

ANNUAL REPORT 2012

English

TIMOR GAP



TIMOR GAP E.P. ANNUAL REPORT 2011 & 2012

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President & CEO Message

I am pleased to present the first annual report of TIMOR GAP which summarizes the activities and achievements of the National Oil Company of Timor-Leste in 2012 and the months from October to December 2011, following the establishment by the Government on 27th July by Decree-Law No. 31/2011.

TIMOR GAP was created to maximize the participation of Timor-Leste in the development of its petroleum sector and add value, jobs and business opportunities to the sector.



*The President & CEO of TIMOR GAP,
Mr. Francisco da Costa Monteiro*

envisions the creation of three industrial clusters on the south coast of the country, from Suai to Beaçó, launching Timor-Leste as a regional player in the Oil and Gas sector.

The year's achievements are the result of close teamwork on the part of TIMOR GAP's body of Timorese professionals, in collaboration with our partners. We are in the process of building business relationships that will grow and flourish in coming years. As we move into 2013, we feel a strong sense of enthusiasm as Timor-Leste's Oil and Gas Industry develops, to the benefit of the communities in the south, as well as to the country as a whole.

Francisco da Costa Monteiro

The oil & gas sector is fundamental for the economic growth and development of Timor-Leste and we want to ensure that our petroleum resources wealth is used to improve the lives of the Timorese people, with transparency in management. This is the main reason why TIMOR GAP became, in 2012, an Extractive Industries Transparency Initiative (EITI) supporting Company.

In 2012, we have seen great progress across the Company's activities, ranging from institutional development and human resources recruitment to the accomplishment of foundations for the Tasi Mane project, which is the basis for the development of a national petroleum industry.

TIMOR GAP is managing Tasi Mane through a mandate from the Government. The project

1. TIMOR GAP

1.1 Our Vision, Mission and Corporate Values

TIMOR GAP's Vision, Mission and Corporate Values are the way we as a State owned Company conduct business.

Our Vision

"TIMOR GAP'S vision is to be an integrated oil and gas company and a partner of choice"

The vision is for TIMOR GAP to be an integrated company with upstream and downstream operations. Upstream operations will include exploration and production (E&P) activities to be carried out onshore Timor-Leste and offshore, within and outside of the national territory.

TIMOR GAP is also entrusted to involve in the services sector to the industry. Furthermore, the Company is assigned with downstream activities, including the storage, refining, processing, distribution and sale of petroleum and its by-products, including the petrochemical industry.

Moreover, to fulfil its Vision, the Company is seeking for strategic partnerships based on trust, mutual benefits and commitment.

Our Mission

- *To create additional value of oil and gas development through job creation and business opportunities*
- *To secure energy and contribute to the social and economical development*
- *To excel in providing services for the industry with quality, health, safety and environment*
- *To facilitate skill & technological transfers*
- *To enhance innovation and creativity in the energy and resources sector*

TIMOR GAP's Corporate Values are embedded in the words "CAN DO":

- *Competent and knowledgeable – skilful and accurate in its work*
- *Assess and seize the opportunity for business – proactive, loyal and purposeful in its actions*
- *Non-discriminatory and responsible – integer, honest, trustworthy, fair and accountable to its people/shareholders*
- *Doer and creative – innovative, open minded and caring for its work*
- *Optimistic of its business – professional, disciplined and dedicated to work - confident, team contributor and sharing and objective that promotes achievement of TIMOR GAP's vision and mission.*

1.2 About the Company

TIMOR GAP was established by Governmental Decree-Law No. 31/2011 of 27 July which stated the following:

"With the creation of TIMOR GAP, E.P., the business activities concerning upstream exploration and production, including provision of services, to be carried out onshore or offshore, within or outside of the national territory, are now entrusted to TIMOR GAP, E.P..

The new company hereby created is also entrusted with the carrying out of 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, and also the industrial processing of oil by-products and the carrying out of other activities in the petrochemical industry."

The organizational structure includes three main corporate bodies:

- *The Board of Directors (BoD)*
- *The Executive Committee*
- *The Audit Committee*

The Board of Directors

TIMOR GAP's Board of Directors (BOD) is the highest body in the Company, responsible for

defining directions and policies, as well as management, and has deliberative responsibilities.

The President of the BOD was appointed by the member of Government responsible for the oil sector - initially the Secretary of State for Natural Resources (SERN) and since the V Constitutional Government, the Ministry of Petroleum and Mineral Resources (MPRM) - with the approval of the Council of Ministers.



The President of the Board of Directors is:

- Mr. Francisco da Costa Monteiro.

The other Board Members are:

- Ms. Norberta Soares da Costa;
- Mr. Dino Gandara Rai;
- Mr. António José Loyola de Sousa.

Some of the main responsibilities of the Board of Directors (BOD) are:

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

The President of the BOD is also the Chief Executive Officer (CEO) of the Executive Committee, which exercises the everyday affairs of TIMOR GAP according to the objectives and strategies of the Board.

Summary of some important decisions taken in BOD Meetings:

1st Meeting, 17 October 2011

- Approval of the Rules and Procedures of the Board of Directors.
- Approval of the Organisational Structure of TIMOR GAP.
- Approval of the Executive Committee members.

2nd Meeting, 6 December 2011

- Approval of TIMORGAP's participation in a joint venture for helicopter services – TIMOR GAP and MHS Aviation (TL) Lda, a subsidiary of MHS Aviation Berhad (Malaysia). TIMOR GAP holds 60% of economic interest in this consortium.

3rd Meeting, 7 February 2012

- Approval of the incorporation of a subsidiary company, a Special Purpose Vehicle, for participating in the JPDA 11-106. The company is a sole shareholder limited liability company, a subsidiary of TIMOR GAP to be named TIMOR GAP PSC 11-106, Unipessoal, Limitada.

4th Meeting, 29 March 2012

- Approval of the adoption of the following Policies and Documents:
 - 1) Vision and Mission Statement
 - 2) Employment Policies
 - 3) Finance Policy
 - 4) Procurement Policy and Framework
 - 5) Procurement Procedure and Guidelines
 - 6) Procurement Threshold Table Procedure
 - 7) Shared-Values and Code of Conducts
 - 8) Leave and Work Hours Policy

9) Travel Policy

- Approval of the selection and appointment of the Director for Corporate Service Unit.
- Approval of the Work Program Budget for year 2012.

5th Meeting, 13 August 2012

- Approval of the ICT Policy.

6th Meeting, 4 December 2012

- Approval of the 2013 Work Program and Budget.

- *President & CEO:*
Mr. Francisco da Costa Monteiro
- *Director of Corporate Service Unit:*
Ms. Jacinta Bernardo
- *Director of Business Development Unit:*
Mr. Luís Martins
- *Director of Gas Business Unit:*
Mr. Domingos Lequi Siga
- *Director of Exploration & Production and Supply Base Unit:*
Mr. Vicente Lacerda
- *Director of Refinery and Petroleum Services Unit:*
Mr. Vicente Pinto



The Board of Directors and Executive Committee

The Executive Committee

The Executive Committee, amongst its key duties, has to prepare and submit, for approval by the Board of Directors, expenditure and investment budgets, proposals for raising funds, borrowing and financing, as well as for the provision of guarantees and performance assessment.

The Executive Committee is headed by the Chief Executive Officer who is also the President of the Board, and the other members are the executive directors of the business units of TIMOR GAP:

The Executive Committee (EC) also submits manuals and rules, from the operational area to human resources internal regulations and the annual insurance plan, for approval of the Board. It holds regular meetings to address daily management issues.

The Audit Committee

The Audit Committee is intended to be the body that will monitor the legality and correctness of budgets, as well as the financial and asset management of TIMOR GAP, ensuring compliance with laws, statutes and regulations. The Audit Committee also monitors the execution of the annual budgets, activities and investment programs.

TIMOR GAP's Business Units



The Executive Committee of TIMOR GAP

TIMOR GAP comprises five units, namely Corporate Service Unit (CSU), Business Development Unit (BDU), Gas Business Unit (GBU), Exploration & Production and Supply Base Unit (EP&SBU), Refinery and Petroleum Services Unit (R&PSU). Outlined below is a summary of each Unit's role.

Corporate Service Unit (CSU)

The Corporate Service Unit is responsible for managing all activities related to Human Resources Management, Corporate Finance Management, Information, Communication and Technology, Procurement Management, General Administration, Travel and Logistics, as well as other corporate activities and services for the whole company.

Business Development Unit (BDU)

The Business Development Unit is charged with finding and seizing business opportunities for TIMOR GAP as well as providing business support to other units of the company. This support includes legal opinions/advice/drafting, database and analysis, identification of business opportunities, and QHSE (Quality, Health, Safety and Environment). In addition, BDU will liaise with the government on matters related to the company's interest.



BDU and E&P staff at work

Gas Business Unit (GBU)

The Gas Business Unit is responsible for the management and coordination of all activities within the gas business area, namely LNG, LPG and pipeline.



ANP and SEMA's HSE team in inspection at Dili Port to the ship that will perform DMS survey for the Pipeline GS - Beço

Refinery and Petroleum Services Unit (R&PSU)

The Refinery and Petroleum Services Unit is responsible for managing and coordinating the refinery project and for all activities regarding petroleum, including petroleum products and product distribution in Timor-Leste.

Exploration & Production and Supply Base Unit (EP&SBU)

The Exploration & Production and Supply Base Unit is responsible for managing and coordinating all activities related to the exploration and production of oil and gas, and for all activities related to building & operating the oil & gas logistic supply base.



DMS activity for Greater Sunrise Pipeline Study



Ms Karen Augustiawan, CEO of Pertamina and Mr. Francisco Monteiro signing the MoU

1.3 General Overview

TIMOR GAP aims to provide more of the Oil and Gas value chain to the people of Timor-Leste. To achieve more value to Timor-Leste, TIMOR GAP began with the skill enhancement of its employees in all key areas of the value chain:

- exploration
- production
- storage and shipping
- refining and
- marketing

TIMOR GAP was active in managing the works for the establishment of a supply base, refinery and LNG plant, included in the Tasi Mane Project.

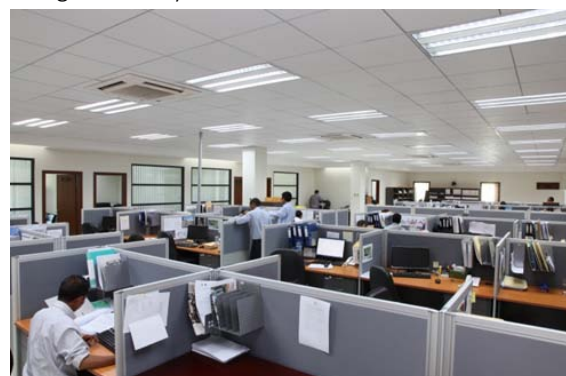
TIMOR GAP established Joint Ventures (JV) with local and foreign companies to cover training and technology transfer in support of upstream and downstream operations, to consolidate its growth as a recently established national oil company (NOC).

In July 2011, a Memorandum of Understanding (MoU) was signed between the Secretário de Estado dos Recursos Naturais (SERN) and Galp Energia from Portugal, to support the establishment of Timor-Leste’s State owned company. In 2012, other Memorandums of Understanding (MoU) were signed with Pertamina and Isar Aryaguna Holding Company, Indonesian companies.

