

2020_{ANNUAL} REPORT

& ACCOUNTS



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TIMOR GAP

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REPORT DESCRIPTION

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

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Message of President & Chief Executive Officer



António de Sousa
President & CEO

TIMOR GAP in this year is going through a management structural transition, and as the new appointed President and CEO, leading this company has been a prestigious yet humbling opportunity. Since its founding, TIMOR GAP as a National Oil Company (NOC), has been tasked through the Decree-Law no. 31/2011, to identify, develop and optimize the strategic and commercial value of oil and gas of the country's resources for the benefit of the State and its people. That the country's economy is primarily driven by the oil and gas sector, showcases the importance that the NOC plays to determine the future development and growth of the nation, and this responsibility is a challenge welcomed by those working within and with the company.

As we go through our restructuring, we stay true to our responsibility. However this year has been a continuous challenge amidst the global pandemic. The global spread of COVID-19 has served as a keen reminder of the importance of our employees' and families' well-being, securing an emergency supply chain, and a stable financial base. While the impact on operations are visible, this has

been a valuable opportunity to identify more sustainable solutions to help TIMOR GAP overcome current and future challenges, and in this way we transform our operations to be future-ready.

Solutions are presented through a renewed focus on TIMOR GAP's core businesses i.e. upstream exploration and production, and downstream infrastructure investment and development.

On the Upstream, leveraging on the achievements made by the Permanent Maritime Boundary Treaty ratified between Australia and Timor-Leste in 2019, TIMOR GAP, as the majority shareholder of the Greater Sunrise fields, is taking the lead to bring our Sunrise Joint Venture partners on the finalization of the Production Sharing Contract. Further, drilling locations have been finalized in 2020 for our onshore blocks A and C, and thus, the drilling program is ready to commence on a potential highly prospective area with several oil and gas seeps, an activity TIMOR GAP is eager to initiate with our partner TIMOR RESOURCES. Meanwhile, further studies were conducted for the PSC TL-SO-T 19-11, in light of the Kanase drilling campaign results. TIMOR GAP is further evaluating new exploration and production opportunities locally and internationally to strengthen the company's asset portfolio and secure long term revenue streams. To this end, reconnaissance geological field trips were conducted for new onshore block (F) and those already reserved for TIMOR GAP (B & D).

On the Downstream, TIMOR GAP is driving greater profitability in this sector by devising and implementing fuel supply projects such as the fuel supply to EDTL's Betano Power Plant, a project endorsed this year through Decree-Law and expected to commence on the second semester of 2021; the establishment of a fuel tank farm, to guarantee energy national security; and the construction of a LNG import terminal, a key project envisaged to provide a more sustainable and ecofriendly alternative to power supply in the national territory. In regards to the terminal, a feasibility study is expected to take place in late 2021. In addition to this, we continue to operate our Suai Fuel Station, and working with the purpose to establish new fuel stations in Timor-Leste, with particular focus in Dili, where we are confident that the higher fuel demand will significantly expose our brand and increase our margins.

And as we further progress on the upstream and downstream sectors, we continue to pave the way for the Tasi

Mane Project implementation. All the aforesaid projects and activities are supported by an unremitting investment in TIMOR GAP's human resources, through courses and capacity building, and in spite of the challenges presented by the ongoing pandemic and associated restrictions, we remain true to our commitment by providing online training and courses to our employees.

Reshaping TIMOR GAP under the new leadership and

management at the short term to achieve medium to long term sustainable goals and objectives is a challenging venture, one which we proactively pursue to engage. TIMOR GAP is fully committed towards sustainable development of the country, as we continue to build on our strengths and explore opportunities to better equip ourselves and become a leading example both as a commercial company and governmental institution as defined in our decree law.

“ ...TIMOR GAP as a National Oil Company, has been tasked through the Decree-Law no. 31/2011, to identify, develop and optimize the strategic and commercial value of oil and gas of the country's resources for the benefit of the State and its people.”



Executive Summary

TIMOR GAP, E.P. presents its 9th Annual Report & Accounts comprising the company's activities and programs conducted from January to December 2020. This annual report covers all projects developed under TIMOR GAP's scope, the activities and programs performed by the former Management, and the activities and programs conducted, ongoing and planned for the upcoming year by the new Management, appointed in July, 2020. TIMOR GAP's activities and accounts were subject to an extensive and comprehensive external audit by a third-party consultant, this resulting on detailed analyses of the financial results and statements presented in the Sections 7 and 8 of this Report.

The Covid-19 pandemic have taken a heavy toll on the national economy. Several restrictions were enacted by the Government during the year to prevent an outbreak, including travelling-restrictions. With this, and as the energy landscape significantly changes and the demand declines, TIMOR GAP felt its repercussions in the company's activities

and programs execution, resulting in the delay or postponement of certain projects. However, TIMOR GAP takes this opportunity to focus internally, restructuring, replanning and, overall, adapting by afresh establishing a strategic business plan with a true focus on its core business and in downstream short run projects, designed to stimulate growth through the company's financial performance. This is led by a new Management and organizational structure, propelling TIMOR GAP towards a new era on its corporate cycle.

In spite of the challenges posed by the global pandemic, the Management continues to push the company forward by further investing and expanding our business portfolio, which 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. The main activities and accomplishments attained during the year 2020 for the aforementioned sectors and projects are summarized below.

Upstream

Building on the achievements made with the ratification of the Permanent Maritime Boundaries Treaty, TIMOR GAP's core business, upstream, continued to progress towards the fulfilment of its existing PSC commitments and assessing new exploration blocks.

TIMOR GAP acquired a majority share of the Greater Sunrise fields, holding 56.56%, and with this, the company has been focusing on PSC finalization by engaging with the joint venture partners and reviewing the proposed PSC, as well as the draft Petroleum Mining Code, fiscal regime and other associated legal aspects. The Greater Sunrise fields are subject to a Special Regime, established in the Maritime Boundary Treaty.

On our offshore Production Sharing Contracts (PSCs), the joint venture partners of the PSC TL-SO-T 19-11, continue

to perform its commitments in 2020 considering the result of the Kanase drilling campaign, and further studies were conducted to fully evaluate the hydrocarbon potential of the contract area. The pilot project carried out for the Baleia prospect in the PSC TL-SO-15-01, was completed during this year, with excellent results and an extension was granted by National Petroleum and Minerals Authority (Autoridade Nacional do Petróleo e Minerais, ANPM), for the Second Period of the PSC. Several preliminary Geological and Geophysical (G&G) and commercial study were completed for the PSC TL-SO-19-16, which comprises the Chuditch gas discovery. A seismic reprocessing project is expected to be conducted in 2021, for this PSC.

In our onshore PSCs, TL-OT-17-08 and TL-OT-17-09, in joint venture with TIMOR RESOURCES has matured to ex-

ploration drilling stage and drilling locations have been finalized in 2020. The drilling of the prospect Karau-1, the first well in the campaign, was postponed for 2021 due to the pandemic-restrictions in place.

In addition to the above onshore PSCs, TIMOR GAP continues to work towards the expansion of its upstream portfolio, and with this, reconnaissance geological field trips were conducted during this year to the onshore new

Block F, and initial field trips to the onshore blocks reserved for TIMOR GAP (B and D).

Services for the upstream sector are rendered through the subsidiaries TIMOR GAP drilling Services, Lda. and TIMOR GAP Seismic Services, Lda. Services and new ventures opportunity in 2020 were continued to explore new partnerships and business opportunities within this sector.

Downstream

The Company's new Management reshaped its downstream business portfolio and strategy by introducing a market approach and assets investment business plan in both wholesaler and retailer business segment to capture market share and increase business growth.

Aligned with the above, TIMOR GAP, under the new Management, secured the provision of fuel to EDTL, E.P. Power Plant in Betano, endorsed through the Decree-Law no. 61/2020, of 25 November. This is expected to boost the company's revenues, and further expose TIMOR GAP's brand in the domestic market.

In order to expand its downstream portfolio business, the company foresees the establishment of a Petroleum Import Terminal (PIT) and a LNG Import Terminal. Throughout the year, project site assessments were conducted for these two projects, and for the LNG Import Terminal, an Invitation for Bid (IFB) for a feasibility study was prepared towards the last quarter of 2020.

Meantime, TIMOR GAP is continuously operating Suai Fuel Station (SFS) to guaranty the supply of fuel to its existing business and retail customers while continued to build brand loyalty, the company signed a fuel supply contract extension with Air Navigation Administration of Timor-Leste (ANATL, E.P.), and with Covalima Mu-

nicipality. In addition to its Suai fuel station, the company plans to further expand its own retail network within the national territory, especially in Dili. It is a great opportunity to capture the predominant existing market. For this purpose, site assessments were conducted throughout the year, and the location approval and land permit attribution processes are ongoing.

TIMOR GAP continued to undertake further studies in regards to the Refinery & Petrochemical Complex and to the LNG Plant and Pipeline, both integrated under the multi-phase south coast project, Tasi Mane. For the Betano Refinery & Petrochemical Complex, a Peer Review study was initiated this year, with the purpose to evaluate and examine the previous studies and assist the new Management with the decision-making process. In addition, studies initiated by the former Management for the LNG Plant and Pipeline landing point at the new location in Natarbora were cancelled by the current Management as the project is on hold, with pending decision agreement from the relevant shareholders. Technical studies currently ongoing or planned to be conducted in the forthcoming years for the aforesaid projects, are under the supervision and responsibility of the Downstream Business Unit.

Tasi Mane Project

TIMOR GAP has been mandated by the Ministry of Petroleum and Minerals / Government to manage and administrate the day-to-day activities for the implementation of the project situated along 155 km of Timor-Leste southern coast, which comprises three industrial clusters and additional support infrastructures envisaged for each cluster.

The new Management is redefining its approach to the Tasi Mane Project implementation to synchronize the Project with the progress achieved in the upstream sector and thus, to justify the value and benefits of the Tasi Mane

projects. Further steps made in regards of the referred Projects will be interlinked with the progress achieved in the upstream sector.

The main achievements attained this year include the following: *a)* Suai Cluster: commenced the SSB Marine Facility Design Review; 8 additional land and property contracts were signed with the beneficiaries who changed from 10% share option to sell their land ("S3" Option); Karya Timor was selected as the contractor to provide the civil works construction for the new Holbelis resettlement area; the permanent cemetery reached a prog-

ress of 50.63%; b) Betano Cluster: prepared the design of benchmarks around the area cleared for this project to be installed/constructed in 2021; c) Beaço Cluster: the LNG project is currently on hold due to several upstream issues that have to be settled with the Greater Sunrise Joint

Venture before continuing Greater Sunrise Project, such as the Petroleum Mining Code, Production Sharing Contract (PSC), Fiscal Regime, and upstream development concept.

Institutional and Human Capital Development

To efficiently respond and adapt to the significant changes brought by the global pandemic Covid-19, TIMOR GAP is supported by a strong institutional and human capital

development, a continuous and rewarding investment in our human resources capital and management; Quality, Health, Security and Environment (QHSE) system; and



our Information & Communication Technology (ICT) assets and infrastructures. These have played a crucial role in gearing the company through this unprecedented event, as TIMOR GAP brings at the fore the employees well-being and health, while continuing its operations.

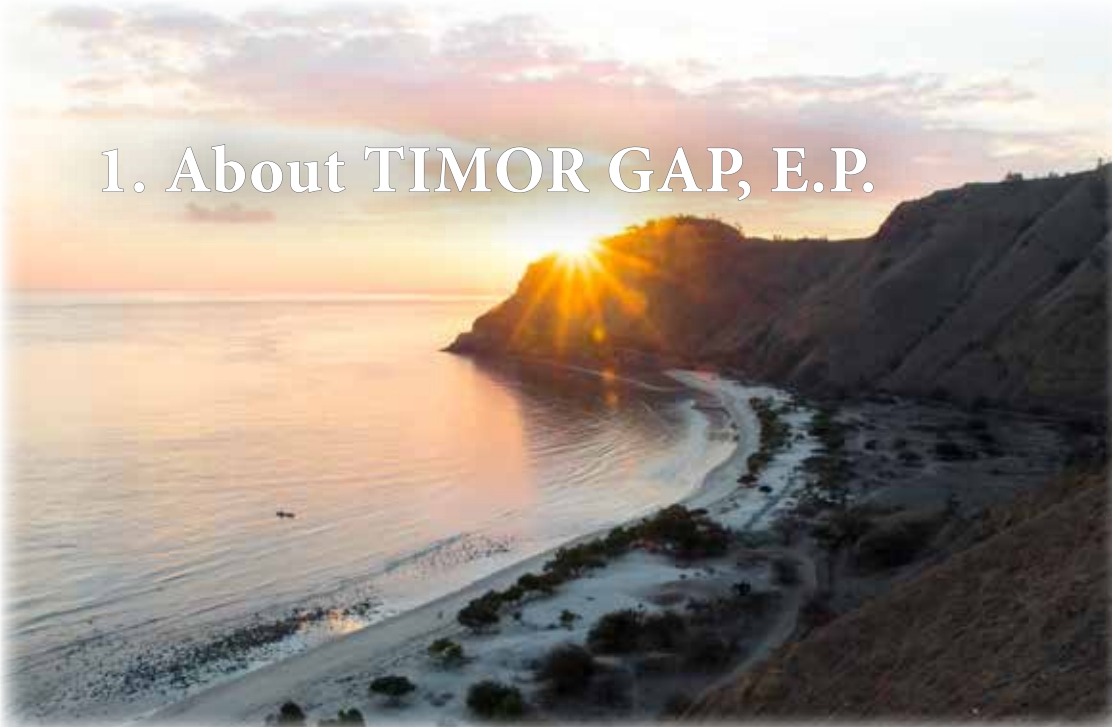
Aligned in this, in accordance with the guidelines enacted by the Government and the WHO, several preventive measures were set in place to avoid an outbreak and protect the employees, such as, implementation of a remote

and shift work system, supported by an efficient and productive digital platform and system, provision of face masks and hand sanitizers in the office, implementation of a safety distance among the employees. Nonetheless, and despite of the challenges, we continued to uphold our commitment and core values in regard to the training and development of our human resources, and this year, virtual courses were delivered to the Upstream Business Unit.

A group of approximately ten people are gathered on a dirt and gravel surface, pulling on a thick, light-colored rope. They are dressed in casual work clothes, including t-shirts, jeans, and shorts. In the background, a large ship with a yellow crane is visible. The sky is overcast. The text 'TOGETHER WE CAN' is overlaid in large, white, bold letters at the bottom of the image.

TOGETHER
WE CAN

1. About TIMOR GAP, 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.





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.

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.

1.1. Business Units

In 2020, and following the appointment of a new President & CEO on 8 July, and subsequently a change on the Board of Directors, TIMOR GAP undertook a significant organizational restructuring, merging and consolidating its business units and resources to ensure the company delivers its core businesses by streamlining its strategic strengths, in order to achieve a greater efficiency and efficacy, and to improve the company's financial performance.

The new organizational structure was approved by the Board of Directors on 24 July, 2020, and it is expected that the implemented changes will help establish TIMOR

GAP to be a leaner, more focused company, poised for the future and to better serve its business purpose.

Aligned with the above, TIMOR GAP regrouped itself in four main business units: Corporate Finance Unit, Upstream Business Unit, Downstream Business Unit and Tasi Mane Project Unit. In addition to the aforesaid business units, corporate support services, QHSE, IT and legal subunits, amongst other supporting subunits, were integrated under the Office of President & CEO and the Office of Vice President. A detailed description of the business units and offices' main activities are presented below.

Offices and Business Units	Core Activities
President & CEO Office	Incorporates the following subunits: Finance; Commercial & Economics; Quality, Health, Safety & Environment (QHSE); Media & Public Relations; and other support to the daily activities and duties carried out by the President & CEO Office.
Vice President Office	Integrates the following subunits: Legal; Information & Technology and Data Management; Procurement; Human Resources; General Administration; and Corporate Support Services. In addition, the Office supports to the daily activities and duties carried out by the Vice President, as well as supervises other Business Units.
Corporate Finance Unit	Provides 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. Currently, this Unit is provisionally under the President & CEO Office, as the recruitment process for the new Director of the Corporate Finance Unit is expected to be conducted in 2021.
Upstream Business Unit	Manages and coordinates upstream activities, analyzing and providing technical assessment for onshore and offshore potentials as well as the associated data, evaluating and coordinating all activities related to new venture projects/opportunities, as well providing services related to upstream activities through its service subsidiaries. The department assesses 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.
Downstream Business Unit	The Unit's core responsibilities comprise the establishment of the company's business plan, the management and coordination of downstream business activities and projects. The Unit evaluates and seizes business opportunities related with the sale of petroleum refined products, transport and other services to be carried out on the downstream.
Tasi Mane Project Unit	Provides support, supervision, monitoring and evaluation to the infrastructure projects developed under the Tasi Mane Project, liaises with the Government on issues concerning the Tasi Mane Project. The Unit is also responsible to capture and seize new projects related with renewable energies, working in collaboration with partners to conducted preliminary studies to implement the projects and guarantee the supply of energy in a sustainable way.

Table 1-1: TIMOR GAP's Offices and Business Units core activities

1.2. Subsidiary Companies

Pursuant to the Decree-Law no. 31/2011, of 27 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 7 and 8.

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 has since established several subsidiaries aiming to conduct specific business activities in the petroleum sector and related services. Subsidiaries under the Upstream Business Unit are created with the object to render services for the upstream sector, and to participate in exploration and production activities, within the offshore and onshore, in accordance with the terms set forth in the Law no. 13/2005, on Petroleum Activities, which stipulates the establishment of a Special Purpose Ve-

hicle (SPV) company required for the purpose of entering into a Production Sharing Contract (PSC). The upstream subsidiaries' activities conducted in 2020 are described under the Chapter "2. Upstream" of this Report.

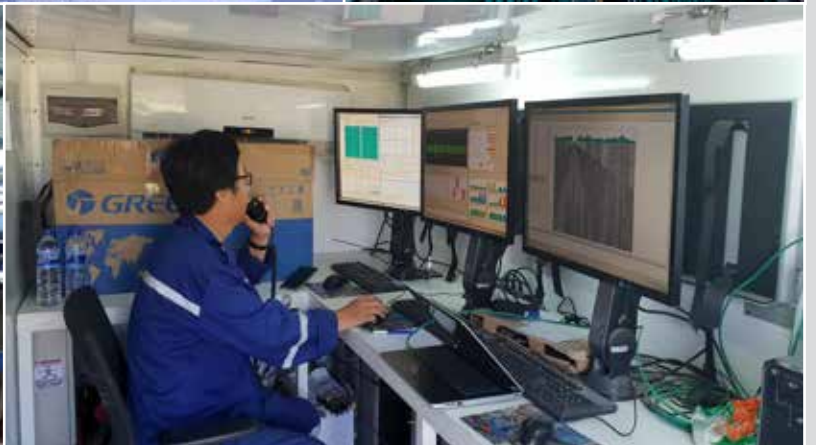
Subsidiaries under the Downstream Business Unit provide marine and logistic services for the oil and gas industry. The downstream subsidiaries' activities conducted this reporting period are described under the Chapter "3. Downstream" of this Report.

The Tasi Mane Project Unit is responsible for the supervision of South Horizon Offshore Services, Lda, a joint venture company with established in 2015, between TIMOR GAP Oil & Gas Marine and Logistics and the Siglar Offshore Services Timor, with the purpose to provide support services to vessels and offshore installations operating in the Timor-Sea, 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%, however, in 2020, Siglar was divested from the company and TIMOR GAP Oil & Gas Marine and Logistics is now the sole shareholder. As of 31 December 2020, TIMOR GAP holds the following subsidiary companies:

	Name	Object
UPSTREAM SUBSIDIARY COMPANIES	TIMOR GAP PSC 11-106, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary company established in 2012, as a SPV with the sole objective in the acquisition and exercise of respective rights arising from ownership of a participating interest in the PSC TL-SO-T 19-11, designated as PSC JPDA 11-106 prior to the ratification of the Maritime Boundary Treaty. The subsidiary object includes the exploration and production of crude oil and natural gas, and respective sale activities.
	TIMOR GAP Seismic Services, Unipessoal, Lda.	Owned by TIMOR GAP (60%) and BGP Geoexplorer Pte, Ltd (40%), the subsidiary was established in 2015, with the purpose of providing seismic survey services within the Timor-Leste's territory.
	TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary company created in 2015, as a SPV for the offshore block TL-SO-15-01.
	TIMOR GAP CHUDITCH, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary company established in 2016, as a SPV to partake in exploration and production activities in the PSC TL-SO-19-16, which comprise the gas field Chuditch.
	TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary established in 2017, as a SPV with the sole purpose of entering into PSC TL-OT-17-08 signed with TIMOR RESOURCES for the exploration and exploitation of the onshore Block A.

	TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary established in 2017, with the purpose of participating in exploration and exploitation activities in the onshore Block B.
	TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda.	A TIMOR GAP wholly owned subsidiary 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 Drilling & Services, Unipessoal, Lda.	A wholly owned subsidiary of TIMOR GAP established in 2017, with the object to create, identify 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.
	TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda. is a TIMOR GAP wholly owned subsidiary company created in 2018, with the purpose to hold a participating interest in the Retention Lease NT/RL2 of the Greater Sunrise fields, 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.
	TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda. is a TIMOR GAP wholly owned subsidiary company established in 2018, with the purpose of hold a participating interest in the Retention Lease NT/RL of the Greater Sunrise fields, 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.
	TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda. is a TIMOR GAP wholly owned subsidiary company established in 2018, with the purpose to hold participating interests in the PSC JPDA 03-19 of the Greater Sunrise fields.
	TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda. is a TIMOR GAP wholly owned subsidiary company established in 2018, with the purpose to hold participating interests in the PSC JPDA 03-20 of the Greater Sunrise fields.
DOWNSTREAM SUBSIDIARY COMPANIES	TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda.	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.
TASI MANE PROJECT SUBSIDIARY	South Horizon Offshore Services, Unipessoal, Lda.	A subsidiary of TIMOR GAP Oil & Gas Marine and Logistics, Lda, established with the purpose to provide support services to vessels and offshore installations operating in the Timor-Sea.

Table 1-2: TIMOR GAP's subsidiary companies



1.3. Financial Overview

The audited Financial Statements are described in Section 8 of this Report, and attached with a detailed analysis of the results for 2020, 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.

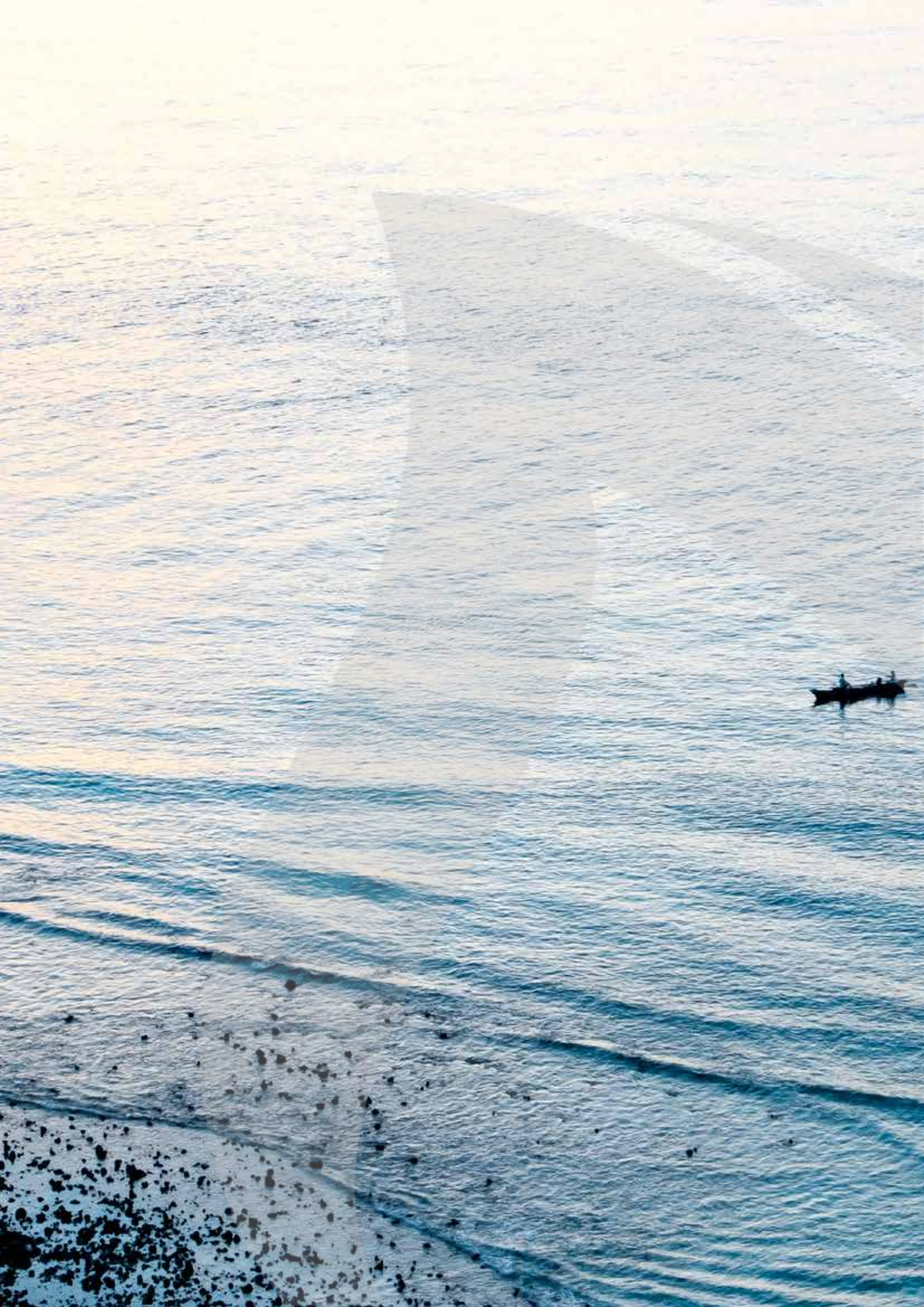
The company received a government grant of \$15,227,966 during the year ended 31 December 2020 (2019: \$16,900,000). The other main source of income was originated from fuel trading business, with recorded fuel sales of \$147,914 (2019: \$226,983).

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

Offices and Business Units	Remarks on the main expenses incurred during the period
President & CEO Office	Expenditures with technical and legal consultant services for the Greater Sunrise negotiations, expenses related to the QHSE and corporate finance subunits, business travel, salary & wages, and other office related expenditure.
Vice President Office	Expenditures associated with the corporate purchase of the company's hardware & software and related technical applications and technology, procurement and logistic activities, human resources related expenditures, general administration, and expenses with Board of Directors and Executive Committee Meetings. Office expenditure for salary & wages, field trips, and other office related expenditure.
Corporate Finance Unit	Expenditures associated with this Unit are incorporated under the President & CEO Office.
Upstream Business Unit	Projects expenditure and investments, such as: Bayu-Undan Re-development; Greater Sunrise PSC; TIMOR GAP new onshore block (F) and reserved onshore blocks (B & D); Chuditch PSC; investments in offshore and onshore exploration; to undertake the Timor-Leste offshore regional study as part of work commitments for the PSC TL-SO-T 19-11. The Unit also encompasses investments in TIMOR GAP subsidiaries and projects associated with the provision of services for the upstream sector. Unit expenditure for acquisition of software, field trips, virtual courses for staff, salary & wages, capital, and other overhead related expenditures.
Downstream Business Unit	Project expenditure, such as: site investigation activities, inspection for the off-loading facility to secure the fuel supply to EDTL, E.P. Power Plant; preparation for the feasibility study for the Petroleum Import Terminal and LNG Import Terminal; Suai Fuel Station operation; completion of the Jet Fuel A1 in the Suai Airport and installation of the power line; prototype for the new TIMOR GAP fuel station; execution of the Refinery and Petrochemical Complex Peer Review study and LNG Plant & Pipeline technical studies related activities. Unit expenditure for field trips, salary & wages, capital, and other overhead related expenditures.
Tasi Mane Project Unit	Tasi Mane projects expenditure, such as coordination trips to the field, activities associated with the reallocation of the affected community for the Suai Supply Base and Suai Airport, Betano Refinery and Petrochemical Complex and TLNG in Beço. The remaining expenditures are related with staff salary & wages, and overheads.

Table 1-3: Overview of expenditures for each Business Unit

The main components of the 2020 financial year were related to the development and management of several projects, as detailed from Section 2 to 5.



2. Upstream



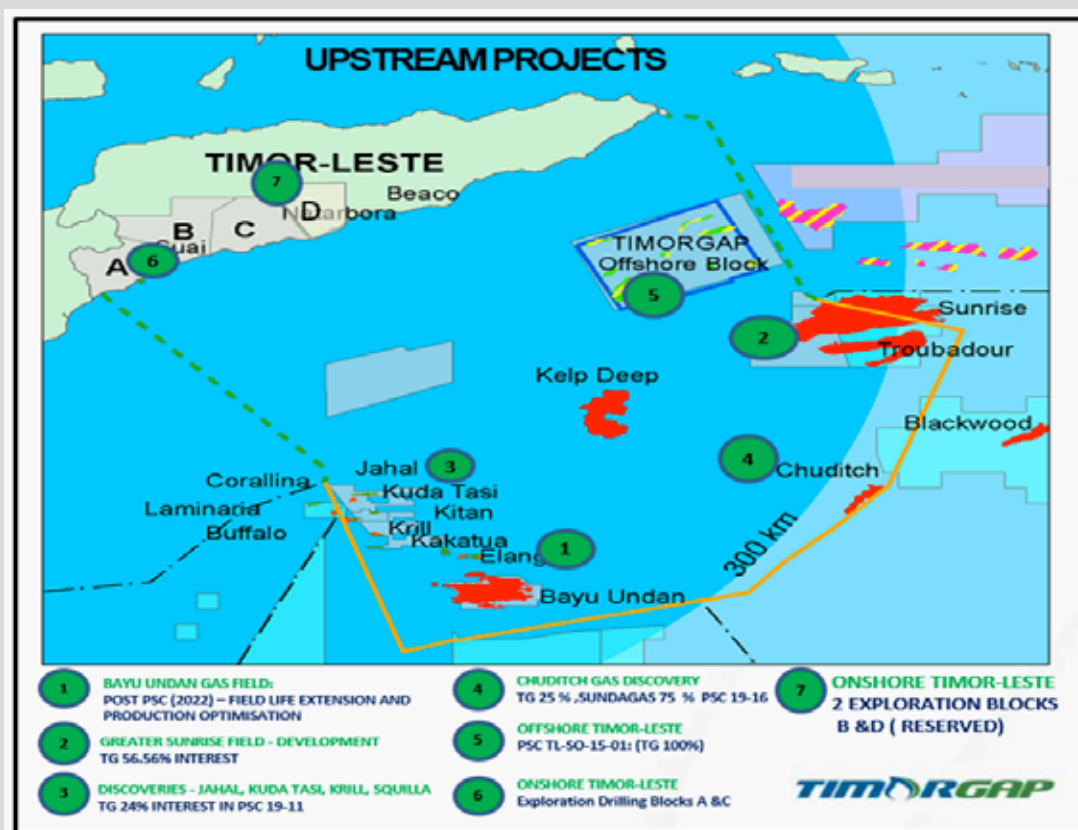


Figure 2-1: Map of the upstream projects location

HIGHLIGHTS OF 2020

Given the current privileges as the National Oil Company, we have the competitive edge in marketing and strategically seeking potential partnerships to boost our upstream projects, our core business.

- The Greater Sunrise Fields, in which TIMOR GAP is the major shareholder, is currently under PSC finalization as a result of the Maritime Boundary Treaty. With the new management, the first attempts that have been made consisted of TIMORGAP and the JV partners (OSAKA GAS and WOODSIDE) were aligned on the Fiscal Regime at Joint Venture level;
- Investment in onshore and offshore blocks: a) offshore blocks: initiated the technical evaluation for offshore acreage release as part of the upcoming licensing round announced by ANPM; b) onshore blocks: reconnaissance geological field trips were conducted for a new onshore block (F) and initial trips were carried out to TIMOR GAP's onshore reserved blocks (B and D); c) Signed Confidential Agreement with ANPM through ZEBRA DATA SCIENCES with the aim to have access to onshore and offshore data related to the ANPM 2nd Licensing round blocks.
- PSC TL-OT-17-08 (Block A) & PSC TL-OT-17-09 (Block C): a) Drilling rig was deployed to Timor-Leste to initiate the drilling campaign in Block A; b) Processing and interpretation of the 2019 Fafulu 2D Seismic Survey was completed for the onshore block C;
- The Full Wave Field Inversion (FWI) and Time Reverse Migration (RTM) studies for the Baleia prospect, located on the PSC TL-SO-15-01 contract area, were completed in 2020. ANPM granted a drilling extension of two years to the Second Period of this PSC;
- The Timor-Leste Offshore Regional Study was completed in 2020 by the PSC TL-SO-T 19-11 Joint Venture Partners. Additional studies are being conducted to fully evaluate the hydrocarbon potential of the PSC TL-SO-T 19-11;
- Several preliminary Geological and Geophysical (G&G) and commercial study for the PSC TL-SO-19-16 were completed this year, and the seismic reprocessing project is under discussion and finalization and it is expected to be executed in 2021;
- TIMOR GAP Drilling Services, Unipessoal, Lda. signed a Memorandum of Understanding with Petro-Vietnam Drilling (PVD), to strengthen the cooperation between both companies with regard to the provision of services for the upstream.



2.1 Overview

Upstream activities and projects are identified as TIMOR GAP's core business, being managed through the Upstream Business Unit and its subsidiaries. The new Management continues to be focused on fulfilling the Work Program commitments of the existing Production Sharing Contracts (PSCs), while seeking to expand its exploration onshore and offshore acreage, and seize new business opportunities for the provision of services for the upstream sector.

TIMOR GAP's PSCs, both offshore and onshore, are spread across different stages of Exploration: *a*) the Greater Sunrise fields, in which TIMOR GAP is the major shareholder, it is currently under PSC finalization as a result of the Maritime Boundary Treaty; *b*) the onshore exploration PSCs, in joint venture with TIMOR RESOURCES has matured to exploration drilling stage and drilling locations have been finalized in 2020; *c*) TIMOR GAP's offshore activities in PSC TL-SO-15-01 focused on finalization of the prospect portfolio from the Crocodile 3D Broadband Seismic data and has resulted in excellent results; *d*) further studies are being conducted to fully evaluate the hydrocarbon potential of the PSC TL-SO-T 19-11, in light of the Kanase drilling campaign results; and *e*) the seismic reprocessing project for the PSC TL-SO-19-16 is under discussion and finalization and it is expected to be executed in 2021.

As TIMOR GAP expands its exploration acreage, field mapping and technical evaluation have been completed in order to prepare the required application for the two reserved blocks in the onshore Timor-Leste area. Blocks under the acreage release 2019-2021 conducted by ANPM are now under evaluation, and TIMOR GAP will pursue these opportu-

nities in the following year.

In accordance with the new organizational structure, the Upstream Business Unit, through the Business Development and New Venture Services (BDNVS), also focused on capturing business opportunity, partner engagement for onshore and offshore blocks as well as for the subsidiaries. In 2020, BDNVS approached several qualified companies to discuss on the development of onshore and offshore blocks. Few communications have been made with certain companies such as SANTOS, PTT Thailand, Petro-Vietnam (PVN), Sapura Energy and other companies. Under BDNVS department, there are two subsidiaries that aim to provide services to the upstream sector, namely, TIMOR GAP Drilling & Services and TIMOR GAP Seismic Services.

