Table 4: Summary of the differences only considering the obtained replies from the operators (in USD)

Type of revenue/Operator	Summary			
	Amounts confirmed by JDA	Amounts confirmed by Operators	Differences	No replies amounts
Signature Bonus	178,836,393	165,836,667	12,999,726	94,363,204
Sales of seismic data	4,337,240	0	4,337,240	0
Training projects	1,984,542	2,239,370	-254,828	0
Shares transfers	0	0	0	3,882,677
License Fees	150,000	150,000	0	9,993
Concessional rental	3,250,829	3,232,060	18,769	703,965
Farming Out	1,500,000	1,500,000	0	0
Transfer fees	0	0	0	500,000
Social projects	555,286	9,195,390	-8,640,104	0
Application to export samples	40,000	0	40,000	0
Baseline studies	1,471,497	753,137	718,361	467,702
Application fees	500,000	0	500,000	5,000
Others	95,362	1,182,331	-1,086,969	0
Total	192,721,149	184,088,954	8,632,195	99,932,542

Additionally, and bearing in mind JDA's response, the amounts received by JDA can be seen on the following chart:

Chart 1: JDA's amounts received per year (in USD) – Source: JDA



According to the information provided by JDA and ANP-STP, we present below the reconciliation between the amounts received by the operators of the JDZ and the amounts received in the CBSTP related to revenues from the JDZ.

Table 5: Detail of JDA's receipts by operators of the JDZ (in USD)

Description	Total	Nigeria	Sao Tome and Principe
Total Signature Bonuses	324,000,000	194,400,000	129,600,000
Deduction of ERHC's payment (only STP %) (*)	51,800,000		51,800,000
Sub-total (a)	272,200,000	194,400,000	77,800,000
JDA Loans (2002/4)	22,587,508	13,552,505	9,035,003
2005 Budget allocation	6,000,000	3,600,000	2,400,000
Repayment of Federal Government of Nigeria loan by STP	15,000,000		15,000,000
Federal Government of Nigeria allocation to 2006 Budget	4,650,000	4,650,000	
Federal Government of Nigeria allocation to 2007 Budget	8,173,071	8,173,071	
Sub-total (b)	56,410,579	29,975,576	26,435,003
Amount transferred (a)-(b)	215,789,421	164,424,424	51,364,997
Total signature bonus from JDZ's oil industry operators	272,200,000		
JDA other revenues (**)	30,493,032		
Total inflows from JDZ's operators	302,693,032		
Total signature bonus from JDZ's oil industry operators from which:	324,000,000		
<i>Sao Tome and Principe (40%)</i>	<i>129,600,000</i>		
<i>Nigeria (60%)</i>	<i>194,400,000</i>		

(*) Additional information on this agreement, in addition to the one communicated in the Workshop by JDA and ANP-STP, can be found at <http://www.juristep.com/relatorios/PGR.pdf>

(**) The JDA other revenues are related with sales of seismic data, shares transfers, licence fees, concessional rentals and baseline studies and also includes interest earned. The revenues, except for the part related with interest earned, were used as part of the JDA's budget during the period 2003 up to 2013. The interest earned on the signature bonuses, on the amount of USD 6,487,946 were transferred to the Governments during 2007 and 2008.

The following table represents the reconciliation of the amounts received by the CBSTP from de JDA, according to the total amounts paid by the operators of the JDZ (Sao Tome and Principe share).

Table 6: Reconciliation of the amounts paid by the operators of the JDZ and receipts of the CBSTP

Description	Amounts
Sao Tome and Principe share (40%)	129,600,000
Deductions of payments from the JDA to the CBSTP:	
Loan deduction for the JDA's set-up costs (STP's share)	9,035,003
Contribution for the JDA's 2005 budget	2,400,000
Deduction related to the ERHC's deal (according to the ANP-STP information)	51,800,000
Nigeria loan to Sao Tome and Principe deduction	15,000,000
Total deductions	78,235,003
Total to transfer to CBSTP (*)	51,364,997
Amounts received by CBSTP	
First cash inflow (July 7, 2005)	37,764,997
Second cash inflow (May 31, 2007)	13,600,000
Total amounts received by CBSTP (*)	51,364,997
Difference	0

*Additionally STP has also received interests related with signature bonus totalizing USD 2,394 thousand.

Based on information provided by JDA, the contribution of Sao Tome and Principe to the JDA Budget should be USD 36,985,718, equivalent to the 40% of total budget for the period 2004 up to 2013.

Table 7: Annual JDA's budget (amounts is USD)

Year	Approved budget by JDA	Contributions through own oil revenues	Contributions through Governments (Nigeria and STP)
2004	10,121,000	0	10,121,000
2005	6,000,000	0	6,000,000
2006	14,097,559	0	14,097,559
2007	13,000,000	5,250,000	7,750,000
2008	15,327,999	7,398,083	7,929,917
2009	16,807,073	2,705,172	14,041,900
2010	8,000,000	0	8,000,000
2011	12,000,000	8,976,079	3,023,921
2012	12,000,000	0	12,000,000
2013	9,500,000	0	9,500,000
Total	116,853,631	24,329,334	92,464,297

According to the information given by JDA, this entity's budget has been full supported by Nigerian's government since 2008. STP's contributions will be deducted from the first oil revenues from the block 1, which according to the same source are predicted to be in a period from 18 to 24 months from now, lying this way due to the amount of USD 21,798,295 of Sao Tome and Principe with the Government of Nigeria.

Social Expenses

The extractive companies have committed to incur in social expenses when signed the exploration contracts. JDA is the entity responsible for verifying the execution of Social Projects' expenses. Concerning social and training contributions from the extractive companies arising from the signed contracts, these are of the companies' responsibility. JDA monitors the projects and their development. However, bearing in mind the hearing of civil society, the evaluation of the civil society according to non-governmental agencies, it is noted that this process is in need of improvement in terms of communication and dissemination to the civil society.

2. EITI Background and Extractive Industry in JDZ ***(Source: JDA/EITI)***

2.1 EITI Global Vision

The EITI was established in 2002 and constitutes a government's coalition, companies, civil society groups, investors and international organizations. The EITI aims to strengthen governance by improving transparency and accountability in the extractive industry sector.

The EITI is based on good governance premise on exploration of oil, gas and mineral resources can generate large revenues to foster growth and reduce poverty in the related countries. In summary, the EITI is a globally developed standard that promotes revenue transparency at the local level.

In order to achieve its objective, the EITI has a robust and flexible methodology that ensures a global standard is maintained throughout the different implementing countries. Although the EITI Board and the International Secretariat are the guardians of that methodology, implementation itself, is however the responsibility of each individual country.

2.2 EITI General Benefits

Governments benefit with the implementation of standardized and internationally recognized procedures for transparency in natural resource management. In many countries the revenues of Extractive Industries (Oil, Gas and Mining) create political, economic and social distortions and high expectations associated with the development standards. The commitment to reconcile companies' payments with receipts of government entities through a process shared by many stakeholders defines a commitment for good governance practices and improves the country's international credibility. Companies benefit with the improvements on investment climate, being engaged in a constructive way with citizens and civil society, in a level where all companies are required to disclose the same information.

Citizens and civil society benefit from the increased transparency by being able to hold their government and companies to account when the tax payments are disclosed.

Energy security is enhanced by a more transparent and level playing field. This greater stability encourages long-term investment in production and thus improves the reliability of energy supply.

2.3 EITI Implementation in the Joint Development Zone

2.3.1 EITI Implementation in the Joint Development Zone

Taking into consideration the need to address issues relating to overlapping maritime boundaries of Nigeria and Sao Tome and Principe, the Governments of both countries signed a 45-year Treaty on the February 21, 2001 establishing the Joint Development Zone (JDZ). The key provisions of the Treaty are a definition of the JDZ by 32 coordinates and a 60% and 40% of the resources sharing formula to Nigeria and STP respectively.

A Joint Development Authority (JDA) manages the affairs of the JDZ with headquarters in Abuja, Nigeria. The JDA reports to the Joint Ministerial Council (JMC) that has full responsibility for all matters relating to the exploration for and exploitation of resources in the JDZ.

The JDA by invitation of the World Bank scheduled a meeting of representatives of the National EITI multi stakeholders committees, representatives of the operators, and the JDA, on March 23, 2009, in Lagos, Nigeria to prepare a proposal to implement the EITI in the JDZ.

Further to the agreements reached at the meeting, the Joint Ministerial Council (JMC), in December 2009, approved the creation of a Sub-Committee to implement EITI in the JDZ, comprising of representatives from the each government nominated by the respective national multi-stakeholders committees; each country civil society organization, nominated by the respective national multi stakeholders committees; a representative nominated by the JDA; and a representative from the oil industry operators of the JDZ, nominated by the operators forum.

2.3.2 Unappointment of Sao Tome and Principe to the EITI

Due to slow progress of EITI implementation in STP, the Government assessed its progress and made a request to the EITI Board for voluntary suspension from EITI to provide it with enough time to address pending barriers. However, in accordance with EITI rules, the EITI Board, through a letter from the EITI Chairman of April 15, 2010, unappointed STP since the Board concluded that implementation had been stalled mainly due to circumstances related to the joint management with Nigeria of the JDZ in relation to oil revenues. STP was also given consideration to reapply once circumstances for rapid implementation were more favourable and it could demonstrate a renewed commitment by providing a clear outline of how it had corrected previous barriers to effective implementation.

Nigeria was eventually declared as an EITI compliant country in March 2011 following fulfilment of the remedial actions necessary to move from the “close to compliant” status decision of the EITI Board.

2.4 Oil industry context in the Joint Development Zone (source: JDA and National Committee of STP)

2.4.1 Global Vision of Oil Sector in Joint Development Zone

The Gulf of Guinea is one of the places with the highest presence of hydrocarbons in the world. Its intensive exploration over the past 35 years led to the discovery of significant wells, including Bonga, Agbami Ekoli and Akop in Nigeria and Zafiro and Alba in Equatorial Guinea.

The existence indications of hydrocarbons in Sao Tome and Principe dates back to colonial times. The Anglo American company Ball & Collins in 1974 entered into an agreement to obtain a concession for oil exploration, which was however abandoned when the country declared independence in 1975.

During the decade of 80/90 there were some initiatives to begin oil exploration and a license has granted to the company Island Oil Corporation, however, by economic factors imminently, did not produce the desired effects in order to ramp -up the development of the industry.

The United Nations Convention on the Law of the Sea signed at Montego Bay on December 10, 1982, calls on states with opposite coasts to an understanding and adoption of interim measures until we reach an agreement on the delimitation of their exclusive maritime area.

In this context, on February 21, 2001 the Treaty was signed between the Federal Republic of Nigeria and the Democratic Republic of Sao Tome and Principe on the Joint Development of Petroleum Resources and others on the Exclusive Economic Zone of the two states. This treaty geographically defined the area covered by the Joint Development Zone (total area of 8.429 square kilometres in 9 blocks) as well as the implementation of a Joint Ministerial Council and the creation of the Joint Authority, with its own legal personality under international law and the laws of each State Party, and the Joint Authority is accountable to the Ministerial Council.

This same treaty defined the sharing formula of 60% for Nigeria and 40% for Sao Tome and Principe on benefits and obligations arising from the development activities carried out in the JDZ. The treaty has entered a period of 45 years, subject to a review after 30 years.

As a complement to the Treaty, on June 26, 2004 was signed the Abuja Joint Declaration on the Transparency and Good Governance in the Joint Development Zone. The Abuja Joint Declaration provides that:

- All payments made to the Joint Authority by extractive companies should be made public quarterly and annually by the Joint Development Zone and by each company;
- The utilization of funds received by the Governments of Nigeria and Sao Tome and Principe, should be monitored and audited, and such audit be made public;
- The Joint Authority shall publish an annual budget, which must be approved by the Governments of Nigeria and Sao Tome and Principe. The accounts and acquisitions agreements of goods and services of Joint Authority must be submitted to an annual audit by an independent accounting firm, internationally recognized, and such audits should be made public;
- The Joint Authority shall make public the fundamentals of all awards of the Joint Development Zone;
- In any Production Sharing Contract or agreements / contracts with third parties, specifically the Joint Authority shall (i) require the provision of information set forth in the declaration, (ii) provide that the agreement itself and all financial information of the same to be made public and (iii) require that the contracting parties declare and affirm that any payment, benefit or unlawful advantage was granted to any employee of the Joint Authority;
- All information to be made public under the declaration shall be posted and maintained on the internet page of the Joint Development Authority.

2.4.2 Legal framework and background

Table 8: Legal Framework and JDZ's background

<i>Description</i>	<i>Date</i>	<i>Entity(ies)</i>
Joint exploration treaty of Petroleum Resources and others, existing in Joint Development Zone	2001	Federal Republic of Nigeria and the Democratic Republic of Sao Tome and Principe
Nigeria/STP Petroleum Regulations 2003	2003	Federal Republic of Nigeria and Democratic Republic of Sao Tome and Principe
Share Production Contract Model	2003	Federal Republic of Nigeria and Democratic Republic of Sao Tome and Principe
Abuja Joint Declaration on Transparency and Good Governance in the Joint Development Zone	June 26, 2004	Federal Republic of Nigeria and the Democratic Republic of Sao Tome and Principe
Law 8/2004 – Framework Law of Petroleum Revenues	December 30, 2004	National Assembly of Democratic Republic of Sao Tome and Principe
Strategy of the Petroleum Sector in Sao Tome and Principe	April 16, 2008	Ministers Council of Democratic Republic of Sao Tome and Principe
Law 15/2009 - Taxation Law on Petroleum sector	November 4, 2009	National Assembly of Democratic Republic of Sao Tome and Principe
Law 16/2009 – Framework Law on Petroleum Operations	November 4, 2009	National Assembly of Democratic Republic of Sao Tome and Principe
Order 8/2012 – Creates the EITI National Committee	September 5, 2012	Prime Minister Order of the Democratic Republic of Sao Tome and Principe
EITI Candidature Application Form	October 26, 2012	EITI
Oil Sector Study of Sao Tome and Principe – Historical and Legal Framework (draft version)	September 16, 2013	National Committee of EITI-STP
Issues Related to the Scope of the Joint Development Zone Report for the Extractive Industries Transparency Initiative (draft version)	March 21, 2014	Joint Authority -EITI Subcommittee
EITI Standard Handbook		EITI

2.4.3 Licensing rounds in the Joint Development Zone (Source: Petroleum Regulations 2003”)

The JDA may grant exploration licenses (EL), oil prospecting licenses (OPL), oil mining leases (OML) and Production Sharing contracts (PSC), to companies incorporated or registered in either of the State Parties.

An EL is usually to undertake acquisition of speculative geophysical surveys in the area of the license. Duration termination and renewal is governed by its terms. It does not confer any right to the grant of an OPL or OML

An OPL grants the licensee the exclusive right to explore and prospect for petroleum in the area of interest. The OPL term is a maximum of 8 years, divided into two sub-periods, in accordance with the provisions of the PSC. An OML grants the Lessee, the right to explore, produce and carry away for export or otherwise petroleum discovered, and has a maximum term of 20 years, and be renewed in accordance with the respective PSC.

