



2022 TAX CONTRIBUTION AND TRANSPARENCY REPORT

Year ended 30 June 2022



MESSAGE FROM THE CHIEF FINANCIAL OFFICER



I am pleased to present APLNG's 2022 Tax Contribution and Transparency Report detailing the taxes that the business paid in the 2022 financial year. Our disclosure in this report aligns with the recommendations of the Board of Taxation's voluntary Tax Transparency Code which aims to increase transparency around how much tax businesses pay and why.

We are proud of the significant contribution we make to the communities in which we operate. Through the development and operation of our upstream and downstream facilities we create significant economic value for the country. Our operations contribute to Australia's economic growth through local employment, the procurement of local goods and services, and ongoing infrastructure investments. We also pay a significant amount of royalties to the Queensland government in relation to our domestic sales and export of LNG and various other indirect state taxes and levies such as Stamp Duties and Q-leave.

Our business delivered a solid operational performance in the 2022 financial year. However, the utilisation of available tax losses and offsets generated in prior years means APLNG paid no corporate income tax relating to the 2022 financial year.

Ben Barrett
Chief Financial Officer

WHO WE ARE

APLNG is an incorporated joint venture in which Origin Energy Limited (Origin Energy), ConocoPhillips Australia Pacific LNG Pty Ltd (ConocoPhillips) and Sinopec Australia Pacific LNG Pty Ltd (SAPLNG) hold interests.

APLNG is one of the largest producers of natural gas in eastern Australia, supplying gas to the international LNG market in addition to the Australian east coast gas market. APLNG supplies gas directly to industrial customers in Queensland and also sells to retailers that supply the domestic east coast gas market.

APLNG's activities include:

- ongoing operations, maintenance and further development of APLNG's gas fields in the Surat and Bowen Basins in southwestern and central Queensland.
- operation and maintenance of the 530 km high pressure gas pipeline from the gas fields to the LNG facility on Curtis Island in Queensland; and
- operation and maintenance of the LNG facility which has two trains with a combined design nameplate processing capacity of approximately 9.0 million tonnes per annum (Mtpa).

HOW WE REPORT

At Australia Pacific LNG (**APLNG**), our corporate reporting suite is comprised of our Annual Report for the consolidated entity and 3 subsidiary companies of Australia Pacific LNG Pty Limited:

- Annual Report for Australia Pacific LNG Pty Limited
- Annual Report for Australia Pacific LNG Holdings Pty Limited
- Annual Report for Australia Pacific LNG Processing Pty Limited
- Annual Report for Australia Pacific LNG (Shared Facilities) Pty Limited

Our 2022 reports are lodged with ASIC.

This year is the fifth edition of our Tax Contribution Report and eighth edition of our Tax Transparency Report. The 2022 year is the first year that these reports have been combined.

DISTRIBUTION OF ECONOMIC VALUE

The operation of APLNG's business benefits local, regional and national communities through:

- Procurement of goods and services from local suppliers;
- Creation of employment opportunities;
- Investment in community initiatives and local infrastructure;
- Wages to our employees and payments to contractors; and
- Payment of rates and royalties to federal and state governments.

APLNG'S TAX POLICY AND RISK MANAGEMENT FRAMEWORK

APLNG complies with all tax laws and regulations applicable to our operations and seeks to mitigate tax risks associated with our activities consistent with the Australian Taxation Office's (ATO) Risk Management and Governance Review Guide.

The management of tax risk is an important component of APLNG's compliance approach managed via our risk management framework. The Board reviews our risk management framework annually and material risks are reported to the Management Risk Committee on a quarterly basis.

The APLNG Board does not support activities which seek to aggressively structure the company's tax position. Tax effect accounting results, significant legislative change or court decisions affecting our tax affairs and uncertain tax positions must be reported to the Board at a minimum during each half year reporting period. These matters are also included in monthly finance reports provided to APLNG Management and at each Board Meeting.