The Upstream Business Unit is mainly composed of geoscientist and engineers. All the technical staff have been assigned to different projects as part of the team structure and will require the technical capability to relevant software in the daily activities. Aligned with this, virtual training courses were provided during 2020, with focus on technical capacity building, with industry-standard workflows and use of the appropriate software that the Upstream Business Unit purchased by. Further detailed information on this topic is available under the Section "5.2. Human Resources Management" of this Report.

Activities and projects conducted by the Upstream Business Unit during the reporting period covered by this Report are described below and presented in the sequence stipulated in the Work Program and Budget for 2020.

2.2. Greater Sunrise Fields

2.2.1. Greater Sunrise Special Regime

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 fields are subject to the Greater Sunrise Special Regime established by the Maritime Boundary Treaty signed and ratified between Timor-Leste and Australia (thereinafter designed as “the Treaty”), which was signed on 6 March 2018 and entered into force on 30 August 2019. The above Special Regime established a pathway to the development of the Greater Sunrise resources, and 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.

In addition to the sharing of the resulting revenue, the Special Regime has provisions on the taxation, regulatory and governance framework applicable to the fields, which are jointly governed by Timor-Leste and Australia. The regulatory structure includes a Designated Authority, the Timor-Leste National Authority for Petroleum and Minerals (Autoridade Nacional do Petróleo e Minerais, ANPM), overseen by a Governance Board composed of two representatives from Timor-Leste and one from Australia.

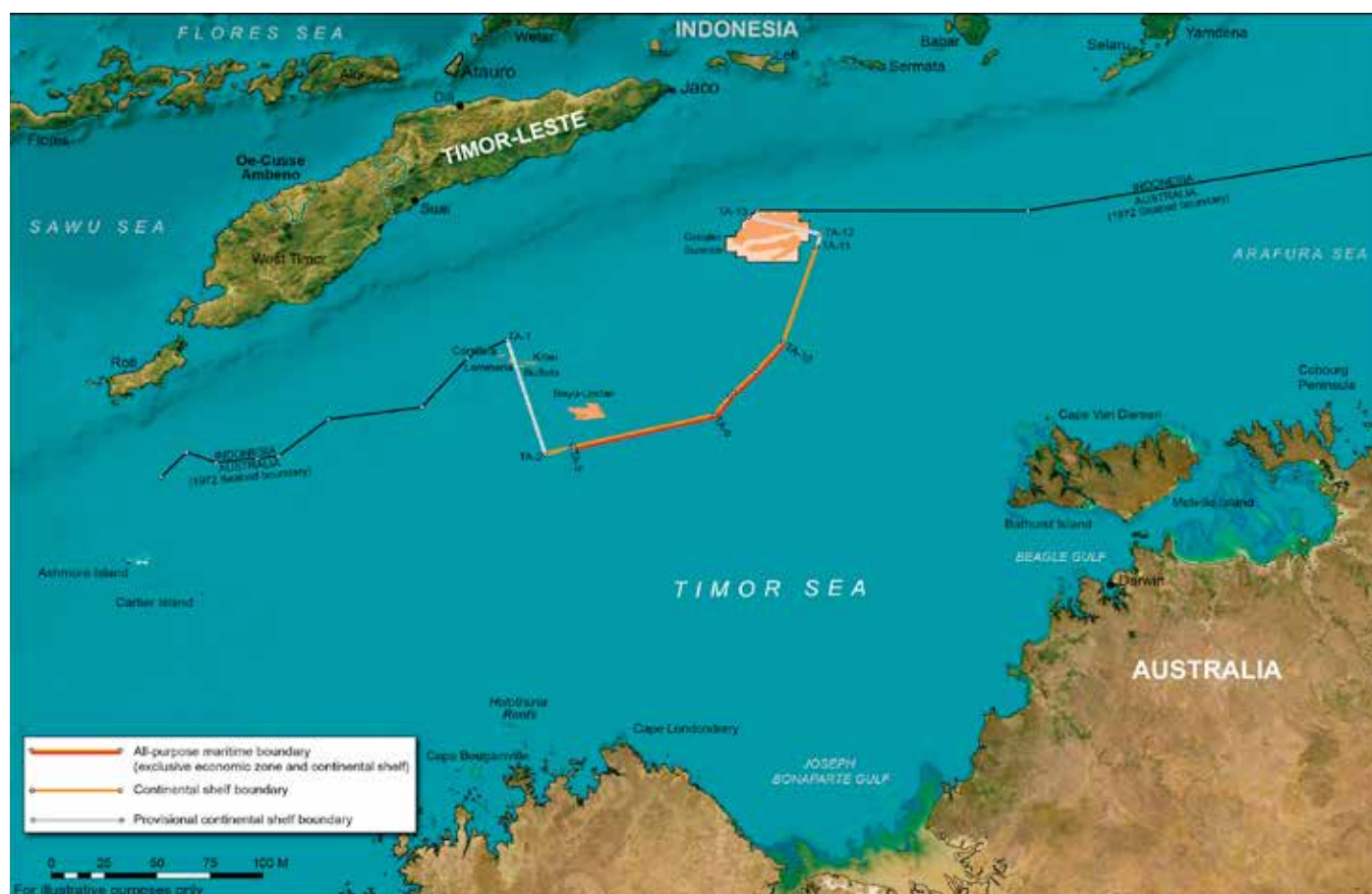


Figure 2-2 : Map of the Greater Sunrise fields

2.2.2. Greater Sunrise PSC

The Greater Sunrise fields are planned to be developed via an onshore LNG development within Timor-Leste, using a submarine pipeline system across the Timor Trough, from the Greater Sunrise fields to landfall and LNG Plant at Beaçó, on the south coast. This development concept is known as Timor Liquefied Natural Gas or TLNG and forms an integral part of the Tasi Mane Project, which is intended to provide maximum socio-economic benefits for the country whilst offering significant value to all project participants.

The TLNG development concept will be executed as two separate projects: *a)* 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 *b)* Downstream project, which will encompass the export pipeline to shore (across the Timor Trough), LNG plant facilities and marine/LNG export facilities. The TLNG development concept is shown schematically on the Figure 2-3.

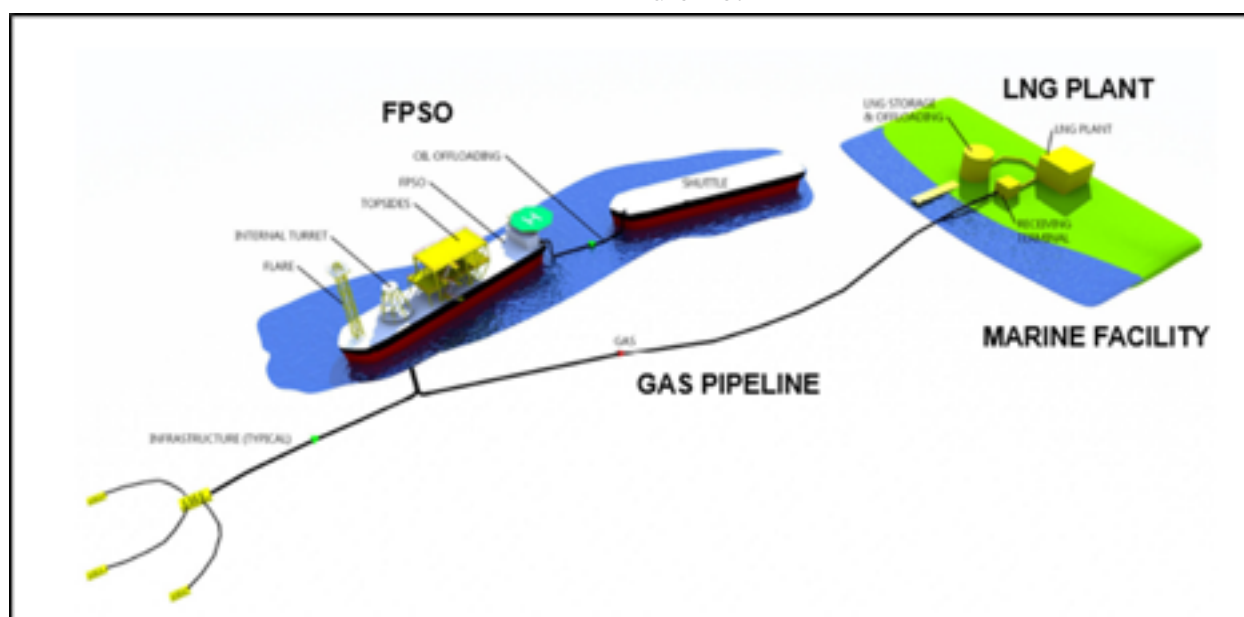


Figure 2-3: TLNG Development Concept

The Treaty allowed the creation of a platform for intensive negotiations and discussions with the upstream Joint Venture Partners, and with this, commercial developments are made, resulting in the acquisition of Shell and ConocoPhillips' participating interests and rights in the PSC JPDA 03-19, PSC JPDA 03-20, Retention Lease NT/RL and Retention Lease NT/RL2, in the Greater Sunrise field, through Purchase and Sale Agreements signed between the above-mentioned companies, its affiliates, and the Government of Timor-Leste. The participating interested and rights acquired by the Government were, subsequently, transferred to TIMOR GAP's wholly-owned subsidiaries, exclusively incorporated for this purpose: TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.; TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.; TIMOR GREATER SUNRISE RL, Unipessoal, Lda.; and TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda., pursuant to the terms provided under the Government Resolution no. 20/2018, of 24 October, and Resolution no. 5/2019, of 30 January.

With the above, TIMOR GAP, through its subsidiaries,

holds a 56.56% majority participating interest, while the Sunrise Joint Ventures Partners hold the remaining, namely, Osaka (10%) and Woodside (33.44%), the Operator. In 2020, TIMOR GAP, as the major shareholder in the Greater Sunrise Field, has been focusing on PSC finalization by engaging with the joint venture partners and reviewing proposed PSC. During this year, the Sunrise Joint Venture have moved closer to finalization of the fiscal terms and discussions related to changes in the Petroleum Mining Code (PMC) and the contents of the draft PSC model. In parallel, TIMOR GAP technical team has been updating the subsurface models to evaluate the Greater Sunrise subsurface definition and upstream concept selection.

The activities that have been carried out during 2020 consist of Draft PMC, Fiscal regime and other associated legal aspects reviewed within the Sunrise Joint Venture, initial commercial and technical discussions. Work Program and Budget 2021 has been agreed between the Sunrise Joint Venture after the necessary meetings and reviews.

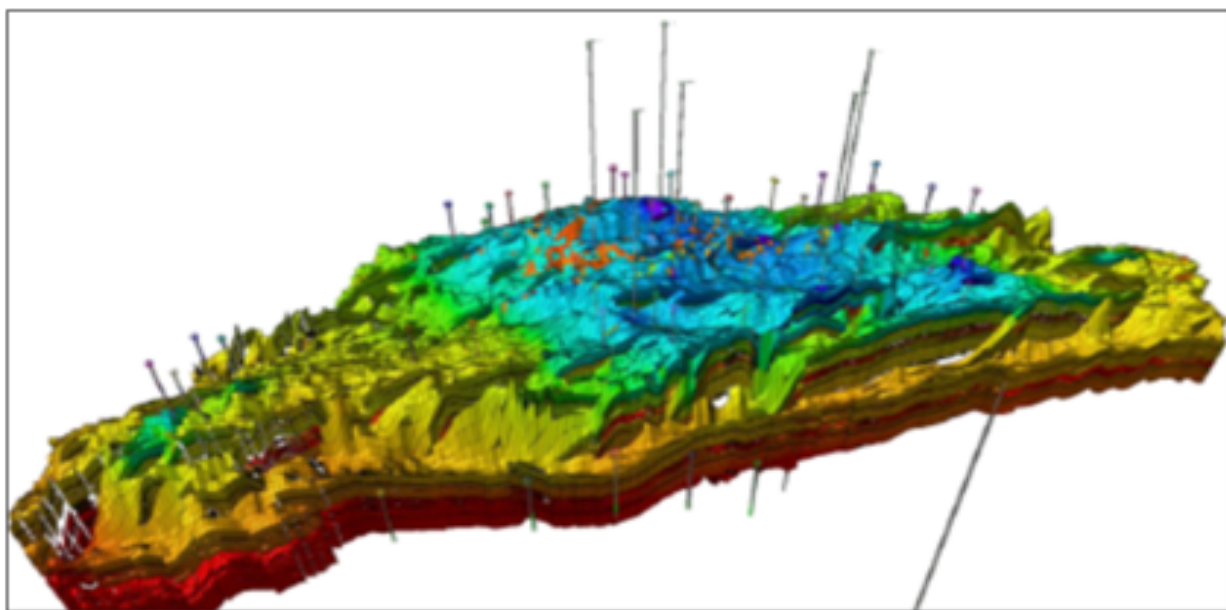


Figure 2-4: Greater Sunrise Reservoir simulation with all wells – TIMOR GAP's Model

2.3. Bayu-Undan Project - Post PSC 2022 Evaluation

Bayu-Undan is a gas-condensate field in the Timor Sea, 250km south of East Timor and 500km north of Australia, located within Timor-Leste maritime exclusive jurisdiction, upon the Permanent Maritime Boundaries Treaty ratification in 2019. 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 technical studies for Bayu-Undan project carried out by TIMOR GAP technical team in 2020 include an independent assessment of remaining reserves

and production forecast, review of the Operator/ Joint Ventures reservoir static and dynamic modelling and history matching.

TIMOR GAP also participated in Trilateral Meetings, between TIMOR GAP, ANPM and Santos, conducted during 2020. The main objective of these meetings is to evaluate the post-PSC production options and possible extension. TIMOR GAP has put forward its interest as the State-owned contractor to be part of the joint venture in the post-PSC period and these discussions are ongoing.

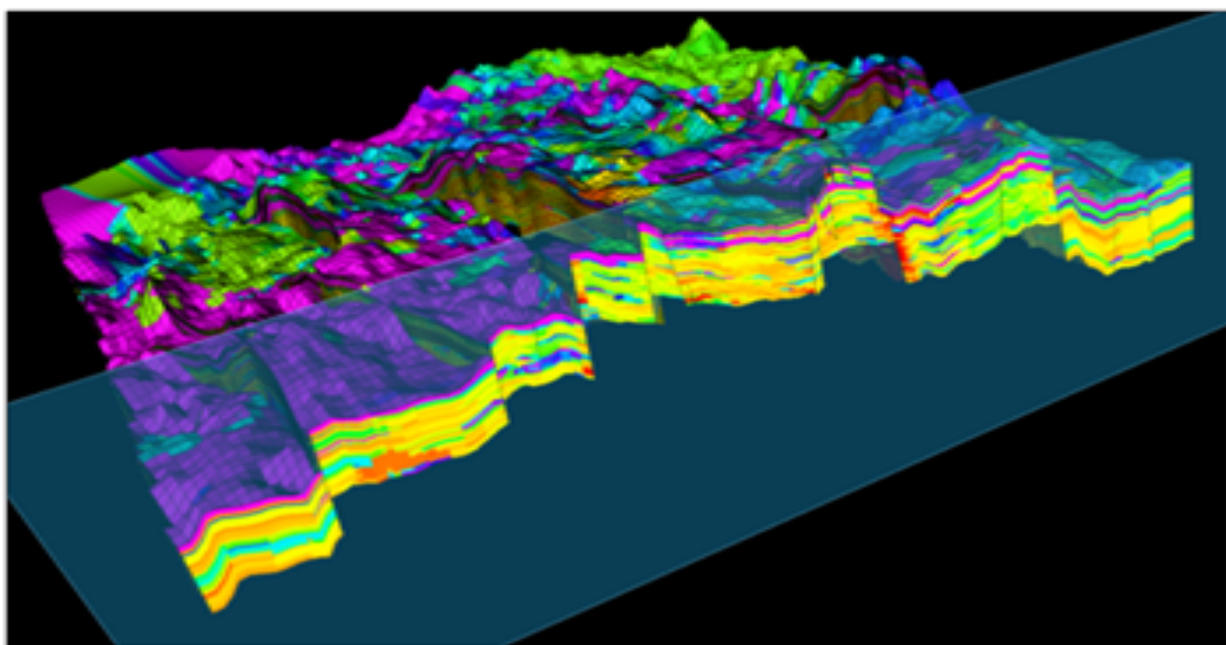


Figure 2-5: TIMOR GAP Bayu-Undan Model

2.4. Investment in Onshore and Offshore Blocks

2.4.1. Offshore Acreage Evaluation

TIMOR GAP has been carrying out and evaluating technical studies for offshore acreage release as part of the upcoming licensing round announced by the ANPM. Technical evaluation commenced in 2020, including data

such as seismic and wells, accessed from the virtual data room. Technical evaluation will focus on certain available blocks which are currently in open acreage.

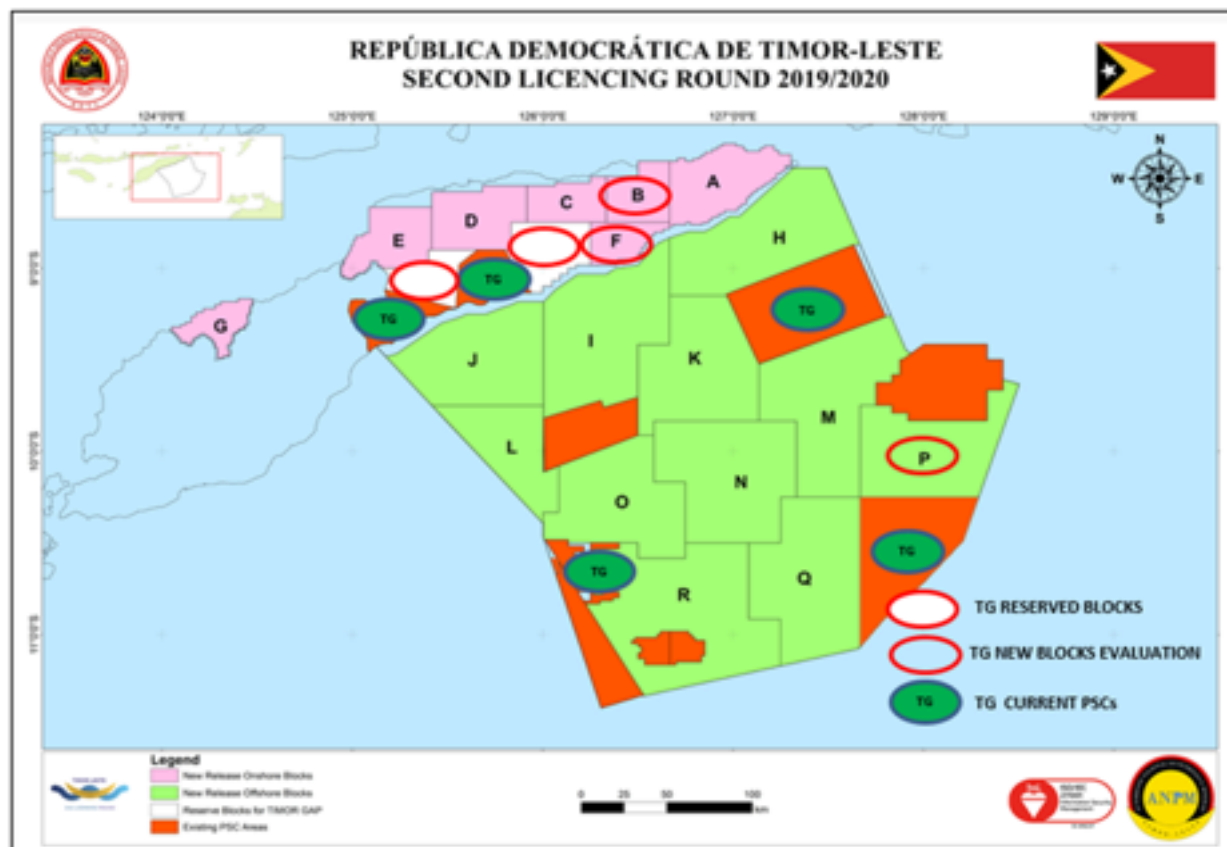


Figure 2-6: Map showing existing TIMOR GAP acreage and potential new blocks

2.4.2. Onshore Blocks Evaluation

Throughout 2020, TIMOR GAP carried out the technical study to evaluate the prospectivity of Onshore Blocks released by ANPM 2019/2020 licensing round. The activity composes of evaluating all available data in TIMOR GAP database; data inventory of early Timor-Leste oil exploration, geological survey and studies in onshore Timor-Leste and incorporate the recent Aero Mag & Gravity survey data from ANPM data room.

As part of onshore data collection for Onshore Blocks evaluation in TIMOR GAP's reserve blocks (B and D)

and New Block (F), two reconnaissance geological field trips were conducted during this year, namely, a reconnaissance geological field trip to Block F, that covers Viqueque Municipality; and initial field trips to the Blocks reserved for TIMOR GAP (B and D), which cover Covalima, Manufahi and Manatuto Municipality, respectively. In addition, TIMOR GAP Upstream Business Unit was also signed a Confidential Agreement with ANPM through ZEBRA Data Sciences, in order to be able to have access into onshore and offshore data relevant to ANPM 2nd Licensing round blocks.

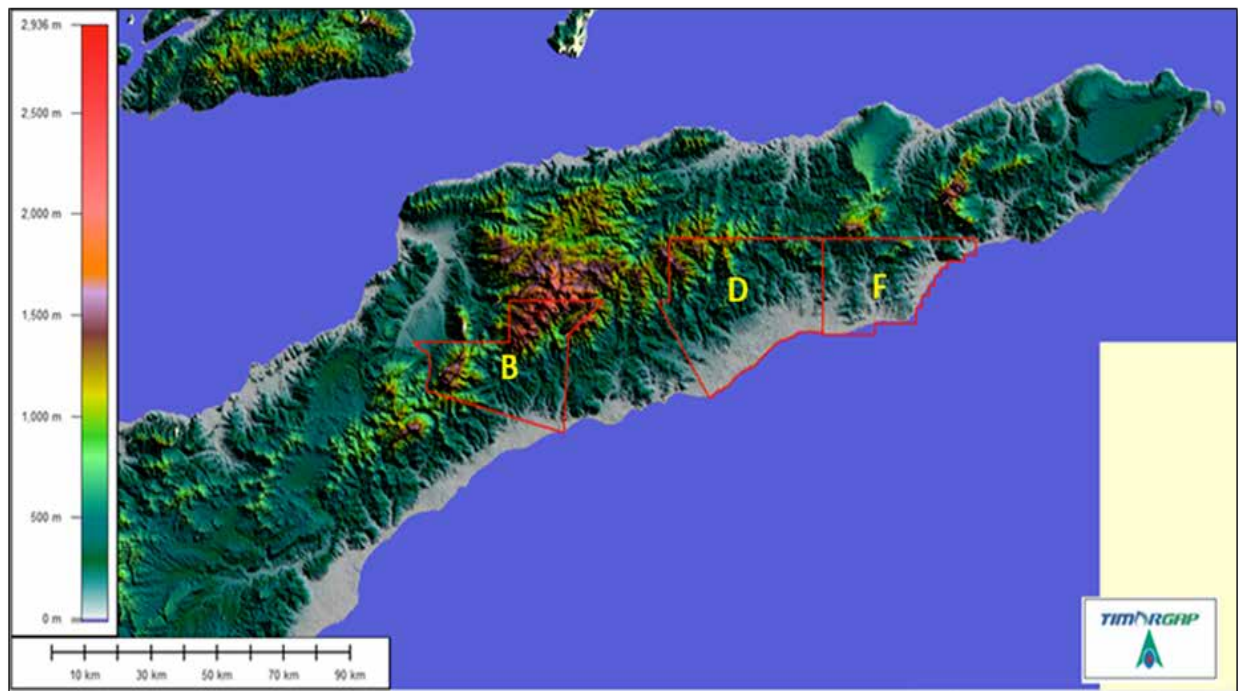


Figure 2-7: Location of the TIMOR GAP reserved blocks B & D and New Block F with topographic map of the areas

The field trip to TIMOR GAP reserved blocks was undertaken from 12 to 20 December, 2020 with the purpose to have a close look at topography of the area and also logis-

tics assessment for the initial seismic acquisition survey design.



Figure 2-8: Upstream Business Unit-Onshore Team coordinated with the Soibada, Manatuto, Local Leaders before undertook reconnaissance geological fieldwork

The field trip to Block F was undertaken from 23 to 31 October, 2020, targeted to have a close look at the outcrops in order to evaluate the Petroleum System and to-

pography of the area and the logistics for future exploration activities.



Figure 2-9: Upstream Business Unit-Onshore Team coordination with the Watulari Local Authority before reconnaissance geological fieldwork

The Upstream Business Unit-Onshore Team visited Watulari Sub-district to distribute Newsletters on the Field Trip to the New Block F and handed over second-hand computers as a donation for the Sucos, delivered to Sub-district Deputy Administrator of the Watulari Sub-district, on 22 December, 2020. The *Chefes de Sucos* of Watulari

Sub-district visited TIMOR GAP's office for a brief meeting with the Upstream Business Unit and Onshore Team on the purpose of the reconnaissance field study and next exploration plan to be carried out in Viqueque, especially in Watulari Sub-district.





Figure 2-10: Computers handed over by Upstream Business Unit-Onshore team to Sub-district Deputy Administrator of Watulari (A); Brief meeting between Upstream Business Unit team and Sucos' Chiefs of Watulari on the Purpose of the Reconnaissance field study and next exploration plan to be carried out in Watulari areas and surroundings (B & C)

2.5. PSC TL-OT-17-08 & TL-OT-17-09

TIMOR GAP's first onshore PSCs was signed in 2017, through TIMOR GAP's 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, have commenced oil and gas exploration activities in Block A (PSC TL-OT-17-08) and Block C (PSC TL-OT-17-09). TIMOR GAP was awarded with the exclusive hydrocarbon exploration rights to Onshore Block through the Government Resolution n. 44/2015.

The two contracts cover an area spanning over four Mu-

nicipalities 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, indicating 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.

The PSCs establish a 50:50 joint venture between TIMOR GAP ONSHORE BLOCK & TIMOR GAP ONSHORE BLOCK C and its partner TIMOR RESOURCES, with the

latter assuming the Operatorship. Both parties committed to a 7 year 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 a drilling commitment to a minimum cumulative depth of 2000 meters during the Initial Period.

Pursuant to the Minimum Exploration Work Requirements set for the Initial Period, the onshore Vibroseis Fafulu 2D Seismic Acquisition Survey was conducted and

completed in 2018 for the Block A, with the acquisition of 186km of seismic data; and the Vibroseis 2D Seismic Survey for the Block C was completed in 2019, comprising the acquisition of a total line of 145.400km seismic data. For this Block, an integrated geological interpretation of the 2019 Fafulu 2D Seismic Survey was conducted in 2020, in order to identify leads and prospects for the drilling within the block area. The processing and interpretation of the 2019 Fafulu 2D Seismic Survey was completed and discussions on the recent seismic and structural interpretations to identify the prospects for the drilling are ongoing.



Figure 2-11: Visit of H.E. Minister of Petroleum and Minerals to TIMOR RESOURCES' camp in Betano



Figure 2-12: TIMOR RESOURCES' camp in Betano, used as base for the Block C Vibroseis 2D Seismic Survey completed in 2019

Based on the seismic findings on the Block A, TIMOR GAP ONSHORE BLOCK and its partner TIMOR RESOURCES devised a five-well drilling campaign within this block permit, designed to test a number of play types with multiple targets in each well. The proposed five exploration wells correspond to the prospects of Karau, Kumbili (with a dual target), Laisapi, Lafaek and Raiketan, located on the coastal fringe between Suai in the west and Zumalai in the east, and up to 7km inland from the coastline, in the Covalima Municipality. Karau-1, the first well in the campaign, will be drilled to 1,080m depth, targeting an approximately 430 meters thick gross reservoir interval in the Viqueque Formation. During 2020, in preparation for the drilling campaign, the Karau and Kumbili wellsite

construction were completed.

For the above purpose, Eastern Drilling Services was awarded a contract for the provision of a drilling rig and associated drilling services for the Karau-1 exploration well. In 2020, the Drilling Rig and 900 tonnes of casing arrived in Timor-Leste and were transported to the Karau wellsite and Haemanu Camp. The drilling campaign was expected to commence in 2020, however, due to the travelling-restrictions enacted by the Government in response to the global Covid-19 pandemic, hindering the contracted engineers and technicians travel to Timor-Leste, the project was put on hold since the end of March 2020.

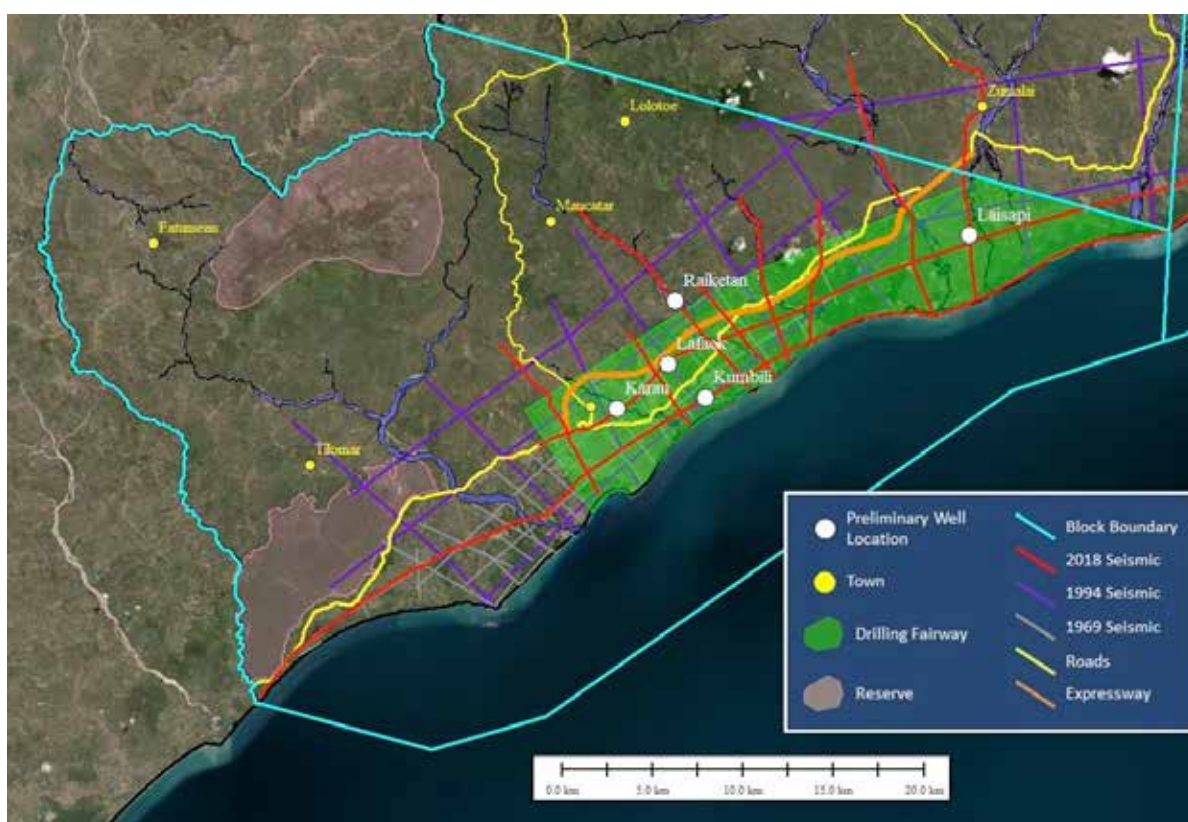


Figure 2-13: Map of the proposed exploration wells



Figure 2-14: LCT Maritindo Perkasa 2 berths at the TR rock causeway port at the Suai (left); Rig Mast unloading (right)

Nonetheless, TIMOR GAP and its joint venture partner remain committed to unlock the potential onshore oil and gas resources, long recognized, though largely untapped and under-explored. The above five-well drilling

campaign marks the first onshore drilling in Timor-Leste since 1972, a significant achievement that we are looking forward to commence with the potential to bring substantial value to the project stakeholder.

2.6. PSC TL-SO-15-01

TIMOR GAP's wholly owned subsidiary, TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda, was awarded with PSC TL-SO-15-01 in 2015, through the Ministerial Dispatch No.3/GMPRM/XII/2015, of 18 December, holding a participating interest of 100% in this offshore PSC. Exclusive hydrocarbon exploration rights were granted to TIMOR GAP Offshore Block through the Government Resolution n. 44/2015, of 22 December, including an authorization to carry out a multi-client 3D seismic survey in the referred offshore block.

The PSC block is located within Timor-Leste exclusive maritime jurisdiction, at approximately 60km southeast of Timor's island eastern tip midway between Timor and the Greater Sunrise gas-condensate field in intermediate water depths. A 2780 square kilometers Crocodile 3D seismic survey was acquired in 2016 and the full prospectivity assessment performed by CGG GeoConsulting, including interpretation of the 3D seismic data, AVO analy-

sis, play analysis, prospect ranking and economics.

The seismic surveys results indicated a "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. 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. Baleia prospect deserves greatest attention in 3D Crocodile Study Area of Interest, with Tubarão being second attractive.

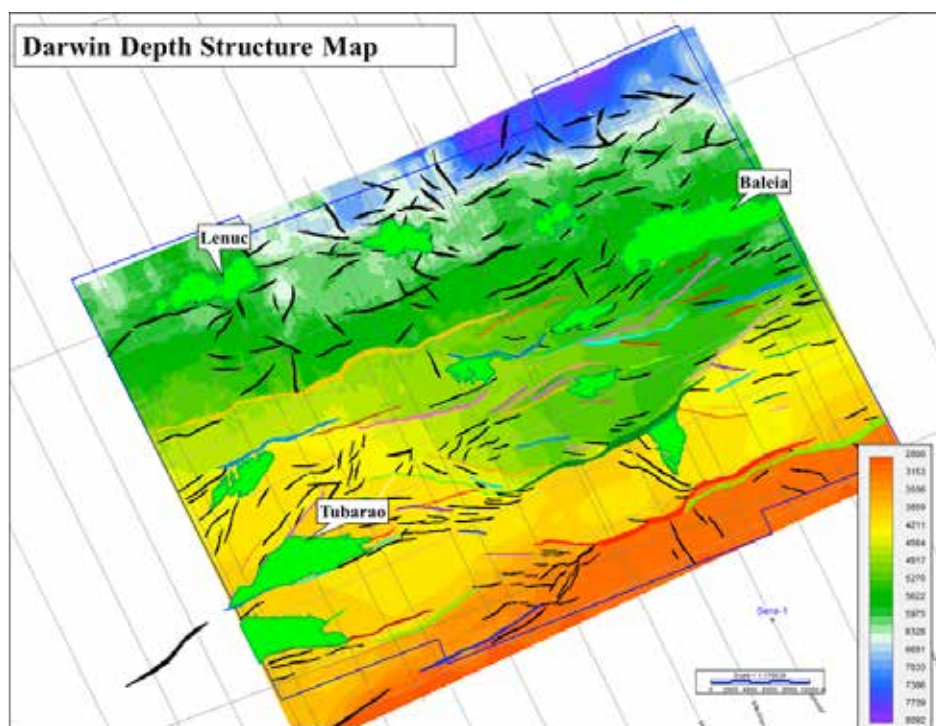


Figure 2-15: Prospects within Jurassic Reservoir (Plover Formation)

In line with the above, a pilot project was conducted on Baleia prospect by CGG, including the latest technique in data processing, namely Full Wave Field Inversion (FWI) and Time Reverse Migration (RTM), aiming to provide a better reserve estimation and lower uncertainties pri-

or to drilling program on this prospect. The pilot project was completed on December 2020, showcasing excellent results.

