



REPORT & ACCOUNTS

We Value and Add Value
2018 *to the Resources*

REPORT DESCRIPTION

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TIMOR GAP, E.P. and its subsidiaries annual activities and accounts.

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POWERING DEVELOPMENT





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Message of President & Chief Executive Officer

Over the past years, TIMOR GAP has been continually evolving to position itself as a regional leader and an oil & gas partner of choice, with 2018 presenting great opportunities and achievements, with equally great challenges, with a step towards its aimed direction, but more importantly this year has confirmed that by implementing TIMOR GAP's strategy, we are building a strong and sound foundation for growth and success, with a promising future lying ahead of us. As the energy landscape transforms itself and with oil prices steadily rising, we take a long-term view recognizing that oil and gas will play a key role as the global primary-energy in the mid-to-long term and, in line with this, we remain focused on implementing the "Strategic & Business Plan 2016-2035" as our growth strategy towards 2035 determining the key

strategic goals and ambitions effectively creating value to our stakeholders and contributing to Timor-Leste's social and economic development.

TIMOR GAP continued to develop and re-inforce its core business, Exploration & Production (E&P), as the upstream sector is expected to generate more earnings with an Internal Rate Return of 19% and a Net Present Value of \$2.8 billion (TIMOR GAP's Strategic & Business Plan 2016-2035). Furthermore, and in light of the Permanent Maritime Boundaries Treaty (subject to ratification) signed between Timor-Leste and Australia in March 2018, further E&P opportunities and subsequent additional revenue streams are anticipated to flow from the development of the country's resources in the Timor Sea. TIMOR GAP, as Timor-Leste's national oil company, will take a pivotal role in securing these E&P opportunities by engaging potential partners for exploration and exploitation activities, a role that we are looking forward to assume.

Further progress and achievements were reached this year regarding our current Production Sharing Contracts in force, both onshore and offshore. On the fourth quarter of 2018, TIMOR GAP and its partner Timor Resources launched the Fafulu Vibroseis 2D Seismic Survey for the PSC TL-OT-17-08 & PSC TL-OT-17-09 contract areas, becoming the first seismic survey to be carried out in the onshore of Timor-Leste since 1994 and the first witnessed by an independent Timor-Leste.

Studies conducted in the contract areas of our offshore PSCs have shown excellent results in terms of prospectivity, particularly in regards to the block TL-SO-15-01, as the Crocodile 3D Seismic Survey data interpretations conducted last year indicated that, from the 31 prospects initially identified, approximately six have more than 1 billion of Petroleum-Initial-In-Place (PIIP). The minimum exploration work commitments for the Initial Period of the referred PSC was completed this year. TIMOR GAP also continues preparation for the PSC 11-106 drilling campaign, alongside our partners ENI (the operator) and INPEX, that foresees the drilling of a dual target well at Kanase prospect which is expected to commence in early 2019.

Our strategy remains anchored in the development of our upstream portfolio,



Francisco Monteiro
President & CEO

whilst establishing, optimizing and expanding our downstream and services sectors. We aim at establishing a presence in the domestic market through the marketing of oil products, both retail sale & wholesale, and thus improving our financial results while building a brand trusted and chosen by all of its stakeholders. Our first retail fuel station of a network planned to be created across the national territory continued its operations in 2018 securing, for the third consecutive year, a contract to supply fuel to the Covalima Municipality vehicles. Also, in 2018, TIMOR GAP secured a contract with McDermott Aviation for the provision of jet A-1 fuel to the company's helicopters operating and based at the Suai Airport. TIMOR GAP is anticipated to provide jet A-1 fuel to the offshore aviation firms based at the Suai Airport and, for that purpose, we have completed this year the construction and installation of two storage tanks at Suai Airport, each with a capacity of 60kl.

Powering national development by adding value to Timor-Leste's petroleum resources has been TIMOR GAP's strategic goal since its creation in 2011, a goal we continue to pursue through the implementation of the Tasi Mane Project, which aims at establishing a national petroleum industry by means of the construction and operation of three industrial clusters on the country's southern coast: Suai Supply Base cluster, Betao Refinery and Petrochemical Industry cluster, and Timor-Leste LNG (or TLNG) cluster in Beaco, as well as the associated supporting infrastructures planned for each site. In regards to the supporting infrastructures, Timor-Leste inaugurated this year its first highway, a 30.4Km corridor corresponding to the Phase I of the southern coast highway project envisaged to connect the location of the three industrial clusters. Modern infrastructure such as the highway and the Suai Airport, inaugurated last year, will boost the socioeconomic development and improvement of the country's physical connectivity.

All the Tasi Mane Project cluster components have been subject to extensive and detailed studies as the likes of feasibility studies, Pre-FEEDs or FEEDs, and this year, as results of an Environmental Impact Study conducted in the project area, an Environmental License was granted to the Betao Refinery project. Two EIA studies are also being conducted for

the LNG Plant in Beaco and for the Sunrise-Beaco pipeline respectively, with the Project Documents approved early this year by the Authorities, community consultations for the EIA's Terms of Reference were held at the end of 2018 with the affected communities.

Natural gas, the cleanest-burning hydrocarbon, is expected to play an increasingly important part in global energy market over the next few decades as the demand for cleaner energy continues to rise. With this in view, TIMOR GAP continues to work hard in the implementation of TLNG project in Beaco by supporting the Government's aim to develop the Greater Sunrise gas field via an onshore LNG Plant in Beaco, using a submarine pipeline system across the Timor Trough. Following the positive developments between Timor-Leste and Australia with respect to the settlement of the Maritime Boundary between the two neighboring countries, providing a platform for further negotiations on the Greater Sunrise development concept, we remain confident and positive that an outcome which delivers substantial benefits to Timor-Leste will be reached.

We have developed and further invested in our human resources, corporate culture, safety standards and concerns for the environment, thus making us more resilient and better prepared for

the challenges that businesses face in today's market. We place a high priority on employee development and, therefore, in 2018, their skills and competencies continued to be built through in-house and external training in a wide range of assignments and secondments and on-job-training with our business partners around the world, such as ConocoPhillips, COSL, and Aibel. We incorporate the principles of quality, health, safety and environment into our strategy, culture and values, and hence, we continued to improve our Integrated Management System through the upgrading and transition to new ISO standards.

Moving forward, TIMOR GAP views its future prospects with enthusiasm and confidence, knowing that we have the foundations for the new cycle that now unveils itself and to power and drive development.

“TIMOR GAP views its future prospects with enthusiasm and confidence, knowing that we have the foundations for the new cycle that now unveils itself and to power and drive development.”

Executive Summary

The present Annual Report & Accounts comprises TIMOR GAP's activities and programs conducted from January to December 2018. This annual report mostly covers activities and programs that the company has accomplished, is currently doing, and is planning to do in the future as per TIMOR GAP's Strategic & Business Plan 2016-2035, and a detail analyses of the financial results and statements.

As the national oil company of Timor-Leste, TIMOR GAP received the mandate to optimize the

country's economic benefits from oil and gas resources and associated activities. TIMOR GAP aims to become a regional leader in the oil & gas sector, while contributing to long-term social and economic development of Timor-Leste and thus, its business portfolio covers the pursuit of upstream and downstream petroleum activities, provision of services to the industry and the management of the Tasi Mane Project on behalf of the Government.

Upstream

Activities and programs developed and accomplished in 2018 are inextricably intertwined with the company's goals set out in TIMOR GAP's Strategic & Business Plan 2016-2035, which defines the Exploration & Production (E&P) Sector as the company's core business. Significant advancements were made in this sector and with the Permanent Maritime Boundaries Treaty (subject to ratification) signed between Timor-Leste and Australia in March 2018, TIMOR GAP will have the opportunity to enhance its participation in E&P activities, thus expanding its portfolio in this sector. This year, TIMOR GAP and its partner Timor Resources launched the Fafulu Vibroseis 2D Seismic Survey for the PSC TL-OT-17-08 & PSC TL-OT-17-09 contract areas, in order to fulfil the Minimum Exploration Work Requirements set for the second year of the Initial Period. For this purpose, the PSCs operator, Timor Resources, engaged TIMOR

GAP's subsidiary in the field of providing seismic services, TIMOR GAP Seismic Services, Unipessoal, Lda, in a Joint Venture with PT. BGP Indonesia, to conduct the above 2D Seismic Survey.

In regard to our offshore blocks, we continued to prepare the upcoming drilling campaign for the PSC JPDA 11-106, where is foreseen the drilling of a deeper dual target at Kanase; and we have completed the exploration work commitments for the PSC TL-SO-15-01 Initial Period.

TIMOR GAP currently has four Production Sharing Contracts in force, both offshore and onshore, and continues to liaise with potential business partners for other E&P opportunities, in particular for onshore Block B, where field reconnaissance and geochemical sampling activities were conducted this year.

Downstream, Services and Subsidiaries

In the downstream sector, we continued to work towards our goal of establishing a foothold in the domestic petroleum products market by establishing a fuel retail sales network and capturing more wholesale business opportunities. In regards to the latter, the company will provide jet fuel A1 to the flights operating at Suai Airport, becoming its exclusive aviation fuel supplier, and for this purpose, two jet fuel storage tanks, with a 60,000 liters capacity each, were completed and installed at the Suai Airport premises in 2018.

TIMOR GAP participates in offshore service tenders, particularly for the ConocoPhillips Bayu-Un-

dan Infill Well (BUIW) Project and PSC JPDA 11-106 upcoming drilling campaign, and this year, South Horizon, a joint venture company established between TIMOR GAP Marine & Logistic and Siglar, was awarded with a Service Agreement pursuant to which South Horizon was engaged to provide topsides modification for the BUIW, which were concluded and delivered to ConocoPhillips in the first quarter of 2018.

Other business opportunities and partnerships are managed through our subsidiaries, and currently TIMOR GAP has 14 subsidiaries providing services for the oil and gas industry, as the likes of seismic services and fuel trading.

Tasi Mane Project

In supporting the implementation of 20 years National Strategic Development Plan, TIMOR GAP

has also been mandated to manage and administer the Tasi Mane Project, which comprises three indus-

trial clusters, Suai Supply Base, Betano Refinery & Petrochemical Complex and Timor-Leste LNG (or “TLNG”) Complex in Beço, and additional support infrastructures envisaged for each cluster, to be built in the southern coast of Timor-Leste. Achievements made this year comprise the following: the Environmental License was granted to the Refinery project components; ANPM and DNCPIA approved the Project Documents of the EIA studies for the LNG

plant and pipeline from Greater Sunrise to Beço, and a public consultation for the Terms of Reference of the EIA studies was conducted with the affected community; inaugurated of the Section 1 of the Highway, a corridor of 34.5km linking Suai to Fatukahu/Mola; the land and title clearance process for the new residential quarter of Holbelis was completed; and finalized the construction of the permanent cemetery in the Suai Airport area.

Institutional and Human Capital Development

To achieve and execute the projects and programs outline above, TIMOR GAP is supported by a strong institutional and human capital development, a continuous and rewarding investment in our human resources development and management; in our Quality, Health, Security and Environment (QHSE) system; and our Information Communication Technology assets and infrastructures. Our employees’ skills and competencies were further developed and enhanced through a wide range of trainings, providing in-house and abroad, and secondments with our international business partners, such as COSL, Aibel and ConocoPhillips.

Following the ISO certification for the company’s QHSE Integrated Management System (IMS), we continue to foster a culture in which safety and health are a priority, in so we conduct regular activities that include training, audit, inspection of safety equipment and company’s facility. In 2018, as per recommendation of the certification body, we upgraded TIMOR GAP IMS with the standard ISO 9001:2008 then transitioned to ISO 9001:2015, ISO 14001:2004 then was transitioned to ISO 14001:2015, and OSHAS: 2007 transitioned to ISO 45001:2018 on Occupational Health and Safety Management System (OHSMS).

Permanent Maritime Boundaries Treaty & Greater Sunrise Special Regime

In March 2018, Timor-Leste and Australia signed a Treaty establishing their Permanent Maritime Boundaries in the Timor Sea, reached under the UN compulsory conciliation proceeding. This is a historic and unprecedented Treaty that will bring a vast economic impact for the country, as now TIMOR GAP representing the nation will undertake a new level of leverage on dealing with potential prospects development within our newly established maritime border, strengthening further the company’s role and impact both domestically and regionally.

The Treaty, and the progress made during the conciliation, provide a platform for reaching agreement on the development of the Greater Sunrise fields. TIMOR GAP supports the Government’s goal in processing the gas on Timor-Leste shores transporting the feedstock through a pipeline from the Greater Sunrise to Beço, and negotiations are undergoing.

The company also participates in the Joint Commission for the supervision of petroleum activities in the Timor Sea, alongside Government officials.



1. About TIMOR GAP - TIMOR GÁS & PETRÓLEO, E.P.

WHO WE ARE

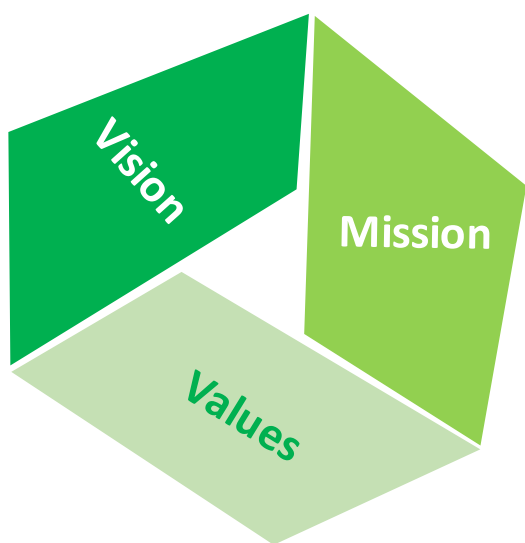
The national oil company of Timor-Leste created by the Government in 2011 and entrusted with the development of business activities for upstream exploration and production, including services, to be carried out onshore and offshore, within and outside of the national territory.

TIMOR GAP GÁS & PETRÓLEO, E.P. (hereinafter referred as to “TIMOR GAP”) was also assigned with the execution of downstream business activities, including the storage, refining, processing, distribution and sale of petroleum and its by-products, comprising the petrochemical industry.

In 2016, TIMOR GAP endorsed its Strategic & Business Plan for the period 2016 -2035, thus obtaining alignment on what we aim to be (vision), why we exist (mission) and how we work (values, embedded in our corporate spirit: “CAN DO”).

OUR VISSION

“To Be A Regional Leader In Oil & Gas For Sustainable National Development.”



OUR MISSION

- To contribute to national development by securing and adding value to energy resources.
- To create business opportunities and jobs, improving skills and technological transfer.
- To support social and economic development by maximizing local capacity and participation.
- To operate according to quality, health, safety and environmental best standards.
- To guarantee customer and partner satisfaction through our products, services and projects.
- To promote innovation and creativity through research and development.

OUR CORPORATE VALUES

INTEGRITY – We are committed to the highest standards of integrity, behaving ethically and professionally at all times.

COMPETENCE – We are capable, confident and committed, delivering high-quality, accurate and innovative products and services.

BUSINESS FOCUS – We are business oriented, always seeking new opportunities and adding values to resources and stakeholders .

SAFETY – We care for the health and safety of employees, communities and the environment, aligned with international best practices.

TEAMWORK – We work together with an open mind and respect for diversity, and connected by a family spirit.



Figure 1-1 (from top to bottom): TIMOR GAP employee during his secondment with COSL; TIMOR GAP employees during a workshop on the company's Strategic & Business Plan 2016-2035; TIMOR GAP employees during a project site visit to Suai

1.1 Business Units

TIMOR GAP business units comprise the following activities:

The **Corporate Service Unit (CSU)** provides the company with essential support services and ensures the effective and efficient delivery of corporate operations. It has overall responsibility for the company's corporate services including all aspects of human resources management, management of information technology and communication systems, travel and logistics, procurement management and general administration.

The **Business Infrastructure Development Unit (BIDU)** finds and seizes business opportunities related to infrastructure projects for TIMOR GAP and provides support, supervision, monitoring and evaluation to the infrastructure projects developed under the company's portfolio. It also supports other business units through the render of Geographic Information System (GIS), database and analysis support services; and liaises with the Government on issues concerning the company's activities.

The **Exploration & Production Unit (E&PU)** manages and coordinates upstream activities, developing the exploration and production of oil and gas.

The **Refinery and Petroleum Services Unit (R&PSU)** manages and coordinates the refinery project and is in charge of other downstream activities, including petroleum products and distribution in Timor-Leste.

The **Gas Business Unit (GBU)** manages and coordinates all business activities within the field of natural gas, including LNG, LPG and gas pipelines.

The **Finance Unit (FU)** provides a full support to the company's operational of programs and projects, with the day to day financial transactions, recordings, and responsible in procuring funds for financing projects.

The **Quality, Health, Safety and Environment Unit (QHSEU)** provides, promotes and ensures the compliance with Quality, Health, Safety and Environment high standards across all company activities.

The **New Ventures Unit** is under the office of Vice-President and its core responsibilities is to lead, evaluate and coordinate all activities related to new venture projects/opportunities. The Unit evaluates and seizes all the new venture opportunities, providing Geological & Geophysical expertise, commercial & legal inputs to the new potential ventures related to exploration, production and other oil and gas services projects. It creates a bridge between the company and other partners to initiate all the business arrangements, playing a crucial role in assisting the company to convert an entrepreneurial proposal/idea into profitable business.



Figure 1-2: Meeting with BGP (left); TIMOR GAP's employees during a secondment at COSL, Singapore (right)

1.2 Financial Overview

The audited Financial Statements are contained in Section 8 of this Report, and have attached a detailed analysis of the results for 2018, which are for a period of 12 months, with 31 December as financial year end. TIMOR GAP has been using International Financial Reporting Standards (IFRS) to ensure a well-recognized framework. The figures shown in this Report are stated in US Dollars.

The company received a government grant of \$9,948,762 during the year ended 31 December 2018 (2017: \$11,900,000). The main sources of income were originated from onshore exploration farm-out of \$2,500,000 (2017: \$2,000,000) and income from fuel trading business of \$406,175 (2017: \$370,015) and fixed contract service fees of \$3,850 (2017: \$8,902).

Expenditure for the Business Units, the Office of the President & CEO and the Office of the Vice-President is set out below:

Offices and Units	Remarks on the main expenses incurred during the period
President & CEO Office	Expenditures associated with projects, namely, legal & technical consultancy fees for the Greater Sunrise negotiations, including Asset Evaluation & Transaction Support project, general legal consultant services, and expenses related to BOD/ Executive Committee Meetings, business travel, and salary & wages, and asset software acquisition.
Vice-President Office - Drilling and Technology, New Ventures	Project expenditures related to new ventures meetings, legal and technical consultant fees for upstream business subsidiaries, including staff secondments; general operational expenditures, capital items, business travel and staff salary and wages, and investment related expenditure.
Corporate Service Unit	Company's operational expenditures as stationary, telephone, electricity, vehicle & office rental & maintenance, IT infrastructure and other items, including SAP software consultant and staff salary & wages.
Business Infrastructure Development Unit	Project expenditures, such as: project supervision & monitoring, dissemination & community liaison related expenditures on Tasi Mane projects; investment in vessel and general marine logistic services. Unit expenditure for staff professional development, minor equipment, salary & wages, and other unit related expenditure.
Exploration & Production Unit	Bayu-Undan Re-development, Upstream Data Management & IT Infrastructures Support projects related expenditures; expenditures with PSC 11-106 particularly for general administration costs and technical meetings during the preparation of the upcoming drilling of the block 11-106. Unit expenditure for consultant fees, business travel, staff professional development, salary & wages, capital, and other overhead related expenditures.
Refinery and Petroleum Services Unit	Project expenditures, mainly for the construction of additional fuel station in some municipalities, preparation Term of Reference (TOR) on Details Engineering Design (DED) for the National Security Stockpile, additional avtur tanks in Dili & Oe-cusse airport, studies for refinery project such as market study, EIA/ HIA, and FEED. Unit expenditure for staff professional development, capital expenditure, salary & wages, and other operational related expenditures.
Gas Business Unit	Unit expenditures, technical consultant for QHSE Integrated Management System Implementation, Internal audit and ISO certification audit, Personal Protective Equipment (PPE), salary & wages, and staff professional development.
Quality, Healthy, Safety and Environment Unit	Unit expenditures, technical consultant for QHSE Integrated Management System Implementation, Internal audit and ISO certification audit, Personal Protective Equipment (PPE), salary & wages, and staff professional development.

Offices and Units	Remarks on the main expenses incurred during the period
Finance Unit	Expenses related to TIMOR GAP's investments as investment in offshore exploration block TL-SO-15-01 and investment of two onshore blocks exploration, TL-OT-17-08 (block A) and TL-OT-17-09 (block C). Finance Unit's general expenditures, such as: consultant, travel for project finance meetings, external financial audit, staff professional development, capital items, and salary & wages.

Table 1-1: Overview of expenditures for each Business Unit

The main components of the 2018 Financial Year were related to the development and management of several projects, as detailed from Sections 2 to 6.



2. Upstream

2.1 Strategic Goals & Overview

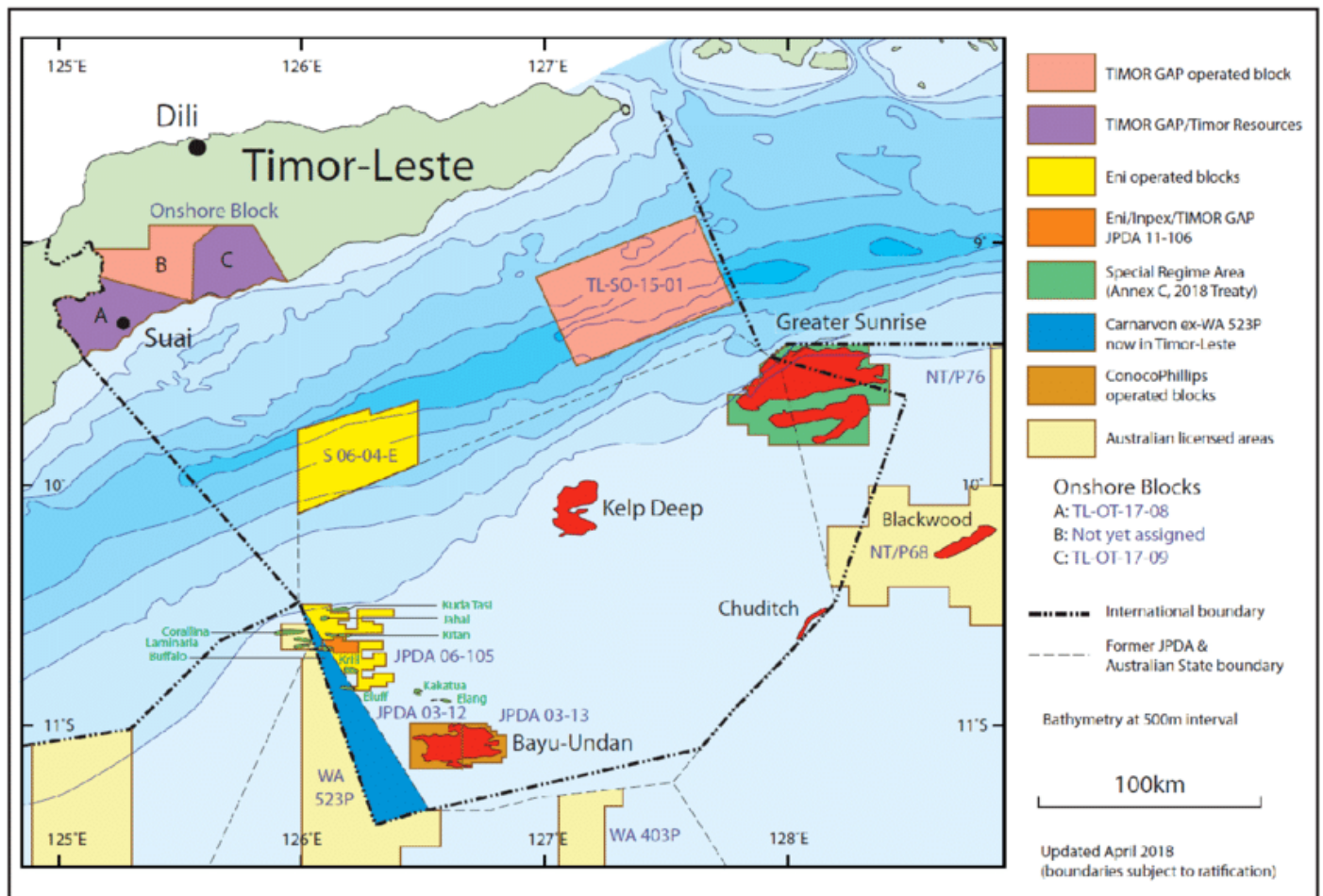


Figure 2-1: Timor-Leste current PSC license areas, with offshore international boundaries following the 2018 Treaty with Australia (subject to ratification)

In TIMOR GAP's Strategic & Business Plan for 2016-2035, we defined Exploration & Production as our core business. Exploration & Production has been identified as the most viable source of income in the short to medium term, given the current privileges as the National Oil Company. We have the competitive edge in marketing and we are strategically seeking potential partnerships to boost the Exploration & Production activity and develop our portfolio.

Our key strategic goals for the upstream sector are based on the building, growth and expansion of the company's upstream business portfolio for the next 20 years. In the short term, TIMOR GAP will be focused on building its capabilities and exploration portfolio, thus boosting the gas and oil production and exploration activity in Timor-Leste's mainland and within its maritime boundaries. Following the 2018 Maritime Boundary Treaty signed between Timor-Leste and Australia (subject to ratification), the open exploration acreage, including the existent oil & gas fields formerly shared between Australia and Timor-Leste in the Joint Petroleum Development Area, will transi-

tion to Timor-Leste's exclusive maritime jurisdiction, triggering various opportunities for TIMOR GAP to enter into new Production Sharing Contracts, that can result in strengthening the company's exploration & production portfolio.

With the aforesaid opportunities, TIMOR GAP will acquire significant experience, competence and technology through its joint venture partners, an indication in meeting with the company's goals in becoming a partner of choice and paving the way to take the role of operator in the medium term. In view of this, TIMOR GAP ensures that its PSCs and/or Commercial Agreements demonstrate a clear, measurable and enforceable commitments to local content through a local content plan aiming, among other, to improve Timor-Leste's workforce and skills development through capacity-building initiatives and training of Timor-Leste nationals, and to improve and promote the country's commercial and industrial capacity through the transfer of knowledge, technology and research capability and capacity.

An overview of the strategic goals for the upstream sector and the highlights of 2018 are shown below:

STRATEGIC GOALS	HIGHLIGHTS OF 2018
<p>SHORT TERM (2-5 years)</p> <ul style="list-style-type: none"> Build the Business <ul style="list-style-type: none"> Build technical competence Build exploration portfolio <p style="text-align: center; color: white;">BECOME A PARTNER OF CHOICE - PLAN & BUILD PORTFOLIOS</p>	<ul style="list-style-type: none"> Signed the Maritime Boundary Treaty with Australia (subject to ratification), in March 2018, which will expand Timor-Leste’s areas of exclusive maritime jurisdiction and thus boost the opportunities for TIMOR GAP to participate in E&P activities; Granted a second 24 months extension to the Initial Exploration Period of the PSC JPDA 11-106 until 22nd October 2020. Preparation for the drilling campaign on the dual target at Kanase prospect continued though- out 2018 and drilling is expected to commence in early 2019; PSC TL-SO-15-01 Exploration Work Commitments for the Initial Period were fulfilled and it is confirmed that it will enter into Second Period of PSC; Initiated the onshore Vibroseis Fafulu 2D Seismic Survey over PSC TL-OT-17-08 & PSC TL-OT-17-09, Timor-Leste’s first onshore seismic survey since its independence;

Table 2-1: Strategic Goals and Highlights of 2018 for Upstream Sector

2.2 PSC JPDA 11-106

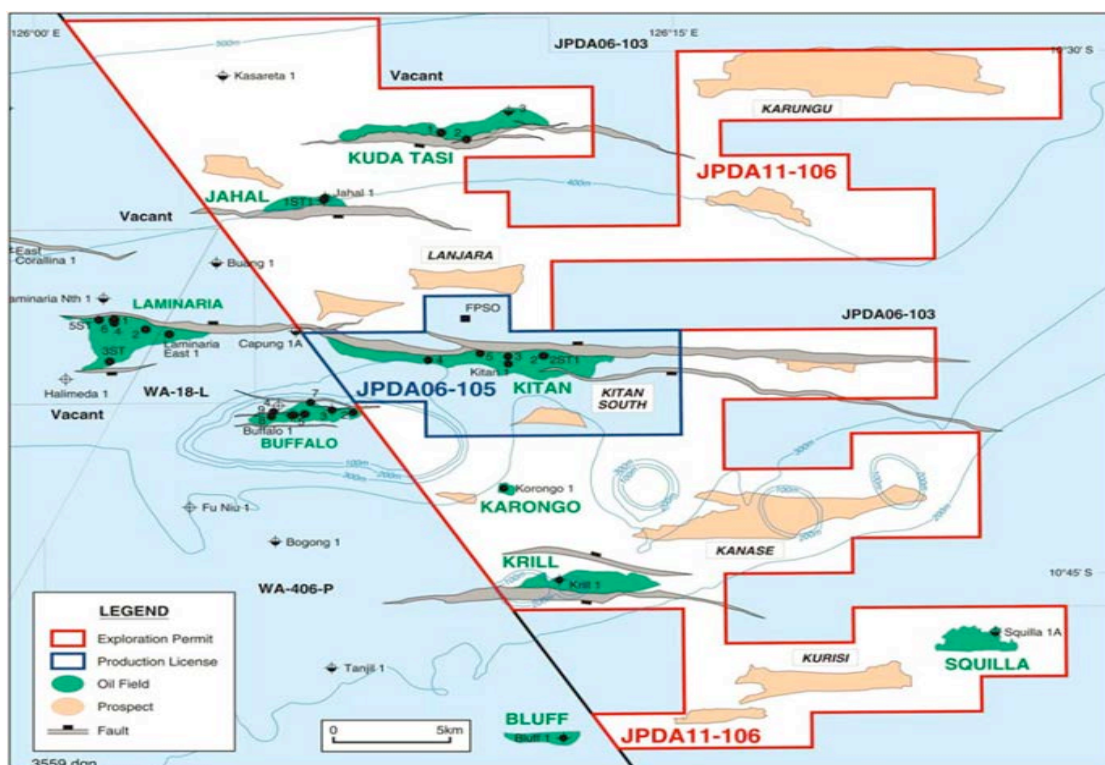


Figure 2-2: Map of the prospects in PSC JPDA 11-106

Our first PSC was signed in 2013, through the wholly owned subsidiary TIMOR GAP PSC 11-106, to begin offshore exploration in the formerly designated Joint Petroleum Development Area (JPDA). Pursuant to the Treaty signed on March 2018 between Australia and Timor-Leste establishing their Permanent Maritime Boundaries (subject to ratification) in the Timor Sea, the JPDA is annulled and the PSC JPDA 11-106 is now located on Timor-Leste's area of exclusive maritime jurisdiction, being subject to a Transitional Arrangement set forth in the referred Treaty.

In the Joint Venture partnership, TIMOR GAP has a share of 24%, which envisages a good starting point considering experience levels as a young national oil company and as well a symbolic number, marking the number of years of Timor-Leste's struggle for independence. ENI, the operator of this Contract, has a share of 40.53% and INPEX, the third JV partner, 35.47%. The Joint Operating Agreement (JOA) was signed on October 2013.

The area being explored by the PSC 11-106 JV is located approximately 240 km south of Dili and 500 km northwest of Darwin, covering an area of 662 km² adjacent to the Kitan oil field and lies in an average water depth of 350m. The focus of the study is on already proven but unproduced reserves at Jahal, Kuda Tasi (+/- 20MMbbls), Squilla and Krill fields.

Technical evaluation of drillable prospects within the contract area was conducted over the past years, including review of the existing sub-commercial discoveries within the contract area and assessment of further potential drilling locations, covering shallow and deeper prospects. Joint venture partners have been focused on assessment of the Jurassic Plover sandstone reservoir and a review of fault trap integrity, essential to exploration in this region, as well as evaluation of deeper prospects in the Triassic. Pursuant to the findings attained with the foregoing technical evaluation and with the subsequently endorsement of the Joint Commission and Designated

Authority (ANPM), JV partners opted to drill a deeper dual target well at Kanase prospect to test the Triassic reservoir level, in lieu of the two exploration wells commitment program set out for the Initial Period.

The Kanase prospect is located at approximately 13km from the Kitan field, 8km from the Krill discovery and 11km from Squilla discovery. The dual target comprises a primary target aiming for proven Jurassic Laminaria/Plover formation reservoir at 3500 mSS with a mean Oil-Initially-In-Place (OIIP) of approximately 185 MMbbl, and a secondary target aiming for untested Triassic Nome formation play at 4200 mSS with a mean OIIP of approximately 188 MMbbl. The Jurassic and Triassic mapping were completed and the block evaluation has been carried out during 2018, with focus on Krill & Squilla undeveloped fields Triassic mapping.