TIMOR GAP prepared a consortium to seek business opportunities associated with onshore and offshore projects, and created two subsidiaries, GAP-MHS Aviation, which provides support to helicopter services for offshore operations, and TIMOR GAP PSC 11-106 Unipessoal Lda, to participate in the petroleum exploration and production of a block in the Joint Petroleum Development Area (JPDA).

Executive Summary

As the national oil company (NOC) created by Decree-Law No. 31/2011 of 27 July, TIMOR GAP is establishing itself in the petroleum sector of the South East Asia region, a market characterized by the presence of big international players in the oil and gas industry.



Interior of TIMOR GAP's Office

The Board of Directors and Executive Committee of TIMOR GAP were appointed in October 2011.

A transitional budget for the Company was then approved, mainly directed towards immediate work plans for the establishment of the new offices, as well as to assist TIMOR GAP in becoming

fully operational by January 2012.

Purchasing of necessary goods and services were the main activities carried out during this budget period, considered a “starter budget” for TIMOR GAP. Afterwards, an interim budget for 2012 was also approved, to allow for the opening of programs and activities from the beginning of the year.

The final Work Program and Budget proposal for 2012 covered the entire year, enabling a normal year budget cycle from then on, as TIMOR GAP consolidates its operational activities to become a completely functioning oil and gas Company.

During the period \$4.3 million was received from the Government of which \$2.5 million was to be considered as capital injection to complete statutory requirement of the Decree Law (which required \$2.5 million injection from the Government). The rest of \$1.8 million was to be considered as grant from Government to fund the operations of TIMOR GAP and is accounted for as revenue. The Government Grant was accounted for as revenue, therefore the “start-up costs” exceeded the income received for operational expenses.

The main activities for 2012 included:

- **Institutional Development** - recruitment and training of staff and acquiring goods and services for the operability of TIMOR GAP’s new office.
- **Business development** through business meetings and attendance of conferences.
- Management and administration of the **Tasi Mane Project**, which encompasses:
 1. The establishment of the Suai Supply Base
 2. The Betano Refinery and Petrochemical Industry, and
 3. The Pipeline from Greater Sunrise field and LNG Plant in Beaco
- The development of **complementing infrastructure** projects, namely:

- The Suai Airport
- The Suai-Betano-Beaco Highway, and
- The Suai-Betano-Beaco new cities projects
- **Strategic activities supporting JPDA and Sunrise matters** – acquiring services such as legal and technical studies for various needs (e.g. Greater Sunrise project economics, Terms of References for sunrise reserve study).

All of these projects have been delegated by the Government to TIMOR GAP to manage and administer and are discussed in Section 4 and 7 of this report.

In addition to these activities and projects, as the national oil company of Timor-Leste, TIMOR GAP is supporting the Government’s goal to build a gas pipeline from Greater Sunrise (Sunrise and Troubadour fields) to Timor-Leste and to build a Liquefied Natural Gas (LNG) plant to process the natural gas onshore in Beaco, through the provision of advice and participation in the Joint Commission and Sunrise Commission meetings, along with Government officials and Australia (see Section 5 of this Report for further information).

Both the 2011 and 2012 budgets were “enabler budgets” for TIMOR GAP.



Visit of the President of the Republic of Timor-Leste H.E.Mr. Taur Matan Ruak to TIMOR GAP, 26 June 2012

The objective was in sum, to recruit and further develop the Company’s human resources, to set up

the administration system, consolidate operational activities, manage the projects delegated by the Government, as well as develop and seize new business opportunities in the oil and gas sector, allowing TIMOR GAP to move into a new era of its corporate life in 2013: the year of investments, with an “investment budget”.

Corporate Governance and Transparency Initiatives

Formation and Composition of the Board of Directors (Board)

In terms of the Articles of Association TIMOR GAP is subject to the supervision of the Secretary of State for Natural Resources or the organ of the Government supervising the Petroleum Sector.

The Board has its first seating on the 17th of October 2011 whereby rules and procedures were approved. These Rules and Procedures are based on Decree-Law 31 of 2011 and the By-Laws of TIMOR GAP.

At year end the Board was composed of the Chairman, and three non-executive members. The Board members differing skills, qualifications and experiences strengthen the Board by bringing a diversity of experience.

Role of the Board

The Board is key to guiding and approving TIMOR GAP’s strategic and business plans, and providing oversight to the Executive Committee.

On a quarterly basis the Executive Committee presents the activities and financial reporting of each Unit to the Board.

These quarterly presentations keep the Board fully informed of the activities of the company, and provide an interactive platform for the Board and Executive Committee to implement the strategic and business plans of TIMOR GAP.

The President&CEO manages the day to day activities of the company and oversees the work of the Executive Committee.

During the period Board meetings were held on the following dates:

- 17 October 2011
- 6 December 2011
- 7 February 2012
- 29 March 2012
- 13 August 2012 and
- 4 December 2012

In 2012, the Board approved the engagement of Deloitte as external auditor to audit TIMOR GAP’s financials.

In order to ensure that TIMOR GAP follows the normal petroleum industry practice, the Company adopts International Financial Reporting Standards (IFRS) for its financial reporting purposes. IFRS is an international reporting framework and is adopted by companies of all sizes within the oil and gas industry.

Policies and Procedures

The Board and Executive Committee are committed to good Corporate Governance which is reflected in our corporate values as set out above.

The company has developed policies and procedures to provide a transparent framework to ensure high standards of governance and ethical conduct. Key policies and procedures reviewed and approved during this period included the following:

- Rules and Procedures of the Board of Directors
- Shared Values and Code of Conduct
- Vision and Mission Statement
- Employment Policies
- Finance Policy
- Procurement Policy and Framework
- Procurement Procedure and Guidelines
- Procurement Threshold Table Procedures
- Leave and Work Hours Policy
- Travel Policy
- Information Communications and Technology Policy

All employees are expected to adhere to the Shared Values and Code of Conduct which sets out our expected standards of behaviour and ethical conduct. To meet this expectation, employees were provided with opportunities to participate in

various workshops and training which would not only enhance their understanding of our corporate values, but also sharpen their technical skills.



Staff attending administration training in 2012

The creation of policies and procedures is to support the development of TIMOR GAP's internal control systems by providing clear expectations and guidance to all employees. TIMOR GAP's internal legal department is assisting the Company to ensure that procedures adopted are based on a sound legal framework.

Timor-Leste fully supports the EITI, which advocates for more openness in the extractive industries.



In June 2012, six months after it began operations, TIMOR GAP became one of the few National Oil Companies in the world supporting the EITI. This shows our strong commitment to transparency and accountability in the sector.

The revenue from petroleum sector has been the greatest source of State Budget in Timor-Leste. Recognizing the importance of the country's natural resources wealth for a sustainable development and well-being of the people, Timor-Leste is committed to full transparency in accounting for income resulting from the exploitation of petroleum resources.

The EITI is a global coalition of governments, companies, civil society groups, investors and international organisations, with the aim to improve accountable management of revenues from natural resources.

Timor-Leste was admitted in 2008 as a candidate to implement the EITI and became in 2010 an EITI Compliant Country, meaning that it meets all requirements in the EITI Standard. Timor-Leste is proud to be the first country in Southeast Asia and the third in the world to achieve this status.



TIMOR GAP, the MPRM, ANP, IPG and EITI participate at the Same Expo

Financial Overview

The audited group and company financial statements have been audited by external auditor Deloitte whose result is presented at the end of this report.

The results presented are for a period of 15 months. TIMOR GAP was legally established by Decree-Law on 27 July 2011, the Board of Directors and Executive Committee were appointed on 17 October 2011 when operations effectively began. In line with the Government of Timor-Leste, the financial year end is 31 December. TIMOR GAP adopts International Financial Reporting Standards (IFRS) to ensure that our reporting is based on a well-recognised and respected framework widely used by players of all sizes in the oil and gas industry.

TIMOR GAP received from the State its initial capital of \$2.5 million in two tranches from the General State Budget of Timor-Leste. In addition TIMOR GAP received a government grant of \$1.8 million during the 15 months ended 31 December 2012.

The revenue is allocated for undertaking various activities according to each of the five Business Units, as well as to the Office of the President & CEO for the 15 months is set out in the table below:

Units/Office	Remarks
President & CEO Office	Costs for strategic projects, expenses related to the Board of Directors and Executive Committee meetings, Joint Commission and Sunrise Commission's meetings, staff and operational expenses.
Corporate Service Unit (CSU)	Office operations, staff salaries, set-up systems, training, travel and consultancy fees for the whole company.
Business Development Unit (BDU)	Staff salaries, feasibility studies, systems set-up, training, travel, consultancy fees and project expenses to support business opportunities created by the company.
Gas Business Unit (GBU)	Staff salaries, travel and meetings to support the pipeline and LNG studies.
Exploration and Production and Supply Base Unit (EP&SBU)	Staff salaries, project expenses (Suai Supply Base Project activities – consultation & “socializasaun”, land title & property identification and verification, quarry identification; Timor-Leste onshore prospecting survey), travel and meetings.
Refinery and Petroleum Services Unit (R&PSU)	Staff salaries, support for FEED studies for Betano refinery, travel and meetings.

Quality, Health, Safety and Environment (QHSE)

In the exercise of its activities as the National Oil Company, TIMOR GAP is always concerned with respecting and protecting Quality, Health, Safety and Environment, as well as to promote Social Responsibility.

In line with Decree-Law No. 5/2011 on Environmental Licensing, the Secretaria de Estado dos Recursos Naturais (SERN), commissioned studies to assess the likely environmental and social impacts of the development of the Tasi Mane Project.

This project on the south coast of the country is being managed by TIMOR GAP through a mandate from the Government. Under the mentioned Decree-Law, a series of projects require an Environmental Impact Assessment (EIA) to be approved.

In accordance with international standards, an EIA is defined as the process of identifying, predicting, evaluating and mitigating the biophysical, social, and other relevant effects of development proposals prior to major decisions being taken and commitments made.

The EIA for Tasi Mane was under carried by the engineering company Worley Parsons. The Betano refinery & petrochemical complex and the Beço LNG plant studies resulted in a Strategic Environmental Impact Assessment (SEIA).

The SEIA is a first step in identifying, describing and assessing significant environmental effects for the Betano and Beço projects.

The project of the Suai Supply Base, which had already more detailed information available, produced a comprehensive EIA.



Health and Safety workshop at TIMOR GAP

An EIA determines the positive and negative changes produced in the environmental and social parameters resulting from projects. The predicted environmental impacts are considered, when deciding whether to allow the project to proceed. Integral to the EIA process has been the identification of potentially adverse impacts on the environment and community, and specific measures to avoid, manage and mitigate those impacts.

The process also involved stakeholder consultation, in the three project areas of Suai, Betano and Beço, and commencing with district, subdistrict and local village leaders. The consultation with the affected communities was led by SERN, aimed at informing about the planned development and has been underway since 2010, ensuring that the project is understood by the local communities and their concerns addressed.

After completion, TIMOR GAP submitted the EIA and SEIA to the Secretaria de Estado do Meio Ambiente (Secretary of State for Environment, SEMA) , as part of the process for the grant of the environmental license, considering the net impact of the projects are deemed to be acceptable.