APLNG tax's obligations are managed by Origin Energy in their capacity as corporate service provider to APLNG. In doing so, Origin Energy's approach focuses on the identification and assessment of tax risks, and tax related responsibilities and accountabilities across the business. Origin Energy's tax function reviews any new or non-recurring APLNG transactions above a determined threshold, any transaction that has a material non-financial impact, any transaction that impacts the APLNG group's equity and any change in processes involving financial transactions.

For major transactions whose tax implications will have a material financial impact on the company, we seek to obtain binding rulings from revenue authorities. If we rely on public rulings, transactions must comply with the conditions of these rulings, so that APLNG is assured of the appropriate tax treatment. Where we hold a joint venture interest, the company's representation on joint venture boards and operating committees help to align the joint venture entity with our position.

THE AUSTRALIAN TAX CONSOLIDATED GROUP

APLNG and its subsidiaries only have operations in Australia. APLNG lodges a single Australian tax return which consolidates all its wholly owned Australian resident companies.

APLNG changed its functional currency from Australian Dollars ('AUD') to United States Dollars ('USD') from 1 July 2016 as required under accounting standards. Also, with effect from the same date APLNG elected to change its functional currency from AUD to USD for income tax purposes.

As a result of the change in functional currency for accounting purposes, APLNG elected to present the APLNG Group's financial statements in USD presentation currency from 1 July 2016. Although APLNG's presentation currency in its financial accounts is USD, the company is required to disclose amounts in its Australian tax return in AUD and has done so using the ATO's published average foreign exchange rate for the year ended 30 June 2022. This exchange rate is also used in the reconciliation of accounting profit to income tax expense on page 8.

APLNG'S ENGAGEMENT WITH THE AUSTRALIAN TAX OFFICE

As a company that has been classified by the ATO as a Top 100 public and multinational taxpayer, APLNG plays a prominent role in the Australian tax system. APLNG proactively engages with the ATO and state revenue authorities on a regular basis to maintain compliance.

Under the Action Differentiation Framework¹, the ATO's engagement is to partner with APLNG, meaning that the ATO has confidence in APLNG's tax compliance and ongoing commitment to maintaining an open and transparent relationship with the ATO.

¹ The Action Differentiation Framework (ADF) is the ATO's strategic approach to engaging with public and multinational businesses. For further information on ADF, please refer to the ATO's website, <https://www.ato.gov.au/Business/Large-business/Action-Differentiation-Framework/>

The ATO has issued APLNG with an overall high level of assurance for income tax in respect of the 2018 to 2021 financial years under its justified trust initiative. The ATO review for the 2022 financial year has yet to commence. The justified trust initiative involves a comprehensive review of a taxpayer by the ATO with objective evidence that would lead a reasonable person to conclude the taxpayer paid the right amount of tax. This is a higher level of assurance than confirming that certain risks do not arise.²

Tax Transparency Reporting

The ATO’s report on tax entity information for the 2022 income year includes details of tax paid as compared to revenue. This report does not disclose what is invested to earn that income nor the expenses incurred to derive the revenue.

The ATO report includes the following information with respect to APLNG for the year ended 30 June 2022:

Total income	\$9,347,824,996
Taxable income	\$689,659,530
Income tax payable	Nil

For the year 30 June 2022 accounting profit before income tax was \$4,836,932,021 and taxable income before the utilisation of tax losses carried forward from prior years was \$4,206,759,333. The most significant reason for the variance between these amounts relates to timing in the depreciation of capital assets. Generally, tax depreciation is more concessional than accounting depreciation to provide business with incentives to invest. Another reason for the variance relates to a foreign exchange loss deduction associated with project finance debt repayments.

After the utilisation of tax losses carried forward from prior income years, APLNG’s taxable income was \$689,659,530 for the 2022 income year. Income tax payable was nil as a result of the application of research and development tax offsets.