Pursuant to the terms agreed under the PSC, the Min-

imum Exploration Work Requirements for the Second Period anticipate the obligation to drill one exploration well (contingent) until December 2020. In this regards, TIMOR GAP OFFSHORE BLOCK has requested a drilling extension of two years to ANPM, which the latter

granted and approved in 2020. The extension granted for the Minimum Exploration Work Requirements of the Second Period is valid from 23 December, 2020 to 23 December, 2022.

2.7. PSC TL-SO-T 19-11

TIMOR GAP signed its first PSC in 2013, through its wholly owned subsidiary TIMOR GAP PSC 11-106, to begin the process of exploration, development and exploitation of petroleum resources in a block located in the former Joint Petroleum Development Area (JPDA), established by the Timor Sea Treaty and jointly administrated by Timor-Leste and Australia. Upon the ratification of

the Treaty between Australia and Timor-Leste, a new and revised PSC, designated as TL-SO-T 19-11 which superseded the previous PSC, was signed by the Operator with ANPM on 28 August 2019, therefore, Timor-Leste now has a fully right to develop and leveraging all resource in the block for their own prosperity.

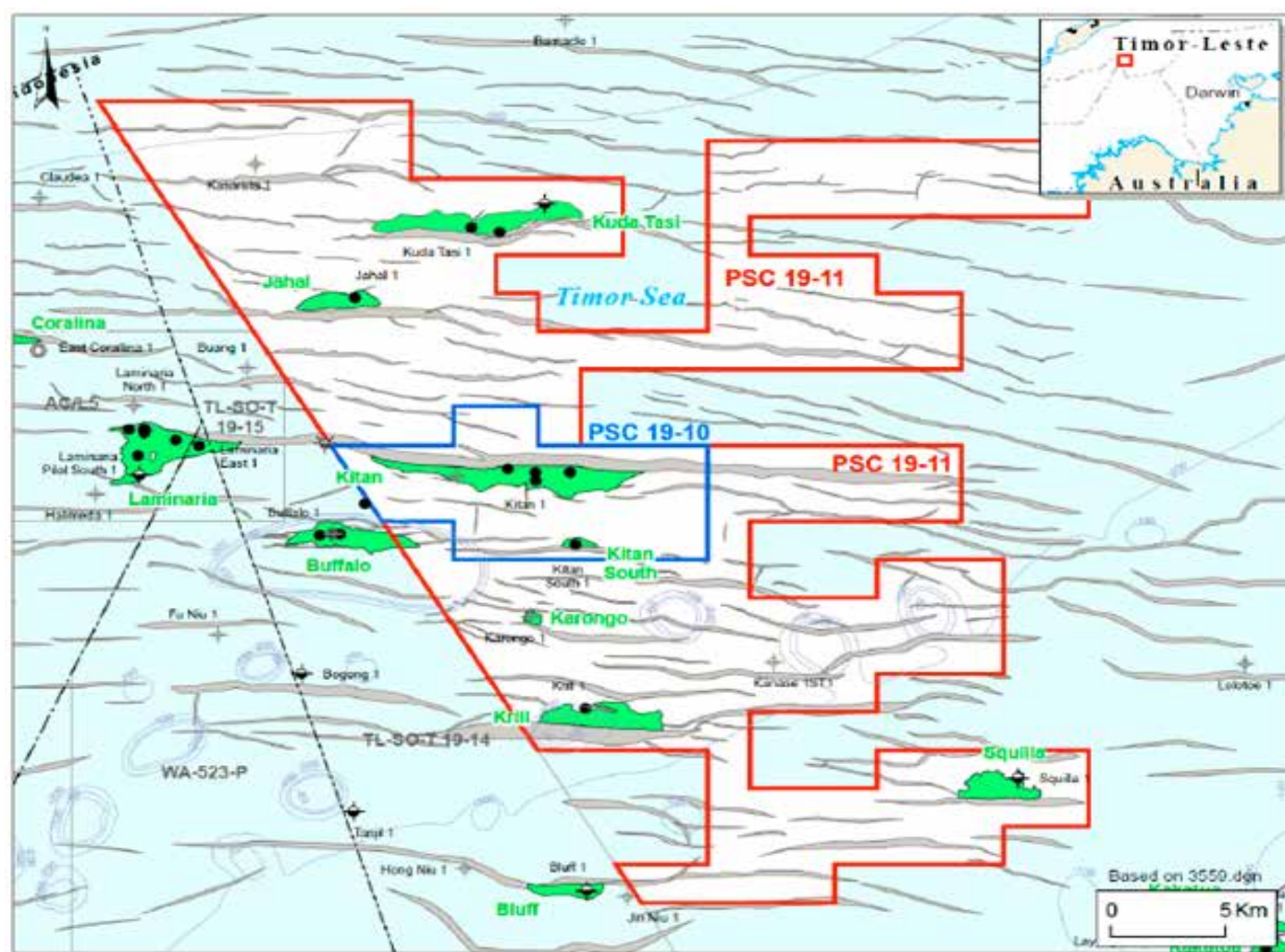


Figure 2-16: PSC TL-SO-T 19-11 (PSC 19-11) Location Map

The Joint Venture partnership for the above PSC is composed by TIMOR GAP, holding a participating interest of 24%, ENI, as the Operator of the Contract with a 40.53% participating interest, and INPEX, holding the remaining 35.47%. The area being explored by the Joint Venture partners is located approximately 240km south of Dili and 500 km northwest of Darwin, covering an area of 662 km² adjacent to the Kitan oil field and laying in an average

water depth of 350m.

As per work program and commitment stipulated under the PSC, the Joint Venture continues to perform its commitment in 2020 taking into account the result of the Kanase drilling campaign, the Joint venture with the approval from the Authority, submitted the key components of the 2020 Exploration Work Program which covers

comprehensive evaluation of the Kanase post-well results and studies. In addition, there was a focus on the revision the interpretation of and geological model for the Early Jurassic clastics play in the PSC Contract Area in light of the Kanase well results. These studies were planned to fully evaluate the hydrocarbon potential of the PSC.

Moreover, despite of the Covid-19 outbreak in the early of the 2020, another important activity undertaken by Joint Venture (Eni, INPEX and TIMOR GAP) was Timor-Leste Offshore Regional Study, which was taken to satisfy the commitments as agreed by ANPM and JV. This study is deemed to add value to the future exploration in the Timor-Leste exclusive area.

The study is jointly performed by ANPM and Joint Venture on the area of interest in the Timor-Leste exclusive area. The objective of this project was to provide an integrated regional seismic interpretation, geological mapping and petroleum system study of the Timor-Leste offshore Area of Interest (AOI). The aim of the study was to evaluate the regional hydrocarbon prospectivity of the Timor-Leste offshore area using regional 2D seismic interpretation and mapping, Gross Depositional Environment (GDE) mapping, Common Risk Segment (CRS) mapping and Petroleum Systems Modelling (PSM). The regional study covers the area of interest shown in green in Figure 2-17.

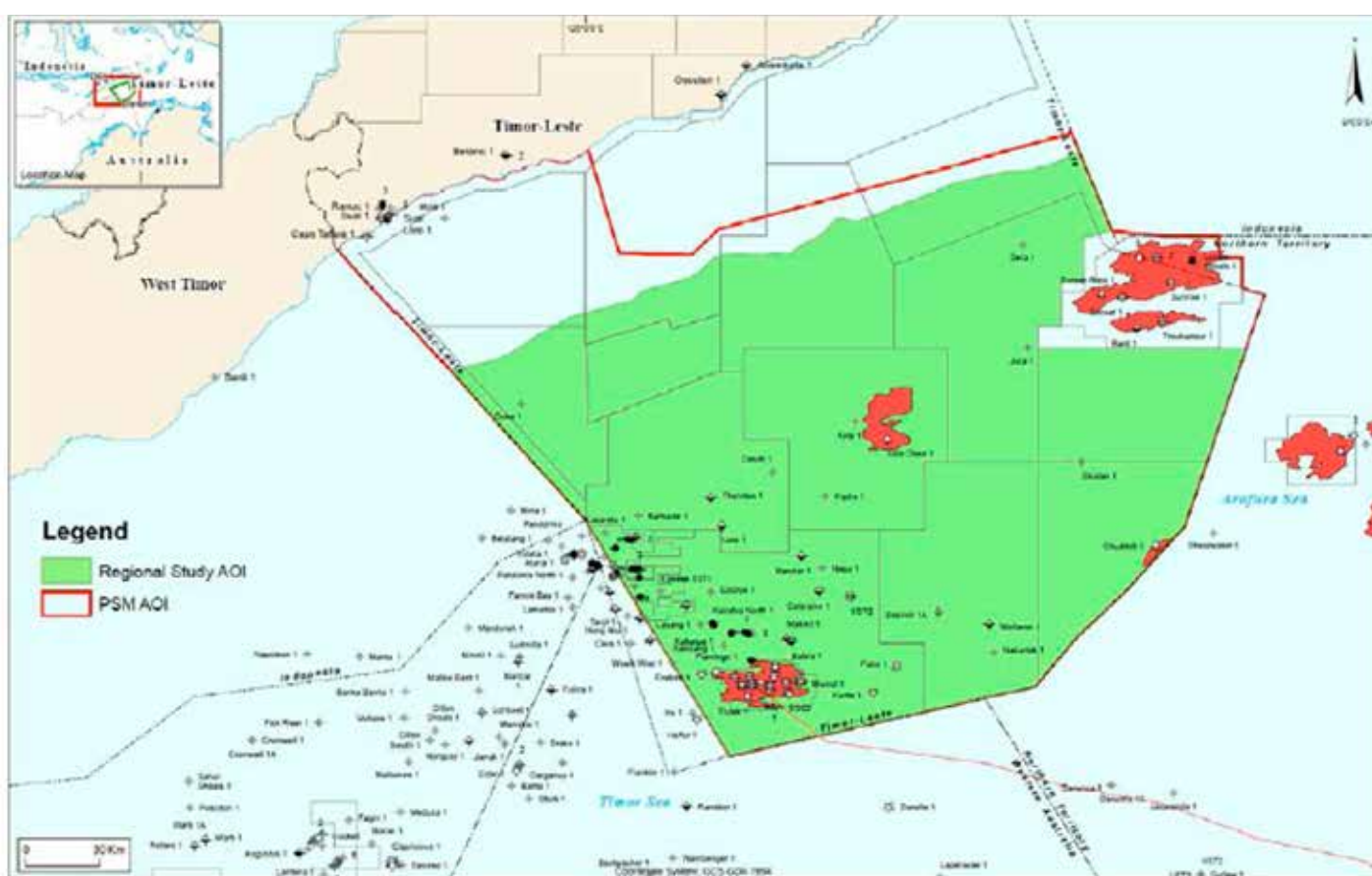


Figure 2-17: Timor-Leste Offshore Regional Mapping and Petroleum Systems Modelling Base Map (Source: Joint Venture Regional Study Report)

The regional study resulted in some deliverables such as:

- Seven (7) Regional Two-Way Time (TWT) and Depth maps
- Four (4) Regional Gross Depositional Environment (GDE) maps
- Four (4) Common Risk Segment (CRS) Maps
- The Petroleum System (PSM) Model generated over the Areas of Interest (AOI)
- Final written report (“Study Report”)
- A regional 2DCUBE (3D SEG Y volume) over the AOI
- ANPM 3-week training session
- ANPM 12-month technology access & training (PETROMOD)

TIMOR GAP as one of the Joint Venture Partners, actively participated on the study via virtual means of communication despite of having gone through obstacles during the outbreak of COVID-19, which pulled back all flexi-

bilities in performing the study as well as major internal change in the Management. The study was completed in June 2020 with remaining deliverables to be further completed.

2.8. PSC TL-SO-19-16

TIMOR GAP, through its wholly owned subsidiary TIMOR GAP Chuditch Unipessoal, Lda., and its joint venture partner, SundaGas Banda Unipessoal, Lda., signed a PSC for the TL-SO-19-16 (PSC 19-16) contract area on 8 November 2019, with the ANPM, on behalf of the Ministry of Petroleum and Minerals, with the purpose to begin appraisal of the Chuditch gas discovery field and exploration of adjacent prospective areas within Chuditch gas discovery field. The Joint Operation Agreement between TIMOR GAP CHUDITCH Unipessoal, Lda., and SundaGas Banda Unipessoal, Lda. was signed on 27 November 2019, and became effective on 19 December 2019 upon approval from ANPM.

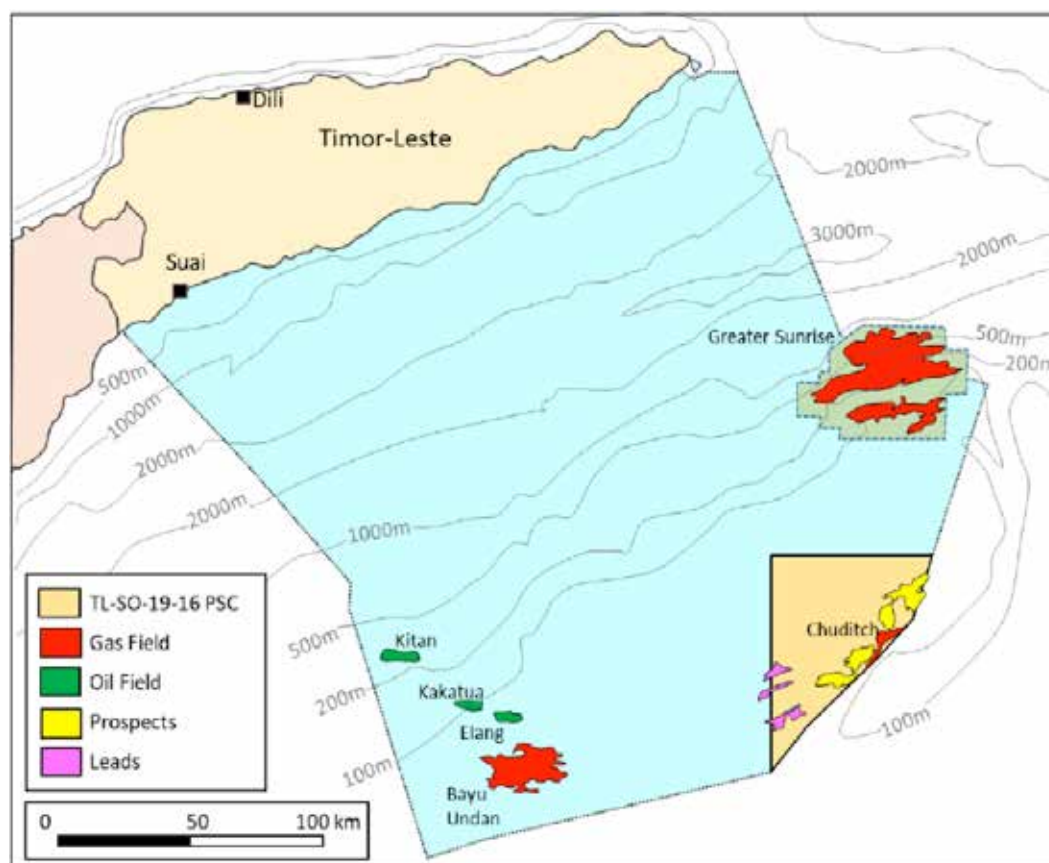


Figure 2-18: Location Map of the Contract Area for PSC TL-SO-19-16

The Joint Venture partnership (JV) for the above-mentioned PSC is composed by TIMOR GAP, holding a 25% participative interest, and SundaGas, holding a 75% participative interest, whilst assuming the Operatorship of the Contract. SundaGas is a Singapore-based E&P company, focused on exploring and developing gas opportunities across the greater Southeast Asia region.

The PSC 19-16 contract area is located approximately 185km south of Timor-Leste, covering approximately 3,571.49 km² in a water depth of 50-100 meters and encompassing Chuditch-1 gas discovery discovered by Shell in 1998. Both Parties have committed to a seven-year Exploration Work Program with the Minimum Exploration Work Requirements stipulated as following: Initial Period (Years 1-3) envisages seismic reprocessing (pre-stack depth migration) of 800 km² of 3D seismic data and a 2000 kilometers line of 2D seismic data, review of hydrocarbon potential of the entire contract area (geological and geophysical studies) and one appraisal well, subject

to positive seismic reprocessing result that supports the presence of a significant structure associated with the Chuditch discovery; Second Period (Years 4 and 5) includes post-well evaluation study and drilling of one (1) exploration well, and development scenario planning for Chuditch discovery; and Third Period (Years 6 and 7) comprises geological and geophysical studies, development scenario planning, and drilling of two (2) exploration or appraisal wells.

In accordance with the Minimum Exploration Work Program Commitments for the initial period, a seismic reprocessing project was supposed to be implemented in the financial year of 2020. However, due to several technical issues on licensing of 3D seismic multiclient data and issues pertaining to Covid-19 pandemic, the seismic reprocessing project was not possible to proceed. The said project is currently under discussion and finalization between JVs, TGS as 3D seismic multiclient holder, and regulatory authority (ANPM) and is planned to be executed

in the financial year of 2021.

In addition to the above, the JVs have completed several preliminary Geological and Geophysical (G&G) and commercial study, including finalizing a preliminary regional study, completing preliminary PSC block specific seismic interpretation and preliminary block petroleum volumetric assessment, and updating petrophysical analysis study, as well as finalizing a preliminary economic modelling for Chuditch Gas field using the available data JVs obtained from ANPM and various seismic legacy

data. A more detailed G&G study will be conducted upon finalization of seismic reprocessing project.

Based on the significant gas discovery made by Shell in 1998 and with the completion of recent technical studies, including G&G studies carried out by Operator (Sunda-Gas) on behalf of JVs, the PSC contract area has the potential to accommodate a substantial gas accumulation and, in addition to the important Chuditch gas discovery, the field is projected to contain untested exploration targets, thus making it an asset of significant value.

2.9. Provision of Services for Upstream

TIMOR GAP aims to create, seize, develop and optimize the economic, commercial and strategic value of the upstream activities, commencing from the exploration phase (studies and surveys), drilling, production to the decommissioning phase, through the direct and active

participation of its subsidiaries TIMOR GAP Drilling Services, Lda. and TIMOR GAP Seismic Services, Lda. Services for the upstream sector are rendered through the aforesaid subsidiaries, as better described below.

2.9.1. 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%), a subsidiary of China National Petroleum Corporation (CNPC) in the business of providing marine seismic services. TGSS was created through a Joint Venture Agreement signed in October 2015 by the two companies with the purpose of providing seismic

survey services within the Timor-Leste's territory, with a planned expansion to overseas projects. TGSS main scope is to perform 2D/3D seismic acquisition, processing and, in the future, interpretation, whilst providing training opportunities and technology development to its local staff through its international partners.



Figure 2-19: TGSS' activity in discussing potential seismic exploration in the onshore of Timor-Leste

Upon its establishment, on December 2015, TIMOR GAP launched its first 3D Broadband seismic survey, engaging TGSS and BGP Geoplotter 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. The survey was carried out by BGP Prospector vessel, a 12 streamer seismic vessel, and concluded in 2016. TGSS was also committed to seek a potential partner to pursue onshore business opportunities, this resulting in the signing of an agreement between TGSS and PT.BGP Indonesia in 2018, to work together on the onshore 2D Seismic Survey conducted on national territory. On August 2018, Timor Resources, the operator of the onshore PSCs, engaged TGSS Joint Venture with PT.BGP Indonesia to perform the onshore 2D seismic survey within PSC TL-

OT-17-18 (Block A), in Covalima, and PSC TL-OT-17-19 (Block C), in Manufahi, both located on the southern coast of Timor-Leste. The total workload approximately covers 308.4 km and has been delivered.

As part of recent engagement between TGSS and PT.BGP Indonesia, both parties continued to uphold their commitment in establishing an explosive storage in Timor-Leste in 2020, however, due to the Covid-19 global pandemic, all plans and programs were postponed to 2021. Furthermore, TGSS continues its involvement in all seismic activities within the national territory of Timor-Leste, such as the seismic survey planned to be conducted by TIMOR GAP in its reserved Block, as well as other potential onshore or/and offshore blocks.

2.9.2 TIMOR GAP Drilling & Services, Unipessoal, Lda.

TIMOR GAP Drilling & Services, Unipessoal, Lda, also known as TGDS, is a wholly owned 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 the upstream business. The principal objective of TGDS is to create, identify 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 proj-

ects such as Bayu-Undan Infill Well (BUIW), ENI Drilling Campaign and Onshore Block A & Block C Drilling Campaign. In 2020, TGDS participated in Santos' BUIW Phase 3c (P3c). For this particular project, TGDS together with COSL intended to provide Mobile Offshore Drilling Unit Services. TGDS also intended to provide two (2) other services, namely, Casing & Tubular running & Cold cutting Specialist services and Rig Engineering & Modification services together with its partner, Petro-Vietnam Drilling (PVD). As part of future partnership, both TGDS and PVD have recently signed a Memorandum of Understanding to further tie the cooperation.



Figure 2-20: Signing of Memorandum of Understanding between TGDS and PVD (left); TGDS' activity in identifying and capturing business opportunities for upstream services (right)

The 2020 Covid-19 global pandemic has also affected most of TGDS activities, including, but not limited, to TGDS and its partners' commitment to establish a Liquid Mud Plant and a Liquid Mud Storage Facility in Suai. TGDS also aims to establish a strategic and economic

viable partnership to find the best commercial way to re-develop the Bayu-Undan field and proactively seeking potential companies to capture new business opportunities for the provision of upstream activities and drilling services.

3. Downstream





Figure 3-1: TIMOR GAP Retail Fuel Station in Suai

HIGHLIGHTS OF 2020

TIMOR GAP is reshaping its downstream business strategy through the execution of several project in the short run, aiming at positioning itself as a key player and reference brand in the national market.

- TIMOR GAP secured the provision of fuel supply to EDTL, E.P. Power Plant in Betano, endorsed through the Decree-Law no. 61/2020, of 25 November;
- Initiated the Petroleum Import Terminal (PIT) project, designed to receive and storage fuel, expected to increase by 40% the national storage capacity;
- The LNG Import Terminal, a major project that foresees the conversion of the main power plants to fire on natural gas, was initiated this year with the launch of a IFB for the feasibility study;
- TIMOR GAP's Fuel Station in Suai retained its non-cash customers by extending the fuel supply contracts with ANATL, E.P., and with Covalima Municipality Administration, for an addition six-months and one-year period, respectively;
- Initiated the Study Peer Review for Betano Refinery & Petrochemical Complex.



3.1 Overview

TIMOR GAP is entrusted, pursuant the Decree-Law no. 31/2011, to carry out downstream business activities, including the storage, refining, processing, distribution and sale of petroleum and its by-products, as well as natural gas and any other hydrocarbons.

In the pursuit of the business activities assigned to the company, TIMOR GAP, through the Downstream Business Unit, will strive to develop, strengthen and expand its current downstream portfolio, by laying down a thorough strategic business plan through several projects in the short run such as importing and selling of petroleum products, development of Petroleum and LNG Import Terminal, continue managing the existing retail services and operations, and expanding the retail business network throughout the country in phases.

Further steps towards achieving the above strategic goals were taken this year, when TIMOR GAP, led by the new Management, was endorsed by the Government on the fourth quarter of 2020, to supply fuel to the National Electricity Company of Timor Leste (Eletricidade de Timor-Leste, Empresa Pública – EDTL, E.P.), a project expected to be executed in 2021.

Working towards the aim of national energy security, new projects such as the importing of petroleum and LNG are being developed, whereas for the Petroleum Import Terminal (PIT), a feasibility and Front-End Engineering (FEED) studies are planned to be carried out in 2021 and, with that in view, the Terms of Reference are currently under preparation. In regard to the LNG Import Terminal, an Invitation for Bid (IFB) was launched in December 2020 with the purpose to perform the feasibility study. Although the global Covid-19 pandemic caught the oil

and gas industry unprepared for a completely changed landscaped and a demand decline, we continued to work towards establishing a TIMOR GAP-branded wholesale and retail petroleum services across the national territory, with Suai retail fuel station maintaining its operations during 2020, and further plans being elaborated to set up new fuel stations in Lautem, Baucau, RAEOA and Dili Municipalities. It is expected that these new retail fuel stations will increase the fuel sales volume, thus improving the company's revenues.

TIMOR GAP is redefining its approach to the Tasi Mane Project implementation and this foresees the execution of a thorough technical assessment and analysis to the project components. In this context, an in-house Peer Review study for the Refinery & Petrochemical Complex is currently ongoing performed by the Downstream Business Unit. Further studies were also initiated by the former Management for the LNG Plant and the deviation of the pipeline to Natarbora, a proposed alternative location. However, those studies were cancelled by the new Management, pending further discussion with the Sunrise Joint Venture Partners in regards to the upstream development.

TIMOR GAP provides several services for the oil and gas industry through its subsidiaries in partnership with renowned international companies. Subsidiaries under the Downstream Business Unit pursue business opportunities and activities in the areas of marine and logistics services.

Activities and projects conducted by the Downstream Business Unit during the reporting period covered by this Report are described below and presented in the sequence stipulated in the Work Program and Budget for 2020.

3.2. Downstream New Projects & Businesses

TIMOR GAP new Management's prime focus lies on the business component and in guarantying the national energy security, and with this, several projects are being designed and prepared to create and seize new downstream

business opportunities, thus improving the company's financial performance. Downstream new projects and businesses led by the company's new Management are described below.

3.2.1. Fuel Supply to EDTL, E.P.

TIMOR GAP received the mandate to carry out downstream business activities, including the distribution and sale of refined petroleum products, within national territory and abroad. Hence, to fulfill the tasks assigned, TIMOR GAP will supply fuel to Betano Power Plant, operating under the supervision of the national electricity company of Timor-Leste, EDTL, E.P. (Electricidade de Timor-Leste, Empresa Pública). By supplying the required fuel for the power plants operations, the company will assist EDTL, E.P. in meeting the rising demand for reliable and steady power energy in all national territory, thus guarantying a greater energy security, while expanding the TIMOR GAP's wholesale customers' base and boosting its financial performance.

The fuel supply to EDTL, E.P. is regulated by the Decree-Law no. 61/2020, of 25 November, which stipulates that TIMOR GAP is awarded with the provision of, a minimum, one (1) lot of fuel to EDTL, E.P., for a three-

year period, subject to the contract terms to be agreed between the Parties. EDTL, E.P. may award the supply of additional fuel lots to TIMOR GAP, if agreed between the Parties and endorsed by the Council of Ministers.

TIMOR GAP is committed to supply the fuel in safe conditions in compliance with QHSE highest requirements and in accordance with the values and technical specifications established in the contract. Contract negotiations with EDTL, E.P. are ongoing and the contract is expected to be signed on the first quarter of 2021, with the delivery of the first cargo also scheduled for the same period. With this purpose in view, several site visits to assess the existing unloading facilities integrity in Betano and Hera Power Plants were conducted, with the assessment report indicating that the SACOM facility is the only one ready to operate. Nevertheless, a detail inspection to SACOM facility was recommend as SACOM did not grant access to its facility to TIMOR GAP team.



Figure 3-2: Integrity site assessment to the unloading facilities in Betano



Figure 3-3: Visit of H.E. Minister of Petroleum and Minerals to SACOM fuel offloading facility in Betano

Pursuant to the Decree-Law no. 61/2020, in the provision of fuel to EDTL, E.P., TIMOR GAP is authorized to engage a third-party supplier, and a Request for Quotation (RFQ) for this potential supplier was issued on the 24 November 2020 and it is expected that a supply partner

will be selected in early January 2021. A total of 8 (eight) potential suppliers were invited to submit their proposal and TIMOR GAP received only 2 (two) proposals with the deadline laid down on the RFQ.

3.2.2. Petroleum Import Terminal (PIT)

Despite heavily reliant on imports of refined petroleum products to supply the country's demand for liquid petroleum fuels, a market study conducted by Frost & Sullivan Australia in 2019, with focus on collecting data on petroleum products supply and demand, concluded that Timor-Leste overall fuel storage and import capacity is not adequate to meet demand.

Based on the need for increased investment in fuel storage to meet foreshadowed petroleum fuels import requirements and ensure ongoing security of fuel supply, additional import infrastructures are planned to be built within the national territory, and with this, TIMOR GAP is working towards the establishment of a Petroleum Im-

port Terminal. This Terminal is designed to receive and store a total of approximately 110,000 m³ of gross capacity of fuel, including storage tanks for diesel, gasoline, avtur and LPG which will increase by 40 per cent the national storage capacity.

Project site assessments were conducted during 2020 in two potential locations, Betano and Metinaro, and the land permit and location approval applications were submitted and subsequently granted by National Directorate of Land and Proprieties (DNTP) and ANPM, respectively. The project Terms of Reference (TOR) are currently under preparation and the feasibility study is expected to commence in first quarter of 2021.

3.2.3. LNG Import Terminal

Timor-Leste national electrical supply is delivered by three main power plants at Hera, Betano and RAOEA (Oecusse) located on the north and south coasts of the

island in addition to a series of substations distributed across the country as shown in figure below.



Figure 3-4: Map of the EDTL, E.P. Power Plants location

The Hera and Betano power plants were installed in 2011 and Inur Sakato (Oecusse) power plant was installed in 2015. These installed generators have capability for conversion to fire on natural gas. The three power plants have a combined installed capacity of 272 MW.

The electricity consumption in Timor-Leste is mainly subsidized by the Government through annual budget which is executed by EDTL. With the high subsidy, it burdens the state budget. Therefore, the Government of Timor-Leste's energy plan considers achieving a significant reduction of both fuel supply cost and greenhouse gas emissions by converting of the main power plants to fire on natural gas. A study to convert the Wartsila engines is currently in progress with the EDTL.

The reduction on annual state expenditure and environmental impact improvement presents a compelling case for Timor-Leste to invest in the infrastructure needed to support conversion of the power plants. TIMOR GAP, as the National Oil and Gas Company of Timor-Leste, is therefore planning to develop an LNG Import Terminal

facility in order to supply Hera, Betano and Innur Sakato power stations with natural gas fuel. TIMOR GAP intends to conduct an initial feasibility study to select a site for an LNG Import facility and define the development concept. During September and October 2020, TIMOR GAP conducted a series of site investigation visits at Hera, Metinaro and Betano to support the feasibility study for the LNG Import Terminal project.

TIMOR GAP developed the Terms of Reference (TOR) and Invitation for Bid (IFB) for a feasibility study for the LNG Import Terminal during the fourth quarter of 2020. This work will require a world class engineering consultancy experienced in LNG projects, Marine Terminal and specifically with FSRU and similar facilities. Therefore, TIMOR GAP recommended a restricted tender by inviting potential bidders who have expressed their interest through pre-bid discussions. An Invitation for Bid was launched on 4 December 2020, with the closing date on the 29 January 2021. The feasibility study is expected to commence in February 2021, with an estimated duration of minimum 6 months.

3.3. Retail Businesses

3.3.1. Suai Fuel Station (SFS)

TIMOR GAP aims to establish a strong presence in the domestic market by setting up a TIMOR GAP single-brand retail network throughout the country, providing the best services and products to meet and fulfil the national petroleum products demand. Currently, TIMOR GAP operates a fuel station in Suai, Covalima Municipality.

In 2020, the state of emergency declared by the Government of Timor-Leste and the respective circulation restriction measures enacted to deal with the COVID-19, resulted in a disruption of the fuel demand, thus impacting the operations and sales volume of TIMOR GAP's Suai fuel station.

During the year, the fuel station continued its operations adopting a reduced operational hour's scheme during the period of 28 March to 3 July 2020 and actively putting in place precautionary measures, such as the mandatory use of face mask, gloves, regularly washing and/or disinfecting hands, and maintaining a safety distance, to avoid the contamination and spread of COVID-19. The safety and health of our employees and customers is our prime concern, therefore, in addition to the regular quality, safety, security and environmental standards observed and met by TIMOR GAP's fuel station, our daily operations were conducted in strict compliance with the measures promoted and applied by the Government to control and minimize the Covid-19 pandemic effects.

By providing a consistent source of supply of quality products and a reinforced commitment in building brand



Figure 3-5: TIMOR GAP's fuel station in Suai

loyalty, TIMOR GAP retained its non-cash customers and continued to supply fuel to the vehicles of the Administration of Airports and Air Navigation of Timor-Leste (ANATL, E.P.), securing a new contract for the provision of fuel during the period from 1 June to 31 December, 2020 and to Covalima Municipality Administration, extending the fuel supply for its vehicles for an additional period from 1 January to 31 December, 2020.

Notwithstanding the above, the decline in end-user demand had an impact on the sales volume, resulting in a decreased retail margins. In 2020, Suai fuel station registered a total sales volume of 114,437 liters, consisting of 55,082 liters of gasoline and 59,355 liters of diesel. Sales volume for the non-cash customers, Administration of Covalima Municipality and ANATL, E.P., accounts for 44 percent of the total sales volumes for 2020.

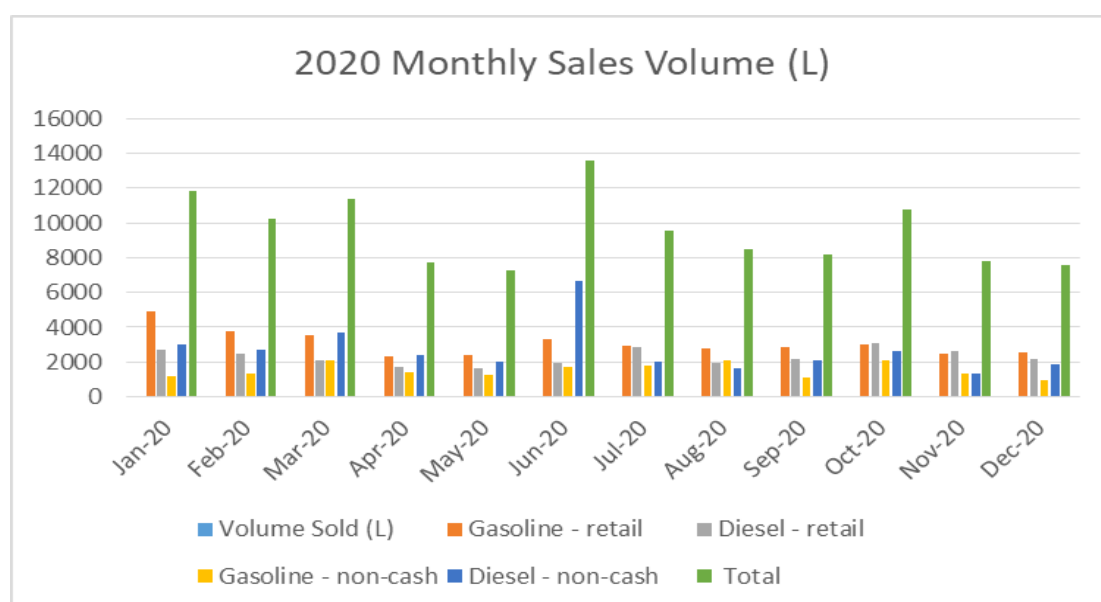


Figure 3-6: Monthly fuel sales volume for 2020

Within this context, TIMOR GAP is conducting a Profitability Analysis to its fuel station in Suai. The purpose of this Analysis is to gauge the fuel station's performance and strategize new ways to increase sales. Strategies as asset optimization, product differentiation, and non-fuel

offering and sales through the creation of a convenience store, may assist to increase the fuel stations margins. The Profitability Analysis is expected to be concluded in the first quarter of 2021.

