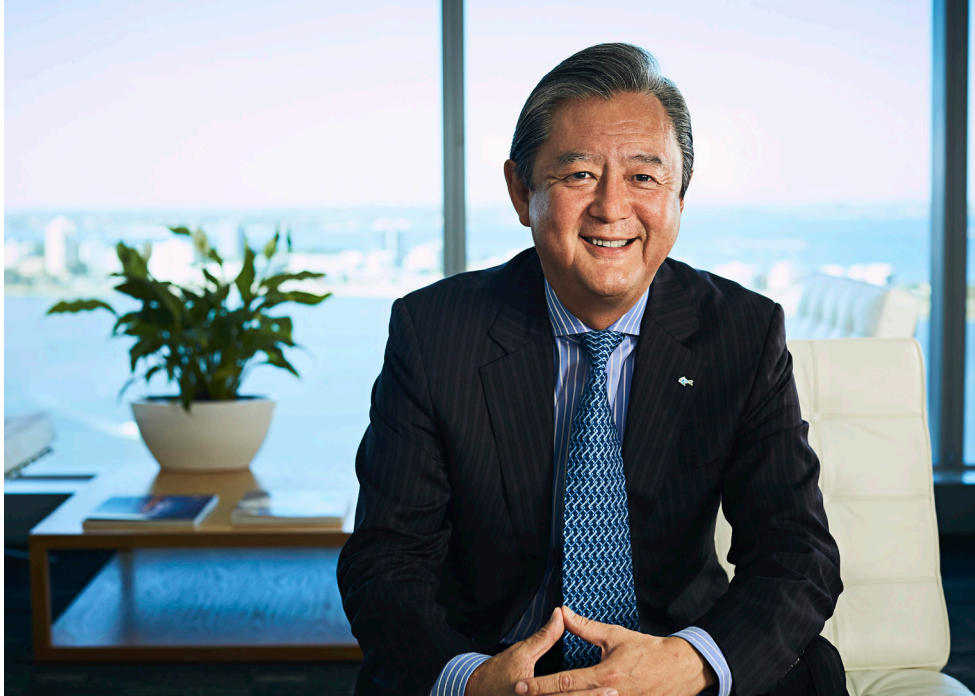


INPEX

INPEX Australia 2017 Tax transparency report





INPEX CORPORATION is the largest oil and gas exploration and production company in Japan.

Involved in over 70 projects across more than 20 countries, INPEX is ranked in the top 150 global energy companies. It is listed on the Tokyo Stock Exchange, and 18.9 per cent owned by the Japanese Government. The company's growth is driven from four core business areas: Japan, Australia, Indonesia and Abu Dhabi.

We are committed to managing our business activities responsibly in all countries in which we operate.

We believe tax transparency strengthens accountability by governments and companies to communities. Tax transparency encourages good business practices that improve the overall investment environment. Transparency ensures citizens remain informed of the valuable economic contribution being made by the resources industry, and the benefits that flow to the community.

As a proud member of the Australian business community for more than 30 years, INPEX is pleased to adopt the Australian Government's Voluntary Tax Transparency Code.

A handwritten signature in black ink, appearing to read 'Hitoshi Okawa', enclosed in a large, stylized oval shape.

Hitoshi Okawa

President Director, INPEX Australia

February 2019

INPEX in Australia

Browse Basin

- Ichthys LNG Project (Ichthys LNG 62.245%, and INPEX Ichthys 100%)
- Prelude Floating LNG (17.5%)

Carnarvon Basin

- Van Gogh and Coniston oil fields (47.499%)
- Ravensworth oil field (28.5%)
- Griffin (20%) – decommissioned