With prior approval of the Joint Ministerial Council, the JDA may enter into a PSC. The contractor will work under a direct obligation to the Authority, subject to all laws and regulations applicable. A model PSC as approved by the JMC forms the basis for any PSC to be entered into by the Authority.

Licensing Rounds and Tendering Process

All tendering agreements (PSCs in respect of OP's and OMLs) shall be subject to a process of competitive bidding in licensing rounds, according to Regulations 11 to 15.

The tender process begins with the JDA inviting tenders. Details of the invitation for applications are published in the national daily press in both State Parties and in any other ways as the Authority decides.

- Guidelines for tendering include information as to the basis on which applications will be considered and the relevant criteria which applicants will be expected to meet, including guidelines for bidding;
- The principal criteria for the consideration of applications shall be technical and financial capability, work program commitment and the proposed signature bonus;
- The application must be accompanied by evidence of the financial standing and technical competence of the company; details of the minimum work which the applicant is prepared to make; specific scheme for the recruitment and training of nationals of the State Parties; annual reports in respect of the applicants experience in the last three years.

The Authority seeks prior approval from the Council to enter into a tender agreement with the successful applicant or group of applicants,

- Authority offers in writing to the successful applicant to enter into the Tender Agreement upon the terms and subject to the conditions specified in the offer. The applicant to whom the offer is made will have 15 days to accept or refuse the offer in writing;
- The contractor with whom the Authority enters into a Tender Agreement shall have a period of 30 days to pay the signature bonus;
- If by the end of this period the applicant has not paid the bonus, the agreement shall terminate.

Publication of Licenses, Leases and PSCs

The JDA will gazette all grants and renewals of ELs, OPLs and OMLs, and of PSCs entered into. The Authority will also gazette all surrenders, determinations, revocations or assignments thereof, with the name of the holder and the situation of the relevant acreage.

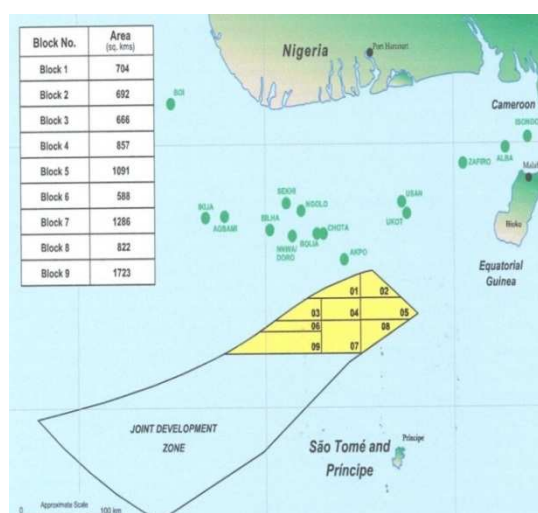
Further details of the licensing process in the Joint Development Zone can be found in Part Two of the "Nigeria-Sao Tome and Principe Joint Development Authority Petroleum Regulations 2003". See more details of the Licensing Rounds criteria in Annex II.

2.4.4 Licensed blocks in the Joint Development Zone

According to information provided by the EITI – STP Committee, the JDZ blocks are as of December 31, 2013 distributed by the following operators

Table 9: Details of the JDZ's blocks

Block	Area (km ²)	Initial shareholders	Actual shareholders	Operator
1	704	Chevron Exxon Mobil DEER (Dangote Energy and Equity Resources)	TOTAL ADDAX DEER (Dangote Energy and Equity Resources)	TOTAL
2	692	Sinopec/ERHC Equator Exploration/ONGC A. & Hatman Amber Petroleum Foby Engineering	Sinopec/ERHC/ADDAX Equator Exploration/Videsh A. & Hatman Amber Petroleum Foby Engineering	SINOPEC
3	666	Anadarko ERHC/ADDAX DNO/EER Amber Petroleum Ophir/Broadlink	ADDAX ERHC and ADDAX EER Equinox Ophir/Broadlink	ADDAX
4	857	ADDAX/ERHC Conoil Dana Gas Godsonic Oil & Gas Overt	ADDAX/ERHC Conoil Dana Gas Overt	ADDAX
5	1.091	ICC/OEOC Consortium ERHC Sahara Energy Fields Ltd	ICC/OEOC Consortium PETROGÁS STP or ERHC Sahara Energy Fields Ltd	ICC/OEOC
6	588	Filthim-Huzod Oil & Gas ERHC	Filthim-Huzod Oil & Gas PETROGÁS STP	Filthim-Huzod
7	1,286	Not assigned	Not assigned	Not assigned
8	822	Not assigned	Not assigned	Not assigned
9	1,723	Not assigned	Not assigned	Not assigned
Total	8,429			



The map shows the geographical area, by block, associated with the Joint Development Zone between Nigeria and São Tomé e Príncipe.

The Joint Development Zone is currently allocated into nine blocks, with a total area of 8.429 square kilometers, of which 6 blocks are already allocated to operators as referred to in the table above.

2.4.5 Current Oil operations' status in the Joint Development Zone (source: JDA)

There were two public bidding rounds, one in April 2003 and one in November 2004 whereby the Joint Ministerial Council adjudicated 6 blocks (1 to 6). Four production sharing contracts were signed for blocks 1, 2, 3, and 4 as follows:

- Block 1: Chevron Texaco
- Block 2: Sinopec
- Block 3: Anadarko
- Block 4: Addax

Chevron Texaco drilled the first well, called OBO 1, in Block 1 in 2006, at a cost of USD 37 million. More recently, Total acquired the rights of Chevron in Block 1 and is preparing to reinstate appraisal and drilling works. Total is also the operator of Block 130 in Nigeria's Exclusive Economic Zone, which is located 30 miles from Block 1, and where Akpo well, of the most prolific blocks in the Gulf of Guinea, is located.

As to the development of Blocks 2, 3 and 4, Sinopec – a Chinese company, acquired the rights to Blocks 3 and 4, from Anadarko and Addax and drilled in those blocks in 2008 and 2009. A report about final perforations in Blocks 2, 3, and 4 is expected soon.

2.5 Production Sharing Contract Model

The Production Sharing Contract (PSC) is a contract whereby the state contracts the services of a contractor to perform by his own risk, within a defined area, research activities, and in the case of a commercial hydrocarbon discovery, further exploration activities.

The contractor is responsible for the financing of petroleum operations at your own risk.

The PSC model is defined in the JDZ oil regulations, specifically Regulation n^o 23. The main differences between the models applicable to each area are mostly about sharing profits: government ownership, royalties and taxes.

Table 10: Components of the PSC in the JDZ

Main Components	Model components of PSC – JDZ	Clause
Bonuses and special projects	Negotiable signing bonus; Production bonuses based on achieving production levels of oil crude accumulated on the basis of a grade scale; Bonuses are not recoverable as Cost Oil neither deductible for tax purposes.	2
Term of contract	28 years including eight as a holding period, and 20 years of development and production. Three phases of exploration of four years and two more of two years. The contract may be extended six months to complete drilling and testing of any well commenced in Phase III.	4
Area release	50% of the contract area must be returned to the JDA on the end of the exploration period. The contractor may withhold additional areas until the discovery is declared commercial	6
Minimum work program and budget	Phase I: As least one exploration well or evaluation; 3-D seismic can replace the second well of the same cost. Phase II and III: The number of exploration wells to be drilled or evaluation is negotiable.	7

Main Components	Model components of PSC – JDZ	Clause
Government Participation	The model of PSC does not define the percentages regarding the participation of the state.	
Cost recovery	The oil cost cannot be greater than 80% of crude oil available in each area of development unless the deduction of any countable Oil royalty period.	10
Sharing Profits	The crude oil balance after deducting the Royalty Oil, Cost Oil and the Oil Tax, allocated to each part attending a formula based on a sliding scale in the R - factor for each development area.	10
Royalty	Royalties are paid according to the petroleum regulations are calculated using a formula that is based on daily production. The royalty is 5% when the daily production of 70.000 bpd. The Royalty Oil is the oil, equivalent to an amount equal to the actual payment of Royalty and Rental concession profits.	16.1
Taxes	50%, this applies to the contract area, according to the tax regulations 2003. 50% tax exemption on investments applicable to eligible costs described in the Petroleum Regulations 2003. 50% which applies to the contract area, according to the tax regulations 2003. 40 % tax exemption on investments applicable to eligible costs described in petroleum regulations 2003.	16.2
Confidentiality and public announcements	The contractor and the JDA must maintain information about every part related to oil operations strictly confidential and must not be disclosed without the prior written consent of the other party. The above clause does not apply to information in order to fulfill obligations or requirements of any governmental agency or if the rules of the stock exchange, in which case the other party must be notified. The Parties shall use "best efforts" to ensure that information about oil operations or any information or facts and documents related to this contract are not disclosed or published without the prior consent of the other party.	18
Natural Gas	If the contractor discovers a viable quantity of natural gas, it should have the right to develop, commercialize, recover costs and share the rents in an area agreed terms that are consistent with the principles and intent of the treaty, the petroleum regulations, of tax regulations and this agreement.	23.1
Hiring and training of nationals	The Contractor must spend 25 % of operating costs each year of the Exploration Period (minimum of USD 100.000 and a maximum of USD 250.000) in scholarships to nationals of Nigeria and STP training. Similarly in each year of the OML, the contractor must spend USD 100.000 for this purpose.	14.7 e 14.8
Conciliation and arbitration	Any dispute that cannot be resolved by mutual consent can refer to an independent expert. The costs of the expert shall be shared equally between the JDA and the Contractor. If the above mentioned fails, either party may require the other party a demand for arbitration.	25
Revision / Contract renegotiation and tax conditions.	If the petroleum regulations terms and the regulations of tax prevailing at the time of the effective date changed, and this change materially affect the commercial benefit of the contractor, the Parties shall consult each other and agree to such amendments of the contract as necessary to restore existing commercial benefits of the contract effective date.	27.1 e 27.2
Abandonment clause	The abandoning fund is bailment account that generates interest established by the Parties in a first class financial institution, used to finance activities of abandonment. Costs are recoverable and deductible for tax purposes.	13.6 e 13.11

3. Oil revenues identification and description and materiality defined by MSG

In accordance with (i) “Nigeria/Sao Tome and Principe Joint Development Authority Petroleum Regulations 2013” and (ii) Production Sharing Contract of the JZD we had identified a list of revenues related with the JDZ, included in our Reporting Templates.

In accordance with the meetings held in Sao Tome and Principe, in August 2014, with the following entities: JDZ Sub-Committee; National Petroleum Agency of Sao Tome and Principe; Central Bank of Sao Tome and Principe; Office of Registration and Public Information; Treasury Administration of Sao Tome and Principe; Mr. Arzemiro dos Prazeres (on behalf of the Joint Development Authority); National Committee of the EITI in Sao Tome and Principe; and with the data provided by: Elisa Gamberoni and Hilda Harnack (World Bank); Lyrdia Kilpi from EITI and by Zainab Ahmed of Nigeria-EITI; Mr. Luís dos Prazeres (JDA) and with the support of José Cardoso (EITI Permanent Secretary in Sao Tome and Principe) we identified a set of revenue flows related to the oil extractive industry in Sao Tome and Principe, that were included in the Reporting Templates.

3.1 Types and definition of oil revenues

The relevant revenues and taxes from reconciliation work are grouped in the table below:

3.1.1 Non-tax revenues/Exclusive oil revenues

Table 11: Non-tax revenues description

Nr.	Type of revenue	Description
i)	Royalties	Represents the amount of crude oil allocated to Government or Joint Authority based on percentages calculated on daily production rates. This kind of revenue will only be collected after the start of production
ii)	Bonus	Compensation, not subject to recovery, from companies in extractive industries with the Government or Joint Authority in respect of grant of exploration, production or other.
iii)	License fee for the exploration	Compensation from companies in extractive industries with the Government and from the granting of a prospecting license for certain areas of the Exclusive Economic Zone and the Joint Development Zone.
iv)	Annual area rent	Compensation from extractive industries companies to Government from activities carried out in specific areas of the Exclusive Economic Zone and the Joint Development Zone, awarded during a given period of time.
v)	Transfer Fees	Compensation from extractive industries companies to Government or Joint Authority for the transfer of rights to other operators acquired from these entities.
vi)	Sales of seismic data	Amounts related to revenue when companies in extractive industries acquire seismic data from the National Petroleum Agency of Sao Tome and Principe (Exclusive Economic Zone) or the Joint Development Authority (Joint Development Zone).
vii)	Payments and other significant material benefits	Other payments or fees associated with oil revenues not previously mentioned.

3.1.2 Tax revenues (taxes and other fees)

Table 12: Tax Revenues description

Nr.	Type of revenue	Description
i)	Corporate income tax	Tax on the taxable income of the taxpayer in each tax year. Taxable income is calculated based on taxable gross income minus the deductions allowed under applicable law.
ii)	Other fees	Other taxes or fees associated with non -oil revenues and not reported previously.

3.1.3 Direct investment in social and training projects

Various contributions defined in the contracts signed with companies in extractive industries that are to be in various sectors, such as, education, health, infrastructure, rural development, strengthening the institutional capacity of the state and qualification of human resources.

3.1.4 Types of oil revenues and respective fees regarding Regulation 22 and 23 from “Petroleum Regulations 2003” Nigeria/STP JDA

The “Petroleum Regulations 2003” of JDA, provide the following amounts of fees to be applied to petroleum operators:

Table 13: Types of Oil fees regarding Regulation 22 and 23 (in USD)

Nr.	Type of fee	Amount
i)	Application for an Oil Prospecting License (OPL) (bid package)	15,000
ii)	Processing fee an OPL application	10,000
iii)	Application for an Oil Mining License (OML)	1,000,000
iv)	Application to assign a stake in an OPL or related PSC	500,000
v)	Application to assign a stake in an OML or related PSC	1,000,000
vi)	Application to terminate an OPL, OML or related PSC	100,000
vii)	Application for a license to operate drilling rig	100,000
viii)	License to operate a drilling rig (annually)	50,000
ix)	Fee for permit to export samples for analysis (per well)	10,000

The following annual rents shall be payable on an OPL or OML unless otherwise stated in the special conditions of the License or Lease:

Table 14: Rents fees in USD

<i>Nr.</i>	<i>Types of fee</i>	<i>Amounts</i>
i)	On an OPL for each square kilometre or part thereof	200
ii)	On an OML, for each square kilometre or part thereof	
	- During the first ten years of the term	500
	- Thereafter	200

The royalties to be applied on production in JDZ calculations should be based on the following formula:

$$\begin{aligned}
 P < 20 & \quad R = 0 \\
 20 \leq P \leq 70 & \quad R = 10\% \left(1 - \frac{(70 - P)}{(70 - 20)} \right) \\
 P > 70 & \quad R = 5
 \end{aligned}$$

Where P is Production in thousands barrels/day and R is Royalty Rate.