ATO Guidance Information

The ATO has also published guidance to assist in interpreting the tax entity information that it will publish³. This should be referred to in detail. However, the following extracts are particularly relevant to APLNG in relation to the year ended 30 June 2022:

Reporting of entity tax information

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Factors affecting the data

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Economic factors affecting profit or loss

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Several factors can affect the economic performance of sectors of the economy at various points in the economic cycle. For example, these could be commodity prices, policy changes and impacts of financial or health crises (such as COVID-19).

Some sectors of the economy can face challenging times whilst corporations in other sectors will see increases in revenue and profit. These broader economic factors will change the tax profile of a corporation and impact on the amount of tax paid.

²For further information on justified trust, please refer to the ATO's website, www.ato.gov.au/business/large-business/justified-trust/

³Please refer to the ATO website:

<https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Report-of-entity-tax-information/>

Corporate income tax is payable on profits, not gross income or revenue. There are genuine reasons why corporations may not pay income tax, for example, due to operating losses, deducting losses from prior years, or expensing projects in a start-up phase.

Reasons for variations

The figures in the Report of entity tax information in themselves do not indicate if an entity is paying a high or low rate of tax. The tax system provides for a range of deductions and offsets affecting final tax payable figures.

Measuring a company's effective tax rate (how much tax they pay as a percentage of profits) requires more information than what's in the report.

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Variations can come from the use of tax losses. Tax losses can generally be carried forward and offset against taxable income in future income years. Losses carried forward are subject to integrity rules that restrict the use of those losses where there is a substantial change in company ownership (the continuity of ownership test) and the type of activity undertaken by the business (the same business test or the similar business test). Losses generated by one member of a tax consolidated group can generally be used against profits earned by other members of the same group.

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Comparisons with other sources

The figures in the Report of entity tax information are not easily compared or reconciled with aggregated figures reported in our annual report, or figures from reports lodged with the Australian Securities & Investments Commission (ASIC) and the Australian Securities Exchange (ASX).

APLNG'S EFFECTIVE TAX RATE

The APLNG group effective income tax rate for the 30 June 2022 tax year on the statutory accounting profit was 30 per cent. For the 30 June 2021 tax year, the effective tax rate was also 30 per cent.

TAXES PAID BY APLNG

During the 2022 financial year, APLNG paid \$559 million in government petroleum royalties (2021: \$135 million).