2. Investing in People: Human Resources and Corporate Institutional Development

2.1 Corporate Institutional Development

In March 2012, TIMOR GAP's Board of Directors approved the Policies of the Company, which are the basis for the Corporate Institutional Development and consist of the following:

- Vision and Mission Statement
- Shared-Values and Code of Conduct
- Employment Policies
- Finance Policy
- Procurement Policy and Framework
- Procurement Procedure and Guidelines
- Procurement Threshold Table Procedures
- Leave and Work Hours Policy
- Travel Policy
- Information Communications and Technology Policy

Employment Policies – TIMOR GAP and its employees agree to work together to pursue the objectives as of the Company's vision and mission. The employment policies cover expectations, obligations, entitlements and benefits. The Human Resources Department manages, monitors, and assists employees in the implementation of said policy.

Finance Policy – the purpose of this policy is to promote and achieve the efficient, effective and ethical use of TIMOR GAP's financial resources and to ensure that the Company financial reporting meets the requirements of professional accounting and auditing standards.

Procurement Policy and Framework—this policy is to ensure that goods and services are procured by TIMOR GAP in a consistent, accountable and

transparent manner that reflects value for money. It is a subset of the finance policy and is related to the procurement of the Company's property, work or services.

Procurement Procedure and Guidelines – this Procedure and Guidelines were created to assist procurement team in implementing the Procurement Policy.

2.2. Human Resources Planning

Human Resources Plans are tools required to ensure that employees have the necessary skills and experience to execute TIMOR GAP's business in the petroleum industry. In 2012 TIMOR GAP initiated its policy of investing heavily in human resources, especially in training and development. TIMOR GAP's employees received training in their specific areas of expertise, in a process expected to continue in following years.

The human resources of the Company will continuously improve through extensive programs, including training in main areas such as geology, petroleum and chemical engineering, petroleum finance, business and project management.

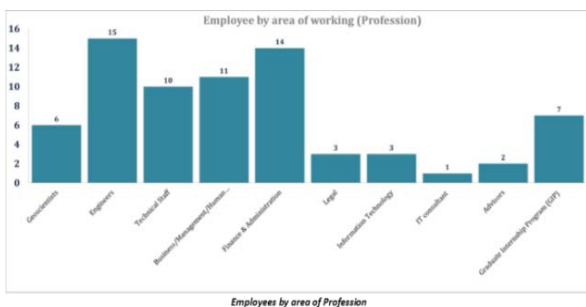
The Company has also been laying the basis for a company career development plan, which is aimed at creating a pool of talented employees whilst enhancing their career satisfaction. This program also provides employees with the opportunity to be prepared for future jobs along with their career path in the company.

2.3. Human Resources Development Summary in 2012

Employees

As the Company grows, the number of employees has increased accordingly. In the 1st quarter of 2012 the total of employees was 22, rising to 71 by the end of December, with a gender breakdown of 53 males and 18 females.

TIMOR GAP also accommodated new graduates as recommended by the Ministry of Petroleum and Mineral Resources (MPRM) through the Graduate Internship Program (GIP). A total of 7 GIPs joined the Company during 2012.



By the end of the year, TIMOR GAP's staff comprised 6 geoscientists, 15 engineers (petroleum engineers and civil engineers), 10 technical staff, 11 employees with business management and human resources background, 14 finance and administration staff, 3 legal staff, 3 information technology staff, 1 short term IT consultant and 2 advisors for the President & CEO.

Training and Professional Development

Employees are essential for the achievement of the Company's mission, therefore it is important to increase their capacities and provide them with the opportunities to attend training courses in order to continuously improve their performance and enhance knowledge in their specific area of expertise as well as in the oil and gas industry.

Various training courses were delivered throughout 2012, from Short Term Courses to In-House Training. There were Secondments of staff and attendance to several Conferences, as detailed in the following sections.

Short Term Courses

a. Basic Offshore Safety and Emergency Training - this course is considered a compulsory training for operators worldwide for offshore staff, and provides knowledge on safety management systems and the hazards encountered on offshore operations. It also covered offshore emergency response and proper use of emergency equipment.

b. Project Management Training - this training was attended by managers and senior officers directly involved with project management.

c. International Technical Course on Occupational Health and Safety Training - the training was provided for health and safety environment (HSE) staff.

d. Finance Training - the Accpac computerized accounting system was implemented to run financial reports and for internal control. The system contains almost all accounting modules, including a purchasing workflow module and a norming asset system. All finance staff attended SAGE Accpac training and a purchasing workflow implementation training.

e. Information and Communication Technology (ICT) Training - in the beginning of 2012, TIMOR GAP invested in the purchase of IT systems and hardware. The ICT Team worked on ICT installations, configuration, maintenance and searched solutions for better systems and implementation of a ICT infrastructure to suit the Company's needs. Since the system was new to ICT Staff, the employees received Lotus Domino training that covered server configuration and troubleshooting modules.

f. General Administration Skills and Secretarial Skills - the objectives of this course were to enhance

professional capability and service to the office, increase professional business writing for secretaries, administration, office management and professional filing and record management, as well as strategic communication skills.

In-House Training

a. Introduction to the Oil and Gas Industry - conducted in November 2012, the course was attended by all staff in Dili. It is mandatory for new staff entering the Company and especially valuable for beginners to the oil and gas industry and non-technical staff. The objective of the course was to provide TIMOR GAP's staff with an industry overview, covering particularly the phases of E&P.



Introduction to the Oil & Gas Industry training

b. Petroleum Project Economics and Risk Management - this course was conducted in Dili for staff working with projects, specifically E&P manager, petroleum engineers, refinery staff, finance manager, project managers, information systems manager, project leaders, project finance, procurement officers, legal counsel and executive advisor.

The course provided TIMOR GAP's staff with the ability to apply a structured approach to project justification, investment appraisal and decision making in the upstream petroleum business.

This course, as well as the introduction to the oil and gas industry, was delivered as in-house training by an international training provider specialized in the oil and gas sector.

c. English Classes - English classes were provided twice a week during ten months in 2012, divided into advanced and basic classes.



English classes conducted in 2012

Secondments

Secondment or job placement is a strategy that TIMOR GAP is implementing to strengthen the capacities of its employees through on-the-job-training in the offices of business partners.

As example, a junior process operator and a junior process engineer from the Refinery and Petroleum Services Unit (R&PSU) were placed in PTT Global Chemical Public Company in Rayong (Thailand), being currently on the 2nd year of their secondment.





Staff secondment at PTT Global Chemical, Rayong, Thailand

2.4. Human Resources Management Policy

Performance Management

The performance management policy was drafted with the purpose to:

- periodically review staff's work performance, in order to promote the most effective use of expertise
- determine the quality of service, recognize achievements, and
- identify learning and development needs.

This policy is expected to be approved in 2013.

3. Exploring Business Opportunities and Building Partnerships in the Petroleum Sector

TIMOR GAP was created to manage commercial assets owned by the State of Timor-Leste in the oil sector. Hence, the responsibilities concerning business activities in the oil industry were transferred to the State-owned NOC, initially under the supervision of the Secretaria de Estado dos Recursos Naturais (SERN), and from 2012 on, with the V Constitutional Government, the Ministry of Petroleum and Mineral Resources (MPRM).

TIMOR GAP observes the principles of good corporate governance and efficient management, ensuring the economic feasibility and financial stability of the Company, aimed at protecting the interests of Timor-Leste and in accordance with the National Strategic Development Plan 2011-30.

3.1 Corporate Branding

In 2012, TIMOR GAP initiated the corporate brand identity and strategy project, with the objective of adding value through a strong and comprehensive

Conferences

TIMOR GAP values the exchange of knowledge and the participation in high level events related to the Oil and Gas Industry, therefore several international conferences were attended by staff in 2012:

- World Gas Conference in Kuala Lumpur.
- International Geological Congress in Brisbane.
- Offshore Northern Seas Conference, Oil for Development Program in Norway.
- National Oil Company (NOC) Petroleum Economic Forum in Singapore.
- Global Human Resources Excellence Conference in Kuala Lumpur.
- Gas Information Exchange Conference in Bali.

More details of the training, courses and conferences occurred during the period are summarized in section 9 of the report "Training our People".

corporate brand, as well as a communication strategy, through workshops and interviews with management and all employees. As a result of this process, a new logo was developed.



3.2 Projects under Memorandum of Understanding (MoU)

As part of developing its business, to seize the opportunities, TIMOR GAP enters into partnerships with several players in the sector. Several Memorandum of Understanding (MoU) were signed in 2012 by TIMOR GAP. These include:

MoU between Pertamina and TIMOR GAP

The two State owned Companies of Timor-Leste and Indonesia signed a MoU in 2012. The Parties express their interest in exploring the possibility of cooperating in the oil and gas business sector in Timor-Leste; specifically in what concerns downstream activities, for example through the development of fuel stations in Timor-Leste. In addition, Pertamina proposes training for TIMOR GAP's employees.

MoU between TIMOR GAP and Isar Aryaguna Holding Company (IAHC)

The MoU establishes a basis upon which TIMOR GAP and IAHC may explore areas for cooperation in the promotion of oil and gas business activities, and agree to discuss the development of fuel oil supply business in Timor-Leste, as well as the identification of technical options for fuel supply and associated storage facility.

3.3 Fuel Supply

Pre-Assessment of Petroleum Demand

In 2012, TIMOR GAP conducted an assessment on the demand for petroleum products in Timor-Leste. This assessment was conducted to develop baseline information over the petroleum consumption, in relation to the future refinery output, the petroleum import terminal, as well as storage capacity. It was also important to understand the domestic demand and supply availability.

Petroleum Demand

In the absence of oil-refining facilities, Timor-Leste continues to import petroleum products from neighbouring countries.

In 2011-2012, power generation in the country took major primary energy consumption in the form of high speed diesel (HSD). The demand of power generation accounted for approximately 48-50% of diesel consumption with average of 592.91 kbbbl/day.

Petroleum products demand, in the form of gasoline, diesel and jet fuel products for the transports sector, comprised approximately 48.62% from total petroleum consumption or 562.46 kbbbl/day.

The diesel and gasoline demand is expected to increase steadily at an average 5.0% annually, accompanying the growth of the economy.

Meanwhile, regarding LPG and Kerosene products, the household and commercial sector are responsible for the main consumption which amounted to 215 tonnes of LPG and 3,891 tonnes of Kerosene, with an average increase of 2.24% annually, from 2007 to 2012.

Supply of Fuel to Hera Power Station

Timor-Leste electricity utility, EDTL, has been operating one major power plant in Hera on the north coast of the country, to supply electric energy for domestic consumption. The power plant operates by using imported fuel. However, it is planned that it will use the country's own fuel resources, produced by the Betano refinery, in the future.

In 2012, a feasibility study for fuel supply and delivery to the EDTL power plant in Hera was prepared with Worley Parsons' consultant engineering company. The study covered bathymetric survey, metocean, topography, pipeline, marine facilities and searched for options for a temporary system for the offloading of fuel oil from a coastal tanker to the Hera Power Station.

The power station is currently using diesel fuel which is delivered by trucks. Substantial operating cost savings may be available if diesel fuel is replaced with heavy fuel oil (HFO) shipped to the power station directly from a refinery. TIMOR GAP therefore conducted a feasibility study on a temporary (3 to 5 years) single point mooring/conventional buoy mooring/off-loading hose/barge system to deliver HFO to the Hera Power Station.