3.2 Materiality and the relevant monetary flows considered for the independent reconciliation work

Under the Terms of Reference, materiality was set by MSG with the contribution of the Independent Administrator in the following terms:

- Were considered immaterial, for the purpose of reporting, the payments in whole or in aggregate were less than USD 1 Million;
- Amounts paid in excess of USD 1 Million (in whole or in aggregate) have always been considered materials;
- All the Extractive Companies that paid signature bonus have been included in the circularization process;
- According to the amounts received by the National Oil Account of STP, and disseminated by these entities for reporting purposes, there is no materiality. Thus all values, regardless of their confirmation by the operators, were released by the Independent Administrator, bearing in mind the information provided by these entities.

Given that JDZ – Nigeria/Sao Tome and Principe has not yet at the exploration stage of petroleum resources, the relevant cash flows considered to the reconciliation process are essentially the amounts paid by the operators regarding signing bonuses, which represent 90% of total amounts received from the operators on behalf of JDA.

Based on materiality criteria set out above, the following extractive companies were considered by MSG as relevant to our work as Independent Administrator:

Table 15: Extractive Companies considered material by JDZ Sub-committee and amounts paid in USD from the operators to the JDA

<i>Nr</i>	<i>Operator</i>	<i>Amounts paid in USD (Source: JDA)</i>	<i>Amounts reported by JDA (for obtained replies)</i>	<i>Amounts reported by JDA (for non-replies)</i>
1.	Chevron	67,794,389		67,794,389
2.	Exxon Mobil	49,200,052	49,200,052	
3.	Addax Petroleum	49,278,258	40,994,925	8,283,333
4.	Anadarko	23,404,585	23,404,585	
5.	Conoil	22,499,950	22,499,950	
6.	Sinopec	18,263,933	18,263,933	
7.	ONGC	10,649,895		10,649,895
8.	Hercules	9,500,000	9,000,000	500,000
9.	Equator Exploration	7,099,930	7,099,930	
10.	Dangote	5,645,648	5,645,648	
11.	Afren PLC	5,424,248	5,424,248	
12.	Petroleum Geo-Services (PGS)	4,337,240	4,337,240	
13.	DNO/EER	4,000,000	4,000,000	
14.	Amber Petroleum	3,999,980		3,999,980
15.	Foby Energy	3,555,000		3,555,000
16.	Momo Oil	3,549,945		3,549,945
17.	Ophir Energy	1,600,000		1,600,000
18.	Atlas Petroleum	1,482,920	1,482,920	
19.	TOTAL	1,367,718	1,367,718	
	Total	292,653,690	192,721,149	99,932,541
	% of the total		66%	34%

The amounts of the 19 companies above represents about 97% of the total amounts received by the JDA regarding the operators in the JDZ in a total amount of USD 302,693,032 received between January 1, 2003 and December 31, 2013.

Still based on materiality criteria set out above, were considered as immaterial the following flows of extractive companies:

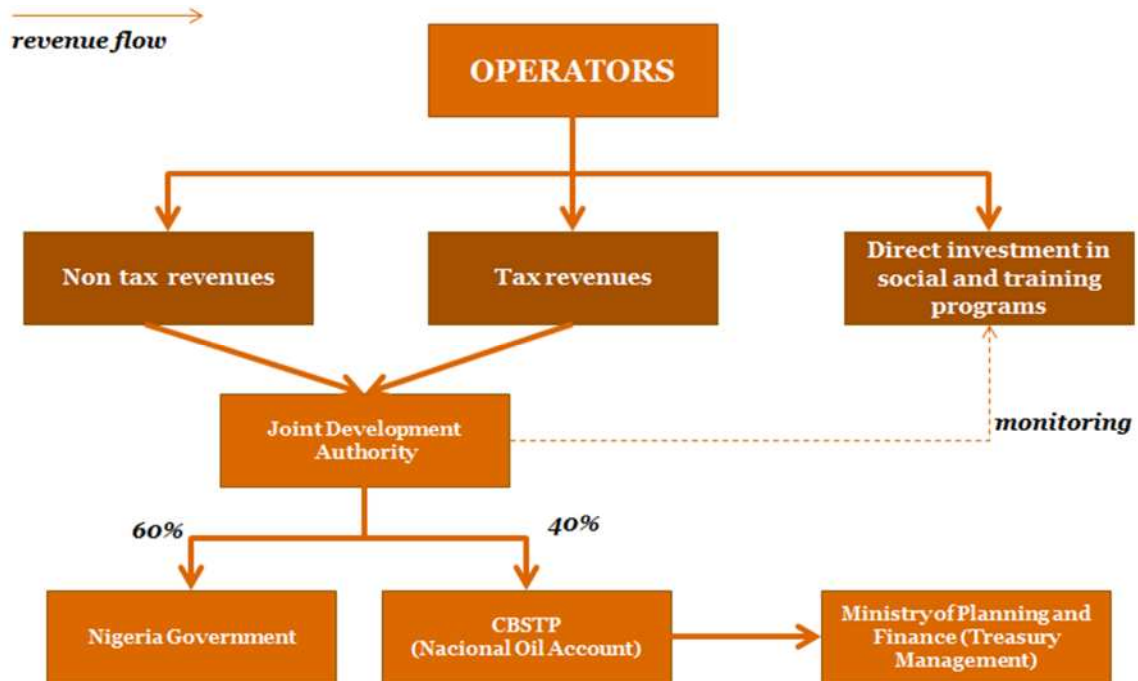
Table 16: Cash flows considered immaterial according to MSGs criteria and amounts paid to the JDA from the operators of JDZ (in USD)

<i>Description of the immaterial flows</i>	<i>Amounts paid in USD (Source: JDA)</i>
Accrued interest (*)	6,487,947
Sasol	929,548
Licenses selling	533,915
Bid processing fees	500,000
Transocean	450,000
Western Geco	162,932
Other application fees	975,000
Total	10,039,342
% of total amounts received by JDA/coverage	3%

(*) The amount of USD 6,487,947 is related with the interest earned on the signature bonus that was deposited in the UB UK Account. These amounts were only transferred to the Governments upon request, in the total amount USD 2,393,887 to STP and USD 4,094,060 to Nigeria.

3.3 Revenue flows in the Joint Development Zone

Next chart summarizes the revenue flows in the Joint Development Zone:



4. Governmental Agencies and Companies involved in the EITI process

4.1 Extractive companies involved in the process - JDZ

For independent reconciliation purpose, and for the period commenced on January 1, 2003 and ended on December 31, 2013, the following companies in the extractive JDZ were identified:

Table 17: Operators considered Material

<i>Nr.</i>	<i>Operator</i>
1.	Chevron
2.	Exxon Mobil
3.	Addax Petroleum
4.	Anadarko
5.	Conoil
6.	Sinopec
7.	ONGC
8.	Hercules Offshore
9.	Equator Exploration
10.	Dangote
11.	Afren PLC
12.	Petroleum Geo-Services (PGS)
13.	DNO/ERR
14.	Amber Petroleum
15.	Foby Energy
16.	Momo Oil
17.	Ophir Energy
18.	Atlas Petroleum
19.	TOTAL

Table 18: Operators considered Immaterial

<i>Nr.</i>	<i>Operator</i>
20.	Sasol
21.	Transocean
22.	Western Geco
23.	Godsonic
24.	Equinox
25.	A&HATMAN
26.	Dana Gas
27.	ERHC Energy Inc.
28.	FILTHIM-HUZOD OIL & GAS
29.	ICC/OEOC
30.	Overt
31.	Petrogas STP
32.	SAHARA ENERGY FIELDS LTD
33.	Videsh

4.2 Overview of Joint Development Authority (JDA)

The Treaty established between the Federal Republic of Nigeria and the Democratic Republic of Sao Tome and Principe, on February 21, 2001, about the Joint Exploration of Oil Resources and others in the Joint Development Zone, establishes the creation of the Joint Development Authority (JDA).

The JDA has legal personality under international law of each state party, as well as the necessary competence for the exercise of its powers and performance of their duties. In particular, the Joint Authority has the power to contract, acquire and dispose movable and immovable property, initiate actions and be a party to litigation. The Joint Authority is under supervision of the Joint Ministerial Council.

The Joint Development Authority, conditioned to the instructions and policies from the Ministerial Council of Joint Development Zone is responsible for the management activities related with research and exploration resources, ha in particular the following features:

- i) Proceed with the division of the Joint Zone in areas of contract and negotiations, tendering and awarding and supervising contracts established in the Joint Zone;
- ii) Celebrate development agreements with the contractors (subject to approval from Council Ministry);
- iii) Develop the supervision and control activities of the contractors;
- iv) Recommend to the Ministerial Council the termination of development contracts;
- v) Terminate development contracts, with the approval of the Ministerial Council;
- vi) In terms of the second paragraph of article 18 (from the celebrated agreement between the Nigeria and São Tome for JDZ), collect and distribute (with the approval of Ministerial Council) between State Parties the earnings or products from production dues of Joint Authority;
- vii) Prepare and submit to Joint Authority Ministerial Council the budgets expenses made in accordance with budgets or forecasts approved by the Ministerial Council or in accordance with the rules and procedures approved by the same;
- viii) Control movements entry, exit and movement of the boats, aircraft, mechanical structures, equipment and personnel zone;
- ix) Establishment of safety zones and restricted areas in accordance with international law, to ensure safe navigation, to petroleum activities, the fishing activities and other development activities and effective management of the JDA;
- x) Elaborate regulations and policies on supervision and control of operations, including health, security and environment preservation matters;
- xi) Regulate the scientific maritime investigation;
- xii) Prepare and submit to Ministerial Council the annual reports;
- xiii) Inspect and audit the books and annual accounts of contractors related to the development agreements;
- xiv) Make recommendations to States Parties on matters relating to applicable laws and amendments to those laws that are necessary input for development of the resources of the JDA;

- xv) Preserve the sea environment according with the regulation under the international law applicable to JDZ;
- xvi) Collect and trade scientific data, technicians and other related to JDZ and their resources;
- xvii) Nominate and dismiss the technicians and other personnel employed by Joint Authority, with exception of Executive Directors;
- xviii) Request the execution of actions to the competent authorities of the state's parties , in accordance with the Treaty, in respect of matters (a) search and rescue operations in the area, (b) the prevention or suppression of acts of terrorism or other threats to ships and structures used development operations in the CAJ and (c) preventing or treating pollution;
- xix) Address issues that occasionally they can be made, specifically because the Ministerial Council or any State Party; and,
- xx) Exercise any other functions which also may be assigned by the Ministerial Council.

5. Approach and methodology

5.1 Methodology

Our methodology has as assumptions the communication and interaction with all stakeholders, including the Extractive Companies, Government Agencies and all other stakeholders. The reporting templates, after approval by ITIE Sub-committee, JDA and other members of t MSG were sent via email to all operators based on information provided by JDA.

As already mentioned, the implicit function of the Independent Administrator job does not constitute any form of audit, and the Independent Administrator is not responsible for confirming the accuracy of the reported values and the legal and contractual obligations of companies in extractive industries, Government, JDA and Government Agencies. Our report only includes commentaries and analysis in accordance with the factual information obtained by extractive entities and government agencies.

Specifically, the main tasks executed to achieve the objective were:

- Review of documentation already prepared by the EITI sub-committee, National EITI Committee, namely, the list of companies involved in the Oil and Gas industry reconciliation exercise, payment flows and taxes;
- Preparation of draft circularization to ensure compliance with regulations and guidelines prevailing in Sao Tome and Principe, and the same were discussed and agreed with the National EITI Committee and the Sub-Committee on Joint Development Zone;
- Definition of Materiality in conjunction with MSG;
- Conducting various meetings and interactions with the various entities involved in the process of preparation of the first EITI report Sao Tome and Principe;
- Send, via e-mail, the reporting templates for all entities involved and identified on the point subject 3.3 of the present report based on contacts given by JDA;
- Daily monitoring of missing answers through telephone contact and/ or send duplicates of emails;
- Conducting a preliminary analysis of the studies and information received from the entities involved;
- Conducting a preliminary review of all responses received from various entities involved (see following sections) in order to identify the differences between the information reported by the government and government agencies and companies in extractive industries. After preliminary review, preparation of a memorandum with evidence of (i) amounts reported with no differences and (ii) amounts reported inconsistent, with differences or incomplete;
- Held telephone conferences with the National Committee of EITI, JDA and EITI Sub-Committee with the goal of (i) clarify the differences or inconsistencies in reported amounts and (ii) monitoring the status of the circularization process;
- Preparation of this report, which includes background information on the oil sector in Sao Tome and Principe and Joint Development Zone consistent with EITI standards, payments made by companies in the extractive industries to Government, JDA and to Governmental Agencies as well as receipts reported by Government and Government Agencies that have been originated in companies of extractive industries;
- Identification of any limitations and shortfalls impacting on the report;

- Preparation of recommendations and improvement opportunities that contribute to (i) the improvement of information shared and (ii) more productive implementation process of EITI in Sao Tome and Principe for the JDZ, aligned with the best practices of transparency defined by the requirements of the EITI.

The circularization process and on confirmation flows where used five types of specifically reporting templates, for each one of the entities involved, that is:

- Reporting template for the Extractive Industry Companies;
- Reporting template for the Joint Development Authority;
- Reporting template for the Ministry of Planning and Finance of Sao Tome and Principe – General Directorate of Treasury;
- Reporting template for the Central Bank of Sao Tome and Principe/National Oil Account.

The templates where developed by PwC based on the information obtained and confirmed by the National Committee of Sao Tome and Principe. See reporting templates in Annex I.

5.2 Reconciliation Work

Under the terms of reference, our goal was to issue the EITI Report Sao Tome and Principe JDZ, through (i) collecting data on payments made by extractive industry companies to the National Oil Account (Central Bank of São Tome and Principe), the National Petroleum Agency of Sao Tome and Principe, Government and Government Agencies between January 1, 2003 and December 31, 2013, (ii) amounts received by the Government and Government Agencies companies in the extractive same period and (iii) a reconciliation of these data. Our work included the following steps:

- Reconciliation of payments reported by extractive industries companies and declared by the Government and Government Agencies. These payments reconciliations were made in accordance with the receiving entity stream;
- Identification of significant differences or discrepancies;
- Inquiring about reasons for differences among stakeholders and parties involved;

The tasks under reconciliation were the following independent:

- i. Identifying the flow of payments/receivables , fees and relevant taxes under reconciliation;
- ii. Launch the process of circularization for companies in the extractive industries, for the Government and Government Agencies;
- iii. Comparison of payments reported by companies in extractive industries with receipts reported by Government and Government Agencies;
- iv. Identification of discrepancies in statements and reported amounts;
- v. Request explanations and clarifications on discrepancies identified from the entities involved, and for doing so, support the EITI National Committee, JDA and EITI Sub-committee. In case of failure to obtain answers to the identified differences, if any, our report will mention the entities and differences;

- vi. Annual Budget of the JDA amounts and other fees/expenses received by Operators;
- vii. Identification of differences in the reconciliation discrepancies
- viii. Identification of differences by type of revenue between payments reported by companies in extractive industries and revenues declared by the Government and Government Agencies;
- ix. Reconciling data reported in detail by revenue source, date and type of payment;
- x. Interaction Government and government agencies in order to obtain a total analysis for the reported values;
- xi. Completion of the work and preparation of the current report.