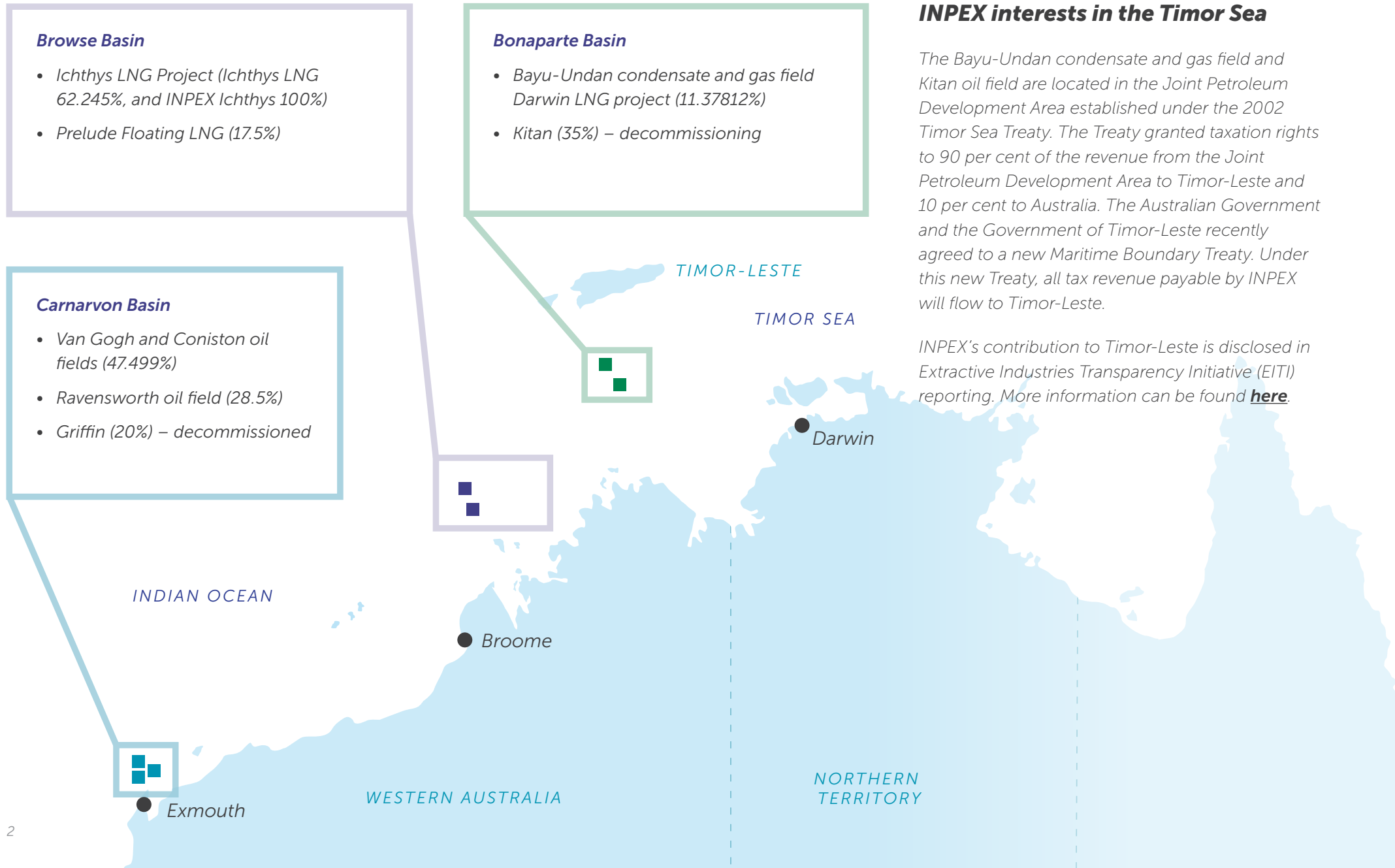
Bonaparte Basin

- Bayu-Undan condensate and gas field Darwin LNG project (11.37812%)
- Kitan (35%) – decommissioning

INPEX interests in the Timor Sea

The Bayu-Undan condensate and gas field and Kitan oil field are located in the Joint Petroleum Development Area established under the 2002 Timor Sea Treaty. The Treaty granted taxation rights to 90 per cent of the revenue from the Joint Petroleum Development Area to Timor-Leste and 10 per cent to Australia. The Australian Government and the Government of Timor-Leste recently agreed to a new Maritime Boundary Treaty. Under this new Treaty, all tax revenue payable by INPEX will flow to Timor-Leste.

INPEX's contribution to Timor-Leste is disclosed in Extractive Industries Transparency Initiative (EITI) reporting. More information can be found [here](#).



