

Termos e condições relativos a transações com entidades relacionadas

As transações com entidades relacionadas são efetuadas em termos equivalentes às que prevalecem nas transações entre entidades independentes. Os balanços em dívida no final do exercício não têm garantia, estão isentos de juros e a liquidação ocorre em dinheiro. Não foram prestadas ou recebidas garantias em relação a qualquer conta a pagar ou a receber de entidades relacionadas.

37. Nota sobre a Pandemia Mundial do Covid-19

Em 30 de janeiro de 2020, a Organização Mundial de Saúde ("OMS") declarou uma emergência mundial devido a um novo tipo de coronavírus (o "surto COVID-19") e aos riscos para a comunidade internacional à medida que o vírus se propagou a nível mundial, além do seu ponto de origem. Em março de 2020, a OMS classificou o surto da COVID-19 como uma pandemia, com base no rápido aumento da exposição a nível mundial.

O Grupo está dependente do apoio do governo para financiar as suas atividades e do apoio técnico dos parceiros dos projetos. Os desenvolvimentos como o distanciamento social, diretivas relativas ao confinamento e iniciativas do Governo para apoiar os meios de subsistência no país, podem causar impacto no apoio contínuo recebido pelo grupo por parte do Governo e nos projetos em curso do grupo. Embora se preveja que sejam temporárias, perturbações prolongadas no apoio do Governo podem ter um impacto negativo nos projetos em curso do grupo e na liquidez geral. Além disso, o surto poderá ter um impacto adverso significativo e contínuo nas condições económicas e de mercado, e desencadear um período de abrandamento económico global, o que poderá conduzir a uma imparidade dos ativos do Grupo, tais como, os ativos intangíveis em desenvolvimento.

A administração fez uma avaliação do impacto do COVID-19 nas operações, desempenho e posição financeira da Companhia para o exercício findo em 31 de dezembro de 2019, e concluiu que não há nenhum impacto que seja necessário ser reconhecido nas demonstrações financeiras. Consequentemente, não foram efetuados quaisquer ajustamentos às demonstrações financeiras. O impacto do surto da COVID-19 continua a evoluir a partir da data das presentes demonstrações financeiras. Como tal, a magnitude total que a pandemia terá na condição financeira, liquidez e resultados futuros das operações do Grupo é incerta. A administração está a monitorizar ativamente a situação global sobre a sua condição financeira, liquidez, operações, fornecedores, indústria e força de trabalho. Dada a evolução diária do surto da COVID-19 e as respostas globais para conter a sua propagação, o Grupo não é capaz de estimar os efeitos do surto da COVID-19 nos seus resultados de operações, situação financeira ou liquidez para o ano fiscal de 2020.

- 38.** Os valores do exercício anterior foram reclassificados/reagrupados, sempre que aplicável, para os tornar comparáveis.

ANEXO 1

ACRÓNIMOS

ACDP	Área Conjunta de Desenvolvimento Petrolífero
ANPM	Autoridade Nacional do Petróleo e Minerais
Bpd	Barris por dia
CEO	Chief Executive Officer (Presidente da Direção Executiva)
CPP	Contrato de Partilha de Produção
DNCPIA	Direção Nacional de Controlo de Poluição e Impacto Ambiental
EIA	Estudo de Impacto Ambiental
E&P	Exploration & Production (Pesquisa & Produção)
FEED	Front End Engineering Design
GIIP	Gas-Initial-In-Place
GNL	Gás Natural Liquefeito
GPL	Gás de Petróleo Liquefeito
ICAO	International Civil Aviation Organization (Organização de Aviação Civil Internacional)
IFRS	International Financial Reporting Standards (Normas Internacionais de Relato Financeiro)
ISO	International Organization for Standardization (Organização Internacional de Normalização)
ITIE	Iniciativa de Transparência nas Indústrias Extrativas
JV	Joint Venture (Empreendimento Conjunto)
MPM	Ministério do Petróleo e Recursos Minerais)
PIIP	Petroleum-Initial-In-Place
Pre-FEED	Pre-Front End Engineering Design
QHSE	Quality, Health, Safety and Environment (Qualidade, Saúde, Segurança e Ambiente)
SAP	Sistema, Aplicação e Produto
SSB	Suai Supply Base (Base Logística do Suai)
Tcf	Trillion Cubic Feet (biliões de pés cúbicos)
TIMOR GAP	Timor Gás e Petróleo
TIC	Tecnologias de Informação e Comunicação
TLNG	Timor LNG (GNL em Timor)