3.3.2. New Fuel Stations Development

TIMOR GAP plans to set up additional fuel stations in Dili and other potential Municipalities, to capture the market segment. The Company continued to pursue the goal of expanding its retail business to all municipalities, and throughout the year, site assessments to Lautem, Baucau, RAEOA and Dili were conducted and completed. While the location approval and land permit attribution processes are ongoing, the company commissioned a fuel station prototype design consisting of detail engineering design, cost estimation, detail construction scope of work and project bidding documents. Having a prototype will allow the company to develop its retail business with a

clear brand identity. A Request For Proposal (RFP) for prototype design services was relaunched in December 2020, and the service agreement is expected to be awarded in early 2021.

Particular focus has been placed in the Dili Municipality, where is concentrated the biggest flow of end-user consumers, it presents a great opportunity to expose the brand and generate profitable margins. Due to the ANPM requirements in regard to the location, TIMOR GAP is looking into acquiring an existing fuel station, a process that will be carried out during 2021.

3.3.3. Suai Aviation Fuel Facility (SAFF)

TIMOR GAP expects expanding its fuel retail services by adding to its downstream portfolio the provision of aviation fuel to the Suai Airport. For this purpose, the company built Jet A-1 depot facility within Suai Airport to store and supply into plane fuel to the Offshore Aviation Company based in the Suai Airport.

The depot consists of two fuel tanks with a capacity of 60kl each, manufactured by Austank, a recognized Australian company. However, the facility has not been fully operated since it was commissioned by Air BP in 2018 due to power supply issues and Jet A-1 refueller requirements. TIMOR GAP has been looking into an alternative electrical power supply connecting directly from the City Power



Figure 3-7: TIMOR GAP's Jet A-1 depot facility at the Suai Airport

(EDTL Suai) to Suai Aviation Facility. To respond to the electrical issue, the Downstream Business Unit project team announced a bidding for an electrical installation

company, capable of installing a 50Kv Low Voltage line from EDTL line supply to the Aviation facility. This process is ongoing and expected to be finalized early 2021.

3.4. Refinery & Petrochemical Complex Peer Review Study

Similar to any other major project, the Betano Refinery & Petrochemical Complex project has been through various studies, including the Market Study and the Optimization Design, the latter being completed in 2019.

Aligned with the above and in order to continue the project, a Peer Review for the Betano Refinery and Petrochemical Complex is being conducted. This peer review report assesses the previous studies that have been completed toward the viability of establishing the Refinery and Petrochemical Complex in Betano.

The Peer Review team is composed by a technical and commercial team established in October 2020. This team will focus on the following aspects/scope:

- Evaluate the source of feedstock for both Refinery and Petrochemical Complex projects;
- Re-evaluate refinery and petrochemical products market;
- Evaluate the project economics; and
- Recommend future steps to be considered.

A draft Peer Review report has completed by the team in December 2020, and contains technical and commercial analysis on what have been done from previous studies including findings and recommendations or next step for the Refinery and Petrochemical Complex project. The Peer Review report is expected to be finalized in early 2021.

3.5. LNG Plant and Pipeline

LNG Plant and Pipeline are downstream components of the Timor-Leste Liquefied Natural Gas (TLNG) project planned to be built in the south coast as part of the Tasi Mane Project.

Several activities were performed during the first and second quarter of 2020 under the supervision of the former Management. A pipeline route preliminary investigation was carried out in-house to provide an insight option on the pipeline diversion route to Natarbora, an alternative project location option in lieu of Beaço. Several documents also were prepared such as Terms Of Reference (TOR) and Request For Quotation (RFQ) for pipeline Pre-FEED & Survey Support, tendering plan and Invitation To Bid (ITB) draft. While at the same time, team had prepared a plant layout study scope of work (SoW) for LNG Plant. The RFQ for the Plant Layout Study was

issued to Wood Reading office (legacy AFW), however it was cancelled soon after by the new Management.

The compelling intention to hold LNG project is mainly laying on several upstream issues that must be settled before continuing Greater Sunrise Project. The discussion on relevant issues is ongoing between Greater Sunrise Joint Venture companies and both countries (Timor-Leste and Australia). These include Petroleum Mining Code, Production Sharing Contract (PSC), Fiscal Regime, and Upstream development concept.

In that regard, any activities related to the LNG plant including the site location for LNG plant will be on hold and subject to the decision agreement from all relevant parties.

3.6. Downstream Subsidiary Companies

3.6.1. 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 indus-

try 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.



4. Tasi Mane Project

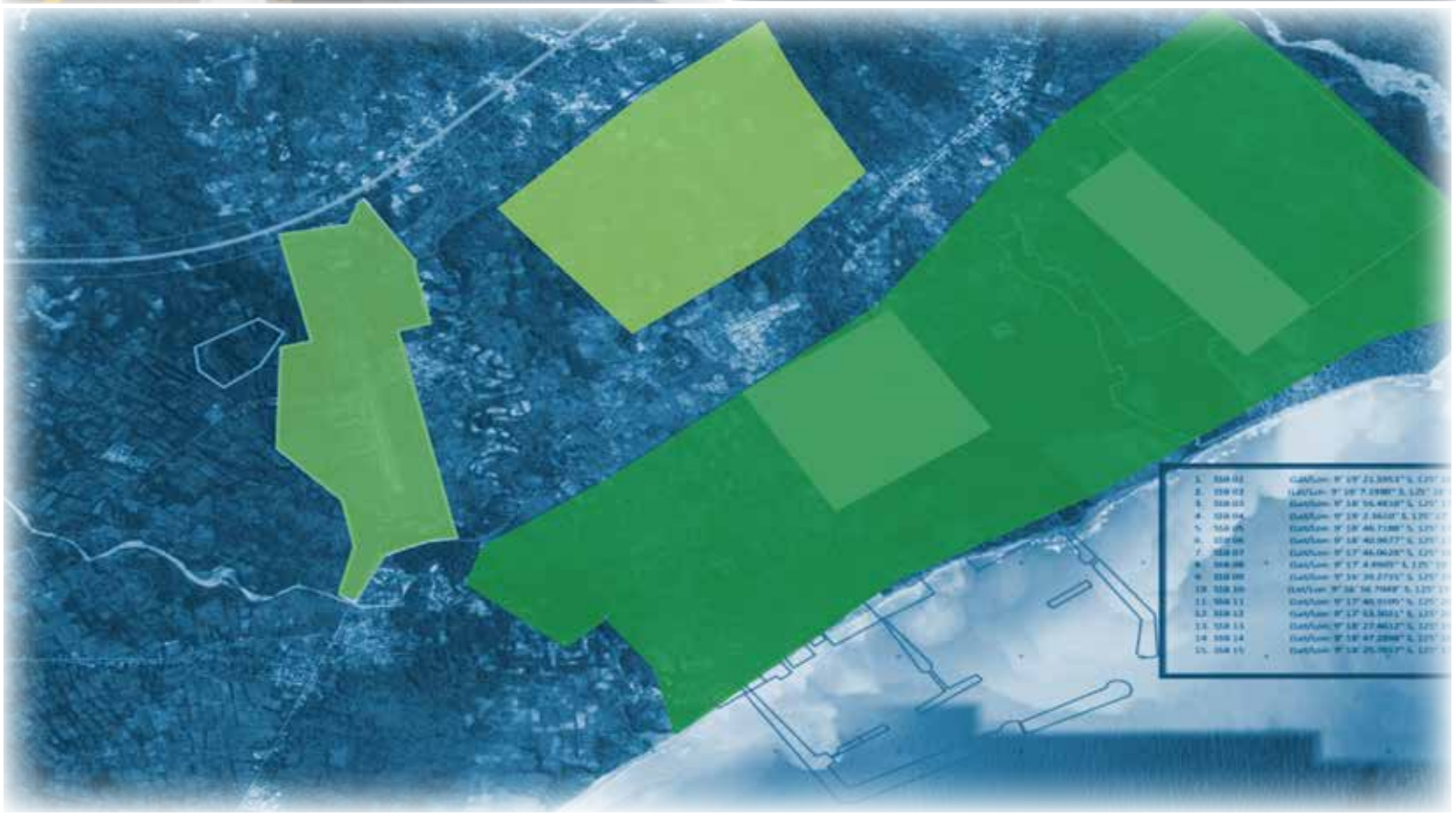




Figure 4-1: Tasi Mane Project Location Map

TASI MANE PROJECT CLUSTERS

Planned developments include:

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

Supporting Infrastructures:

- New towns to accommodate the work force 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).

HIGHLIGHTS OF 2020

- Initiated the SSB Marine Facility Design Review, awarded to Advisian;
- An additional 8 land and property compensation contracts were signed for the SSB project area, corresponding to the beneficiaries who have decided to change from 10% share option to sell their land (“\$3” Option);
- Selected the temporary jetty site location;
- The company Karya Timor was selected as the contractor responsible to deliver the construction works for the Holbelis new resettlement area;
- The progress construction of permanent cemetery in Suai Airport Area achieved 50.63%;
- The procurement process for the re-design of the Highway Section 2 was concluded on 2020.



4.1 Tasi Mane Project Overview

The 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 Beaco 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 Beaco, and planned additional facilities for each site, including new town developments, airports upgrades and a highway connecting the three clusters.

The 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. It is expected that the Tasi Mane Project will add value to the national oil and gas resources, with the construction a refinery and associated petrochemical complex and a LNG plant, thus transforming 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.

While the Covid-19 and associated fall in oil demand will impact the project economics, the full extent of its impact at long-term in the project sustainability and feasibility will required further and extensive analysis. Nevertheless, the Tasi Mane Project is expected to span 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.

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.

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.

Activities and projects related with the Tasi Mane Project are carried out under the supervision of the Tasi Mane Project Unit.

4.2 Suai Cluster

The Suai cluster comprises the establishment of a logistics base for the petroleum sector in Suai. The Suai Supply Base will provide capacity for the south coast to develop a domestic petroleum sector along with related and supporting industries and businesses. It will provide an entry point for the materials and equipment that will be needed to build and maintain petroleum industry infrastructure and plants. Suai is expected to become a centre for the petroleum industry in Timor-Leste, providing services, logistics, fabrication facilities and human resources for offshore and onshore oil and gas activities.

In addition to the Supply Base, this industrial cluster envisages the construction of the following: **a) industrial state**, intended to provide facilities for small and medium-sized local businesses to benefit from the infrastructure and transportation networks associated with the Suai Supply Base; **b) Nova Suai**, the new town is expected to house up Supply Base staff, contractors and their families; **c) Suai Airport upgrade**, the existing Suai Airport, located in Holbelis, will be upgraded to cater for expanded passenger and freight services.

4.2.1 Suai Supply Base

4.2.1.1 Suai Supply Base Overview

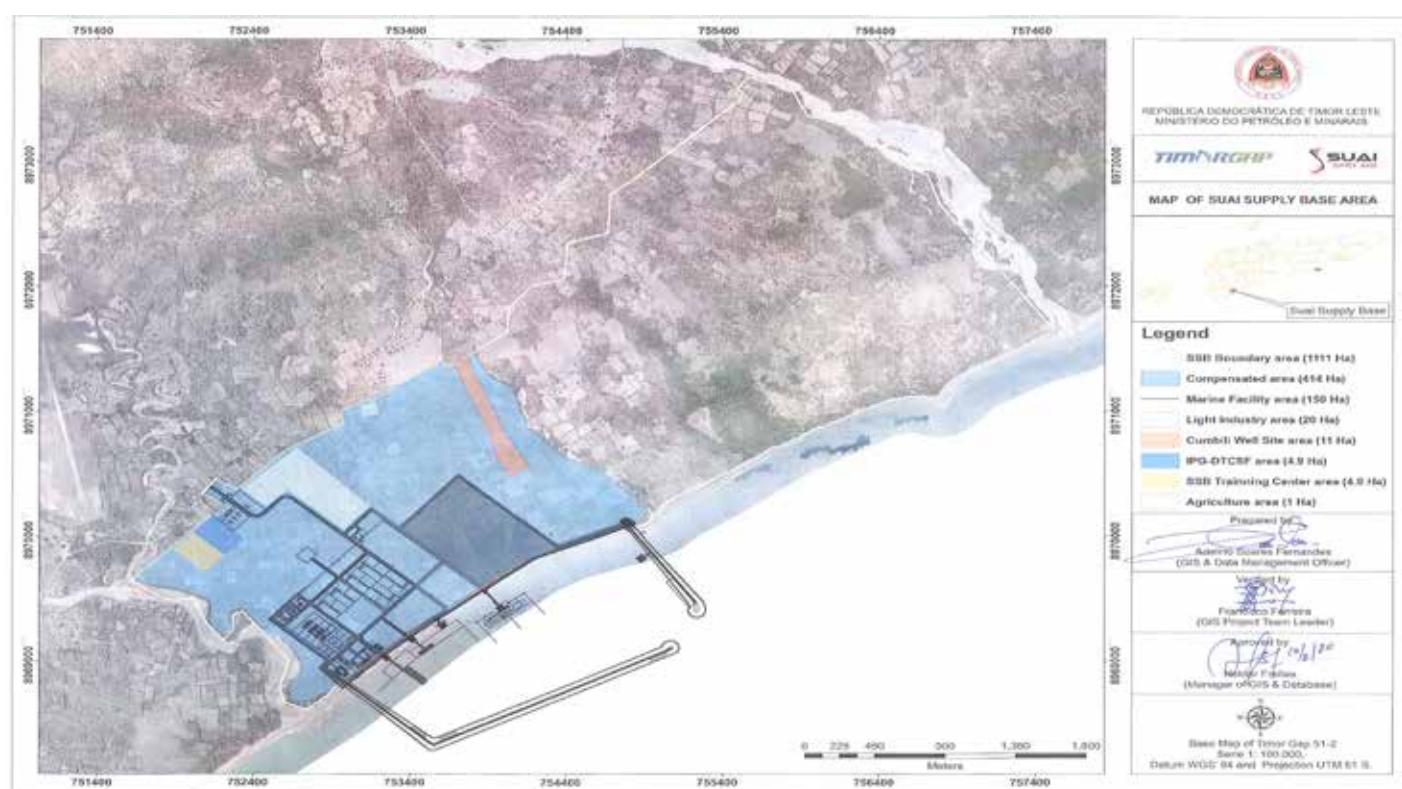


Figure 4-2: Map of Suai Supply Base area

The Suai Supply Base (SSB) is recognized as a notable project and a future landmark in the south coast. This facility is intended to open up the south coast to investment and growth and to provide an international access point to Timor-Leste.

The settlement of Suai Municipality is located approximately 135 km south-west of Dili, 22 km from the Indonesian border and 5 km inland from the Timor Sea (southern coastline). The Supply Base will provide the logistics services required to serve the existing and future petroleum exploration in the Timor Sea and will facilitate development of hydrocarbons processing facilities, such as LNG (Beaço) and petroleum refining (Betano). It will

serve multiple users, both offshore and onshore.

The SSB 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, providing 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 Suai Supply Base comprises the following facilities:

- **Onshore facilities** – such as operations building, covered warehouses, mini shore bases, fuel tank farm, water storage tanks, waste management system, open areas, recreational and community facilities, and others; and
- **Offshore 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.



The SSB is expected to be a standalone and fully self-supporting integrated supply base facility, providing multiply services and support the development of Oil and Gas Industry in the South Timor Sea for the next 50 years.

Figure 4-3: Examples of services to be provided by the SSB: cargo handling (top); fabrication services (bottom left) and tug vessels services (bottom right)

The SSB project was subject to extensive studies and assessments, such as the Front-End Engineering and Design (FEED) completed in 2010, and the Environment Impact Assessment, with the Environmental License granted in 2013. An extension for this Environmental License was requested and the process is ongoing.

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 awarded to Hyundai Engineering & Construction (HDEC-HEC) by the National Procurement Commission (CNA), a decision later revoked on July 2017 by the Court of Appeal in response to the appeal lodged by the Government, 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, TIMOR GAP is revising the current status of the project, while awaiting for further guidance and instructions from the Government in regard to the project next steps.

4.2.1.2 Land Title Clearance & Community Liaison

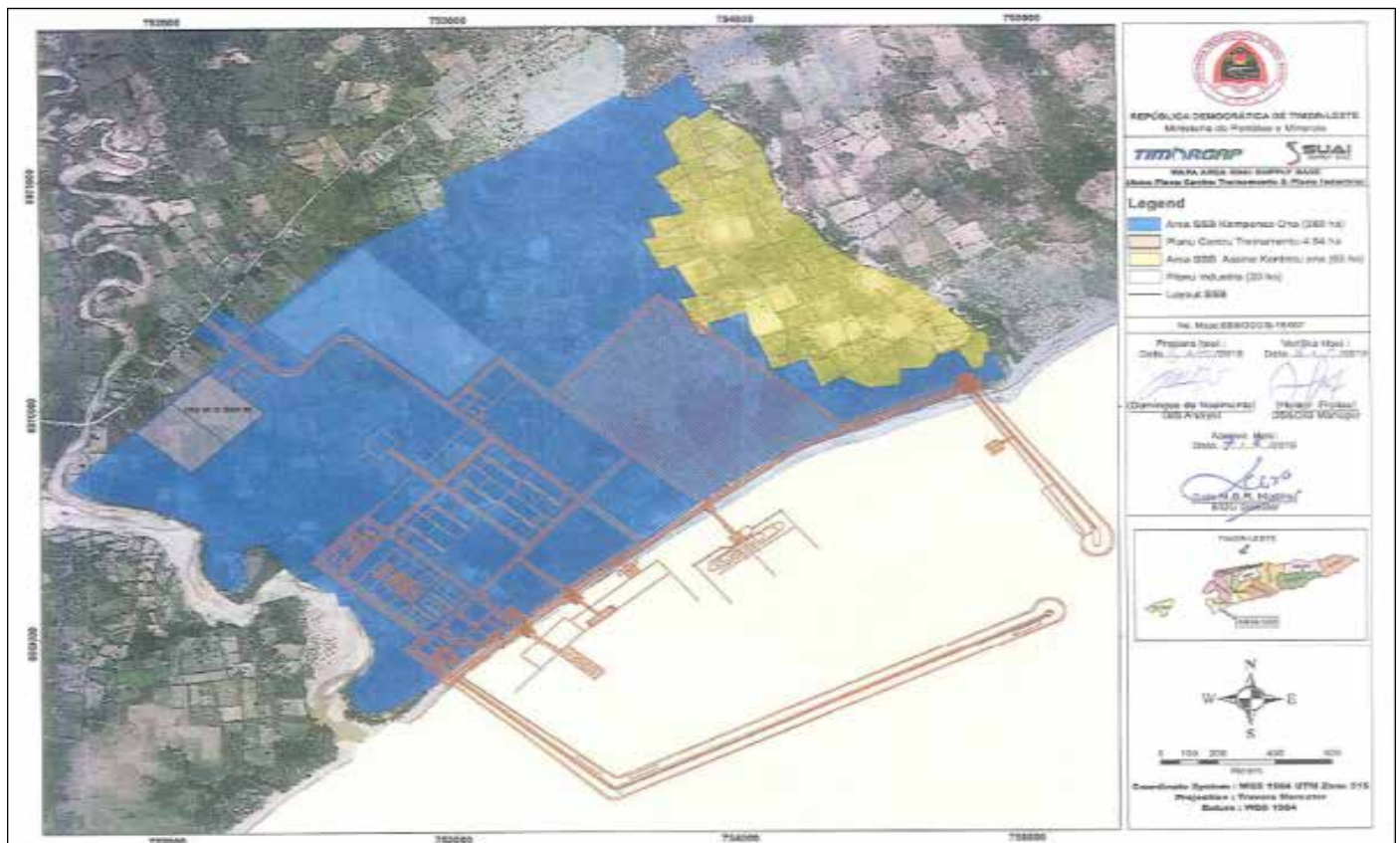


Figure 4-4: Map of the land compensation for the SSB area

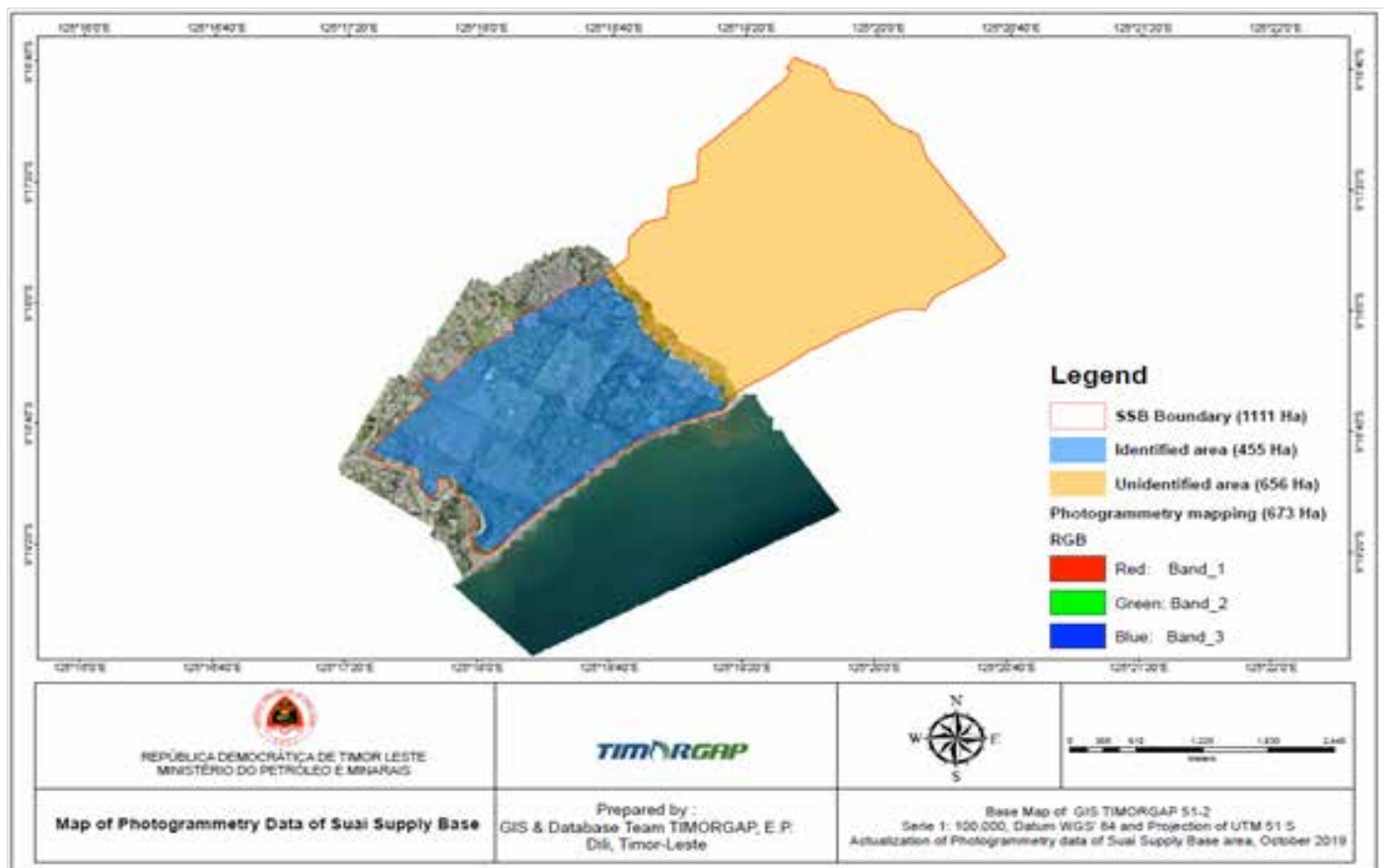


Figure 4-5: Map of photogrammetry data of SSB

While awaiting for the Government's decision on project's next steps, the SSB team continues to pave the 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 land and property compensation procedure laid down for the affected community is embedded in two options: the "10% Option", which entitles the affected community to receive a 10% share of the SSB future proceeds, and stipulates that the percentage of each beneficiary is calculated based on the size of his/hers land plot; and the "\$3 Option", entitling the beneficiary to receive a direct compensation for the land cleared, based on a payment of

a maximum amount of three dollars of the United States of America per square meter, in accordance with the Government Resolution no. 20/2014, of 6 August.

During 2020, 8 beneficiaries from the affected community of the Village of Camanasa have decided to change from 10% share option to sell their land ("3" Option). Following the due process, the land compensation contracts were signed on December 2020. Under the terms of the agreements signed, the 8 beneficiaries will release a total area of 8.63 hectares, corresponding to 8 parcels of land. The compensation payment for the aforementioned contracts is expected to be executed on early 2021. As of 31 December of 2020, of the 1,113 hectares required for the construction of the SSB project and industrial park, a total of 414 hectares of land were already compensated.



Figure 4-6: Land compensation contract signature with the affected community

TIMOR GAP continues to support the community who opted to receive a 10% share of the SSB future proceeds, a group currently composed by 3 beneficiaries, by implementing a community support program aiming to assist and promote the affected community welfare during the

SSB construction and initial operations phases, in which the project is not expected to generate profit. This support is provided in the form of initiatives developed mainly within the agriculture sector.

Within the above scope, a farming field with a total area of one hectare, located in Camanasa, Suai, was allocated to the affected community, comprising a fence protecting the area, a storage building, and an electrical & irrigation water system. The purpose of this program is to empower the community by engaging them in crops and organic vegetables farming activities, for trading in local markets,

thus generating some revenues for the beneficiaries' families. The first vegetables harvesting and sale took place in 2020. This process was conducted and managed by the local Cooperative, established and composed by the beneficiaries of the "10% Option" group, and entrusted with the agribusiness program management, including the revenue sharing.

4.2.1.3 SSB Marine Facility Design Review

TIMOR GAP is conducting a design review for the SSB Marine Facility, aiming at optimising the layout of the proposed SSB and reducing the works, thus actualising and decreasing the project costs. For this purpose, on the first quarter of 2020, TIMOR GAP signed a consultancy service agreement with the company Advisian, the independent advisory business line of Worley Parsons, pursuant to which the latter is engaged with TIMOR GAP to carry out the design review and recommendation with respect to the SSB project's masterplan and scope.

Within the related framework, Advisian is assigned to investigate improvements to the original SSB port layout to reduce expenditure, with specific consideration of the: *a)* wave penetration into the port and wave climate at various berths, and *b)* navigation to/from the port and vessel manoeuvring within the port.

The project is ongoing with the Consultant expected to submit, in early 2021, the final report to TIMOR GAP's consideration and endorsement and, subsequently, to the Ministry of Petroleum and Minerals.

4.2.2 Temporary Jetty

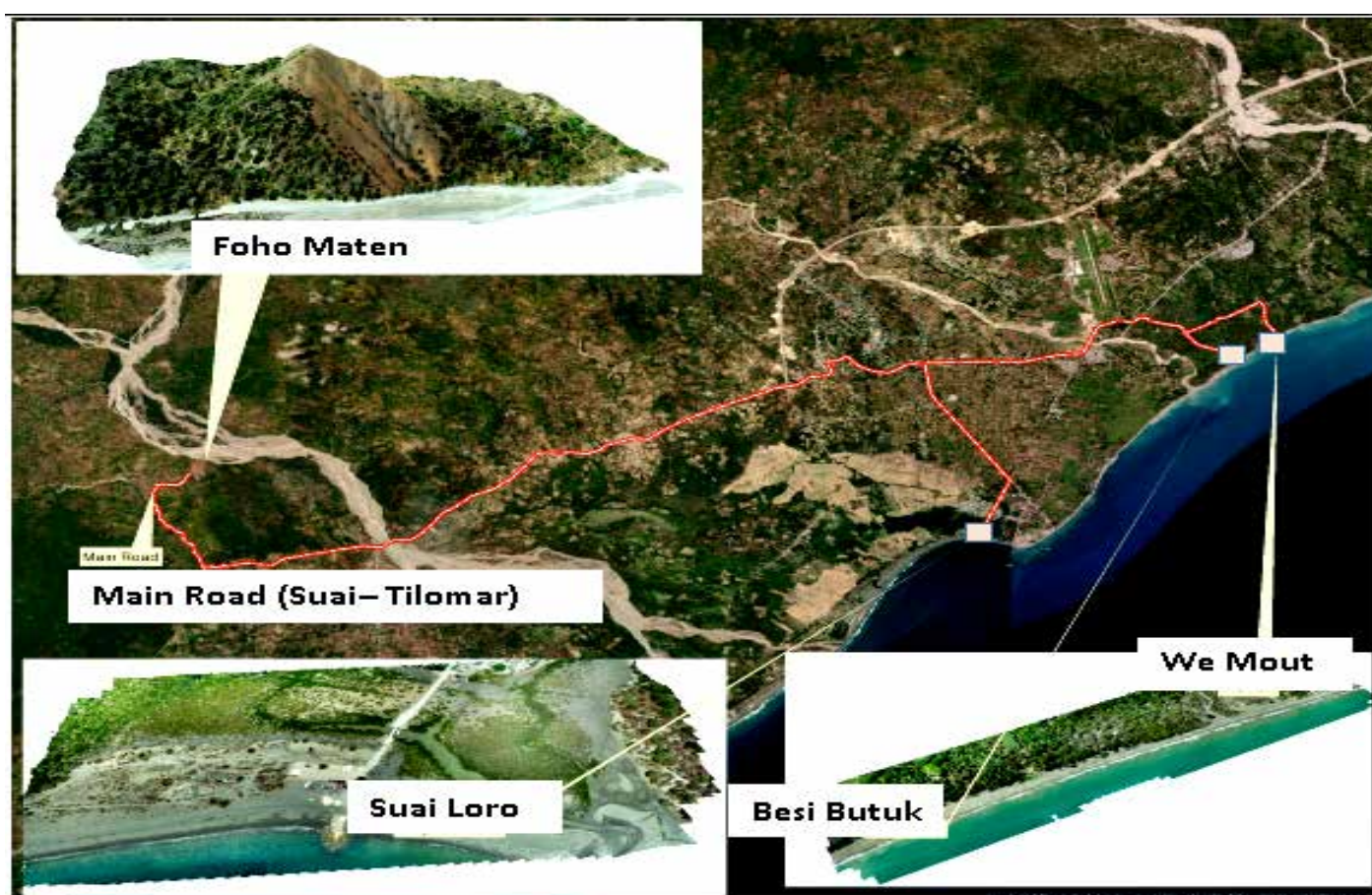


Figure 4-7: Map of the site proposed for temporary jetty development and rock quarry in Suai, Covalima Municipality

In order to respond to the planned decommissioning of the Bayu-Undan platform/pipeline after the Production Sharing Contract terminates in 2022, TIMOR GAP foresees the construction of a temporary jetty in Suai. Furthermore, the temporary jetty will support the construction phase of the SSB, serving as an entry point for building materials, and is also envisaged to assist the on-shore and offshore exploration activities.

Two potential location options are being considered for the above project, namely: *a)* to integrate the temporary

jetty on the SSB project area; or *b)* to construct a temporary jetty in Suai Loro, located at 2km from the proposed SSB area.

Within this scope, throughout 2020, TIMOR GAP team conducted a site assessment to both potential locations, and a technical report was produced and submitted for the Management's due consideration and approval, and subsequently endorsed by the Management on last quarter of 2020. The project location selected for the temporary jetty is SSB project area.

4.2.3. Suai Airport

The Suai cluster comprises the rehabilitation of the Airport located in Suai, Covalima Municipality. The referred Airport was subject to an extensive upgrade, concluded in 2017, to cater for an expanded passenger & freight services, being operating since under the name "Commander-in-Chief of FALINTIL Kay Rala Xanana Gusmão International Airport".

The new terminal building became operational in 2019 and the flight calibration process was completed in November of the same year. With this, on 31 March 2020, the Suai Airport was entirely and wholly handed over to the Government aviation authority, the Air Navigation Administration of Timor-Leste (ANATL).

The Ministry of Petroleum and Minerals, through TIMOR GAP, integrates the interministerial team responsible for the execution and supervision of the Airport rehabilitation project, being entrusted with the task to liaise with the local community affected by the project, in the matters related with the new resettlement areas. In line with this, and upon the completion of the Suai Airport upgrading, TIMOR GAP continued to support and supervise the design, procurement and construction process for the second phase of construction of infrastructures facilities to support the Suai Airport project (Holbelis Village) and for the phase II of the permanent cemetery in the Suai Airport area, as better described next.



Figure 4-8: Visit of H.E. Minister of Petroleum and Minerals to the Suai Airport, on November, 2020

4.2.3.1. Second Phase of Construction of Infrastructure Facilities to Support the Suai Airport Project



Figure 4-9: Map of the master plan for the new residential neighborhood in Holbelis

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 first phase of the construction of infrastructure facilities to support the Suai Airport, corresponding to the new resettlement area for the Lohorai affected community, has been fully completed and handed over to the community, encompassing 72 new houses and accommodating approximately 324 residents.

The second phase of the construction of infrastructure facilities for the support of Suai Airport corresponds to the Holbelis resettlement project, which comprises a total of 68 houses of 3-bedroom with external kitchen and bathroom, a Community Chapel, a kindergarten school, community centre, sport facility and the construction of infrastructures and utilities, such as internal and external drainage, fencing, electrical and water supply system, and a 5m wide road with concrete pavement finishing, including connection to the existing road network. This project was designed by ALGIS Consultant and it is set to be developed on 5.4 hectare flat area at Holbelis Village-Suai, Covalima Municipality, about 1Km from main road.

The land title acquisition and compensation process for the Holbelis Village was completed in 2018. The Topo-

graphical Survey and Master Plan Design works were concluded on 2019, followed by the completion of the architectural design and Bill of Quantities (BOQ) on the same year.

The procurement process aiming to secure the provision of construction services for the new residential neighbourhood in Holbelis was undertaken during 2020, resulting, in November, in the selection of the company Karya Timor as the contractor responsible to deliver the construction works. Following the procurement process, the contract for the construction works was subject to a review and amendment conducted by TIMOR GAP during the month of December and, with the due endorsement from Procurement National Commission (CNA), the contract is expected to be signed in January 2021.

The new Holbelis Village is anticipated to use a similar housing and construction model to the one previously used in the new Lohorai resettlement area, by resorting to locally produced building materials, such as Tijulo Kesi, and employing locally trained labour. With this, the project will provide a safe, healthy and quality housing infrastructure, while providing access to employment, affordable housing and social welfare to the affected communities.

4.2.3.2. Phase II of the Permanent Cemetery in Suai Airport Area

The phase II of the permanent cemetery in Suai Airport area envisages the construction of new fencing, stone masonry wall, and one Chapel to be built in the Airport area, in Suai, Covalima Municipality. Following the public tender, a contract for the provision of construction services for the referred phase II of the permanent cemetery project was awarded to the company JOIA Camenasa, Unipessoal, Lda. on 11 February, 2020.

Due to the pandemic-related restrictions, the construction works commencement was postponed, starting on July 2020. The workforce for this phase II is 100% recruited locally, employing a total of 30 local workers.

As of 31 December 2020, the project had reached a construction progress of 50.63%.



Figure 4-10: Permanent cemetery in Suai Airport (Phase I)

4.3 Betano Cluster

Located on the coast in the Manufahi Municipality, 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.