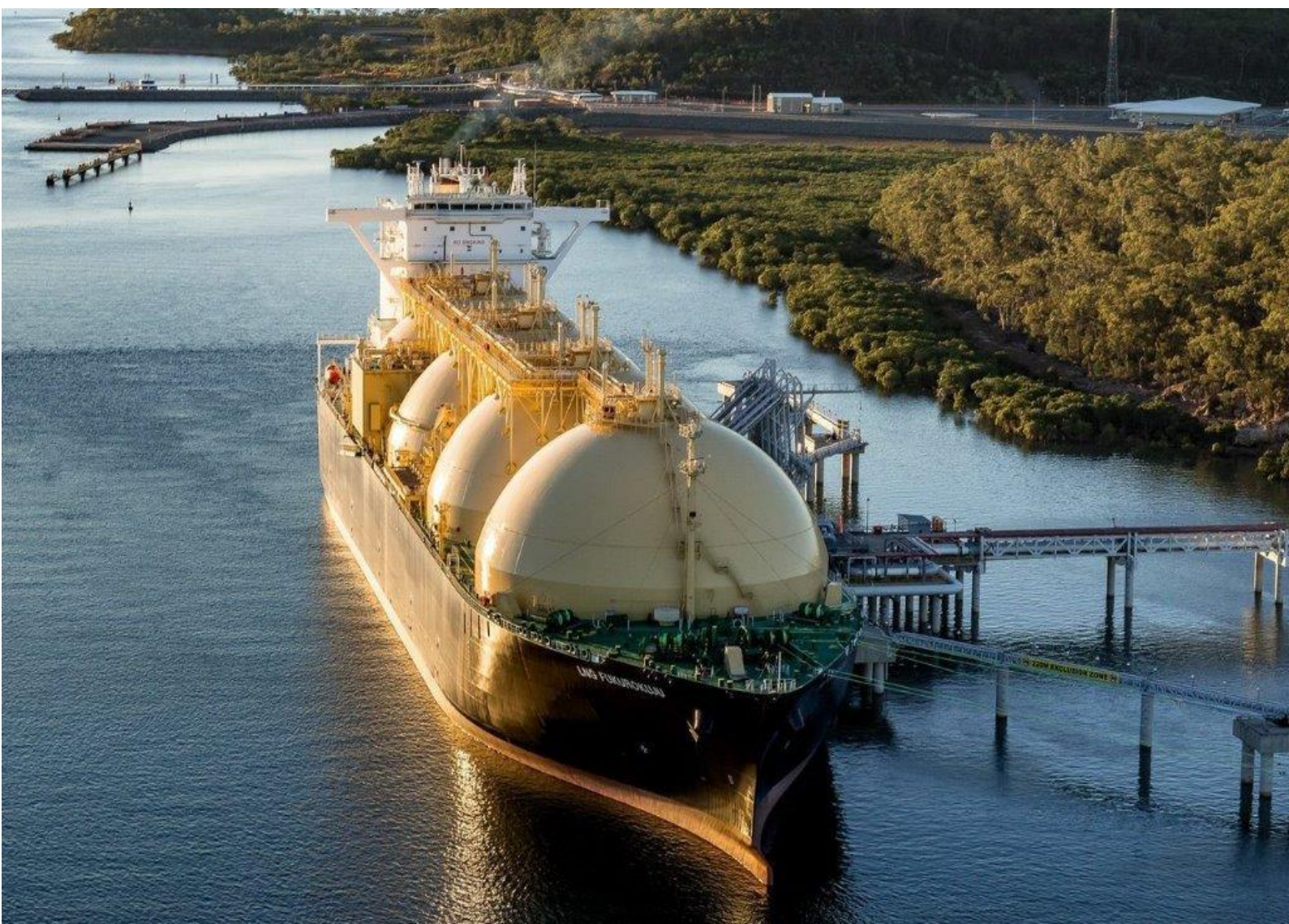
Due to the utilisation of available tax losses and R&D tax offsets generated in prior years, APLNG paid no corporate income tax relating to the 2022 financial year.

INTERNATIONAL- RELATED PARTY DEALINGS

All of the APLNG group's cross border related party dealings are conducted on an arm's length basis and are supported by contemporaneous documentation. These dealings can be classified into the following.

THREE KEY CATEGORIES

- 1 Sale of LNG to a Hong Kong subsidiary of the Chinese parent of SAPLNG pursuant to a long-term LNG sales agreement;
 - 2 Loans from China state owned commercial banks as part of a syndicated facility agreement including other unrelated lenders; and
 - 3 Insurance obtained by the APLNG group from a US captive insurer which is a subsidiary company of the US parent of ConocoPhillips, and from a Singapore captive insurer which is a subsidiary of Origin Energy.
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RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE

This section provides details of the APLNG group accounting profit before tax to income tax expense.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

	2022 \$MILLION AUD	2021 \$MILLION AUD
Reconciliation between tax expense and pre-tax net (Loss)/Profit		
(Loss)/profit from continuing operations before income tax	4,837	889
	4,837	889
Income tax using the domestic corporation tax rate of 30 per cent	1,451	267
<i>Increase/(decrease) in income tax expense due to:</i>		
Research and Development concession	-	(1)
Total non-temporary income tax expense adjustments	-	(1)
Total Income Tax Expense/(Benefit)	1,451	266
Accounting effective company tax rate (statutory profit)	30%	30%

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