In 2016, ANPM has granted 24 months extension to the initial exploration period until 22nd October 2018. A second 24 months extension to the PSC term has granted by ANPM on 29th June 2018, with the Initial Period being effective until 22nd October 2020. In order to fulfil Minimum Exploration Work Requirements for the Initial Period, the drilling campaign for the dual target at Kanase prospect is being prepared and it is expected to commence in early 2019. The tender for the provision of a rig and services for the drilling campaign was completed in early fourth quarter 2018 and awarded to Maersk Drilling. The semi-submersible rig Maersk Deliverer is expected to be mobilized into the Timor Sea in early March 2019.

TIMOR GAP technical team prudently evaluates the work of the operator and in parallel, carries out independent technical studies to evaluate the prospectivity of the PSC area. All technical evaluation is periodically reviewed by the management and it also provides opportunity for the team to improve their technical capabilities.

2.3 PSC TL-SO-15-01

TIMOR GAP, through its wholly-owned subsidiary TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda, was awarded with PSC TL-SO-15-01 in accordance with Ministerial Dispatch No.3/GMPRM/XII/2015 dated 18th December 2015, authorizing the direct award to TIMOR GAP of a Production Sharing Contract for the onshore and offshore area and Government Resolution No. 44/2015 of 22nd December, which authorizes TIMOR GAP to hold a participating interest with a value of less than or equal to 100% in an onshore and offshore block, both located in the Timor-Leste Exclusive Area, including an authorization to carry out a multi-client 3D seismic survey in

the offshore block.

The PSC block is located approximately 60km southeast of Timor's island eastern tip midway between Timor and the Greater Sunrise gas-condensate field in intermediate water depths. In accordance in the PSC obligations set for the Initial Exploration Period, a 2780 square kilometers Crocodile 3D seismic survey, which covers most of the PSC contract area, was acquired during 2016 and the contract for a full prospectivity assessment including interpretation of the 3D seismic data, AVO analysis, play analysis, prospect ranking and economics, was awarded to CGG GeoConsulting in 2017.

The results of the above 3D seismic survey show “world-class prospectivity” in the block with the seismic data allowing the imaging of 31 individual closed seismic structures at various geological levels (Jurassic, Triassic and Permian), frequently stacked vertically, in 17 geographically distinct locations (11 Plover Fm prospects, 11 Triassic prospects and 9 Permian prospects), with most locations having multiple targets. Final results presented by the CGG experts indicated that from the 31 prospects initially

identified, approximately six have more than 1 billion of Petroleum-Initial-In-Place (PIIP). It is likely that all three Petroleum Systems identified – Jurassic, Triassic and Permian – provide chances for preserved hydrocarbon accumulations, with greater emphasis on Jurassic Petroleum System, especially Plover Formation. Cluster 1 (Pl1) deserves greatest attention in 3D Crocodile Study Area of Interest, with Cluster 6 (Pl6) being second attractive.

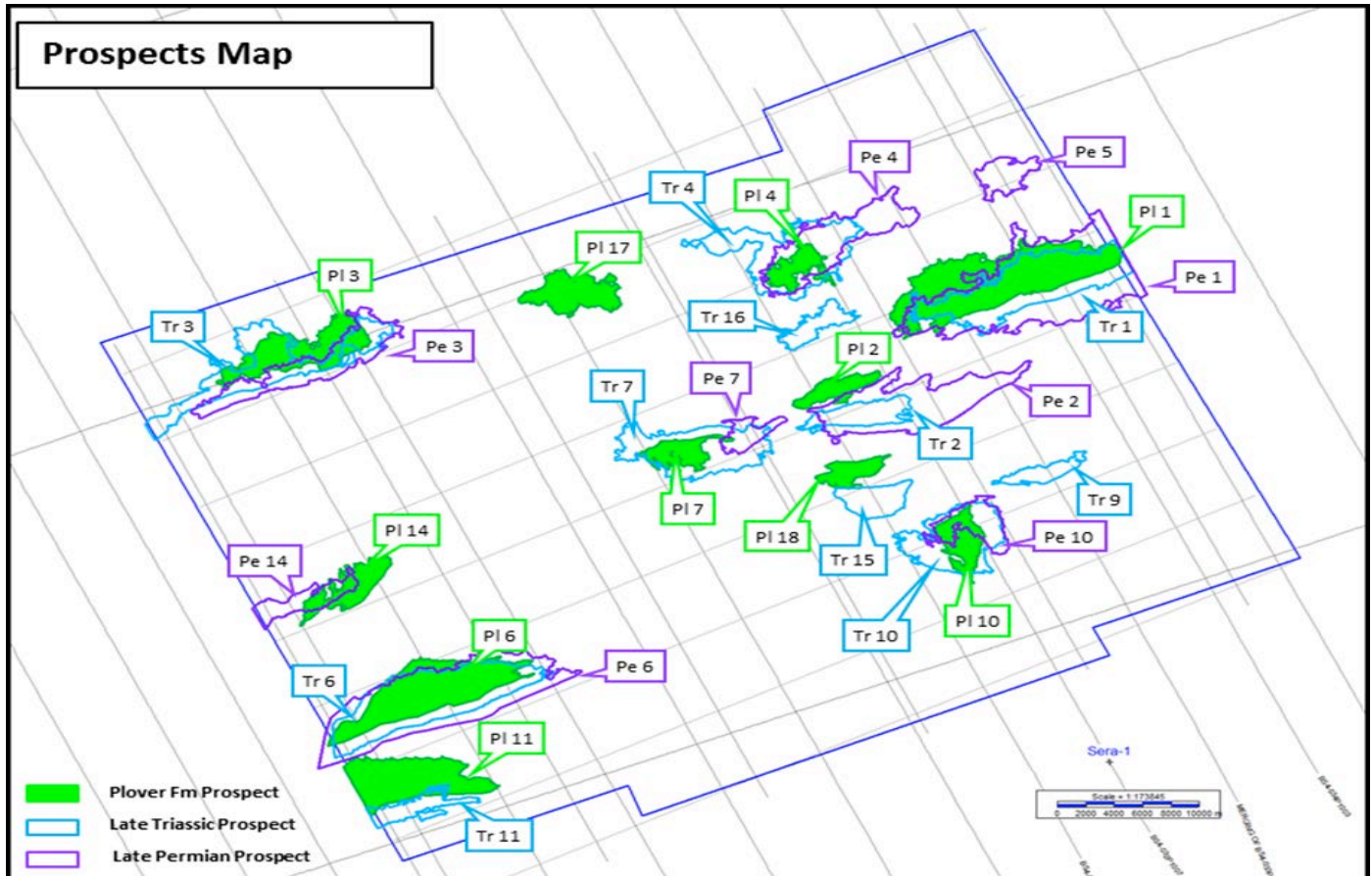


Figure 2-3: Map of the prospects in PCS TL-SO-15-01

The study displays Proven Petroleum Systems (Late Jurassic and Late Permian) across the 3D data set with the nearby Sunrise/Troubadour gas field and the Kelp Deep gas discovery. The Triassic Petroleum System also shows indications to be a valid exploration target in the study area. The identification of prospects in the Triassic and Permian formations are extremely significant that add further dynamics for explorations in the region, since to date many prospects and exploration plays have all been found in the Jurassic formation.

The Crocodile 3D seismic data interpretation was fully completed in 2018 and further studies were required by the National Petroleum and Mineral Authority (Autoridade Nacional do Petróleo e Minerais, ANPM), specifically a Full Wave Inversion (FWI) and Time Reverse Migration (RTM) aiming to improve

sub thrust image on the northern area of the block and provide a better lithological prediction. The foregoing extra studies are expected to be completed in 2019 in order to carry out CPR/Peer Review of the Block.

Pursuant to the terms agreed under the PSC, TIMOR GAP OFFSHORE BLOCK has fulfilled the Minimum Exploration Work Requirements established for the Initial Period, which ended on the 23rd December 2018, and, with the endorsement of ANPM, it was confirmed to enter into Second Period of PSC (Contract Years 4 and 5), covering the following Minimum Exploration Work Requirements: preparation of geological prognosis and well planning, reprocessing of 3D Broadband Seismic data (if required) for the 4th Year; drill of one exploration well (contingent) for the 5th Year.

2.4 PSC TL-OT-17-08 & TL-OT-17-09

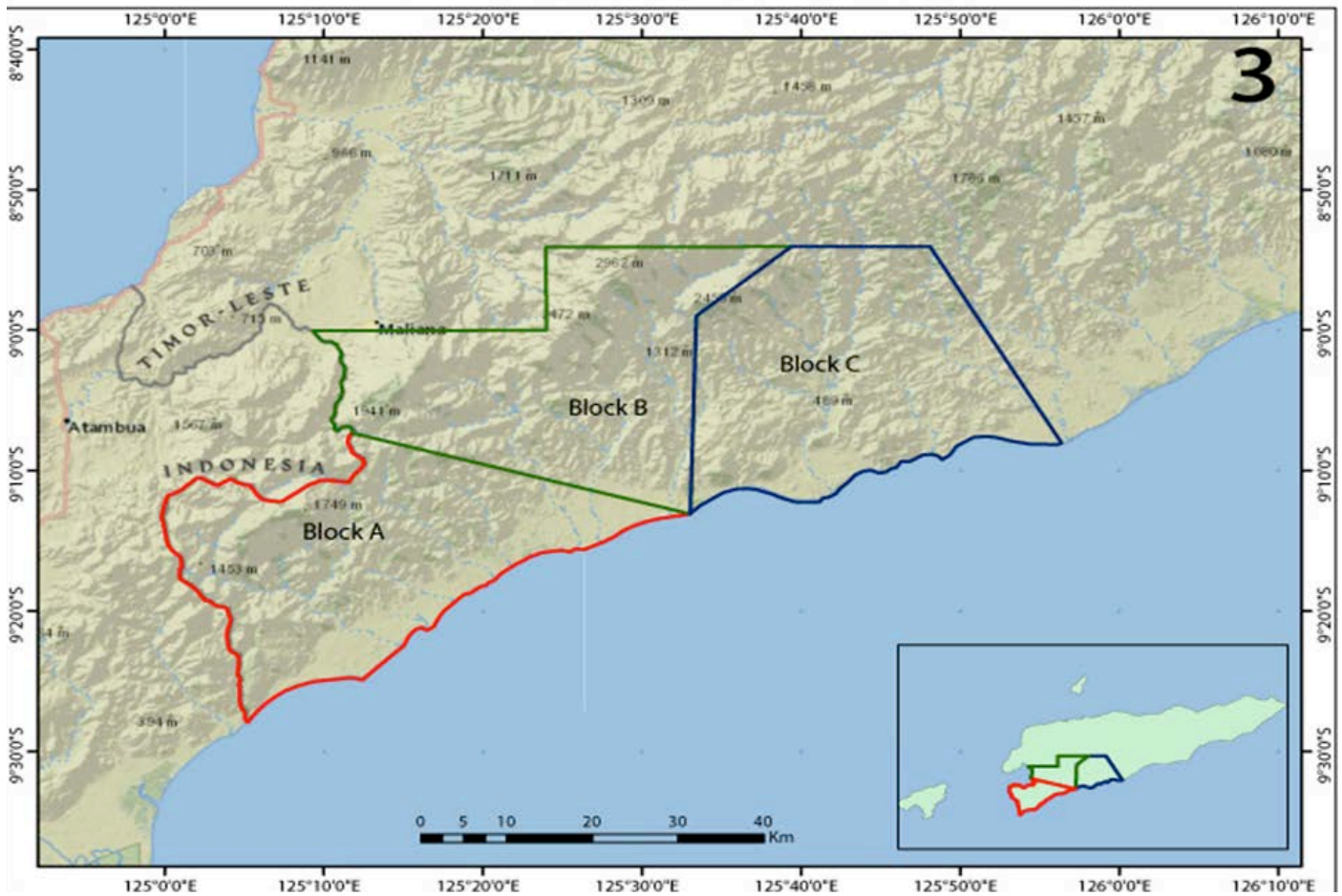


Figure 2-4: TIMOR GAP Onshore Blocks (A, B & C)

TIMOR GAP was awarded the exclusive hydrocarbon exploration rights to Onshore Block through the Government Resolution n. 44/2015. Subsequently, the Government approved Resolution No. 39/2016 of 23rd November, through which the Onshore Block was subdivided into three distinct blocks (Block A, B and C), each with an area of approximately 1000km², aiming to attract further potential investors and partners and thus increasing the quantity and quality of the exploration activities in the contract area.

Acting pursuant to the mandate entrusted to us, in 2017, TIMOR GAP, through its wholly owned subsidiaries TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda, and TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda, in partnership with Timor Resources Pty Ltd, a company incorporated in Australia and an affiliate of the NEPEAN Engineering Group of Companies, signed two PSCs with ANPM for oil and gas exploration in Block A (PSC TL-OT-17-08) and Block C (PSC TL-OT-17-09).

The two contracts cover an area spanning over four Municipalities in the south-western part of the country: Block A covers mostly areas within Covalima and Bobonaro Municipalities, while Block C

stretches over Manufahi and Ainaro Municipalities. Both areas are considered to be highly prospective due to the several oil and gas seeps identified within the referred area, which indicates the existence of an active petroleum system. In fact, more than 70 natural or drilling-induced hydrocarbon seeps or shows are now documented from across Timor-Leste, with more than 30 in Block A and at least 6 in Block C.

Although the potential for onshore oil and gas had long been recognized, it has remained largely untapped and under-explored. for the last forty years. No wells have been drilled onshore in Timor-Leste since 1973, when Timor Oil drilled the last of their 18 exploration wells in the onshore block area (16 in Block A, 2 in Block C), with hydrocarbons encountered in 9 wells in Block A, and 1 well in Block C. Of these, two wells in Block A tested significant oil flows: Matai-1A at an unsustainable rate of 110 bbl/day, and Cota Taçi-1 at 216 bbl/day.

The PSCs establish a 50:50 joint venture between TIMOR GAP and its partner Timor Resources, with the latter assuming the operatorship. Both Parties committed to a 7 years Exploration Work Programme with Minimum Exploration Work Requirements covering technical studies, Geology and Geophysical

studies, Environmental Impact Assessment (EIA), Environmental Management Plan, 2D Seismic Survey planning and execution, and well commitment to the minimum depth of cumulative 2000 meters and well sample evaluation studies during the Initial Period.

In order to fulfill the Minimum Exploration Work Requirements set for the second year of the Initial Period that stipulates the acquisition, processing and interpretation of 100 kilometers 2D Seismic Survey for each PSCs, on 10th October 2018, TIMOR GAP and its partner Timor Resources launched the onshore Vibroseis Fafulu 2D Seismic Acquisition Survey with a ceremony held at The Commander in Chief of FALINTIL, Kay Rala Xanana Gusmão, International Airport, in Suai, Covalima District. This is the first

seismic survey to be carried out in the onshore of Timor-Leste since 1994 and the first witnessed by an independent Timor-Leste.

The previous survey was carried out in 1994 by Pertamina, the national oil company of Indonesia, having acquired 314 km of 2D seismic across the southern parts of Blocks A, B & C. Timor Resources has completed this year the reprocessing of the 1994 seismic data, which indicates the existence of deep anticlinal structures in the permits reinforcing the opportunity for significant target reservoirs. The Geological Mapping Report of Block A and Block C were completed in 2018.

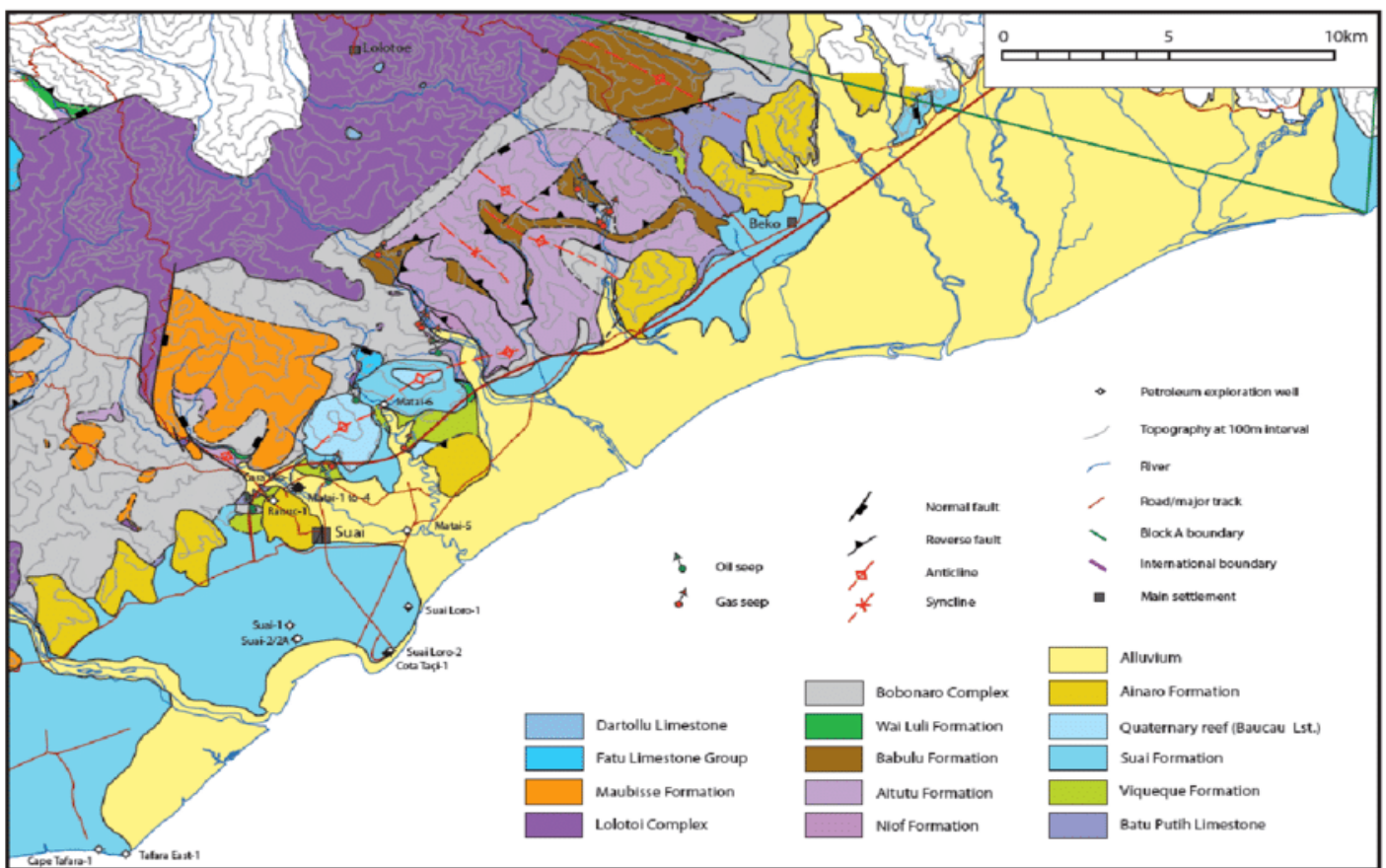


Figure 2-5: Geological Map of Block A

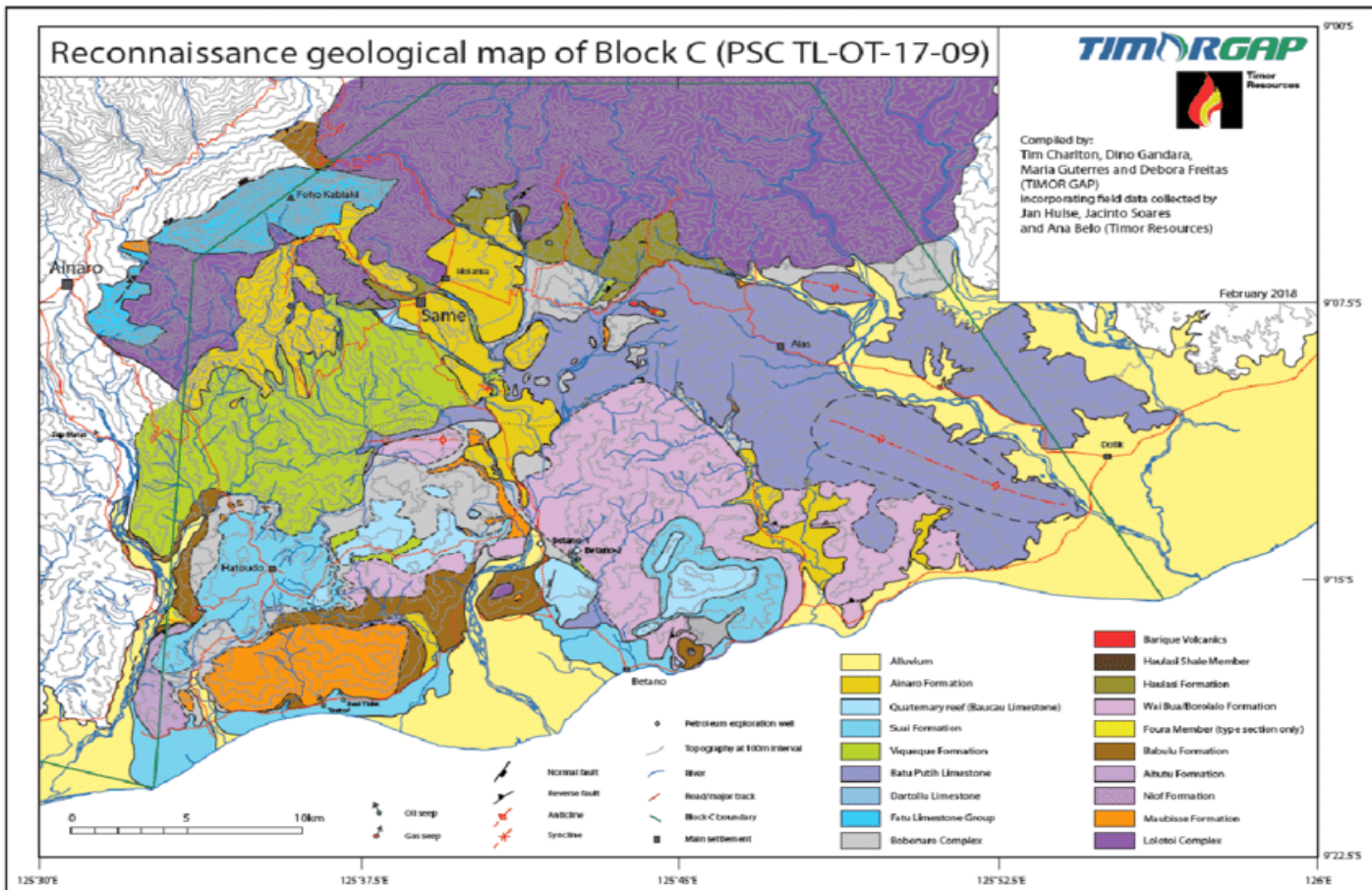


Figure 2-6: Geological Map of Block C

The Joint Venture Partners engaged BGP Indonesia in a joint venture with our subsidiary TIMOR GAP Seismic Services to conduct the onshore Vibroseis Fafulu 2D Seismic Acquisition Survey that will cover a total line length of 308.4km in both PSCs, playing a key role in the exploration and identifica-

tion of drillable prospects and firming up the known drillable targets within the PSCs boundaries. The acquisition survey of 186 km of seismic data in Block A was completed in mid-November 2018.

An exploration well is anticipated to be drilled by the end of the third year of the First Period.

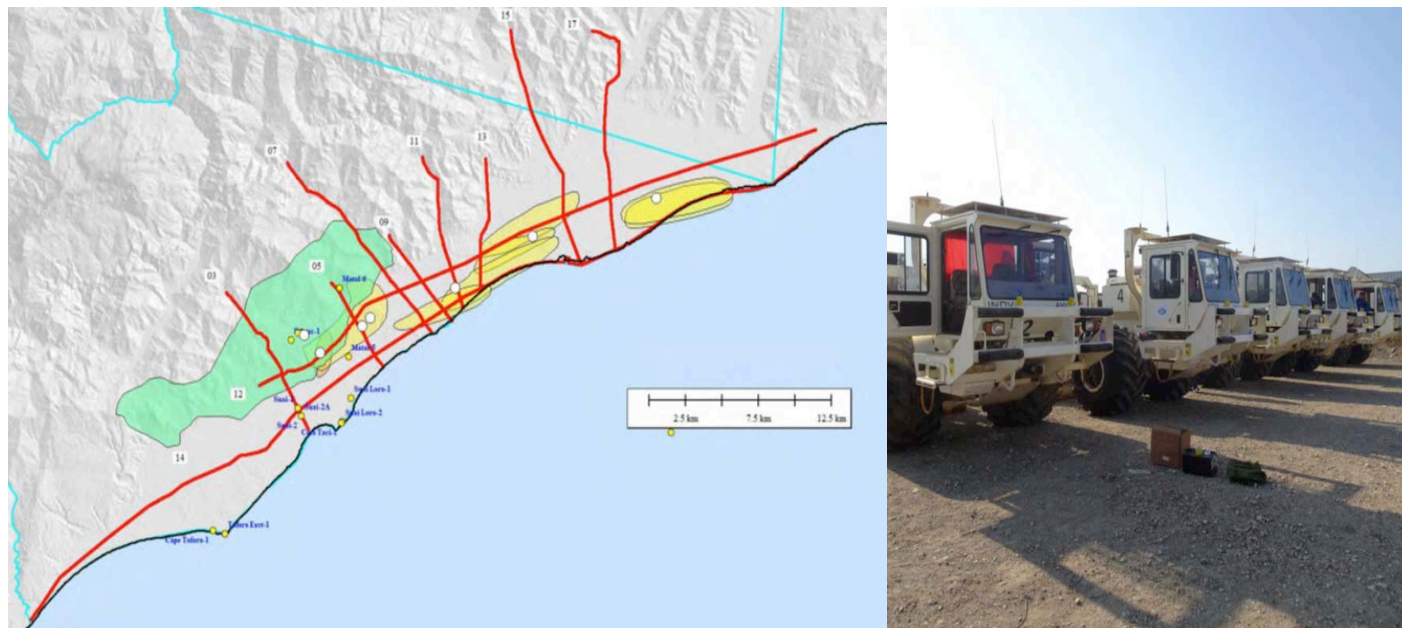


Figure 2-7: Fafulu 2D Preliminary Results (left); Vibroseis Trucks (right)

2.5 Onshore Block B

In addition to the works being undertaken under the PSCs TL-OT-17-08 (Block A) and TL-OT-17-09 (Block C), TIMOR GAP, through its sub-

siary TIMOR GAP ONSHORE BLOCK B, continue to liaise with potential partners and promoting farm-out opportunity for the onshore Block B.

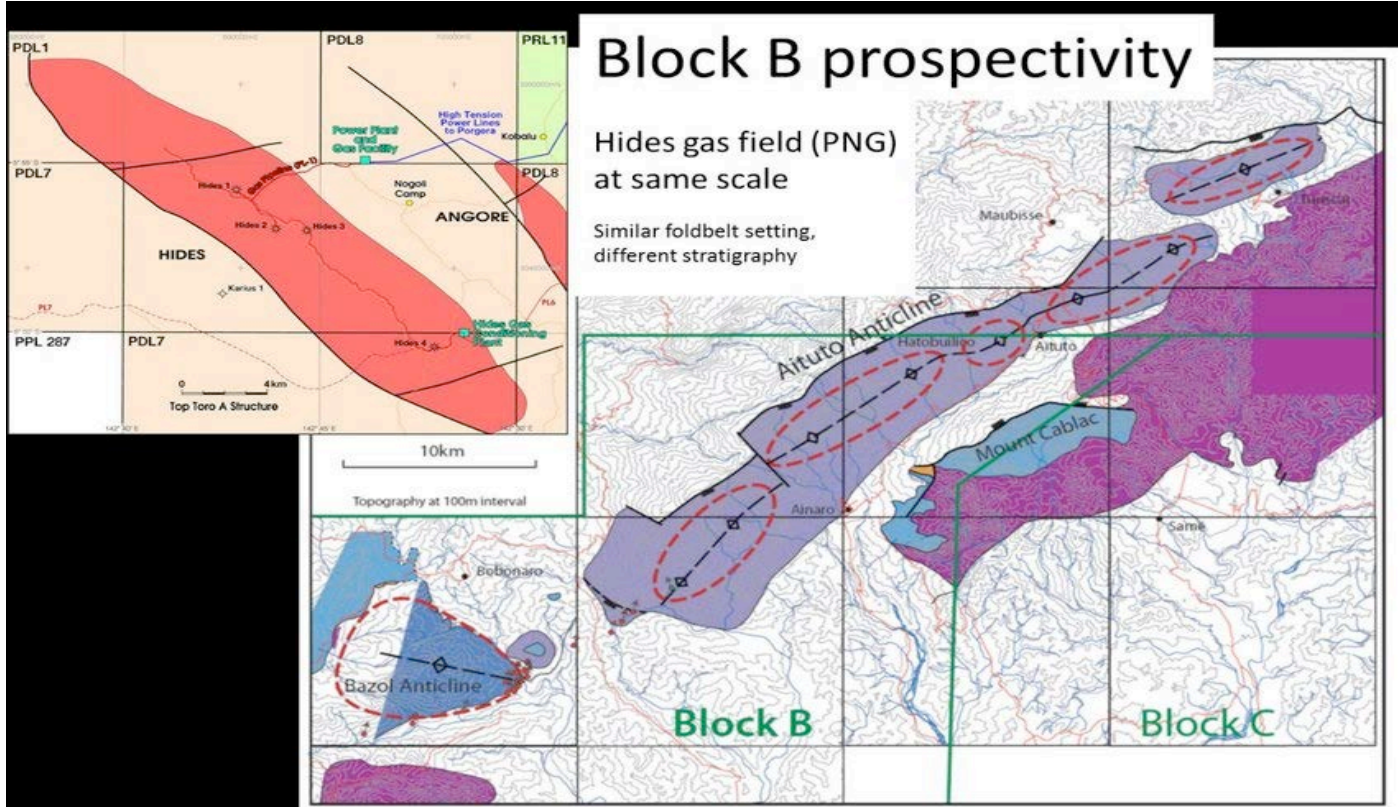


Figure 2-8: Map of Block B Prospectivity

The above-mentioned block occupies the more interior parts of the Onshore Block area with a total area of 1004.63 square kilometers, including mountains up to nearly 3000m. The area hosts abundant surface hydrocarbon indications, particularly associated with the Bazol Anticline, and to a lesser

extent the Aituto Anticline. Field reconnaissance and geochemical sampling were carried out during 2018 leading to the identification of at least 17 naturally burning gas seeps and one oil seep, associated with the Bazol and western Aituto anticlines, at northern Block B.



Figure 2-9: Seep sampling, Bazol Anticline, November 2018



Figure 2-10: Two of at least 17 naturally burning gas seeps identified in northern Block B

2.6 Other Upstream Studies

2.6.1 Greater Sunrise Reserve Study

The Sunrise Commission, established by Timor-Leste and Australia to consult on issues related to the exploration and exploitation of petroleum in the area of the Greater Sunrise field, ordered for a reserve estimate study in 2012. TIMOR GAP, on behalf of Timor-Leste's government, has been managing this

study with the objective of independently estimating the Greater Sunrise reserves through third party consultants. The Petroleum-Initial-In-Place of the Greater Sunrise Field study has been completed and the results have been reviewed by both Timor-Leste and Australia.

2.6.2 Bayu-Undan Reservoir Management & Technical Study Post PSC 2022

TIMOR GAP was entrusted by the Government of Timor-Leste through the Joint Commissioners and the Ministry of Petroleum and Minerals to carry out a full field review of the Bayu-Undan field, with the objective of resource management and optimization. The Post PSC subsurface and surface studies to be carried out by TIMOR GAP, such as production analysis, review wellbore modelling, prefeasibility study and preliminary review of topside weight and cost, are required as part of the Bayu-Undan redevelopment preparation in order to proceed with a final decision both economic and technical viability of the project.

TIMOR GAP technical studies to estimate the Gas-Initial-In-Place (GIIP) and review of the production till date has been completed. The Exploration & Production team has completed the Geomodelling and the Full Field Reservoir Modelling for the Bayu-Undan field, with the results of the study being submitted to the Government. The reservoir simulations carried out by TIMOR GAP indicate that after 2022, when the PSC is expected to terminate, approximately 4Tcf of gas still remains in the reservoir.

TIMOR GAP is working with experts to evaluate the remaining potential of the Bayu-Undan field.

A Service Agreement was signed in May 2017 between TIMOR GAP and Aibel, pursuant to which the latter was engaged with TIMOR GAP to provide a feasibility study for the Bayu-Undan topsides modification post PSC. The feasibility study was completed in 2018, indicating that the Bayu-Undan topside facilities are able to handle the Extended Life 2022 Case with only a new pig launcher and limited modifications. The new operating mode may be handled through adjustments of the existing equipment.

Bayu-Undan is a gas-condensate field located 500km offshore Darwin, Australia, in the Timor Sea, and is 250km south of Timor-Leste. ConocoPhillips operates the field on behalf of co-ventures Santos, Inpex, ENI, Tokyo Timor Sea Resources, a consortium of Tokyo Gas and JERA (a joint venture between Tokyo Electric and Chubu Electric). In accordance with the Permanent Maritime Boundaries Treaty signed between Timor-Leste and Australia (subject to ratification) in 2018, the Bayu-Undan now falls under Timor-Leste exclusive jurisdiction.