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, covering an area of approximately 1,065 ha and located about 7 km northwest of the refinery and petrochemical complex. The town area will include schools, hotels, commercial areas, recreation facilities and ancillaries such as water, waste, sewage and power plants.

In addition to the above, the Betano Cluster will also comprise the following: **a) water supply project**, water for the operation of the refinery will be sourced from Quelan River, about 10 km from the refinery, conveyed by gravity through a pipeline from the river intake structure to the raw water storage pond (capacity 175,000 m³) at the refinery; and **b) pipelines along the new highway between Suai and Betano** - the refinery in Betano will be connected by pipelines for transport of both condensate and petroleum products to the supply base at Suai, approximately 75 km to the southwest.

4.3.1 Betano Refinery and Petrochemical Complex Overview

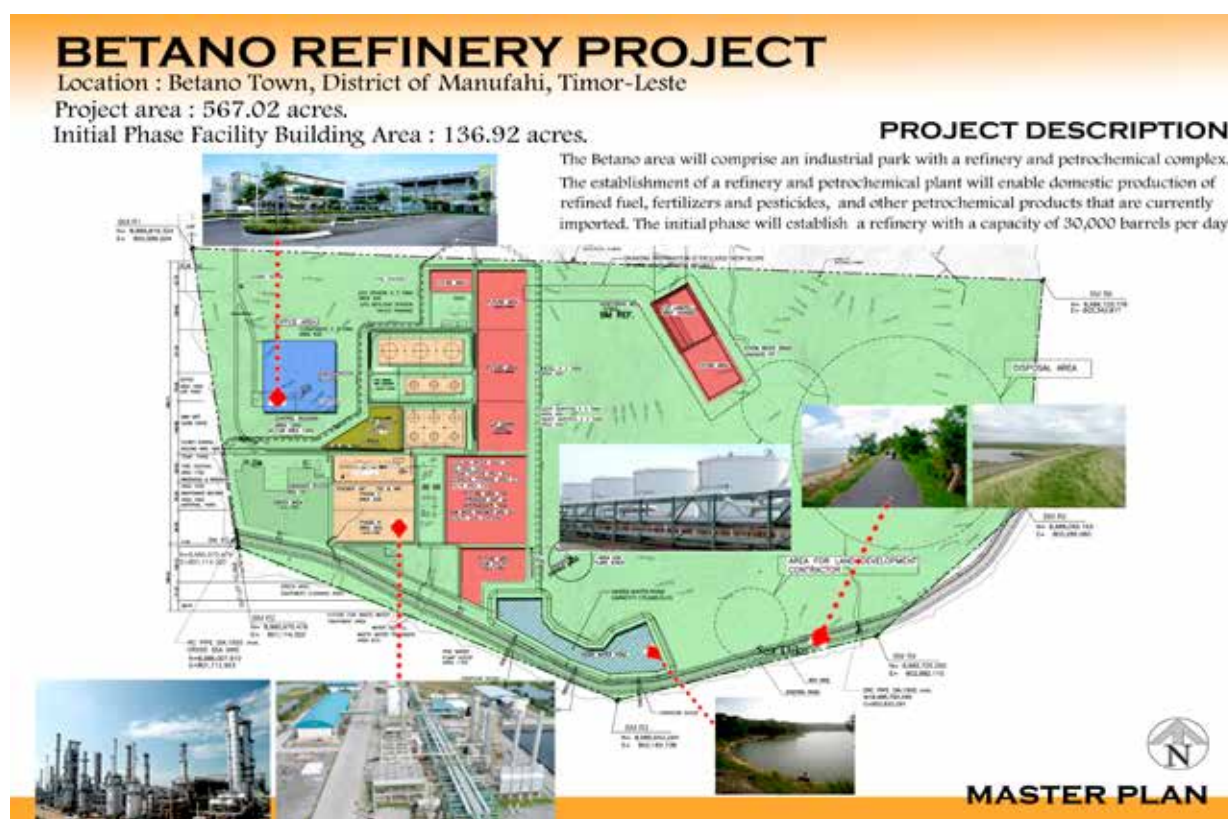


Figure 4-11: Betano Refinery project master plan

The proposed Betano Petroleum Refinery and Petrochemical Complex will 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 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. Stage 2 would result in expanded capacity of 60,000 barrels per day with Stage 3 increasing total capacity to 100,000 barrels per day. The product mix would change at each stage.

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.

Betano Refinery and Petrochemical Complex has been subject to extensive and comprehensive technical studies, including the Front-End Engineering Design & Cost Estimation (FEED), Land Survey, Land Development &

Cost Estimation. The Environmental License was granted in 2018 for the four project components: Betano refinery plant, condensate and petroleum products pipeline system, water supply system and Nova Betano.

Community programs, such as the English and Computer Skills Development Program, is envisaged to be implemented with the affected community of Betano. The program is expected to be delivered by AHHA Education and foresees the establishment of a training center in the Village Be-Metan, Betano, also benefiting the surrounding local communities. With this, the company aims 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. However, throughout 2020, no further activities were conducted with the scope of this community program, due to the pandemic-related restrictions.

The Refinery cluster in Betano will be established through a commercial venture, entrusted to TIMOR GAP to cater the development. 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.

4.3.1.1. Land Title Acquisition and Compensation

Following a lengthy and thorough process, in a strict collaboration between TIMOR GAP, the Interministerial Team, local communities and leaders, the land title acquisition and compensation program for the Refinery and Petrochemical Complex project was fully completed in 2019, with the compensation payment process for the community affected being finalized within the referred year. A total of 253 hectares required for the refinery project construction area, including the weir area, were cleared.

Upon the completion of the compensation payment, throughout 2020, TIMOR GAP continued to closely monitor and support the compensated communities, from the sub-villages of Be-Metan and Selihassan. Of the 163 contracts signed and compensated, a total of 35 beneficiaries raised grievances, which were properly addressed and submitted to the relevant governance body, the Minister of Justice, to act upon the complaints.



Figure 4-12: Land reclassification map for Refinery and Petrochemical Complex project area

4.3.1.2. Refinery Site Benchmarks Installation

As referred above, the land required for the refinery project construction area was fully compensated and duly cleared. To protect and secure the area, TIMOR GAP foresees the installation of benchmarks around the area cleared. For this purpose, in 2020, the technical team

prepared the relevant documents, comprising the drawings and Bill of Quantities (BoQ).

The benchmarks installation is expected to commence in 2021.

4.4 Beaço Cluster

The Government of Timor-Leste aims to develop the gas from Greater Sunrise field through the building of a sub-sea pipeline to onshore Timor-Leste, and the establishment of a LNG plant to process the gas in south coast at Beaço, Viqueque (about 200 km southeast of Dili). The first phase of the LNG Plant development will establish a production capacity of (nominally) 5 million tonnes per annum (Mtpa) or one train. This may be expanded in the future to a capacity of up to 20 Mtpa (or four trains).

This cluster will incorporate the LNG Plant complex, including associated marine facilities, as well as the Nova Beaço and Nova Viqueque urban development that are intended for resettlement of the local community, and the rehabilitation of the existing airport at Viqueque in order to operate as a fly-in-fly-out (FIFO) airport for LNG operators, serving also as a regional airport.

4.4.1 Timor-Leste LNG (TLNG) in Beaço

4.4.1.1. TLNG in Beaço Overview



Figure 4-13: Map of Timor-Leste LNG Complex in Beaço

The Timor-Leste LNG (or “TLNG”) will be executed in two separated projects: *a*) the Upstream project, which will encompass the development of the subsea wells and associated production system and the offshore condensate processing and export facilities, using a single Floating Production Storage and Offloading (FPSO) unit with

gas dew pointing and dehydration, gas export compression facilities, MEG regeneration and storage; and *b*) the Downstream project, which is anticipated to be built in Beaço and will encompass the gas export pipeline to shore (across the Timor Trough), the LNG Plant facilities and the Marine Facilities for LNG export.

For the purpose of the Tasi Mane Project, we need to consider the downstream project, as shown below.

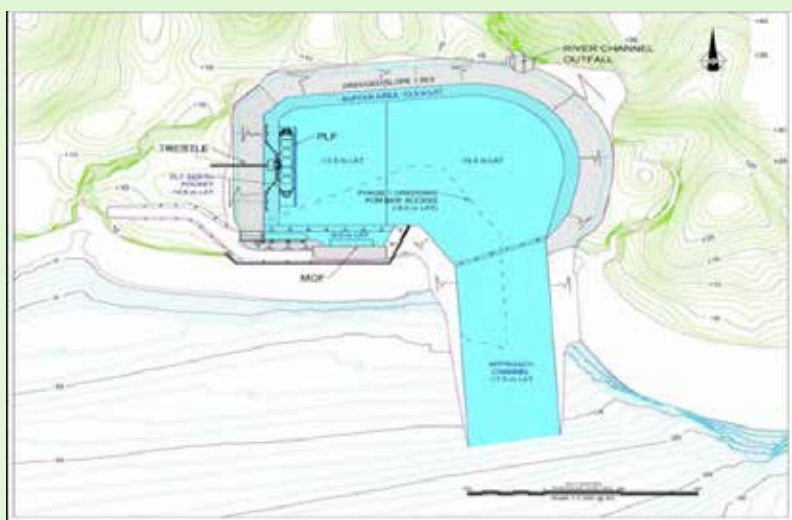
LNG Plant

The plant site will accommodate an initial 5 mtpa LNG liquefaction train, and will also provide expansion capability for further 3 x 5mtpa LNG liquefaction trains. This allows for future commercial development of regional, large, stranded gas fields, some of which were discovered and appraised many years ago, but which have not been developed to date due to lack of nearby infrastructures/facilities. Such “stranded” fields may include Evans Shoals and future discoveries in Timor-Leste’s own exclusive area.



Maritime Facility

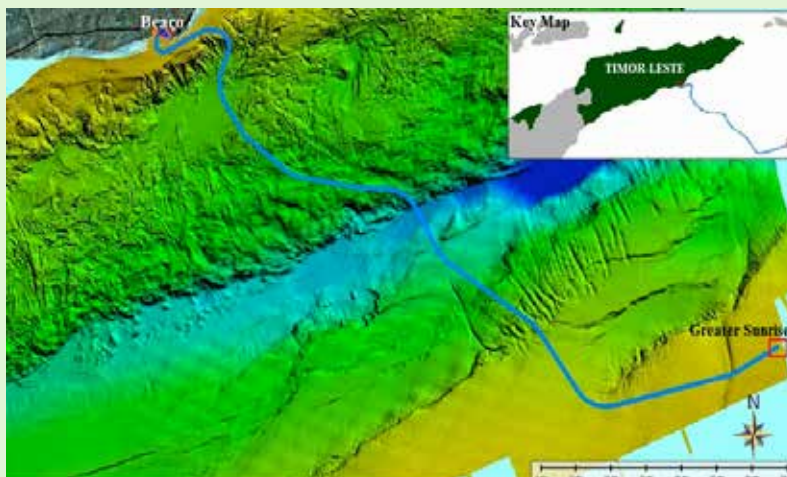
Marine facility design is based upon the creation of an inland basin, which offers both a low CAPEX and facility for future expansion. The main Product Loading Facility (PLF) wharf is 240m in length, capable of accommodating the largest LNG/LPG vessels, with an operating draft of -13.5m LAT within the basin. The Marine facilities are designed to withstand all anticipated seismic events with minimal damage, such that product offloading operations can be continue uninterrupted.



Pipeline

The offshore Pipeline system crossing the Timor Trough from the Field to the onshore plant site may involve either one pipeline of 24-inch (24”) diameter or two 18-inch (2x18”) pipelines. The base case is a single 24-inch rigid carbon steel pipeline.

The pipeline routing across the Timor Trough has been fully surveyed and used as a basis for pipeline FEED engineering.



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 expanded in the future to a capacity of up-to 20 MTPA or four trains. Natural gas feed-stock 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 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.

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 country and increasing economic growth. Another benefit would be indirect employment to local community members, through various 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 in the project area but also in the country as a whole.

4.4.1.2. Activities Undertaken During 2020

During the pre-socialization of Land and Property at Beço in 2019, TIMOR GAP identified that there was a potential high expenditure for community resettlement in the future which was proposed by local community. With that, TIMOR GAP was considering a proposed potential alternative site for the LNG plant location at Natarbora, approximately 85km to the west of the original location (Beço).

The marine facility study at Natarbora was progressing ahead, and TIMOR GAP engaged HRW to perform marine facilities Pre-FEED. The Pre-FEED study was aimed to be done between August and September 2020, however, in July 2020, TIMOR GAP suspended the studies conducted by HRW, and all work related to the Natarbora LNG site

location was fully terminated in September 2020.

The compelling intention to hold LNG project is mainly laying on several upstream issues that must be settled before continuing Greater Sunrise Project. The discussion on relevant issues is ongoing between Greater Sunrise Joint Venture companies and both countries (Timor-Leste and Australia). These include Petroleum Mining Code, Production Sharing Contract (PSC), Fiscal Regime, and Upstream development concept.

In that regard, any activities related to the LNG plant including the site location for LNG plant will be on hold and subject to the decision agreement from all relevant parties.

4.4.1.3. TLNG Human Resources Development

One of the projections in the implementation of 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 many direct jobs can be created during the construction phase and out of which approximately 30% can be captured by local Timorese nationals. In addition, it is predicted that during the operation of LNG plant, a number of permanent jobs will also be created, with a big portion can be captured by Timorese nationals and subsequently the number will be gradually increased onwards as necessary.

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 commences. 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.

Aligned with this, TIMOR GAP planned to recruit and train up to 250 young graduates from technical schools and universities across all Timor-Leste Municipalities and RAEOA. For this purpose, TIMOR GAP contracted Cegelec Oil & Gas, a renowned French based specialized oil and gas training company, to undertake both recruitment and provision of fundamentals training, a program that is expected to be delivered in several phases. The first phase, mainly targeting young technical graduates from the affected community of Beço, Village of Maluru, Municipality of Viqueque, was initiated in 2018 with the recruitment of 31 candidates.

The above mentioned 31 trainees completed a 4-months fundamentals training at CNEFP Tibar, on June 2019. Upon the completion of the fundamentals training, it is anticipated that the best and top 25 out of 31 trainees will

be sent to PT Badak LNG facility in Bontang, Indonesia, for 18-months of intensive OJT. With this view, TIMOR GAP has been liaising with Badak LNG to further discuss on specifics of the Contract Agreement between both Parties for OJL Program. The company also involved Cegelec Oil & Gas to discuss a Service Agreement, pursuant to which the latter is engaged to assist TIMOR GAP in reviewing and inspecting, once in every two or three months, the OJL Training Program implementation in PT

Badak LNG, Bontang, Indonesia.

Due to the global COVID-19 pandemic and the travel-restrictions and ongoing discussion of the Greater Sunrise field project by Joint Venture and Governments, TIMOR GAP decided to re-assesse the training program through consultations with all relevant stakeholders prior to award the contract with PT Badak LNG and Cegelec Oil & Gas and execute the OJT program.



Figure 4-14: Meeting TIMOR GAP, MPM and the young trainees from the Beaco community in regard to the OTJ training program

4.5 Highway

4.5.1. Overview of Highway

The Suai to Beaco 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 Beaco. 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 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 Ministry of Public Works.

The highway will be spilt 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 – Beaço – 52.6 km

Highway Phase I – Section 1

Shown below is the section 1 connecting Suai to Fatukahu/Mola, a 30.4km corridor inaugurated and open for traffic in 2018. Timor-Leste's first highway marks the achievement of an important milestone to the development of the country's transport infrastructures and physical connectivity.



Figure 4-15: Highway connecting Suai to Fatukahu/Mola

4.5.2. Highway Phase II

Phase II comprises the construction of the Highway Section 2 connecting Fatukahu/Mola to Betano, where the Refinery and Petrochemical Complex is anticipated to be built. The Section 2 has a total length of 34.3km, designed to include 6 bridges, road alignment and several intersections.

The procurement process for the re-design of the Highway Section 2 was concluded on 2020, and the successful bidder is expected to be announced by the National Procurement Commission on early 2021. The re-design project's purpose is to realign the Highway Section 2 route, in observance with the currently existing communities along the pathway.

5. Institutional and Human Capital Development





Figure 5-1: TIMOR GAP's Human Resources core values

HIGHLIGHTS OF 2020

TIMOR GAP's core success lies predominately on its institutional capability and human capital.

- In the context of the global Covid-19 pandemic, TIMOR GAP set in place a set of preventive measures, such a remote working system, mandatory use of facial masks and hand sanitizer in the office, bringing at the fore the employee's well-being and health;
- Several online training and courses were delivered by Shlumberger to the Upstream Business Unit staff;
- A total of 6 employees are currently on Study Leave, undertaking their Master Studies in international accredited universities;
- Several internal policies and procedures were created and/or amended and endorsed by the new Executive Management and the recently appointed Board of Directors;
- TIMOR GAP, as Sunrise Joint Venture partner, was actively engaged in the social investment program during the year, including several social and communities actions.



5.1 Overview

TIMOR GAP's core success lies predominantly on its institutional capability and human capital, one of the main areas that has been strategically invested since the establishment of the National Oil Company. Although challenges remain ahead, we firmly believe that, having established a strong institutional and human resources foundation over the years, TIMOR GAP was able, with a greater effectiveness, to respond and adapt to the significant changes brought by the global Covid-19 pandemic, while continuing its operations.

In this context, a set of preventive measures are enacted to respond to the health crisis at hand and safeguard the well-being and health of our employees, this covering the introduction of a remote working system, supported by an efficient digital platform, and, once the office work resumed, health regulations were strictly followed and promoted within the company. Our human resources management; Quality, Health, Safety and Environment (QHSE) department; and Information & Communication Technology system played an import role navigating the company through this unprecedented time, and thus, will remain subject to a continuously update and improvement in the forthcoming years.

Aligned with the above, TIMOR GAP

continued to implement a human resource strategy based on recruiting the right talent, managing, training, developing, rewarding, motivating and retaining, and through this, create a healthy culture and positive work environment. To unswervingly support this strategy, new and amended policies and procedures were approved and set in place during 2020.

TIMOR GAP fosters a strong Quality, Health, Safety and Environment (QHSE) culture and mind-set amongst all employees, regardless of their job duties or position, and this remained with the upmost importance during 2020, due to the pandemic outbreak. In addition to the mandatory safety and health precautions adopted, we have continued to ensure that all TIMOR GAP's activities are delivered and aligned with the highest quality, health and safety, and environmental standards, while conducting internal and external QHSE annual audits.

TIMOR GAP continues at the forefront of Information & Communication Technology by implementing an efficient and up-to-date Information Management System, aiming to maximize efficacy and productivity in our workplace, and the use digital platforms to enable access to jobs for their employees, when remote working model was adopted.

5.2. Human Resources Management

As we navigate through the unprecedented event from the ongoing Covid-19 pandemic, TIMOR GAP focuses on its most valuable resource: its human capital, for means to confront the challenges and find the solutions necessary to steer the company through the complex and significant changes and disruptions caused by this global pandemic.

Aligned with the above, in 2020, we strived to adjust our focus on business continuity as well as supporting organizational health, and with this, TIMOR GAP adopted a flexible and adaptive

approach to its human resources management, bringing the employees' health and well-being to the fore, as crucial to the company's continuity and its resiliency. In compliance with the Government guidelines, TIMOR GAP implemented a remote working system from 23 March to 8 June, 2020, and, as we resumed office work, a shift system was set in place in June 2020, allowing the employees to safely continue to perform their functions, while fostering shared responsibility and an open communication under a safe environment.

Throughout the year, the new Management continued to uphold the commitment of the former Management and thus, we continued to develop, refine and implement a strong and cohesive human resources management strategy, based on key areas as recruitment of right talent, development and training, performance management and career development. This is supported by inclusive and a solid human resources policies and procedures set in force in the company, providing the guidelines and orientations to a fair and equitable application of our principles and values. Our human resources policies and procedures consists on a dynamic and flexible set of tools, subject to continuous improvement and amendments as we move forward and where new challenges lay ahead of us. Several policies and procedures were reviewed and endorsed in 2020 by the new Management.

Since its establishment in 2011, one of TIMOR GAP's main priorities and greatest achievement is the underlying commitment placed in the continuous development and training of its human resources. Over the years, the company invested heavily on the unremitting development of its employees' competences and know-how, by adopting a long-term strategy based on the implementation of 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 interna-

tional business partners. This remains at the core of our human resources strategy and therefore, we adjusted and adapted, and continued to uphold our commitment through the global pandemic by providing our employees the opportunity to undertake online training, with our international partners such as Schlumberger. Although challenges remain at this level, we will continue to seek for further and diverse online training opportunities, during the ongoing pandemic.

In addition to the opportunities offered by the company, our internal training and development policies also facilitates a study leave for those employees who wishes to pursue higher education studies, generally through prestigious scholarships awarded by foreign Governments. In such cases, the employee is entitled to take study leave for the period of his/her studies. We safeguard and give guarantees to our employees with job security, while they invest on their own professional valorization and providing future contribution to the company.

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.

5.2.1 Employees

As of 31 December 2020, TIMOR GAP employed a total of 134 employees with a gender breakdown of 37 female and 97 male. This number is expected to gradually rise in the next years, following the growth and development of the company, and expansion of its upstream and downstream business portfolio, as well as, a staff increase in back office functional areas to adequately support our core businesses. In 2020, and following the TIMOR GAP's organizational restructuring, a recruitment process for several positions within the company was cancelled, as it is no longer reflected under the new and current structure and priorities of the company.

TIMOR GAP's staff are composed by experienced professionals and graduates with varying skill-sets and expertise. We employ predominantly technical, highly qualified staff with Masters Degrees and Bachelors in a wide range of business and technical areas. In fact, 85% of our employees hold a higher educational degree, with Masters and Bachelor, or are currently undertaking one of the previous mentioned degrees.

As a State-owned company, we prioritize and primarily recruit from the national talent pool, as 93% of our employees are Timorese citizens, while the remaining 7% corresponds to expatriate staff contracted to fill the technical skill void that nationals are yet unable to fulfill. Consultants with highly specialized skills and expert knowledge are engaged, from time to time, through Service Agreements to provide consultancy services for business units and/or specific projects.

In addition to our head offices, TIMOR GAP employs staff in its projects developed in the field, such as our Jet Fuel Depot in Suai Airport and TIMOR GAP's Fuel Station in Suai, Covalima, with additional fuel stations expected to be established in other Municipalities. In field projects, we prioritize, whenever appropriate, the recruitment of local staff, providing employment opportunities and promoting a greater local participation. The Suai Airport Jet Fuel Depot and Suai Fuel Station employ a combined total of 12 local staff.

TIMOR GAP will continue to strive to uphold its com-

mitment to maximize the local content participation in its projects and this requires an 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 and business partners. Projects developed in the field, such as the above Suai Fuel Station and Suai Airport Jet Fuel Depot, employ exclusively local staff, fully trained with our business partners on the performance of their job duties and responsibilities.

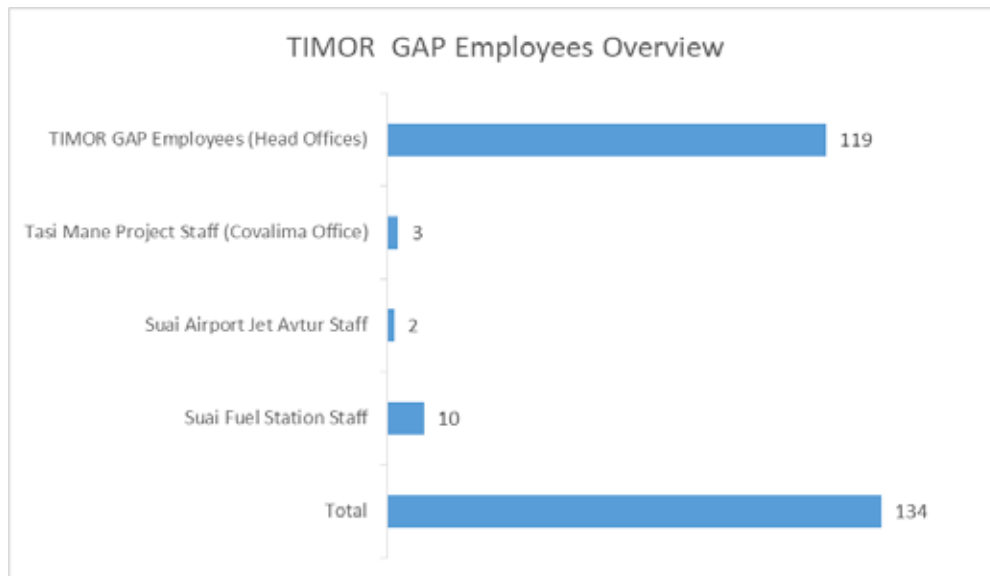


Figure 5-2: TIMOR GAP employees' overview



Figure 5-3: TIMOR GAP employees by gender (left); National and international employees and/or consultants (right)

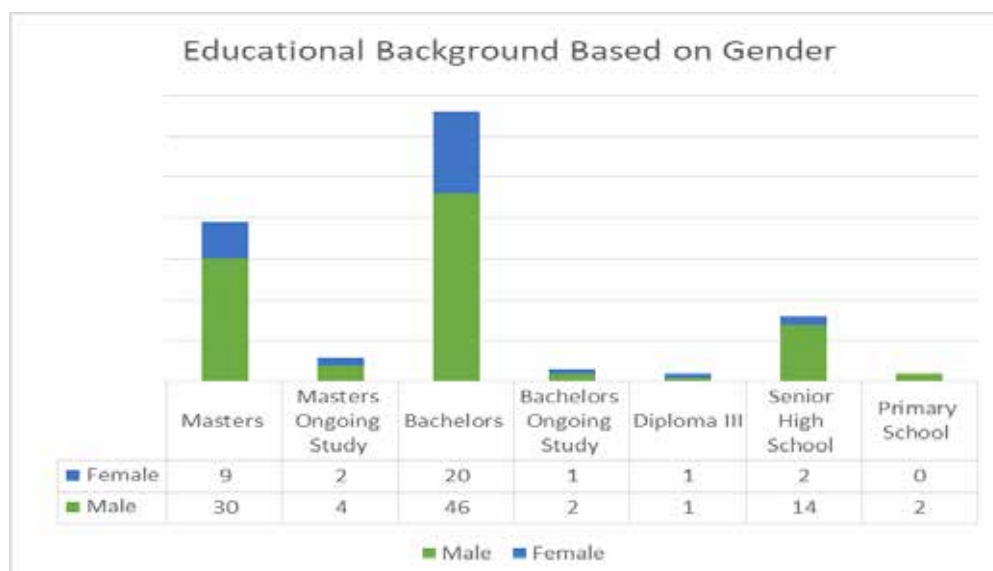


Figure 5-4: Educational background based on gender

5.2.2. Career Development

We shape our career development approach on our belief that by empowering the right talents and providing them a conducive environment to grow, they will perform at their best. With this in view, the company aims to attract, recruit and retain the best from the national talent and skill pool and offer competitive and attractive career development opportunities.

In line with the above, TIMOR GAP devised an individual development path which integrates selection, recruitment, training, assessment and progression/promotion. The objective is to align both individual career goals with the strategic objectives of the organization for an effectively and successful accomplishment of the company's mission and objectives, while promoting job satisfaction and motivation amongst our employees.

We standardize our selection and recruitment procedures, recruiting based on the company needs and through a competitive and on merit-based process with equal opportunities and gender equality. To ensure the rigorous adherence of these values and to guarantee that the recruitment and selection process complies with the highest applicable standards, a new Recruitment and Selection Policy and Procedures were established and endorsed by TIMOR GAP's recently appointed Executive Management and Board of Directors on the last quarter of 2020. This policy and procedures provide a clear and transparent standard for the recruitment and selection process, also establishing guidelines that facilitate this process in line with the strategy and objectives of TIMOR GAP.

Due to the pandemic related-restrictions and changes in Management, TIMOR GAP's annually performance review was not conducted during 2020. However, and following a restructure at the Management level, our Performance Management Review Policy and Procedures were subject to an extensive amendment to adjust the key performance indicators (KPIs) to the core values and strategy of the company, and provide a clear definition of what is expected of the employee in his/hers current position in relation to the units and the company's overall goals. This will allow TIMOR GAP to attain a great efficient in planning, managing, reviewing, and rewarding performance. The above policy and procedures were approved by the recently appointed Board of Directors in the third

quarter of 2020.

In addition to the amended Performance Management Review Policy and Procedures, the Management is planning to conduct an Integrated Performance Assessment for all employees of the company, including managerial positions. The purpose of this Assessment is to review the employees' performance against its grade's expected soft and technical skills, and adjust the remuneration package accordingly. The Integrated Performance Assessment is foreseen to be undertaken in 2021.

The recently amended Performance Management Review Policy and Procedures will also assist in defining and laying down a more accurate training plan for each employee. Human resources training needs are assessed against the current on-going projects and on an individual basis, considering the tasks and function assigned and the individual performance review results. In this regard, the Training Policy and Procedures are currently under revision and it is expected to be approved and enter into force on the second quarter of 2021.

In addition to the above-mentioned policies and procedures, this year, the following were also approved by the recently appointed Executive Management and Board of Directors and entered into force this year: Amendment of Leave & Working Hours Policy and Procedures; and establishment of Vehicles Use Policy and Procedures.

The Amendment of Travel Policy (single day travel) and establishment of Time Attendance Management Policy and Procedures were approved by the previous Management and entered into force in January, 2020. TIMOR GAP will continue to further improve and review its internal policies and procedures to maximize the potential and productivity of the company's staff.

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.

5.2.3 Training

Our most valuable asset are the employees at TIMOR GAP, and in order to successfully execute the company's strategy, it is imperative that the company provides the employees with the right tools to be ready equipped and

with the right skills to front these challenges. In view of this, TIMOR GAP from its establishment, continues and will strive to provide opportunities 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.

The Covid-19 outbreak and the measures set in place to respond to this global pandemic, had a significant impact on the courses, training, on-the-job training and second-

ments undertaken by the company's employees during 2020, this resulting in a limited number of courses and training conducted, where all the latter have been delivered in-house and with resort to virtual and online tools. Due to the pandemic travelling-restrictions, no secondment or/and on-the-job-training took place this year.

5.2.3.1 Courses and Training

In 2020, virtual training sessions from various training providers were attended by the Upstream Business Unit staff. These training sessions focuses on technical capacity building, with industry standard workflows and use

of the appropriate software designated and purchased by each Unit. The following courses and training were provided online:

a) Software Virtual Training with NexT (Schlumberger)

- **Petrel Fundamentals:** 15 employees participated in the Petrel Fundamentals course. This course introduced new users to Petrel functionalities with an emphasis on visualization, data organization and collaboration. The training covered Petrel project set-up,

data import & visualization, creating simple surfaces and grids and performing basic quality checks. The Studio Database has also been introduced to the technical team.



Figure 5-5: PETREL Fundamental Training Class 1, 2 and 3

- **Petrel Reservoir Engineering Series 1:** 8 employees participated in this training that covered different modules and aspects of field development planning, ranging from basic simulation workflow, input data

set up such as rock physics and fluid model, simulation run and results viewing to history matching and prediction.



Figure 5-6: Petrel Reservoir Engineering Training Class 1 and 2

- **Techlog (PETROPHYSICS):** 10 employees participated in this in-house course, which covered basic understanding of Techlog software functions, raw logs data processing, petrophysical calculations as

well as the data model within the Techlog platform and the foundation utilities for importing, exporting, and displaying data in the system, including core and image.



Figure 5-7: Techlog Fundamental Training Class 1 and 2

- **PIPESIM Fundamentals:** 8 employees attended in this in-house training. The team participated in PIPESIM production system analysis software that provides steady-state, multiphase flow simulation for oil and gas production systems. This training covered in-

dividual PIPESIM modules for a wide range of analyses, including well modelling, nodal analysis, field planning, artificial lift optimization, pipeline design and equipment sizing.

b) Software Virtual Training with TNavigator (Geomodeler & Reservoir Model):

TNavigator is complete suite for geoscientist and engineer that cover static models' generation and dynamic modelling and simulations. These two days course was delivered to the upstream technical team in order to familiarize with the software and its functions. The course covered seismic display and interpretation, well log interpretation and facies properties, structural modelling, geostatic modelling and dynamic modelling.



Figure 5-8: TNavigator training

5.2.3.2 Workshops and Seminars

a) TIMOR GAP symposium on “Uphold the values and principle of self-determination through the effective petroleum resources management”

On 20 November, 2020, TIMOR GAP organized a one-day symposium on “Uphold the values and principle of self-determination through the effective petroleum resources management”. For this symposium, TIMOR GAP invited key speakers to share their range of experiences in the Oil & Gas development from their respective countries and with an analysis from a Regional and Global Geostrategic Perspective on how their business established, their main achievements and the challenges going forward.

In addition, sessions with the representatives of F-FDTL and RENETIL were also conducted, with its representatives delivering on the evocative topic of sovereignty. Aligned with this, TIMOR GAP employees had the opportunity to contemplate the country's history and enrich their knowledge, aiming at further develop TIMOR GAP as the National Oil Company and, more importantly for the prosperity of the Nation, instigating, through the referred symposium, a reflection of the current situation with an enthusiasm for the future improvement.



Figure 5-9: TIMOR GAP's one-day symposium on "Uphold the values and principle of self-determination through the effective petroleum resources management"

b) Workshop with F-FDTL

TIMOR GAP participated in the workshop dedicated to the oil and gas related activities, organized for the Timor-Leste Defense Force (F-FDTL), on 15 October, 2020, held at the headquarters of F-FDTL. On the afore-said workshop, which also included the participation of ANPM and TIMOR GAP delivered a presentation on "Strategic Management of Petroleum Activities" aimed at

share TIMOR GAP's vision and mission, as the National Oil and Gas Company, and disseminate the company's current activities and projects, providing a wider and detailed information on TIMOR GAP's priorities and its impact on the country's welfare and future economic development.



Figure 5-10: TIMOR GAP presentation on "Strategic Management of Petroleum Activities" for F-FDTL

c) Seminar with the Faculty of Engineering, Science and Technology – Universidade Nacional Timor Lorosa'e



Figure 5-11: Seminar with the students of the Faculty of Engineering, Science and Technology

TIMOR GAP attended, as a key speaker, the seminar held in the Auditorium of Universidade Nacional Timor Lorosa'e (UNTL), on 27 November, organized by the students of the Petroleum and Geology Department of the referred University. Under the topic “*Futuro Timor-Leste husi Prespetiva Rekurso Petroleo no Minerais*” (the future of Timor-Leste from the perspective of petroleum and minerals resources), the seminar aimed at sharing infor-

mation with relevant stakeholders (students and lectures of Universities) regarding Timor-Leste's future from the perspective of Petroleum and Mineral resources development in the country, following the commemoration of the 45th Proclamation of Timor-Leste Independence. Both Presidents of ANPM and IPG were also in attendance.

d) Seminar with Universidade Oriental Timor Lorosa'e (UNITAL)



Figure 5-12: Seminar with UNITAL

TIMOR GAP participated in the seminar held in the Auditorium of Universidade Oriental Timor Lorosae (UNITAL), on 17 October, organized by Asosiasaun Engenêria Petróleo Timor-Leste (AEP-TL) and the students of Petroleum Department of UNITAL. The seminar focused on the topic “*Gestaun Recurso Petrolíferu iha Futuro após*

Impase Politico” (the future of the petroleum resources management upon the political impasse) with the purpose to update and share information to stakeholders (Universities), in regard to Timor-Leste’s petroleum development plan in the future. TIMOR GAP attended this seminar as a key speaker, alongside with ANPM and IPG.