6. Reconciliation Results

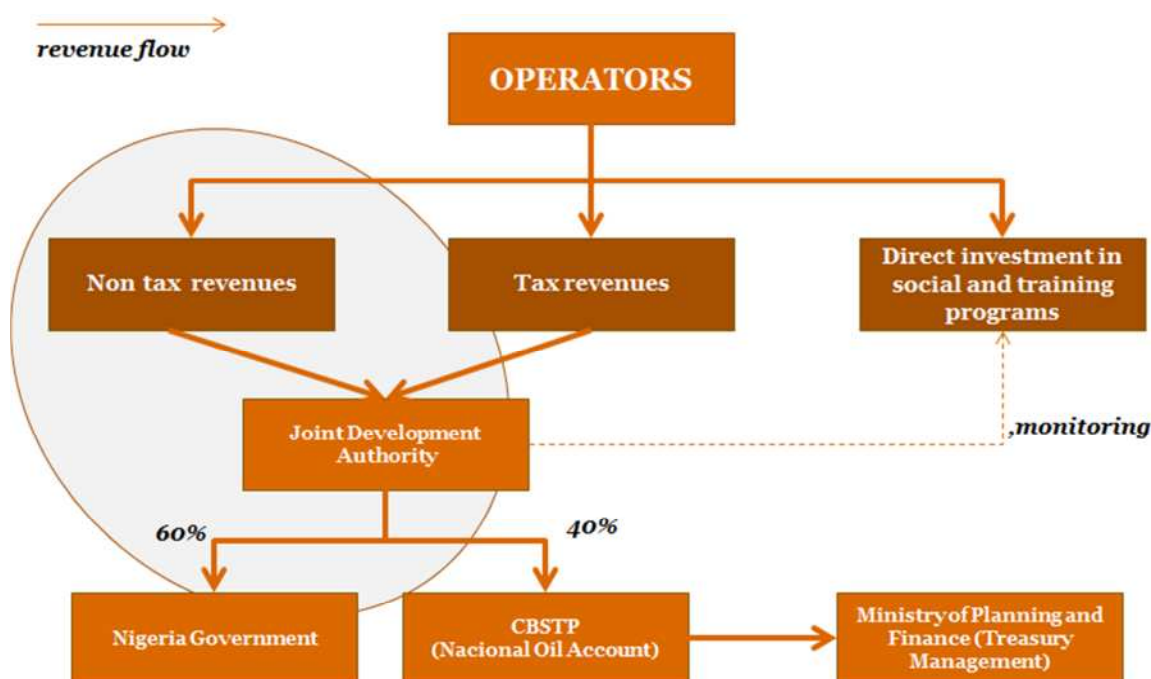
On September 15, 2014 were sent the Reporting Templates to all entities related to the Joint Development Zone, based on the contacts and e-mail addresses provided by Joint Development Authority. It was established the deadline of October 15, 2014 to obtain the replies. The deadline was established by the MSG in order to delay the initial deadline of September 25, 2014 due to the missing responses until that date.

Up to the November, 14, 2014 the following replies were obtained:

1. Joint Development Authority;
2. Nigeria Government;
3. Central Bank of Sao Tome and Principe;
4. Ministry of Planning and Finance of Sao Tome and Principe;
5. Addax;
6. Sinopec;
7. Equator Exploration;
8. Dangote;
9. Afren PLC;
10. Petroleum Geo-Services (PGS);
11. DNO/EER;
12. Atlas Petroleum;
13. Exxon Mobil;
14. Total;
15. Anadarko.

The obtained responses represent around 61% of the amounts paid by the operators from January 1, 2003 up to December 31, 2013.

6.1 Revenue flows from operators to JDA



The next table summarizes the amounts confirmed by the operators and its confrontation towards the JDA given information:

Table 19: Amounts confirmed by JDA (in USD)

Type of flow/Operator	Amounts confirmed by JDA	%
Signature Bonus	272,200,000	90%
Sales of seismic data	4,473,172	1%
Training projects	1,984,542	1%
Shares transfers	3,882,677	1%
License Fees	1,143,908	0%
Concessional rental	3,954,794	1%
Farming Out	1,500,000	0%
Transfer fees	1,429,548	0%
Social projects	555,286	0%
Application to export samples	40,000	0%
Baseline studies	1,966,200	1%
Application fees	1,980,000	0%
Others	1,094,958	0%
Accrued interest	6,487,947	2%
Total amounts confirmed by JDA	302,693,032	100%
Total amounts confirmed by Operators	184,088,954	61%
Total of No Replies	99,932,542	33%
Differences only for replies obtained	8,632,195	3%
Total	292,653,690	97%
Immaterial amounts (*)	10,693,932	3%
Total	302,693,032	100%

(*) See explanation for immaterial items on Table 16.

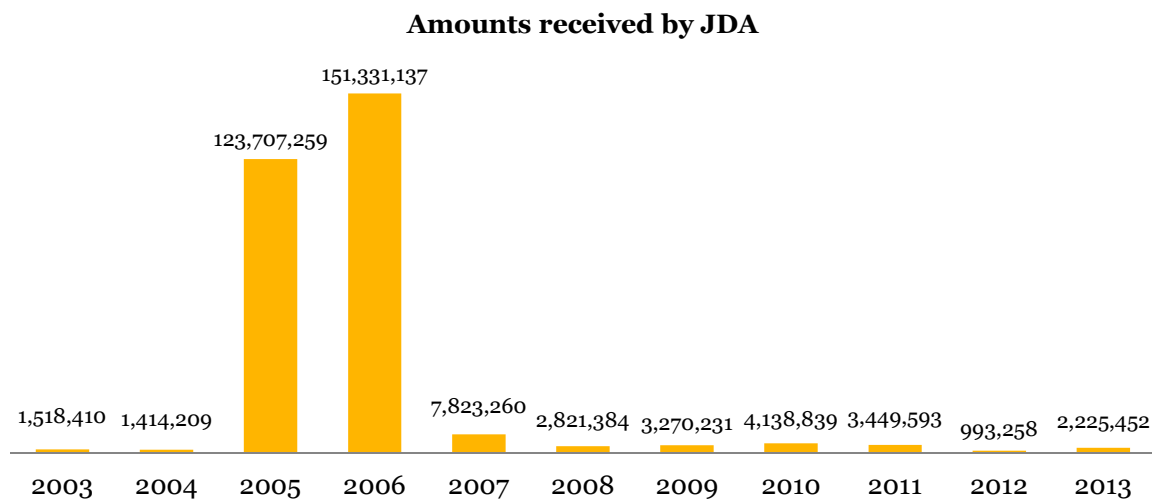
Table 20: Summary of the differences only considering the obtained replies from the operators (in USD)

Type of revenue/Operator	Summary			
	Amounts confirmed by JDA	Amounts confirmed by Operators	Differences	No replies amounts
Signature Bonus	178,836,393	165,836,667	12,999,726	94,363,204
Sales of seismic data	4,337,240	0	4,337,240	0
Training projects	1,984,542	2,239,370	-254,828	0
Shares transfers	0	0	0	3,882,677
License Fees	150,000	150,000	0	9,993
Concessional rental	3,250,829	3,232,060	18,769	703,965
Farming Out	1,500,000	1,500,000	0	0
Transfer fees	0	0	0	500,000
Social projects	555,286	9,195,390	-8,640,104	0
Application to export samples	40,000	0	40,000	0
Baseline studies	1,471,497	753,137	718,361	467,702
Application fees	500,000	0	500,000	5,000
Others	95,362	1,182,331	-1,086,969	0
Total	192,721,149	184,088,954	8,632,195	99,932,542

Given the lack of some oil operator's responses, there is still an amount of USD 99,932,542 of payments to the JDA that is not confirmed.

Bearing in mind JDA's response, the amounts received by JDA can be seen on the following chart:

Chart 2: Amounts received by JDA per years (in USD)



The following tables' presents the entities and the revenues by type of flow in the Joint Development Zone according with the information given by JDA.

Table 21: Summary of differences between amounts confirmed by JDA and amounts confirmed by Chevron (amounts in USD)

Type of revenue/Operator	Chevron Block 1		
	JDA	Operator	Difference
Signature Bonus	62,730,051		
Shares transfers	3,882,677		
License Fees	9,993		
Concessional rental	703,965		
Baseline studies	467,702		
Total	67,794,389	no reply	N/A

Table 22: Summary of differences between amounts confirmed by JDA and amounts confirmed by Exxon Mobil (amounts in USD)

Type of revenue/Operator	Exxon Mobil Block 1		
	JDA	Operator	Difference
Signature Bonus	49,200,052	49,200,000	52
Application fees	0	500,000	-500,000
Total	49,200,052	49,700,000	-499,948

The difference amount of USD 52 it is related with the bank charges of the amounts paid. No justification for remaining differences identified was provided.

Table 23: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Addax/Hercules/Conoil (amounts in USD)

Type of revenue/Operator	Addax + Conoil + Hercules Block 3 & 4		
	JDA	Operator	Difference
Signature Bonus	69,499,950	56,000,000	13,499,950
Training projects	393,740	1,032,983	-639,243
Concessional rental	1,144,266	1,527,390	-383,124
Social projects	270,000	7,221,094	-6,951,094
Application to export samples	30,000	0	30,000
Baseline studies	569,357	0	569,357
Application fees	500,000	0	500,000
Others	87,562	0	87,562
Total	72,494,874	65,781,467	6,713,408

The total amount of USD 56 million related to the signature bonuses reported by the operator include the amounts paid of USD 54 million (Block 4) and USD 2 million (Block 2).

Based in the information provided by JDA, the difference of USD 13,499,950, related to signature bonuses, was explained by revenues received by JDA not included in the reply of Addax, namely:

- Payments made by Hercules in the amount of USD 9 million (not considered by Addax)
- Payments made by Godsonic in the amount of USD 4.5 million (not considered by Addax)

According to the JDA, the difference concerning social/training projects is due to the fact that the operator discloses all expenditures made from the obligations arising from the contract, while the JDA only discloses the amounts actually received by it.

No justification for remaining differences identified was provided.

Table 24: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Anadarko (amounts in USD)

Type of revenue/Operator	Anadarko Block 3		
	JDA	Operator	Difference
Signature Bonus	20,400,000	20,400,000	0
Training projects	386,128	0	386,128
Concessional rental	665,993	266,400	399,593
Farming Out	1,500,000	1,500,000	0
Application to export samples	10,000	0	10,000
Baseline studies	442,464	593,137	-150,673
Others	0	722,594	-722,594
Total	23,404,585	23,482,130	-77,546

According to the JDA, the difference concerning social/training projects is due to the fact that the operator discloses all expenditures made from the obligations arising from the contract, while the JDA only discloses the amounts actually received by it.

No justification for remaining differences identified was provided.

Table 25: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Sinopec (amounts in USD)

Type of revenue/Operator	Sinopec Block 2		Difference
	JDA	Operator	
Signature Bonus	16,566,614	16,566,667	-53
Training projects	537,942	508,161	29,781
Concessional rental	691,900	830,400	-138,500
Social projects	0	880,412	-880,412
Baseline studies	459,677	160,000	299,677
Others	7,800	459,737	-451,937
Total	18,263,933	19,405,377	-1,141,444

The difference amount of USD 53 it is related with the bank charges of the amounts paid.

According to the JDA, the difference concerning social/training projects is due to the fact that the operator discloses all expenditures made from the obligations arising from the contract, while the JDA only discloses the amounts actually received by it.

Baseline studies are paid depending on the % held in the block, which means that the amount declared by the JDA encompasses all payments for the block and not just the amount per entity.

No justification for remaining differences identified was provided.

Table 26: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by ONGC (amounts in USD)

Type of revenue/Operator	ONGC Block 2		Difference
	JDA	Operator	
Signature Bonus	10,649,895		
Total	10,649,895	no reply	N/A

Table 27: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Equator (amounts in USD)

Type of revenue/Operator	Equator Block 2		Difference
	JDA	Operator	
Signature Bonus	7,099,930	7,100,000	-70
Total	7,099,930	7,100,000	-70

The difference amount of USD 70 it is related with the bank charges of the amounts paid.

Table 28: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Dangote/Afren PLC (amounts in USD)

Type of revenue/Operator	Dangote + Afren PLC Block 1		
	JDA	Operator	Difference
Signature Bonus	11,069,897	11,070,000	-103
Total	11,069,897	11,070,000	-103

The difference amount of USD 103 it is related with the bank charges of the amounts paid.

Table 29: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by PGS (amounts in USD)

Type of revenue/Operator	PGS		
	JDA	Operator	Difference
Sales of seismic data	4,337,240	0	4,337,240
Total	4,337,240	0	4,337,240

In response obtained from the operator, it says they are not subject to the reconciliation process since it is not an extractive company.

Table 30: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by DNO/EER (amounts in USD)

Type of revenue/Operator	DNO/EER Block 3		
	JDA	Operator	Difference
Signature Bonus	4,000,000	4,000,000	0
Total	4,000,000	4,000,000	0

Table 31: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Amber (amounts in USD)

Type of revenue/Operator	Amber Block 3		
	JDA	Operator	Difference
Signature Bonus	3,999,980		
Total	3,999,980	no reply	N/A

Table 32: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Foby Energy (amounts in USD)

Type of revenue/Operator	Foby Energy Block 2		
	JDA	Operator	Difference
Signature Bonus	3,550,000		
Total	3,555,000	no reply	N/A

Table 33: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Momo Oil (amounts in USD)

Type of revenue/Operator	Momo Oil Block 2		Difference
	JDA	Operator	
Signature Bonus	3,549,945		
Total	3,549,945	no reply	N/A

Table 34: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Ophir Energy (amounts in USD)

Type of revenue/Operator	Ophir Energy Block 3		Difference
	JDA	Operator	
Signature Bonus	1,600,000		
Total	1,600,000	no reply	N/A

Table 35: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Total (amounts in USD)

Type of revenue/Operator	Total Block 1		Difference
	JDA	Operator	
Training projects	581,732	613,226	-31,494
License Fees	150,000	150,000	0
Concessional rental	563,200	422,400	140,800
Social projects	72,786	881,384	-808,598
Total	1,367,718	2,067,010	-699,291

According to the JDA, the difference concerning social/training projects is due to the fact that the operator discloses all expenditures made from the obligations arising from the contract, while the JDA only discloses the amounts actually received by it.

No justification for remaining differences identified was provided.

Table 36: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Atlas Petroleum (amounts in USD)

Type of revenue/Operator	Atlas Petroleum Block 5		Difference
	JDA	Operator	
Signature Bonus	999,950	1,000,000	-50
Training projects	85,000	85,000	0
Concessional rental	185,470	185,470	0
Social projects	212,500	212,500	0
Total	1,482,920	1,482,970	-50

The difference amount of USD 50 it is related with the bank charges of the amounts paid.