The objective of the study was to determine which option was the most viable, cost effective and environmental friendly for the temporary delivery of fuel to the Hera Power Station. Upon the completion of the study, TIMOR GAP proposed several supply alternatives to transport diesel and mogas from the point of discharge to the final destination point.

3.4. Subsidiary Companies of TIMOR GAP

While conducting business activities in the oil and gas sector, TIMOR GAP is able to create subsidiaries, which may be associated with other national or foreign companies. The Company and its subsidiaries can form consortia or other forms of joint ventures (JV), and may acquire and dispose of

shareholdings. Subsidiaries which are majority owned by the national oil company (NOC) are tied to directives and strategic planning, and common corporate rules providing technical, administrative, accounting, financial or legal guidance.

Members of the Executive Committee are allowed to participate in the management of these subsidiaries and affiliates. TIMOR GAP constituted two subsidiary companies in 2012, GAP-MHS Aviation Lda, that provides support for helicopter services for offshore operations, and TIMOR GAP PSC 11-106 Unipessoal Lda, to participate in the petroleum exploration & production of a block in the JPDA.

GAP-MHS Aviation Lda

Operations began in 2011 with the two companies, TIMOR GAP and MHS Aviation (Timor-Leste) providing offshore helicopter support services for Bluewater, which is contracted to ENI's Kitan Project in the Joint Petroleum Development Area (JPDA) in Timor Sea. For this period TIMOR GAP received a management fee \$739,664 (before taxation).

GAP-MHS Aviation Lda was then incorporated on 26 June 2012. The company is owned by TIMOR GAP (60%) and MHS Aviation (TL) Lda (40%), a subsidiary of Malaysian Helicopter Services (MHS) Aviation Berhad, which is specialized in oil and gas aviation support operations.

The subsidiary company has been providing rapid transit from the capital Dili to the projects on south coast, is concentrating in offshore oil and gas aviation support operations and plans to include general aviation activities in the future, in particular communication flights, medical evacuation and tourism flights. Other features:

- GAP-MHS operates regular flights once or twice a week.
- Timorese staff were engaged since the beginning in this subsidiary company of TIMOR GAP, and are undergoing continuous training (e.g. engineering training in Malaysia).



GAP - MHS staff at the hangar

The company GAP-MHS started with 28 international and local staff, and has been growing since then. Trainings and courses on aviation industry have been conducted for all new members, a practice consistent with the company's objective of knowledge and technology transfer to local entities. This is also in line with the company's local content's agreement with client Bluewater, Autoridade Nacional do Petróleo (ANP) and Timor-Leste government.

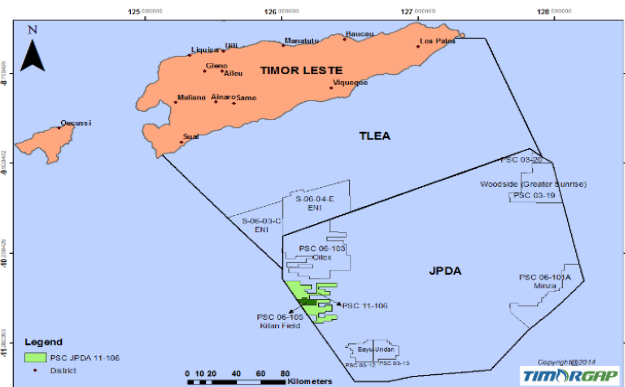


GAP-MHS Aviation Lda

TIMOR GAP PSC 11-106 Unipessoal Lda

One of the main reasons for the establishment of TIMOR GAP was to have the State's direct participation in the exploration and development activities of Timor-Leste's oil and gas resources. Under the Petroleum Activities Law, the Petroleum Mining Code (JPDA) and the Production Sharing Contracts, a special purpose vehicle (SPV) company is required for the purpose of entering into a production sharing contract.

In 2012, TIMOR GAP established a wholly owned



JPDA Block 11-106 highlighted in the JPDA, Timor Sea

subsidiary company – TIMOR GAP PSC 11-106 Unipessoal Lda, as a SPV for the JPDA 11-106 block and negotiated with potential joint-venture (JV) partners, Eni and INPEX.

The possible contract area is located approximately 240km south of Dili and 500km northwest of Darwin, covering an area of 662 Sq km adjacent to the offshore Kitan oil-producing field.

The company did not did not operate in 2012.

4. Tasi Mane Project - the Future Hub of Timor-Leste's Oil and Gas Industry

4.1. Introduction

Tasi Mane is an essential project for Timor-Leste, envisioned in the Government's Strategic Development Plan (SDP 2011-2030), which identifies the careful management of the petroleum sector as a basis for the nation's sustainable development.

It comprises the development of a national oil and gas industry that will provide direct economic benefits from Timor-Leste's natural resources, including job creation in the oil sector and related services and businesses.

The Tasi Mane project involves the establishment of core infrastructures and will contribute to the transformation of the country's economy into one based in a successful petroleum industry with a dynamic private sector.

It will also be the first example for the government and communities of the benefits and costs associated with large-scale industrial development.

TIMOR GAP was mandated by the Government to manage this project that will be located on the south coast of the country, and the Company will support the creation of industries and the development of necessary human resources to operate the petroleum sector envisioned in the Tasi Mane Project.

In more detail, Tasi Mane is a multi-year integrated project of three industrial clusters, to be built from Suai in the district of Covalima to Beaco, district of Viqueque, and will include:

- The Suai Supply Base (SSB) cluster
- The Betano Refinery and Petrochemical Industry cluster
- The Beaco Liquefied Natural Gas (LNG) Plant cluster

For each cluster site there are additional supporting facilities planned, including upgrades of existing airstrips and new towns to accommodate not only the workforce, but also therelocated local residents.



Map of the Tasi Mane project, south coast of Timor-Leste

Hence, some of the complementary infrastructures that the Tasi Mane Project encompasses are:

- The renewal of the Suai Airport
- A Highway connecting project locations along the south coast

The Government is the project proponent of the Suai Supply Base (SSB), however it is expected that development of the petroleum refinery and LNG plant will be commercial ventures operated by international private companies.

Two principal laws rule the development of Tasi Mane: the Decree-Law No. 5/2011 on Environmental Licensing and the Decree-Law No. 1/2012 on the Downstream sector.

The Decree-Law No. 1/2012 on Downstream regulates activities associated with the supply, processing, transportation, storage, trading and marketing of petroleum, petroleum products and similar products.

A downstream licence is required for the Betano petroleum refinery and petrochemical complex, as well as for the Beajo LNG plant.



SSB data publication in Suai



Presentation of Environmental Impact Assessment (EIA) Study



SSB data publication in Suai



Presentation of EIA Study

4.2. Suai Supply Base (SSB)

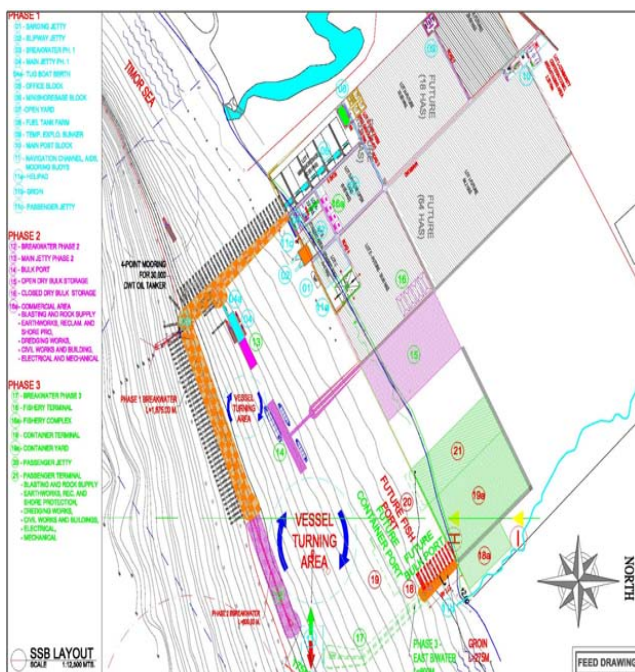
Project Description



The SSB is the 1st stage of the Tasi Mane Project

The building of the Suai Supply Base (SSB) is considered the first stage on the implementation of the Tasi Mane Project and includes the establishment of a logistics base in Suai, on the south coast of the country, which will provide capacity for the development of a petroleum sector and related businesses.

Other non-oil industries, such as commercial fisheries, are also expected to be attracted to the area. The SSB will be an entry point for the materials and equipment requested to build other planned core infrastructures.



The SSB general layout and its development area

The industrial cluster in Suai will also include:

- the building of a sea port and warehouse in Camanasa
- a housing complex in Camanasa (a new city, Nova Suai)
- the rehabilitation of the Suai airport and
- a heavy metals workshop, fabrication yard and repair facilities.

The Suai cluster will be a platform driving job creation, economic development and will support the establishment of the other clusters at Betano and Beaco.

The SSB will consist in a logistic marine supply base to support all offshore and onshore oil and gas activities in Timor-Leste's Exclusive Area (TLEA) and in the Joint Petroleum Development Area (JPDA), including the construction and development of E&P facilities.

The project of the Supply Base, located in the Covalima District 138 km south-west of Dili, will be built in three phases, commencing in 2014 and with the final phase to be completed in 2030.

The SSB will support the growth of general industry around the Suai area, forming the basis for Small and Medium Enterprises (SMEs) in Timor-Leste and will be constructed with high standards of health, safety, security, environment and operational efficiency.

The Front End Engineering Design (FEED) of the SSB was concluded in the 3rd Quarter of 2010 and consists of land and marine facilities:

Land-based or onshore facilities -including port operation buildings, several standalone integrated mini-shore bases, covered warehouses, fuel tanks farm, reverse osmosis water system and water storage tanks, firefighting and telecommunication systems, waste management, central kitchen and containers, pipe racks, open yards, hard stand paved parking areas, staging areas for offshore fabrication, recreational and community facilities.

Marine facilities - including three reinforced concrete jetty structure, i.e. the main jetty with tug boat berth; the barge jetty; and the passenger jetty and terminal. The infrastructure also comprises a reinforced concrete slipway jetty, navigational aids system and a shore connected rock armour breakwater to provide shelter from the waves, creating a calm harbour for the safe operations of the SSB under all weather conditions and throughout the year.



Meeting with the community in Suco Camenasa



Meetings in suco Camanasa, with SERN and EKI

Environmental Impact Assessment (EIA)

The EIA for the Suai Supply Base (SSB) was prepared to comply with regulation on environmental impacts of significant projects, being

the first to occur under the Decree-Law No. 5/2011, on Environmental Licensing.

The EIA had the purpose to identify the likely environmental and social impacts associated with the construction and operation of the logistics base in Suai, to inform about the detailed design stage and determine the baseline conditions for the physical, biological and social environment at the development area, in the District of Covalima.

The EIA study covered the social and economic impacts that are likely to arise from the construction of the Suai cluster, assessing qualitative environmental impacts of the project on sensitive receptors including communities, and prescribing measures for management and mitigation to minimise likely adverse impacts.

Covalima has a population of 49,455 inhabitants and an area of 1,226 km² (Census 2010). The vast majority of households in the project area are subsistence farmers.

The principal impacts to the natural environment during construction and operation of the project in Suai will be short-term and localised emissions of noise and dust, relocation of residences, loss of land (including farmland, crops natural resources) and trees, as well as coastal landscape changes.

The existing community that live and farm in and around Suai will experience changes to the local social and natural environment.