5.2.3.3 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 enable them to improve and provide future contribution to the company.

In 2020, 4 employees returned to the company after completing the following Master’s Degrees:

- Master Degree in Computing at Institute of Technology of Auckland, New Zealand, under New Zealand Development Scholarship;
- Master Degree in Petroleum Geoscience at Victoria University of Wellington, New Zealand, under New Zealand Development Scholarship;

- Master Degree in Petroleum Geoscience at University of Western Australia, Perth, under Australian Awards Scholarship Program;
- Master Degree in Project Management at University of South Australia (UNISA), Australia, under Australian Awards Scholarship Program.

During this period, our employees continued their studies or/and were successfully awarded competitive scholarships programs from countries such as Australia and Japan, and academic courses in international renowned universities, as following:

- Master Degree in Professional Accounting at University of South Australia (UNISA), Australia;
- Master Degree in Business Administration at International University of Japan (IUJ), Japan.

5.2.4. Corporate Culture

Corporate culture is the soul of the company and what enables us to grow, adapt to the continuously changing market and environment, and to shield ourselves from external adversities and challenges. A resilient company will respond better and more efficiently to challenges, as in light of the ongoing Covid-19 pandemic, 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, instigate and incorporate 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 his/her job duties, which results in employees working as a team to meet the company’s and their own

individual and professional goals.

Although this year the number of initiatives were limited, mainly due to pandemic-related restrictions, the new Management of TIMOR GAP continued to strive to maintain a constructive, motivating and open working environment by promoting an open and transparent communication between the leadership and the employees. The new Management is committed in facilitating a two-way communication that values the employees’ feedback and ideas, and this way, communicate more effectively with employees, achieving a more efficient, productive and satisfying work environment. All staff meetings are conducted with the aforesaid purpose of actively listening and value the contributions and well-being of our employees.



Figure 5-13: TIMOR GAP's all staff meeting

5.3. Corporate Social Responsibility

5.3.1. Sunrise Joint Venture Social Investment Program

As a majority shareholder of the Greater Sunrise, TIMOR GAP is engaged in the Social Investment program, a social and health welfare initiative created by the Sunrise Joint Venture (TIMOR GAP, Woodside and Osaka Gas) and implemented in close collaboration with local Non-Governmental Organizations (NGOs) and international organizations. This Program demonstrates the Sunrise Joint Venture's commitment to community involvement and to a long-term sustainable development, and through it, to contribute towards achieving Timor-Leste aspirations in a manner that is complementary to the SJV's future development of Greater Sunrise, while building long-term and meaningful relationship with the communities where the Joint Venture develops its operations.

The intended outcome is to participate in meaningful social investment to develop the wellbeing and capability of Timor-Leste nationals, particularly to contribute towards delivering training, education and health/nutrition programs, and with this, build positive relationships and enhance SJV reputation by bringing social and economic benefits to the Timorese community, respecting Government priorities and activities.

Aligned with the above, SJV partnered up with ALOLA Foundation in 2014, to support "SUKU HADOMI INAN HO OAN" (SHIO) program in Aileu and Ainaro villages.

The program focuses on capacity building activities in order to promote maternal health, infant and young child feeding, including cooking demonstration, community health discussion, counseling and referral. It also provides support to the health workers in the villages. For this program, on 21 August, 2020, TIMOR GAP participated in the visit to ALOLA SHIO program in Suco Lahae, Aileu Municipality, which focused on mothers and infants' health care.

The SJV's commitment within the healthy nutrition area is showcased through the partnership with HIAM HEALTH, with the mission to deliver nutrition and agriculture programs to Timorese communities. The HIAM program provides agriculture and nutrition trainings to communities and schools aiming at improving nutrition status and economic wellbeing; creates market linkage between the community/farmers groups and traders. In regards to the latter, HIAM purchases crops directly from the community and sells them to the market. The program also implemented a school nutrition garden at four selected primary schools in Atabae Sub-District to support school's feeding program and cash for the school. In August 2020, TIMOR GAP participated, alongside with Woodside and ANPM, in the site visit organized to the HIAM HEALTH "To'os Ba Nutrisaun" program in Aileu Municipality. A field trip was also organized to the "To'os

Eskola ba Nutrisuan” (School Nutrition Garden) program developed in Elementary School of Tutubaba, Atabea, and in the Elementary School of Ailok-Laran, Atabae, in Maliana Municipality. These field trips are conducted with

the purpose of monitor the program execution and progress, including the identification of the impacts that the program brought to its beneficiaries and HIAM HEALTH main achievements as the program executor.



Figure 5-14: ALOLA’s “SUKU HADOMI INAN NO OAN” program in Suco Lahae, Aileu



Figure 5-15: HIAM “Toos Eskola ba Nutrisaun” program in Maliana (top); HIAM “Toos ba Nutrisaun” program in Aileu (bottom)

The SJV also partners up with RYLA (Rotary Youth Leadership Awards), an independent organization of ROTARY, with the purpose to deliver leadership training to young Timorese, in the 19-27 age group. Annually, RYLA-TL organizes a week-long camp for 85-100 participants aiming at training young Timorese in the area of leadership and life skills teamwork, communication and motivation.

A three month internship program for 21 people is also organized every year, from 2016 to 2018. Since 2019, the internship duration has been increased to six months for 15 people, with placement at local NGO's in Timor-Leste. In September 2020, TIMOR GAP participated in the interviews for the candidates to the leadership training program.

TIMOR GAP also participate in the RYLA-TL Conference 2020 held on October, to celebrate the launch of the 2020 program, a conference also attended by the former President of Timor-Leste and Noble Peace Prize Laureate,

Mr. José Ramos Horta, the Timorese Army Commander, General Lere Anan Timur, and a representative of Woodside.



Figure 5-16 : RYLA-TL Conference 2020

The RYLA-TL also organizes community services programs focuses on leadership and conflict resolution, tree planting and environmental activities, blood donation, and other youth related-activities. On 21 November, 2020, TIMOR GAP, accompanied by ANPM and Woodside, visited the community service program run by RYLA-TL, with the support of SJV, in Valu-Sere, Tutuala, Lautem Municipality, a community program that provides protection and emergency response to save wildlife animals

in Jaco Island. In cooperation with local fishermen, the program seeks to provide drinking water to wild deers and other animals with natural habitat in Jaco, which are being affected by the prolonged dry season threatening their survival. During this field trip, was collected data to elaborate a map of potential underground water resources within the Island and afterwards, upon the due selection, a borehole is expected to be drill in the third quarter of 2021.



Figure 5-17: RYLA-TL Wildlife Program in Jaco (left); TIMOR GAP team (right)

5.4. Information & Communication Technology (ICT)

In 2020, TIMOR GAP Information, Communication & Technology (ICT) came across many challenges due to the global pandemic of Covid-19 disease. Despite limitations, TIMOR GAP ICT is essential to the company's development plan in providing digital services as efficient and productive as possible. It remains a priority to deliver maintenance support, upgrade and acquire high-end quality hardware and software to meet the needs of all business areas, especially in the upstream; the Geology and Geophysics (G&G) and the Reservoir Engineering (RE) department. In the last final quarter of the year 2020, TIMOR GAP Upstream Business Unit under the G&G and RE had its current licenses upgraded from standalone modules to a floating license, enabling the petro-technical user to effectively manage the use of core modules.

Similarly, TIMOR GAP continued to improve its integrated business processes, particularly focusing on the Enterprise Resource Planning (ERP) system, known as SAP ERP (System, Application and Product). TIMOR GAP acknowledged that the continual transformation is critical to adapt to the dynamic changes in digital business. System enhancement to SAP S4 HANA from current ERP system is crucial and we are highly committed to the continuous improvement of our system and to boost our business performances to meet the best standard practices in Oil & Gas industries. TIMOR GAP recent changes in management and organisation structure have had impact on some of its processes, however, it is all manageable and a new retrofit process is on a continual basis to adjust the configurations to accommodate recent changes.

Networking system is one of the crucial components in ICT, which allows TIMOR GAP to connect, communicate and share business values to its main stakeholders and all business partners across its domain. The use of Internet is fundamental to primarily support our communication needs such as e-mails, data sharing and most importantly online virtual meetings. We are committed to upgrade the internet speed to a maximum standard and meeting

our business communication needs without any major effect on the expenses. Furthermore, TIMOR GAP is preparing to move from its current mailing system platform from IBM Domino to Microsoft 365 in cloud to reduce the potential risk in mail exchange and data loss.

As the growth of internet threats and attacks increase, TIMOR GAP also seeks more efficient and innovative solutions to enhance its network security system to ultimately secure the company's information and data at the ultimate protection. With the ICT Security Audit report which was completed in 2019 by a third-party consultant, COMPNET Indonesia, the ICT team has been able to identify new technologies and requirements to adjust with a new network layout to support network segmentation and improve overall to network security and performance.

On top of all, TIMOR GAP ICT is fully committed and aimed to provide high quality of support in the implementation of Information Management System (IMS) and to assist and support the company in applying standards and governance to its data and assets professionally. Therefore, TIMOR GAP has successfully attained the ISO 27001 toolkit to help ICT team developing standard policies and procedures by gradual endorsement and implementation of Information Security Management System or known as ISMS.

Going forward, TIMOR GAP is devoted to support its Geographical Information System (GIS) to produce a foundation to Data Governance and Policy setup, with the aim to establish a centralized spatial data management and to provide GIS support to all TIMOR GAP business unit requirements.

Table 5-1: Overview of major software used at TIMOR GAP both technical (left column) and corporate software system (right column)

5.5. Legal Department

During the 2020 financial year, the legal team, was made up of three lawyers, a commercial counsel, a legal analyst, and a corporate governance advisor who also undertook legal assignments. The law firm Miranda was employed at various stages and tasked by TIMOR GAP for various

matters. The main duties of the legal team were to draft contracts, overview PSCs, and participate in negotiations with various parties, over joint venture partnerships, and preparations for PSCs for those partners.

5.6. Quality, Health, Safety and Environment (QHSE)

Quality, Health, Safety and Environment (QHSE) values and principles are at the forefront of TIMOR GAP's priorities, remaining of a paramount importance to our operations and business activities. We embrace such values and a safety mind-set to form the core of TIMOR GAP's

approach to its daily operations, projects' planning and execution, provision of services, employees working environment, and response to external health crisis, such as the Covid-19 pandemic.



A safe work environment is a productive work environment.



SAFETY FIRST

QHSE plays a significant role during the initial phase and current ongoing situation surrounding the global pandemic, Covid-19. In order for TIMOR GAP office to remain a safe environment to work and receive visitors, the company introduced preventive measures in line with the Government and the World Health Organisation guidelines and when these procedures and preventive measure

are set in place, it provides the premises of TIMOR GAP safety and reassurance to employees and visitors alike. As the country continues to fight the ongoing threat of Covid-19, TIMOR GAP, through the QHSE department, will follow with close attention any further update on the ongoing situation and be ready equipped to react to any given change in order to keep its employees and working

environment safe.

Our QHSE department actively pursues the implementation and follow-up of the QHSE requirements, having developed for this purpose, its Action Plan 2019-2021, setting a direction for achieving TIMOR GAP's objectives and strategic goals. This Action Plan includes the QHSE goals to promote good standards and practices to protect employees, the environment, and company's property; to generate human capital with the knowledge and competence to promote health and safety; and to change the company's culture from Pathological or Reactive to Calculative.

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 2020, in order to fulfil the Objectives, Targets and Programs (OTP) set out for this year, QSHE unit continued to implement a few programs and actively participate in works with other business units; monitoring the company's activities; conducting IMS internal audit and surveillance audit; as well as to perform regular activities such as inspection of safety equipment and safety briefings. These activities are described below.

5.6.1. Integrated Management System (IMS)



Figure 5-18: TIMOR GAP's IMS Logo

TIMOR GAP's Integrated Management System (IMS) was recognized with the awarding of the International Organization for Standardization (ISO) certificate, from the international certification body DNV GL Singapore.

TIMOR GAP is the first company in Timor-Leste to be awarded with an ISO certificate for its IMS, through which, the QHSE department can provide full support to TIMOR GAP business units' work to guarantee the quality of the work; the safety of the employees; protection of company assets and properties; and minimal effect of the projects to the environment.

The IMS has been continuously improved since its implementation, and continues in complying with the new ISO standard requirements. In line with this, and following a surveillance and upgrading audit, in 2018, 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).

To evaluate the effectiveness of the implementation of the IMS, TIMOR GAP undertakes internal audits yearly, verifying the compliance of the company Projects and/or Process implementation are in line with ISO standard requirements. An internal audit was conducted from 7 to 11 October 2019 involving QHSE Internal Auditors from all units, fully trained and certified for this purpose.

Following the above-mentioned internal audit, a surveillance/external audit was carried out from 18 to 21 November 2019, with focus on IMS & all Units processes and its procedures. This audit is performed annually by the certification body, in order to review and ensure if the system is continuously maintained and improved and that it remains in compliance with the mandatory ISO standards requirements.

5.6.2. Occupational Health and Safety

TIMOR GAP adhered to the philosophy of "SAFETY FIRST", always putting safety and wellbeing of employees at the top priority. This remained of the utmost importance during 2020, as in response to the global Covid-19 pandemic, TIMOR GAP adopted a set of preventive measures safeguarding the safety and health of all employees, and through this, guaranteeing a safe working environment and allowing the company to proceed with its operations, avoiding risk situations, and essentially, being "Covid-secure". Hand sanitizers and facial masks were made available for all employees, implemented a safety distance among employees, limited the number of attendees in meetings, all measures applied in accordance with the Government and WHO guidelines.

In addition to the above, TIMOR GAP continued to identify, assess, control and monitor health and safety issues arisen from various TIMOR GAP's activities, through the procedures and guidelines developed to provide the processes needed in the assessment and management of risk, incident and accident, either in the office environment or in the field and during operation.

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.



Figure 5-19: Safety briefing during H.E. Minister of Petroleum and Minerals visit to TIMOR GAP

In line with this, regular activities are performed routinely by the QHSE department as better described in the table below.

Activity	Objectives
Safety Briefing	Delivering information about safety prior to departure in order to increase safety awareness during the journey
Safety Induction	Given to visitors to TIMOR GAP office to introduce the safety layout during emergency situations
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
First Aid Kit Provision	Providing First Aid Kits to employees travelling to the districts for medical treatment during journey
Emergency Drill	Carrying out regular emergency drill at the main office to help employees to be better prepare for any emergency situation. The drill help familiarize staff with the evacuation route and safety practices
Covid-19 Preventive Measures	Prevention and awareness to employees on the global pandemic, from disinfecting and to have readily accessible hand sanitizers and masks to all employees and visitors in the premises of TIMOR GAP

Table 5-2: TIMOR GAP's QHSE routine activities

Emergency Drills are essential for employees to familiarize a swift and coordinated exit to safety in case of an emergency. TIMOR GAP conducts, in line with applicable emergency protocol and procedures set, emergency drill simulations in its offices at Timor Plaza. However, due to the pandemic related restrictions in place, no emergency drills were carried out during 2020.

Regular inspections are conducted to the company's facilities and its process, evaluating the effectiveness of the implementation of the Health and Safety Management System. In 2020, a Health, Safety and Environment Inspection was conducted to TIMOR GAP's Fuel Station in Suai, with the participation of ANPM, aiming to verify the compliance with the Environmental Management Plan, Downstream Regulation, Labor Code and Suai Fuel Station Standard Operational Procedure (SOP). The license for the Fuel Station and gasoil storage in Suai is valid until 2021.

Additional cooperation with ANPM for an educational video was produced, production and picture of the video were of TIMOR GAP's Fuel Station in Suai. The aim is to educate and for awareness purposes for the public, on the licensing process for a fuel station and other related petroleum activities and/or businesses.

Throughout the year, inspections were also conducted to TIMOR GAP's Aviation Fuel Depot within the Suai Airport. As part of the requirement from ANPM, QHSE department is assisting in the drafting of an Emergency Procedure for the Suai Aviation Fuel Facility, and this Emergency Procedure will provide the outline procedures during an emergency circumstances throughout the operation on the Suai Aviation Fuel Facility, outlining a set of procedures to respond foreseeable emergency situations occurring during its operations. These procedures adopt the framework of the emergency procedures from the Air British Petroleum's OMEGA.

5.6.2.1. Hazard Identification, Incident/Accident Management and First Aid

Hazard Identification, Risk Assessment and Control (HIRAC), Incident/Accident Records and First Aid are some of the components applied to manage occupational health, safety risk to employees and assets, and to mea-

sure the company's HSE performance. All these are part of the IMS implementation throughout the company activities. Further details for this year HSE performance are presented below.

Components	Objectives	Application in 2020
Safety Briefing Hazard Identification, Risk Assessment and Control (HIRAC)	The HIRAC form identifies 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 safety issues, environment and quality of the process or activity.	10 reports were collected during this year, and properly addressed in a timely manner by each responsible unit and actions taken accordingly.
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.	No incident/accident reports were collected this year.
First Aid	First aid is provided, either at the office or in the field, by competent or certified First Aider to other employees who are feeling unwell or are injured at workplace	No first aid assistances were reported this year.

Table 5-3: HIRAC, Incident/Accident and First Aid objectives and application in 2020

5.6.3. Environment Management System

TIMOR GAP abides with the applicable law and fulfills its responsibility with the environmental protection by conducting studies for all projects under its 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. An Environmental License is issued to the project upon the EIS and EMP endorsement by the environmental authorities

As project owner TIMOR GAP has followed thoroughly through all requirements of the EIA process such as public consultation and socialization with relevant stakeholders, open meeting, group discussion, survey or presentation and other requirements. In regards to the company's Tasi Mane Project, an extension was requested for the Suai Supply Base Environmental License and the process is currently ongoing. As part of this process, the Suai Airport has been successfully separated from the Suai Supply Base project for licensing process now in also in the future. This is requested because the Airport is completed and under the management of the Ministry of Public Works and its operation is under Aerial Navigation and Airports of Timor-Leste (ANATL, E.P.).

In addition to the Tasi Mane Project, TIMOR GAP carries out environmental site assessments as an initial phase of the project implementation, to evaluate potential environmental impacts and hazards on the surroundings. Environmental site assessments for the new fuel stations in Dili, Lautém, Baucau and Special Administrative Region of Oecússi-Ambeno, were conducted on the fourth quarter of 2020, and the reports submitted to the Management consideration.



Powering development
respecting the environment.



6. Corporate Governance



6.1. Legal Framework

Pursuant to the Decree-Law no. 31/2011, of 27 July, TIMOR GAP - Timor Gás & Petróleo, Empresa Pública (TIMOR GAP, E.P.) is established for the purposes of holding and managing, under a corporate structure and in accordance with business principles, the assets owned by the State of Timor-Leste in the oil sector assigned by law. TIMOR GAP is governed by the above referred Decree-Law, its By-Laws, the internal regulations and, on a subsidiary basis, by Decree-Law no. 14/2003, of 24 September, and the additional legal framework applicable to State-owned companies.

As a State-Owned company, TIMOR GAP is under the

supervision of the Ministry of Petroleum and Minerals, the body of the direct administration of the State responsible for the supervision of the petroleum sector. Notwithstanding the autonomous nature of the TIMOR GAP, all business activities and strategic direction of the company shall be aligned in accordance with the Government strategic direction and objective for the sector, as set by the supervisory body.

The company comprise the following main corporate bodies: a) Board of Directors; b) Executive Committee; and c) Audit Board.

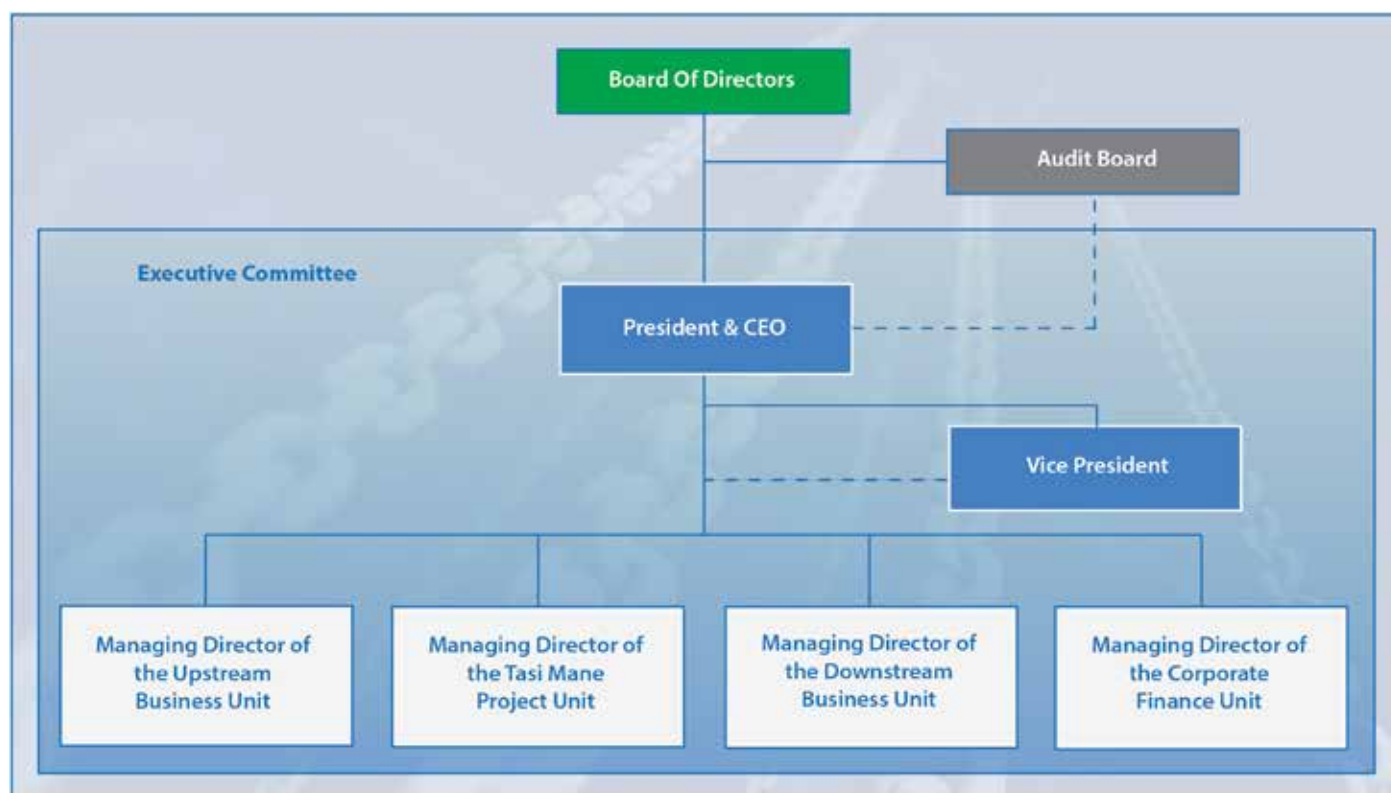


Figure 6-1: Organization Structure of TIMOR GAP, E.P.

The Audit Board is the body responsible to monitor the legality, correctness and sound financial and asset management of TIMOR GAP, ensuring compliance with laws, statutes and regulations in force, as well as budget, financial and asset management of the Company.

The Audit Board comprises three members appointed by joint ministerial order of the Minister of Finance and the Government member responsible for the oil sector for a

term of 3 (three) years, renewable only once. Since TIMOR GAP creation in 2011, the Audit Board has not yet been established. The Minister of Petroleum and Minerals, as the Member of the Government responsible to supervise TIMOR GAP's activities and functioning, is committed to establish the Audit Board within 2021.

The mission, powers and members of the Board of Directors and the Executive Committee are described below.

6.2. 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 four 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. In respect to other members, Minister of Finance shall appoint one member to represent the Ministry of Finance and the member of Government responsible for the petroleum sector shall be responsible for appointing and dismissing the remaining members. The term of office of the members of the Board of Directors shall be four (4) years and may be renewed for equal periods.

In July 2020, Mr. António de Sousa, who previously served as a BOD member since 2011 and as Vice President since 2014, replaced Mr. Francisco Monteiro in his capacity as President of the Board and Chief Executive Officer (CEO). Mr. António de Sousa appointment as President and CEO of TIMOR GAP was endorsed by the Ministry of Petroleum and Minerals’ Dispatch no. 05/GMPM/VII/2020, of 8 July, in accordance with which, Mr. António de Sousa was appointed for a four (4) years mandate, ceasing in July

2024. Shortly after Mr. António de Sousa appointment as President and CEO of TIMOR GAP, and considering the new restructuring of TIMOR GAP’s BOD, in order to instill a new dynamic in the petroleum sector policy, the new Board members were also appointed in July 2020, namely: a) Mr. Gabriel de Oliveira; b) Mr. Amandio Soares; c) Mr. Francelino Boavida. The Board members were duly appointed through the Dispatches no. 06/GMPM/VII/2020; 07/GMPM/VII/2020 and 08/GMPM/VII/2020, respectively, for a four (4) years mandate until July 2024. The fourth Board member, Mr. Carlito Gama, was appointed on 17 September, through the letter ref. no. 149GM/VIII/GM-MF/2020-09, of the Minister of Finance, also for a four (4) years mandate.

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: a) 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; b) define general policies (commercial, financial, investment, environmental, human resources); and c) appoint and supervise the Executive Committee.

6.3. 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. The EC is composed by the Chairman of the Executive Management/“Chief Executive Officer” (CEO), who is also the President of the Board by virtue of his capacity, the Vice President and the Managing Directors of TIMOR GAP business units. The EC is chaired and

headed by the company’s President & CEO.

The BOD is responsible for the appointment the members of the EC, for a term not exceeding four (4) years, and who may be reappointed. On 24 July 2020, the BOD approved a new organization structure and appointed new members for the Executive Management, as schematically shown below on the Figure 6-2.

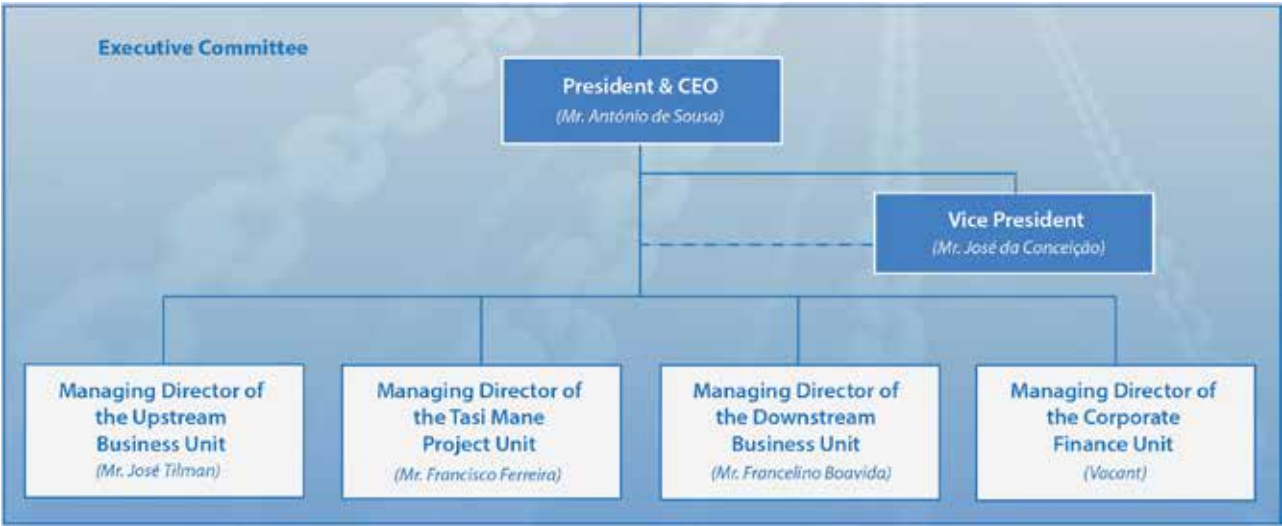


Figure 6-2: New Executive Committee structure and members

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



Mr. António de Sousa
President & CEO

Mr. António 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. Sousa has a long career with more than 20 years of experience in the field of oil & gas and specialization skills in reservoir engineering/simulation, geomechanics, and management. Previously he held a position as Reservoir Simulation Engineer and Business Development, in North Sea Non-Operated Assets, Subsurface Department, Premier Oil Plc, Aberdeen in Scotland, UK, and as a Reservoir Simulation and Geomechanics Engineer in Schlumberger Data Consulting Services, Paris, France. Mr. Sousa served as Timor-Leste's Commissioner for the JPDA and Timor-Leste's Alternate Commissioner for Greater Sunrise, between the period 2007 – 2018. Shortly after TIMOR GAP establishment in 2011, he was nominated Board Member of the company, and afterwards indicated as Vice President in September 2014. In July 2020, Mr. Sousa was appointed President & CEO of TIMOR GAP.



Mr. Gabriel de Oliveira
Member of the Board

Mr. Gabriel de Oliveira gained his BSc in Geology from the Institute of Technology of Adhi Tama Surabaya (ITATS) and his Master degree from the University of Évora, Portugal with major in Geosciences, in 2009. Mr. Oliveira has one year of experience as Head of the Laboratory of the Secretary of State for Natural Resources (SERN Timor-Leste) and more than eight years as university lecturer and Head of Department of Geology and Petroleum at the Timor Lorosa'e National University. In 2020, Mr. Oliveira assumed the role of President of the Institute of Petroleum and Geology – Public Institute.



Mr. Carlito Gama
Member of the Board

Mr. Carlito Gama holds a Degree in Economics by the Institute of Business (IOB), Timor-Leste, and a Master Degree in Public Administration, Specialization in Finance by the University of Brawijaya, Malang, Indonesia. Mr. Gama has over 19 years of professional experience within the finance area, having commenced his career in the Ministry of Finance in 2002 as Revenue Collector Regional Chief in Baucau Municipality, and steadily progressing to Chief of Section for Payroll Processing, of the General Directorate of Treasure, in 2011. Since 2017, he has performed the duties of Chief of the Payroll Department. Mr. Gama was appointed Member of the Board of Directors of TIMOR GAP in 2020. Unfortunately, Mr. Gama passed away recently.



Mr. Amandio Soares
Member of the Board

Mr. Amandio Soares graduated in 2005 with a Bachelor of Applied Science in Petroleum Geology, specialisation in Facies Analysis (Basin Analysis), from the Padjadaran University, Bandung, Indonesia. Mr. Soares has more than 20 years working in the oil and gas sector, holding an extensive career within the Ministry with supervision powers over the petroleum activities, as a Director for several National Directorates, Senior Geologist and Advisor. Previously, Mr. Amandio Soares performed the role of Senior Geologist at the Ministry of Petroleum and Minerals, being later appointed Senior Advisor to the Minister of Petroleum and Minerals. Mr. Soares joined TIMOR GAP in August 2020 as a Member of the Board of Directors and as Principal Advisor and Government Relation for the company.



Mr. Francelino Boavida
Member of the Board and Managing Director,
Downstream Business Unit

Mr. Francelino Boavida graduated in 2011 with a Bachelor of Business, Major in International Business with Minor in Applied Marketing from University of the Sunshine Coast, Queensland, Australia. He received an Excellence Award on Export Plan Development for an Australian Tank Liner Company during his final year of Study. Mr. Boavida has several years of working experience with Donor Organisations, such as, Work Bank - GTZ and USAID. He worked as Business Trainer and Marketing Specialist during six (6) years and later served as short term Business Development Consultant with DAI contractor of USAID's Private Sector Development Project. Mr. Francelino Boavida joined TIMOR GAP in 2012, as a Junior Chartering Analyst, professionally progressing through the years within the company. Mr. Boavida became Trading and Marine Chartering Team Leader in 2014, and Business & Trading Manager in 2016. He assumed the role of Deputy Managing Director of the South Horizon Offshore Services, Lda., successful leading the joint venture company to win the Bayu-Undan Topside Engineering Contract. Mr. Boavida become the Managing Director of the Downstream Business Unit and a Board Member of TIMOR GAP in 2020.



Mr. José da Conceição
Vice President

Mr. José da Conceição holds a Degree of Master of Laws (LLM) in International Oil and Gas Law & Policy, from Center for Energy, Petroleum, Mineral Law and Policy, University of Dundee, Scotland, UK. He also holds another Master Degree (MDip) in the area of International Business Law from London College, United Kingdom. In 2011, Mr. José graduated with BA Degree in Commercial Law and, in 2010, he obtained BTEC of HND in Law from Solent Business School, Law and Enterprise, Southampton Solent University, UK. In 2008, Mr. José completed Advance study for National VQ in Motor Vehicle engineering at Southampton City College in United Kingdom. Mr. José has an extensive work experience, including approximately 8 years as the Joint Petroleum Development Area (JPDA) and Legal Analyst for Timor-Leste Joint Commissioners for JPDA and Sunrise Commission, under the former President & CEO of TIMOR GAP. Mr. José also worked for almost 9 years for various companies in the United Kingdom and he was also a part-time lecturer for the final year of undergraduate students in the area of International Marketing and International Trade at Dili Institute of Business (IOB). In July, 2020, Mr. José was appointed Vice President of TIMOR GAP.



Mr. José Tilman

Managing Director, Upstream Business Unit

Mr. José Tilman holds a Master of Science in Petroleum Engineering, specialized in reservoir engineering, University of Stavanger, UiS – Norway. Mr. Tilman has over 18 years of experience in the oil and gas industry, and more than 9 years of experience in operating offshore production equipment, particularly dehydration and cold processes equipment, wellhead equipment and fractionation plant. He worked as mechanical operations technician, from 2003 to 2005, and as production technician, from 2005 to 2009, in the Bayu-Undan Recycle Project, in the Timor Sea. Mr. Tilman joined TIMOR GAP in 2012 and he has more than 9 years working for Exploration & Production (Upstream sector) of the company. Previous main roles with TIMOR GAP include leading and supervising teams of Drilling, Development & Reservoir Management and Business Support departments of E&P Unit. Other role includes performing reservoir studies for Bayu-Undan and Greater Sunrise fields, located in Timor Sea, on how to optimize development scenario for Greater Sunrise field as well as Bayu-Undan field post Production Sharing Contract (PSC) 2022, as part of resources management and optimization strategy. Currently, Mr. José Tilman holds the position of Managing Director for Upstream Business Unit, managing, leading, supervising and coordinating all upstream projects for the company.



Mr. Francisco Ferreira

Managing Director, Tasi Mane Project Unit

Mr. Francisco Ferreira holds a Diploma of Petroleum Engineering, from the Central Institute of Technology, Western Australia and a Bachelor of Petroleum Engineering, from the Dili Institute of Technology. Mr. Ferreira has been working in the Oil and Gas public institutions for more than 15 years. During the period of 10 years, he mostly worked as onshore Oil and Gas officer, with the role and responsibility to identify and map all the Oil and Gas seeps in the onshore area, also taking part on the first onshore seismic survey; took part with Universities and International Oil Company in the onshore Geological & Geophysical field survey covering the entire Timor Island, and has experience working with ANPM as a Downstream Analyst, with the role and responsibility to assist the Downstream Director in preparing the guidelines, as well as identify downstream business opportunities in order to stabilize the regulation related to the downstream activities. Mr. Francisco Ferreira has more than 8 years working closely with Tasi Mane Project as GIS analyst with the role and responsibilities of mapping all the south coast project site, leading the Interministerial Team to conduct the socialization, lands and properties identification, data collection and analysis, data publication and contract signature for the lands and properties affected by the project. In August 2020, Mr. Francisco Ferreira has appointed Managing Director for the Tasi Mane Project Unit of TIMOR GAP.