Table 37: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Hercules (amounts in USD)

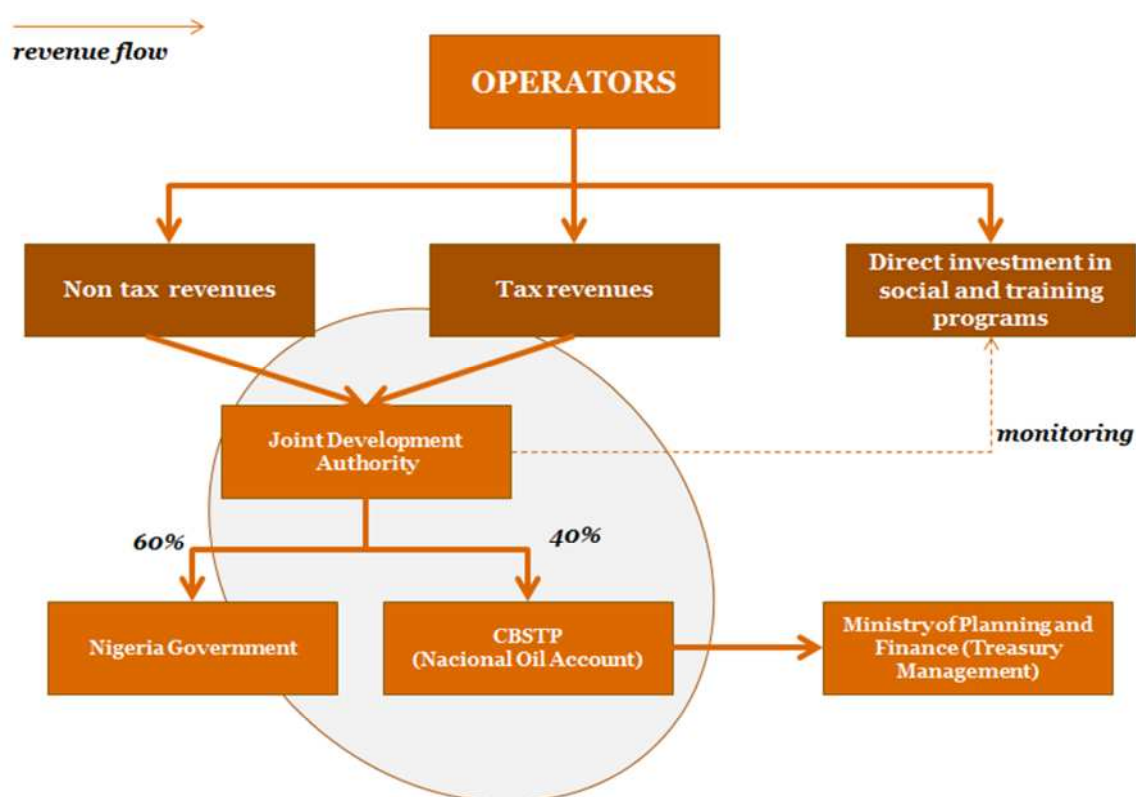
Type of revenue/Operator	Hercules Outros		Difference
	JDA	Operator	
Transfer fees	500,000		
Total	500,000	no reply	N/A

Table 38: Summary of differences between the amounts confirmed by JDA and the amounts confirmed by Addax – Block 2 (amounts in USD)

Type of revenue/Operator	Addax Block 2		Difference
	JDA	Operator	
Signature Bonus	8,283,333		
Total	8,283,333	no reply	N/A

6.2 Cash flows from JDA to CBSTP

According to the agreement established between the Nigeria and Sao Tome and Principe, the amounts received on behalf of JDA related with the Operators of JDZ shall be divided in the proportion of 60%/40%, for the Federal Government of Nigeria and for Sao Tome and Principe.



6.2.1 Reconciliation of cash flows: JDA/CBSTP

The table below reflects the cash flows during the period between January 1, 2003 and December 31, 2013 according to information obtained from (i) the Joint Development Authority and (ii) the Central Bank of Sao Tome and Principe through the external confirmation process.

Table 39: Reconciliation on flows of JDA/CBSTP

Description	Source	Year	Signatures bonuses	Interest	Total
Amounts paid from the JDA to the CBSTP	JDA	2005	37,764,997		37,764,997
		2007	13,600,000*	2,393,947	15,993,947
	Total		51,364,997	2,393,947	53,758,944
Amounts received by CBSTP from JDA	CBSTP	2005	37,764,997	0	37,764,997
		2007	13,600,000	0	13,600,000
	Total		51,364,997	0	51,364,997
Difference			0	2,393,947	2,393,947

* The amount of USD 13,600,000 takes in consideration a deduction of USD 15,000,000 due to a debt that existed between the Government of Sao Tome and Principe to the Government of Nigeria. In a letter sent to Mr. Ado Yakubu Wanke (JDA Chairman), Mr. Manuel de Deus Lima (Minister of Natural Resources and Environment) on April 12, 2007 was entitled the deduction of USD 15 million in associated transfer bonuses signature blocks of 2 and 4 in the amount of USD 28.6 million, so the value for which was transferred to the National Oil Account was USD 13,600,000.

The difference found in the amount of USD 2,393,947 was related to the interest paid by the JDA to the CBSTP.

6.2.2 Reconciliation on the amounts paid from oil operators in JDZ/amounts transferred to CBSTP (National Oil Account of STP)

Based on the response obtained by the JDA, and based on Article 3 of the Agreement between Nigeria and Sao Tome and Principe that predicts that the proportions of 60%/40% for the division of revenue, respectively, we perform a reconciliation on the amounts received by the operators of the JDZ and the amounts received in the CBSTP (National Oil Account) stated in the following table:

Table 40: Details of amounts paid by JDZ operators to the JDA (amounts in USD)

Description	Total	Nigeria	Sao Tome and Principe
Total Signature Bonuses	324,000,000	194,400,000	129,600,000
Deduction of ERHC's payment (only STP %) (*)	51,800,000		51,800,000
Sub-total (a)	272,200,000	194,400,000	77,800,000
JDA Loans (2002/4)	22,587,508	13,552,505	9,035,003
2005 Budget allocation	6,000,000	3,600,000	2,400,000
Repayment of Federal Government of Nigeria loan by STP	15,000,000		15,000,000
Federal Government of Nigeria allocation to 2006 Budget	4,650,000	4,650,000	
Federal Government of Nigeria allocation to 2007 Budget	8,173,071	8,173,071	
Sub-total (b)	56,410,579	29,975,576	26,435,003
Amount transferred (a)-(b)	215,789,421	164,424,424	51,364,997
Total signature bonus from JDZ's oil industry operators	272,200,000		
JDA other revenues (**)	30,493,032		
Total inflows from JDZ's operators	302,693,032		
Total signature bonus from JDZ's oil industry operators from which:	324,000,000		
<i>Sao Tome and Principe (40%)</i>	<i>129,600,000</i>		
<i>Nigeria (60%)</i>	<i>194,400,000</i>		

(*) Additional information on this agreement, in addition to the one communicated in the Workshop by JDA and ANP-STP, can be found at <http://www.juristep.com/relatorios/PGR.pdf>

(**) The JDA other revenues are related with sales of seismic data, shares transfers, licence fees, concessional rentals and baseline studies and also includes interest earned. The revenues, except for the part related with interest earned, were used as part of the JDA's budget during the period 2003 up to 2013. The interest earned on the signature bonuses, on the amount of USD 6,487,946 were transferred to the Governments during 2007 and 2008.

The following table below shows the reconciliation between the flows paid to JDA and the amounts received by CBSTP:

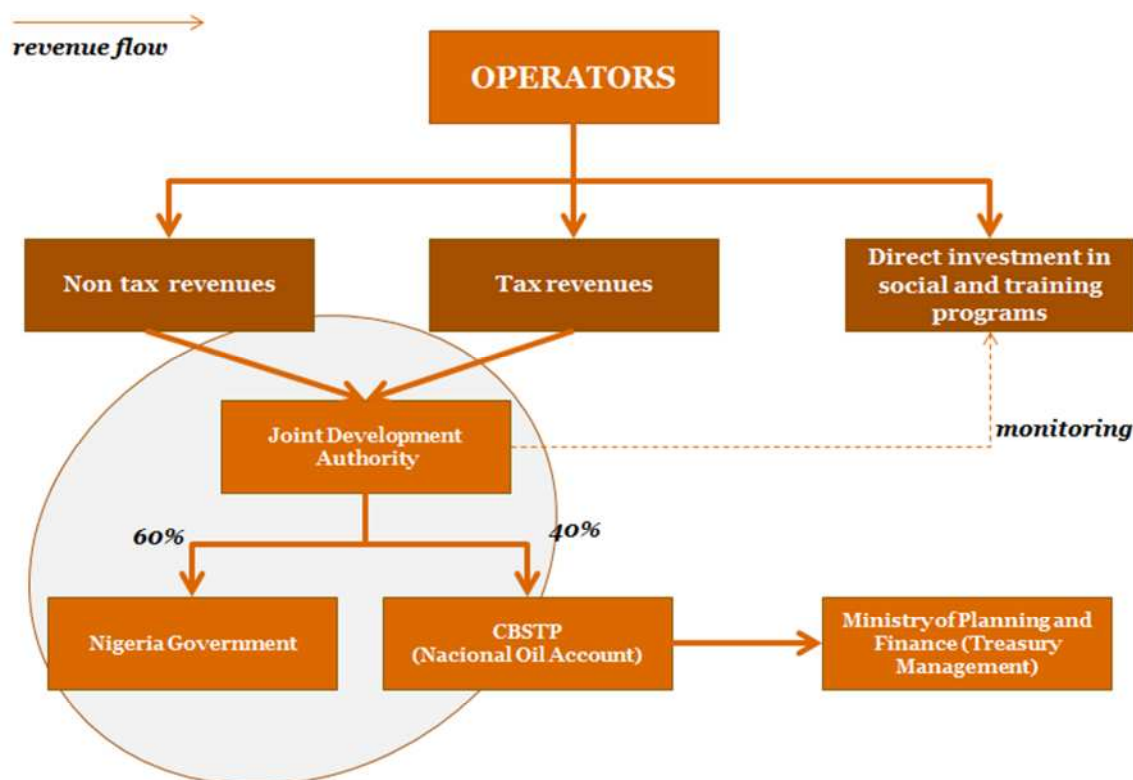
Table 41: Reconciliation between amounts received by JDA cash flows received by JDA and amounts transferred to the CBSTP (amounts in USD)

Description	Amount
Sao Tome and Principe share (40%)	129,600,000
Deductions of payments from the JDA to the CBSTP:	
Loan deduction for the JDA's set-up costs (STP's share)	9,035,003
Contribution for the JDA's 2005 budget	2,400,000
Deduction related to the ERHC's deal (according to the ANP-STP information)	51,800,000
Nigeria loan to Sao Tome and Principe deduction	15,000,000
Total deductions	78,235,003
Total to transfer to CBSTP (*)	51,364,997
Amounts received by CBSTP	
First cash inflow (July 7, 2005)	37,764,997
Second cash inflow (May 31, 2007)	13,600,000
Total amounts received by CBSTP (*)	51,364,997
Difference	0

*Additionally STP has also received interests related with signature bonus totalizing USD 2,394 thousand.

6.3 Cash flows from JDA to Nigeria Government

According to the agreement established between the Nigeria and Sao Tome and Principe, the amounts received on behalf of JDA related with the Operators of JDZ shall be divided in the proportion of 60%/40%, for the Federal Government of Nigeria and for Sao Tome and Principe.



The following table reflects the cash flows during the period between January 1, 2003 and December 31, 2013 according to information obtained from (i) the Joint Development Authority and (ii) the Nigeria Government.

Table 42: Summary of the amounts transferred from JDA to Nigeria Government (in USD)

Source	Years						Total
	2003 and 2004	2005	2006	2007	2008	2009 to 2013	
JDA	0	56,647,495	0	106,106,929	1,670,000	0	164,424,424
Nigeria Government	0	0	0	114,888,624	0	0	114,888,624
Differences	0	-56,647,495	0	8,781,695	-1,670,000	0	-49,535,800

According to JDA's information, the difference amount is due to the fact that Hallmark Bank went bankrupt and paid only USD 7,000,000 instead of USD 56,700,000. The Central Bank of Nigeria, NDIC (Nigeria Deposit Insurance Company) and EFCC (Economic Financial Crises Commission) are aware of this situation, and engaged in the process of the bank's assets recovery. More detail at <http://www.proshareng.com/news/577.html>

6.4 JDA's budget

Based on information provided by the JDA, the budget of the entity for the period 2003-2013 achieved USD 116,793,276, and the amounts per years are detailed in the following table,

Table 43: Annual budget amounts of JDA per year (in USD)

Year	Approved budget by JDA	Contributions through own oil revenues	Contributions through Governments (Nigeria and STP)
2004	10,121,000	0	10,121,000
2005	6,000,000	0	6,000,000
2006	14,097,559	0	14,097,559
2007	13,000,000	5,250,000	7,750,000
2008	15,327,999	7,398,083	7,929,917
2009	16,807,073	2,705,172	14,041,900
2010	8,000,000	0	8,000,000
2011	12,000,000	8,976,079	3,023,921
2012	12,000,000	0	12,000,000
2013	9,500,000	0	9,500,000
Total	116,853,631	24,329,334	92,464,297

Based on the amounts in the table above, the contribution from Sao Tome and Principe to the budget of the JDA should be USD 36,985,719 equivalent to 40% of the total budget and the contribution of Nigeria should be USD 55,478,578 equivalent to 60 % of the total budget, as shown in the following table.