TIMOR GAP

GAZÓLEU
(Diesel)

GAZOLINA
(Gasoline)

OLEU
sel)

GAZOLINA
(Gasoline)



3. Downstream, Services and Subsidiary Companies

3.1 Strategic Goals & Overview



Figure 3-1: TIMOR GAP's fuel jet A-1 tank installation at Suai Airport

TIMOR GAP, to further strengthen its current portfolio and status in becoming a truly integrated oil & gas company, aims to establish an efficient and competitive downstream and services sector, behind this objective, the main driving force will be carried forward by the impact of the upstream and Tasi Mane projects. In the short term, we aim to gain market position in the oil and gas trading and marketing business by establishing our presence to provide a range of services in compliance with high operational standards, practices and requirements of the oil and gas industry, including for the health, safety, quality and environment.

Plans to set a trading business to market crude, condensate and fuel is envisaged to complement and further expand the company, with the aim to establish a TIMOR GAP-branded wholesale and retail petroleum services focused in the south coast. TIMOR GAP first retail fuel station commenced its operations in 2016 generating revenue for the company. In the medium term, the future expansion of additional retailers throughout the country will boost the compa-

ny's market share by up to 30%.

To conduct specific business activities in the petroleum sector and related services, TIMOR GAP is authorized to incorporate subsidiaries, which may be associated with other national or foreign companies. Through its subsidiaries the company manages business opportunities and offers a wide range of services such as marine and logistics services, fuel supply, fabrication work, seismic data acquisition and processing, in partnership with renowned international companies.

With demands of Timor-Leste's growing economy, more business opportunities will arise in the future with modern and international standard infrastructure foreseen to be built in the country and this will be an opportunity for the company to expand its services.

An overview of the strategic goals for the downstream (excluding Tasi Mane Project) and services sectors and the highlights of 2018 are shown below.

STRATEGIC GOALS	HIGHLIGHTS OF 2018
<p data-bbox="172 347 384 427">SHORT TERM (2-5 years)</p> <ul data-bbox="118 560 778 831" style="list-style-type: none"> • Establish wholesale and retail petroleum services in the South Coast • Establish trading business to market crude, condensate & fuel • Develop marine and bunkering services • Develop aviation services • Launch oil & gas engineering firm <p data-bbox="269 1003 759 1028">TRADING & MARKETING PRESENCE</p>	<ul data-bbox="815 336 1469 1021" style="list-style-type: none"> • A new Sale and Purchase Agreement with Covalima Municipality was signed to extend fuel supply for an additional period of one year; • The manufacturing process of two Jet A-1 fuel storage tanks were completed this year and the tanks were properly installed in the Suai Airport premises. TIMOR GAP is the sole aviation fuel supplier of the recently upgraded Suai Airport; • ConocoPhillips awarded South Horizon, a JV company established between TIMOR GAP Marine & Logistic e Siglar, with a Service Agreement for the provision of topsides fabrication services for BUIW project; • TIMOR GAP Seismic Services, in JV with PT. BGP Indonesia, is conducting the Vibroseis Fafulu 2D Seismic Acquisition for PSC TL-OT-17-08 & PSC TL-OT-17-09;

Table 3-1: Strategic Goals and Highlights of 2018 for Downstream, Service & Subsidiaries

3.2 Marketing of Petroleum Products

3.2.1 Retail Sales



Figure 3 2 : TIMOR GAP Fuel Station in Suai

TIMOR GAP aims to establish a domestic petroleum product distribution network, with a further expansion and development of fuel stations across the country in compliance with international best services standards, aiming to secure the supply of petroleum

products to fulfill and meet the national demand. The first TIMOR GAP-branded retail station was established in Suai, Covalima Municipality, in a joint partnership with Pertamina, and has been fully operational since 2016.

Our Suai fuel station offers quality diesel and gasoline at market price to retail customers and to Covalima Municipality Administration, thus becoming its sole fuel supplier since 2016. A new Sale and Purchase Agreement to extend the fuel supply to Covalima Municipality vehicles for an additional period from 1st January to 31st December 2018 was signed this year, for the consecutive third year. We take pride in

our customer service and rigorous compliance with the highest quality, safety, security and environmental protection standards, with regular inspections carried out on a quarterly basis, which yield customers satisfaction and loyalty. In 2018, the Suai fuel station registered a total sales volume of 325, 516 Liters of which the sales volume for the Covalima Municipality vehicles accounts for 13 percent.

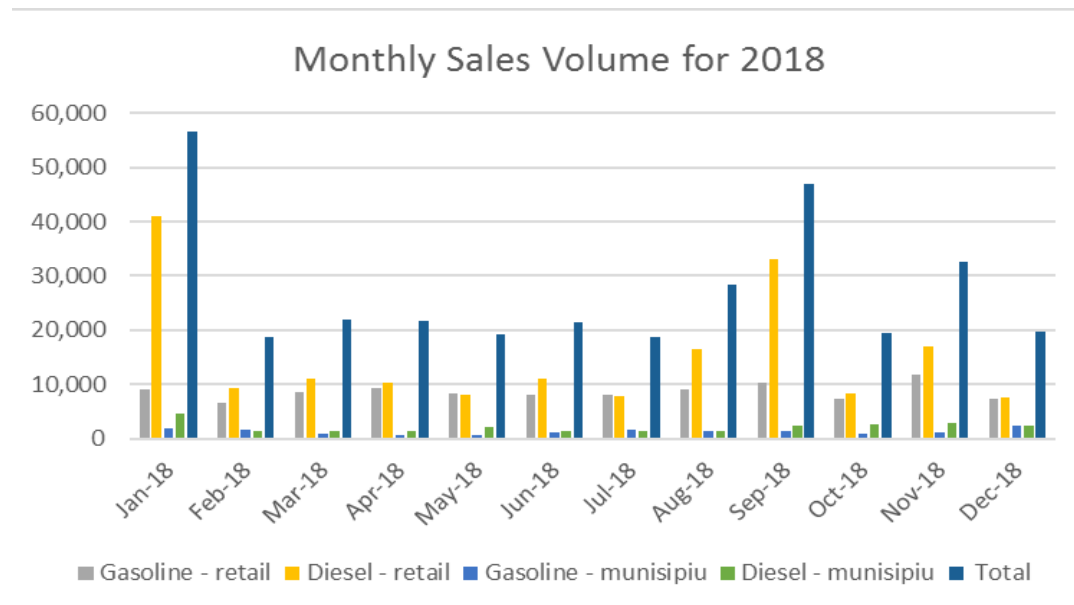


Figure 3-3: Monthly Sales of TIMOR GAP Fuel Station in Suai

While increasing our business profitability and promoting TIMOR GAP's brand, we create job opportunities for local Timorese and ensure that the local content requirements are fully respected in each and all of company's projects. As of December 2018, the fuel station employed a workforce of 13 nationals. We continually invest in their professional and skill development providing regular training opportunities, this may correspond to the In-House Training on Occupational Health and Safety Management System ISO 45001:2018, which some of the fuel station employees attended in September.

A second retail fuel station is anticipated to be established in Bobonaro, Manufahi or Oecusse Municipality. Preparation to set up the referred fuel station has been undertaken throughout 2018 and a Request For Proposal (RFP) for the provision of a

prototype of fuel station design services was issued towards the end of 2018. The TIMOR GAP Fuel station prototype design consists of detail engineering design, cost estimation, detail construction scope of work and project bidding documents. The Consultant shall prepare all the referred technical specifications and detailed drawing in accordance Decree-Law No. 1/2012 on Downstream Sector, 1st amendment to ANPM regulation No.1/2013 on Installation and Operation of Fuel Filling Station, and applicable international standards.

This second retail fuel station will integrate a vast retail network to be built in all municipalities of Timor-Leste steering the company to achieve a strong retail position in the country with a distinctive trademark, helping raise the profile and portfolio of our brand.

3.2.2 Wholesale

As part of TIMOR GAP's strategic business goal to establish a wholesale petroleum services in the South Coast, the company continues to seek new business opportunities to expand its fuel supply services, an opportunity presented with the rehabilitation and inauguration of the Suai airport, fully operational since mid-2017.

Pursuant to the terms set forth by the Joint Ministerial Dispatch No.01/MPRM-MOCTC-MF/2017, TIMOR GAP is anticipated to provide plane jet A-1 fuel to the Offshore Aviation Firms based in the Suai Airport through an establishment of its Jet A-1 depot within Suai Airport, and with this an area with a total of 3 674,27m² was granted to TIMOR GAP and the

related civil works for the avtur Jet A-1 fuel storage facility were executed by Manu Bey Unipessoal, Lda and finalized on the first quarter of 2018.

Further adding, a contract for the manufacturing of the tanks was awarded to Austank, an Australian tank manufacturer, for the provision of two avtur (jet A-1 fuel) tanks, followed by a Technical Service Agreement signed with Air British Petroleum (Air BP), pursuant to which the latter was engaged with TIMOR GAP to support the company's future operation including training and developing an operational manual and maintenance & emergency procedures.

Since the commencement of the avtur tanks manufacturing process in 2017, regular progress inspections to Austank's premises in Melbourne, Victo-

ria, were conducted by TIMOR GAP officials together with the Air BP consultants in order to guarantee the tanks and its equipment's comply with JIG 4 (Joint Inspection Group) edition 34 and International Aviation Transport Association (IATA) standard, as recommended by Timor-Leste Civil Aviation and relevant stakeholders. The avtur tanks consisting of two storage fuel tanks with a capacity of 60kl each, and its equipment, including all pumps, Filter Water Separator (FWS), pipe works and fittings, were completed on June 2018, and followed by the Acceptance Inspection Workshop of the final product carried out by Air BP on July 2018 before it was shipped to Timor-Leste.



Figure 3-4: Jet A-1 fuel storage tanks unloading activities in the Suai port

A technical team was deployed to supervise the ground logistics and tanks sitting at Suai Airport from 16th to 25th August. Moreover, the refuelers trucks are to be provided by the Minister of Finance as set forth in the abovementioned Joint Ministerial Dispatch No.01/MPRM-MOPTC-MF/2017, Air BP was engaged for the commissioning and inspection of

two refuelers with a capacity of 10 kl each which are to be handed over with subject to improvement as per Air BP preliminary assessment report.

During the fourth quarter in 2018, TIMOR GAP secured a supply of jet A-1 fuel to McDermott Aviation with a total of 45 Kl delivered by a newly recruit Jet A-1 supervisor and fuel handler who

have been trained by Air BP in Broome Australia. At the same time, we are completing the depot facility pre-operations requirements and refuelers to antici-

pate the decision of Babcock's to operate from Suai Airport.

3.2.3 Demand & Supply Study for Petroleum Products in Timor-Leste

As per defined in TIMOR GAP's Strategic & Business Plan, the company foresees to set up various business activities in the downstream sector in order to establish a trading & marketing presence in the domestic market. To achieve this, TIMOR GAP anticipates the commissioning of a comprehensive market study to provide a set of detailed information to support the company's management to make profitable investment decision.

The Terms of Reference (TOR) for the Demand & Supply Study for Petroleum Products in Timor-Leste were prepared and endorsed by TIMOR GAP's management, followed by the issue of a Re-

quest For Proposal (RFP) invitation for public in the fourth quarter of 2018. The study will be conducted across the national territory, aiming to identify the domestic market size and its segments, to particularly define demand and supply of petroleum products such as gasoline, diesel, jet A-1 fuel/avtur, lubricant, marine fuel and LPG. The scope of the study includes identifying current demand and supply, 5-10 years forecast for each of the referred refining products; market demand analysis, identifying which of the refining products are highly demanded and profitable; a competitors' analysis, among other tasks.

3.3 Services

3.3.1 Topside Fabrication Services for Bayu-Undan Infill Wells Project

ConocoPhillips plans to drill three additional infill wells for next phase of development of the Bayu-Undan field and thus, several tenders for the provision of services were launched including an Invitation To Tender (ITT) for the provision of topside fabrication, which was awarded to South Horizon, a joint venture company established between TIMOR GAP Marine & Logistic, a wholly-owned subsidiary of TIMOR GAP, and Siglar Offshore Services.

On 30th January 2018, a Master Service Agreement (MSA) and a Call-Off Order were signed between South Horizon and ConocoPhillips for the provision of Topside Fabrication Services for the Bayu-Undan Infill Wells (BUIW) Project. To execute this project, South Horizon engaged Aibel Thailand as the subcontractor responsible for fabrication & paintings of structures and pipes, resulting in a signed Subcontract Agreement with Aibel Thailand on 5th February. Further, the Kick-Off meeting between South Horizon, ConocoPhillips and Aibel Thailand was held from 6th to 8th February.

The awarded scope of work consists of Scope Element A-Grating, Structural/Pipe Supports and Brackets; Scope Element B-Carbon Steel and Duplex Stainless-Steel Pipe Fabrication. The topside structure was fabricated at Aibel – Deeline yard in Thailand. Physical fabrication project was concluded on 20th

March and inspected by ConocoPhillips site engineer on the 22nd March. ConocoPhillips was satisfied with the service providers and project execution.

In addition of the above scope of works and pursuant to the local content requirements set out in the Call-Off Order between South Horizon and Aibel, two Timorese workers, one junior welder (female) and one junior fitter (male), were selected from Tibar Training Center to be trained by Aibel, in Thailand. The training was structured into four days of theoretical training on understanding Welding Procedures (WPS) and understanding of Bill of Material such as fitting and valve. Upon the completion of the theoretical training, the trainees were seconded during ten days at Deeline's fabrication yard with the purpose to gain real work experience on welding and fitting. During this period, they were exposed to fabrication of the topside structure commissioned by ConocoPhillips at Deeline Construction Co Lda., also located in Thailand.

We strongly believe that this contract award is a significant milestone to TIMOR GAP as a Timor-Leste based company to directly provide goods and services for Bayu-Undan project and to increase Timor-Leste based companies' participation and capacity building program for Timorese Trades.



Figure 3-5: Training at Deeline Aibel Tahiland; Completed Structures & Pipes

3.4 Subsidiary Companies

Pursuant to the Decree-Law no. 31/2011, of 27th July, in order to pursue any activities related to its object, TIMOR GAP, E.P., is authorized to incorporate subsidiaries, which may be associated with other national or foreign companies, as well as acquire, encumber and dispose of shareholdings in any company. The Consolidated Financial Statements of TIMOR GAP and its subsidiaries and associates are detailed in Sections 8 and 9.

Subsidiaries which are majority owned by TIMOR GAP as the national oil company are subject to directives and strategic planning, and common corporate rules providing technical, administrative, accounting, financial or legal guidance, which are approved by the Board of Directors. Members of the Executive Management are allowed to participate in the management of these subsidiaries and affiliates, by appointment of the Board of Directors.

In furtherance of the company's purpose, TIMOR GAP had since established the creation of several subsidiaries aiming to conduct specific busi-

ness activities in the petroleum sector and related services. All TIMOR GAP subsidiaries are depicted below.

3.4.1 GAP-MHS Aviation Lda



GAP-MHS Aviation Lda

TIMOR GAP's first subsidiary company, GAP-MHS Aviation Lda, was constituted in 2012 for the purpose of providing offshore petroleum aviation support operations in Timor Sea. The subsidiary is owned by TIMOR GAP (60%) and MHS Aviation (TL) Lda (40%), which is a subsidiary of Malaysian Helicopter Services (MHS) Aviation Berhad, a company specialized in oil and gas aviation support operations.

GAP-MHS is actively involved in the pursuit

of new business opportunities within the oil and gas aviation support operations, offering the provision of helicopter services with quality and safety as a main priority and in line with the best standards in the region. In this view, we participated in the ENI's tender for the rendering of helicopter services for the PSC 11-106 drilling campaign expected to commence in 2019.

For the purpose of pursuing further business opportunities, we retain some key personnel and, at the end of the year, the subsidiary employed both internationals and locals adding to a total of 4 staffs, breaking into 2 female and 2 male.

3.4.2 TIMOR GAP PSC 11-106, Unipessoal, Lda

TIMOR GAP established in 2012 a wholly owned subsidiary company, TIMOR GAP PSC 11-106 Unipessoal Lda, as a Special Purpose Vehicle (SPV) with the sole object being the acquisition and exercise of respective rights arising from ownership of a participating interest in the PSC regarding Block 11-106. This includes the exploration and production of crude oil and natural gas, and respective sale activities.

TIMOR GAP, through the aforesaid subsidiary, signed in 2013 its first Production Sharing Contract (PSC) to commence offshore exploration in the contract area JPDA 11-106, with the Italian company

ENI and the Japanese company INPEX as Joint Venture (JV) partners and the regulator National Petroleum and Minerals Authority (ANPM). With TIMOR GAP's first participation in upstream activities, this marked Timor-Leste first ever direct participation in petroleum exploration in its history.

Throughout 2018, the subsidiary continued to carry out the Exploration Work Programme set forth in the PSC JPDA 11-106. The activities undertaken by the subsidiary during 2018 are described in section "2.2 PSC JPDA 11-106" of this Report.

3.4.3 TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda

TIMOR GAP Oil & Gas Marine and Logistics is a wholly owned subsidiary of TIMOR GAP created in 2014 to provide general services for the marine industry and to render logistic and support services to the petroleum industry operating in the Timor Sea, Timor-Leste and afar. The subsidiary is expected to not only manage but eventually own and operate supply vessels, tug boats, and general marine services required in the petroleum industry.

In 2015, TIMOR GAP Oil & Gas Marine and Logistics established the South Horizon Offshore Services, Lda, a joint venture company with Siglar Offshore Services Timor, with the purpose to provide support services to vessels and offshore installations

operating in the Timor-Sea (both JPDA and TLEA), to own and operate offshore support vessels, and render any other services for the marine and Oil & Gas industry. In this joint venture partnership, TIMOR GAP Oil & Gas Marine and Logistics holds a share of 51% and Siglar Offshore Services Timor holds the remaining 49%.

South Horizon Offshore Services actively continues to seek for new business ventures and opportunities to provide vessel services within the marine and oil & gas industry. The activities undertaken by the subsidiary during 2018 are described in section "3.3 Services" of this Report.

3.4.4 TIMOR GAP Seismic Services, Unipessoal, Lda

Established in 2015, TIMOR GAP Seismic Services (TGSS) is owned by TIMOR GAP (60%) and BGP Geopexplorer Pte, Ltd (40%). It was created through a Joint Venture Agreement signed in October 2015 by the two companies with the aims to provide seismic survey services within the Timor-Leste's territory and foresee an expansion to overseas projects. BGP Geopexplorer, a subsidiary of China National Petroleum Corporation (CNPC) in the business of providing marine seismic services.

TIMOR GAP Seismic Services main scope is to perform 2D/3D seismic acquisition and processing and with an expansion to interpretation, whilst providing training opportunities and technology development to its local staff through its international partners. Upon its establishment, on December 2015, TIMOR GAP launched its first 3D Broadband seismic survey, engaging TGSS and BGP Geopexplorer as the contractors to carry out the Crocodile 3D Seismic acquisition covering an area of 2780 Km² within the offshore PSC TL-SO-15-01, located in the TLEA. The survey was carried out by BGP Prospector vessel, a 12 streamer seismic vessel, and it was completed on March 2016.

Since completed, TGSS has a commitment to find a potential partner (PT.BGP Indonesia) to work together in the onshore 2D Seismic Acquisition in Timor-Leste area with Timor Resources as operator for this project. For this purpose, TGSS and PT.BGP Indonesia were invited to field scouting trip with all

the competitors for the two prospect block A and block C conducted by Operator Timor Resources in September 2017. Upon the procurement process, on 1st August 2018, the operator Timor Resources and TGSS in joint venture with PT. BGP Indonesia signed a Service Agreement, pursuant to which Timor Resources engaged the latter to conduct the onshore 2D seismic data acquisition in the contract areas of PSC TL-OT-17-08 & PSC TL-OT-17-09, located in Covalima and Manufahi respectively, in the south coast. The total work load covers approximately 308.4 km which was carried out by 5 Vibroseis trucks.

The First Phase of the project corresponding to the PSC TL-OT-17-08 contract area was launched on 10th October and completed on 17th November with the Vibroseis shooting point around 4455vp, which covered 179.32km. In accordance with the local content requirements set forth under the above Service Agreement, two TIMOR GAP employees benefited of the opportunity to join the crew for the seismic data acquisition performing the function of Junior Geophysicist and Surveyor.

The Second Phase corresponding to the PSC TL-OT-17-09 is expected to commence on the second quarter of 2019 and all the equipment has been deployed to Betano, Same, on 28th November 2018. Therefore, TGSS has a commitment to continue involved in each of seismic event in territory of Timor-Leste, which are Block B seismic, survey, transition zone seismic and multi-client seismic.



Figure 3-6: Seismic field operations



Figure 3-7: Safety meeting with seismic crew

3.4.5 TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda

The Law No. 13/2005 on Petroleum Activities and the Production Sharing Contracts (PSC) require the establishment of a Special Purpose Vehicle (SPV) company for entering into a PSC. Therefore, TIMOR GAP established a wholly owned subsidiary company in 2015, TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda, as a SPV for the offshore block TL- SO-15-01.

In 2015, TIMOR GAP, through its subsidiary TIMOR GAP OFFSHORE BLOCK, entered in its second Production Sharing Contract for the block TL-

SO-15-01, which covers approximately 3,000 square kilometers in the Timor-Leste Offshore Exclusive Area. TIMOR GAP OFFSHORE BLOCK is the operator and sole right holder of the PSC TL-SO-15-01, which will terminate on 2022.

Throughout 2018, the subsidiary continued to carry out the Exploration Work Programme set forth in the PSC TL-SO-15-01. The activities undertaken during 2018 are described in section “2.3 PSC TL-SO-15-01” of this Report.

3.4.6 TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda

TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda was established in 2016 for the purpose of partaking in exploration and exploitation activities in the onshore block located in the TLEA.

On the memorable date of April 7th 2017, the onshore Production Sharing Contract PSC TL-OT-17-08 (Block A) covering parts of Covalima and Bobonaro municipalities was awarded to TIMOR GAP ONSHORE BLOCK and Timor Resources Pty Ltd, a wholly owned subsidiary of the Nepean Group. The contract covers an area of approximately 1,000 square kilometers in the south-western part of the country considered to be highly prospective, with the presence of numerous oil and gas seeps. Large anticlinal structural traps with associated oil and gas seeps have been provisionally identified, with the potential

to host significant hydrocarbon accumulations. Anticlinal traps, such as the ones found in Timor-Leste, are the most important structural element for oil explorers, accounting for around 80% of the world's discovered petroleum resources. TIMOR GAP ONSHORE BLOCK holds a 50% participating interest in the onshore block, with Timor Resources assuming the role of operator in the Joint Venture.

Throughout 2018, the subsidiary continued to carry out the Exploration Work Programme set forth in the PSC TL-OT-17-08. The activities undertaken during this period are described in section “2.4 PSC TL-OT-17-08 & TL-OT-17-09” of this Report.

3.4.7 TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda

TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda is a TIMOR GAP wholly owned subsidiary established in 2017 as a Special Purpose Vehicle (SPV) with the purpose of participating in exploration and

exploitation activities in the onshore Block B. The activities undertaken by this subsidiary during the reported period are described in section “2.5 Onshore Block B” of this Report.

3.4.8 TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda

Pursuant to the Law No. 13/2005 on Petroleum Activities, the establishment of a Special Purpose Vehicle (SPV) company is required for the purpose of entering into a PSC. Therefore, TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda, a TIMOR GAP wholly owned subsidiary, was established in 2017 as a SPV with the sole purpose of entering into PSC TL-OT-17-09 signed with Timor Resources for

the exploration and exploitation of the onshore Block C. TIMOR GAP ONSHORE BLOCK C holds a 50% participating interest in the onshore block with Timor Resources assuming the role of operator in the Joint Venture.

The activities undertaken by the subsidiary during this period are described in section “2.4 PSC TL-OT-17-08 & TL-OT-17-09” of this Report.

3.4.9 TIMOR GAP Drilling & Services, Unipessoal, Lda

TIMOR GAP Drilling & Services, also known as TGDS, is a subsidiary of TIMOR GAP established in 2017. The establishment of TGDS is important as a response to the complexity, challenges and necessities for supplying services in upstream business. The principal objective of TGDS is to create, capture and optimize the value of commercial economy through business opportunity by providing services for drilling activities especially in exploration, development, production, abandonment and other upstream services.

Since its establishment, TGDS has participated in projects such as Bayu-Undan Infill Wells (BUIW) and ENI Drilling Campaign. In the Bayu-Undan Infill Well Project, TGDS has cooperated with China National Offshore Oil Corporation (CNOOC) Subsidiary

China Oilfield Service Limited (COSL) for the provision of Jack Up rigs. COSL also has provided secondment for TGDS officials to develop their technical capability especially in HSE and O&G Business (HR, Finance and Procurement) which has held in Singapore July 2018. On November 2018, TGDS and COSL made a commitment to expand its businesses in order to cover a Liquid Mud Plant & Mud Storage Facility in Suai, which will directly respond to upcoming drilling campaigns of onshore blocks A & C, and also to provide the drilling services. TGDS establishes a strategic and economic viable partnership to find out the best commercial way to re-develop the field and also proactively seeking the potential companies to capture the opportunities on upstream activities and drilling services.

3.4.10 TIMOR GAP Chuditch, Unipessoal, Lda

In 2016, TIMOR GAP established a wholly owned subsidiary company, TIMOR GAP Chuditch Unipessoal Lda, as a Special Purpose Vehicle (SPV) with the purpose of participating in exploration and exploitation activities in the Chuditch gas field located in the formerly designated Joint Petroleum Development Area, annulled by the Treaty signed on March

2018 between Australia and Timor-Leste establishing their Permanent Maritime Boundaries (subject to ratification) in the Timor Sea.

No business activities were conducted by the referred subsidiary on this financial year, however a Production Sharing Contract for the Chuditch block is anticipated to be awarded in the forthcoming year.

3.4.11 TIMOR GAP Offshore Block Resources, Unipessoal, Lda

In 2016, TIMOR GAP established a wholly owned subsidiary company, TIMOR GAP Offshore Block Resources Unipessoal Lda, as a Special Purpose Vehicle (SPV) with the purpose of participating in exploitation activities in the Kitan field redevelopment or others undeveloped discovery fields located in the formerly designated Joint Petroleum Development Area, annulled by the Treaty signed on March 2018

between Australia and Timor-Leste establishing their Permanent Maritime Boundaries (subject to ratification) in the Timor Sea.

No business activities were conducted by the referred subsidiary on this financial year, however a Production Sharing Contract for the block is anticipated to be awarded in the forthcoming year.

3.4.12 Subsidiaries for Greater Sunrise

3.4.12.1 TIMOR GAP GREATER SUNRISE RL2

Established in 2018 in light of the Maritime Boundaries Treaty (subject to ratification) signed on March 2018 between Timor-Leste and Australia, of which opened a path for development of the Greater Sunrise gas fields, TIMOR GAP GREATER SUNRISE RL2 is a TIMOR GAP wholly owned subsidiary company created with the purpose to hold a participating interest in the Retention Lease NT/RL2 and Retention Lease NT/RL4 of the Greater Sunrise fields, previously owned by ConocoPhillips, or any other contract that

may replace the retention lease in the future in order to conduct any petroleum operations to be developed in the referred gas fields.

The execution of this subsidiary's business object is subject on the Timor-Leste Government receiving funds approval from the Timor-Leste National Parliament, as well as regulatory approvals. No business activities were conducted by the referred subsidiary on this financial year.

3.4.12.2 TIMOR GAP GREATER SUNRISE RL

TIMOR GAP GREATER SUNRISE RL is a TIMOR GAP wholly owned subsidiary company, established in 2018 with the purpose of hold a participating interest in the Retention Lease NT/RL2 and Retention Lease NT/RL4 of the Greater Sunrise fields, previously owned by ConocoPhillips, or any other contract that may replace the retention lease in the future in order to conduct any petroleum operations to

be developed in the referred gas fields.

The execution of this subsidiary's business object is subject on the Timor-Leste Government receiving funds approval from the Timor-Leste National Parliament, as well as regulatory approvals. No business activities were conducted by the referred subsidiary on this financial year.

3.4.12.3 TIMOR GAP GREATER SUNRISE 03-19

TIMOR GAP GREATER SUNRISE 03-19 is a TIMOR GAP wholly owned subsidiary company, established in 2018 with the purpose to hold a participating interest in the PSC 03-19 of the Greater Sunrise fields, previously owned by Shell and expected to be acquired through a commercial transaction.

The execution of this subsidiary's business object is subject on the Timor-Leste Government receiving funds approval from the Timor-Leste National Parliament, as well as regulatory approvals. No business activities were conducted by the referred subsidiary on this financial year.



4. Tasi Mane Project: a National Petroleum Sector Industrialization

4.1 Strategic Goals & Overview



TASI MANE PROJECT CLUSTERS

Planned developments include:

- Suai Supply Base;
- Betano Refinery and Petrochemical Complex;
- Timor-Leste LNG in Beaco.

Supporting Infrastructure:

- New towns to accommodate the workforce and resettlement of local residents;
- The upgrade of two existing airstrips, in Suai and Viqueque;
- A highway connecting project locations along the south coast (Suai-Betano-Beaco).

STRATEGIC GOALS

SHORT TERM
(2-5 years)

- Develop human resources;
- Start operation of Suai Supply Base by 2019;
- Build and start a refinery, producing naphtha, diesel, gasoline and LPG by 2020;
- Study, negotiate and form partnerships for Timor-Leste LNG in Beaco;

HIGHLIGHTS OF 2018

- The Environmental License was issued to the Refinery project components;
- Project Documents approved and carried out the public consultation for the Terms of Reference of the EIA studies regarding Beaco LNG Plant and Pipeline Greater Sunrise-Beaco;
- Inaugurated the Section 1 of the Highway (Suai – Fatukahu/Mola);

Table 4-1: Tasi Mane Project Clusters, Strategic Goals & Highlights of 2018

Envisioned in the Government's Strategic Development Plan 2011-2030, which identifies the petroleum sector as a basis for our nation's sustainable development, the Tasi Mane Project aims at establishing a national petroleum industry and associated supporting infrastructures, skills development and service capability, becoming a major contributor to the economy of Timor-Leste.

Tasi Mane is a multi-phase integrated project comprising of three industrial clusters located along a 155km stretch of the southern coast of Timor-Leste, from Suai in the district of Covalima to the west, to Beaçõ in the district of Viqueque to the east. The project encompasses three industrial clusters: Suai Supply Base cluster, Betano Refinery and Petrochemical Industry cluster, and Timor-Leste LNG cluster in Beaçõ, and planned additional facilities for each site.

The Tasi Mane Project is a major strategic initiative of the Government of Timor-Leste spanning a wide range of economic impacts at national and regional level and at the same time providing direct economic benefits from Timor-Leste's natural resources. The project will increase national gross domestic product (GDP) and export earnings, while creating employment opportunities during construction and operation, as well as providing a catalyst for further development in the south coast region. It is projected that up to 10,000 direct jobs will be created from Tasi Mane projects, and more than 50,000 indirect jobs can be generated with the transformation of petroleum sector development from extractive to industrialization.

In addition, the Tasi Mane Project will generate indirect benefits, influencing broader economic performance as a result of spillover effect to other

industry sectors. Spending by project participants, employees, Government and private beneficiaries will lead to "multiplier effects" as the economic activities associated with the project impact on economy generally. Investment in productive physical assets (such as power generation facilities, roads and airports) and in social assets (for example improved education and health services) will also benefit the economy by enhancing the productivity of economic factors. One of the significant impacts of the project will be the opportunities it will create for local businesses. These opportunities include outsourcing of services such as catering, engineering, security, fuel supply, managerial, professional and technical services.

TIMOR GAP was mandated by the Government to manage and administer the Tasi Mane project. The company will support the creation of industries and the development of the necessary human resources to operate efficiently the petroleum sector.

It is expected that the existence of these basic infrastructures will stimulate and provide incentive for commercial investment in the other Tasi Mane projects. This will transform the current nature of the petroleum sector in Timor-Leste which is simply extractive, and allow it to evolve to a more diversified and industrialized petroleum sector, including the development of a refinery and associated petrochemical complex in Betano and of the Timor-Leste LNG in Beaçõ.

The Government of Timor-Leste, as the proponent of the Tasi Mane integrated project, will finance some of these projects, such as the basic infrastructures, e.g. Suai supply base and airport. The rest of the Tasi Mane projects will be invested by way of project financing & other forms of private investment.