INPEX companies in Australia

INPEX has seven Australian-based entities and five branches of Japanese companies. These companies are all governed in accordance with the Corporations Law of Australia and Japan. They are 100 per cent owned and controlled by INPEX. INPEX also holds a share of 62.245 per cent in Ichthys LNG Pty Ltd, which is an incorporated joint venture company. This company processes the feed gas sold to it by the Ichthys Upstream Joint Venture Participants. Ichthys LNG Pty Ltd is not covered in this report.

	Company/branch name	Australian head company	Japanese head company	Ultimate beneficial owner	Participating interest in project name/function
Multi-entity consolidation (MEC)	INPEX Holdings Australia Pty Ltd		INPEX Browse, Ltd	INPEX CORPORATION	Holding company
	INPEX Browse E&P Pty Ltd (IBEPL)		INPEX Browse, Ltd	INPEX CORPORATION	Exploration permits
	INPEX Ichthys Pty Ltd (IIPL)	INPEX Holdings Australia Pty Ltd (IHAPL)	INPEX Browse, Ltd	INPEX CORPORATION	Ichthys upstream project
	INPEX Oil & Gas Australia Pty Ltd (IOGA)		INPEX CORPORATION	INPEX CORPORATION	Prelude Floating LNG
	INPEX Operations Australia Pty Ltd (IOAPL)	INPEX Holdings Australia Pty Ltd	INPEX Browse, Ltd	INPEX CORPORATION	Operating Company
	INPEX Australia Pty Ltd (IAPL)		INPEX CORPORATION	INPEX CORPORATION	Australian payroll company
	INPEX DLNGPL Pty Ltd (IDLNGPL)		INPEX CORPORATION	INPEX CORPORATION	Darwin LNG
Branch of Japanese entity	INPEX Browse, Ltd (IBL)		INPEX CORPORATION	INPEX CORPORATION	Holding company
	INPEX Offshore Timor-Leste, Ltd* (IOTL)		INPEX CORPORATION	INPEX CORPORATION	Timor-Leste exploration permits
	INPEX Alpha, Ltd (Alpha)		INPEX CORPORATION	INPEX CORPORATION	Griffin Ravensworth Van Gogh Coniston
	INPEX Sahul, Ltd* (Sahul)		INPEX CORPORATION	INPEX CORPORATION	Bayu-Undan
	INPEX Timor Sea, Ltd* (ITS)		INPEX CORPORATION	INPEX CORPORATION	Kitan

* denotes entities within the former Joint Petroleum Development Area



Taxation governance and standards

All INPEX companies and branch entities operating in Australia are compliant with Australian tax law. INPEX companies that operate in Australia either pay tax now, or will pay tax once construction finishes on major development projects as they move into the production phase.

The Boards of Directors for INPEX companies that operate in Australia are responsible for maintaining a system of risk management, governance and controls across all business operations, including the approach to tax.

In June 2014, the INPEX President Director, Australia, endorsed the Taxation Governance Policy, committing all INPEX controlled activities in Australia and related project locations to:

- comply with all applicable Australian laws and regulations regarding taxation on income, projects, and people
- ensure that where INPEX undertakes transactions with international parties, or conducts any operations in a jurisdiction other than Australia, that it is sensitive to, and complies with, the local applicable laws and regulations regarding taxation on income, projects and people
- communicate openly and fully with all revenue authorities on a full-disclosure basis surrounding relevant facts on our operations and transactions
- seek pre-clearance from the revenue authorities to the extent possible on the taxation treatment to be adopted by INPEX in Australia
- ensure that Boards of Directors are made aware of, and are involved in, the decision making process surrounding material taxation risks to INPEX activities in Australia.

In addition to the Taxation Governance Policy, the Company's Tax Standard sets out the approach to tax risk management, compliance processes, as well as engagement with the Australian Taxation Office (ATO) and other revenue agencies.

INPEX periodically draws on its Internal Audit and Risk Functions to test compliance with the Tax Standard, and continuously improve reporting on processes, and governance matters. Significant matters relating to taxation affairs are also audited by external auditors. Global Taxation Governance of INPEX ensures material companies are subject to Japan's Sarbanes-Oxley financial rules, in addition to the laws of the countries in which the companies are based in.