6.4 Governance

6.4.1. TIMOR GAP Strategic Business Plan

As the Covid-19 global pandemic deeply affected the energy landscape, and following the major changes in the Management of the company, the new Management is currently reviewing and updating TIMOR GAP's Strategic Business Plan, in order to set a more realistic time-

frame for its projects and programs and also to incorporate new projects created by the new Management. The new and reviewed Strategic Business Plan is expected to be completed in 2021.

6.4.2. 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 territory, 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.

6.4.3. 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.

6.4.3.1. Petroleum Fund Consultative Council



Figure 6-3: Dissemination of information on the Petroleum Fund, organized by the Consultative Council in Lospalos (left) and Covalima (right), with the participation of TIMOR GAP

Established by Petroleum Fund Law No. 9/2005, the Petroleum Fund Consultative Council advises the Parliament on matters relating to the performance and operation of the Petroleum Fund and advises the Parliament on whether the appropriations of the Petroleum Fund are being used effectively to the benefit of the current and future generations. The Council regularly organizes workshops

in order to disseminate information on how the Petroleum Fund is being managed and used. Workshops are conducted across the national territory, and TIMOR GAP is a regular attendee and speaker. In 2020, TIMOR GAP participated on the workshops held in Lospalos, on 4 November, and in Covalima, on 24 November, delivering a presentation on the company's activities and projects.

6.4.4. 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**, mean-

ing 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.

6.4.4.1 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 representatives 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 payments made by the extractive companies as well as the revenues collected by the State (reconciliation).

During 2020, TIMOR GAP continued to partake in the regular monthly MSWG' meetings, covering topics such as the approval and publication 10th Timor-Leste EITI Reconciliation Report which covers information for Fiscal Year 2017. The published report was produced by the Independent Administrator, Ernst & Young Audit & Associates – SROC, SA, which was selected in accordance with the 2016 EITI Standard, and 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.

With the above report, the MSWG have considerably addressed the challenges in implementing the EITI requirements, which showcase its best practices thought the disclosure of disaggregated information by reporting entities, revenue types and project level(s) reporting.

In February 2020, the Board decided to provide options for implementing countries to consider flexible reporting amid Covid-19 situation. The MSWG decided to maintain the conventional method of reporting for the 2018 TL-EITI report. Since the pandemic situation has limited the IA's movement to the country, different approaches were used to carry out their research on the required information based on the new 2019 EITI Standard objectives. Templates for the entities data collection were updated to include these new requirements such as beneficial ownership and environmental payments. Despite the challenges faced by the IA and MSWG, the report was successfully published in December 2020.

7. Commentary on the Financial Results



Set out below are the audited consolidated financial statements of TIMOR GAP group for the year ended 31 December 2020. This is the group's ninth trading period.

TIMOR GAP has adopted International Financial Reporting Standards (IFRS) to ensure that reporting is based on a well-recognized reporting framework.

7.1 Grant Funding

During the current year a grant of \$15,227,966 (2019: \$16,900,000) was provided by the Government to fund the 2020 operations of the company including to carry out

major project related studies on asset evaluation and transaction support on the Greater Sunrise Reserve Study.

7.2 Revenue

The government grant/subsidy had always been TIMOR GAP's main source of income. Likewise previous years, the government grant of \$15,227,966 (2019: \$16,900,000) forms the majority of TIMOR GAP's revenue for the year 2020. While the company depends on government grant to carry out its operating and non-operating project expenses, the company has also internally generated income from fuel trading business which recorded fuel sales of \$147,914 (2019: \$226,983). The reduction in fuel trading business was primarily due to lockdowns in Timor-Leste observed in the month of March to May 2020 due to COVID-19 pandemic.

The group has liquidated one of the associate company namely GAP-MHS Aviation, Lda. as it was dissolved w.e.f 22nd January 2020 and has obtained the Certification of Dissolution of Company by the Service Agency. All physical assets have been depreciated to zero value for taxation and commercial purposes, and that title to those physical assets is passed to TIMOR GAP. As GAP-MHS Aviation, Lda. has been dissolved, its remaining assets has been distributed among the equity shareholders in the proportion of equity shares hold by them. Consequently, TIMOR GAP has received a dividend income amounting to \$121,059 which has been accounted for in the standalone financial statements.

7.3 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, Viqueque Municipality, 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 in 2019 and no impact is observed on the financial statements for the financial year 2020.

7.4 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%) and
- Environmental Impact Assessment and a Social Health Impact Assessment for the Betano refinery
- A land survey
- Land development and design
- 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. Further, during 2020, no costs was expended on the projects.

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. However, since both the projects are now completed, the unearned income of \$56,810 as reported in the financial year 2019, is now recognized as income in the financial statements during the year 2020.

At year end \$835,233 (2019: \$891,983) remained of the funds are recorded as liability under other current liability.

7.5 Project Expenses

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

- JPDA & Greater Sunrise Negotiations
- Greater Sunrise TLNG Optimization
- Betano Refinery Optimization Design
- TLNG HR Development
- BU Re-Development Project
- Other Upstream Business Subsidiaries
- Beaço Land & Property Project
- Fuel Station Project – Studies
- Refinery Project
- Suai Supply Base
- Suai Airport project
- Upstream Data Management & IT Infrastructure
- Asset evaluation and transaction support project
- Retail fuel station
- Fuel supply and trading

These projects have been discussed in detail in Sections 2 to 5 of this report.

7.6 Financial Results

7.6.1 Comprehensive Profit/Loss for the Year

The company's operating profit/loss for the year ended 31 December 2020 amounted to \$6,290,538 (2019: \$215,919) and total comprehensive profit/loss of \$5,457,910 (2019: \$181,637). The subtle increase in operating profit for the company in financial year 2020 is due to reduced cost on project expenses mainly for Greater Sunrise projects unlike previous year.

On a group basis, the operating profit/loss for the year ended 31 December 2020 stood at -\$698,142,082 (2019: -\$4,401,657) which is further decreased by the Profit/(Loss) on Sale/Dissolution of Joint Venture to the extent of -\$6,012 (2019: -\$74,955), which resulted into Profit/(Loss) before tax of -\$698,148,094 (2019: -4,476,612) on group basis. The Profit/ (Loss) on group basis is further reduced by the Total Income Tax and Deferred Tax Expense

of -\$832,628 (2019: -\$2,609,168). The company has decapitalized its intangible assets under development basis fair market discounted cash flow valuation which has resulted in losses for the financial year of 2020.

The company is now having an equity of \$15,990,736 (2019: \$10,532,826) and the same at group level is -\$702,064,682 (2019: -\$3,083,960). During the year the other income generated by the company through Suai fuel-trading business has marginally facilitated to exceed the operational expenses of the company. The company's retained earnings as at 31 December 2020 is \$13,490,736 (2019: 8,032,826).

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

7.6.1.1. Impairment Expense

During the current year, the carrying amount of the intangible assets under development of Subsidiary Companies' (Greater Sunrise Group) are assessed by the management through a third-party valuer to determine whether there is any indication of Impairment. As per IAS 36 - Impairment of Assets, Recoverable amount of an asset is higher of its Fair Value Less Cost of Disposal and its Value in Use. If the Carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Statement of Profit and Loss.

Impairment losses in financial year 2020 were triggered by uncertainty of fiscal and regulatory regime of the Greater Sunrise Special Regime, uncertainty on the Joint Venture Partners (JVs) agreed development concept necessary for commercial development of the Greater Sunrise field, revision of the mid and long-term oil/gases prices, refining

margin outlook reflecting the expected effects of the macroeconomic environment, COVID-19 pandemic and energy market demand and supply fundamentals. Impairment losses recognised in statement of profit or loss amounts to \$673,566,114.

For impairment testing purposes, the respective carrying amounts of intangible assets were compared with their value in use, as Fair Value Less cost of disposal could not determine in absence of any comparable transaction in current economic scenario post COVID-19. Cash flow projections used in the determination of value in use were made using management's forecasts of commodity prices, contingent resources, production, market supply and demand, potential costs associated with operational product margins including forecast refining margins and expected production volumes. Net Present Values are discounted at the estimated WACC of 13.55% p.a. at the various levels

of uncertainty as of 31 December 2020. This resulted in negative NPV and hence the entire amount of intangible asset is impaired.

Oil and gas price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis. Reviews include comparison with avail-

able market data and forecasts that reflect developments in demand such as global economic growth, technology efficiency, policy measures and, in supply, consideration of investment and resource potential, cost of development of new supply, and behaviour of major resource holders. Prices are adjusted for premiums and discounts based on the nature and quality of the product.

7.6.1.2. Depreciation and Amortization Expense

During the period TIMOR GAP has additions to leasehold improvements worth \$47,060 (2019: \$0) as set out in Note 10, and additions of \$280,545 (2019: \$147,293) of computer software explained in Note 10 to the financial statements. TIMOR GAP adopts IFRS 16 lease accounting guidelines which introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. TIMOR GAP being lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The written down value for the right to use asset was reported at \$2,004,407 as on 31 December 2020.

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 acquired and were ready for first use. During 2020, depreciation of property, plant and equipment amounted to \$157,226 (2019: \$179,692), for computer software the amortization for the year was \$285,590 (2019: \$242,913) and for Right to use asset \$572,390 (2019: \$496,626). The amortization cost was incurred due to part capitalization of software license in financial year 2020 purchased for the Exploration and Production Unit in the year 2019.

7.6.1.3. Employee Costs/Expenses

At 31 December 2020 TIMOR GAP had a staff of 134 employees (2019: 131 employees). Costs for staff rose to \$4,422,850 in the financial year 2020 from \$2,962,659 in the financial year 2019. The company has recognized long service remuneration provision for the employees as per the provisions of article 56 of the Timor-Leste Labour Law, which states that “*in case of termination of the employ-*

ment contract the worker shall be entitled to compensation for length of service and shall be the equivalent of 1 month's salary for each 5-year period the worker has worked for the employer”.

This has resulted in the increase in employee cost for financial year 2020 in comparison to the financial year 2019.

7.6.1.4. Project Expenses

The company's project expense was primarily for covering accrued project consultant expenses such as technical and legal consultant on JPDA and Greater Sunrise Negotiation, Greater Sunrise TLNG optimization and Betano Refinery optimization design, Holbelis Resettlement, High-

way and Suai Airport projects that are part of Tasi Mane Project. In addition to that, the project expense was also expended for project overhead disbursement and community liaisons on Tasi Mane Project and refinery projects.

7.6.1.5. Other Expenses

The most significant “other expenses” for the year ended 31 December 2020 for the company include the following items:

Particulars	Company	
	2020	2019
Staff Training & Development Expenses	73,548	107,410
Rental Expenses	96,974	73,357
Telephone & Internet Expenses	101,540	91,007
Travel & Expenses	94,916	136,445
BOD Related Cost	2,500	24,310
Repairs & Maintenance	347,529	411,375
Office Maintenance	55,102	100,640
General Overhead Expenses	148,443	128,511
Consultant Expenses	1,425,242	1,992,987
Subsurface Rental Fee	-	-
Total	2,345,794	3,066,042

The consultant expenses of financial year 2019 were re-mapped as other expenses in the financial year 2020, which were mapped as project expenses in the financial year 2019. In the financial year 2020, consultant expenses amounted to \$1,425,242 (2019: \$1,992,987) belonging to inhouse consultants working for general operations of the company and non-project related company consultants and contractors.

Travel & expenses include the costs to attend field trips for the Tasi Mane projects management and administration work. These include activities such as community liaisons, land clearance by Inter-ministerial team, etc. In addition,

travel & expenses also covered various activities for capacity development, participation at workshops and conferences, 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 NOC's costs in pursuit of the development of the oil and gas industry are often unpredictable.

7.7 Taxation

TIMOR GAP is subject to the Taxes and Duties Act of 2008. In the financial year 2020, the company has estimated the income tax expenses of \$755,917 (2019: \$189,248).

During the year, the company has timely paid withholding taxes to the extent of \$723,660 (2019: \$915,688) 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 suppliers at the prescribed rate as mentioned in the decree law of Timor-Leste. The company has recognized a withholding tax liability payable of \$51,121 (2019: \$143,586) which is already paid after the year end closing of financial year 2020. The un-

paid social security contribution is further recognized as liability to the extent of \$321,431 in the financial year 2020. The group has not paid annual income taxes from the financial year 2017 until financial year 2020. This unpaid income tax liability is recognised as provision under current liability in the audited balance sheet to the extent of \$1,587,773 on group level and \$1,392,039 on company level as also mentioned in table 23 of the notes to financial statements (Provision for Income Tax). The group intends to re-assess the annual income tax payment liability to tax authority and pay all due annual income taxes in the financial year 2021 along with any applied interest or penalty as applicable.

7.8 Statement of Financial Position

7.8.1 Intangible assets under development

The group had entered into an agreement with ConocoPhillips's and Shell Australia in 2019 for acquisition of their respective participating interest, totalling to 56.56%, in Greater Sunrise Oil Fields at a total consideration of \$

651,677,390. The Carrying amount of the intangible assets under development of Subsidiary Companies' (Greater Sunrise Group) are assessed by the management through a third-party valuer to determine whether there is any indi-

cation of Impairment. As per IAS 36 - Impairment of Assets, Recoverable amount of an asset is higher of its Fair Value Less Cost of Disposal and its Value in Use. If the Carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss is recognized in the Statement of Profit and Loss. Pursuant to that, Impairment losses in financial year 2020 were triggered by uncertainty of fiscal and regulatory regime of the Greater Sunrise Special Regime,

uncertainty on the Joint Venture Partners (JVs) agreed development concept necessary for commercial development of the Greater Sunrise field, revision of the mid and long-term oil/gases prices, refining margin outlook reflecting the expected effects of the macroeconomic environment, COVID-19 pandemic and energy market demand and supply fundamentals. Impairment losses recognized in statement of profit or loss amounts to \$673,566,114 and hence, no capitalization was done in financial year of 2020.

7.8.2 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 \$3,472,469 (2019: \$940,020) and include prepayments of \$35,736 (2019: \$76,810) and receivables of \$606,822 (2019: \$332,387), the rental and other refundable deposits of \$158,606 (2019: \$151,828). At year end 2020, cash at the bank and on hand amounted to

\$ 2,535,903 (2019: \$284,902).

As set out in Note 30 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.

7.8.3 Borrowing Costs

To mitigate the liquidity risk, the Group has borrowed the fund to the extent of \$650,000,000 in financial year 2019 from the Petroleum fund of Timor-Leste with longer moratorium period and expects to generate revenue by then to meet its obligation. The loan is unsecured and carrying interest rate of 4.5 % compounded annually. The loan tenure is of 18 years whose first annual repayment is due on 9th April 2028. As per International Accounting Standard (IAS

23), "Borrowing Costs", Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset and not charged off to the Profit and Loss Account and hence these borrowing costs have been fully capitalized in the Balance Sheet as non-current financial liability for the financial year 2020. The borrowing cost for financial year 2020 was reported at \$701,350,000 (2019: \$671,612,500).

7.8.4 Earnings and Equity

The company recorded a net profit of \$5,457,910 (2019: \$181,637), (Group Loss of: -\$698,980,722; 2019: -\$7,085,780) during the year ended December 31, 2020. The increase in net loss in the financial year 2020, is primarily due to impairment losses recognized as per the provisions of IAS-36 of International Accounting Standard.

The company had recorded an equity of \$15,990,736 (2019: \$10,532,825) while the group equity stands at -\$702,064,682 (2019: -\$3,083,960). The decrease in the equity is majorly due to recognition of impairment losses on

Greater Sunrise intangible assets which are fully decapitalized and reversed in the financial year 2020.

TIMOR GAP is reliant on government grants to sustain its operations until such time as the company grow 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.

8. Financial Statements



Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2020

Amount in USD

Particulars	Notes	Group		Company	
		Year ended 31 Dec'20	Year ended 31 Dec'19	Year ended 31 Dec'20	Year ended 31 Dec'19
Revenue					
Revenue from contract with customers	4	178,111	406,983	147,914	226,983
Other income	5	15,291,544	16,965,012	15,494,724	16,991,773
Revenue (A)		15,469,655	17,371,995	15,642,638	17,218,756
Project Expenses		1,388,684	13,793,284	1,388,684	9,724,012
Purchase of Stock of Fuel		116,663	205,625	116,663	205,625
(Increase)/decrease in inventory	6	(41,318)	(964)	(41,318)	(964)
Employee Costs	7	4,745,081	3,241,034	4,422,850	2,962,659
Finance Cost	8	29,841,722	126,232	104,221	126,232
Impairment Expense	11	673,566,114	-	-	-
Depreciation and amortization expense	10	1,027,368	930,222	1,015,206	919,231
Other expenses	9	2,967,423	3,478,219	2,345,794	3,066,042
Total Expense (B)		713,611,737	21,773,652	9,352,100	17,002,837
Operating Profit/(Loss) (C)=(A-B)		(698,142,082)	(4,401,657)	6,290,538	215,919
Share of Profit of Joint Venture/Associates (D)		-	(74,955)	-	-
Profit/(Loss) on Sale/Dissolution of Joint Venture (D)		(6,012)	-	-	-
Profit/(Loss) before tax (E) = (C+D)		(698,148,094)	(4,476,612)	6,290,538	215,919
Tax expense					
Income tax expense		755,917	189,248	755,917	-
Income tax expense (earlier years)		76,133	-	76,133	-
Deferred tax charge/(Credit) (Refer Note 19)		578	2,419,920	578	34,282
Total Tax Expense (F)		832,628	2,609,168	832,628	34,282
Profit/(Loss) after tax (G)= (E-F)		(698,980,722)	(7,085,780)	5,457,910	181,637
Other Comprehensive Income (H)		-	-	-	-
Total Other Comprehensive Income (H)		-	-	-	-
Total Comprehensive Profit/(Loss) (I)= (G+H)		(698,980,722)	(7,085,780)	5,457,910	181,637
Total Profit/(Loss) attributable to:					
TIMOR GAP, E.P.		(698,983,047)	(7,289,461)	-	-
Non-Controlling Interest		2,325	203,681	-	-
Total Comprehensive Profit/(Loss) attributable to:					
TIMOR GAP, E.P.		(698,983,047)	(7,289,461)	-	-
Non-Controlling Interest		2,325	203,681	-	-

See accompanying notes to the financial statements

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Statement of financial position as at 31st December 2020
Amount in USD

Particulars	Notes	Group		Company	
		As at 31 Dec'20	As at 31 Dec'19	As at 31 Dec'20	As at 31 Dec'19
ASSETS					
Non-current assets					
Property, plant and equipment	10	1,519,369	1,576,789	1,472,890	1,521,015
Right-of-use assets	10	2,004,407	2,576,797	2,004,407	2,576,797
Capital Work in progress		187,224	159,869	187,224	159,869
Intangible assets	10	348,559	353,604	348,559	353,604
Intangible assets under development	11	-	673,290,100	-	-
Financial assets			-	-	-
Investments	12	-	127,071	791,831	365,370
Loans	13	-	-	15,433,632	13,607,025
Total non-current assets		4,059,559	678,084,230	20,238,543	18,583,680
Current assets					
Inventories	14	135,402	94,084	135,402	94,084
Financial assets		-	-	-	-
Trade receivables	15	210,197	-	-	-
Cash and cash equivalents	16	3,336,833	1,178,119	2,535,903	284,902
Other financial assets	17	176,161	478,406	765,428	484,225
Other current assets	18	35,736	79,155	35,736	76,810
Total current assets		3,894,329	1,829,764	3,472,469	940,020
Total assets		7,953,888	679,913,993	23,711,012	19,523,700
LIABILITIES AND EQUITY					
Liabilities					
Non-current liabilities					
Deferred Tax Liability (Net)	19	34,860	-	34,860	34,282
Financial Liabilities					
Borrowings	20	701,350,000	671,612,500	-	-
Lease Liabilities		1,568,978	2,093,144	1,568,978	2,093,144
Provisions	21	1,379,127	5,550	1,379,127	5,550
Total non-current liabilities		704,332,965	673,711,194	2,982,965	2,132,976
Current liabilities					
Financial Liabilities					
Trade payables	22	2,203,123	6,093,195	1,569,308	3,922,782
Lease Liabilities		524,167	501,144	524,167	501,144
Provisions	23	1,595,899	1,307,461	1,400,165	1,111,737
Other current liabilities	24	1,362,416	1,384,960	1,243,671	1,322,236
Total current liabilities		5,685,605	9,286,760	4,737,311	6,857,898
Total liabilities		710,018,570	682,997,953	7,720,276	8,990,874
Equity					
Contributed Capital	25	2,500,000	2,500,000	2,500,000	2,500,000
Retained Earnings	25	(704,785,299)	(5,802,252)	13,490,736	8,032,826
Non- Controlling Interest		220,617	218,292	-	-
Total equity		(702,064,682)	(3,083,960)	15,990,736	10,532,826
Total equity and liabilities		7,953,888	679,913,993	23,711,012	19,523,700

See accompanying notes to the financial statements

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Statement of changes in equity for the year ended 31st December 2020
Amount in USD

A. Contributed Capital

Particulars	Group		Company	
	2020	2019	2020	2019
Contributed Capital as at the beginning of the year	2,500,000	2,500,000	2,500,000	2,500,000
Received during the year		-	-	-
Contributed Capital as at the end of the year	2,500,000	2,500,000	2,500,000	2,500,000

B. Retained Earnings

Particulars	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the year	(5,802,252)	1,487,209	8,032,826	7,851,189
Profit/(Loss) for the year	(698,983,047)	(7,289,461)	5,457,910	181,637
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(698,983,047)	(7,289,461)	5,457,910	181,637
Balance as at the end of the year	(704,785,299)	(5,802,252)	13,490,736	8,032,826

C. Non-Controlling Interest

Particulars	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the year	218,292	-	-	-
On Reclassification of associates to subsidiaries #	-	43,164	-	-
Dividend Paid	-	(28,553)	-	-
Total comprehensive income for the year	2,325	203,681	-	-
Balance as at the end of the year	220,617	218,292	-	-

During the financial year 2019, the group's interest in TIMOR GAP Seismic Services, Unipessoal, Lda and South Horizon Offshore Services, Unipessoal, Lda has been considered as controlling interest and has been consolidated in line-to-line basis.

See accompanying notes to the financial statements 1-38

Statement of cash flows for the year ended 31st December 2020
Amount in USD

Particulars	Group		Company	
	Year ended 31 Dec '20	Year ended 31 Dec '19	Year ended 31 Dec '20	Year ended 31 Dec '19
Cash flow from operating activities				
Operating Profit / (Loss)	(698,148,094)	(4,476,612)	6,290,538	215,919
Adjustments for:				
Depreciation expenses	1,027,368	930,222	1,015,206	919,231
Impairment expenses	673,566,114	-	-	-
Interest expense adjustment	29,737,500	-	-	-
Finance Cost on right to use liabilities	104,221	126,232	104,221	126,232
Bad Debts / Provision for bad debts	603	15,377	603	15,377
Profit on sale of PPE	-	(39,620)	-	(39,620)
Interest income	(6,768)	(25,392)	(88,889)	(52,153)
Loss from investment in associate	6,012	74,955	-	-
Increase / (Decrease) in trade payables	(3,890,072)	4,168,205	(2,353,473)	2,009,635
Increase / (Decrease) in other current financial liabilities	-	(3,000)	-	(2,014)
Increase / (Decrease) in other current liabilities	(22,544)	211,147	(78,565)	160,560
Increase / (Decrease) in provisions	829,955	170,717	829,955	170,717
(Increase) / Decrease in Trade receivables	(210,197)	3,203	(603)	3,560
(Increase) / Decrease in loan	-	-	(1,826,607)	(4,280,879)
(Increase) / Decrease in other financial assets	302,245	(92,309)	(281,203)	8,937
(Increase) / Decrease in Inventory	(41,318)	(964)	(41,318)	(964)
(Increase) / Decrease in other current assets	43,419	(79,155)	41,072	(20,864)
Income tax paid	-	-	-	-
Net cash flows provided by (used in) operating activities (A)	3,298,443	983,005	3,610,938	(766,326)
Cash flow from Investing activities				
Payment for property, plant and equipment and intangible assets	(386,180)	(482,239)	(417,000)	(428,440)
Income from investment in associates	-	-	(426,461)	(319,370)
Interest income	6,768	-	88,889	-
Proceed from dissolution of Investment	121,059	-	-	-
Proceed from sale of property, plant and equipment	-	39,620	-	39,620
Net cash flow provided by (used in) investing activities (B)	(258,352)	(442,619)	(754,574)	(708,190)
Cash flow from Financing activities				
Proceeds from long-term borrowings	-	(1,677,600)	-	-
Expenditure on borrowings	(276,014)	-	-	-
Payment of lease liabilities	(605,364)	(605,369)	(605,364)	(605,369)
Net cash flow provided by (used in) financing activities (C)	(881,378)	(2,282,969)	(605,364)	(605,369)
Net increase in cash and cash equivalents (A+B+C)	2,158,713	(1,742,583)	2,251,000	(2,079,885)
Cash and cash equivalents at the beginning of the year	1,178,119	2,822,389	284,902	2,364,787
Cash and cash equivalents at the beginning of the year of associates classified as subsidiaries	-	98,313	-	-
Cash and cash equivalents at the end of the year	3,336,832	1,178,119	2,535,902	284,902

See accompanying notes to the financial statements

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Notes to Financial Statements

(Amount in USD)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1. Corporate and Group Information

a) Corporate Information

TIMOR GAP, E.P. ('the Company', 'the Parent') is a limited liability company by quotas ("Sociedade por Quotas") incorporated and domiciled in the Democratic Republic of Timor-Leste whose registered office is located at Timor Plaza, Level 3, Rua Presidente, Nicolao Lobato, Comoro, Dili, Timor-Leste.

TIMOR GAP, E.P. is incorporated with the object to explore and develop hydrocarbon resources through subsidiaries and market the petroleum products. The consolidated financial statements of TIMOR GAP, E.P. and its subsidiaries (collectively, the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 14th September 2021.

b) Group Information

The Consolidated financial statements of the Group include:

Subsidiaries:

Name	Principal Activities	Place of incorporation	Ownership interest	
			2020	2019
TIMOR GAP PSC 11-106, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	Logistic and Support services	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Drilling & Services, Unipessoal, Lda	Drilling Services	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Chuditch, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.*	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.*	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.*	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.*	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
South Horizon Offshore Services, Lda	Support services	Democratic Republic of Timor-Leste	51%	51%
TIMOR GAP Seismic Services, Unipessoal, Lda	Seismic Survey services	Democratic Republic of Timor-Leste	60%	60%

* Referred as Greater Sunrise Group

Joint arrangement in which the Company is a joint venturer

The Group has 60% interest in GAP-MHS Aviation Lda (2019 - 60%). However, this associate was dissolved w.e.f. 22nd January 2020. For details, refer Note 34.

2. Summary of significant accounting policies**a) Basis of preparation and consolidation****Basis of preparation:**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Basis of Consolidation:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) 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 it controls 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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring

their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, transactions, unrealized gains and losses resulting from intra-group transactions, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 jointcontrol 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.

b) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) (i) Revenue from contracts with customers

Revenues from the production of hydrocarbon properties, in which the group has an interest with other contractors, are recognized based on Company's participating interest in the Production Sharing Contract.

Revenues from the sale of petroleum products are recognized at the time when performance obligations are satisfied. Performance obligations are satisfied at a point in time when the control of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from seismic and drilling service are recognised over the time with reference to stage of completion of activity at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Revenue is recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

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.

(ii) Other Income

Government Grants

Government grants are recognised 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 recognised 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 recognised as income in equal amounts over the expected useful life of the related asset.

d) Taxes

Current income tax

Current income tax assets and liabilities 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 Timor-Leste where the company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

e) Foreign Currencies

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be the United States Dollars. The financial statements are presented in United States Dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded by the company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the company determines the transaction date for each payment or receipt of advance consideration.

f) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. During the financial year 2019, the useful life is determined based on technical estimate and align with the public ruling issued by Ministry of Finance, Democratic Republic of Timor-Leste, which are as follows:

Asset Class	Useful Life (Years)	Residual Value
Building	20	20%
Leasehold Improvements	7	20%
Machinery & Equipment	10	20%
Furnitures & Fittings	8	NIL
Vehicles	6	20%
Computer Hardware	3	NIL
Computer Software	3	NIL
Office Equipment	4	NIL
Other Intangible Assets	4	NIL

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

g) Lease

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets i.e. below USD 5,000. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and low value assets on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, IAS 16 is applied only to contracts that were previously identified as leases under IAS 17.
5. Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. An intangible asset with an indefinite useful life is not amortised. The intangible asset with an indefinite useful life is tested for impairment under IAS 36 by comparing its recoverable amount with its carrying amount annually and whenever there is any indication that the intangible asset may be impaired. The useful life of an intangible asset that is not being amortised is reviewed at each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate in accordance with IAS 8.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Exploration and Evaluation, Development and Production cost

(i) Pre-acquisition cost

Expenditure incurred before obtaining the right(s) to explore, develop and produce oil and gas are expensed as and when incurred.

(ii) Acquisition cost

Acquisition costs cover all costs incurred to purchase, lease or otherwise acquire a property or mineral right proved or unproved in case of acquiring participating interest in an oil and gas assets and are accounted as follows:-

Exploration and development stage

Acquisition cost relating to projects under exploration or development are initially accounted as Intangible Assets under development or Capital work in progress - Oil and gas assets respectively. Such costs are capitalized by transferring to oil and gas assets (Property, Plant and Equipment) when a well in field/ project is ready to commence commercial production. In case of abandonment/ relinquishment, such costs are written off.

Production stage

Acquisition costs of producing oil and gas assets are capitalized under oil and gas assets (Property, Plant and equipment) and amortized using the unit of production method over proved reserves of underlying assets.

(iii) Survey cost

Cost of Survey and prospecting activities conducted in the search of oil and gas are expensed as exploration cost in the year in which these are incurred.

(iv) Oil and gas asset under development - Development wells in progress

All costs relating to development wells are initially capitalized as development wells in progress (Capital Work in progress) and transferred to oil and gas assets (Property, plant and equipments) on completion.

(v) Production costs

Production costs include pre-well head and post-well head expenses including depreciation and applicable operating costs of support equipment and facilities.

j) 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.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price as disclosed in section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

The other three categories of Subsequent measurement of financial asset are not applicable to any financial asset of the company.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party along with the rights to receive cash flows from the asset have expired.

Impairment of Financial Assets

The Group follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Lifetime ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the year end.

ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider all contractual terms of the financial instrument (including prepayment, extension, etc.) over the expected life of the financial instrument.

ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, lease liabilities and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss (not applicable at any of the financial instrument of the company)
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

k) Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The Company estimates of recoverable value of hydrocarbon reserves in line with the principles contained in the Petroleum Resources Management Reporting System (PRMS) framework.

The company assesses at each reporting date, whether any previously recognized impairment loss may be reversed either wholly or partially, if there exists any indication of reversals such as certainty of fiscal & regulatory framework of Greater Sunrise Special Regime, certainty of the agreed development concept approved by Greater Sunrise Special Regime Governance Board, favorable macro-economic factors, rising commodity prices etc. In such a case, the Company formally estimates the asset's recoverable amount and recognizes the assets at recoverable value / reverses the past impairment. There are constraints on the amount of a reversal of an impairment loss that can be recognised. A reversal is limited to the lower of the:

- recoverable amount
- carrying amount of the asset, net of amortisation or depreciation, had no impairment been recognised.

A reversal of an impairment loss for an asset measured at cost is recognised in P/L. In contrast, the reversal of an impairment loss for an asset measured at a revalued amount (such as property, plant and equipment measured at fair value) is recognised as a reversal of a revaluation decrement.

l) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

m) Inventories

Inventories include Traded Goods are valued at the lower of cost and net realisable value.

Cost of inventories include cost of purchase, freight charges and other costs incurred in bringing the inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The comparison of cost and net realizable value is made on item-by-item basis.

n) Provisions

Provisions are recognised when the company 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. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

o) Employee Benefits**Short-term obligations**

i) Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

ii) Other long-term employee benefit obligations**a. Defined contribution plan**

Social Security: Contribution towards social security is made to the regulatory authorities, where the group and Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis which are charged to the Statement of Profit and Loss.

b. Other long-term benefits

Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognized in the statement of profit and loss in the year in which they arise.

Leaves can be encashed only on discontinuation of service by employee.

Long Term Remuneration Service :

The company has a defined benefit obligation plan. Every employee who has completed five years or more of service is entitled to Long Term Service Remuneration. This is an unfunded plan.

p) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Company.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

q) Changes in accounting policies and disclosures

New and amended standards and interpretations

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but did not have a significant effect on the Company are:

1. Definition of a Business (Amendments to IFRS 3)
2. COVID-19-Related Rent Concessions (Amendments to IFRS 16)
3. Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
4. Definition of Material (Amendments to IAS 1 & IAS 8)

r) Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of company's, 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.

Judgement

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are:

recoverability of asset carrying values; provisions and contingencies; post-retirement benefits and impairment of financial assets. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

1. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
2. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
3. Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

Further, in January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. The Company presently does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

The management is currently assessing the impact of these new accounting standards and amendments.

Notes to Financial Statements

(Amount in USD)

4. Revenue from Contracts with Customers

Particulars	Group		Company	
	2020	2019	2020	2019
Income from fuel trading business	147,914	226,983	147,914	226,983
Income from Seismic Service	30,197	180,000	-	-
	178,111	406,983	147,914	226,983

5. Other Income

Particulars	Group		Company	
	2020	2019	2020	2019
Assistance received from Government	15,227,966	16,900,000	15,227,966	16,900,000
Dividend Income	-	-	121,059	-
Profit on sale of PPE	-	39,620	-	39,620
Interest Income	6,768	25,392	88,889	52,153
Other Income	56,810	-	56,810	-
	15,291,544	16,965,012	15,494,724	16,991,773

6. (Increase)/decrease in inventory

Particulars	Group		Company	
	2020	2019	2020	2019
Opening stock of fuel	94,084	93,120	94,084	93,120
Closing stock of fuel	135,402	94,084	135,402	94,084
	(41,318)	(964)	(41,318)	(964)

7. Employee Costs

Particulars	Group		Company	
	2020	2019	2020	2019
Employee benefit expenses (including directors) comprise:				
Wages and salaries	3,799,553	2,863,063	3,495,356	2,600,523
Defined contribution pension cost	210,788	182,842	192,754	167,132
Other long-term employee benefits	690,136	170,013	690,136	170,013
Staff Welfare	44,604	25,116	44,604	24,991
	4,745,081	3,241,034	4,422,850	2,962,659

8. Finance Cost

Particulars	Group		Company	
	2020	2019	2020	2019
Interest Expense*	29,737,501	-	-	-
Finance Cost on lease Liabilities	104,221	126,232	104,221	126,232
	29,841,722	126,232	104,221	126,232

* In 2019, the interest expense incurred on borrowings towards acquisition of Greater Sunrise assets was capitalised. In 2020, since the intangible assets under development has been fully impaired, the interest expense has been charged to Statement of Profit and loss.