TASI MANE PROJECT: A ROAD TO DEVELOPMENT

Figure 4-1: South Coast Highway Section 1

4.2 Suai Supply Base

4.2.1 Overview of Suai Supply Base

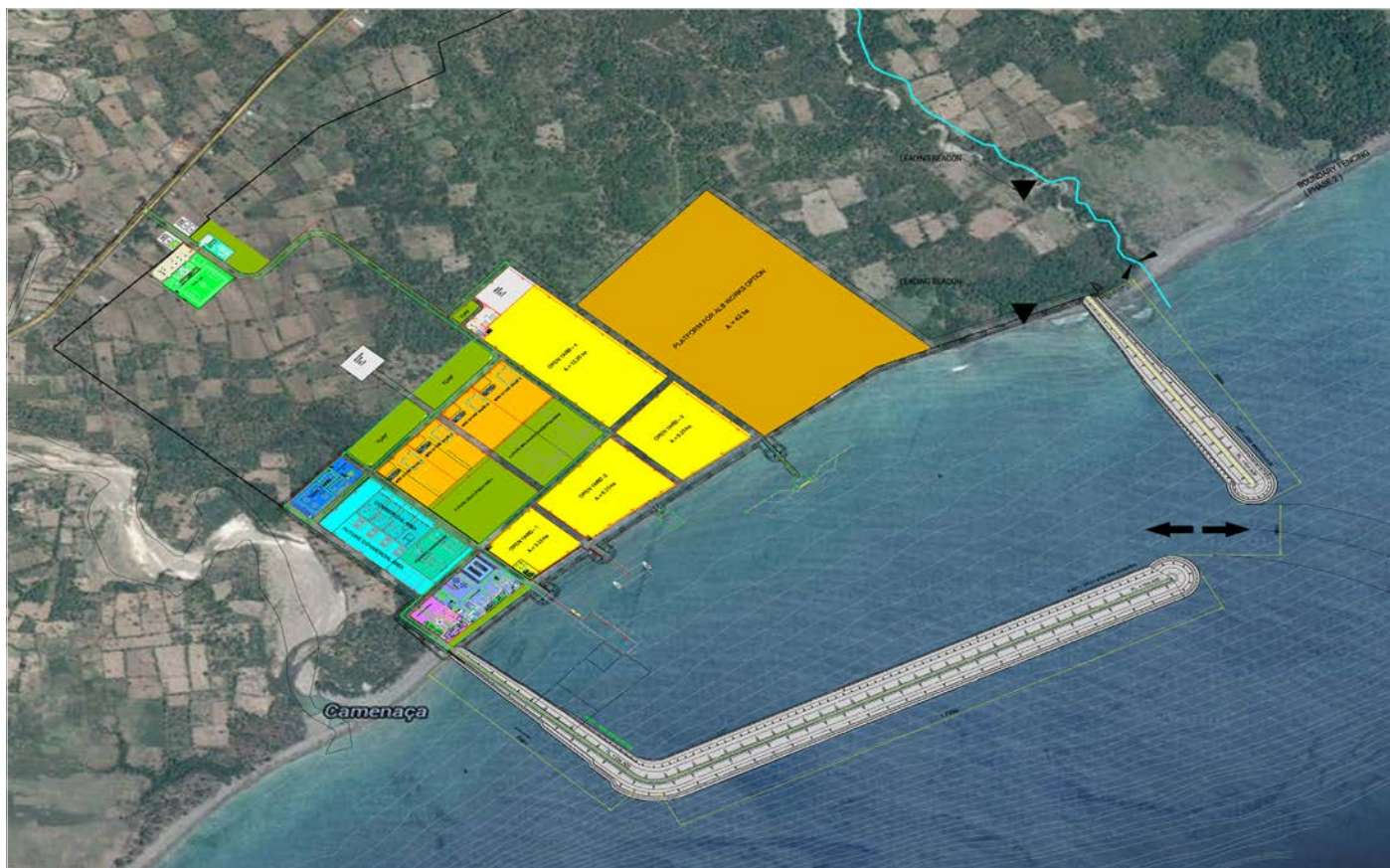


Figure 4-2: Suai Supply Base Layout

The Suai Supply Base (SSB) facility constitutes an important role within Timor-Leste's government Strategic Development Plan (SDP) and is recognized as a notable project and a future landmark in the south coast. The settlement of Suai Municipality is located approximately 135km south-west of Dili, 22km from the Indonesian border and 5 km inland from the Timor Sea (southern coastline). Suai will become a center for the petroleum industry in Timor-Leste providing services, logistics, fabrication facilities and human resources for both offshore and onshore oil and gas activities in the Timor-Leste Exclusive Area (TLEA) and Joint Petroleum Development Area

(JPDA). It will include the building of a sea port, a housing complex in Camanasa, a rehabilitated and expanded Suai airport, a heavy metals workshop and ship building and repair facilities.

The SSB will provide an entry point for the materials and equipment that will be required to build and maintain petroleum industry infrastructures and plants, serving also as an entry point to accommodate the supply chain management of other two planned industrial clusters activities in Betano's refinery and petrochemical complex and Timor-Leste LNG complex in Beaco.

Apart from that, the Front-End Engineering and Design (FEED) of the supply base was concluded in 2010 and encompasses as following:

- **Land facilities** – operations building, covered warehouses, mini shore bases, fuel tank farm, water storage tanks, waste management system, parking areas, recreational and community facilities, and others;
- **Marine facilities** - three jetty structures consisting of, a main jetty, barge jetty and LCT Ramp that supports with a tug boat berth, passenger boat berth and a shore connected rock breakwater in order to

provide shelter from the waves, creating a safe, calm and protected harbor for the facility;

- **Social impact** - the Suai cluster will be a platform in driving and stimulating job creation opportunities, generating hundreds of new jobs, support a national economic development, and potentially upgrade skills of local workforce through the establishment of a training center in the project area, provid-

ing training in fields such as steel fabrication, marine and civil construction, mechanical and electrical engineering, etc. Furthermore, other non-oil industries, such as commercial fisheries, are expected to be incorporated to the SSB marine shore facilities, especially in the east area of the breakwater.

The construction works for the SSB project suffered a major delay when in 2015, under the preliminary review procedure, the Audit Chamber issued a ruling pursuant to which it was decided not to approve the Design-Build Contract for the SSB, a decision later revoked on July 2017 by the Court of Appeal in response to the appeal lodged by the Gov-

- **Environmental issues** – the Environmental License was granted in 2013 and renewed in June 2015. The renewal of the SSB EIA License is still in process and under the Secretariate of Environmental office portfolio.

ernment, and thus granting prior approval to the SSB contract. As the entity mandated by the Government of Timor-Leste to manage and administrate the Tasi Mane Project and therefore the SSB construction, we remain confident that the project will be handled successfully, and further guidance is awaited from the Government in regards to the project next steps.

4.2.2 Land Title Clearance and Community Liaison



Figure 4-3: Map of SSB Parcels Compensation Progress as of December 2018

While waiting for the Government decision on project’s next steps, the SSB team continues to pave their way for the project implementation by proceeding with the land title clearance process in close coordination with Inter-Ministerial Working Group (Ekipa Konjunta Interministerial Alargado), participating in several meetings, field trips, public consultations and liaising with the local authorities, relevant stakeholders and affected community.

The third phase compensation/payment process of the beneficiaries who decided to change from

10% share option of their land to sell (“\$3” Option) continued throughout 2018 and it is expected to be concluded in early 2019. In this third compensation phase, 50 contracts were signed corresponding to 50 parcels of land, covering a total area of 28 hectares. As of 31st December 2018, of the 1,113 hectares required for the construction of the SSB project, a total of 342 hectares of land were already compensated.

TIMOR GAP continued to support and coordinate with the Directorate of Forestry under the Ministry of Agriculture and Fisheries and Directorate of

State Asset under the Ministry of Finance to monetize the teakwood, which has already been compensated in first & second phase, through an auction. According to the second re-verification completed on April

2017 in the SSB compensated area, 1688 aiteka (teak) trees are eligible for auction, representing an area of 342.20m³. The aforesaid auction was held on 2018.

4.3 Suai Airport

4.3.1 Overview of Suai Airport

The “Commander-in-Chief of FALINTIL Kay Rala Xanana Gusmão International Airport” located in Suai, Covalima Municipality, was subject to an extensive upgrade, to cater for an expanded passenger & freight services, as envisaged in Timor-Leste’s Strategic Development Plan 2011-2030, being inaugurated on June 2017.

The Certificate of Project Completion is yet to

be issued by International Civil Aviation Organization (ICAO) as some minor outstanding works/deliverables for as-built drawings and O&M Manuals have yet to be completed. Notwithstanding the above, these outstanding works do not hinder the daily operations of the airport facilities and flights have been operating on a regular basis with safety and security set as a priority.



Figure 4-4: Airport 1.5km long runway (left); Airport premises panoramic view (right)

The Suai Airport operates regular domestic and charter flights operated by ZEEMS and MAF, receiving on 28th September 2018, its first international flight from Darwin, Australia. This air link between Darwin and Suai is operated by Northern Oil & Gas Australia (NOGA), which provides daily helicopter flights from Suai Airport to the oil platforms in the Timor Sea and crew change flights thrice a week, allowing NOGA to set up its base of operations in Suai and therefore, promoting and boosting economic growth of the south coast.

The Airport is strategically located to provide logistic support flights to companies working on oil and gas platforms in the Timor Sea due to its proximity to the oil rigs currently operating in the region and thus, it is expected that other airlines follow NOGA’s footsteps selecting Suai Airport as its base to operate regular flights. With the new Airport multiple services will be created such as tourism, catering, maintenance, transports, commercial activities, passenger handling, fuel companies, hence generating various new job opportunities and further investments.



Figure 4-5: Main façade of the new terminal building



Figure 4-6: Air Traffic Control Tower (left); Airport new terminal building with facilities for security, customs and immigration (right)



Figure 4-7: Hangar helicopter with capacity for 4 units helicopter and 1 unit overhead crane at maintenance area, with a length of 106.8m and 22m wide (left); Suai Airport partial hand over to ANATL (right)



Figure 4-8: NOGA presentation at the Suai Airport (left); NOGA fixed wing flight from Darwin-Dili (right)

4.3.2 Construction of Infrastructure Facilities for the Support of Suai Airport

In order to allow the planned upgrade and enhancement of Suai Airport, it is envisaged the construction of a new residential neighborhood to resettle the community of Lohorai and Holbelis villages affected by the project.

The new residential area provides a safe and quality housing infrastructure while providing access to training, employment, affordable housing and social welfare to the affected communities. This is achieved by producing building materials on location, using local labor and training the local community through

active involvement in the delivery of the houses.

The new resettlement area for the Lohorai affected community has fully completed and handed over to the community in 2017, encompassing 72 new houses and accommodating approximately 324 residents. In addition, 280 local workers were engaged in the construction works, receiving training in the construction and production of local building materials, such as local soil bricks (*tijolu kesi*), concrete windows and door frames.

4.3.2.1 New Resettlement of Holbelis

The land title acquisition and compensation process for the new residential resettlement of Holbelis was finalized in 2018, a process attained in close coordination with National Directorate of Land & Properties and Cadastral Services (Direção Nacional de Terras, Propriedades e Serviços Cadastrais, DNTPSC) and the local authority of Labarai Village. 13 Land & properties contracts were signed and duly compensated, of which includes the additional land & properties contracts signed afterwards for the parcels of land identified as an extension area for the new resettlement.

A Master Plan and Prototype Design for Holbelis resettlement project was completed on 2018,

comprising a total of 64 new houses, access roads & drainage, water supply system, Chapel, a pre-school and recreational area, with a total area of approximately 5 hectares.

The Terms of Reference (TOR) for the Construction Contract were finalized this year and the scope of services will include the remaining uncompleted fencing and main drainage construction of Suai Airport that falls in the Holbelis resettlement area. The procurement process aiming to select a qualified constructor for the community housing of Holbelis is expected to be carried out in early 2019, followed by the commencement of the construction works towards mid-2019.

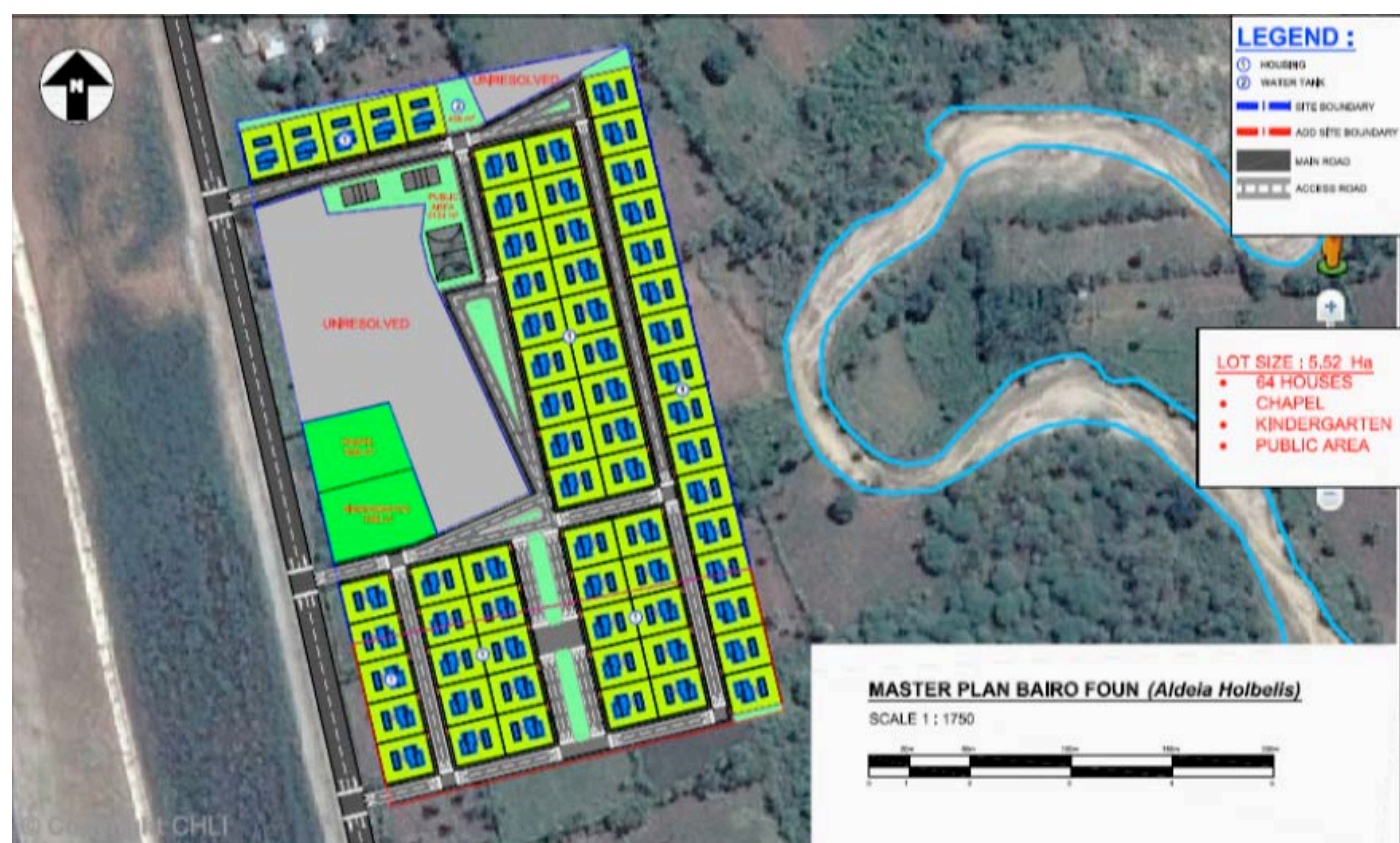


Figure 4-9: Holbelis Resettlement Project Layout



Figure 4-10: Map of the land cleared and duly compensated for the Holbelis resettlement project

4.3.2.2 Permanent Cemetery in Suai Airport Area

The construction works for the permanent cemetery located within Suai Airport area, Covallima Municipality, were concluded on March 2018. The project approved by the Council of Administration of the Infrastructure Fund (CAFI) on June 2017, comprises a total of 401 graves to be built in a permanent cemetery in order to accommodate and regroup

smaller cemeteries affected by the Suai Airport rehabilitation project and the construction of Highway Section 1.

The construction contract was awarded to Joia Camenasa Construction in 2017 and the project employed more than 20 local workers.

4.4 Betano Refinery and Petrochemical Complex

4.4.1 Overview of Refinery and Petrochemical Complex in Betano

Located on the coast in the Manufahi District, approximately 70 km south of Dili, the Betano Petroleum Refinery and Petrochemical Complex are here identified as the second industrial cluster of the Tasi Mane project, with the purpose to convert condensate, piped to the site from fields in the Timor Sea, to a range of fuels and other products. It is expected that the project will make Timor-Leste self-sufficient for unleaded petrol (ULP) and diesel, with room to meet any further increased demand.

The refinery site has an area of approximately 230 hectares. The refinery main complex consists of the process unit and support units such as utilities units, waste treatment unit, tank farm, fire water and land fill for solid waste management. The complex will

have supporting facilities such as Warehouse, Operation Building, Administration Building, Laboratory Building, Fire and Safety Office and Canteen. Water for the operation of the refinery will be supplied by the Water Supply Project from Quelan River, about 10 km from the Refinery. Water will be conveyed by gravity through a pipeline from the river intake structure to the raw water storage pond (capacity 175,000 m³) at the Refinery.

The initial development phase will establish a refinery that will produce fuel for domestic use (diesel, gasoline, LPG and Naptha), to be used both locally and for export. The initial capacity for production is 30kbpd of product with a maximum capacity for 40kbpd.

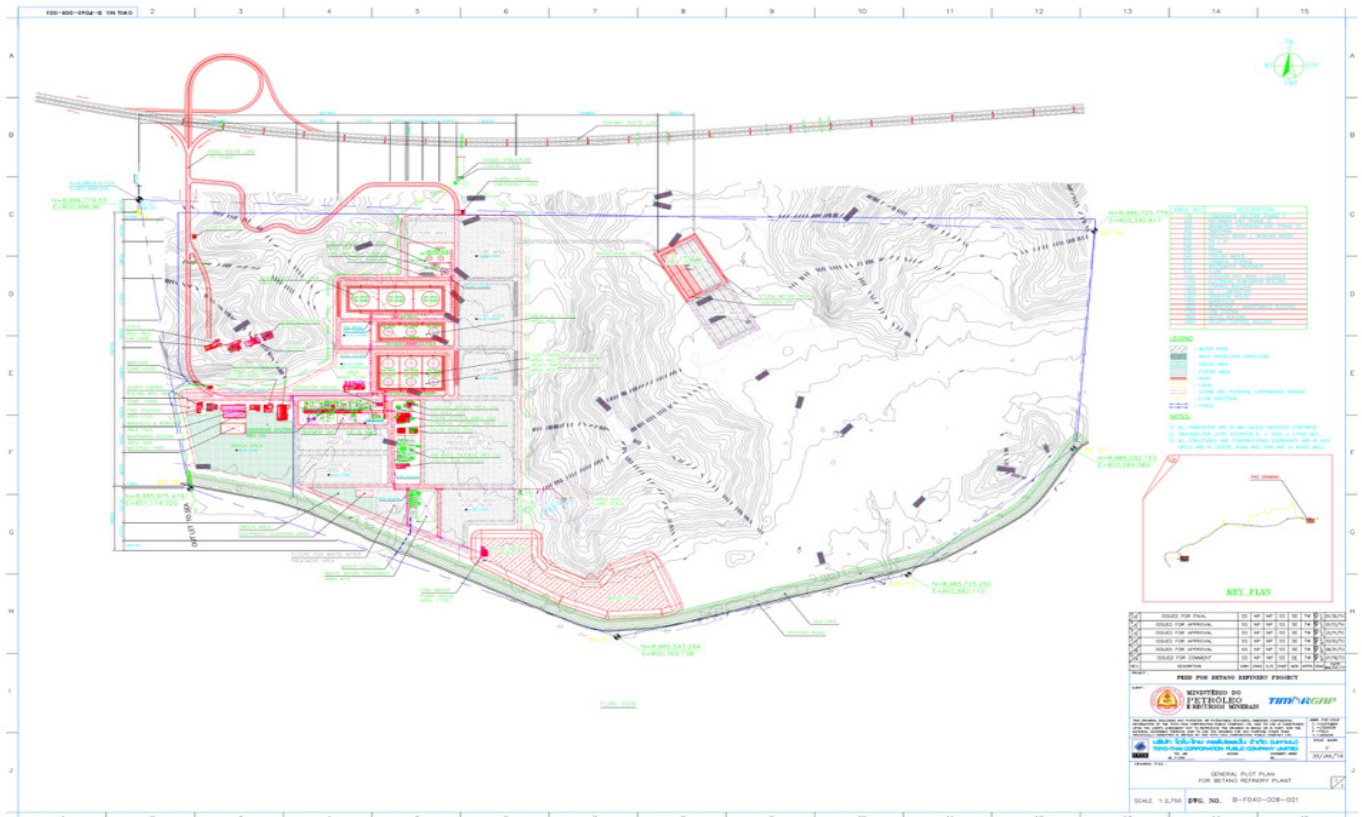


Figure 4-11: Betano Refinery & Petrochemical Complex Layout

The development of the refinery will be supported by construction of a new town, Nova Betano, which will house up to 14,500 staff, contractors and their families and cover an area of approximately 1,065 ha. The existing Betano airstrip will also be upgraded to the status of regional airport with a new runway and terminal facilities.

The studies for the Betano Refinery Project include Front End Engineering Design & Cost Estimation (FEED), Land Survey, Land Development & Cost Estimation and Market Study were completed.

The refinery cluster in Betano will be established through a commercial venture, entrusted to TIMOR GAP to cater the development. A Final Investment Decision (FID) for the Betano Refinery is still to be made. The refinery project requires a financing solution and a scheme for development, hence TIMOR GAP is investing further in looking for financing solutions and potential investors, in addition to the partnership with PTT Thailand.

The final report on the land title identification

for the Betano Refinery Project was submitted and endorsed by the Secretary of State for Land & Property, through the National Directorate of Land and Property (Direção Nacional de Terras e Propriedades, DNTP) in 2017. Based on this report, a budget proposal for the compensation stage was presented to the Council of Administration of the Infrastructure Fund (Conselho de Administração do Fundo de Infraestruturas, CAFI) for approval. As of 31st December 2018, the budget proposal is still pending approval by the said Council, the compensation stage and procedures are anticipated to commence once the proposed budget is approved and allocated.

The construction of the first refinery in the country will contribute and guarantee the country with energy security, added value to domestically produced condensate field, contribute to economic growth, and creation of direct and indirect employment, releasing and improving the current unemployment rate condition.

4.4.2 Environment Impact Assessment (EIA)

An Environment Impact Assessment (EIA) is a comprehensive study plan and its results are presented in two stand-alone documents: an Environmental Impact Statement (EIS) and an Environmental Management Plan (EMP). The EIS identifies environmental and social impact issues of the Project that needs to be adequately addressed to minimize impacts during the pre-construction, construction, operation, and deactivation phases of the Project, and recommends mitigation measures for addressing each identified issue. The findings of the EIS are the basis on which the EMP is formulated based on the principle of environmental management of projects.

Following-up the work develop over the last year, an Environmental Impact Statement (EIS) and Environmental Management Plan (EMP) for the Betano Refinery Project were produced as a result of an Environment Impact Assessment (EIA) study conducted for the project by TEAM Consulting Engineering and Management Co. Ltd. The EIA study involved reviews of secondary information relevant to the project and its potential environmental impacts, collection of primary information on existing environmental conditions of the project area and public consultations.

In addition to the Betano Refinery Plant project, the project comprises three other projects: (i) Nova Betano Project, to develop a new town for the refinery personnel and of oil and gas business concerns and the relocated communities; (ii) Condensate and Petroleum Products Pipeline Project, to construct a pipeline system for transporting condensate and refinery products between the Refinery and Suai Supply Base; and (iii) Water Supply Project, to construct a raw water supply system for the refinery. These three projects were submitted for environmental clearance concurrently with the Refinery Plant Project.

On 8th November 2018, and following the submission of the EIS and EMP final reports in 2017 to the National Directorate of Pollution Control Environment Impact (Direção Nacional de Controlo de Poluição e Impacto Ambiental, DNCPIA), the Secretary of State for the Environment endorsed the EIS and EMP. Due to this endorsement and pursuant to the Decree-Law n. 5/2011 on Environmental License, an Environmental License was granted by the Secretary of State for Environment for the four project components: Betano refinery plant, condensate and petroleum products pipeline system, water supply system and Nova Betano.



Figure 4-12: H.E. Secretary of State for Environment presenting the Environmental License to Mr. Vicente Pinto, Director for Refinery & Petroleum Services Unit

4.4.3 Community Clean Water Program

The development and success of our projects requires a strong support from the local communities, which in turn, require our active contribution in order to enhance their living conditions. Aligned with this, TIMOR GAP strongly promotes and develops programs focused on the community welfare such as the access to clean drinking water.

The access to reliable, safe drinking water at villages in the refinery project site is still challenging and thus, TIMOR GAP is working towards the implementation of a clean water program to ensure that safe drinking water is supplied to the local communities. This community-driven program will benefit 579 households from the villages of Be-Metan and Selihasan, Suco Betano.

In 2018, several activities were conducted to successfully implement this program. Coordination meetings and social consultation were held with com-

munity leaders on 16th and 17th July, ensuring their active participation and involvement throughout each stage of the project and guaranteeing that, together with the community, we built a water program that includes responsible community development, lasting local solutions and ongoing monitoring and resolution. The presence of local leaders is crucial to create a sustainable clean water project.

Following the social consultation, a site survey and data gathering of water sources were carried out by our team in the area of Selihasan, Betano. The referred site survey enabled the identification of two potential water sources located in the hilly area of Selikiik and Seliboot, with potential to supply reliable and verifiable clean water to the local communities. A detail design for the water supply system was completed in 2018 and the procurement process for the construction works will be undertaken in 2019.



Figure 4-13: Identification of water sources with the local community under the Community Clean Water Program

4.4.4 English & Computer Skills Development Program

Following the experience of the two other South Coast Projects in regards to community development programs with the focus on English literacy skills and as the Betano Refinery project approaches the pre-construction phase, TIMOR GAP plans to set up an English & Computer Skills Development Program for the community affected by the Betano Refinery project.

The aforesaid program is expected to be delivered by AHHA Education and foresees the establishment of training centres in the Village Be-Metan, Betano. In view of this, discussions and meetings were

held in Betano with community leaders on July 16th 2018, gathering a positive response and support from the community.

Further liaison with the community and relevant stakeholders is expected to take place in 2019 and the course is anticipated to commence on the fourth quarter of 2019. By providing Basic English language skills we aim to empower the community and increase their prospects for future employment and entrepreneur opportunities brought by the development and construction of the Betano industrial cluster.

4.5 Timor-Leste LNG (TLNG) in Beaçõ

4.5.1 Overview of TLNG in Beaçõ

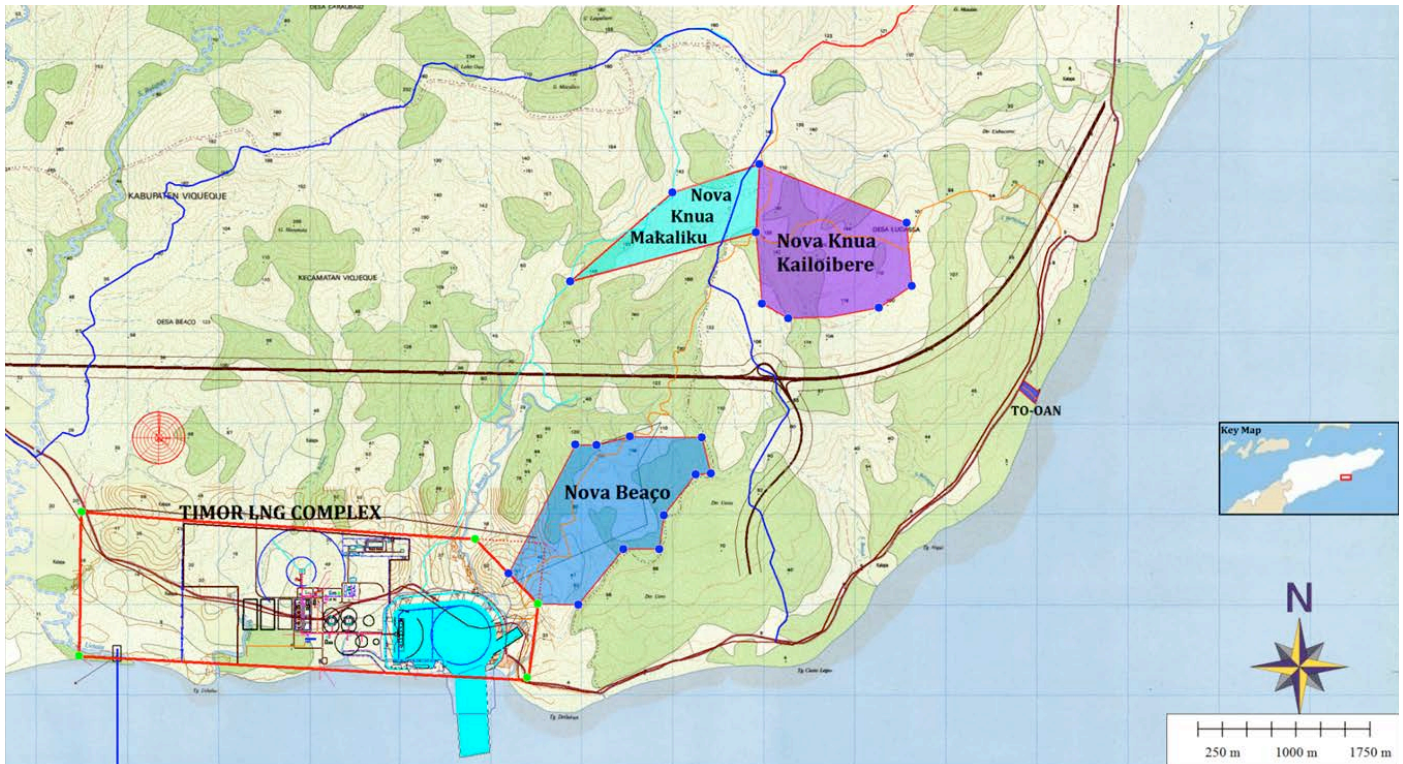


Figure 4-14: Map of Timor-Leste LNG Complex in Beaçõ

The Government of Timor-Leste aims to develop the gas from Greater Sunrise field through the building of a subsea pipeline to onshore Timor-Leste, and the establishment of a LNG plant to process the gas in south coast at Beaçõ, Viqueque (about 200 km southeast of Dili).

Timor-Leste LNG (or “TLNG”) project consists of four major components, which are LNG plant, marine facility, subsea pipeline and new towns development. The first phase of the LNG plant development will establish a production capacity of 5 million tons per annum (MTPA) or one train, which may be ex-

panded in the future to a capacity of up-to 20 MTPA or four trains. Natural gas feedstock to the LNG plant first train is planned to be sourced from Greater Sunrise, through a pipeline with a route of approximately 231 km across Timor trough, which will transport dry gas at 900 MMCFD flow rate during normal operation.

The marine facility is a specifically designed port dedicated for LNG and its design based upon the creation of an inland basin, with a main Product Loading Facility (PLF) wharf of 240m in length, capable of accommodating the large Q-Flex LNG vessels,

with operating draft of -13.5m LAT within the basin.

The design maturity of the referred components is consistent with pre-FEED/FEED level of definition. The Front End Engineering Design (FEED) studies for the Gas Pipeline and Marine Facility were completed in 2013, while the pre-FEED study for the LNG plant was concluded in early 2016. Additional works for the TLNG in Beaçõ were undertaken in 2017, including an update on the project cost estimates for the Capital Expenditures (CAPEX) for the pipeline.

In 2018, following the positive developments between Timor-Leste and Australia in relation to the settlement of Maritime Boundary between the two neighboring countries, additional works were carried out with the view to optimize the existing design. Towards the second half of the year (2H 2018), Australian based engineering consultants Cardno and Peritus were contracted to assist TIMOR GAP's Owner Engineering team in executing this optimization par-

ticularly in relation to subsea pipeline and LNG plant.

In addition to the new towns which are intended for resettlement of the local community, the existing airport at Viqueque is planned to be refurbished with the capacity to operate as a fly-in-fly-out (FIFO) airport for LNG operators, serving also as a regional airport.

The presence of LNG project in Timor-Leste will provide energy security, clean energy and adding value to Timor-Leste natural resources, while boosting the revenue and job creation in the region and increasing economic growth of the country. Another benefit would be indirect employment to local community members, through spillover effects from the downstream activities, such as local entrepreneur, that may include engineering service providers, pharmacy, restaurant, etc., thus leading towards improvement of the living conditions of the population not only project area but also the whole country.

4.5.2 Environmental Impact Assessment (EIA)

Pursuant to the Decree-Law No. 5/2011, on Environmental Licensing, an Environmental Impact Assessment (EIA) is required to identify the aspects of the project that have an interaction, either negatively or positively, with the environment. The identification of environmental and social aspects, their impacts and associated avoidance, management and mitigation measures form the basis of how a project will be managed to reduce potential adverse impacts.

The application process for an Environmental License requires the execution of an EIA in order to prepare two stand-alone documents, an Environmental Impact Statement (EIS) and an Environmental Management Plan (EMP). The two documents are submitted to a Joint Committee composed by National Petroleum and Mineral Authority (Autoridade Nacional do Petróleo e Minerais, ANPM) and the National Directorate of Pollution Control and Environmental

Impact (Direção Nacional de Controlo de Poluição e Impacto Ambiental, DNCPIA), for its review and consideration according to the process prescribed in the Law. ANPM is the entity responsible for processing environmental license in relation to petroleum industry projects and DNCPIA is the Environmental Authority of Timor-Leste. Approval of the EIS and the EMP is the condition for DNCPIA and ANPM to issue an Environmental License to the project.