INPEX's Code of Conduct stipulates that the company must build sound and appropriate relationships with government and administrative authorities. INPEX is in regular communication with the ATO and responds in a cooperative and timely way to information requests. INPEX aims for certainty on material tax positions it adopts. INPEX engages with the ATO when matters are significant, complex or uncertain.

INPEX actively promotes tax compliance by providing education and training on tax compliance to INPEX employees, as required by their roles.

Tax contribution life cycle



Project phase

Taxes paid

Costs incurred

Revenues received

Explore and appraise

Payroll tax
 Fringe benefits tax (FBT)
 Goods and services tax (GST)

Seismic acquisition
 Drilling

None

Develop

Payroll tax
 FBT
 GST
 Duty on imported capital equipment

Capital expenditure

None



Ramp up

*Payroll tax
FBT
GST
Duty on imports*

*Operating costs
Capital expenditure*

Initial revenues which do not cover costs

Produce

*Income tax
PRRT
Payroll tax
FBT
GST on purchases*

*Operating costs
Sustaining investment*

Revenues exceed costs

Abandon

*Payroll tax
FBT
GST on purchases*

Decommissioning costs

None

International related party dealings

All international dealings by INPEX are conducted in accordance with Australian and international tax law, and in keeping with the arm's length principle recommended by the Organisation for Economic Co-operation and Development (OECD).

INPEX follows global taxation trends and endeavours to respond to new developments. In particular, INPEX will monitor developments in legislation governing international transactions in Japan and other G20 countries based on the report of the OECD/G20 Base Erosion and Profit Shifting Project, which aims to prevent multinational enterprises from exploiting gaps and loopholes in tax rules to shift profits to low or no tax locations.

INPEX's head office is in Tokyo, and its Australian companies draw on INPEX's global pool of resources:

Business Services

INPEX companies in Australia draw on technical and general administrative services in Japan to assist local operations. This maintains consistency across INPEX's global operations.

Financing

INPEX has a treasury company based in Singapore that manages all intragroup cash and funding needs, the risk management associated with running multiple currencies across the globe.

Trading

INPEX has a trading company in Japan that INPEX Alpha, Ltd uses to sell product to end customers. This trading company manages the interface and marketing arrangements.

Transfers within Integrated Projects

INPEX Sahul, Ltd (INPEX's upstream participant on the Bayu-Undan project) pays its share of a gas pipeline tariff to the downstream affiliates (including IDLNGPL) for the use of the gas pipeline. It also pays a processing fee to Darwin LNG Pty Ltd (downstream company). The tariff rate is agreed with the ATO in an Advanced Pricing Agreement.



Australian tax contribution summary

(1 January 2012 – 31 December 2017)

Tax	2012 – 2016	2017	Total (\$AUD millions)
Income tax	566	12	578
Fringe benefits tax	32	12	44
Payroll tax	51	17	68
Interest withholding tax	2	14	16
Total payments	651	55	706

The above tax payments were made during a period when the INPEX was in a significant investment phase in Australia.

Ichthys LNG Project contributing to the Australian economy and community



Investing billions of dollars in one of
Australia's largest-ever resource projects



Creating thousands of Australian jobs



Providing taxation revenue for
Australian governments



Bringing multi-generational economic
and community benefits to the people
of Australia for the next 40 years



More information on the forecast
contribution of the Ichthys Project can
be found [**here**](#)





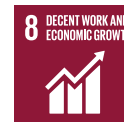
Global transparency and sustainability initiatives

INPEX is committed to achieving Sustainable Development Goals through its business activities and works within international frameworks to strengthen the social and economic impact of its operations.

Since October 2012, INPEX has been a part of the EITI, working closely with governments, companies and civil society to promote transparency. EITI monitors and reconciles the payments made by companies to government and government to communities. Through EITI, INPEX is helping improve governance, reduce corruption and promote economic growth through stronger accountability and transparency.