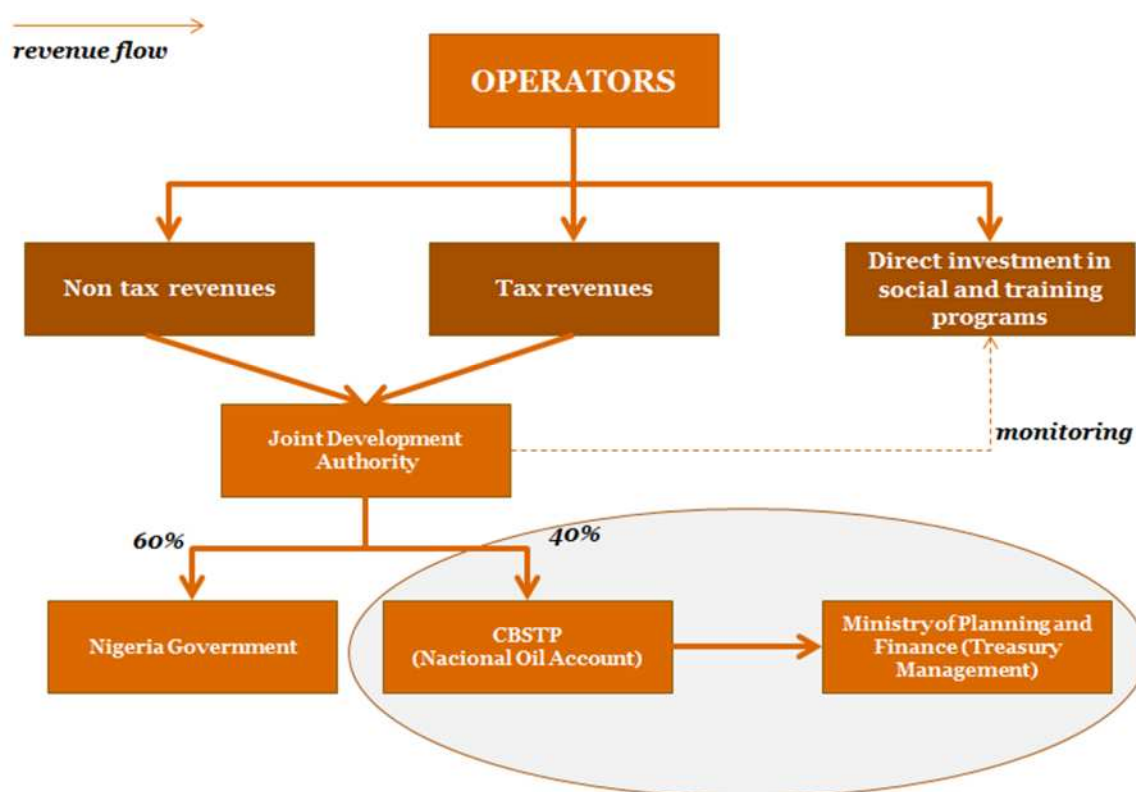
Table 44: Annual budget of JDA – Contributions by the Governments of Nigeria and Sao Tome and Principe

Year	Contributions through Governments (Nigeria and STP)	Nigeria contribution 60%	STP contribution 40%
2004	10,121,000	6,072,600	4,048,400
2005	6,000,000	3,600,000	2,400,000
2006	14,097,559	8,458,535	5,639,024
2007	7,750,000	4,650,000	3,100,000
Total until 2007	37,968,559	22,781,135	15,187,424
2008	7,929,917	4,757,950	3,171,967
2009	14,041,900	8,425,140	5,616,760
2010	8,000,000	4,800,000	3,200,000
2011	3,023,921	1,814,353	1,209,568
2012	12,000,000	7,200,000	4,800,000
2013	9,500,000	5,700,000	3,800,000
Total 2008/2013	54,495,738	32,697,443	21,798,295
Total JDA Budget	92,464,297	55,478,578	36,985,719

Therefore and based on the information provided by JDA, we found that the budget of this organization, with the mission to jointly manage the resources of the JDZ, since 2008 has been fully supported by the Government of Nigeria. Additionally we were informed by the JDA that the contribution of Sao Tome and Principe will be deducted in the future through the first oil revenue, that will occur, according to the same source, in the period of 18-24 months in the Block 1.

The total contribution of Sao Tome and Principe, in the amount of USD 36,985,719, only USD 15 million were paid as mentioned in chapter 6.2.1 thus, the debt of Sao Tome and Principe to the Government of Nigeria is about USD 22 million. These amounts were not considered in the State Budget of Sao Tome and Principe.

6.5 Cash flows from CBSTP to the Ministry of Planning and Finance o STP (Treasury Board)



The following table details the amounts received in the Oil National Account of Sao Tome and Principe both from EEZ and JDZ (under JDA) and the amounts transferred to the Ministry of Planning and Finance of STP (Treasury Board).

Table 45: Details of the amounts transferred from the Oil National Account to the Ministry of Planning and Finance (in USD):

Years	CBSTP	Ministry of Planning and Finance	Difference
2003	0	0	0
2004	0	0	0
2005	14,700,000	14,700,000	0
2006	15,600,000	15,600,000	0
2007	10,300,000	10,300,000	0
2008	3,000,000	3,000,000	0
2009	2,400,000	2,400,000	0
2010	1,955,271	1,955,271	0
2011	1,567,146	1,567,146	0
2012	1,254,028	1,254,028	0
2013	1,805,124	1,805,124	0
Total	52,581,569	52,581,569	0

During the period from the January 1, 2003 until December 31, 2013 the following movements were verified in the Oil National Account (according to CBSTP information):

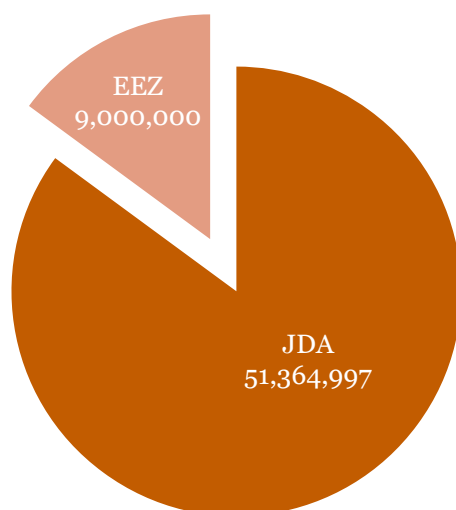
Table 46: National Oil Account of STP movements (in USD):

Date	Description	Entity	Cash inflows in the Oil National Account	Cash outflows in the Oil National Account
July 17, 2005	First Bonus	JDA	37,764,997	
July 17, 2005	Expenses	Expenses		-50
July 19, 2005	Annual Budget of STP Government	STP Government		-13,000,000
December 1, 2005	Annual Budget of STP Government	STP Government		-1,700,000
May 26, 2006	Annual Budget of STP Government	STP Government		-15,600,000
May 31, 2007	Second Bonus	JDA	13,600,000	
June 21, 2007	Annual Budget of STP Government	STP Government		-8,000,000
September 2, 2007	Interest (JDA)	JDA	2,393,887	
October 29, 2007	Annual Budget of STP Government	STP Government		-2,300,000
July 14, 2008	Annual Budget of STP Government	STP Government		-3,000,000
April 3, 2009	Annual Budget of STP Government	STP Government		-2,400,000
September 24, 2010	Annual Budget of STP Government	STP Government		-1,955,271
March 29, 2011	Annual Budget of STP Government	STP Government		-1,567,147
December 30, 2011	Third Bonus	Oranto	2,000,000	
March 5, 2012	Expenses	Expenses		-28
March 5, 2012	Annual Budget of STP Government	STP Government		-1,254,000
May 8, 2012	Fourth Bonus	Equator	2,000,000	
April 4, 2013	Annual Budget of STP Government	STP Government		-1,805,124
December 24, 2013	Fifth Bonus	Sinoangol	5,000,000	
		Total	62,758,883	-52,581,619
		Balance at December 31, 2013		10,177,265

Based on movements in the Oil National Account of STP, the main flows are from the bonus receipts through JDA, as shown in the following graph.

Chart 3: Total inflows amounts in USD in the Oil National Account (EEZ and JDA):

Cash inflows in the Oil National Account



The graph shows the total amounts received in the Oil National Account of São Tomé e Príncipe.

The total amount received about USD 60.4 million, 85% was through JDA and the remaining 15% through operators of the EEZ.

The Article number 8 of the Law 8/2004 – Framework Law of Petroleum Revenues defines the annual amount to be transferred to the STP’s Government. This amount should be equal to 20% of the Oil National Account balance from 2006 until the end of the first oil producing year.

Table 47: Amount transferred from Oil National Account to the STP Government (in USD):

Description	Amounts
Balance at December 31, 2013	10,177,265
Accumulated interest	2,060,000
Total Balance at December 31, 2013	12,237,265
Outflow to the Annual Budget of STP Government at January 31, 2014	2,447,297
% of the outflow to the balance of the Oil National Account	20%

For previous periods, we verified that the rule of 20% of the year-end balance of the Oil National Account was not always complied with Article 8 of the Law 8/2004 - Framework Law on Petroleum Revenue.

The following tables and chart were based on the information provided by website of the Government of STP and represents the weight of oil revenues in General Budget of the Government of Sao Tome and Principe (including amounts received by both of the EEZ and JDZ through JDA operators).

Table 48: Summary of General Budget of Government of STP

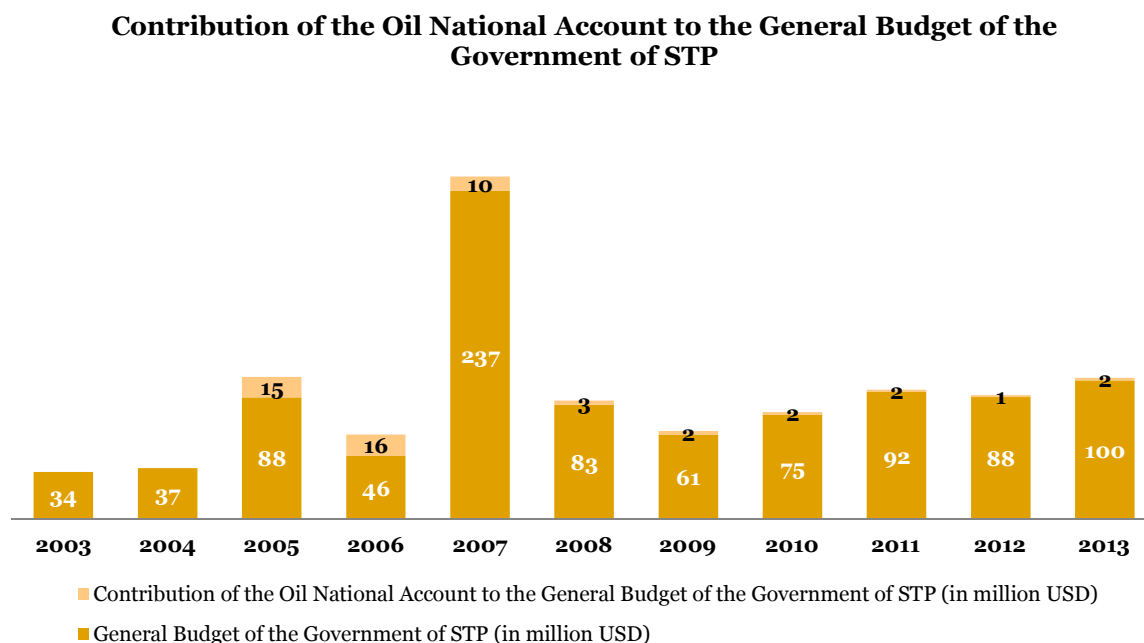
Year	Own Financing (in billion Dobras)	Grants (in billion Dobras)	Total of STP Government Budget (in billion Dobras)	Total of STP Government Budget (in million USD)	Exchange rate (average of the period)
2003	141.5	179.4	321.0	34.3	9,347.6
2004	165.0	202.6	367.5	37.1	9,902.3
2005	197.7	214.0	931.2	88.2	10,558.0
2006	305.9	264.2	570.2	45.8	12,448.6
2007	366.8	2,457.6	3,211.6	237.2	13,536.8
2008	444.5	773.9	1,218.3	82.9	14,695.2
2009	528.9	466.0	994.9	61.4	16,208.5
2010	677.3	719.3	1,396.6	75.5	18,498.6
2011	787.2	799.2	1,621.7	92.0	17,622.9
2012	770.7	876.4	1,685.2	88.4	19,068.4
2013	1,060.7	703.7	1,853.3	100.4	18,450.0

The following table shows the % of oil revenues in the General Budget of the Government of Sao Tome and Principe in the period 2003 – 2013.

Table 49: Contribution of the Oil National Account to the General Budget of the Government of STP

Year	General Budget of the Government of STP (in million USD)	Contribution of the Oil National Account to the General Budget of the Government of STP (in million USD)	% of the contribute of National Oil Account of STP to the OGE of STP
2003	34.3	0.0	0.0%
2004	37.1	0.0	0.0%
2005	88.2	14.7	16.7%
2006	45.8	15.6	34.1%
2007	237.2	10.2	4.3%
2008	82.9	3.0	3.6%
2009	61.4	2.4	3.9%
2010	75.5	2.0	2.6%
2011	92.0	1.6	1.7%
2012	88.4	1.3	1.4%
2013	100.4	1.8	1.8%
Total	943.3	52.6	

Chart 4: Contribution of the Oil National Account to the General Budget of the Government of STP (in million USD)



6.6 Cash Flows from Operators to Social and Training Projects

The following table reflects the cash flows for the period between January 1, 2003 and December 31, 2011 (no information were reported relating to the years 2012 and 2013) to social and training projects in Sao Tome and Principe. The information below were obtained by JDA and validated by the MSG.