The main socio-economic impacts of the SSB will be job creation (both direct and indirect employment opportunities related to the construction and operation of the Supply Base), skills development, new economic opportunities, involuntary resettlement, as well as influx of new residents and workforce.

A program of monitoring for the SSB is planned, including air quality and dust particulates, noise, water quality and biodiversity.

Site visit and meeting the community in Suai

TIMOR GAP prepared site visits and consultations among the Suai community, including facilitation of contacts between stakeholders and local authorities.

The “Ekipa Konjunta Interministerial (EKI)” or inter-ministerial team was established to improve coordination with the relevant ministries involved in the Suai Supply Base (SSB) project.

The objective of the stakeholder consultation was to inform the community (“socializasaun”) about the SSB as part of a broader national project of development (Tasi Mane), and gather people’s responses and concerns, regarding the building of the logistic base in Suai and the changes that will affect them.

TIMOR GAP’s activities on this behalf included:

- Meetings and presentation of materials to be used during the introduction of the project with the inter-ministerial team.
- Presentation and dissemination of the project within Suai community.
- Data collection and verification of land title, as well as divulgation of information about the mode of compensation.



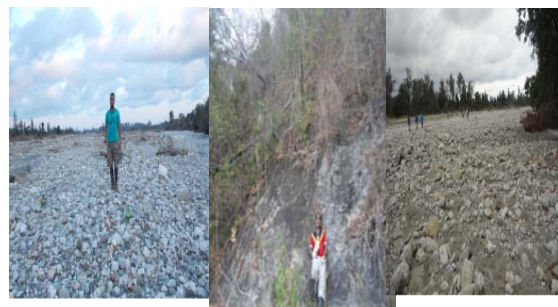
Activities of data verification

Reconnaissance Fieldwork of Breakwater Quarry Locations

A reconnaissance field trip was conducted by TIMOR GAP, aimed to follow up the quarries identified by Eastlog and to further investigate other potential quarries that are considered as having the potential of breakwater armour stones and core materials along the south coast of Timor-Leste.

The reconnaissance field work was planned to visit 19 quarries (main and alternative, located in 5 districts) and took place from September to October 2012.

From the result of hypothetical reserves calculated and geological perspectives, it was considered that the availability of the armour stone materials along the south coast was relatively sufficient for the SSB and Beaçõ LNG Plant breakwaters construction.



Possible quarry location for the SSB Project construction

Highlights of achievements in 2012

Regarding the development of the Suai Supply Base project, the following phases and processes accomplished in 2012 can be highlighted:



Activities of land title and properties identification

- Presentation and dissemination of information about the project, as well as consultations with the communities in the villages of Camenasa, Belacasak, Labarai and Matai of Covalima District (“socializasaun”)
- Environmental Impact Assessment (EIA) and Social Impact Assessment
- Land title identification covering an area of 1,113 hectares for the Suai industrial cluster and 213 hectares for Nova Suai
- Proposal review and detailed negotiation of terms and conditions for further construction supervision services
- Review of the breakwater design model
- Detailed quarry survey

4.3 Suai Airport

Project Description

The rehabilitation of the Suai airport and of connecting roads in the Camanasa area, is an integral part of the Tasi Mane Project.

The proposed design of the airport upgrade consists in expanding the airport runway from the current 900 meters to 1,500 meters, and 35 meters width.

The Suai airport is located in the Covalima District, 202 km from the Capital Díli and 15 Km from Suai Town. More precisely, it is located at Holbelis, on the northern side of the Suai to Beaço south coast road, approximately 2 km inland of the coast.

The existing Suai Airport is classified as a district airport and will be upgraded to cater for expanded passenger and freight services. The main new features will be the longer runway, a new terminal building, a hangar shelter for helicopters and fire station.

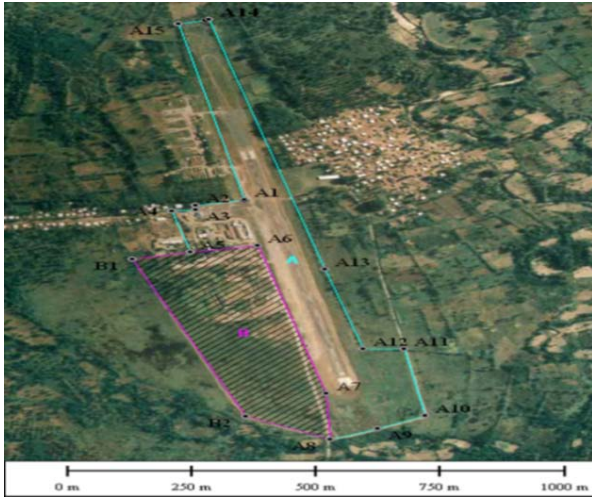
A technical study and detailed design for the Suai airport was conducted.

The proposed airport project will be based on International Civil Aviation Organization (ICAO) standards, with class C category, and the rehabilitation has the purpose of allowing safe operations of light aero-planes and helicopters to support petroleum activities and the supply base



operations. It will therefore include:

- New airport facilities and a helicopter maintenance service
- The extension of the runway



Current airport in Suai

The new airport will cater for fixed wing aircraft (up to 60 seaters), and helicopters with 15-20 passenger capacity.

The new airport will mainly benefit the companies working on oil and gas platforms, the Tasi Mane project, and communities living in the south coast area.

It is expected that many jobs will be created in relation to the project activities (employment in the areas of natural resources, air transport and

Environmental Impact Assessment (EIA)

In relation to the rehabilitation of the Suai Airport project, an EIA was carried out together with the Tasi Mane Project EIA, which was conducted by Worley Parsons.

The objective of the EIA was to analyze and evaluate the anticipated impacts of the airport upgrade.

The EIA process identified a range of mitigation measures, management actions and monitoring requirements to be implemented during the project to eliminate or reduce adverse environmental and social impacts, and enhance positive impacts.

The EIA assessment for the project was completed in May 2012.

Site visit to the existing Suai airport



Design of the new Suai airport facilities

within the companies involved in the project implementation).

Overall, the rehabilitation of the Suai airport will contribute to the social and economic development of Timor-Leste, by facilitating transport from the petroleum platforms to Suai, supporting the development of south coast infrastructures and offering new job opportunities.

and meeting the community

TIMOR GAP prepared for the site visits in the Suai project area, including facilitation of contacts and coordination with local authorities and community.

As mentioned before, the EKIPA “Ekipa Konjunta Interministerial (EKI)” or inter-ministerial team was established with this objective, to improve coordination among the relevant ministries involved.

The process of site visits and meetings included:

- Coordination among relevant government

entities (MTC-CAD, MPRM-TIMOR GAP, MOP, MJ-SETP, MAP, MAEOT, SEMA, SEC, SES-PNTL and other relevant stakeholders) to perform tasks on the site according to the responsibilities of each institution.

- Presenting and introducing the project to local authorities and communities (“socializasaun”).
- Publication of data and verification of land titles.
- Identifying environmental and cultural heritage impacts arising from the project of the rehabilitation of the Suai airport.

- Site visit to the existing Suai airport and meeting with the community.
- Final monthly meeting with civil aviation department and consultants.
- The detailed design for the airport facilities was completed on May 2012 and includes a main terminal building, a VIP room, an air traffic control tower, an aerodrome fire and rescue station workshop, a shelter, a hangar and a meteorological observation station.

Highlights of achievements in 2012

In conclusion, in what regards the development of the Suai airport project, in 2012 TIMOR GAP reached the following stages:

- Preparation of documents for identification of land and property in the areas concerned.

TIMOR GAP liaised with the Secretariado dos Grandes Projetos (SGP), Agência de Desenvolvimento Nacional (ADN), Comissão Nacional de Aprovisionamento (CNA) and other relevant ministries relating to the preparation of the necessary documents for the Suai airport’s international tendering process to be conducted in early 2013.



Proposed design of the new Suai airport facilities

- EIA completed.
- Review of the final detailed design for the rehabilitation of the airport, accomplishment of the final engineering design, as well as their submission to the project owner (MPRM and MTC), along with other tender documents.

4.4. Betano Petroleum Refinery and Petrochemical complex

Project Description

The 2nd industrial cluster of the Tasi Mane project will be located in the Betano area, District of Manufahi, south coast of the country, and will comprise a Refinery and a Petrochemical complex, as planned in the SDP 2011-2030.

The building of the refining facilities in Betano, approximately 70 km south of Dili, will enable the production of fuel (diesel, gasoline, jet-fuel, naphtha), fertilizers and pesticides, and of other petrochemical products that are currently imported.

The establishment of the industrial complex is



Betano Master Plan Map

The Betano cluster and the Beaçõ LNG Plant are to be built after the Suai Supply Base (SSB). Unlike the SSB, which has the Government of Timor-Leste as project proponent, it is expected that the development of the petroleum Refinery and LNG plant will be commercial ventures operated by private companies. These industrial developments span multiple construction phases.

The Refinery and petrochemical complex are to process condensate delivered from the gas fields located in the Timor Sea, and to meet Timor-Leste's growing demand for transportation and domestic fuels.

expected to be a commercial arrangement between the public and private sectors and TIMOR GAP will play a crucial role in the development of the Betano cluster.

The initial phase will establish a refinery with a capacity of 30,000 Bpd (of petroleum products from petroleum condensate shipped to site from gas fields in the Timor Sea) and exportation is expected for the future, to increase Timor-Leste's trade in oil and gas products.

The refinery project main objective is to capture more added value on Timor-Leste's condensate or light crude oil and to support the country's economic growth.

The proposed development is intended to have modern infrastructure and facilities, with administration buildings and substantial supporting

infrastructure, including a material offloading facility, jetty and marine facilities for feedstock import and product export, accommodation, airstrip/helipad for medivac, quarry with crushing plant and haul road to site.

A pre-feasibility study for the refinery and petrochemical complex has been undertaken.

The development of the refinery will be supported by the construction of a new city, Nova Betano, which will house staff, contractors and their families.



Ekipa

Konjunta Interministerial in discussions with TIMOR GAP on Suai Airport project

removal of some local residences and resettlement of families, clearance of vegetation, loss of farmland, coastal landscape changes, potential health and safety impacts associated with increased air emissions from the refinery and petrochemical complex, storage of hazardous materials such as heavy fuel oil and diesel and particulate, gas and noise emissions.

The community is looking forward to the job creation related to the development of the new facilities. However, there is some concern over the influx of outsiders and what the project may bring in terms of competition for jobs, disturbance to sacred sites, loss of agricultural land, changes to transport linkages, communicable diseases and competition for available services. The likely large-scale relocation of local residents represents one of the most significant social challenges. Economically, the local impacts include high scale financial benefits.

Strategic Environmental Impact Assessment (SEIA)

The Secretaria de Estado dos Recursos Naturais (SERNA) commissioned a study to assess the likely environmental and social impacts of the development of a petroleum refinery and petrochemicals complex near Betano, which is part of the strategic vision for the nation (SDP 2011/30) and is central to assure the creation of new commercial and industrial activities that can contribute to a sustainable social and economic growth for Timor-Leste.



Activity in technical studio

The refinery project will have a profound impact on the local community and the whole country. With a population of 5,151, the nearest village of Betano is typical of many south coast villages in that households rely on subsistence farming.