INPEX supports global standards relating to human rights, such as the International Bill of Human Rights, the International Labor Standards of the International Labor Organization and the UN Guiding Principles on Business and Human Rights. In 2011, INPEX adopted the Ten Principles of the UN Global Compact, including areas relating to labour, environment and anti-corruption. INPEX is an active member of IPIECA, the global oil and gas industry association for environmental and social issues.

For more information on INPEX's global economic and social impacts and the projected contribution of the Ichthys LNG Project to Australia's economy, please visit the [INPEX Australia website](#).



Reconciliations of financial statements and lodged tax returns (31 December 2017)

Table 2: Australian company financial statement disclosures (as lodged with ASIC) reconciling accounting profit to income tax expense (in millions)

Item	*IHAPL (\$USD)	IOGA (\$USD)	IBEPL (\$USD)	IAPL (\$AUD)	IDLNGPL (\$USD)
Total income	32	3	0	536	21
Accounting profit / (loss) before taxation	(157)	(10)	(9)	0	16
Prima facie tax at 30.00%	(47)	(3)	(3)	0	5
Permanent differences:					
– Prior year under/over	3	–	–	–	–
– De-recognition DTAs	409 [^]	–	–	–	–
– Non-taxable income	–	–	–	–	(2)
– Foreign tax refunds	–	–	–	–	(5)
Income tax expense / (benefit) as per financial statements	365	(3)	(3)	0	(2)

* Denotes the IHAPL accounting group which is IHAPL, IIPL and IOAPL only.

[^] Under Accounting Standards, Deferred Tax Assets (DTAs) must be derecognised to the extent it is not probable that the benefit will be utilised. The DTAs derecognised are future rehabilitation expenditure and credits associated with the PRRT regime for IIPL.

Table 2 reconciles accounting profit to income tax expense (accounting). All financial statements for INPEX's Australian companies and branches of Japanese companies are lodged with ASIC. For the branch entities, Australian tax effect accounting is not required and instead tax effect accounting is applied under tax regimes in Japan, Australia and Timor-Leste (if applicable) in accordance with Japanese Generally Accepted Accounting Principles.

The effective tax rate calculation is income tax expense divided by accounting profit before taxation. In 2017, only IDLNGPL had tax expense and accounting profit. Adjusting for foreign tax refunds (on the basis this was a one-off event), the effective tax rate in Australia is 19 per cent for IDLNGPL¹.

INPEX has a prima facie effective tax rate of 82.9 per cent globally. The Japanese statutory tax rate is 28.2 per cent. For more information on INPEX's global taxation, please see note 7 (page 72) in the [INPEX Annual Report 2018](#).

¹ Income Tax Expense: (2) add 6 is \$4 then \$4 / \$21 gives an effective tax rate of 19%

Australian income tax return disclosures

Table 3 reconciles accounting profit to taxable income to tax paid based on lodged tax returns with the ATO. The total income, taxable income and tax payable for IHAPL, IAPL and Sahul will be formally released by the Commissioner of Taxation, as these entities all have total income in excess of AUD \$100 million for the 31 December 2017 income year.

Tax effect accounting for INPEX branch entities are not performed in Australia, however, INPEX has summarised the branch contributions (in millions) to the lodged tax returns as follows:

Table 3: Australian company accounting profit to tax payable reconciliation (in millions)

Particulars	MEC (\$AUD)	IAPL (\$AUD)	IDLNGPL (\$AUD)
Total income as per the tax return	160	536	28
Tax return profit / (loss) before adjustments	(221)	0	21
Material adjustments:			
– Research and development concession	13	–	–
– Employee entitlements deductible in the future	–	4	–
– Assessable dividend income	–	–	20
– Restoration provision deductible in the future	21	–	–
– Timing Adjustments related to assets	(462)	–	–
– Assessable lending income	7	–	–
– Equity accounted losses not deductible	17	–	(6)
– Sundry assessable items	6	–	–
Taxable income / (loss)	(619)	4	35
Tax payable (at 30.00%)	–	1	10
Tax losses carried forward	1,235	–	–

Particulars	\$AUD
Total income as per the tax return	212
Tax return profit / (loss) before adjustments	(28)
Taxable income	(47)
Tax payable	2 (Sahul)
Combined tax losses carried forward	245



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