In line with the above, in 2017, a detailed EIA study for the Timor-Leste LNG (TLNG) project components has initiated. TLNG project has four major components: LNG plant, marine facility, Sunrise-Beaçõ pipeline and new towns. Whereas the Sunrise-Beaçõ pipeline project is quite distinct and located offshore, an EIA is being carried out independently from the other three major components.

4.5.2.1 EIA Study for LNG Plant

The EIA study for LNG plant includes the marine facility and pipeline landing point (onshore section) components. In early 2018, the Joint Committee of DNCPIA and ANPM concluded the reviews and screening process for Project Documents of EIA study for LNG plant and marine facility. Following the Project Documents approval, the Terms of Reference (TOR) were prepared and submitted to DNCPIA and ANPM for review and approval.

ANPM and DNCPIA provided their first review on the TOR which was issued to TIMOR GAP towards the end of April. Subsequently, an updated TOR was made against the technical comments of ANPM and DNCPIA and resubmitted to the aforesaid Authorities for further consideration and endorsement.



Figure 4-15: LNG Plant, Marine Facility and Pipeline Landing Point (Onshore Section)

A public consultation for the LNG Plant TOR with the affected communities in the project area was undertaken in Viqueque and Beaçó respectively on 26 and 27 September 2018. The EIA process has a formal requirement for stakeholder consultation and is

a crucial component of work on the project to ensure that the proposed works are understood and any concerns addressed, underpinning the overall success of the project.



Figure 4-16: Public consultation of TOR for the EIA in Viqueque on 26th September 2018

4.5.2.2 EIA Study for Pipeline

The Project Documents (PD) for the EIA study to be conducted for the proposed development of subsea gas pipeline project from offshore Greater

Sunrise gas field to onshore Timor-Leste in Beaco, were approved by the Joint Committee of DNCPIA and ANPM in February 2018.

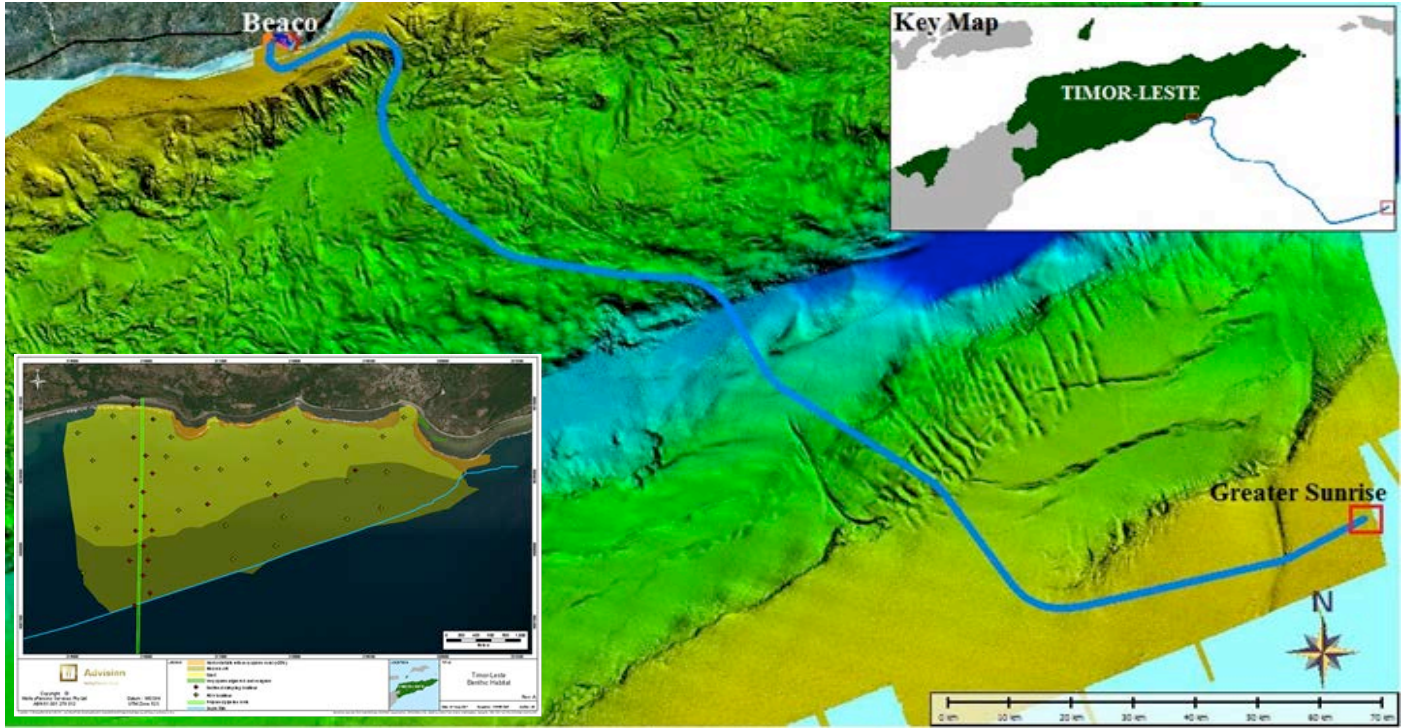


Figure 4-17: Map of pipeline route from Greater Sunrise to Beaco

As the next step of the environmental licensing attainment process, a TOR for Greater Sunrise-Beaco subsea pipeline project was prepared and submitted to the DNCPIA and ANPM for review and approval in March. ANPM and DNCPIA issued their first review on the TOR in April and afterwards, an updated TOR was made in response to the technical comments of the Joint Committee of DNCPIA and ANPM and

resubmitted to the latter for further review and/or endorsement in early May.

The public consultation for the Greater Sunrise – Beaco Pipeline TOR has held in Viqueque and Beaco respectively on 26 and 27 September 2018. Public consultation is required to define the project scope and to discuss the project TOR and the opinions of interest parties must be reflected in the TOR.



Figure 4-18: Public Consultation of TOR for Beaco on 27th September 2018

4.5.3 English Language Training for Beaço Community by Science of Life (SOLS)

A total of 249 students successfully completed the Phase 3 of English Language Course and graduated on a ceremony held on 11th April 2018, in Beaço, Viqueque. The certificates of completion for Primary English Course, Levels 1 & 2, were delivered by the former Minister of Petroleum and Minerals Resources, H.E. Hernani Coelho, who commended the community achievements and continuous support towards the LNG plant project.

The above English training program is provided by Science of Life (SOLS 24/7) and has initiated in 2016 with the aim to enhance language skills for

the affected community of Beaço LNG project, maximizing the participation of local content during the implementation of the project. Since its implementation in 2016, local community from Maluru-Macalosso, Makaliku, Loho-Oan and Kailoibere Villages have benefited from this training. By empowering the community with the necessary language set of tools, we aim to achieve an active and full participation of the locals in the new job opportunities and small business opportunities that are expected to be created as result of the spillover effects brought by the TLNG project.



Figure 4-9: English Language Course Phase 3 Graduation Ceremony

4.5.4 TLNG Human Resources Development

One of the benefits from TLNG project is job creation in which Timorese nationals can have the opportunity to participate. Based on the local content study which forms part of LNG Pre-FEED study in 2015-2016, it is estimated that approximately 7,000 direct jobs can be created during the construction phase and out of which approximately 30% can be captured by local Timorese nationals. These figures have not taken into account potential jobs to be created by other components of TLNG such as the construction of Marine Facility (LNG port), installation of Subsea Pipeline and construction of other supporting infra-

structures.

Although construction period is relatively short, approximately five (5) years only, by having thousands of Timorese employed in the project will not only tackle immediate issues related to the unemployment but also will no doubt enhance the living standards as well as improved professional know-how skills through transfer of skills and knowledge.

During the operation of LNG plant, approximately 300 permanent jobs will be created. And it is estimated that up to 70% can be captured by Timorese nationals during the first five (5) years of operation.

Subsequently the number will be gradually increased and from year ten (10) onwards, Timorese participation can be up to 90% which will include managerial roles.

In light of these, a number of training plans have been put in place. Due to the nature of works skills normally required during the construction phase, the training programs for these will not necessarily commence until one (1) year or less before the construction starts. However, for the operation phase, trainings on LNG operation and maintenance are required well ahead of time. A typical On-Job-Training (OJT) normally requires approximately two (2) years to complete.

The training for the LNG operation and maintenance will be done in phases. In November 2018, TIMOR GAP and its contracted partner, Cegelec Oil & Gas, held a public consultation or socialization in Viqueque and Beaçõ regarding the 1st phase of recruitment for LNG operation and maintenance training which targets mostly young engineers and technical graduates from the affected community of Beaçõ, Vilage of Maluru, Municipality of Viqueque. The call for applications from the interested applicants was opened on 26th November and closed on 11th December 2018. The shortlisted applicants will need to undertake a baseline test sometime in January 2019 after which the successful candidates will start with the fundamentals training in the 1st half of 2019.



Figure 4-20: Socialization 1st phase recruitment in Viqueque, on 21st November 2018 (left); Participants at the 1st phase recruitment in Viqueque on 21st November 2018 (right)



Figure 4-21: Socialization 1st Phase Recruitment in Beaçõ (22nd November 2018)

4.6 Highway

4.6.1 Overview of Highway

The Suai to Beaçõ South Coast road will be developed to connect Tasi Mane Project industrial clusters and support the growth of the petroleum industry. Once completed, the highway will open up this coastline area to allow socioeconomic development and the movement of services, goods and passengers in a safer, faster and more reliable manner. The upgrade of the road will be a development based through stages on logistic and economic needs.

The design speed is 100km/h for flat areas and 60 km/h for mountainous areas, with an estimated travel time of 2 hours from Suai to Beaçõ. The highway will have four lanes (two in each direction), each 3.6m wide, with a total pavement width of about 26m and a total length of 155.7km. It will include 28 major bridges with an aggregate length of about 5.661 meters, and a total of 240 culverts (199 reinforced concrete pipe type and 41 reinforced concrete box type).

The highway will be split in four sections:

- 1) Suai – Fatukahu /Mola - 30.4 km
- 2) Fatukahu/Mola – Betano - 34.3 km
- 3) Betano – Clacuc - 34.5 km
- 4) Clacuc – Beaçõ - 52.6 km

The construction supervision and monitoring of the Highway project is entrusted to the Project Management Unit composed by representatives of Ministry of Petroleum and Minerals (through TIMOR GAP) and former Ministry of Public Works, Transport and Communications.

The Highway Phase I project was finalised and handed over to the project owner on 17th November 2018. The land title identification and acquisition process for Highway Phase II project (Section 2: Fatukahu/Mola – Betano) is anticipated to commence in 2019.



4.6.2 Highway Phase I: Land Acquisition & Civil Construction Works

The Phase I of Highway corresponds to Section 1 connecting Suai to Fatukahu/Mola. The Suai to Fatukahu/Mola road is a 30.4km corridor comprised of 10 bridges, 4 intersections, 20 traffic boxes, 20 drainage boxes and 60 culverts.

The additional land acquisition and compensation process for the additional ROW (Right of Way) at Km9 and Km5 area, deemed necessary due to a cutting slope, was concluded in 2018. Throughout the year, TIMOR GAP, in close collaboration with the National Directorate of Land & Properties (Direção Nacional de Terras e Prpriedades, DNTP) and Matai, Labarai & Debos local authorities, addressed the local community claims in regards to the fencing construction process along the Highway, ensuring that the fencing constructed was according with the ROW line as per compensation. In line with this, TIMOR GAP, DNTP and local authorities organized two team, a surveyor team and a mediation team, and conducted a field survey and verification of the fencing construc-

tion from the starting point up to the end point of the Phase I Highway project.

The civil construction works for Highway Section 1 were concluded towards the end of 2018 and Timor-Leste's first highway was inaugurated and open for traffic on 17th November 2018, marking the achievement of an important milestone to the development of the country's transport infrastructures and physical connectivity.

The Phase I construction contract was awarded to China Overseas Engineering Group C.Ltd. in joint venture with China Railway First Group C., Ltd. (COVEC - CRFG JV), with the supervision of Katahira & Engineers International, in partnership with Renardet SA Consulting Engineers, in association with Kai Watu Kmanek Consultant. The construction works commenced in 2016 and employed a construction workforce of approximately 1,500 workers, of which nearly 1,200 were local workers engaged under the local content requirements.



Figure 4-22: Highway Section 1 (Suai - Fatukahu/Mola)



5. Institutional and Human Capital Development

5.1 Strategic Goals & Overview

Key to TIMOR GAP's sustainability and growth lies in the human resources. Our current team, although significant in numbers for a young National Oil Company, growth will be necessary in an increasing rate in the next 10 years, averaging 160 new employees per year as anticipated in our Strategic & Business Plan 2016-2035. This strategic growth is fundamental to meet the company's future plans, particularly in large projects envisaged in the Tasi Mane Project, the LNG Plant, the Refinery and Petrochemical Complex, and the Supply Base. In line to this, we continue to recruit the right talent, to manage, train, develop, reward, motivate and retain, and through this keeping a well-balanced team through equality,

and equally boosting development, a way to promote shared prospect.

A strong Quality, Health, Safety and Environment (QHSE) culture is of indisputable value at TIMOR GAP, and we continue to ensure that all TIMOR GAP's activities are delivered conforming to high quality, health and safety, and environmental best standards.

Additional Information & Communication Technology (hardware & software) to further increase efficiency and productivity in our workplace is expected to be installed to support the needs of business areas, including support function.

STRATEGIC GOALS	HIGHLIGHTS OF 2018
<p>SHORT TERM (2-5 years)</p> <ul style="list-style-type: none"> • Build a technical and knowledgeable strong team; • Policy and procedures set up for human resources management; • Implement the QSHE Action Plan 2018-2025; • Set up of system hardware and software for GnG, New Ventures, Refinery and Gas Business Units; • SAP ERP system for Finance, HCM, Procurement, Logistics, Sales & Distribution; • Policy and guidelines set up for information management; 	<ul style="list-style-type: none"> • Several training and courses were delivered in 2018 covering a wide range of areas, such as administration, QHSE, risk management; • 15 employees participated in secondments with TIMOR GAP's international partners, such as COSL (Singapore), Aibel (Norway), ConocoPhillips (offshore rig); • A total of 11 employees are currently in Study Leave, undertaking their Masters Studies in international universities; • TIMOR GAP IMS: The standard ISO 9001:2008 transitioned to ISO 9001:2015, ISO 14001:2004 transitioned to ISO 14001:2015, and OSHAS: 2007 transitioned to ISO 45001:2018 on Occupational Health and Safety Management System (OHSMS); • Performed key services for TIMOR GAP's SAP Implementation, such as SAP Assessment & Diagnostic (by Ernst & Young); • Acquisition and deployment of additional software for E&P, such as Petrel Software;

Table 5-1: Strategic Goals & Highlights of 2018 for Human Resources, QHSE and ICT

5.2 Human Resources Management

TIMOR GAP aims, not only, to become a business partner of choice attracting the best oil and gas players of the region and afar, but also to become an employer of choice captivating the best talented professionals by providing them the opportunity of growth within the company, maximize their capabilities and professional skills. In fact, the company is predominantly composed of qualified staff with 80% of its employees holding a higher education degree, with Masters, Post-Graduate Studies and Bachelor, and those currently undertaking one of the previous mentioned degrees.

Our employees are our most valuable assets, thus we develop a human resources strategy based on key areas as recruitment of right talent, development and training, performance management and career development. It is our firm belief that people properly trained and prepared, with technical and behavioral skills aligned with the strategic objectives of the organization, are the basis for the implementation of our strategy.

The unremitting development of our employees' competences and know-how is a long-term strategy and priority adopted by TIMOR GAP and implemented through programs and trainings in several areas of the petroleum and gas sector; capacity building and on-the-job-training with external partners and joint venture partners; and secondments which are conducted through the cooperation with TIMOR GAP's international business partners. The company's human resource policy also entitles employees who wish to pursue higher education studies, usually through prestigious scholarships awarded by foreign Governments, to take study leave. We safeguard our employees' job security, while they invest on their own professional valorization and future contribution to the company.

TIMOR GAP pursues and works hard in the achievement of a greater local participation, by respecting and valuing the local content participation in its projects. Maximization of local content requires early focus on training of nationals to ensure the required skills are available and thus, a local content plan is a key requirement under our agreements/contracts and negotiations with Joint Venture partners. Our projects prioritize local staff whenever appropriate as it is the case of our Suai Fuel Station staff.

TIMOR GAP upholds a people-oriented and employee care concept, fulfills its responsibilities to employees, respect their legal rights and interests, promotes gender equality and non-discrimination culture, improves their working environment, and promotes employment of locals in the operation areas, so as to realize co-development of itself and its employees.





Figure 5-1: A TIMOR GAP employee during his secondment under ConocoPhillips' Bayu-Undan Infill Well Project, at the Offshore Base

5.2.1 Employees Overview

As of 31st December 2018, TIMOR GAP employed a total of 132 employees with a gender breakdown of 36 female and 96 male, and 10 of our subsidiaries employees consist of 5 male and 5 female employees. Our labor force is composed by 93% Timorese citizens, the remaining 7% are expatriate staff, including consultants, with a set of highly specialized skills who are hired to provide consultancy services for specific projects and/or to fill the technical skill void that nationals are yet unable to fulfill.

In regards of the educational background, nearly 80% of our employees hold a higher education-

al degree, consisting of 39 employees with Masters Degree or currently taking a Masters; 1 employee currently taking a Post-Graduate and 61 employees with a Bachelor or currently taking a Bachelor degree.

TIMOR GAP also receives young interns with the purpose to introduce real and professional working environments as means to better prepare new graduates for their future professional career path. This year, we received one Intern from ISAT Training Centre for one month internship conducted with Quality, Health, Safety and Environment Unit.

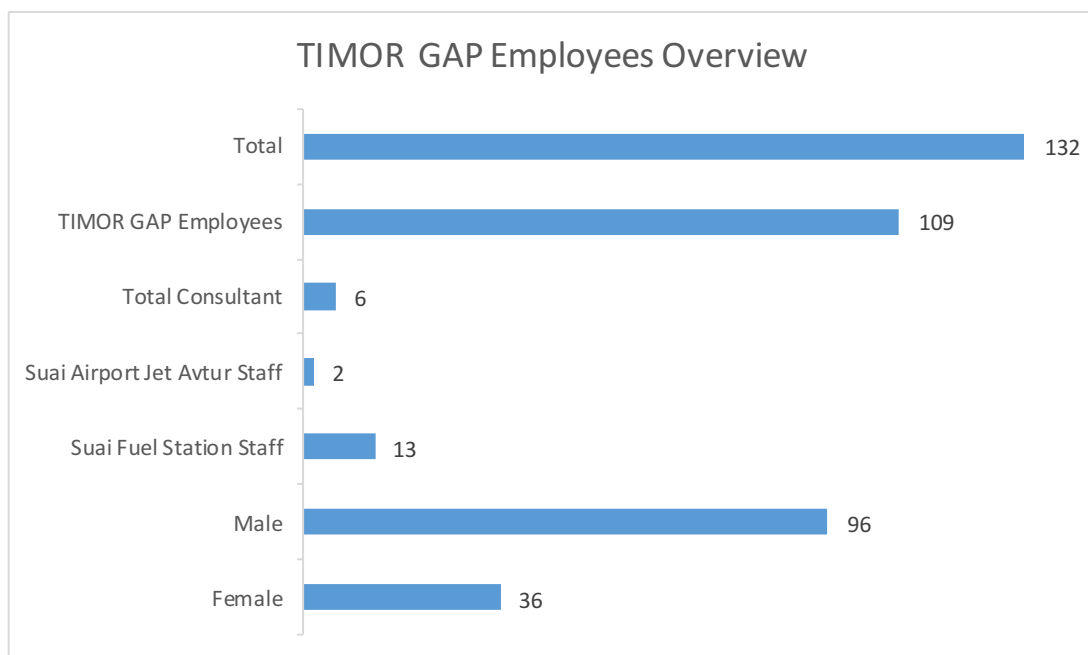


Figure 5-2: TIMOR GAP employees' overview

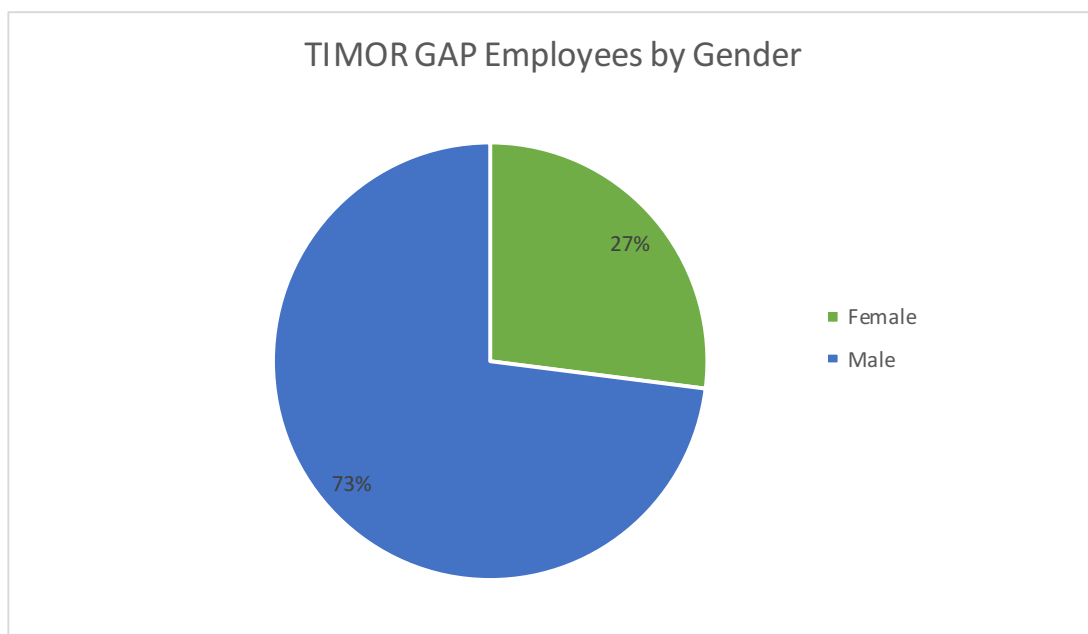


Figure 5-3: TIMOR GAP employees by gender

SPECIALIZED	Master	Ongoing Master Study	Post Grad Ongoing Study	Bachelor	Ongoing Bachelor Study	Cert IV	Diploma III	Vocational / Senior High School	Total
Geology, Geophysicist & Geoscientist	5	3	0	8	0	0	0	0	16
Petroleum Engineers & Reservoir Engineer	3	0	0	12	0	0	1	0	16
Mining Engineers	0	0	0	3	0	0	0	0	3
Civil Engineers and Architecture	1	0	0	8	0	0	2	1	12
Mechanical Engineers	1	0	0	0	0	0	1	3	5
Energy Management	2	0	0	0	0	0	0	0	2
Oil and Gas Management	2	0	0	0	0	1	0	0	3
Business Administration and International Business	2	0	0	2	0	0	0	0	4
Banking & Finance, Accounting and Financial Management	1	1	0	7	0	0	0	0	9
Chemical Engineers	1	1	0	3	0	0	0	0	5
Environmental Engineers	2	1	0	1	0	0	0	0	4
Information Communication and Technology	0	2	1	2	0	0	0	0	5
International Law, Law and Law Science	2	0	0	2	0	0	0	0	4
Economic Management, Human Resource Management & Management International Business	2	0	0	3	1	0	0	0	6
English Literature, Educational Leadership	0	1	0	1	0	0	0	0	2
International Relations, Public Relation, Political Development & Psychology	2	1	0	1	4	0	0	0	8
Project Management	2	1	0	0	0	0	0	0	3
GEODESY, ELECTRICAL ENGINEER, AGRIBUSINESS and INSTRUMENT & CONTROLLING	0	0	0	3	0	0	1	0	4
Social Science and Industry	0	0	0	0	0	0	0	15	15
CONSULTANT	0	0	0	0	0	0	0	0	5
Primary School	0	0	0	0	0	0	0	0	1
Total	28	11	1	56	5	1	5	19	132

Table 5-2: TIMOR GAP employees educational background

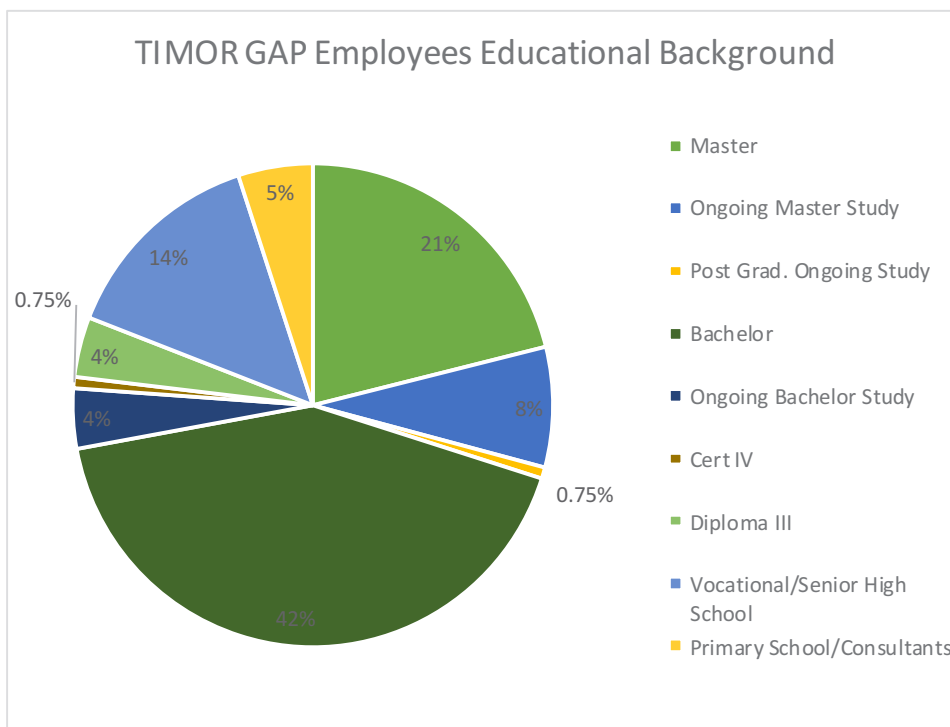


Figure 5-4: TIMOR GAP employees educational background

5.2.2 Career Development



“Employees will always perform at their best when the environment is conducive to growth.”

Figure 5-5: TIMOR GAP employees during Tropical Basic Offshore Safety Induction & Emergency Training (T-BOSIET) & Emergency Breathing System (EBS) Training

TIMOR GAP values the working relationship between the company and its employees and sets the path of their competency development and its corresponding career and professional progression in order for the employee to effectively and efficiently contribute to the implementation of the company mission and objectives.

In view of the above, the company implements and follows an individual development path which integrates selection, recruitment, training, assessment and progression/promotion. We standardize our selection and recruitment process, recruiting base on the needs of the company and through a competitive process with equal opportunities and gender equality. In spite of the General Competencies for all staff that had already been defined, to better assist TIMOR GAP in the selection and recruitment process, we intend to place a greater emphasis on Technical or Functional Competencies related to functions, processes and roles, including the knowledge and skill required to fulfill a specific job or task, with focus not only on technical staff such as engineering, geologist, accounting, as also other specific jobs.

Similar to previous years, in 2018, we continued to conduct our annual performance review with

the purpose of evaluating employee's work performance and recognizing achievements, covering the previously set objectives and key performance indicators (KPIs), which also supports planning staff development needs for the following year. By considering the results from the performance assessment, it is possible to manage more efficiently the career development of employees and plan their progression and promotion towards a next new role within TIMOR GAP. The potential for growth is a significant motivational difference maker and we, at TIMOR GAP, acknowledge this by offering the opportunity to succeed.

We uphold a people-oriented and employee care concept and therefore, we offer to our employees' benefits set forth under the employment contract, in compliance with TIMOR GAP internal policies and the laws in force applicable to the employment relations in Timor-Leste. The company complies with the Social Security Contribution System procedures and regulations, in furtherance of the Law No. 12/2016, on Social Security Law.

In 2018, we continue to work on our internal policies and procedures to better reflect the company's human resources vision and strategy.

5.2.3 Employees Training

Our employees are essential for the successful execution of the company's strategy. For the success of its strategy, it is essential that the company is equipped with the right skills to meet the challenges ahead. In view of this, TIMOR GAP will strive to provide op-

portunities through training courses, workshops & conferences and secondments to further enhance professional capacity, performance and knowledge of its staff in their specific areas of expertise, as well as in the overall oil and gas industry.

5.2.3.1 Courses and Training

In 2018, training opportunities are identified both nationally and internationally which employees are encouraged to attend as follows:

- **ISO 31001 Risk Management & Accident/Incident Investigation Training:** 12 employees attended this training with the duration of 5 days in Singapore;
- **Procurement of Works, Goods and Services:** 1 employee participated in this training provided in Bali, Indonesia, for 10 days;
- **Office Management & Effective Administration Skills:** 3 employees attended this 5 days training, in Bali, Indonesia;
- **Logistic Management Training:** 3 employees attended this training for 3 days in Bandung and Bali, Indonesia;
- **Disaster Recovery and Data Center Virtualization with VMware/Sphere 6:** 1 employee attended this training with the duration of 10 days, in Surabaya, Indonesia;
- **Introduction to Information Management in Petroleum Industry:** 3 employees attended this training delivered in Perth, Australia, during 5 days, with the aim to enhance and strengthen knowledge and skills of E&P and other related unit staffs in order to familiarize with applicable Oil & Gas Data Management technologies as part of oil and gas industry best practices. This initial step of training will enable the assigned TIMOR GAP staff to be able to acquire the basic knowledge and allow continuous improvement before and after the Studio Data Management deployment. At the end of this training, it is expected that the staff of
- **E&P Unit to be able to run and understand the process and data flows on the Studio Data Management and basic installation requirements to assist Petrel users;**
- **IT Cobit 5 Foundation & ISO/IEC:27001:** 1 employee attended this training in Jakarta, Indonesia, during 5 days;
- **Occupational Health and Safety Management System ISO 45001:2018:** 26 employees participated in this in-house training delivered by PT.RATAMA MITRA KUALITAS, from 17th to 18th September. The training aimed to provide to the participants the knowledge regarding the interpretation of requirements from ISO 45001:2018 and understanding of new standards and its implementation;
- **Tropical Basic Offshore Safety Induction & Emergency Training (T-BOSIET), Emergency Breathing System (EBS) Training:** 6 employees participated in this training provided by PT Samson Tiara in Cilegon, Jakarta, Indonesia, from 14th to 16th May. The objective of this training was to familiarize participants with the emergency responses while working offshore. These include safety induction, abandonment and survival, first aid and hypothermia, helicopter safety and Helicopter Underwater Emergency Training (HUET), offshore induction and firefighting and breathing protection.



Figure 5-6: T-BOSIET & EBS Training, Jakarta, Indonesia

5.2.3.2 Workshops and Conferences

Depending on the contents of conference/seminar, opportunities will be extended to the staff to attend as deemed relevant and beneficial to their job responsibility and the overall objective of the company.

In 2018, TIMOR GAP's employees had the opportunity to partake in various workshops and conferences during the period:

- Seminar on Petroleum and Natural Gas Management, in China;
- Community of Portuguese Language Countries (Comunidade dos Países de Língua Portuguesa, CPLP) Communication Forum organized by National Authority for Communication, in Dili;

5.2.3.3 Secondments and On-The-Job-Training

Secondments and job placement is a strategy that the company continued to implement in 2018 to further enrich the professional capacity of its staff through TIMOR GAP's international business partners.

- **Optimization Design for Refinery & Petrochemical Complex Project, TTCL, Thailand.**

A total of 6 employees completed the Optimization Design for Refinery & Petrochemical Complex Project on-the-job-training delivery by TTCL Public Company Limited from 7th November to 14th December 2018, in Bangkok, Thailand. This training covered

overall petroleum & petrochemical complex; introduction to refinery crude distillation; introduction on catalytic reforming; gasoline blending; and crude distillation.



Figure 5-7: TIMOR GAP employees during Optimization Design For Refinery & Petrochemical Complex Project On-The-Job-Training

- **Bayu-Undan Infill Well (BUIW), ConocoPhillips, Offshore Base**

Offshore Training Jack Up Rig Noble Tom Prosser (NTP) is a secondment training program provided by ConocoPhillips for TIMOR GAP drilling officials, as a part of local content for Bayu-Undan Infill Well Project (BUIW) which commenced on 20th July 2018 and was completed on 17th November 2018. The aim of this secondment training program is to develop capability and hands-on experience particularly for the initial well operation, well completion and well

clean up, as well as to gain experience related to the well drilling operation and safety culture at NTP Rig. The training itself is aligned with the drilling campaign which consists of two platform wells, one well at DPP (D10) and one well at WP1 (W12) and one subsea well (DS-O5). TIMOR GAP drilling team was of composed of two secondees who successfully undertook the training in Timor Sea during 5 months.