The principal impacts to the natural environment associated with the construction and operation of the project-related facilities will include localized emissions of noise and dust, geohazards, the

Site visit and meeting with the community in Betano

Timor-Leste's Decree-Law No. 5/2011 on Environmental Licensing requires public consultation in the environmental impact of some projects. Stakeholder consultation for Betano has been led by SERN and aimed at informing community leaders about the nature and location of the industrial cluster, enlightening the public about the project, including potential environmental impacts and their way of mitigation.

The stakeholder consultation aimed at creating an environment of informed and constructive participation of all parties interested in, or affected by, the project at Betano.

As part of site visits, consultations were conducted between TIMOR GAP representatives, governmental officials and the local community in Betano, to explain the Tasi Mane project and update on the progresses of the Refinery project, providing opportunity for people to present their concerns.

Highlights of achievements in 2012

The Front End Engineering Design (FEED) for the Petroleum Refinery, advanced in 2012, is aimed at establishing the technical engineering design and cost estimation.

Betano Refinery Studies

In 2012, five sub-projects were planned, specifically:

- FEED Study
- EIA/HIA
- Land survey
- Land development design and cost estimate
- Market study

The refinery project was executed as a co-project between TIMOR GAP and PTT Global Chemical Public Company from Thailand which conducted a

feasibility study and master plan for the hydrocarbon utilisation.

Progress achieved during 2012 was mainly related to the procurement process. In particular, TIMOR GAP:

- Engaged the company Toyo-Thai Thailand for FEED studies
- Involved Advanced Technology Team (ATT, a Thai consultant company), for the land development design and cost estimate
- Awarded two national companies to proceed with the land survey (KWK Consulting Unipessoal for the topographical survey and Geotechnik for the soil investigation)
- Both invitation to bid for the international market study and the detailed EIA/HIA contracts will be carried out after the technical studies are completed, by the end of 2013.



Addressing queries from students at Mercado Lama Exposition

4.5 LNG Plant in Beaçõ

Timor-Leste has valuable gas reserves in the Timor Sea and to make the most of these national resources, a LNG plant will be established in Beaçõ, District of Viqueque, 100 km southeast of Dili, consisting the 3rd and final stage of the Tasi Mane Project.

The LNG plant will develop the existing petroleum exploration in the Timor Sea and provide hydrocarbon processing facilities (downstream activities) in Timor-Leste.

Project Description

The project of the industrial cluster of Beaçõ therefore comprises:

- Gas pipeline
- The LNG Plant to process and store the gas
- Marine facility for the loading of LNG, LPG and to provide support on marine services.



The Beaçõ LNG complex

The initial feed gas will be piped from Greater Sunrise and other adjacent offshore fields through a world class subsea pipeline(s) and the Plant – “Timor LNG” – will have a single gas train with an initial capacity of 5 Mtpa and planned future expansion of up to 20 Mtpa.

The LNG plant is intended to have modern infrastructures and facilities to provide a fully capable natural gas processing complex to export standards and will process the natural gas into LNG, propane and butane.

New towns, Nova Viqueque and Nova Beaçõ, are also planned to accommodate residents and the workforce of the LNG plant. Each will have a commercial centre, recreation facilities, schools and civil infrastructures.

It is also planned that the currently abandoned Viqueque airstrip will be upgraded to the status of regional airport, with a new runway and terminal facilities.

Marine Facility Pre-FEED and FEED

The studies for the marine facility, to be built as part of the industrial cluster in Beaçó, advanced in 2012. The Metocean data collection, including air temperature, air pressure, wind speed and direction, humidity, wave heights, sea currents, water level and tidal heights, sea temperature at various depths, and sea salinity, were completed. Regular mapping of the beach to monitor profile changes at 3-monthly intervals was also accomplished.

In mid-2012, the marine facility pre-FEED was achieved, and two design options presented:

- Coastal harbour
- Onshore basin

The options included cost estimates at +/-25% accuracy.

Both options, coastal harbour and marine onshore basin, were considered technically viable from the navigation viewpoint.



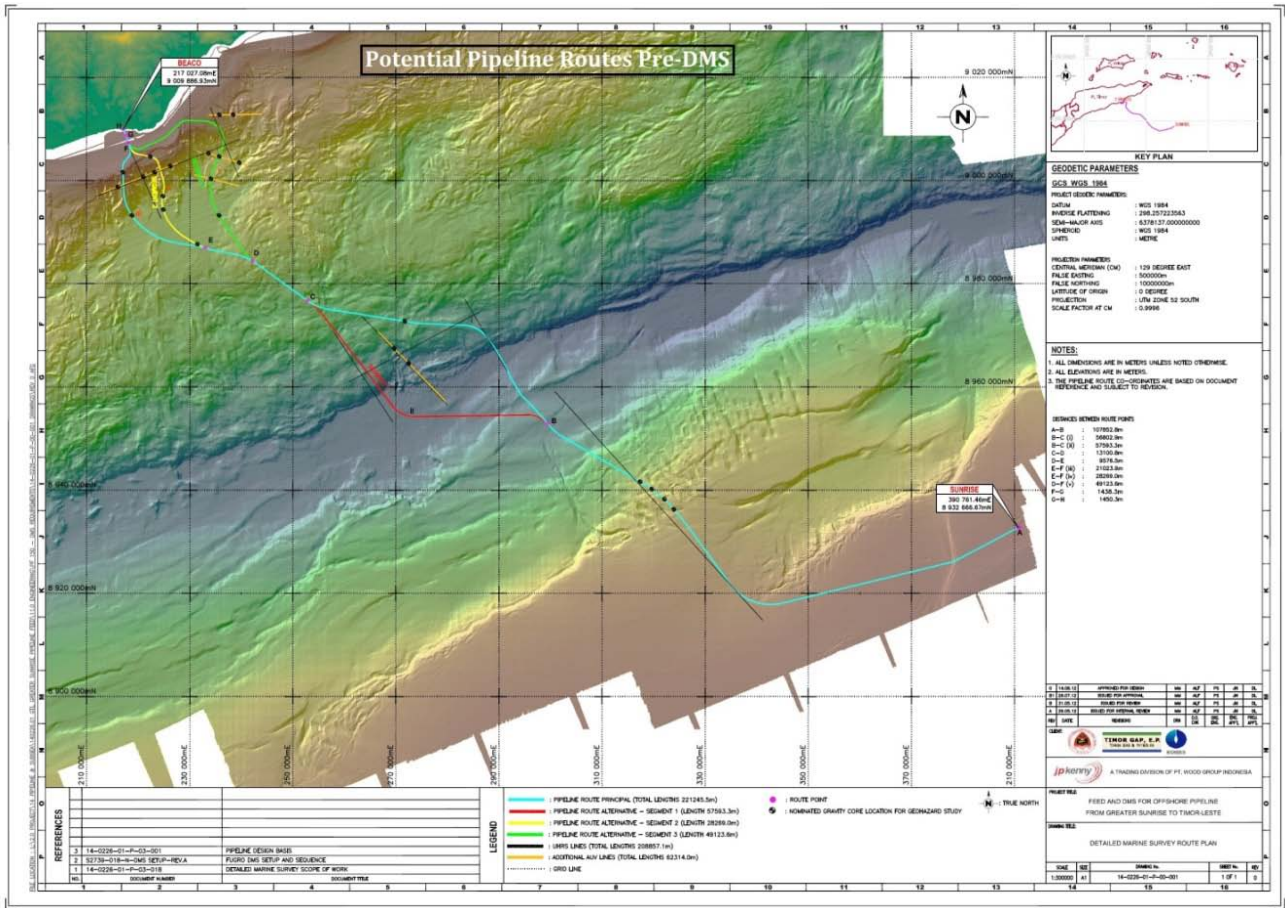
At the same time, TIMOR GAP entered into a contract with the MPRM to undertake the FEED for the marine facility, including additional works of Metocean measurements. TIMOR GAP then selected the same consultant, HR Wallingford, specialized in civil engineering & environmental hydraulics, based in the UK, to undertake the FEED work, while the necessary procurement for the Metocean contractor was ongoing.

Pipeline FEED and Detailed Route Survey

Following the completion of the procurement process with the National Procurement Commission in 2011-2012, the company JP Kenny, the pipeline and subsea engineering and management contractor, as well as its subcontractor Fugro, were awarded a contract by SERN to execute the FEED study and detailed route study for the pipeline from the Greater Sunrise gas field in Timor Sea to Beaçó. TIMOR GAP supervised and administered these studies.



A wide range size of LNG and LPG vessels were successfully run during the navigation simulations by varying the inputs of the conditions of sea and weather.



Strategic Environmental Impact Assessment (SEIA)

Overall, the expected socio-economic impacts arising from the development of the LNG plant are as profound for Beaçó and the District of Viqueque as the petroleum refinery is to the area around Betano. The project will have a profound impact on the local community and the whole country.

The SEIA for the Betano Petroleum Refinery and Beaçó LNG Plant, conducted to assess the probable environmental and social impacts of these developments, was completed in June 2012. The report covered the baseline environmental information of the project sites which included G&G conditions, air quality, noise, land use, visual amenity, water quality, hydrology and socio-economic conditions.

The principal impacts to the natural environment associated with the construction

and operation of the LNG Plant are similar to the impacts caused by the Betano Refinery cluster and will include localized emissions of noise and dust, the removal of some local residences and resettlement of families, clearance of vegetation, loss of farmland and coastal landscape changes.

The community in Beaçó is looking forward to the job creation related to the new industries, related businesses and services, however there is some concern about the influx of outsiders and what the project may bring in terms of disturbance to sacred sites and locals traditional way of life, loss of agricultural land, and changes to transport linkages. The relocation of local residents will be a main social challenge. Economically, and similarly to the developments in Suai and Betano, the local impacts in Beaçó include high financial benefits.

Stakeholder consultation in Beaçó

As part of the stakeholder consultation process for the LNG Plant through 2012, TIMOR GAP E.P. held regular meetings with the communities and local authorities of Beaçó, prior to carrying out field works as well as in the course of site visits.

The main objective of these meetings was to keep the community informed about the progress of the project, providing opportunity for the presentation of issues or concerns to TIMOR GAP and the Government representatives.

Highlights of achievements in 2012

Pipeline FEED and Detailed Marine Survey (DMS)

- A Contract was signed in Dili on February by SERN, Korea Gas Corporation (KOGAS) and Wood Group Kenny Indonesia (representing JP Kenny and Fugro), to carry out the pipeline FEED and DMS.
- 1st technical meeting was held at JP Kenny's office in March. Then followed the 1st phase of pipeline training by JP Kenny and Fugro for the project management unit team, composed by TIMOR GAP and KOGAS. 2nd technical meeting and 2nd phase of pipeline training followed in May.
- 3rd technical meeting was held with the presentation of Pre-FEED results at TIMOR GAP's office in Dili in August. This marked the completion of the Pre-FEED work from which final pipeline routes to be surveyed during DMS were identified. FEED works immediately commenced.
- DMS was executed from October to November and covered the 250 meters corridor of the pipeline route including mapping the seabed at

a very high resolution, ultra-high resolution seismic survey, and seabed sampling for geotechnical analysis. The high resolution bathymetry survey was done through multibeam echosounder, side scan sonar and sub-bottom profiler which were mounted in an autonomous underwater vehicle flying at an altitude of about 25 meters from seabed.