9. Other Expenses

Particulars	Group		Company	
	2020	2019	2020	2019
Staff Training & Development Expenses	73,548	122,456	73,548	107,410
Rental Expenses	96,974	73,357	96,974	73,357
Telephone & Internet Expenses	101,640	91,698	101,540	91,007
Travel & Expenses	109,467	251,259	94,916	136,445
BOD Related Cost	24,000	84,270	2,500	24,310
Repairs & Maintenance	350,537	420,761	347,529	411,375
Office Maintenance	56,576	107,716	55,102	100,640
General Overhead Expenses	173,588	223,345	148,443	128,511
Consultant Expenses	1,870,723	1,992,987	1,425,242	1,992,987
Subsurface Rental Fee	110,370	110,370	-	-
Total	2,967,423	3,478,219	2,345,794	3,066,042

Group

Particulars	Tangible								Intangibles		Right to use #
	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software	Total Intangibles	
Gross block											
Opening Balance as at 1st January 2020	492,403	810,632	667,690	547,503	233,177	439,988	869,794	4,061,186	1,703,933	1,703,933	3,073,423
Additions	47,060	-	-	-	13,866	25,135	25,907	111,968	280,545	280,545	-
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2020	539,463	810,632	667,690	547,503	247,043	465,123	895,701	4,173,154	1,984,478	1,984,478	3,073,423
Accumulated depreciation/amortisation/impairment											
Opening Balance as at 1st January 2020	492,403	81,422	466,363	87,407	183,542	418,805	754,455	2,484,397	1,350,329	1,350,329	496,626
Charge for the year	4,745	37,606	19,656	11,375	21,236	4,934	69,836	169,388	285,590	285,590	572,390
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2020	497,148	119,028	486,019	98,782	204,778	423,739	824,291	2,653,785	1,635,919	1,635,919	1,069,016
Net Book Value:											
31st December 2020	42,315	691,604	181,671	448,721	42,265	41,384	71,410	1,519,369	348,559	348,559	2,004,407

Particulars	Tangible							Intangibles		Right to use	
	Leasehold Improvements	Machine ry & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software		Total Intangibles
Gross block											
Opening Balance as at 1st January 2019	492,403	91,156	739,540	547,503	186,701	423,797	741,043	3,222,142	1,556,640	1,556,640	-
Additions	-	719,476	53,000	-	46,476	16,191	128,751	963,894	147,293	147,293	3,073,423
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	492,403	810,632	667,690	547,503	233,177	439,988	869,794	4,061,186	1,703,933	1,703,933	3,073,423
Accumulated depreciation/amortisation/impairment											
Opening Balance as at 1st January 2019	492,403	60,599	536,821	73,075	173,837	414,684	667,145	2,418,564	1,107,416	1,107,416	-
Charge for the year	-	20,823	54,392	14,332	9,706	4,120	87,310	190,683	242,913	242,913	496,626
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	492,403	81,422	466,363	87,407	183,542	418,805	754,455	2,484,397	1,350,329	1,350,329	496,626
Net Book Value											
31st December 2019	-	729,210	201,327	460,096	49,634	21,184	115,339	1,576,789	353,605	353,604	2,576,797

For the period ended 31 December 2020 and 2019, assets arising from leases where the Group is a lessee have been accounted for under IFRS 16. The Group has taken office premises on lease. Initial lease term for the same is 5 years with renewable clause.

Company

Particulars	Tangible							Intangibles		Right to use #	
	Leasehold Improvements	Machine ry & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software		Total Intangibles
Gross block											
Opening Balance as at 1st January 2020	492,403	810,632	614,690	547,503	232,277	438,361	850,294	3,986,160	1,703,933	1,703,933	3,073,423
Additions	47,060	-	-	-	10,999	25,135	25,907	109,101	280,545	280,545	-
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2020	539,463	810,632	614,690	547,503	243,276	463,496	876,201	4,095,261	1,984,478	1,984,478	3,073,423
Accumulated depreciation/amortisation/im pairment											
Opening Balance as at 1st January 2020	492,403	81,422	461,770	87,407	183,037	418,426	740,680	2,465,145	1,350,329	1,350,329	496,626
Charge for the year	4,745	37,606	12,590	11,375	16,344	4,731	69,836	157,226	285,590	285,590	572,390
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2020	497,148	119,028	474,360	98,782	199,381	423,157	810,516	2,622,371	1,635,919	1,635,919	1,069,016
Net Book Value:											
31st December 2020	42,315	691,604	140,330	448,721	43,895	40,339	65,685	1,472,890	348,559	348,559	2,004,407

Particulars	Tangible							Intangibles		Right to use	
	Leasehold Improvements	Machine ry & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software		Total Intangibles
Gross block											
Opening Balance as at 1st January 2019	492,403	91,156	739,540	547,503	185,801	422,970	721,543	3,200,916	1,556,640	1,556,640	-
Additions	-	719,476	-	-	46,476	15,391	128,751	910,094	147,293	147,293	3,073,423
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	492,403	810,632	614,690	547,503	232,277	438,361	850,294	3,986,160	1,703,933	1,703,933	3,073,423
Accumulated depreciation/amortisation/im pairment											
Opening Balance as at 1st January 2019	492,403	60,599	536,821	73,075	173,537	414,470	659,398	2,410,303	1,107,416	1,107,416	-
Charge for the year	-	20,823	49,799	14,332	9,500	3,956	81,282	179,692	242,913	242,913	496,626
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	492,403	81,422	461,770	87,407	183,037	418,426	740,680	2,465,145	1,350,329	1,350,329	496,626
Net Book Value											
31st December 2019	-	729,210	152,920	460,096	49,240	19,935	109,614	1,521,015	353,604	353,604	2,576,797

For the period ended 31 December 2020 and 2019, assets arising from leases where the company is a lessee have been accounted for under IFRS 16. The company has taken office premises on lease. Initial lease term for the same is 5 years with renewable clause.

11. Intangible Assets Under Development

Particulars	Group		Company	
	2020	2019	2020	2019
Cost				
Opening Balance	673,290,100	-	-	-
Expenditure during the year (Refer Note-32)	276,014	651,677,600	-	-
Borrowing cost capitalised	-	21,612,500	-	-
Closing Balance	673,566,114	673,290,100	-	-
Accumulated Impairment				
Opening Balance	-	-	-	-
Provided during the year	673,566,114	-	-	-
Closing Balance	673,566,114	-	-	-
Carrying Amount	-	673,290,100	-	-
	-	673,290,100	-	-

Acquisition cost relates to the cost for acquiring property or mineral rights of proved or unproved oil and gas properties which are currently under Exploration / Development stage; such cost will be transferred to Oil and gas assets on commencement of commercial production from the project or written off in case of relinquishment of exploration project.

Impairment Testing and Calculation

The carrying amount of the intangible assets under development of Subsidiary Companies' (Greater Sunrise Group) are assessed by the management through a third-party valuer to determine whether there is any indication of Impairment. As per IAS 36 - Impairment of Assets, Recoverable amount of an asset is higher of its Fair Value Less Cost of Disposal and its Value in Use. If the Carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Statement of Profit and Loss.

Impairment losses in financial year 2020 were triggered by uncertainty of fiscal and regulatory regime of the Greater Sunrise Special Regime, uncertainty on the Joint Venture Partners (JVs) agreed development concept necessary for commercial development of the Greater Sunrise field, revision of the mid and long-term oil/gases prices, refining margin outlook reflecting the expected effects of the macroeconomic environment, COVID-19 pandemic and energy market demand and supply fundamentals. Impairment losses recognised in statement of profit or loss amounts to \$673,566,114.

For impairment testing purposes, the respective carrying amounts of intangible assets were compared with their value in use, as Fair Value Less cost of disposal could not determine in absence of any comparable transaction in current economic scenario post COVID-19. Cash flow projections used in the determination of value in use were made using management's forecasts of commodity prices, contingent resources, production, market supply and demand, potential costs associated with operational product margins including forecast refining margins and expected production volumes. Net Present Values are discounted at the estimated WACC of 13.55% p.a. at the various levels of uncertainty as of 31 December 2020. This resulted in negative NPV and hence the entire amount of intangible asset is impaired.

Oil and gas price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis. Reviews include comparison with available market data and forecasts that reflect developments in demand such as global economic growth, technology efficiency, policy measures and, in supply, consideration of investment and resource potential, cost of development of new supply, and behaviour of major resource holders. Prices are adjusted for premiums and discounts based on the nature and quality of the product. The near-term commodity price assumptions applied in impairment testing in 2020 were as follows:

Table 11.1 - Assumed Brent crude oil price deck

Brent Assumptions (\$/bbl)	2021	2022	2023	2024
Real (Constant \$, 2021)	50	53	55	56
Nominal (\$ of the day)	50	54	58	60

Table 11.2 - Assumed LNG price

LNG Price Assumptions (US\$/MMBtu)	2021	2022	2023	2024
Real (Constant, 2021)	7.00	7.36	7.60	7.72
Nominal (\$ of the day)	7.36	7.75	8.03	8.19

For periods after fiscal year 2024, the real-term long term price assumptions applied were \$56 per barrel (\$/bbl) for Brent Crude Oil and \$ 7.72 per million British thermal units (US\$/MMBtu) for LNG, both at real-terms 2021.

Sensitivity Analysis

Since the Value in Use is negative, the sensitivities do not have any impact on the Impairment for the current year.

12. Investments

Particulars	Group		Company	
	2020	2019	2020	2019
Investment in subsidiaries, valued at cost				
TIMOR GAP PSC 11-106, Unipessoal Lda	-	-	5,000	5,000
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	-	-	5,000	5,000
TIMOR GAP Seismic Services, Unipessoal, Lda	-	-	3,000	3,000
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda (SPV)	-	-	5,000	5,000
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	5,000	5,000
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	-	-	5,000	5,000
TIMOR GAP ONSHORE BLOCK C	-	-	5,000	5,000
TIMOR GAP Drilling & Services, Unipessoal, Lda	-	-	5,000	5,000
TIMOR GAP Chuditch, Unipessoal, Lda	-	-	5,000	5,000
TIMOR GAP GREATER SUNRISE RL2	-	-	5,000	5,000
TIMOR GAP GREATER SUNRISE RL	-	-	5,000	5,000
TIMOR GAP GREATER SUNRISE 03-19	-	-	5,000	5,000
TIMOR GAP GREATER SUNRISE 03-20	-	-	5,000	5,000
Investment in Subsidiaries on Fair Value Accounting*				
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	327,201	299,370
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda (SPV)	-	-	401,630	-
Investment in associate, valued at cost				
GAP - MHS Aviation Lda	-	127,071	-	3,000
	-	127,071	791,831	365,370

* The parent company has given loan to TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda and TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda (SPV). The loan is interest free and repayable when the subsidiaries start generating revenue from onshore and offshore block, respectively. Thus, the investment is on account of fair valuation accounting of loan given.

13. Loans

Particulars	Group		Company	
	2020	2019	2020	2019
Loans to subsidiaries	-	-	15,702,586	13,875,979
Less: Impairment on loan	-	-	(268,954)	(268,954)
	-	-	15,433,632	13,607,025

Movements in the impairment allowance on loan are as follows:

Particulars	Group		Company	
	2020	2019	2020	2019
Opening provision for impairment on loan	-	-	268,954	268,954
Add: Increase During the year	-	-	-	-
Less: Reversed during the year	-	-	-	-
Closing provision for impairment on loan	-	-	268,954	268,954

14. Inventory

Particulars	Group		Company	
	2020	2019	2020	2019
Inventory – Fuel	135,402	94,084	135,402	94,084
	135,402	94,084	135,402	94,084

15. Trade receivables (at amortized cost)

Particulars	Group		Company	
	2020	2019	2020	2019
Trade receivables	210,800	4,615	603	4,615
Less: Provision for impairment of Trade Receivables	(603)	(4,615)	(603)	(4,615)
	210,197	-	-	-

Movements in the impairment allowance for trade receivables are as follows:

Particulars	Group		Company	
	2020	2019	2020	2019
Opening provision for impairment of Trade Receivables	4,615	-	4,615	-
Add: Increase/(decrease) during the year	(4,012)	4,615	(4,012)	4,615
Closing provision for impairment of Trade Receivables	603	4,615	603	4,615

16. Cash and cash equivalents

Particulars	Group		Company	
	2020	2019	2020	2019
Cash in hand	4,768	7,485	3,028	4,870
Cash in Bank	3,332,065	1,170,634	2,532,875	280,032
	3,336,833	1,178,119	2,535,903	284,902

17. Other financial assets

Particulars	Group		Company	
	2020	2019	2020	2019
Other receivables	17,555	146,562	606,822	332,387
Refundable Deposits - Others Contract	158,606	151,844	158,606	151,838
Assets - Unbilled Revenue	-	180,000	-	-
	176,161	478,406	765,428	484,225

Refer related party disclosures.

Other receivables are generally receivable on demand and are non-interest bearing.

18. Other Current Assets

Particulars	Group		Company	
	2020	2019	2020	2019
Prepaid Expenses	35,736	79,155	35,736	76,810
	35,736	79,155	35,736	76,810

19. Deferred Tax Asset/(Liability)

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 10%. The balance comprises temporary differences attributable to:

Particulars	Group		Company	
	2020	2019	2020	2019
Deferred tax Liabilities:				
- Net Block of Property, Plant & Equipments	182,145	-	182,145	321,158
- Others	13,540	-	13,540	-
	195,685	-	195,685	321,158
Deferred tax Assets:				
- Carried forwards tax losses	-	-	-	(231,143)
- Provisions	(138,725)	-	(138,725)	(55,733)
- Others	(22,100)	-	(22,100)	-
	(160,825)	-	(160,825)	(286,876)
		-		
Deferred tax Asset/(Liability)	34,860	-	34,860	34,282

The Group has not recognised the deferred tax assets amounting to \$190,299,527 on the losses incurred in current year on prudent basis. These unused tax losses amounting to \$711,338,205 can be carried forward for the indefinite period as per current Income Tax laws for set off against future taxable income.

Reconciliation of Income Tax expense and accounting profit multiplied by Company's Tax rate:

Particulars	Group		Company	
	2020	2019	2020	2019
Profit Before Tax	(698,148,094)	(4,476,612)	6,290,538	215,919
Enacted Tax Rate in Timor-Leste	10%	10%	10%	10%
Computed Expected Tax Payable	-	-	629,054	21,592
Add: Expenses disallowed under Income Tax Act	-	-	96,969	68,356
Add: Difference between tax depreciation and book depreciation	-	-	62,556	(321,158)
Excess allowance of Tax depreciation resulting in taxable loss	-	-	-	231,210
Add: Parent's/Subsidiary's Profit included in group loss Chargeable to Tax	755,917	189,248	-	-
Add: Others	-	-	(32,662)	-
Income Tax Expense	755,917	189,248	755,917	-

20. Borrowings (at amortized cost)

Particulars	Group		Company	
	2020	2019	2020	2019
Loan from Banco Central de Timor-Leste (BCTL)*	701,350,000	671,612,500	-	-
	701,350,000	671,612,500	-	-

* Loan is taken from Banco Central de Timor-Leste (BCTL) on behalf of Petroleum Fund of Timor-Leste for the purpose of acquiring participating interests and rights in the Greater Sunrise oil and gas field as fully explained in Note- 32. The loan is unsecured and carrying interest rate of 4.5 % compounded annually. The loan tenure is of 18 years whose first annual repayment is due on 9th April 2028.

21. Provisions

Particulars	Group		Company	
	2020	2019	2020	2019
Provision for long term employee benefits	1,379,127	5,550	1,379,127	5,550
	1,379,127	-	1,379,127	5,550

22. Trade payables

Particulars	Group		Company	
	2020	2019	2020	2019
Trade payables	2,203,123	6,093,195	1,569,308	3,922,782
	2,203,123	6,093,195	1,569,308	3,922,782

Trade payables are generally payable on demand and are non-interest bearing.

23. Provisions

Particulars	Group		Company	
	2020	2019	2020	2019
Provision for long term employee benefits	8,126	551,748	8,126	551,748
Provision for Income Tax	1,587,773	755,713	1,392,039	559,989
	1,595,899	1,307,461	1,400,165	1,111,737

24. Other Current Liabilities

Particulars	Group		Company	
	2020	2019	2020	2019
Deferred Income (Prepaid Vouchers)	35,886	72,681	35,886	72,681
Dues payable to Government	491,297	420,297	372,552	357,573
Advance received from Government for Project Work	835,233	891,982	835,233	891,982
	1,362,416	1,384,960	1,243,671	1,322,236

25. Contributed Capital and Retained Earning

Contributed Capital and Retained earnings are as stated in the Statement of Changes of Equity.

26. Contingent Liability

There is no contingent liability as on 31 December 2020 and corresponding previous year ended 31 December 2019.

27. Financial Instrument Risk Management**Group**

The Group financial assets include trade and other receivables, investments, and cash & cash equivalents. Financial liabilities include borrowings, lease liabilities, trade and other payables. The Group is exposed to credit risk and liquidity risk.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As on date, the Group does not expect any loss on account of credit loss.

Liquidity risk is the risk that the Group will not be able to meet its obligations. To mitigate the risk the Group has borrowed the fund from the Petroleum fund of Timor-Leste with longer moratorium period and expects to generate revenue by then to meet its obligation. The Group also receives support from the government of Timor-Leste to fund its operations and is hopeful of continuous support in future also. The table below shows the timing of cash outflows relating to lease liability and borrowings:

Company

The Company's financial assets includes trade receivables, other receivables, loans, investments and cash and cash equivalents. Financial liabilities include Lease liabilities, trade payables and other payables. The Company is exposed to credit risk and liquidity risk.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company gives loan only to the subsidiaries and other receivable are also due from the subsidiaries. Other Receivables also includes Contract Assets and Advance given to employees. The Company regularly monitors the operations of the subsidiaries to mitigate the risk. As on date, Company does not expect any loss on account credit loss.

Liquidity risk is the risk that the Company will not be able to meet its obligations. The Company receives the support from the Government of Timor-Leste to fund its operations and is hopeful of continuous support in future also. The table below shows the timing of cash outflows relating to lease liability:

Period	Group		Company
	Lease liability	Borrowings	Lease liability
Within 1 Year	524,167	-	524,167
From 2nd to 5th Year	1,568,978	-	1,568,978
From 9th to 18th Year (per annum)	-	116,820,209	-

28. Leases where Group and Company are lessee**(ia) Changes in the carrying value of Right-of-use Assets**

Particulars	Group		Company	
	2020	2019	2020	2019
Opening Balance	2,576,797	3,073,423	2,576,797	3,073,423
Add: Additions	-	-	-	-
Less: Deletion	-	-	-	-
Less: Depreciation	(572,390)	(496,626)	(572,390)	(496,626)
Closing Balance	2,004,406	2,576,797	2,004,406	2,576,797

(ib) Changes in the Lease liabilities

Particulars	Group		Company	
	2020	2019	2020	2019
Opening Balance	2,594,288	3,073,423	2,594,288	3,073,423
Add: Interest Expense	104,221	126,232	104,221	126,232
Less: Lease Payments	(605,365)	(605,367)	(605,365)	(605,367)
Closing Balance	2,093,143	2,594,288	2,093,143	2,594,288

(ii) Break-up of current and non-current lease liabilities

Particulars	Group		Company	
	2020	2019	2020	2019
Current Lease Liabilities	524,167	501,144	524,167	501,144
Non-current Lease Liabilities	1,568,978	2,093,144	1,568,978	2,093,144
Total	2,093,143	2,594,288	2,093,143	2,594,288

(iii) Amounts recognised in Statement of Profit and Loss Account

Particulars	Group		Company	
	2020	2019	2020	2019
Interest on Lease Liabilities	104,221	126,232	104,221	126,232
Low-value leases expensed	96,974	73,357	96,974	73,357

29. Fair Value Hierarchy

- i) The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy:

31st December 2020	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	210,197	210,197
Cash and cash equivalents	3,336,833	-	-	3,336,833
Loans	-	-	-	-
Other financial assets	-	-	176,161	176,161
	3,336,833	-	386,358	3,723,191
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	701,350,000	701,350,000
Lease Liabilities	-	-	2,093,145	2,093,145
Trade payables	-	-	2,203,123	2,203,123
Other financial liabilities	-	-	-	-
	-	-	705,646,268	705,646,268

31st December 2019	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	-	-
Cash and cash equivalents	1,178,119	-	-	1,178,119
Loans	-	-	-	-
Other financial assets	-	-	478,406	478,406
	1,178,119	-	478,406	1,656,525
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	671,612,500	671,612,500
Lease Liabilities	-	-	2,594,288	2,594,288
Trade payables	-	-	6,093,195	6,093,195
Other financial liabilities	-	-	-	-
	-	-	680,299,983	680,299,983

- ii) The following table shows the carrying amounts and fair values of Company's financial assets and financial liabilities, including their levels in the fair value hierarchy:

31st December 2020	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	-	-
Cash and cash equivalents	2,535,903	-	-	2,535,903
Loans	-	-	15,433,632	15,433,632
Other financial assets	-	-	765,428	765,428
	2,535,903	-	16,199,060	18,734,964
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	-	-
Lease Liabilities	-	-	2,093,145	2,093,145
Trade payables	-	-	1,569,308	1,569,308
Other financial liabilities	-	-	-	-
	-	-	3,662,454	3,662,454

31st December 2019	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	-	-
Cash and cash equivalents	284,902	-	-	284,902
Loans	-	-	13,607,025	13,607,025
Other financial assets	-	-	490,865	490,865
	284,902	-	14,097,890	14,382,792
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	-	-
Lease Liabilities	-	-	2,594,288	2,594,288
Trade payables	-	-	3,922,783	3,922,783
	-	-	6,517,070	6,517,070

Equity investment in subsidiaries and associate included in Note no 10 are carried at cost as per IAS 27 "Separate Financial Statement" and hence are not required to be disclosed as per IFRS 7 "Financial Instruments Disclosure". Hence the same has not been disclosed in the above table.

30. Going Concern

The Standalone and consolidated financial statement 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 Group is in the business of developing the hydrocarbon reserves, which has long gestation period and marketing the petroleum product. Some of its hydrocarbon reserves are in the advance stage of exploration, appraisal, and development of hydrocarbon block.

The ability of the Group to continue as going concerns is dependent on the support received/to be received from Government of Democratic Republic of Timor-Leste to carry out its operations and discharge its liabilities. In view of the continued support received / expected to be received from the Government, these standalone and consolidated financial statements have been prepared on a going concern basis.

31. Segment Reporting

The Group is organised into business units based on its products and services and has two reportable segments as below:

- i. Hydrocarbon- Developing hydrocarbon reserves and production of hydrocarbons.
- ii. Trading of Fuel

There are no reportable geographical segments since all business is in Timor-Leste.

Particular	Hydrocarbon		Other		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Segment Revenue	15,321,741	17,145,012	147,914	226,983	15,469,655	17,371,995
Less: Inter Segment	-	-	-	-	-	-
Total Revenue	15,321,741	17,145,012	147,914	226,983	15,469,655	17,371,995
Segment Expenses	713,536,391	21,447,835	75,345	204,661	713,611,737	21,652,496
Less: Inter Segment	-	-	-	-	-	-
	713,536,391	21,447,835	75,345	204,661	713,611,737	21,652,496
Segment Results	(698,214,650)	(4,302,823)	72,569	22,322	(698,142,081)	(4,280,501)
Share in loss of associate	-	(77,968)	-	-	-	(74,955)
Profit/(Loss) on Sale/Dissolution of Joint Venture	-	-	-	-	(6,012)	-
Tax Expenses (including Deferred Tax)	-	-	-	-	(832,628)	(2,609,168)
Net Profit	(698,214,650)	(4,380,792)	72,569	22,322	(698,980,721)	(6,964,624)
Segment Assets	6,678,161	678,630,604	1,275,727	1,283,390	7,953,888	679,913,994
Segment Liabilities	7,918,003	679,841,313	35,886	72,681	7,953,888	679,913,994

32. Acquisition of participating interest in Greater Sunrise Oil Fields

The group has entered into an agreement with ConocoPhillips's and Shell Australia in 2018 for acquisition of their respective participating interest, totaling to 56.56%, in Greater Sunrise Oil Fields at a total consideration of \$ 651,677,600. The transaction was completed during the financial year 2019 with effective date of April 16, 2019.

33. Capital Management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group includes within net debt,

interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits. No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 December

2020 and 2019.

34. Investment in Associate

The Group has a 60% interest in GAP-MHS Aviation, LDA, which is involved in the business of providing commercial aviation support services to the offshore and onshore petroleum industry operating in the Timor-Sea and Timor-Leste. The Group's interest in GAP-MHS Aviation, LDA is accounted for using the equity method in the consolidated financial statements. However, GAP-MHS Aviation, LDA was dissolved w.e.f 22nd January 2020 and has obtained the Certification of Dissolution of Company by the Service Agency. All physical assets have been depreciated to zero value for taxation and commercial purposes, and that title to those physical assets is passed to Timor GAP, E.P. As GAP-MHS Aviation, LDA has been dissolved, its remaining assets has been distributed among the equity shareholders in the proportion of equity shares hold by them. Consequently, Timor GAP, E.P. has received a dividend income amounting to \$121,059 which has been accounted for in the standalone financial statements. The following table illustrates the summarised financial information of the Group's investment in GAP-MHS Aviation, LDA:

Particulars	2020	2019
Non-Current Assets	-	-
Current Assets	-	211,787
Non-Current Liabilities	-	-
Current Liabilities	-	-
Equity	-	211,787
Group's share in Equity - 60% (2019 : 60%)	-	127,071
Group Carrying value of Investment (Note 10)	-	127,071

Particulars	2020	2019
Revenue	-	24,837
Employee benefits expense	-	63,105
Other expenses	-	86,657
Loss before tax	-	(124,925)
Tax Expenses	-	-
Loss after tax	-	(124,925)
Other Comprehensive Income	-	-
Total Comprehensive Income	-	(124,925)
Group's share of loss	-	(74,955)

The associate had no contingent liability as on 22 January 2020 and previous year ended 31 December 2019.

35. Employee Benefits

The company has a defined benefit obligation plan. Every employee who has completed five years or more of service is entitled to Long Term Service Remuneration. This is an unfunded plan.

Details of the Gratuity Benefit are as follows

(i) Changes in the present value of Defined Benefit Obligations are as follows:

Particulars	For the year ended 31st December 2020	For the year ended 31st December 2019
Opening Balance		
Current Service Cost	123,288.81	-
Interest Cost	-	-
Past Service Cost	762,436.39	-
Actuarial (gains)/losses from financial assumptions		
Actuarial (gains)/losses from demographic assumptions	-	-
Actuarial (gains)/losses from experience assumptions	-	-
Benefits paid	(10,000.00)	(10,000.00)
Closing Balance	875,725.20	(10,000.00)

(ii) Changes in the fair value of plan assets

As the company's Gratuity obligation is unfunded, disclosures related to plan assets and its reconciliation to present value of defined benefit obligation are not applicable.

(iii) Expense Recognized in Statement of Profit and Loss

Particulars	For the year ended 31st December 2020	For the year ended 31st December 2019
a. Current service cost	123,288.81	-
b. Interest cost	-	-
c. Past service cost	762,436.39	-
Benefit Cost (Expense Recognized in Statement of Profit/loss)	885,725.20	-

(iv) Actuarial Assumptions

Particulars	For the year ended 31st December 2020	For the year ended 31st December 2019
a. Discount Rate (per annum) %	1.45%	-
b. Expected Rate for salary increases %	5.00%	-
c. Average expected future service (Remaining working Life) in years		
d. Withdrawal Rate (Upto 40 years)	10	-
e. Withdrawal Rate (40 years and above)	Nil	-

(v) The basis of various assumptions used in actuarial valuations and their quantitative sensitivity analysis is as shown below:

Particulars	For the year ended 31st December 2020	For the year ended 31st December 2019
Impact of change in discount rate		
Present value of obligation at the end of the year		
a) Impact due to increase of 0.25 %	828,961	-
b) Impact due to decrease of 0.25 %	925,666	-
Impact of change in salary increase		
Present value of obligation at the end of the year		
a) Impact due to increase of 0.25 %	923,805	-
b) Impact due to decrease of 0.25 %	830,388	-
Impact of change in withdrawal rate		
Present value of obligation at the end of the year		
a) Impact due to increase of 50%	844,216	-
b) Impact due to decrease of 50 %	910,297	-
Impact of change in mortality rate		
Present value of obligation at the end of the year		
a) Impact due to increase of 10%	873,127	-
b) Impact due to decrease of 10 %	878,347	-

(vi) Estimated cash flows (undiscounted) in subsequent years

Particulars	For the year ended 31st December 2020	For the year ended 31st December 2019
Less than a year	5,274	-
Between 1-2 years	5,622	-
Between 2-5 years	19,506	-
Between 6-10 years	67,853	-
More than 10 years	1,117,649	-

36. Related party disclosures**Information about Subsidiaries**

Name	Principal Activities	Place of incorporation	Ownership interest	
			2020	2019
TIMOR GAP PSC 11-106, Unipessoal Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	Logistic and Support services	Democratic Republic of Timor-Leste	100%	100%
South Horizon Offshore Services, Lda	Support services	Democratic Republic of Timor-Leste	51%	51%
TIMOR GAP Seismic Services, Unipessoal, Lda	Seismic Survey services	Democratic Republic of Timor-Leste	60%	60%
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Drilling & Services, Unipessoal, Lda	Drilling Service	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP Chuditch, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor-Leste	100%	100%

Joint arrangement in which the Company is a joint venturer

The Company has 60% interest in GAP - MHS Aviation Lda (2019: 60%). However, w.e.f 22nd January 2020, this was dissolved.

Key Management Personnel (KMP):

Name	Designation
Antonio Jose Loiola de Sousa	President & Chief Executive Officer (appointed on 14.07.2020) & Managing Director of Finance Unit (appointed on 24.07.2020). Vice President (cessation on 24.07.2020)
Jose M.M da Conceicao	Vice President (appointed on 24.07.2020)
Jose da Costa Tilman	Managing Director of Upstream Business Unit (appointed on 24.07.2020)
Francelino Marcos Tome Boavida	Board of Director (appointed on 20.07.2020) & Managing Director of Downstream Business Unit (appointed on 24.07.2020)
Francisco Ferreira	Managing Director of Tasi Mane Unit (appointed on 24.07.2020)
Amandio Gusmao Soares	Board of Director (appointed on 20.07.2020)
Gabriel Gaspar Aparicio de Oliveira	Board of Director (appointed on 20.07.2020)
Carlito Gama, L.Ec M.AP	Board of Director (appointed on 17.09.2020)
Francisco da Costa Monteiro	President & Chief Executive Officer (cessation on 13.07.2020)
Domingos Lequi Siga	Director of Gas Business Unit (cessation on 24.07.2020)
Luis Martins	Director of Business Infrastructure Development Unit (cessation on 24.07.2020)
Vicente Pinto	Director of Refinery & Petroleum Services Unit (cessation on 24.07.2020)
Vicente Lacerda	Director of Exploration and Production Unit (cessation on 24.07.2020)
Henrique Monteiro	Director of Finance Unit (cessation on 24.07.2020)
Jacinta Paula Bernardo	Director of Corporate Service Unit (cessation on 24.07.2020)
Dino Gandara Rai	Board Member (resigned on 10.07.2020)
Norberta Soares da Costa	Board Member (resigned on 10.07.2020)

Transactions with related parties

The following transactions occurred with related parties:

Particulars	Group		Company	
	2020	2019	2020	2019
Loans Given to Subsidiaries				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	-	-	1,665,877	1,700,000
- TIMOR GAP PSC 11-106, Unipessoal Lda	-	-	-	150,000
- TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	-	-	-	361,201
- TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	-	-	-	117,265
- TIMOR GAP Chuditch, Unipessoal, Lda	-	-	-	-
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	-	-	-	641,028
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	-	815,859
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	-	-	-	333,196
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	-	-	-	12,307
- TIMOR GAP ONSHORE BLOCK , Unipessoal, Lda	-	-	160,730	449,478
Investment on Subsidiaries				
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	-	-	-	5,000
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	-	5,000
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	-	-	-	5,000
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	-	-	-	5,000
Payment made on behalf of Subsidiaries				
- TIMOR GAP Seismic Services, Unipessoal, Lda	-	-	-	210
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	-	-	-	-
- TIMOR GAP PSC 11-106, Unipessoal Lda	-	-	14,069	-
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	-	-
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	36,626	-
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	-	-	30,521	-
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	-	-	196,556	-
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	-	-	132,629	-
- TIMOR GAP Chuditch, Unipessoal, Lda	-	-	4,406	-
Interest Income from Subsidiary				
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	47,678	44,570
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	-	-	34,443	-
Payment Received from subsidiaries against Other Receivable				
- TIMOR GAP PSC 11-106, Unipessoal Lda	-	-	-	82
Payment made to subsidiaries against Other Payable				
- TIMOR GAP Seismic Services, Unipessoal, Lda	-	-	-	3,000
Expenses Incurred by Subsidiary on behalf of Company				
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	-	986
Payment to KMPs	355,809	710,343	355,809	710,343

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Particulars	Group		Company	
	2020	2019	2020	2019
Other Receivable				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	-	-	-	20,633
- TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	-	-	5,500	5,500
- South Horizon Offshore Services, Lda	-	-	31,869	31,869
- TIMOR GAP PSC 11-106, Unipessoal Lda	-	-	78,465	64,396
- TIMOR GAP Seismic Services, Unipessoal, Lda	-	-	410	410
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	74,710	75,536
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	36,626	-
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	-	-	30,521	-
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	-	-	196,556	-
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	-	-	132,629	-
- TIMOR GAP Chuditch, Unipessoal, Lda	-	-	4,406	-
Other Payables				
- 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 & Services, Unipessoal, Lda	-	-	2,500	2,500
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	986	986
Loan Given				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	-	-	11,375,877	9,710,000
- Timor Gap PSC 11-106, Unipessoal Lda	-	-	800,116	800,116
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-	-	1,195,737	1,035,007
- TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	-	-	361,201	361,201
- TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	-	-	117,265	117,265
- TIMOR GAP Chuditch, Unipessoal, Lda	-	-	50,000	50,000
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	-	-	641,028	641,028
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	-	-	815,859	815,859
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.	-	-	333,196	333,196
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	-	-	12,307	12,307

Terms and condition relating to related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

37. Note on Global Pandemic of Covid-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Group is fully dependent on assistance from the Government to fund its activities and technical support from its project partners. Developments such as social distancing, shelter-in-place directives and government initiatives to support livelihood in the country may have impact on the ongoing assistance received by group from the government and on the ongoing projects of the group. While expected to be temporary, prolonged disruptions in assistance from government may negatively impact the ongoing projects of the group and overall liquidity.

The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended December 31, 2020 and has concluded that there is no further impact which is required to be recognised in the financial statements except already considered such as Impairment of Intangible assets under development as fully explained in Note 11. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

38. The previous year figures have been reclassified/regrouped, wherever applicable to make them comparable.

ANNEX 1

ACRONYMS

ANPM	Autoridade Nacional do Petróleo e Minerais (National Petroleum and Minerals Authority)
Bpd	Barrels Per Day
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
E&P	Exploration & Production
FEED	Front End Engineering Design
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
MPRM	Ministério do Petróleo e Recursos Minerais (Ministry of Petroleum and Mineral Resources)
PIIP	Petroleum-Initial-In-Place
Pre-FEED	Pre-Front End Engineering Design
PSC	Production Sharing Contract
QHSE	Quality, Health, Safety and Environment
SAP	System, Application and Product
SSB	Suai Supply Base
Tcf	Trillion Cubic Feet
TIMOR GAP	Timor Gás e Petróleo
TLNG	Timor LNG





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