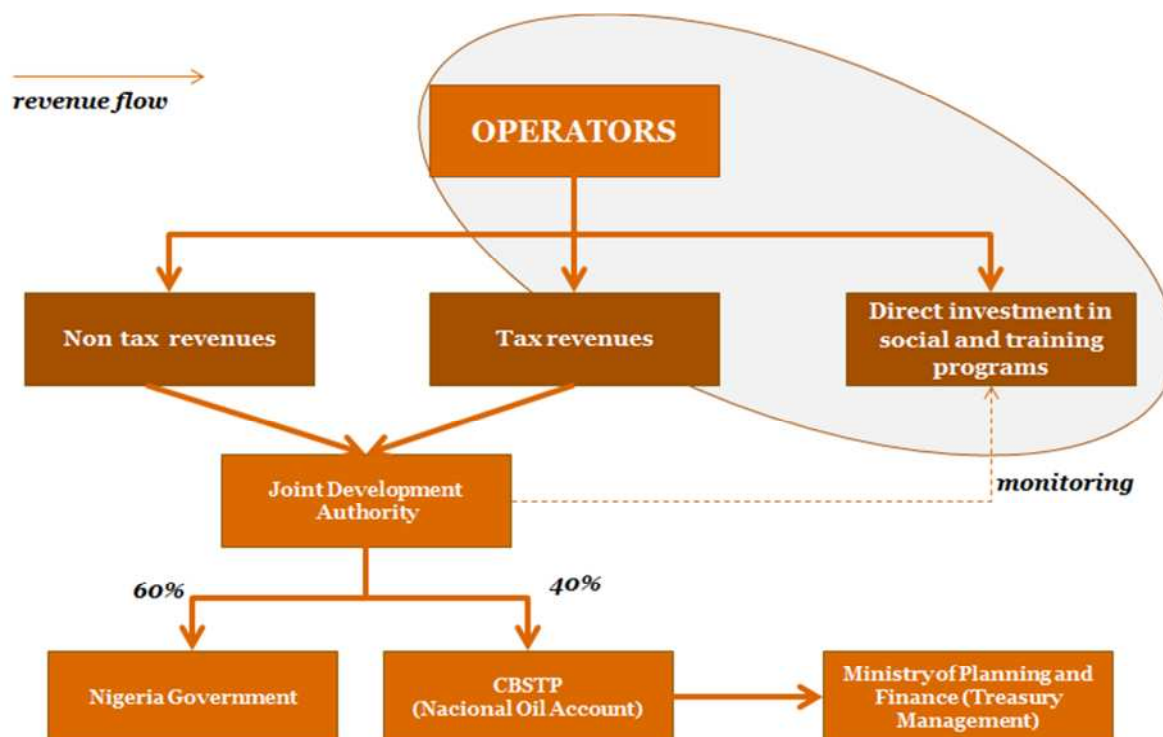


Table 50: Social projects in Nigeria 2005 to 2011

Block	Year	Social Project Name	Budget (USD)	Details of the project	Remarks*
	2005	Roll Back Malaria Programme	150,000	Programme at Ikwerre	Completed
	2006	Government Secondary School, Obohia, Ndoki Abia State	150,000	Construction of a 4 classroom block	Completed
	2007	Waka Teachers College, Biu, Borno State	150,000	800-1000 seat lecture hall	Completed
1	2008	Government Girls Secondary School, Kumo Akko L.G.A, Gombe State	150,000	8-room hostel block	Completed
	2009	Government Girls School, Doma, Nassarawa State	150,000	Block hostel	Completed
	2010	Government Science School, Potiskum, Yobe State	150,000	Provision laboratory equipment and renovation of laboratory block	Completed
	2011	Government Girls Arabic Secondary School, Diko, Suleja, Niger State	150,000	Renovation of Girls Hostel, provision of solar powered bore hole	Completed
	2006	Government Girls Arabic School, Sumaila, Kano State	120,000	Solar borehole supply/installation & renovation of 3 Girls Hostel Block	Completed
	2007	Plateau State Polytechnic, Brkin Ladi, Plateau State	120,000	Provision of 350K Va diesel generator and generator house	Completed
2	2008	Government Secondary School, Samaru Zaria, Kaduna State	120,000	Construction of perimeter fence and gatg house	Completed
	2009	Ognareki Grammar School, Ethiope West, Delta State	120,000	3 uncompleted staff quarters; provision of 230 student chairs and tables	Completed
	2011	Sheikh Obubakar Gunmi Memorial College, Sokoto South LGA, Sokoto	120,000	Construction of toilet, provision of bunk beds and renovation of a hostel block	Completed
	2006	Clegg's Girls Senior H>S., Surulere, Lagos State	120,000	6 nos. classroom block with 4 nos. attached toilets	Completed
	2007	Government Secondary School, Zaki, Biam Ukum LGA Benue State	120,000	Refurbishment of 3 blocks of classrooms	Completed
	2008	Kanta College, Argungu, Kebbi State	120,000	6-classroom block	Completed
	2009	Government Secondary School, Jalingo, Taraba State	120,000	Refurbishment of classroom blocks	Completed
	2011	Kotorkoshi Secondary School, Bungudu LGA, Zamfara State	120,000	Kotorkoshi Secondary School, Bungudu LGA, Zamfara State	Completed
	2006	Government Secondary School, Jada, Adamawa State	150,000	Construction of a Home Economics Laboratory block	Completed
	2006	Community Technical College, Ikot Akata Eket, Akwa Ibom State	150,000	Construction of a radio and TV workshop block	Completed
	2006	Government College, Ikere Ekiti South, Ekiti State	150,000	Construction of a science laboratory block	Completed
	2006	Government Girls Arabic Achool, Alkaleri, Bauchi South, Bauchi State	150,000	Construction of a science laboratory block	Completed
	2007	Junior Secondary School, Augara, Jigawa State	150,000	Student hostel block	Completed
	2007	Inland Girs Secondary School, Onitsha, Anambra State	150,000	Construction of a 4 room classroom block	Completed
	2007	Girls Secondary School, Katsina State	150,000	Equipment of a Science laboratory	Completed
	2007	Colliery Comprehensive Technical School, Ngwo, Enugu State	150,000	Equipment of a Science laboratory	Completed
	2008	Comprehensive High School, Nassarawa, Nassarawa State	150,000	Construction of a Science laboratory block	Completed
	2008	Opokuma Grammar School, Ikare-Akoko, Ondo State	150,000	Construction of Staff Qtrs/Corpors Lodge	Completed
	2008	Ikare Grammar School, Ikare-Akoko, Ondo State	150,000	Construction of a Science laboratory block	Completed
	2008	Idita Community High School, Ile-Ife, Osun State	150,000	Construction of a Science laboratory block	Completed
	2009	Community Secondary School Nkalaha, Isielu L.G.A., Ebonyi State	150,000	Construction of a 6 classroom block	Completed
	2009	Community Secondary School, Umuezeala Ama, Ehime Mbano LGA, Imo State	150,000	Renovation of school hall	Completed
	2009	Government Secondary School, Emi Guni, Bassa LGA, Kogi State	150,000	Construction of 6 classroom block	Completed
	2009	Lafiaji Secondary School, Lafiaji LGA, Kwara State	150,000	Construction of a 6 classroom block	Completed
	2009	Ilese Comprehensive High School, Ijebu North-East LGA, Oyo State	150,000	Provision of furnishings, computers	Completed
	2011	Soun Senior High School, Ogbomosho North LGA, Oyo State	150,000	Furnish & complete classroom block/constr. toilet	Completed
	2011	Imiega Grammar School, Etsako East LGA, Edo State	150,000	Imiega Grammar School, Etsako East LGA, Edo State	Completed
	2011	Oguduasa Community Secondary School, Mgbelu, Abia State	150,000	Oguduasa Community Secondary School, Mgbelu, Abia State	Completed
		Total	5,250,000		

*as per JDA information

Table 51: Social projects in Sao Tome and Principe 2005 to 2011

Block	Year	Social Project Name	Budget (USD)	Details of the project	Remarks*
1	2005	Financing for STP students in Brazil	100,000	Social Project redirected to scholarships	Completed
	2006	São João da Vargem School	100,000	Construction and assembly of a kitchen and a canteen	Completed
	2007	Financing for students in Portugal and Morocco	100,000	Social Project redirected to scholarships in Portugal and Morocco	Completed
	2008	Nursery in Vila de Bom-Bom 2008/2009/2010/2011	100,000	Construction and equipment	Completed
	2009	Nursery in Vila de Bom-Bom 2008/2009/2010/2012	100,000	Construction and equipment	Completed
	2010	Nursery in Vila de Bom-Bom 2008/2009/2010/2013	100,000	Construction and equipment	Completed
	2011	Nursery in Vila de Bom-Bom 2008/2009/2010/2014	100,000	Construction and equipment	Completed
	2012	Not defined	100,000	Not defined	Completed
2	2006	Patrice Lumunba School	80,000	Providing food for the canteen	Completed
	2007	Patrice Lumunba School	80,000	Providing food for the canteen	Completed
	2008	São João dos Angolares	80,000	Construction of a wall sealing	Completed
	2009	Pavement of Ribeira Formiga and construction of a water deposit at hospital	80,000	Road construction	Completed
	2011	Lusíadas/IUCAI tuition payment	80,000	Social Project redirected to scholarships	Completed
3	2006	Guadalupe e Neves School	80,000	Rehabilitation of the building and the canteen	Completed
	2007	Guadalupe e Neves School	80,000	Rehabilitation of the building and the canteen	Completed
	2008	School at Vila de Bom-Bom	80,000	Rehabilitation of schools	Completed
	2009	Old Nursery hospital in Príncipe	80,000	Construction of the hospital	Completed
	2011	Old Nursery hospital in Príncipe	80,000	Construction of the hospital	Completed
4	2006	Gamboa beach, Cruz beach and Loxinga beach	400,000	Rehabilitation of the water system	Completed
	2007	Gamboa beach, Cruz beach and Loxinga beach	400,000	Rehabilitation of the water system	Completed
	2008	Ferry boat of São Tomé e Príncipe	400,000	Boat for transportation between São Tomé e Príncipe	Completed
	2009	Ferry boat de São Tomé e Príncipe	400,000	Boat for transportation between São Tomé e Príncipe	Completed
	2011	São Joaquim school in Príncipe	400,000	Construction of school	Completed
		Total	3,600,000		

*as per JDA information

The extractive companies have committed to incur in social expenses while signing the exploration contracts. JDA is the entity responsible for verifying the execution of Social Projects' expenses. Concerning social and training contributions from the extractive companies arising from the signed contracts, these are of the companies' responsibility. There is not an official document presenting the social work, but JDA monitors the projects and their development. Thus, bearing in mind the hearing of civil society, the evaluation of the civil society according to non-governmental agencies, it is noted that this process is in need of improvement in terms of management, diffusion/dissemination and implementation control.

Please find the in Chapter 8.7 more details of the recommendations both establish by the MSG and Independent Administrator.

6.7 Quality assurance of operator's data:

In order to verify the quality of information provided by the operators, we searched for entities with audited reports. The following table provides a list of the operators that publish their reports and presentations on their financial information.

Table 52: Operators with audited Annual Reports

Operator	Auditor	Last audited Annual Report
Exxon Mobil	PwC	2013
Anadarko	KPMG	2013
Sinopec	PwC	2013
Addax (Grupo Sinopec)	PwC	2013
Equator	PwC	2013

The Reporting Templates used by the Independent Administrator included a request/information for the operators to report the latest Annual Report and Auditor Opinion's. However this information was not provided by operators who responded to our confirmation process.

7. Deadlines and challenges

7.1 Deadlines

The deadlines established with the various stakeholders involved in the EITI are defined in Annex III to this report.

7.2 Challenges

Challenge	Details	Impact	Resolution
Non Compliance with the deadline for the response by oil companies.	<p>The deadline of September 25 for the answer to our requests on the part of the mining companies was established.</p> <p>Despite several phone calls and emails sent and subsequently received only three responses within the deadline.</p>	<p>The low number of responses significantly conditioned the whole process of reconciliation, since the information available for the work of reconciliation has been greatly reduced.</p> <p>The situation identified above has made the time initially allocated for the work of reconciliation was relocated to independent tracking of missing answers.</p>	<p>After the deadline failure and for obtaining answers, we continued the process of monitoring the same through both phone calls and sending subsequent emails.</p>
Absence of contacts in extractive companies / outdated contacts	<p>The contact details of operators data by competent authorities are incomplete.</p> <p>Several situations in which both the name of the person responsible, such as phone and email contact does not actually correspond to any contact within an organization that wanted to contact were identified.</p>	<p>The absence of an effective contact difficult enough getting answers, since we could not come into direct contact with the person responsible for responding to our requests.</p> <p>Additionally, based on information provided by the authorities, it was unclear who would be responsible for completing the reporting templates.</p>	<p>As part of the contact details supplied initially were not effective, alternatively tried to contact the offices of the operators in order to try to reach a contact who was able to respond to our requests.</p> <p>Additionally, and for all non- effective contacts, we came in contact with both the NPA as JDA for sending us the updated contact.</p>
Filed evidence	<p>Due to the period of the report is very extensive (2003-2013), we faced the following situations:</p> <p>i) the information requested was already archived and consequently delayed the response by parts of extractive companies;</p> <p>ii) due to changes of interest in the blocks, various entities that payments made in previous years to 2013 are not currently exercise , so much contact with the effort to get the answer was a very complicated process .</p>	<p>Given the fact that the information is already filed, it was necessary to collect additional information and therefore time delay in meeting the deadline for response by extractive companies.</p>	<p>Have communicated with the Extractive Companies and Government Entities regularly to assess the status of the missing information.</p>

8. Improvements and suggestions for future reconciliations

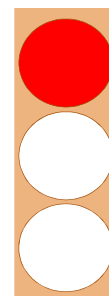
Bearing in mind (i) the whole work of reconciliation developed; (ii) the interactions developed with MSG; (iii) with the operators and (iv) other entities involved in the present work we seek in this chapter to identify some situations / processes that may be that could be improved in future cases.

8.1 Conducting Workshops and Guidance Forum between MSG and other players

Details	Priority
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Objectives

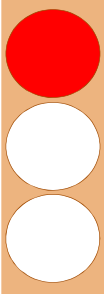
- Understanding the oil industry Sao Tome and Principe (Joint Development Zone and Exclusive Economic Zone);
- Understanding of financial key flows associated with the industry standard contracts;
- Understand the evidence types of payments and performance of other contractual obligations;
- Compliance with the agreed deadlines;
- Information disclosure reporting template;
- Issues in external confirmation process.



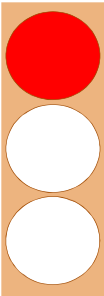
Actions to be taken

- Conduct Workshops at the EITI Secretariat with all stakeholders involved in the next reconciliation.
- The workshop should include an analysis of all the payments that are being requested in the Reporting Template to ensure that Government Entities and Extractive entities have a clear understanding of the information being provided
- It should also be discussed and agreed with the Extractive Institutions and Government Entities, the types of evidence will suffice for each cash flow.
- The workshop should also be based on an objective and thorough Reporting Template and supporting documentation to help Extractive Entities and State Entities to complete the Reporting Template and Independent Administrator provide the appropriate supporting documents.
- The MSG should agree on the timing of reconciliation and individual deadlines with all the Extractive Institutions and Government Entities with the intent of the reconciliation process be undertaken at a time convenient to all.
- Questions and answers should be accommodated during the workshops to identify and manage potential problems in advance.

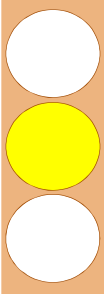
8.2 Government should implement Compliance Measure

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Compliance with key dates• Access to information• Increase transparency of flows generated in the sector <p>Actions to be taken</p> <ul style="list-style-type: none">• To ensure that all stakeholders make a conscious effort in relation to the objectives of the STP-EITI, the government could use the following steps to ensure compliance by all involved State and Entity Extraction.• Preparation of a Memorandum of Understanding that could be used to clearly define the responsibilities of various stakeholders and highlight actions for non-compliant Extraction and Government Entities.• Drafting legislation to introduce mandatory disclosure of information required by this job by Extractive Institutions and State to facilitate the process of reporting and documentation necessary support to proceed with reconciliation. Legislation should focus on the concept of materiality for purposes of public interest. Legislation must include the Extractive State Entities and a period for the purposes of reporting information.• It should be noted that we have not done a detailed review of the current legislation; however, we believe these to be an area that the STP-EITI Secretariat should consider.	

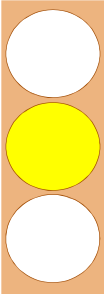
8.3 Training programs

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Develop training programs for the entities involved. <p>Actions to be taken</p> <ul style="list-style-type: none">• Survey and identification of specific training needs of each of the governmental entities involved in the oil industry.	

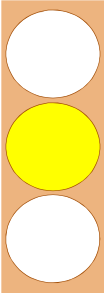
8.4 Reporting templates

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Understanding of payments to be reported by type of financial flow• Compliance with the types of evidence• Compliance with key dates• Disclosures to make in Reporting Templates• Establish contacts and key interlocutors by company <p>Actions to be taken</p> <ul style="list-style-type: none">• It should be included in the Reporting Templates an illustrative example of the correct disclosure of the requested information for both extractive industries and to all entities involved in the circularization process;• In reporting templates should be included a glossary with the definition of the types of cash flows on which the circularized entity will report, so that the understanding of the nature of the cash flow is clear;• For entities that answer for global amounts, further details can be had as may be deemed necessary for the work of the Independent Administrator;• Key dates should be posted in Reporting Templates as well as information about the key contact with the entity circularized;• The data sets should be delivered physically or via e-mail with the Reporting Template to Extractive and Government Entities and the form should be returned to the Independent Administrator confirming receipt.• The form must be signed and returned contain details of the person who received the documents, the date it was received, details of key contacts in the Extractive Institutions or Government Entities.	