- By December 2012, most of the DMS data were analysed while laboratory analysis of the geotechnical samples was ongoing. The latter was more specifically to identify the age of the samples being collected through radio carbon age dating tests.
- Liaisons between MPRM, KOGAS, JP Kenny/Fugro and relevant Government and Regulatory Authorities such as National Petroleum Authority (ANP), Secretary of State for Environment (SEMA), Secretary of State for Security (SES), Customs and Immigration, Fishery Department, and other stakeholders were maintained by the project management unit, in order to ensure efficient execution of the project, particularly during the period of DMS.

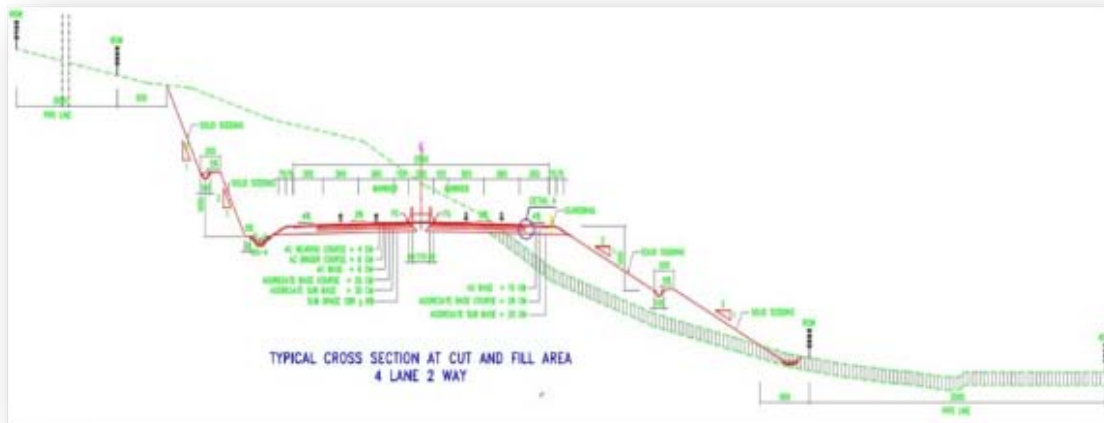
Marine Facilities

- The marine facility pre-FEED was completed in mid-2012.
- In June 2012, TIMOR GAP signed a contract with the MPRM, to undertake the FEED for the marine facility.
- FEED works initiated.
- Optimization of the marine facilities design was completed in November 2012.

4.6 Highway Project

Project Description

In order to support the growth of the national petroleum industry and to connect the three industrial clusters, a road along the south coast of Timor-Leste, from Suai to Beço, will be built in stages according to logistic and economic necessities.



Highway project design

In 2012, TIMOR GAP initiated the process of presenting and introducing the project amongst local communities (“socializasaun”), and the EIA and Social Impact Assessment (SIA) were undertaken.

The necessary land title clearance is under way and it is estimated that the international tender process will take place in 2013, and is awaiting a decision from the MOP and MPRM.

This project involves the construction of a highway from Suai to Beço, with a total distance of 151.66 km. The proposed road is split into four sections:

1. Suai – Fatucaí/Mola (30.33 km)
 2. Fatucaí/Mola - Betano (34.50 km)
 3. Betano - Clacuc (34.20 km)
 4. Clacuc - Beço (52.63 Km)
- Design speed: 100km/h for flat area and 60 km/h for the mountain area.

- Traveling time from Suai to Beço ± 2hrs.

Environmental Impact Assessment (EIA)

An EIA was undertaken to analyze and evaluate the anticipated impacts of the highway project from Suai to Beço.

The assessment involved studying the whole length of the highway, across five districts - Covalima, Ainaro, Manufahi, Manatuto and Viqueque.

The EIA study was conducted by a team of experts through the collection of baseline information on the environmental status of the project area, by conducting field studies and consultations among the communities living along the project road.

The scope of the EIA included studying various project components:

- Role of the highway project in the context of national and regional development planning
- Suitability of the project to region space planning and protected areas
- Impacts concerning physical environments (topography, air quality and noise, water, soils, transportation), biological environments (plants, animals), social, economic and cultural life (population density, economic life, cultural values, concepts and perceptions regarding

the road project), community health issues.

The study also observed that mitigation measures, design features, or impacts can be monitored to ensure acceptability of the project both during and after construction works.

Site visit and meeting the communities

TIMOR GAP representatives conducted site visits to observe the conditions of the existing road (Suai-Betano-Beaço), and held meetings with local authorities and communities of the concerned districts of Covalima, Ainaro, Manufahi, Manatuto and Viqueque.

The objective of the visits and meetings was to inform the population about the preparation of the highway project in the southern coast area that will link the clusters of the Suai Supply Base, Betano refinery and petrochemical complex, LNG plant in Beaço and the new cities of Suai, Betano and Beaço.

These site visits and meetings, conducted in February 2012, were also important to collect community feedback and concerns about the impact of the project.

Highlights of achievements in 2012

The detailed design of the highway and tender documents were completed.

5. Joint Petroleum Development Area/ Greater Sunrise Development

In addition to the development of petroleum activities offshore and onshore, as well as the management of projects mentioned in previous sections related to Tasi Mane, TIMOR GAP as the national oil company is involved in the Government's goal to build a gas pipeline from Greater Sunrise field to Beaço in the south coast of Timor-Leste, as well as to build a LNG plant to process the natural gas onshore.

The Sunrise and Troubadour gas and condensate fields, collectively known as the Greater Sunrise fields, are located in the Timor Sea, 140 km south-east of Timor-Leste and 450 km north-west Australia. They were discovered in 1974.

TIMOR GAP's engagement in the Greater Sunrise issue is through the provision of advice and participation in the Joint Commission and Sunrise Commission, along with Government officials from Timor-Leste, the Autoridade Nacional do Petróleo (ANP) and Australia.

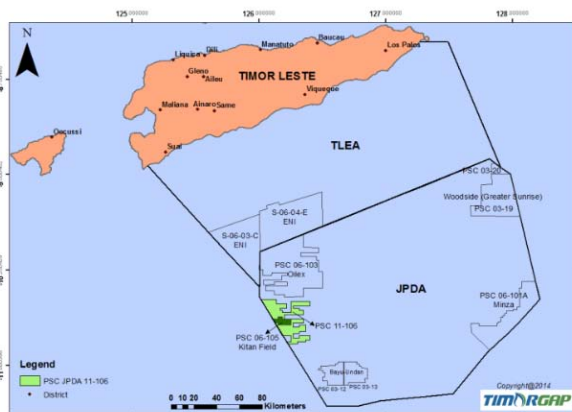


December meeting of the Joint Commission

5.1. Joint Commission

The **Timor Sea Treaty** was signed with Australia on the first day of Timor-Leste's independence, 20th May 2002.

Article 6 (c) of the Treaty provides for the establishment of a Joint Commission to create policies and regulations regarding petroleum activities in the Joint Petroleum Development Area (JPDA), which is jointly administered by Timor-Leste and Australia, and to oversee the work of the Designated Authority (ANP).



TLEA and JPDA in Timor Sea

The Joint Commission consists of two commissioners appointed by Timor-Leste and one commissioner by Australia and each of them may be represented by their nominated alternate.

The Commission should meet regularly on a quarterly basis and the meetings may be requested by each Commissioner or the ANP.

The President & CEO of TIMOR GAP, Mr. Francisco da Costa Monteiro, is one of the Timor Sea Treaty Joint Commission Members.

Mr. António José Loyola, member of the Board of Directors of TIMOR GAP, is the other Timor-Leste's JPDA Commissioner.

The alternate Commissioners are Mr Vicente Lacerda and Mr Domingos Lequisiga who are Executive Committee members and Unit Directors at TIMOR GAP.

There were 3 Joint Commission Meetings (JCM) held for the JPDA in 2012:

1. 33rd JCM on 20th March 2012 in Darwin.
2. 34th JCM on 27th August 2012 in Dili.
3. 35th JCM on 11th December 2012 in Melbourne.

5.2. Sunrise Commission

The Sunrise **International Unitisation Agreement** (IUA), was signed in March 2003 between Timor-Leste and Australia, and relates to the Unitisation of the Sunrise and Troubadour Fields. The Sunrise IUA was to enable the exploitation of these two petroleum and gas fields located in the Timor Sea, known as Greater Sunrise.

The agreement came into force on February in 2007, on the same day as the **Treaty on Certain Maritime Arrangements in the Timor Sea** (CMATS).

Article 9 of the IUA provides for the establishment of a Sunrise Commission to facilitate the implementation of the agreement and consult on issues related to the exploration and exploitation of petroleum in the unit area.

Main features related to the Sunrise International Unitisation Agreement:

- The IUA highlights that the Commission shall facilitate coordination between the regulatory authorities to promote development of the Sunrise field;
- The Sunrise Commission may review and make recommendations to the Regulatory Authorities (ANP) with regard to a Development Plan;
- The Sunrise Commission may resolve disputes referred to it by the Regulatory Authorities.

Whereas the Joint Commission is composed by two Commissioners from Timor-Leste and one Commissioner from Australia, the Sunrise Commission is composed by one Commissioner from Timor-Leste and two Commissioners from Australia.

The President & CEO of TIMOR GAP represents

Timor-Leste in the Sunrise Commission, and Mr. António José Loyola (a Board Director) and Mr Vicente Lacerda (Executive Committee members and Unit Director) are alternates.

Three Sunrise Commission Meetings held in 2012 were:

1. 10th Sunrise Commission meeting on 21st March 2012 in Darwin.
2. 11th Sunrise Commission meeting on 28th August 2012 in Dili.
3. 12th Sunrise Commission meeting on 12th December 2012 in Melbourne.



Delegation of Timor-Leste and ANP to the 12th Sunrise Commission meeting, in Melbourne

6. Financial Results

Consolidated statement of profit and loss and other comprehensive income for the fifteen months ended 31 December 2012

	Group 2012	Company 2012
	\$	\$
Revenue	2,625,897	2,625,897
• <i>Government Grant</i>	<i>1,800,000</i>	<i>1,800,000</i>
• <i>Revenue from contract fixed services fees</i>	<i>86,233</i>	<i>86,233</i>
• <i>Service fee income</i>	<i>739,664</i>	<i>739,664</i>
Consultancy fees and project expenses	(513,886)	(513,886)
Depreciation and amortisation expense	(342,097)	(342,097)
Employee costs	(1,028,430)	(1,028,430)
Other expenses	(1,953,569)	(1,953,569)
Operating loss	(1,212,084)	(1,212,084)
Share of profit of associate	623,697	-
Loss before tax	(588,387)	(1,212,084)
Income tax expense	(39,942)	(39,942)
Loss for the period	(628,329)	(1,252,026)
Other comprehensive income	-	-
Total comprehensive loss	(628,329)	(1,252,026)
Attributable to:		
Equity holders of the parent	(628,329)	-

**Consolidated statement of financial position
as at 31 December 2012**

	Group 2012 \$	Company 2012 \$
<i>Assets</i>		
Non-current assets		
Property, plant and equipment	1,080,806	1,080,806
Intangible assets	164,273	164,273
Investment in subsidiaries	-	5,000
Investment in associate	626,697	3,000
	1,871,776	1,253,079
Current assets		
Trade and other receivables	1,009,067	1,009,067
Cash and cash equivalents	2,967,001	2,962,001
	3,976,068	3,971,068
Total assets	5,847,844	5,224,147
<i>Equity and liabilities</i>		
Equity		
Contributed equity	2,500,000	2,500,000
Accumulated losses	(628,329)	(1,252,026)
	1,871,671	1,247,974
Non-controlling interests	-	-
Total equity	1,871,671	1,247,974
Current liabilities		
Trade and other payables	745,430	745,430
Unearned contract fixed services fees and undisbursed advances	3,230,743	3,230,743
	3,976,173	3,976,173
Total equity and liabilities	5,847,844	5,224,147