Figure 5-8: TIMOR GAP engineers during the BUIW secondment with ConocoPhillips at the Offshore Base

- **AIBEL PTY LTD, Asker, Norway**



Figure 5-9: TIMOR GAP engineer at Aibel office in Asker, Norway (left); Bayu-Undan Topside Modification Project (right)

One of TIMOR GAP engineer completed the secondment on the Feasibility Study for Bayu-Undan Topside Modification Project conducted by Aibel, from 27th August until 21st September, in Asker, Norway. This secondment is a training program established under the local content requirements set forth in the Service Agreement signed between TIMOR GAP and Aibel in order to improve secondees' knowledge, skills and hands-on experience in real industry practice. Aibel is the company responsible to perform the Bayu-Undan topside modification project feasibility study for TIMOR GAP.

The main purpose of this secondment is to involve TIMOR GAP engineer to observe directly the feasibility study in order to introduce real industry practice

to the secondee and improve knowledge and skills on the topside modification which is the focus of the feasibility or conceptual study. This 4 weeks secondment allowed our engineer to gain competences on subjects such as assessment of the required changes in the topside process; process evaluation and suction pressure control (production separator, gas compressors, glycol contactors, cold process, turbo expanders, export compressors) and modification; identification of new equipment or modifications to existing facilities; safety evaluation of changes in design, weight and cost estimates including all management, engineering, procurement, prefabrication, offshore installation and commissioning.

- HSE and Business Commercial Secondment Training, China Oil Service Limited (COSL), Singapore**

Offshore Drilling Training (Jack Up) Program is a secondment training program provided by COSL Drilling for the TIMOR GAP Drilling officials, as part of Cooperative Agreement between TIMOR GAP and COSL Drilling. This program aims to provide training and capability development especially in offshore drilling operations for selected TIMOR GAP Drilling Officials.

Regarding this training program, there are three (3) batches of training provided by COSL Drilling which are: Drilling Training; Health, Safety and Environment (HSE) Training and Business Commercial (Finance, Bidding & Tendering) Training. The first batch (Drilling Training) was concluded in 2017, with the attendance of 3 TIMOR GAP drilling engineers, who undertook the drilling training in Yanjiao, Tanggu and Offshore Bohai Bay Basin, China (Jack

Up Rig) for a period of 38 days.

The second and third batches training commenced on 30th July 2018 and it was completed on 24th August 2018, corresponding to the training modules of HSE and Business Commercial. For this training, a team composed of 5 employees with background in finance, human resources, QHSE and administration, were seconded at the COSL Singapore (CDPL) office and also had the opportunity to visit COSL BOSS offshore. The aim of this training is to develop and increase HSE's capability during the drilling operations, maximize the understanding of employees during operations to capacitate the employee in order to be able to perform their job and improving the employee's performance, and improve their knowledge to procure the services and to fill-up the documents for the tendering process.



Figure 5-10: TIMOR GAP employees during the secondment with COSL, Singapore

5.2.3.4 Study Leave

TIMOR GAP recognizes the benefits of staff development for individuals and the company as a whole, offers opportunities for employees to undertake personal and professional development. Our company's study leave policy provides a flexible arrangement in terms of job security benefit for employees and to retain the best talented employees that en-

- Master of Engineering in Oil and Gas Program at University of Western Australia, under Australian Awards Scholarship Program;
- Master Degree in Petroleum Geoscience at Victoria University of Wellington, New Zealand, under New Zealand Development Scholarship;
- Master Degree in Educational Leadership and Management at Unitec Institute of Technology, New Zealand, under New Zealand Development Scholarship;
- Master Degree in Computing at Institute of Technology of Auckland, New Zealand, under New Zealand Development Scholarship;
- Master Degree in Natural Gas Engineering and Management at University of Oklahoma, USA, under Fulbright Scholarship;

able them to improve and provide future contribution to the company.

During this period, our employees continues and are successfully awarded competitive scholarships programs from countries such as Australia, USA, New Zealand and United Kingdom and academic courses in international renowned universities, as following:

- Master Degree in Business Analysis and Consulting at University of Strathclyde, in Glasgow, Scotland, under Chevening Scholarship;
- Master Degree in International Commercial Law at University of Aberdeen, Scotland;
- Master of Professional Accounting at University of South Australia (UNISA), Australia;
- Master of Project Management at University of South Australia (UNISA), Australia, under Australian Awards Scholarship Program;
- Master of Environment at Macquarie University, Australia, under Australian Awards Scholarship Program;
- Master of Petroleum Geoscientist at University of Western Australia, Perth, under Australian Awards Scholarship Program.

5.2.4 Corporate Culture

Corporate culture is the soul of the company and what enables us to grow, adapt to the continuously changing markets and environments, and to shield ourselves from external adversities and challenges. A resilient company will respond better and more efficiently to challenges, overcoming them and adapting itself as a whole. TIMOR GAP adopted a **CAN DO** corporate spirit since its establishment, which represents our values (Competent & knowledgeable, Assessing and seizing the opportunities for business, Non-discriminatory & responsible, Doer & creative, Optimist) and how we aim to conduct our business. We promote and instigate this spirit in all activities we perform, aiming to set a healthy and strong corporate culture that values each employee in the organization regardless of the job duties, which results in employees working as a team to meet the company's and their own individual and professional goals.

In line of the above, TIMOR GAP strives to

maintain a constructive and motivating working environment. Activities that focus on team building capability and strengthen relationship among employees are promoted within the company, aiming to build a shared commitment to the corporate goals, which leads to the ability to produce more and better outcomes. In 2018, TIMOR GAP supported and participated in a number of social and sports events that foster greater cohesion and team work, while strengthening TIMOR GAP's relationship with partners. A good example of the preceding was the friendly football match organized between TIMOR GAP and the Embassy of Australia, where a female and male football team had the opportunity to display their sports and athletic abilities. An indoor table tennis tournament was also organized by the TIMOR GAP's employees, allowing to create a space of social interaction outside office working hours, while encouraging an active lifestyle and healthy competition among the players.



Figure 5-11: TIMOR GAP football male team during the friendly match with Embassy of Australia (left); TIMOR GAP employees participating in the Table Tennis Tournament (right);

5.3 Information & Communication Technology (ICT)

Information & Communication Technology (ICT) is essential to further increase efficiency and productivity in our workplace, in order to keep up with TIMOR GAP's growth, it is essential upgrade and install adequate hardware and software to meet the needs, supporting all business areas, including support functions. Thus, our Management Information System is a priority, with the main focus on its Enterprise Resource Planning (ERP) and data management system, namely SAP (System, Application and Product). TIMOR GAP SAP Foundations Implementation consists of Finance, Human Capital Management, Procurement and Logistics, Sales and Distribution and Financial Project Management. Throughout 2018, we continued to pay close attention to our SAP system, continuing to perform tasks such as SAP Support and SAP Maintenance Services, which includes system improvement as the business grows in demands.

In addition to the above and in order to further assess the SAP system improvement, TIMOR GAP and Ernst & Young, a multinational auditing and consultancy company, entered into a Service Agreement pursuant to which Ernst & Young commit to provide an assessment and diagnostic for TIMOR GAP SAP current system of "as it is" and what "to be". This assessment and diagnostic was carried towards the end of 2018 and finalized on in January 2019 with the report of findings and recommendations of system improvement.

As the company grows overtime, TIMOR GAP continuously seeks for more efficient and innovative solutions to enhance its security system and protect the company's information and data, including petroleum data. Additional software for the units' activities was also acquired and deployed this period, such as Studio Petrel software to assist with the additional Exploration & Production projects in 2018 onwards. This studio acts as centralized database system for handling petroleum data. The Petrel Studio Data management and software deployment is completed, however, Project and Data Migration is planned to be completed in February 2019. Training to Petrel users on how to use the Studio database is also important and will be delivered along with the Data Migration. The Petrel Studio software will be utilized for technical projects under TIMOR GAP and its subsidiaries. Besides establishing the Petrel Studio for Data management, TIMOR GAP have also endorsed the establishment of the Information Management Policy. The assessment on Information Management has been delivered during December 2018 and the final report of the assessment will be submitted in February 2019. Furthermore, on the Assessment, TIMOR GAP will require to continue on the establishment of the Information Management Policy to regulate the whole process of data transaction within the company and particularly for petroleum data management. Overall to this process, TIMOR GAP is aligning its progress according to the TIMOR GAP Strategic & Business

Plan 2016 - 2035.

TIMOR GAP also foresees to establish a Geospatial Data Centre in the forthcoming years and with this view, a professional consultation with software provider ESRI and a site visit to PERTAMINA office, in Indonesia, and to Marine Science & Technology (MAST), in Malaysia, were conducted in April 2018.

A centralized data centre for geospatial data is a requirement that TIMOR GAP looks forward to establish, in order to re-organize all the data that is now locally retained under each business unit. The ultimate purpose of this trip was to present some key aspects and solutions for TIMOR GAP's business needs as well as the national necessities of Timor-Leste.

SHORT TERM			LONG TERM		
UPSTREAM	MID/ DOWNSTREAM	SERVICES	UPSTREAM	MID/ DOWNSTREAM	SERVICES
GnG and New Ventures system hardware and software setup	Refinery and Gas Business Unit system software setup (AutoCAD and others)	SAP ERP system for Finance, HCM, Procurement, Logistics, Sales & Distribution	Independent and adequate GnG and New Ventures data center studio	TBD – Based on business relevance and needs	SAP upgrade on modules if required by business demand
New system and upgrades		Information and data management (backup, disaster and recovery)	Innovation - New applicable technologies to business		Data Center and other services
		Hardware and software upgrades			Virtual Private Network
		Policy and guidelines setup of information management			Change of domain name from timor-gap.com to timorgap.tl

Table 5-3: ICT's strategic goals for short and long term

5.4 Quality, Health, Safety and Environment (QHSE)

Quality, Health, Safety and Environment (QHSE) is a TIMOR GAP Business Unit mandated to ensure that all company's activities are delivered compliant to high quality, health and safety, and environmental best standards, leading to TIMOR GAP vision to "excel in providing services for the industry with quality, health, safety and environment".

In view of the above, QHSE unit has developed its Action Plan 2018-2025, setting a direction for achieving TIMOR GAP's objectives and strategic goals. One of the approaches the unit has done is through the implementation of the Integrated Management System (IMS), which applies the management principle of Plan, Do, Check and Act (PDCA). With the IMS, it can assist TIMOR GAP in addressing HSE-related issues in order to minimize risks to employees and company assets, including any adverse

impacts to the environment.

The Action Plan 2018-2025 sets out the key priority areas, namely the implementation of QHSE Management System; recertification of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018; increasing of training, awareness and competence; and changing the company culture from pathological or reactive to calculative. Changing and better the mindset of the company and its employees relating to QHSE, through the acknowledgement of every employees' responsibility, regardless of their job duties, that following safety procedures is imperative and of utmost importance not only to achieve a better working environment, but too in order to comply with the most rigorous safety measures encountered within the oil and gas sector. The success of the QHSE management system depends on leadership, commitment and par-

participation from all levels and functions of the company.

Considering QHSE high priority to achieve companies' objectives, QHSE plays an important role and responsibility as integral part of TIMOR GAP's activities, and in 2018, in order to fulfil the Objectives, Targets and Programs (OTP) set out for that year, QSHE unit continued to implement a few programs and actively participate in works with other business units; monitor the company's activities; attained a

recertification of ISO 9001:2015, ISO 14001:2015; conducted a transition from OSHAS:2011 to ISO 45001:2018 on Occupational Health and Safety Management System (OHSMS) and internal audit training; as well as to perform regular activities such as inspection of safety equipment and safety briefing, and other activities that are still in its early stage of implementation and aim to reduce the use of plastic bottles, paper and electricity.



Figure 5-12: Some of the activities performed by QHSE team during 2018 (left to right): Emergency response fire drill at Timor Plaza; Commissioning of avtur tanks at Suai Airport; Inspection at Suai Fuel Station

5.4.1 TIMOR GAP's QHSE 2018 Objective, Target & Program

5.4.1.1 Integrated Management System (IMS)



Figure 5-13: IMS current logo



Figure 5-14: Future IMS logo

TIMOR GAP adopted and implemented an Integrated Management System (IMS), which describes the integrated system of the company complementing the requirements of International standards and specifications of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. The implementation has been successfully recognized by the awarding of the International Organization for Standardization (ISO) certificate in 2016 from the international certification body DNV GL Singapore, one of the leading global providers for management system certification. TIMOR GAP is the first company in Timor-Leste to be awarded with an ISO certificate for its IMS.

The IMS has been continuously improved since its implementation including continuously complying with the new ISO standard requirements. Every year the certification body performs a Surveillance Audit to review if the system is continuously maintained and improved and that it remains in compliance with the mandatory ISO standards requirements. In the surveillance and upgrading audit conducted in February 2018, the company's IMS was audited against the new ISO 2015 standards for ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System. After completed the audit process and with no major issues found from the audit, the ISO Certificate of TIMOR GAP has been recommended to be upgraded to the 2015 version by

auditor to the certification body.

In line with the above, the standard ISO 9001:2008 was transitioned to ISO 9001:2015, and ISO 14001:2004 was transitioned to ISO 14001:2015. A Transition Assessment was subsequently performed for ISO 9001 Quality Management System and ISO 14001 Environmental Management System, version 2015, to ensure that the new standard requirements are properly implemented.

For OHSAS 18001, a periodical review was undertaken to ensure that the system had been well maintained and improved and, on the third quarter of 2018, the standard OHSAS 18001: 2007 was transitioned to ISO 45001:2018 on Occupational Health and Safety Management System (OHSMS). The standard ISO 45001:2018 was issued on March 2018, and will replace OHSAS after a three-year transition period. The purpose of OHSMS is to provide a framework for managing Occupational Health & Safety (OH&S) risks and opportunities, aiming to prevent work related injury and ill health to workers, provide a safe

and healthy workplace and to eliminate hazards and minimize OH&S risks by taking effective preventive and protective measures. In this regards and in order to ensure that the new standard requirements are understood and implemented, a training on “Occupational Health and Safety Management System ISO 45001:2018” including internal audit training was held in September with the attendance of 26 workers from all TIMOR GAP’s business units. The transition and training were conducted by PT Ratama Management Consultant.

While management of changes has been done for all IMS procedures, one of the achievements from transition and recertification process is established new policy which is called TG-QHSE-Policy (Figure 5-15) and has been signed by top management of the company. The commitment and policy statement describe the expected behaviors to improve QHSE and achieve operational excellence. The QHSE policy is in line with TG Vision and Mission.

The 10 TG-IMS Policy (commitment and statements) are:

1. Fulfill and satisfy applicable legal requirement, other requirement and obligation;
2. Sustaining organizational excellence through leadership and commitment;
3. Follow a systematic approach to QHSE management system requirements through review, audit, client feedback and appropriate improvement plans; in order to achieve continual performance improvement;
4. Provide safe and healthy working conditions for the prevention of work-related injury and ill health for workers and related person and company’s property damage and when is appropriate to the purpose, size and context of the organization and to the specific nature of its OHSE risks and opportunities;
5. Protect the environment including pollution prevention, sustainable resource utilization, protection of ecosystem and biodiversity relevant to the context of the organization;
6. Formulate framework for setting and reviewing QHSE objectives and targets for all of operations;
7. Commitment to eliminate hazards and reduce OH&S risks;
8. Commitment to consultation and participation of workers, and workers representatives;
9. Communicate QHSE objectives and procedures regularly to workers, employees, contractors and all affected parties;
10. Review the QHSE policy periodically to ensure that it remains appropriate to TIMOR GAP, E.P.

Figure 5-15: TG-IMS Policy

5.4.1.2 Occupational Health and Safety

TIMOR GAP adhered to the philosophy of “SAFETY FIRST”, always putting safety and wellbeing of employees at the forefront. Health and safety issues arisen from various TIMOR GAP’s activities can be properly identified, assessed, controlled and monitored. Numbers of procedures and guidelines were developed providing processes needed in the assessment and management of risk, incident and accident, either in the office environment or in the field and during operation. With this, TIMOR GAP now has a

proper system for managing Occupational Health and Safety and for managing any related records for either its identified risks or also incident and accident that has occurred from its various activities, including its mitigation and controlling action needed and arisen from these risks, accidents or incidents. The reviewing system for health and safety related issue has also been established and implemented.

Throughout its works, either field operation or daily activities, TIMOR GAP conforms to health and

safety related code of conduct, oil and gas industrial best practices, ISO's requirements, Timor-Leste Labor Code Section IV-Occupational Safety, Hygiene &

Health and any other international standards. In line with this, regular activities are performed routinely by the QHSE unit as better described in the table below.

No	Activity	Objectives
1	Safety Briefing	Delivering information about safety prior to departure in order to increase safety awareness during the journey
2	Safety Induction	Given to visitors to TIMOR GAP office to introduce the safety layout during emergency situations
3	Equipment Inspection	Conducting inspection to all vehicles used for field trip and fire extinguishers at TIMOR GAP office to ensure they are still in good conditions for use
4	First Aid Kit Provision	Providing First Aid Kits to employees travelling to the districts for medical treatment during journey
5	Implementation of the IMS Procedures	Implementing all of the IMS procedures throughout TIMOR GAP business activities

Table 5-4 : TIMOR GAP QHSE Routine Activities

In addition to the above activities, TIMOR GAP also actively participates in the annual emergency drill organized by Timor Plaza. The drill is intended to have TIMOR GAP employees better prepared to response to the emergency situation when any real emergency situation occurs, by providing better awareness and evaluate the effectiveness of the emergency response plan and the building's emergency infrastructure and equipment. The drill was conducted on 29th May 2018, TIMOR GAP employees evacuated the building and reached the main assembly area in 4 minutes and 28 seconds. No injuries were registered.

Personal Protective Equipment and other relevant health & safety equipment are at employees' disposal and regular inspections to the company's facilities and its process are conducted, evaluating the effectiveness of the implementation of the Health and Safety Management System. In September 2018, an inspection and internal audit was conducted to the operation of Suai Fuel Station to verify the compliance with the Environmental Management Plan, Downstream Regulation, Labor Code Requirement and Suai Fuel Station Standard Operational Procedure (SOP).



Figure 5-16 : TIMOR GAP employees performing an emergency response drill at Timor Plaza

Hazard Identification, Incident/Accident Management and First Aid

Hazard Identification, Risk Assessment and Control (HIRAC), Incident/Accident Management and First Aid are some of the components utilized to manage occupational health and safety risk to employee and asset.

i) **HIRAC:** TIMOR GAP's IMS encompasses a HIRAC form to identify risks through the process of finding, recognizing and describing the risks in the workplace, so they can be analyzed and evaluated prior to treatment to reach a tolerable risk level. This tool covers not only the safety issue but also the environment as well as quality of the process or activity. A total of 51 HIRAC reports have been collected during 2018 and were properly addressed in a timely manner by each responsible unit and actions taken accordingly.

ii) **Incident/Accident Management:** an Incident/Accident report is produced when a work related event in which an injury or fatality occur or could have occurred, or an undesired event that results in harm to people (injury), damage to property, loss to production or harm to environment. In 2018, 6 incident/accident reports were collected and properly addressed and closed. No major injuries or fatalities were recorded.

iii) **First Aid:** First aid is provided by competent or certified First Aider to other employees who are feeling unwell or are injured at workplace. This assistance is provided at the office as well as in field. No first aid was reported or treatment assistance was provided during 2018.

5.4.1.3 Environment Management System

We meet our responsibility to protect the environment by conducting studies for all projects under our portfolio that assess the projects' potential impacts on the environment and social communities. Environmental Impact Assessments (EIA) have been carried out by TIMOR GAP and partners pursuant with Decree-Law No. 5/2011, on Environmental Licensing, the legal framework for regulating the environmental impacts of significant projects in Timor-Leste.

The EIA study identifies the social, economic and major environmental impacts that are likely to arise from the construction and operation of the projects, assess qualitative environmental impacts of the project on sensitive receptors including communities, and prescribes measures for management and mitigation to minimize likely adverse impacts. The EIA produces two standalone documents: an Environmental Impact Statement (EIS) and an Environmental Management Plan (EMP), which are presented for evaluation to the environmental authority. The purpose of the EMP is to provide a framework for environmental management in all phases of the project to the parties responsible for environmental management of the project to be set up for its operations and maintenance. Upon the endorsement of the EIS and EMP, the National Directorate of Pollution Control and Environmental Impact (Direção Nacional de Controlo de Poluição e Impacto Ambiental, DNCPIA) issues an Environmental License to the project.

On November 2018, following the approval of the final reports of the EIS and EMP by the DNCPIA, the Environmental License was granted for the Betano

Refinery project components: Betano refinery plant, condensate and products pipeline project, water supply system and Nova Betano project.

The Project Documents for both EIA studies for LNG Plant and Greater Sunrise-Beaco Pipeline were submitted and afterwards approved on February 2018 by the Authorities, ANPM and DNCPIA. The public consultation for the LNG Plant and Pipeline from Greater Sunrise field was conducted in Viqueque on 26th September 2018, and with the Beço affected communities on the following day. The public consultation aimed to prepare the Terms of Reference (TOR) as part of the process to obtain the environmental license.

In regards of the public consultation aforesaid, all these environmental assessments must involve relevant stakeholders, including local communities, local leaders, local authorities and also any relevant organizations/groups in the area. The EIA process involved public consultation and socialization is held before and after the EIA process as required by the Environmental Decree Law No. 5/2011. As project owner TG has stepped through all requirement process such as open meeting, group discussion, survey or presentation and other requirements. The objective of public consultation and socialization is to inform the relevant stakeholders at the beginning of the process in order to ensure that the project is well understood in terms of its economic benefits, direct and indirect impacts and also risk involved with the mitigation measures.

5.4.1.4 People Competencies and Training

In order to achieve company’s Mission to “excel in providing services for the industry/projects with Quality, Health, Safety and Environment”, human resources plays an important role in the company. QHSE unit aims to increase knowledge of the employees through capacity building and training programs. During 2018, several employees have attended QHSE training, On the Job Training (OJT) delivered in house and overseas.

In spite of the decrease in the training subjects and participants’ numbers, 60 employees (Figure 5-17) from all units have been involved in 4 training subjects, ISO 45001:2018, ISO 31001, Incident/Accident Investigator and HUET training.

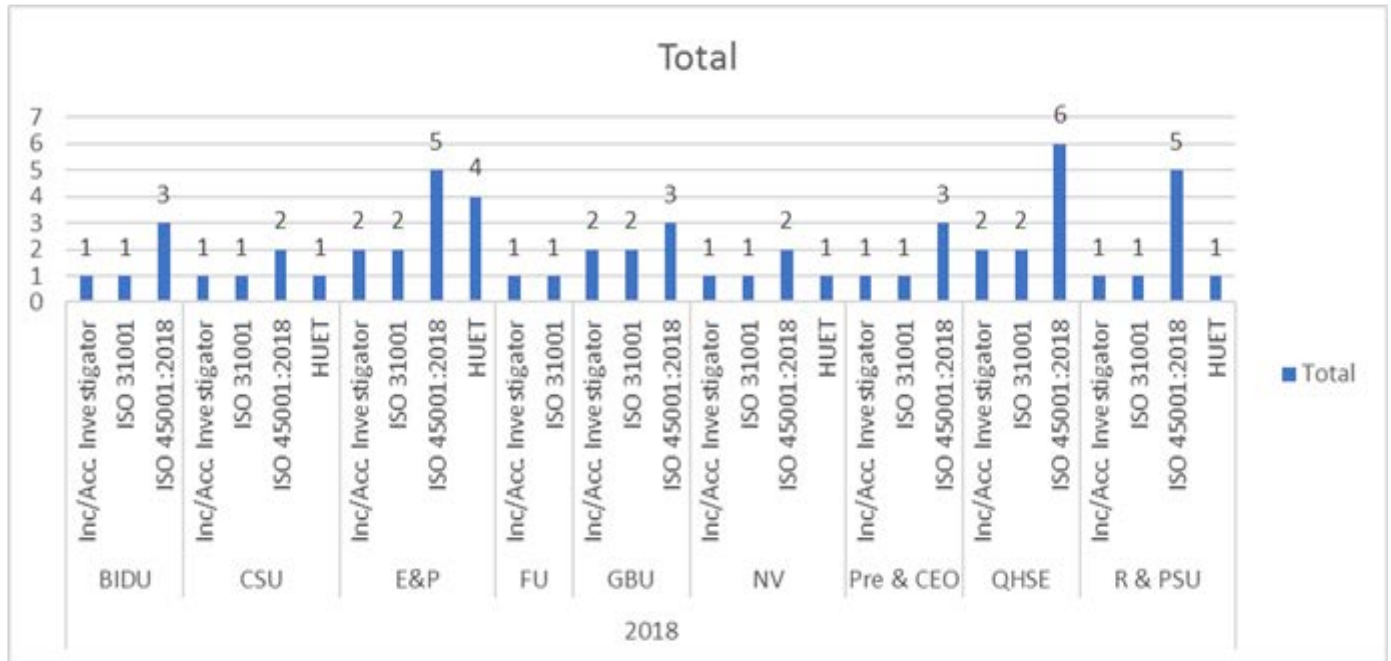


Figure 5-17: 2018 Training Participants per Unit



6. Permanent Maritime Boundaries Treaty & Greater Sunrise Special Regime

On the historic day of 6th March 2018, a Treaty between Australia and the Democratic Republic of Timor-Leste in establishing their Maritime Boundaries in the Timor Sea (hereinafter referred to as Treaty) was signed at the United Nations' headquarters in New York, USA. The Treaty was a result of the proceedings initiated against Australia under the United Nations Convention on the Law of the Sea (UNCLOS) in 2016, being the very first time that a compulsory conciliation process had been invoked. A Conciliation Commission was established afterwards under Article 298 and Annex V of the Convention, consisting of five members and the dispute between the Parties concerning the delimitation of their permanent maritime

boundaries reached an overall negotiated solution on the abovementioned date.

The landmark Treaty establishes the maritime border around the median line between the two countries in line with the UNCLOS, unveiling a new chapter in the history of Timor-Leste and marking a powerful affirmation of Timor-Leste sovereign rights over its natural resources. Permanent maritime boundaries will support Timor-Leste's economic development by providing additional revenue streams from resource development in the Timor Sea. It is also a landmark for international law setting a precedent for conciliation to be utilized to settle other sea disputes.

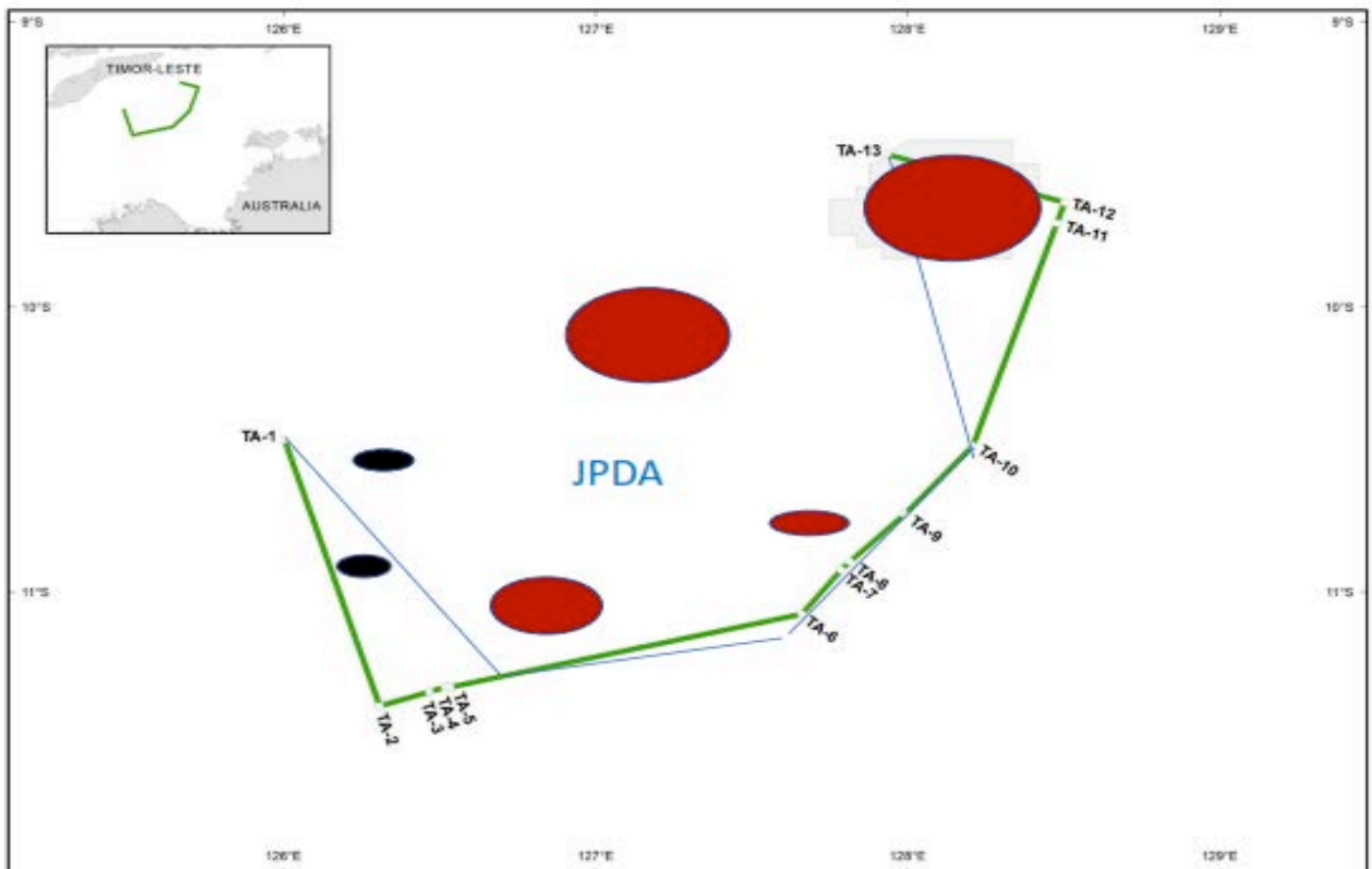


Figure 6-1: Maritime boundaries as set out by the Treaty signed between Timor-Leste and Australia (in green), JPDA area (in blue); oil & gas fields

The Treaty will be subject to ratification from both countries as a condition to fully enter into force. Upon its entry into force, the following agreements shall cease to be in force:

- i) The Timor Sea Treaty, signed between Australia and Timor-Leste in 2002 and pursuant to which established a Joint Commission with the purpose to create policies and regulations regarding petroleum activities in the Joint Petroleum Development Area (JPDA), jointly administered by Timor-Leste and Australia; and
- ii) The International Unitization Agreement, signed in 2003 between Timor-Leste and Australia relating to the Unitization of the Sunrise and Troubadour fields and establishment of a Sunrise Commission

to facilitate the implementation of the agreement and consult on issues related to the exploration and exploitation of petroleum in the unit area.

The treaty signed in 2006 between Australia and Timor-Leste on Certain Maritime Arrangements in the Timor Sea (CMATS) was terminated by Timor-Leste in April 2017, in order to facilitate the negotiations of the new Treaty. Once ratified, the Treaty will replace the Timor Sea Treaty and the International Unitization Agreement and, consequently, terminates the Joint Petroleum Development Area as established by Article 3 of the Timor Sea Treaty. Oil &

gas fields, as the likes of Bayu-Undan and Kitan fields, will hence fall under Timor-Leste exclusive maritime jurisdiction. With this in view, the Treaty also provides for transitional arrangements to offer stability and certainty and ensure companies with investments in the Timor Sea are not disadvantaged.

TIMOR GAP continues to partake in the Joint Commission for the supervision of petroleum activities in the Timor Sea, alongside Government officials and an Australian Commissioner, and a Joint Commission meeting was held on 7th and 8th June 2018, in Dili, Timor-Leste. The Joint Commission will be officially ceased upon the ratification of the Treaty.

6.1 Greater Sunrise Special Regime

In addition to the establishment of the permanent maritime boundaries between Australia and Timor-Leste in the Timor Sea, the Treaty also establishes the Greater Sunrise Special Regime for the joint development, exploitation and management of petroleum in the Greater Sunrise fields. The Greater Sunrise fields are part of the rock formation known as the Plover Formation (Upper and Lower) that underlies the Special Regime Area and contains the Sunrise and Troubadour deposits of petroleum, discovered in 1974 and located in the Timor Sea, 140 km south-east of Timor-Leste and 450 km north-west Australia.

The Greater Sunrise Special Regime provides that Timor-Leste will receive either 70 or 80 percent of the upstream revenue from the direct upstream exploitation of petroleum produced in the Greater Sunrise fields depending on the development option selected, that is, whether by means of a pipeline to a liquefied natural gas (LNG) processing plant in Timor-Leste or Australia. TIMOR GAP, as Timor-Leste's State owned national oil company, supports the Government aim to develop the Greater Sunrise gas

field via an onshore LNG Plant in Beço, Timor-Leste, using a submarine pipeline system across the Timor Trough, from the Greater Sunrise field to landfall at Beço on the south coast. The Greater Sunrise development forms a key part of the Tasi Mane project which the Government of Timor-Leste has initiated to facilitate and encourage the country's petroleum development, with subsequent general economic and social benefits for the country. Processing of the Greater Sunrise reserves to the south coast of Timor-Leste is therefore a major driver in relation to the overall project development strategy.