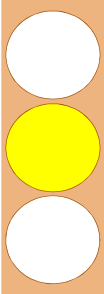
8.5 The STP-EITI should induct a third party to investigate the unsolved differences

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Resolve differences identified• Understand the evidence required• Review the business process <p>Actions to be taken</p> <ul style="list-style-type: none">• The STP-EITI could appoint a third party to continue working with the Extractive Institutions and State to refer all unresolved discrepancies in the report.• This will enable the STP-EITI conclude about the reasons for the discrepancies / identified differences and reconcile all the differences identified which were not possible to solve due to non-compliance with the deadlines of circularized entities (Entity Extraction and State) and lack of support and/or insufficient documentation available.• A report on the conclusion of the investigation should be issued to the Extractive and Government Entities which they highlight the common reasons for discrepancies and to develop action plans.	

8.6 Information Pack to reconcile the Reporting Template and Entities involved in the reconciliation

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Review of evidence• Identification and timely clarification of the differences found• Compliance with the deadlines <p>Actions to be taken</p> <ul style="list-style-type: none">• After the Reporting Template submission and supporting documentation, the Independent Administrator analyzes and reviews the available data to identify discrepancies unresolved.• For documentation is not complete or is insufficient, and the Independent Administrator MSG should seek to identify with the Government and Extractive Entities and the reasons for the differences and respective supporting documentation.• It should be made a benchmark for the responses in order to identify and define a set of best practices (best practices) in order to increase the quality of information obtained.	

8.7 Improve relationship (communication) between JDA and the civil society

Details	Priority
<p>Objectives</p> <ul style="list-style-type: none">• Improve transparency in the process and the oil sector revenue stream;• Make available the information about the social and training programs/projects public to the civil society. <p>Actions to be taken</p> <ul style="list-style-type: none">• Conducting activity in the communities of Nigeria and Sao Tome and Principe;• Disclose to and involve media in all the process of the social programs and projects;• Involve NGOs and representative agencies of minorities in the extractive process;• The JDA should create a committee or some kind of organization that could publish and promote the transparency of the social projects and programs both in Nigeria and Sao Tome and Principe, in accordance with what is establish in the contracts with the operators of the JDZ.	

Annexes

Annex I – Reporting templates

Entity: **Operators from the JDZ**

(LETTER HEAD STP EITI PAPER)

REPORTING TEMPLATE – JOINT DEVELOPMENT ZONE (JDZ)

Flows of Financial Payments in USD to the Joint Development Authority or to the Government of São Tomé and Príncipe

Please report on payments made to Joint Development Authority and/or to specific STP Government Ministries, Departments or Agencies and Social/Training Projects for the following period January 1st, 2003 to December 31st, 2013 (see page 2 and 3). Please also send a copy of your latest audited financial statements and audit report, if available.

All reporting templates should be submitted to Mr. Décio Mateiro or Mr. Gonçalo Jorge Silva or Mr. José Bizarro Duarte of PricewaterhouseCoopers Portugal with the address at Rua Sousa Martins, 1, 1069-316 Lisbon, Portugal and can be also submitted directly by e-mail to decio.alexandra.mateiro@pt.pwc.com or to gonçalo.jorge.silva@pt.pwc.com or to jose.bizarro.duarte@pt.pwc.com.

In case you have any further comments or questions please do not hesitate to contact Mr. Decio Mateiro by e-mail or direct phone (00 351 91 359 1736). The requested information should be submitted through email or be delivered physically.

Please reply to our queries until September 19th, 2014.

Name of Reporting Entity: _____

Block number: _____

Entity Management signatures

I acknowledge on behalf of

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_____ representation of the information in guidance provided.

Name: _____ Position: _____

Signature: _____ Date: _____

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REPORTING TEMPLATE – JOINT DEVELOPMENT ZONE
Flows of Financial Payments in USD from Oil Companies

Page 1 of 3

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Cash Payments (USD)											Comments
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	

I Payments to the Oil National Account (Conta Nacional do Petróleo) and Tax Directorate

A) Joint Development Authority

i) Bonus											
ii) Oil Prospecting License Fee											
iii) Annual Area Rental											
iv) Transfer Fees											
v) Sales of Seismic Data											
vi) Other significant payments and material benefit to government											

B) Ministério do Plano e Finanças of São Tomé and Príncipe (Tax Directorate)

i) Income tax payments											
ii) Other tax payments											

C) Other

i) Other payments to Government and other public agencies											
ii) Other payments to social projects*											
iii) Other payments to training projects											

*Please include a detail of amounts paid to specific social and training projects in next page.

2. Total

Total Payments Made											
----------------------------	--	--	--	--	--	--	--	--	--	--	--

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Social Training Projects - Cash Payments (USD)											Comments
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	

Payments to social and training projects

Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
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Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												

Latest audited financial statements: Audit firm name:

Audit report:

Entity: JDA

(LETTER HEAD STP EITI PAPER)

REPORTING TEMPLATE – JOINT DEVELOPMENT ZONE (JDZ)

Flows of Financial Receipts and Payments from Joint Development Authority (JDA)

Please report on payments received from Oil Companies; amounts paid to the Accountant General of the Federation of Nigeria and to the National Petroleum Account of Sao Tome and Principe; and amounts paid for Social/Training Projects for the period January 1st, 2003 to December 31st, 2013 (see page 2 and 3).

All reporting templates should be submitted to Mr. Decio Mateiro or Mr. Goncalo Jorge Silva or Mr. José Bizarro Duarte of PricewaterhouseCoopers Portugal with the address at Rua Sousa Martins, 1, 1069-316 Lisbon, Portugal and can be also submitted directly by e-mail to decio.alexandre.mateiro@pt.pwc.com or to goncalo.jorge.silva@pt.pwc.com or to jose.bizarro.duarte@pt.pwc.com.

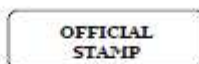
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Please reply to our queries until September 19th, 2014.

Name of Reporting Entity: _____

Entity Management signatures

I acknowledge on behalf of



_____ representation of the information in guidance provided.

Name: _____ Position: _____

Signature: _____ Date: _____

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REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Cash Receipts (USD)											Comments
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	

I Receipts from Operators

i) Bonus												
ii) OI Prospecting License Fee												
iii) Annual Area Rental												
iv) Transfer Fees												
v) Sales of Seismic Data												
vi) Other significant payments and material benefits												

Total Receipts												
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Fees and other revenues retained for Administrative Cost											Comments
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	

Fees and other revenues retained for Administrative Cost												
----------------------------------------------------------	--	--	--	--	--	--	--	--	--	--	--	--

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Cash Payments (USD)											
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Comments

2. Payments to Oil National Account

i) Bonus											
ii) Oil Prospecting License Fee											
iii) Annual Area Rental											
iv) Transfer Fees											
v) Sales of Seismic Data											
vi) Other significant payments and material benefits											

Total Payments											
-----------------------	--	--	--	--	--	--	--	--	--	--	--

Cash Payments (USD)											
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Comments

3. Payments to the Accountant of the Federation of Nigeria

i) Bonus											
ii) Oil Prospecting License Fee											
iii) Annual Area Rental											
iv) Transfer Fees											
v) Sales of Seismic Data											
vi) Other significant payments and material benefits											

Total Payments											
-----------------------	--	--	--	--	--	--	--	--	--	--	--

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Social/Training Projects - Cash Payments (\$ USD)											
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Comments

Payments to social and training projects

Name of the social/training project: _____											
Name of the social/training project: _____											
Name of the social/training project: _____											
Name of the social/training project: _____											
Name of the social/training project: _____											
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Name of the social/training project: _____											

(LETTER HEAD STP EITI PAPER)

REPORTING TEMPLATE – EXCLUSIVE AND JOINT DEVELOPMENT ZONES

Flows of Financial Receipts and Payments / Transfers in USD to the State Finance Department (Ministry)

Please report on benefits received from the Petroleum National Account (Conta Nacional do Petróleo) and paid/transfers to specific STP Government Ministries, Departments or Agencies for the following period January 1st, 2003 to December 31st, 2013 (see page 2).

All reporting templates should be submitted to Mr. Décio Mateiro or Mr. Goncalo Jorge Silva or Mr. José Bizarro Duarte of PricewaterhouseCoopers Portugal with the address at Rua Sousa Martins, 1, 1069-316 Lisbon, Portugal and can be also submitted directly by e-mail to decio.alexandre.mateiro@pt.pwc.com or to goncalo.jorge.silva@pt.pwc.com or to jose.bizarro.duarte@pt.pwc.com.

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Please reply to our queries until September 19th, 2014.

Name of Reporting Entity: _____

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I acknowledge on behalf of _____ representation of the information in guidance provided.

Name: _____ Position: _____

Signature: _____ Date: _____

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REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Cash Receipts and Payments (\$USD)											
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Comments

1. Receipts from Oil national Account

i) Bonus												
ii) Oil Prospecting License Fee												
iii) Annual Area Rental												
iv) Transfer Fees												
v) Sales of Seismic Data												
vi) Other significant receipts and material benefits												

2) Receipts from operators

i) Income tax payments												
ii) Other tax payments												
Total Receipts												

3. Payments made to:

i) Social Projects*												
ii) Training Projects*												
iii) Local Municipalities												
iv) Principle's Autonomous Region												

*Please include a detail of amounts paid to specific social and training projects in next page.

Total Payments												
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REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

Social/Training Projects - Cash Payments (\$ USD)											
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Comments

Payments to social and training projects

Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												
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Name of the social/training project: _____												
Name of the social/training project: _____												
Name of the social/training project: _____												

Entity: **Central Bank of Sao Tome and Principe**

(LETTER HEAD STP EITI PAPER)

REPORTING TEMPLATE – EXCLUSIVE AND JOINT DEVELOPMENT ZONES

Flows of Financial Receipts and Payments in USD in the Petroleum National Account (Conta Nacional do Petróleo)

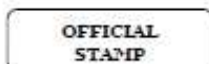
Please report on benefits received from Oil Companies operators and payments to specific STP Government Ministries, Departments or Agencies for the period January 1st, 2003 to December 31st, 2013 (see page 2).

All reporting templates should be submitted to Mr. Décio Mateiro or Mr. Goncalo Jorge Silva or Mr. José Bizarro Duarte of PricewaterhouseCoopers Portugal with the address at Rua Sousa Martins, 1, 1069-316 Lisbon, Portugal and can be also submitted directly by e-mail to decio.alexandre.mateiro@pt.pwc.com or to goncalo.jorge.silva@pt.pwc.com or to jose.bizarro.duarte@pt.pwc.com.

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**REPORTING TEMPLATE – EXCLUSIVE AND JOINT DEVELOPMENT ZONES
Flows of Financial Receipts and Payments into the Petroleum National Account (Conta Nacional do Petróleo)**

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

	Cash Receipts and payments (\$ US B)										Comments	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013
1. Receipts from Operators in EEZ - Exclusive Economic Zone												
i) Bonus												
ii) ODF prospecting License Fee												
iii) Annual Area Rental												
iv) Transfer Fees												
v) Sales of Seismic Data												
vi) Other significant payments and material benefit to government												
2. Receipts from Operators in Joint Development Zone												
i) Bonus												
ii) ODF prospecting License Fee												
iii) Annual Area Rental												
iv) Transfer Fees												
v) Sales of Seismic Data												
vi) Other significant payments and material benefits												
Total Receipts												
2. Payments to:												
i) General Government Budget												
ii) Others												
Total Payments												

Annex II – Deadlines

<i>Tasks</i>	<i>Agreed Deadline</i>	<i>Description</i>
Framing Dialogue	August 2014	Meetings with key partners in the process of implementing the EITI in Sao Tome and Principe.
Inception Report	September 12, 2014	Presentation and discussion of the inception report with the National EITI Committee Sao Tome and Principe and the Sub-Committee for the JDZ to ensure understanding of the scope and challenges of the work and the commitment and involvement of the various partners in the various phases.
Confirmation process	Until September 25, 2014 Extended deadline Until October 15, 2014	Based on information and addresses provided by the authorities, including the EITI National Petroleum Agency National Committee and the Joint Development Authority, the process of circularization of the entities referred to above be conducted (extractive industry companies, Government and Government Agencies). Was crucial during this phase the monitoring and awareness among various stakeholders in the circularization process by competent authorities, especially by sending a cover letter referring to the Joint Development Zone and Exclusive Economic Zone , to ensure that the statements were obtained time. Due to the low percentage of responses obtained to date from September 25, 2014, the deadline for response has been postponed to October 15, 2014, based on the decision of MSG
First ITIE Report (draft)	October 20, 2014	Regardless of obtaining statements by the deadlines specified above, was prepared and sent to the National EITI Committee Initial Report of the Independent Administrator and differences and discrepancies cleared.
Adjustments and reconciliations of discrepancies	October 30, 2014	Based on the differences and discrepancies identified in the Initial Report of the Independent Administrator requests justification for the entities involved were sent to the circularization process in order to ascertain the reasons for the deviation and the amounts to be considered for Final Report.
Workshop	Week of November 10, 2014	A workshop with all entities involved in the process , was made in STP, in particular with the Independent Administrator , ANP -STP , JDA , Treasury Department, BCSTP , World Bank, EITI and Subcommittee of the JDZ.
First EITI Report (final version)	November 21, 2014	Sending the draft of the Final Report of the Independent Administrator for the National EITI Committee of Sao Tome and Principe.

Annex III – Technical and financial criteria for the bidding rounds

2003 Bidding Round**2004 Bidding Round****Duration of Round:**

April 22 - October 18, 2003

Duration of Round:

November 15 to December 15, 2004

Blocks offered:

1, 2, 3, 4, 5, 6, 7, 8, and 9 out of a total of 25 blocks in the JDZ

Blocks offered:

2, 3, 4, 5, and 6

Existing Rights:

The JDA validated the rights exercised by ERHC as follows:

Block 2 30%

Block 3 20%

Block 4 25%

Block 5 15%

Block 6 15%

In addition, ExxonMobil could elect to exercise its remaining pre-emptive rights on any two blocks of their choice.

Technical Criteria (100%):

- i. Evidence of the company's technical capability;
- ii. Work program commitment;
- iii. Detailed geological interpretation identifying prospects in the block of interest;
- iv. Development proposal and plan for associated gas;
- v. Environmental policies of applicant;
- vi. Local content, including training of locals.

Only bids of at least 60% were to go to the next phase of commercial evaluation.

Technical Criteria (100%):

- i. Evidence of the company's or group of companies; technical capability;
- ii. Work program commitment (3 exploration sub periods 4+2+2);
- iii. Geological interpretation of block;
- iv. Plans for the utilization of associated gas;
- v. Health, safety and environmental management policies of applicant;
- vi. Local content including training of nationals and use of local goods, services and manpower.

Only bids of at least 60% were to go to the next phase of commercial evaluation.

Commercial Evaluation criteria:

- i. Bonuses: Signature bonuses not less than US\$30 million per block and Production bonus for specific production thresholds; and
- ii. Projects, either social or otherwise in either or both State Parties.

Commercial Evaluation criteria:

- i. Bonuses: Signature bonuses not less than US\$30 million per block and Production bonus for specific production thresholds;
- ii. Cost recovery ceiling of 80%, however, bidder could elect a lower ceiling.
- iii. Projects, either social or otherwise in either or both State Parties.

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