**Consolidated Statement of changes in Equity
For the fifteen months ended 31 December 2012**

	Group 2012 \$	Company 2012 \$
Transactions with owners of the company		
Contributed Capital		
- 1 December 2011	2,000,000	2,000,000
- 23 February 2012	500,000	500,000
	<hr/> 2,500,000	<hr/> 2,500,000
Loss and comprehensive loss for the year attributable to equity holders of the parent	(628,329)	(1,252,026)
Non-controlling interest	-	-
Total equity at 31 December 2012	<hr/> 1,871,671	<hr/> 1,247,974

**Consolidated Cash Flow Statement
for the fifteen months ended 31 December 2012**

	Group 2012	Company 2012
	\$	\$
Loss before taxation	(588,387)	(1,212,084)
Adjustments for:		
Depreciation	307,563	307,563
Amortisation	34,534	34,534
Share of profit of associate	(623,697)	-
	(869,987)	(869,987)
Increase in trade receivables	(841,067)	(841,067)
Increase in trade and other payables	745,431	745,431
	(965,623)	(965,623)
Taxes paid	(207,942)	(207,942)
<i>Net cash from operating activities</i>	(1,173,565)	(1,173,565)
Purchase of property, plant and equipment	(1,388,370)	(1,388,370)
Purchase of intangible assets	(198,807)	(198,807)
Investment in subsidiary	-	(5,000)
Investment in associate	(3,000)	(3,000)
<i>Net cash used in investing activities</i>	(1,590,177)	(1,595,177)
Proceeds from issue of contributed capital	2,500,000	2,500,000
Increase in project advances	3,230,743	3,230,743
<i>Net cash used in financing activities</i>	5,730,743	5,730,743
Net increase in cash and cash equivalents	2,967,001	2,962,001
Cash & cash equivalents at start of the period	-	-
Cash & cash equivalents at end of the period	2,967,001	2,962,001

7. Moving into 2013

Due to the existence of petroleum resources in Timor-Leste territory, both offshore and onshore, TIMOR GAP E.P., the young National Oil Company of Timor-Leste, was established by the Government in late 2011, with the objective to act on behalf of the State in conducting business on the petroleum sector.



The President & CEO of TIMOR GAP delivering a speech at MPRM welcome party in 2012

The energy area is essential for the future and sustainable development of the country and TIMOR GAP was created with the Vision to become an integrated Oil and Gas Company, and a leading driver for economic growth. As a State Owned Company, TIMOR GAP is the only leading arm of the State in the business of oil and gas industry.

The petroleum sector is expected to continue to be in coming years the major source of State budget revenue in Timor-Leste and TIMOR GAP will persist supporting the Extractive Industries Transparency Initiative (EITI), which is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.

In the year 2012, the main activities of TIMOR GAP related to the corporate institutional development such as establishment of the new offices for the

Company, administrative procedures to become fully operational, recruitment and training of human resources, business development, as well as management of the Tasi Mane project that will be the basis for the development of a national petroleum industry, in the south coast of the country.



H.E. Mr. Alfredo Pires 1st visit to TIMOR GAP as Minister

Envisioned in the National Strategic Development Plan 2011-30, Tasi Mane is a multi-year integrated project of three industrial clusters, and initial phases were achieved in 2012, namely in what concerns preparatory works and planning for the building of the Suai Supply Base, the Betano Refinery & Petrochemical Industry and the Pipeline & LNG Plant in Beaço, as well as other additional planned facilities.

Furthermore, as the National Oil Company TIMOR GAP provided support to the Government's goal of building a gas pipeline from the Greater Sunrise field located in Timor Sea, in association with a LNG plant onshore, TIMOR GAP will continue participating in the Joint Commission and Sunrise Commission.

During 2012 TIMOR GAP led and carried out several studies to assess the likely environmental and social impacts of the projects the Company is managing through mandate from the Government.

These processes also involved stakeholder consultation with local authorities and potentially affected communities, aimed at informing the

population about the planned developments, as well as to respond to their concerns.

This year's achievements are also a result from the teamwork between TIMOR GAP and its partners. The Company is in the process of establishing joint ventures with local and foreign companies in support of growth and to better tackle business opportunities, as well as to cover improvements in human resources and technology transfer in support of upstream and downstream operations.

Other highlight of TIMOR GAP's activities in 2012 was the creation of two subsidiaries, GAP-MHS Aviation, that provides support services to offshore helicopter services for the Kitan oil-producing field in the JPDA in Timor Sea, and TIMOR GAP PSC 11-106 Unipessoal Lda, that will participate in Exploration & Production, in a possible contract area adjacent to the producing Kitan field.

For the next year, TIMOR GAP will continue searching for consortia to invest in onshore and offshore petroleum projects. Although the company's budgets for 2011 and 2012 were considered starter and enabler budgets, as we move into 2013 there is a sense of enthusiasm as the national oil and gas industry develops, allowing TIMOR GAP to seize new business opportunities and to pass into a new era of its corporate life in 2013: the year of investments, with an "investment budget".

ANNEXURE 1

ACRONYMS

ANP	Autoridade Nacional do Petróleo (National Petroleum Authority)
BDU	Business Development Unit
BPD	Barrels Per Day
CBM	Conventional Buoy Mooring
CEO	Chief Executive Officer
CSU	Corporate Service Unit
DMS	Detailed Marine Survey
EDTL	Electricidade de Timor-Leste (Electricity of Timor-Leste)
EIA	Environmental Impact Assessment
EP	Empresa Pública (Public Company)
EITI	Extractive Industries Transparency Initiative
EKI	Ekipa Konjunta Interministerial (Inter-ministerial Team)
E&P	Exploration and Production
FEED	Front End Engineering Design
GBU	Gas Business Unit
GIP	Graduate Internship Program
G&G	Geological and Geophysical
HFO	Heavy Fuel Oil
HSD	High Speed Diesel
HSE	Health and Safety Environment
ICAO	International Civil Aviation Organization
IFRS	International Financial Reporting Standards
ISBL	Inside Battery Limit
JPDA	Joint Petroleum Development Area
JV	Joint Venture
kbbl	thousand barrels (of oil)
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MAEOT	Ministério da Administração Estatal e Ordenamento do Território (Ministry of State Administration and Territorial Planning)
MAP	Ministério da Agricultura e Pescas (Ministry of Agriculture and Fisheries)
METOCEAN	Meteorological and Oceanographic
MOP	Ministério das Obras Públicas (Ministry of Public Works)
MOU	Memorandum of Understanding
MPRM	Ministério do Petróleo e Recursos Minerais (Ministry of Petroleum and Mineral Resources)
MTPA	Million Tons Per Annum
NOC	National Oil Company
OSBL	Outside Battery Limit
PSC	Production Sharing Contract
QHSE	Quality, Health, Safety and Environment
R&PSU	Refinery and Petroleum Services Unit
RDTL	República Democrática de Timor-Leste (Democratic Republic of Timor-Leste)
SDP	Strategic Development Plan
SEC	Secretaria de Estado da Cultura (Secretary of State for Culture)
SEIA	Strategic Environmental Impact Assessment
SEMA	Secretaria de Estado do Meio Ambiente (Secretary of State for the Environment)
SERN	Secretaria de Estado dos Recursos Naturais (Secretary of State for Natural

	Resources)
SES	Secretaria de Estado de Segurança (Secretary of State for Security)
SPV	Special Purpose Vehicle
SSB	Suai Supply Base
TLEA	Timor-Leste's Exclusive Area

ANNEXURE 2

Training our People

The following are some of the courses that our staff members have attended during the period:

Information Technology Training

- Lotus Domino brown belt R8.5 and Lotus Support for IT Officer
- Windows Server 2008 Network training for IT Back Up
- Lotus Notes Training for All Staff, November 2012

Oil and Gas Industry Training

- Introduction to the Oil and Gas Industry for All Staff
- Petroleum Project Economics and Risk Management

Finance and Accounting System Training

- Purchasing Workflow ACCPAC System training, 27-31 August 2012
- Training on Job Costing for Finance Team, November 2012
- Training on ACCPAC and Norming Asset for 3 Finance staff in Jakarta

Conference

- ONS Conference, Oil for Development Program in Norway, 27-31 August 2012
- HR Global Excellence Conference in Malaysia, 28-31 October 2012
- 34th Geological Conference in Brisbane

HSE Department

- Two of staff from HSE department attended (1) week of International Technical Course in Oil and GAS Industry in Singapore .
- Undertook one day exam for achieving HSE training certificate in Singapore.

GIS & Database Department

- GIS & Database Manager with other Managers attended three days Effective Project Management Training in Jakarta. Provided by PT. Phitagoras Global Duta

Infrastructure Support Department

- Managers attended three days Effective Project Management Training in Jakarta. Provided by PT. Phitagoras Global Duta

Legal Department

- One week of Gas & LNG Contracts: Structure, Pricing & Negotiation Training in Malaysia. Provided by Infocus International

Conferences/Workshops

- 3 staff from HSE department attended 2 days workshop of “Management of HSE” in Dili. Provided by Norway (NPD) and ANP.
- 15 staff from all Unit attended “Half day workshop of “Policy of safety” Presented by Safety@work Consultancy from Singapore, in Dili – Organised by HSE department.
- 2 staff from Legal department attended 2 days workshop of “Issue Relevant to Auditing the Oil and Gas Sector” in Dili. Provided by Norway (NPD) and ANP.

In - House Training

- English Classes – advanced and basic
- Introduction to Oil and Gas Industry, provided by MDT International-Compulsory for all Staff BDU
- Petroleum Project Economics & Risk Management, provided by MDT International

- 5 staff attended this training (Trading Team, Project Economics & Finance Dept, and Legal team).
- MDT in-house training; Introduction to the Oil & Gas Industry and Petroleum Project Economics & Risk Management

Other meetings, workshops and conferences

- Effective Project Management training in Jakarta
- 1 Staff on Internship English Training (SERN/MPRM Program) Feb – Dec 2012 in India
- Contract Negotiation with Eastlog in Lamongan-Surabaya Indonesia
- 34th JCM & 11th SCM in Dili
- NPAP and ANP workshop on reservoir monitoring of mature fields and PSC
- Conducted one day seminar of SSB Project for public in Dili
- Contract Negotiation with Eastlog in Dili
- One day seminar of MPRM update in Dili
- Workshop on establishing HSE management system and safety culture
- Sunrise Technical first Workshop on drilling & completions – wells in Dili
- Out of Session Meeting with Australian Commissioner to the JPDA and Sunrise Commission in Canberra
- Sunrise Technical second Workshop on Subsea, flowlines, and TLNG - Offshore facilities in Perth
- Tri-lateral “Framing Workshop” on Sunrise Development in Melbourne
- 35th JCM & 12th SCM in Melbourne
- JDFS 4th Steering Committee Meeting in Bali - Indonesia



Handover of certificates of training upon completion