The Timor LNG (TLNG) development concept will be executed as two separate projects, namely, the Upstream project, which will encompass the development of the subsea wells and associated production system, offshore production/processing facilities, and onshore facilities for processing and storage and offloading of condensate, liquids and MEG; and Downstream project, which will encompass the export pipeline to shore (across the Timor Trough), LNG plant facilities and marine/LNG export facilities.

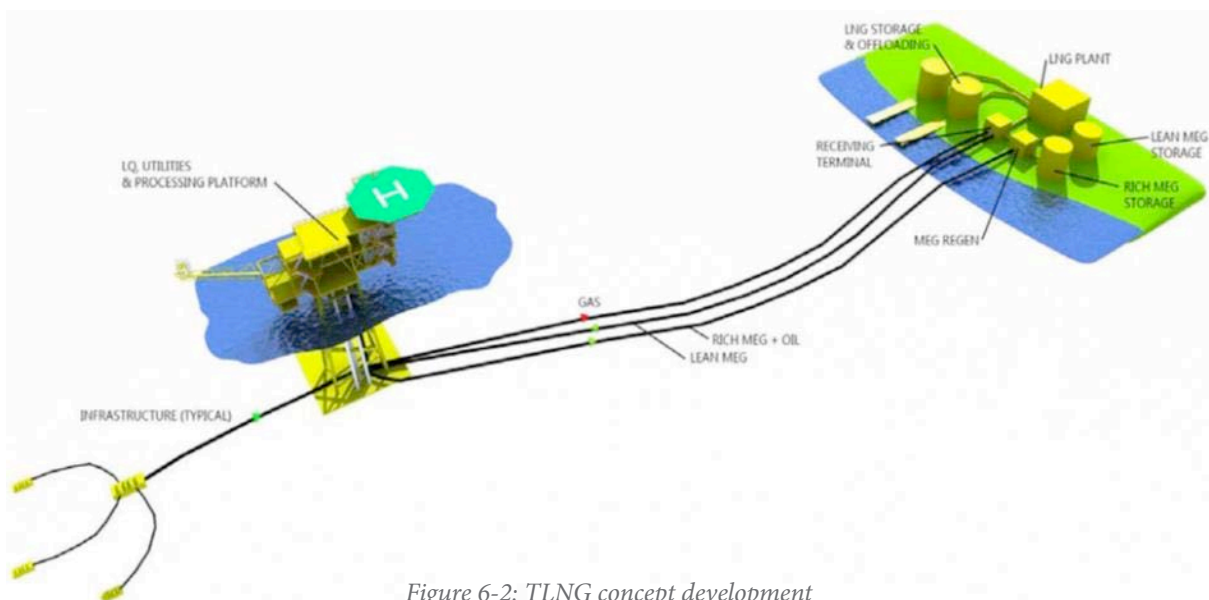


Figure 6-2: TLNG concept development

TIMOR GAP has elected to rigorously document the technical and commercial viability and competitiveness of the TLNG, and with the support of the Government it has undertaken to present the TLNG Development Concept as Timor-Leste's preferred option for the Greater Sunrise project development. Over the last years, the Timor-Leste Government, through TIMOR GAP, has undertaken a significant number of development studies in relation to the upstream and downstream project technical concepts, including the Greater Sunrise Timor LNG Development Concept

completed in 2017, and the Optimization Concept Study for the TLNG Downstream project initiated in 2018 and is currently ongoing.

The Treaty, and the progress made during the conciliation, provided a platform in reaching an agreement on the development concept for the Greater Sunrise fields. TIMOR GAP partakes in the Greater Sunrise stakeholder discussions and negotiations, and we remain confident and positive that an outcome which delivers substantial benefits to Timor-Leste will be reached in the upcoming year.

Figure 6-3: H.E. Mr. Xanana and Timor-Leste delegation visit to Badak LNG in Bontang, Kalimantan





7. Corporate Governance

7.1 Board of Directors

The Board of Directors (BOD) is the highest corporate body in TIMOR GAP, responsible for defining directions, policies and management.

TIMOR GAP's Board of Directors is composed by the President of the Board and 3 other members. The President of the BOD is appointed by the Government body responsible for the petroleum sector, with the approval of the Council of Ministers. Mr. Francisco Monteiro was appointed President of the Board and Chief Executive Officer (CEO) for a mandate of 4 years in 2011. His mandate was renewed in 2015 for an equal period ceasing in October 2019.

The remaining Board members were also appointed in October 2011, shortly after the establishment of the company: Ms. Norberta Soares da Costa, Mr. Dino Gandara and Mr. António de Sousa, afterwards indicated as Vice-President in September 2014.

Pursuant to the Decree-Law no. 31/2011, the BOD is responsible for the direction and management of the company, being entrusted, amongst other, with the following duties:

- To define the direction of TIMOR GAP's business and approve strategies, multiannual plans, budgets, as well as the participation in petroleum operations, related projects, PSCs and to incorporate subsidiaries;
- To define general policies (commercial, financial, investment, environmental, human resources);
- To appoint and supervise the Executive Committee.

7.2 Executive Committee

The Executive Committee (EC) is entrusted with the daily exercise of the company's affairs, in accordance with its mission, objectives, strategies and guidelines approved by the Board of Directors.

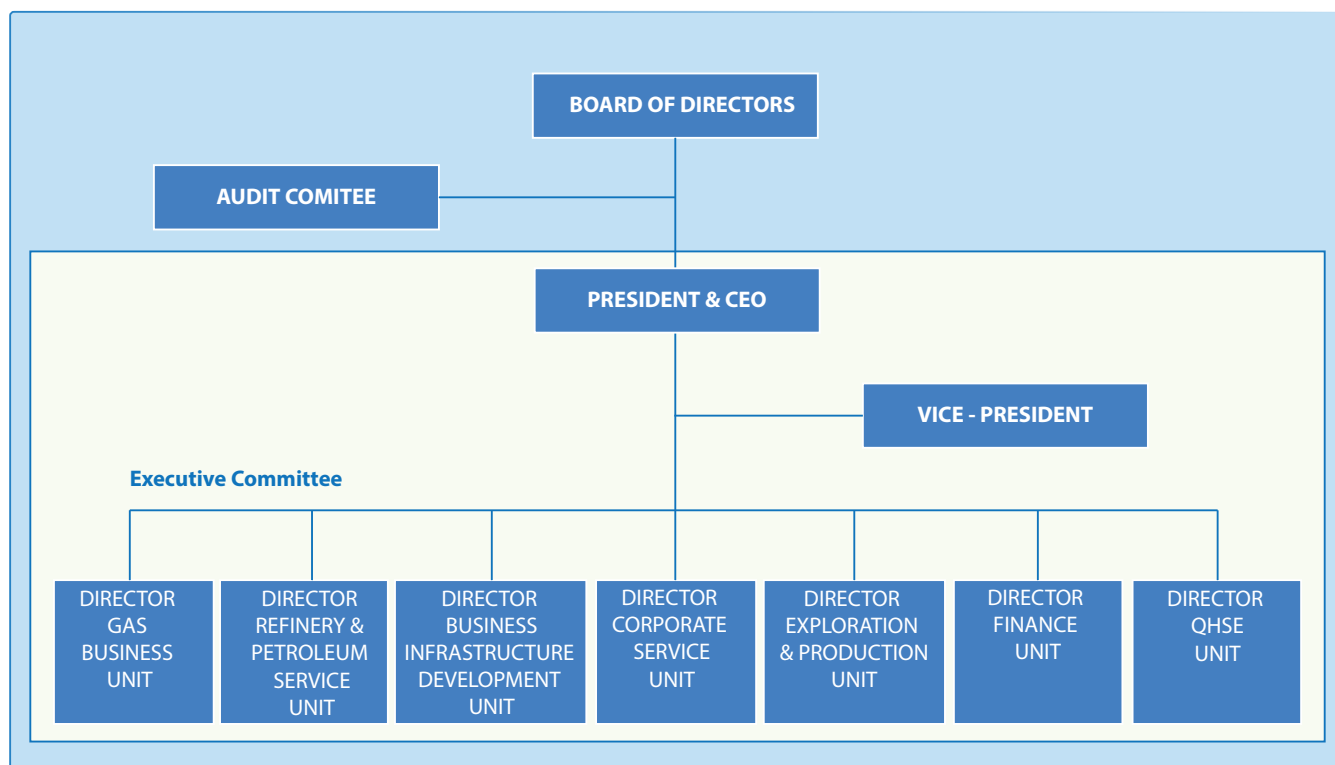


Figure 7-1: Organization Structure of TIMOR GAP, E.P.

The EC is headed by the CEO who is also the President of the Board. The other members are the Vice-President and the Executive Directors of our business units:

President & CEO

Francisco da Costa Monteiro

Vice-President

António de Sousa

Director of Corporate Service Unit

Jacinta Paula Bernardo

Director of Business Infrastructure Development Unit

Luís Martins

Director of Exploration & Production Unit

Vicente Lacerda

Director of Refinery and Petroleum Services Unit

Vicente Pinto

Director of Gas Business Unit

Domingos Lequi Siga

Director of Finance Unit

Henrique Monteiro

Director of Quality, Health, Safety and Environment Unit

(Vacant)

The members of the Board of Directors and Executive Committee are briefly presented in the section below.



Francisco Monteiro
President & CEO

Mr. Francisco Monteiro graduated in 2003 with a Master of Science (MSc) in Geology from Auckland University, New Zealand and was a PhD candidate in Petroleum Geology at the Australian School of Petroleum, University of Adelaide. Mr. Monteiro has more than 15 years of work experience in the fields of geology, minerals, oil & gas, policy advocacy, as well as management and administration in the areas of petroleum and mineral resources. He is the President & CEO of TIMOR GAP, since its establishment in 2011. Mr. Monteiro is also Timor-Leste's Commissioner for the JPDA since 2007 and Greater Sunrise Commissioner from 2008. In 2012, he was appointed by the Prime-Minister as a member of the Investment Advisory Board of the Petroleum Fund.



António de Sousa
Vice-President – Drilling and Technology, New Ventures

Mr. António Loyola de Sousa graduated in 1998 with a BSc in Mining Engineering, from ITB, Bandung, Indonesia, Specialization in Rock Mechanics and in 2007 with an MSc of Petroleum Engineering, from NTNU, Trondheim, Norway, with Specialization in Reservoir Engineering/Simulation. Mr. Loyola de Sousa has more than 19 years of experience in the field of oil & gas and specialization skills in reservoir engineering/simulation, geomechanics, management, politics and advocacy. He held a position as Reservoir/Simulation Engineer, in North Sea Non Operated Assets, Subsurface Department, Premier Oil Plc, Aberdeen in Scotland, UK. Mr. Loyola is also one of the Timor-Leste's Commissioners for the JPDA since 2007 and Timor-Leste's Greater Sunrise Commissioner since 2008. He was nominated Vice-President of TIMOR GAP in September 2014..



Norberta da Costa
Member of the Board

Ms. Norberta Costa graduated from University of Coimbra, Portugal, with major in Geology in 2008. She has 8 years of experience in the areas of minerals, oil and gas, policy advocacy, management and administration in the fields of petroleum and mineral resources. Ms. Costa has served as Director General for Corporate Service of the Ministry of Finance before being appointed Managing Director of the subsidiary TIMOR GAP Onshore Block in 2016.



Dino Gandara
Member of the Board

Mr. Dino Gandara graduated from Trinity College Dublin, Ireland with major in Geology in 2004. He has worked in minerals and oil & gas geology for more than 11 years. Returning to Timor-Leste in 2008, he undertook geological field mapping of onshore hydrocarbon prospects with Dr. Tim Charlton from 2009 until early 2013, identifying 17 onshore prospects hydrocarbon in the last 3 years. Mr. Gandara was the Country Manager for the gas exploration company Minza Ltd (operating a Block in the Timor Sea). Currently, Mr. Gandara is the Managing Director of the subsidiary TIMOR GAP Offshore Block.



Luís Martins
Director, Business Infrastructure Development Unit

Mr. Luís Martins gained his BSc in Industrial Engineering from Winaya Mukti University and an MSc in Energy and Environmental Management and Economics from Scuola Enrico Mattei – ENI University, in Millan, Italy. Mr. Martins has over 7 years of experience in both technical and management skills within the oil and gas sector under the Secretariat of State for Natural Resources (SERN) of Timor-Leste. Prior to joining SERN, he held managerial position at the UN Agency as well as other international organizations in the country. Currently he is the Director of BDU, which main responsibilities are to search and seize opportunities for the development of petroleum related industries and services.



Domingos Lequi Siga
Director, Gas Business Unit

Mr. Domingos Lequi Siga received in 2006 a BSc in Natural Resources & Environmental Management from University of Hawaii at Manoa, Honolulu, USA. In 2008-2009, he was awarded a Fulbright Scholarship to pursue his MSc in Energy Management from New York Institute of Technology. Mr. Lequi Siga has over 11 years of experience in both technical and managerial skills within the oil and gas sector, research institutions and International Agencies. Currently he is the Director of GBU, whose main responsibilities are to manage and coordinate all business activities within the field of natural gas including LNG, LPG and gas pipelines.



Vicente Pinto
Director, Refinery & Petroleum Services Unit

Mr. Vicente Pinto graduated in 2010 with a MSc in Engineering in Oil & Gas Management from Asian Institute of Technology (AIT) Bangkok, Thailand. Mr. Pinto has more than 11 years of work experience as a public servant in administration and management in the area of petroleum and mineral resources. He is Director for R&PSU since October 2011.



Vicente Lacerda
Director, Exploration & Production Unit

Mr. Vicente Lacerda graduated in 2008 with an MSc in Petroleum Geosciences, specialization in Petroleum Geophysics from The Norwegian University of Science and Technology, Trondheim. Mr. Lacerda has 18 years of experience in the oil & gas industry in both technical and management skills. He started his career in 1998 as Officer- Geologist at the Regional Department of Mines and Energy in Timor-Leste, Dili. He is Director of EP&SBU at TIMOR GAP.



Henrique Monteiro
Director, Finance Unit

Mr. Henrique Monteiro graduated from Griffith University, Brisbane, Australia, with a Master in Banking and Finance. He started his career in 2000 at the United Nations Agency and holds 17 years of work experience within the areas of project economic & finance and corporate finance, in both technical and management skills. Prior to joining TIMOR GAP as project economic & finance manager in 2012, Mr. Monteiro worked for ANPM performing the role of corporate finance manager. In 2015, he became the Director of Finance Unit at TIMOR GAP.



Jacinta Paula Bernardo
Director, Corporate Service Unit

Ms. Jacinta Paula Bernardo holds a Master of Science (MSc) in Human Resource Management and Development from the University of Salford, Manchester, United Kingdom. Ms. Bernardo graduated from Monash University, Melbourne, Australia with a Bachelor Degree in Business and Commerce, double major in Human Resources Management and Management. Ms. Bernardo worked for more than ten years with international development agencies such as the World Bank, International Organization for Migration (IOM), Australian Embassy and Oxfam International. She has gained experience from those International Development Agencies in the areas of project management, financial management and procurement management, human resources management and general administration. Currently, she is the Director of Corporate Service, whose main responsibilities are to manage and coordinate all business activities such as Human Resources Management, Procurement Management, Information, Communication and Technology (ICT) and General Administration. In 2015, she was nominated by the Government of Timor-Leste to be a Commissioner for Civil Service Commission for a five-year-term.

7.3 Governance Framework

7.3.1 Law on Petroleum Activities

The Law No. 13/2005 on Petroleum Activities indicates that pursuant to international law, Timor-Leste has sovereign rights for the exploration, exploitation and management of its natural resources, including petroleum. The country is entitled to all petroleum resources existing in the subsoil of its terri-

tory, both onshore and offshore. One of the objectives of the Law is to ensure stability and transparency in regulating the development of petroleum resources. Therefore, the Law is complemented with transparency requirements.

7.3.2 Petroleum Fund

Our Petroleum Fund was created through the Petroleum Fund Law No. 9/2005, with the intention to contribute to the wise and sustainable management of the petroleum resources for the benefit of the people and future generations. The Petroleum Fund contributes to sound fiscal policy and is to be integrated into the State Budget. It requires prudent management and is operated in an open and transparent way, within the

constitutional and legal framework.

The Central Bank of Timor-Leste administers the Petroleum Fund and the Ministry of Finance is responsible for the overall management and investment strategy. The Fund's Investment Advisory Board provides strategic investment advice concerning the investments of the Petroleum Fund to Minister of Finance.

7.3.3 Extractive Industries Transparency Initiative (EITI)



Timor-Leste is committed to full transparency in accounting for income resulting from its petroleum resources, which have been the greatest source of State budget revenue. Our commitment to transparency is demonstrated through the adherence to the Extractive Industry Transparency Initiative (EITI), which is a global coalition of governments, companies, and civil society, to improve accountable management of revenues from natural resources. More openness on how a country manages its natural resources, such as oil, gas, metals and minerals, helps to ensure that they can benefit all citizens. Timor-Leste was admitted in 2008 as a candidate to implement the EITI and became in

2010 an EITI Compliant Country, meaning that it meets all requirements in the EITI Standard.

The EITI Standard ensures full disclosure of taxes and other payments made by oil, gas and mining companies to governments. These payments are disclosed in an annual EITI Report, which allows citizens to see how much their government is receiving from their country's natural resources. Timor-Leste produces annual EITI Reports that disclose revenues from the extraction of its natural resources: companies disclose what they have paid in taxes and other payments and the government discloses what it has received.

7.3.3.1 TL-EITI

Timor-Leste is proud to be the first country in Southeast Asia and the third in the world to achieve the status of EITI Compliant Country. In 2007, Timor-Leste's Government invited civil society and industry to nominate representatives to form a Multi-Stakeholder Working Group (MSWG). Upon its establishment, the MSWG created the TL-EITI Secretariat office, which has been functioning since 2008 under the former Ministry of Petroleum and Mineral Resources and current Ministry of Petroleum,

with the aim to ensure the transparency of resources generated by the oil and mineral sector and guaranteeing the technical and administrative support to the MSWG.

In June 2012, six months after the start of operations, TIMOR GAP became one of the few national oil companies in the world supporting the EITI. TIMOR GAP, as the state-owned enterprise, participates in the MSWG's monthly meetings, which brings together relevant key stakeholders, such as representa-

tives from the Government (MPRM, ANPM, Central Bank of Timor-Leste, Ministry of Finance), petroleum industry, civil society and international organizations. This working group is responsible for discuss and approve by unanimously the EITI-TL reports, prepared by an Independent Administrator (IA) selected by public tender, the supplementary EITI reports, the annual plan and the progress report. Following its approval by the MSWG, the reports are published by the Secretariat in accordance with the standard set by the International Council of EITI. The published reports are intended to transparently demonstrate the pay-

ments made by the extractive companies as well as the revenues collected by the State (reconciliation).

During 2018, TIMOR GAP continued to partake in the regular monthly MSWG' meetings, covering topics such as the preparation of the Terms of Reference for the Independent Administrator (IA), pursuant to which an IA will be engaged to elaborate the 2016 annual report, which contains important information related to the transparency of the oil and mining sectors as well as annexed models of financial data collection tailored to each type of institution.





33.54% 896.33

4.19% 345.31

1.35% 231.54

4.25% 16.40

5.36% 37.43

-1.43 2.51%

+7.33 6.31%

-3.33 3.65%

+67.12 5.22%

5.42%

8. Commentary on the Financial Results

Set out below are the audited consolidated financial statements of TIMOR GAP group for the year ended 31 December 2018. This is the group's seventh trading period. TIMOR GAP has adopted Interna-

tional Financial Reporting Standards (IFRS) to ensure that reporting is based on a well-recognized reporting framework.

8.1 Grant Funding

During the current year a grant of \$9.9 million (2017: \$11.9 million) was provided by the Government to fund the 2018 operations of the company

including to carry out some related studies on asset evaluation and transaction support on the Greater Sunrise Reserve Study.

8.2 Revenue

Likewise previous years, the government grant of \$9.9 million (2017: \$11.9 million) forms the majority of TIMOR GAP's revenue for the year 2018. While the company depends on government grant to carry out major project expenses, the company has also internally generated income which is mainly from onshore exploration farm-out activities of \$2,500,000 (2017: \$2,000,000) and from fuel trading business which recorded fuel sales of \$406,175 (2017: \$370,015). Further, the company earned contract fixed service fees during the year of \$3,850 (2017: \$8,902). These funds

were received in advance from the Government and are being released over the life of the contract on the percentage of completion accounting method based on costs incurred against the total contract value (see sub-sections on Contract 1/2012 and Contract 2/2012 below).

The company is a 60% quota holder GAP-MHS Aviation Lda (GAP-MHS). During the 2018 financial year no dividends were received by TIMOR GAP (2017: \$ 162,201).

8.3 Contract 1/2012

Contract 1/2012 relates to the previously completed pre-feasibility studies and pre-Front End Engineering Design (pre-FEED) options for a Marine facilities design at Beço, District of Viqueque, as part of the LNG project. In consultation with SERN (Secretary of State for Natural Resources) the Coastal Harbour onshore basin layout was selected for the FEED or design stage. The design will form part of the planned LNG plant and provides a

standard marine facility which includes a jetty, product loading facility, material offloading facility, and a trestle for pipe carrying LNG product to the loading arms and breakwater. In addition to the design, further Metocean studies were conducted to determine the physical environment near the planned site from both a Meteorology and oceanography perspective. The contract was completed at year end.

8.4 Contract 2/2012

Contract 2/2012 relates to a refinery facilities study for the Betano Refinery FEED. This project's objective meets the Timor-Leste Government's Strategic Development Plan to capture more value added from its petroleum produced.

The contract has five main components which include the following:

- Betano Refinery FEED – which includes the ISBL and OSBL, pipeline, jetty facilities which support refinery operations infrastructure (accuracy 15%-20%);
- Environmental Impact Assessment and a Social Health Impact Assessment for the Betano refinery;
- A land survey;
- Land development and design; and
- Market study.

In the current year, no additional funds were received from the Government of Timor-Leste for either of these projects as the full contract value less than withholding taxes had been received in 2012 and 2013. During 2018, a further \$58,825 was expended on the projects (contract 2) primarily to pay the contractor for the Environmental Impact Assessment (EIA) study.

The project contract fixed service fee is only recognized as income based on the percentage of costs incurred to date on the project compared to the total costs expected. During 2018, \$3,850 (2017: \$8,902) was earned as revenue from this contract.

At year end, \$835,233 (2017: \$894,058) remained of the funds received for use in 2019 when the projects are expected to be completed.

8.5 Project Expenses

The primary projects that TIMOR GAP incurred expenses on during the period included:

- Suai Supply Base
- Suai Airport project
- Greater Sunrise upstream concept review and feasibility study
- Asset evaluation and transaction support project
- Highway project
- New venture – open area exploration
- Refinery Project
- Retail fuel station
- Fuel supply and trading

These projects have been discussed in detail in Sections 2 to 6 of this report.

8.6 Financial Results

8.6.1 Comprehensive Profit/Loss for the Year

The company's operating profit/loss for the year ended 31 December 2018 amounted to \$872,051 (2017: \$5,812,482) and total comprehensive profit/loss of \$767,964 (2017: \$5,519,446).

On a group basis, the operating profit/loss for the year ended 31 December 2018 stood at -\$1,411,793 (2017: \$1,630,100) which is further decreased by the share of profit of associates (GAP-MHS Aviation, Lda: -\$132,824, TIMOR GAP Seismic Services, Lda: \$0,00, and South Horizon Offshore Services, Lda: \$29,718) to the extent of -\$103,106 (2017: -\$116,074), which resulted into Profit/ (Loss) before tax of -\$1,514,899 (2017: \$1,514,026) on group basis. The Profit/ (Loss) on group basis is further reduced by the Income Tax Expense of -\$104,087 (2017: -\$455,237) and Deferred Tax Asset of \$613,827 (2017: 1,806,092) which is generated through the carry-over of losses in the group companies. Summing up all the elements in the In-

come statement resulted into total comprehensive Profit/ (Loss) of -\$1,005,158 (2017: \$2,864,880) on the group basis.

The profit/surplus incurred to date have improved the deterioration of the total Capital received in 2012 at the Company level with the company now having an equity of \$10,351,189 (2017: \$9,583,224) and the group level is at \$3,987,209 (2017: \$4,992,368). During the year the other income generated by the company mainly through onshore exploration farm-out projects and through Suai fuel-trading business has helped to exceed the operational expenses of the company. The company's retained earnings as at 31 December 2018 is \$7,851,189 (2017: \$7,083,224) and provisions made for payment of income taxes \$559,324 (2017: \$455,237).

Set out below are the main categories of operational expenses incurred.

8.6.1.1 Depreciation and Amortization Expense

During the period TIMOR GAP has additions to property, plant and equipment worth \$54,535 (2017: \$34,323) as set out in Note 9, and additions of \$220,356 (2017: \$157,609) of computer software explained in Note 10 to the financial statements.

As set out in the accounting policies, TIMOR GAP has adopted the straight-line basis of accounting for depreciation and amortization over the expected useful lives of the assets from the date they were ac-

quired and were ready for first use. During 2018, depreciation of property, plant and equipment amounted to \$194,705 (2017: \$258,129), and for computer software the amortization for the year was \$292,984 (2017: \$266,676). The increase in the amortization amount was due to the additional software purchased in 2018 and put to use by the Exploration and Production Unit.

8.6.1.2 Employee Costs/Expenses

At 31 December 2018 TIMOR GAP had a staff of 132 employees (2017: 130 employees). Costs for staff increased from \$2,849,489 in 2017 to \$2,964,470

in 2018. The increase in costs is mainly due to the additional recruitment and enactment of social security contribution regime from Timor-Leste Government.

8.6.1.3 Project Expenses

The company's project expense was primarily for covering project consultant expenses such as technical and legal consultant on JPDA and Greater Sunrise Negotiation and Tasi Mane Project. In addition to

that, the project expense was also expended for project overhead disbursement and community liaison on Tasi Mane Project.

8.6.1.4 Other expenses

The most significant "other expenses" for the year ended 31 December 2018 for the company include the following items:

	2018	2017
	\$	\$
Consultant Expenses	152,134	147,784
Staff Training & Development Expenses	210,578	220,974
Office Lease & Related Expenses	655,325	691,951
Telephone & Internet Expenses	106,946	123,715
Travel & Expenses		
Local	77,148	155,533
Overseas	499,447	249,627
Motor Vehicle Expenses	46,109	47,890
General Overhead Expenses	625,968	458,226
Total	2,373,654	2,095,699

The company's consultant expenses were primarily incurred for availing the support services for SAP administration in the Corporate Service Unit and for minor expenditures on finance unit consultants.

From October 2016, the company was able to negotiate the office rental fees and got a discount of 25% from the monthly fees. However, in October 2018, office rent also has increased due to the annual escalation rate of 3% on the rental fees as per escalation clause in the rental agreement.

Travel & expenses include the costs to attend field trips for the Tasi Mane projects management and administration work. These include activities such as community liaison, land clearance by Inter-ministeri-

al team, etc. In addition, travel & expenses also covered various activities for capacity development, participation at workshops and conferences, meetings, including Joint Commission meetings as well as other official requests from the Government for specific purposes.

The General Overhead Expenses are the expenditure for electricity, outsource service, minor equipment, organization promotion and other miscellaneous expenses.

In line with TIMOR GAP's mandate for the creation of business activities, the young NOC's costs in pursuit of the development of the oil and gas industry are often unpredictable.

8.7 Taxation

TIMOR GAP is subject to the Taxes and Duties Act of 2008. In the year 2018, the company has estimated the income tax expense of \$104,087 (2017: \$455,237). Further in the year 2018, the company has accumulated additional deferred tax asset of \$613,827 (2017: \$1,806,092) mainly due to accumulation of carry over losses from group companies which the company assume to recover in the subsequent years of operations.

During the year, the company has timely paid withholding taxes to the extent of \$643,046 (2017: \$536,352) to Timor-Leste Tax Authority which is primarily deducted on wages and salaries paid to employees, payments of rental fees and payments on non-resident supplies at the prescribed rate as mentioned in the decree law of Timor-Leste. The company has recognized a withholding tax liability payable of \$206,853 (2017: \$81,256) which is already paid after the year end closing of 2018.

8.8 Statement of Financial Position

8.8.1 Current Assets

Current assets include amounts expected to be received within a year of the balance sheet date. Current assets of the company amount to \$12,299,943 (2017: \$10,180,347) and include prepayments and receivables of \$381,032 (2017: \$228,904), the rental and other refundable deposits of \$179,514 (2017: \$179,514). At year end 2018 cash at the bank and on hand amounted to \$2,364,788 (2017: \$1,991,301).

8.8.2 Earnings and Equity

The company recorded a net profit of \$767,964 (2017: \$5,519,446) (Group Loss of: -\$1,005,158) during the year ended December 31, 2018.

The company had recorded an equity of \$10,351,189 (2017: \$9,583,224) while the group equity stand at \$3,987,209 (2017: \$4,992,368). The decrease in the equity is generally due to accumulation of losses in the group companies which is assumed to be recovered in the subsequent years of operations.

As of that date, the Company's current assets exceeded its current liabilities by \$8,276,536 (2017: \$7,625,989), while for the group the current assets exceeded the current liabilities by \$1,694,089.

As set out in Note 24, the financial statements have been prepared on the going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of business.

As a young national oil company, TIMOR GAP is reliant on government grants to sustain its operations until such time as the company growth its business to become sufficiently self-funding. In this phase of its business' development expenditure can be less predictable as it pursues opportunities in line with Timor-Leste and TIMOR GAP's vision for the oil and gas industry in Timor-Leste.



9. Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Revenue					
Revenue from government grant	5	9,948,762	11,900,000	9,948,762	11,900,000
Income – Onshore exploration farm-out	5	2,500,000	2,000,000	2,500,000	2,000,000
Income from fuel trading business	5	406,175	370,015	406,175	370,015
Fixed contract service fees	5	3,850	8,902	3,850	8,902
Other income – Manpower cost	5	23,730	23,730	23,730	23,730
Total revenue		12,882,517	14,302,647	12,882,517	14,302,647
Expenses					
Project expenses		(7,592,011)	(6,325,608)	(5,825,141)	(2,715,228)
Cost of sale of fuel	6	(359,511)	(304,944)	(359,511)	(304,944)
Depreciation and amortization expense	9 & 10	(493,106)	(527,650)	(487,690)	(524,805)
Employee costs		(3,234,483)	(3,157,796)	(2,964,470)	(2,849,489)
Other expenses	7	(2,615,199)	(2,356,549)	(2,373,654)	(2,095,699)
Total expenses		(14,294,310)	(12,672,547)	(12,010,466)	(8,490,165)
Operating Profit/ (Loss)		(1,411,793)	1,630,100	872,051	5,812,482
Dividend received from associate		-	-	-	162,201
Share of profit of associate	12	(103,106)	(116,074)	-	-
Profit / (Loss) before tax		(1,514,899)	1,514,026	872,051	5,974,683
Income tax expense	8	(104,087)	(455,237)	(104,087)	(455,237)
Deferred Tax Asset	8	613,827	1,806,092	-	-
Income Tax paid in advance written off		-	-	-	-
Profit / (Loss) for the period		(1,005,158)	2,864,880	767,964	5,519,446
Other comprehensive income		-	-	-	-
Total comprehensive Profit / (Loss)		(1,005,158)	2,864,880	767,964	5,519,446

The above statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Assets					
Non-current assets					
Property, plant and equipment	9	803,579	938,528	790,613	930,782
Intangible assets	10	449,224	654,447	449,224	654,447
Capital Work in progress		788,816	326,005	788,816	326,005
Investment in subsidiaries	11	-	-	40,000	40,000
Investment in associates	12	251,501	354,606	6,000	6,000
		2,293,120	2,273,586	2,074,653	1,957,234
Current assets					
Deferred Tax Asset	8	2,419,919	1,806,092	-	-
Trade and other receivables	13	407,033	276,260	9,842,036	8,139,909
Inventory	14	93,120	49,138	93,120	49,138
Cash and cash equivalents	15	2,822,389	3,184,183	2,364,787	1,991,301
Total current assets		5,742,461	5,315,673	12,299,943	10,180,348
Total assets		8,035,581	7,589,258	14,374,596	12,137,582
Equity and liabilities					
Equity					
Contributed equity	16	2,500,000	2,500,000	2,500,000	2,500,000
Retained Earnings / (Accumulated losses)		1,487,209	2,492,368	7,851,189	7,083,224
Total equity		3,987,209	4,992,368	10,351,189	9,583,224
Current liabilities					
Trade and other payables	17	2,597,065	1,186,995	2,572,100	1,144,463
Provision for Income Tax	8	559,324	455,237	559,324	455,237
Unearned fixed contract service fees and project advances	18	891,983	954,658	891,983	954,658
Total current liabilities		4,048,372	2,596,890	4,023,407	2,554,358
Total equity and liabilities		8,035,581	7,589,258	14,374,596	12,137,582

The above statements should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Cash flows from operating activities					
Operating Profit / (Loss)		(1,411,793)	1,630,100	872,051	5,812,482
Adjustments for:					
Depreciation		200,121	260,974	194,705	258,129
Amortization		292,984	266,676	292,984	266,676
Transfer from work in progress		132,596	-	132,596	-
		(786,093)	2,157,750	1,492,337	6,337,287
Decrease / (increase) in trade receivables	13	(130,773)	(50,130)	(1,702,128)	(5,072,533)
Increase / (decrease) in trade and other payables	17	1,410,070	417,303	1,427,636	382,425
Cash generated from operations		493,204	2,524,923	1,217,845	1,647,179
Income tax paid		-	91,731	-	91,731
Net cash from operating activities		493,204	2,616,654	1,217,845	1,738,910
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(65,173)	(44,913)	(54,535)	(34,323)
Purchase of intangible assets	10	(220,355)	(157,609)	(220,355)	(157,609)
Decrease / (increase) in Capital Work-in-Progress		(462,811)	(326,005)	(462,811)	(326,005)
Decrease / (increase) in Inventory	14	(43,982)	(3,350)	(43,982)	(3,350)
Investment in subsidiary	11	-	-	-	(20,000)
Investment in associate	12	-	(8,100)	-	(3,000)
Dividend from associate		-	162,201	-	162,201
Net cash used in investing activities		(792,323)	(377,776)	(781,683)	(382,085)
Cash flows from financing activities					
Increase / (decrease) in project advance		(62,675)	(145,614)	(62,675)	(145,614)
Net cash used in financing activities		(62,675)	(145,614)	(62,675)	(145,614)

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Net increase in cash and cash equivalents		(361,794)	2,093,265	373,486	1,211,211
Cash & cash equivalents at start of the year		3,184,183	1,090,918	1,991,301	780,090
Cash & cash equivalents at end of the year		2,822,389	3,184,183	2,3647,788	1,991,301

The above statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Transactions with owners of the company					
<u>Contributed Capital</u>					
- 1 December 2011		2,000,000	2,000,000	2,000,000	2,000,000
- 23 February 2012		500,000	500,000	500,000	500,000
		2,500,000	2,500,000	2,500,000	2,500,000
Consolidated loss and comprehensive loss attributable to equity holders of the parent:					
At the beginning of the period		2,492,368	(464,244)	7,083,224	1,472,046
Profit /(Loss) after tax for the period		(1,005,158)	2,864,880	767,964	5,519,446
Income tax adjustment during the year		-	91,731	-	91,731
At the end of the period		1,487,209	2,492,368	7,851,189	7,083,224
Non-controlling interest		-	-	-	-
Total equity at 31 December		3,987,209	4,992,368	10,351,189	9,583,224

Accounting policies and explanatory notes to the Consolidated Financial Statements for the year ended 31 December 2018

1. General information

The Consolidated Financial Statements of the Group, which comprise Timor Gas e Petroleo, Empresa Publica (TIMOR GAP, E.P. as the parent) and its subsidiary and associate, for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the directors on 29 May 2019.

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. These Consolidated Financial Statements comprise separate financial statements of the parent entity and Consolidated Financial Statements of the Group. They are presented in United States Dollars (USD or \$). The Consolidated Financial Statements have been prepared on a historical cost basis. The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it con-

trols an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date Group ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and, therefore, a Non-Controlling Interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2. Basis of preparation and accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and gross of any sales-related withholding taxes col-

lected on behalf of the government of Timor-Leste.

Government grants are recognized where there is reasonable assurance that the grant will be

received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Revenue from contract fixed service fee is recognized by reference to the stage of completion of the contract as a percentage of actual expenditure incurred on the project of the total contracted amount.

Sales of Fuel are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Fuel purchased is paid for after receipt of sale proceeds from the customer.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period/year.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. Depending on the contractual arrangement, withholding taxes are either withheld against suppliers in specified industries or payment amounts are grossed up at the following rates and the monies are paid over

to the government of Timor-Leste:

- Income from construction or building activities - 2%
- Income from construction consulting services - 4%
- Income from the provision of air or sea transportation services - 2.64%
- Contracting to petroleum services - 6%
- Rent - 10%
- Payments made to non-residents - 10%

Where the company is the recipient of income for providing any service listed above, the company can elect whether the withholding tax deducted is the final tax deducted or if they wish to be taxed on the actual profits basis.

Foreign currencies

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest dollar (USD or \$), except where otherwise indicated. The Group does not have any foreign operations.

Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currency are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the net cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their expected useful life using the straight-line method as follows:

- Leasehold improvements over the remaining period of the lease
- Plant and Equipment 33.3%
- Furniture, fixtures & fittings 20%
- Motor vehicles - 20% with a residual value of 20% of the cost price.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated

as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Tangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized. Intangible assets are comprised mainly of software products and are amortized over their estimated useful lives.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments- initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. All financial assets are recognized initially at fair value. The Group's financial assets include:

- Trade and other receivables, and
- Cash and cash equivalents.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified as Trade and other receivables or Cash and cash equivalents.

De-recognition

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- All the risks and rewards of the asset, have been transferred.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss
Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of payables, net of directly

attributable transaction costs.

The Group's financial liabilities are classified, at initial recognition as:

- Trade and other payables, or
- Unearned contract fixed service fees and un-disbursed advances.

Subsequent measurement

For purposes of subsequent measurement financial liabilities are classified as Trade and other payables, or unearned contract fixed service fees and undisbursed advances.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks in non-interest bearing accounts and cash on hand.

Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are trans-

lated into United State Dollars (USD or \$) using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Unearned contract fixed service fees and project advances

Cash received by the company from the Government of Timor-Leste as a project advance and for unearned contract fixed service fees is recognized as a liability on receipt.

The project advance liability is reduced by costs incurred with suppliers of services plus applicable withholding taxes.

The unearned project management fee is reduced by reference to the stage of completion of the contract as a percentage of actual expenditure incurred on the project of the total contracted amount.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves

the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign income and withholding taxes. Given the company and group work in different international and tax jurisdictions, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. Application of new and revised International Financial Reporting Standards (IFRS)

4.1 New and revised IFRSs applied with no effect on the financial statements.

4.2 New and revised IFRS in issue but not yet effective.

The company has not applied the following new and revised IFRSs that have been issued but are

not yet effective. The Directors of the Company have not yet had an opportunity to consider the potential impact of the adoption of standards and interpretations in issue but not yet effective and anticipate that these amendments will be adopted in the Company's financial statements when they become effective.

Standard / Interpretation	Effective date (periods beginning on or after)
IFRS 9 Financial Instruments– Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	Effective for annual periods beginning on or after 1 January 2018.
IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2018.
IFRS 16 Leases	Effective for annual periods beginning on or after 1 January 2019.
Amendments to IAS 28 Investments in Associates and Joint Ventures	Effective for annual periods beginning on or after 1 January 2018.

5. Revenue and other income

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue and other income				
Government grant	9,948,762	11,900,000	9,948,762	11,900,000
Income – Onshore exploration farm-out	2,500,000	2,000,000	2,500,000	2,000,000
Income from fuel trading business	406,175	370,015	406,175	370,015
Revenue from fixed contract service fee	3,850	8,902	3,850	8,902
Other income- Manpower cost	23,730	23,730	23,730	23,730
Total	12,882,517	14,302,647	12,882,517	14,302,647

6. Cost of Sales of Fuel

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cost of Sales of Fuel	359,511	304,944	359,511	304,944

7. Other Expenses

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Other Expenses				
Consultant Expenses	306,815	300,976	152,134	147,784
Staff Training & Development Expenses	210,578	220,974	210,578	220,974
Office Lease & Related Expenses	655,325	691,951	655,325	691,951
Telephone & Internet Expenses	108,241	124,392	106,946	123,715
Travel & Expenses				
Local	118,314	191,674	77,148	155,533
Overseas	520,767	288,107	499,447	249,627
Motor Vehicle Expenses	46,109	47,890	46,109	47,890
General Overhead Expenses	649,050	490,585	625,968	458,226
Total	2,615,199	2,356,549	2,373,654	2,095,700

8. Income Tax

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Income tax				
Income tax expense:				
Current income tax:				
Current income tax charge	104,087	455,237	104,087	455,237
Deferred income tax:				
Relating to origination and reversal of temporary differences	(613,827)	(1,806,092)	-	-
Total tax expense reported in profit or loss	(509,740)	(1,350,855)	104,087	455,237

9. Property, plant & equipment

	Group				
	Leasehold Improvements	Plant & Equipment	Furniture, fixtures, & fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2018					
Cost:					
Balance at beginning of year	492,403	1,501,718	423,310	739,540	3,156,970
Additions	-	64,685	487	-	65,172
Balance at end of year	492,403	1,566,403	423,797	739,540	3,222,142
Depreciation:					
Balance at beginning of year	(488,761)	(842,591)	(391,985)	(495,104)	(2,218,442)
Charge for the period	(3,642)	(132,065)	(22,698)	(41,717)	(200,121)
Balance at end of year	(492,403)	(974,656)	(414,684)	(536,821)	(2,418,563)
Book value at beginning of year	3,642	659,126	31,324	244,436	938,528
Book value at end of year	-	591,747	9,113	202,720	803,579
Year ended 31 December 2017					
Cost:					
Balance at beginning of year	492,403	1,459,694	420,420	739,540	3,112,057
Additions	-	42,023	2,890	-	44,913
Balance at end of year	492,403	1,501,718	423,310	739,540	3,156,970
Depreciation:					
Balance at beginning of year	(475,847)	(690,750)	(365,986)	(424,886)	(1,957,468)
Charge for the period	(12,914)	(151,841)	(26,000)	(70,218)	(260,973)
Balance at end of year	(488,761)	(842,591)	(391,986)	(495,104)	(2,218,442)
Book value at beginning of year	16,556	768,945	54,434	314,654	1,154,588
Book value at end of year	3,642	659,127	31,325	244,436	938,528

	Company				
	Leasehold Improvements	Plant & Equipment	Furniture, fixtures, & fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2018					
Cost:					
Balance at beginning of year	492,403	1,491,467	422,970	739,540	3,146,380
Additions	-	54,535	-	-	54,535
Balance at end of year	492,403	1,546,002	422,970	739,540	3,200,915
Depreciation:					
Balance at beginning of year	(488,761)	(839,803)	(391,929)	(495,104)	(2,215,597)
Charge for the period	(3,642)	(126,806)	(22,541)	(41,717)	(194,705)
Balance at end of year	(492,403)	(966,609)	(414,470)	(536,821)	(2,410,302)
Book value at beginning of year	3,642	651,664	31,041	244,436	930,783
Book value at end of year	-	579,393	8,500	202,720	790,613
Year ended 31 December 2017					
Cost:					
Balance at beginning of year	492,403	1,459,694	420,420	739,540	3,112,057
Additions	-	31,773	2,550	-	34,323
Balance at end of year	492,403	1,491,468	422,970	739,540	3,146,380
Depreciation:					
Balance at beginning of year	(475,847)	(690,750)	(365,986)	(424,886)	(1,957,468)
Charge for the period	(12,914)	(149,053)	(25,943)	(70,218)	(258,128)
Balance at end of year	(488,761)	(839,803)	(391,929)	(495,105)	(2,215,598)
Book value at beginning of year	16,556	768,945	54,434	314,653	1,154,588
Book value at end of year	3,642	651,664	31,041	244,436	930,782

10. Intangible Assets

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cost:				
Balance at beginning of year	1,468,880	1,311,271	1,468,880	1,311,271
Additions	220,356	157,609	220,356	157,609
Deletion	(132,596)		(132,596)	-
Balance at end of year	1,556,641	1,468,880	1,556,641	1,468,880
Amortization:				
Balance at beginning of year	(814,432)	(547,756)	(814,432)	(547,756)
Charge for period	(292,984)	(266,676)	(292,984)	(266,676)
Balance at end of year	(1,107,416)	(814,432)	(1,107,416)	(814,432)
Net Book Value at beginning of year	654,448	763,513	654,448	763,513
Net Book Value at end of year	449,224	654,447	449,224	654,447

- Intangible assets of \$ 132,596 was incorrectly capitalized during previous financial year. The same has been recognized as expenditure during current year after identification of nature of transaction.

11. Investment in Subsidiaries

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP PSC 11-106, Unipessoal, Lda which was formed on 10 February 2012 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a dormant Timor – Leste incorporated entity, TIMOR GAP Marine Oil & Gas & Logistic Services, Unipessoal, Lda which was formed on 10 September 2014 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Offshore Block, Unipessoal, Lda which was formed on 16 December 2015 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Onshore Block, Unipessoal, Lda which was formed on 16 February 2016 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Onshore Block B, Unipessoal, Lda which was formed on 3 April 2017 at a cost of:	-	-	5,000	5,000

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Onshore Block C, Unipessoal, Lda which was formed on 3 April 2017 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Drilling Service, Unipessoal, Lda which was formed on 11 March 2017 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor – Leste incorporated entity, TIMOR GAP Chuditch, Unipessoal, Lda which was formed on 3 April 2017 at a cost of:	-	-	5,000	5,000
			40,000	40,000
Disclosure of Subsidiary Company operations				
<p>TIMOR GAP PSC 11-106, Unipessoal, Lda During 2013, the company entered into a Joint Operating Agreement with ENI JPDA 11-106 B.V. and Inpex Offshore Timor-Leste Ltd with respect to Contract Area JPDA 11-106 Joint Petroleum Development Area, Timor Sea.</p> <p>In terms of the agreement TIMOR GAP PSC 11-106, Unipessoal, Lda is not obligated to contribute to costs incurred for the joint account for its carried interest. Its share of such costs are borne by the carrying parties (ENI and Inpex) proportionately. Each carrying party will recover its prorated share of its costs, with an uplift, from TIMOR GAP PSC 11-106, Unipessoal, Lda after the Designated authority approves a development plan and subject to other conditions specified in the agreement. The company's share of the Joint Operating Agreement is 24%.</p>				
Total approved authority for expenditure	-	-	304,006	26,705,000
Unaudited expenditure incurred since commencement	-	-	(43,620)	(15,032,129)
Unspent at year end	-	-	260,386	11,672,871
<p>TIMOR GAP Marine Oil & Gas & Logistic Services, Unipessoal, Lda During 2014, TIMOR GAP created a wholly owned subsidiary TIMOR GAP Marine Oil & Gas & Logistic Services, Unipessoal, Lda to provide general services for the marine industry and to render logistic and support services to the petroleum industry operating in the Timor Sea, Timor - Leste and elsewhere. The subsidiary is expected to not only manage but eventually own and operate supply vessels, tug boats, and general marine services required in the petroleum industry. This company is dormant till now.</p>				
Total approved authority for expenditure	-	-	-	30,000

Unaudited expenditure incurred since commencement	-	-	(482)	(498)
Unspent at year end	-	-	(482)	29,502
TIMOR GAP Offshore Block, Unipessoal, Lda TIMOR GAP through its subsidiary TIMOR GAP Offshore Block, entered in its second Production Sharing Contract, a PSC for the block TL-SO-15-01 contract area of the Timor - Leste Exclusive Area. The PSC was signed on 23rd December 2015 and followed by the signing of Serviec Agreement with TGSS & BGP Geoscientist to execute the 3D Seismic Survey for the contract area as part of the exploration work program.				
Total approved authority for expenditure	-	-	5,919,982	6,463,223
Unaudited expenditure incurred since commencement	-	-	(1,891,862)	(3,623,107)
Unspent at year end	-	-	4,028,120	2,840,116
TIMOR GAP Onshore Block, Unipessoal, Lda TIMOR GAP Onshore Block, Unipessoal, Lda is a 100% subsidiary of TIMOR GAP and the object of the company is to exploit hydrocarbon resources in TIMOR GAP Onshore Block.				
Total approved authority for expenditure	-	-	671,177	519,445
Unaudited expenditure incurred since commencement	-	-	(337,980)	(323,247)
Unspent at year end	-	-	333,197	196,198
TIMOR GAP Onshore Block B, Unipessoal, Lda TIMOR GAP Onshore Block B, Unipessoal, Lda is a 100% subsidiary of TIMOR GAP and the object of the company is to participate in oil exploration & production activities in Timor Leste. This company is dormant till now.				
Total approved authority for expenditure	-	-	150,000	110,375
Unaudited expenditure incurred since commencement	-	-	(2,522)	(65)
Unspent at year end	-	-	147,478	110,310
TIMOR GAP Onshore Block C, Unipessoal, Lda TIMOR GAP Onshore Block C, Unipessoal, Lda is a 100% subsidiary of TIMOR GAP and the object of the company is to participate in oil exploration & production activities in Timor Leste. This company is dormant till now.				
Total approved authority for expenditure	-	-	39,823	70,181
Unaudited expenditure incurred since commencement	-	-	(6,987)	(65)
Unspent at year end	-	-	32,836	70,116
TIMOR GAP Drilling Service, Unipessoal, Lda TIMOR GAP Drilling Service, Unipessoal, Lda is a 100% subsidiary of TIMOR GAP and the object of the company is to provide drilling services and other related services for the oil & gas industry. This company is dormant till now.				

Total approved authority for expenditure	-	-	-	-
Unaudited expenditure incurred since commencement	-	-	(341)	(90)
Unspent at year end	-	-	(341)	(90)
TIMOR GAP Chuditch, Unipessoal, Lda TIMOR GAP Chuditch, Unipessoal, Lda is a 100% subsidiary of TIMOR GAP and the object of the company is to participate in exploration and exploitation activities in the JPDA, including exploration & production of crude oil and natural gas and respective sale activities. This company is dormant till now.				
Total approved authority for expenditure	-	-	92,903	50,000
Unaudited expenditure incurred since commencement	-	-	(76)	-
Unspent at year end	-	-	92,827	50,000

12. Investment in Associate

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
GAP MHS Aviation, Lda The Company holds a 60% interest in a Timor-Leste incorporated entity, GAP MHS Aviation Lda, and the remaining 40% interest is held by MHS Aviation (TL) Lda. The activities of GAP MHS Aviation Lda are to provide logistical and support services for the operations of MHS Aviation (TL) Lda who provide aviation services and facilities to other parties. The Group's interest in GAP MHS Aviation Lda is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in GAP MHS Aviation Lda:				
Current assets	393,677	632,197	-	-
Non-current assets	-	-	-	-
Current liabilities	(56,966)	(74,113)	-	-
Equity	336,712	558,084	-	-
Proportion of the Group's ownership	60%	60%	-	-
Carrying amount of the investment	202,027	334,850	-	-
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Administrative expenses	(261,342)	(226,816)	-	-
Other income	42,250	13,932	-	-

Profit before tax	(221,374)	(212,884)	-	-
Income tax expense	(2,282)	-	-	-
Over provision of taxation for prior years written back	-	-	-	-
Profit for the year (continuing operations)	(221,374)	(212,884)	-	-
Group's share of profit for the year	(132,824)	(127,730)	-	-
The 60% interest held by TIMOR GAP, E.P. was acquired by the Company in July 2012 at a cost of:		-	3,000	3,000
TIMOR GAP Seismic Services, Unipessoal, Lda TIMOR GAP Seismic Services was established on 26 November 2015 through a joint venture agreement between TIMOR GAP, E.P. (60%) and BGP Geexplorer Pte Ltd. (40%). The purpose of establishing the company was to provide seismic survey services within the Timor - Leste's territory and foresee an expansion to overseas projects. The Group's interest in TIMOR GAP Seismic Services, Unipessoal, Lda is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in TIMOR GAP Seismic Services, Unipessoal, Lda:				
Current assets	24,967	32,278	-	-
Non-current assets	-	-	-	-
Current liabilities	(200)	(7,511)	-	-
Equity	24,767	24,767	-	-
Proportion of the Group's ownership	60%	60%	-	-
Carrying amount of the investment	14,860	14,860	-	-
Revenue	-	27,278	-	-
Cost of sales	-	-	-	-
Administrative expenses	-	(200)	-	-
Other income	-	-	-	-
Profit before tax	-	27,078	-	-
Income tax expense	-	(7,311)	-	-
Over provision of taxation for prior years written back	-	-	-	-
Profit for the year (continuing operations)	-	19,767	-	-
Group's share of profit for the year	-	11,860	-	-
The 60% interest held by TIMOR GAP, E.P. was acquired by the Company in November 2015 at a cost of:	-	-	3,000	3,000

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
<p>South Horizon Offshore Services, Unipessoal, Lda</p> <p>South Horizon Offshore Services was established on 25 March 2015 through a joint venture agreement between TIMOR GAP Marine Oil & Gas Logistic Services (51%) and Siglar Offshore Services Timor (49%).</p> <p>The object of the company is to provide support services to vessels and offshore facilities operating in the Timor Sea (both JPDA and TLEA), to own and operate offshore support vessels and to render any other services for the marine and oil & gas industry.</p> <p>The Group's interest in South Horizon Offshore Services, Unipessoal, Lda is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in South Horizon Offshore Services, Unipessoal, Lda:</p>				
Current assets	106,226	10,000	-	-
Non-current assets	-	-	-	-
Current liabilities	(38,355)	(400)	-	-
Equity	67,872	9,600	-	-
Proportion of the Group's ownership	51%	51%	-	-
Carrying amount of the investment	34,615	4,896	-	-
Revenue	205,474	-	-	-
Cost of sales	-	-	-	-
Administrative expenses	(140,717)	(400)	-	-
Other income	-	-	-	-
Profit before tax	64,757	(400)	-	-
Income tax expense	(6,486)	-	-	-
Over provision of taxation for prior years written back	-	-	-	-
Profit for the year (continuing operations)	58,231	(400)	-	-
Group's share of profit for the year	29,719	(204)	-	-
The 51% interest held by TIMOR GAP Marine Oil & Gas Logistic Services was acquired by the Company in March 2015 at a cost of \$ 5,100.	-	-	-	-

13. Trade and Other Receivables

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Other receivables and prepayments	227,519	96,746	381,032	228,904
Refundable deposits	179,514	179,514	179,514	179,514
Loan receivable from subsidiaries:				
TIMOR GAP Offshore Block, Unipessoal, Lda	-	-	8,010,000	6,510,000
TIMOR GAP Onshore Block, Unipessoal, Lda	-	-	840,329	840,329
TIMOR GAP PSC 11-106, Unipessoal, Lda	-	-	650,116	650,116
Loan Account-TIMOR GAP Chuditch	-	-	50,000	-
Impairment of Loan Account	-	-	(268,954)	(268,954)
	407,033	276,260	9,842,036	8,139,909

14. Inventory

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Inventory – Suai Fuel Station (Diesel)	45,161	23,186	45,161	23,186
Inventory – Suai Fuel Station (ULP)	19,920	25,952	19,920	25,952
Inventory- Gasoil Storage Operation	9,516	-	9,516	-
Inventory-Inventory Jet A1	18,523	-	18,523	-
	93,120	49,138	93,120	49,138

15. Cash & Cash Equivalents

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash at Bank – ANZ Bank	1,916,692	2,258,336	1,462,071	1,066,776
Cash at Bank – ANZ Bank (Project Accounts)	807,846	808,130	807,846	808,130
Cash at Bank - Mandiri	197	371	197	371
Cash at Bank – BNCTL	82,935	100,804	82,935	100,804
Cash on hand (Petty Cash)	14,719	16,541	11,738	15,220
Cash at banks and on hand	2,822,389	3,184,183	2,364,788	1,991,301

16. Contributed Capital

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
The initial capital was subscribed and paid by appropriation from the General State budget of the Government of the Republic of Timor-Leste in the following tranches:				
- 1 December 2011	2,000,000	2,000,000	2,000,000	2,000,000
- 23 February 2012	500,000	500,000	500,000	500,000
	2,500,000	2,500,000	2,500,000	2,500,000

17. Trade and Other Payables

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade payables	1,457,739	292,723	1,457,739	292,723
Other payables	854,496	666,234	829,168	627,836
Withholding taxes payable	218,990	97,790	206,853	81,256
Social security compensation payable	62,840	122,148	62,840	122,148
Amount owed to subsidiary company				
Timor Gap Marine Oil & Gas & Logistic Services, Unipessoal, Lda	-	-	-	-
Timor Gap Onshore Block B, Unipessoal, Lda	-	-	5,000	5,000
Timor Gap Onshore Block C, Unipessoal, Lda	-	-	5,000	5,000
Timor Gap Drilling and Service, Unipessoal, Lda	-	-	2,500	2,500
Timor Gap Chuditch, Unipessoal, Lda	-	-	-	5,000
Amount owed to Associate company:				
Timor Gap Seismic Services, Unipessoal, Lda	3,000	3,000	3,000	3,000
South Horizon Offshore Services	-	5,100	-	-
	2,597,065	1,186,995	2,572,100	1,144,463

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and normally settled on 60 day terms
- Other payables are non-interest bearing and have an average term of 6 months

18. Unearned fixed contract service fees and advances

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Unearned fixed contract service fee at beginning of period	60,600	69,502	60,600	69,502
Contract fixed service fees earned based on the degree of completion of the projects	(3,850)	(8,902)	(3,850)	(8,902)
Unearned contract fixed fee at end of the year	56,750	60,600	56,750	60,600
Advances at beginning of period	894,058	1,030,770	894,058	1,030,770
Amounts disbursed and accruing to contractors	(58,825)	(136,712)	(58,825)	(136,712)
Advances at end of the year	835,233	894,058	835,233	894,058
Unearned contract fixed service fees and advances	891,983	954,658	891,983	954,658

19. Related Party Transactions

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Compensation of key management personnel:				
Salaries and annual allowance	976,189	930,227	742,641	705,793
Due by related parties:				
TIMOR GAP Offshore Block, Unipessoal, Lda	-	-	8,010,000	6,510,000
TIMOR GAP Onshore Block, Unipessoal, Lda	-	-	840,329	840,329
TIMOR GAP PSC 11-106, Unipessoal, Lda	-	-	650,116	650,116
TIMOR GAP Chuditch Unipessoal, Lda			50,000	-
Impairment of loan account	-	-	(268,954)	(268,954)
Due to related parties:				
Timor Gap Marine Oil & Gas & Logistic Services, Unipessoal, Lda	-	-		-
Timor Gap Onshore Block B, Unipessoal, Lda	-	-	5,000	5,000
Timor Gap Onshore Block C, Unipessoal, Lda	-	-	5,000	5,000

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Timor Gap Drilling and Service, Unipessoal, Lda	-	-	2,500	2,500
Timor Gap Chuditch, Unipessoal, Lda	-	-	-	5,000
Timor Gap Seismic Services, Unipessoal, Lda	-	-	3,000	3,000

20. Financial Instruments

a) Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, and cash. The Company manages its exposure to financial risks, in accordance with its policies. The objectives of the policies are to maximize the income to the Company whilst minimizing the downside risk.

The Company's activities expose it to normal commercial financial risk. The main risk arising from the Company financial instruments are foreign exchange risk, credit risk and liquidity risk. Risks are considered to be low.

Primary responsibility for the identification and control of financial risk rests with management under the authority of the TIMOR GAP, E.P. Board of Directors.

b) Net fair value of financial assets and liabilities

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.

Trade and other receivables and trade and other payables: Their carrying amounts approximate fair value due to their short-term nature.

c) Foreign exchange risk

The Company generally operates using United States denominated currency held in US dollar bank account. TIMOR GAP, E.P. is exposed to for-

ign exchange risk with respect to the Australian Dollar arising primarily from amounts owing to suppliers denominated in foreign currencies.

d) Credit Risk

Credit risk arises from the financial assets of the company, which comprises cash and cash equivalents and trade and other receivables. The company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure as at balance sheet date is addressed in each applicable note.

The Company has a significant concentration to credit risk through its cash and deposits with their international bank. The Company does not utilize banks debts.

e) Liquidity Risk

Liquidity risk arises from the financial liabilities of the entity and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Company has a system of reducing its exposure to liquidity risk by monitoring its cash flows closely through rolling future cash flows and monitoring the ageing of receivables and payables.

f) Categories of Financial Instruments

The categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	Group		Company	
	2018	2017	2018	2017
Trade and other receivables	407,033	276,260	9,842,036	8,139,909
Cash and cash equivalents	2,822,389	3,184,183	2,364,788	1,991,301
Total financial assets	3,229,422	3,460,443	12,206,824	10,131,210
Financial liabilities				
Trade and other payables	2,597,065	1,186,995	2,572,100	1,144,463
Unearned contract fixed service fees and project advances	891,983	954,658	891,983	954,658
Total financial liabilities	3,489,048	2,141,653	3,464,083	2,099,120

g) Maturity of financial instruments

The table below details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted

contractual maturities of the financial assets. No interest will be earned as the company does not have surplus funds.

Financial assets	Group		Company	
	2018	2017	2018	2017
	1-3	1-3	1-3	1-3
	Months	Months	Months	Months
Trade and other receivables	407,033	276,260	9,842,036	8,139,909
Cash and cash equivalents	2,822,389	3,184,183	2,364,788	1,991,301
Total financial assets	3,229,422	3,460,443	12,206,824	10,131,210

The table below details the Group's financial guarantee contracts are for the maximum the Group could be forced to settle under the arrangement for

the full guaranteed amount if the amount is claimed by the counterparty to the guarantee.

Financial liabilities	Group		Company	
	2018	2017	2018	2017
	3-12	3-12	3-12	3-12
	Months	Months	Months	Months
Trade and other payables	2,597,065	1,186,995	2,572,100	1,144,463
Unearned contract fixed service fees and project advances	891,983	954,658	891,983	954,658
Total financial liabilities	3,489,048	2,141,653	3,464,083	2,099,121

h) Financing Facilities

The Group is reliant on Government funding for its operations.

21. Contingent Liability

There is no contingent liability as on 31 December 2018.

22. Operating Lease Arrangements Leasing Arrangements

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating leases relate to leases of office premises with lease terms of between 1 and 5 years. The operating lease contracts contain clauses for 5 yearly market rental reviews. The Company does not have an option to purchase the leased property at the expiry of the lease periods.				
Payments recognize as an expense				
Minimum Lease payments	584,767	573,301	584,767	573,301
Contingents rentals	-	-	-	-
Sub-lease payments received	-	-	-	-
	584,767	573,301	584,767	573,301
Non-cancelable operating lease commitments				
No Later than 1 year	445,121	584,767	445,121	584,767
Later than 1 year and not later than 5 Years	-	445,121	-	445,121
Later than 5 years	-	-	-	-
	445,121	1,029,889	445,121	1,029,889

23. Prior period expense

In the financial statements for the year 2018, the company has reported expenditure of \$ 75,682 which relates to the year 2017

24. Going concern

The financial report has been prepared on the going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of business. The company has earned a net profit of \$ 767,964 (Group: Loss of \$ 1,005,158) for the year ended 31 December 2018.

The ability of the company and the group to continue as going concerns is dependent on the receipt of government grants to fund their operations.

The company is engaged in developing the petroleum industry and therefore evaluating identified investment opportunities and opportunities that are brought to its attention. This creates a degree of un-

predictability in forecasting expenditure.

As a result of the above matters there is material uncertainty as to the ability of the company and the group to continue as going concerns and, therefore, whether they will realize their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be necessary should the company and the group not continue as going concern.

ANNEX 1

ACRONYMS

ANPM	Autoridade Nacional do Petróleo e Minerais (National Petroleum and Minerals Authority)
BIDU	Business Infrastructure Development Unit
Bpd	Barrels Per Day
CEO	Chief Executive Officer
CMATS	Certain Maritime Arrangements in Timor Sea
CNA	Comissão Nacional de Aproveitamento (National Procurement Commission).
CPLP	Comunidade dos Países de Língua Portuguesa (Communities of Portuguese Speaking Countries)
CSU	Corporate Service Unit
DNCPIA	Direção Nacional de Controlo de Poluição e Impacto Ambiental (National Directorate of Pollution Control and Environmental Impact)
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EKI	Ekipa Konjunta Interministerial (Inter-ministerial Team)
EP	Empresa Pública (Public Company)
E&P	Exploration and Production
E&PU	Exploration & Production Unit
FEED	Front End Engineering Design
FU	Finance Unit
GBU	Gas Business Unit
GIIP	Gas-Initial-In-Place
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
ISO	International Organization for Standardization
JOA	Joint Operating Agreement
JPDA	Joint Petroleum Development Area
JV	Joint Venture
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MMbbls	Millions of barrels
MOU	Memorandum of Understanding
MP	Ministério do Petróleo (Ministry of Petroleum)
MPRM	Ministério do Petróleo e Recursos Minerais (Ministry of Petroleum and Mineral Resources)
MSWG	Multi-Stakeholder Working Group
PIIP	Petroleum-Initial-In-Place
Pre-FEED	Pre-Front End Engineering Design
PSC	Production Sharing Contract
QHSE	Quality, Health, Safety and Environment
QHSEU	Quality, Health, Safety and Environment Unit
R&PSU	Refinery and Petroleum Services Unit
SAP	System, Application and Product
SEIA	Strategic Environmental Impact Assessment
SSB	Suai Supply Base
Tcf	Trillion Cubic Feet
TGSS	TIMOR GAP Seismic Services
TLEA	Timor-Leste Exclusive Area
TLNG	Timor LNG



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