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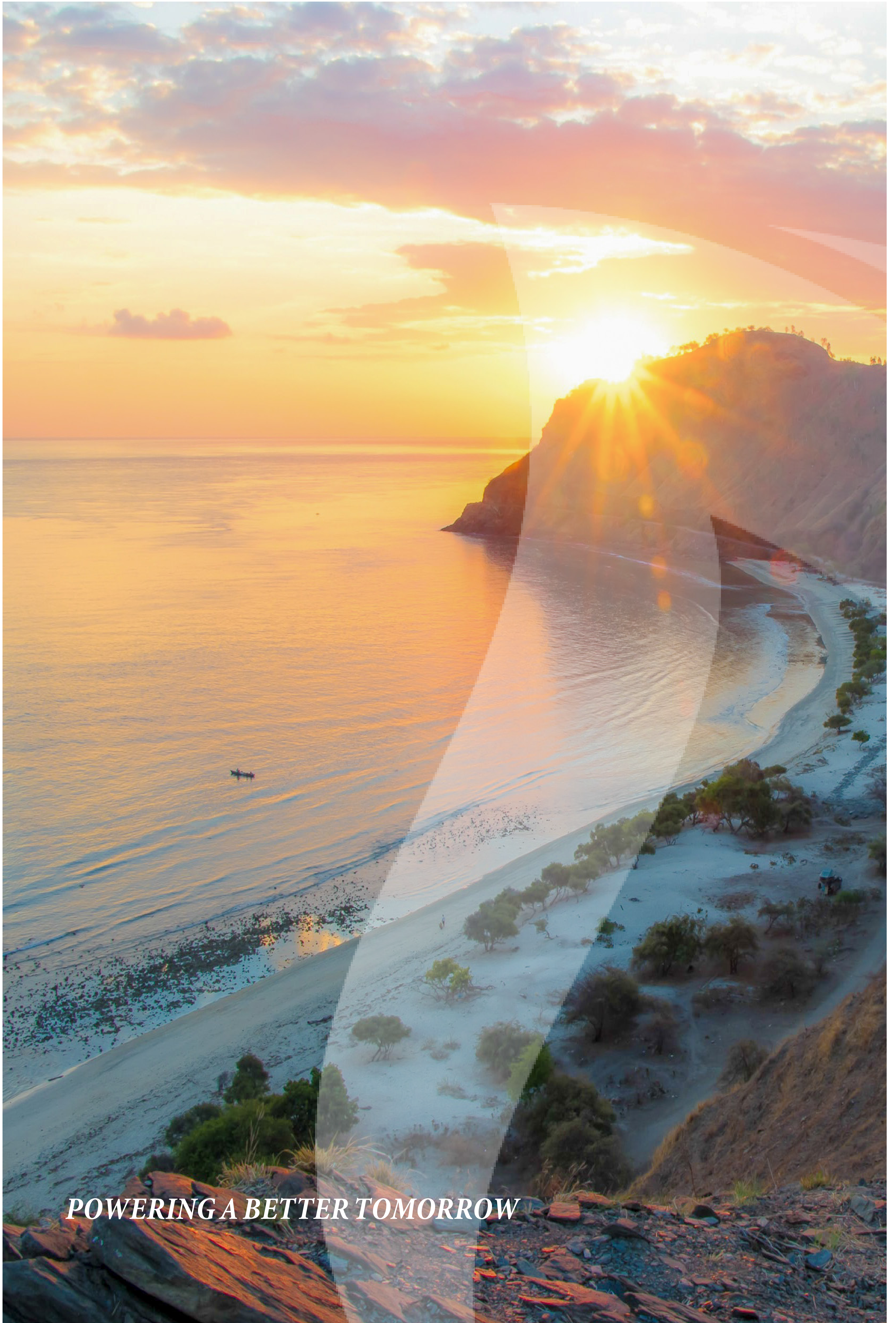
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TIMOR GAP

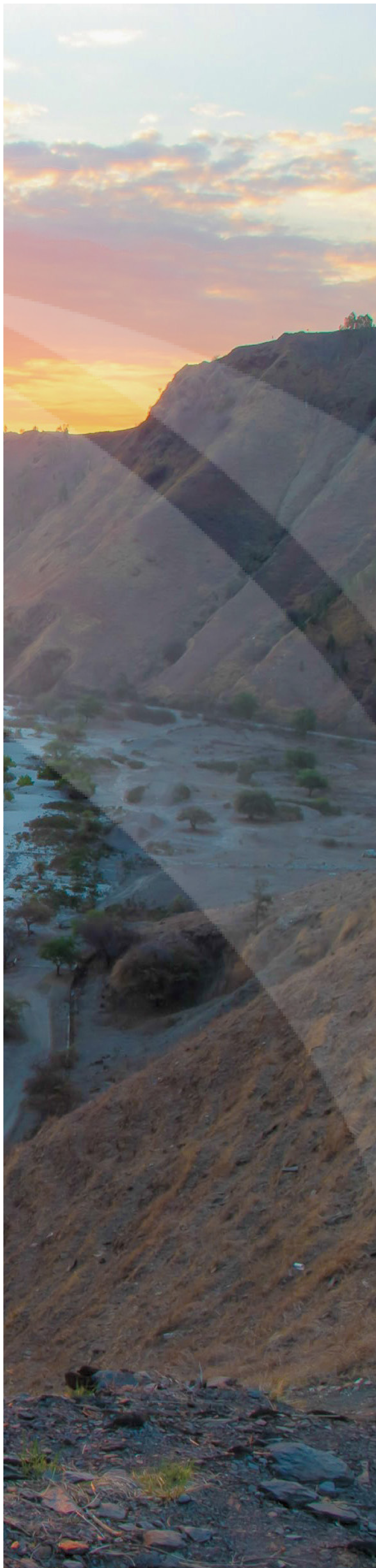
REPORT & ACCOUNTS

TIMOR GAP





POWERING A BETTER TOMORROW



REPORT DESCRIPTION

REPORTING SCOPE:

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

REPORTING PERIOD:

1st January to 31st December 2019

DATA USED IN THE REPORT:

All disclosed financial data or information related to TIMOR GAP, E.P. is the final accounting data audited by an independent third party.

LANGUAGE:

This report is published in Portuguese and English.

ACCESSIBILITY:

This report is available in print and electronic formats. The digital version can be downloaded from TIMOR GAP's website at www.timorgap.com

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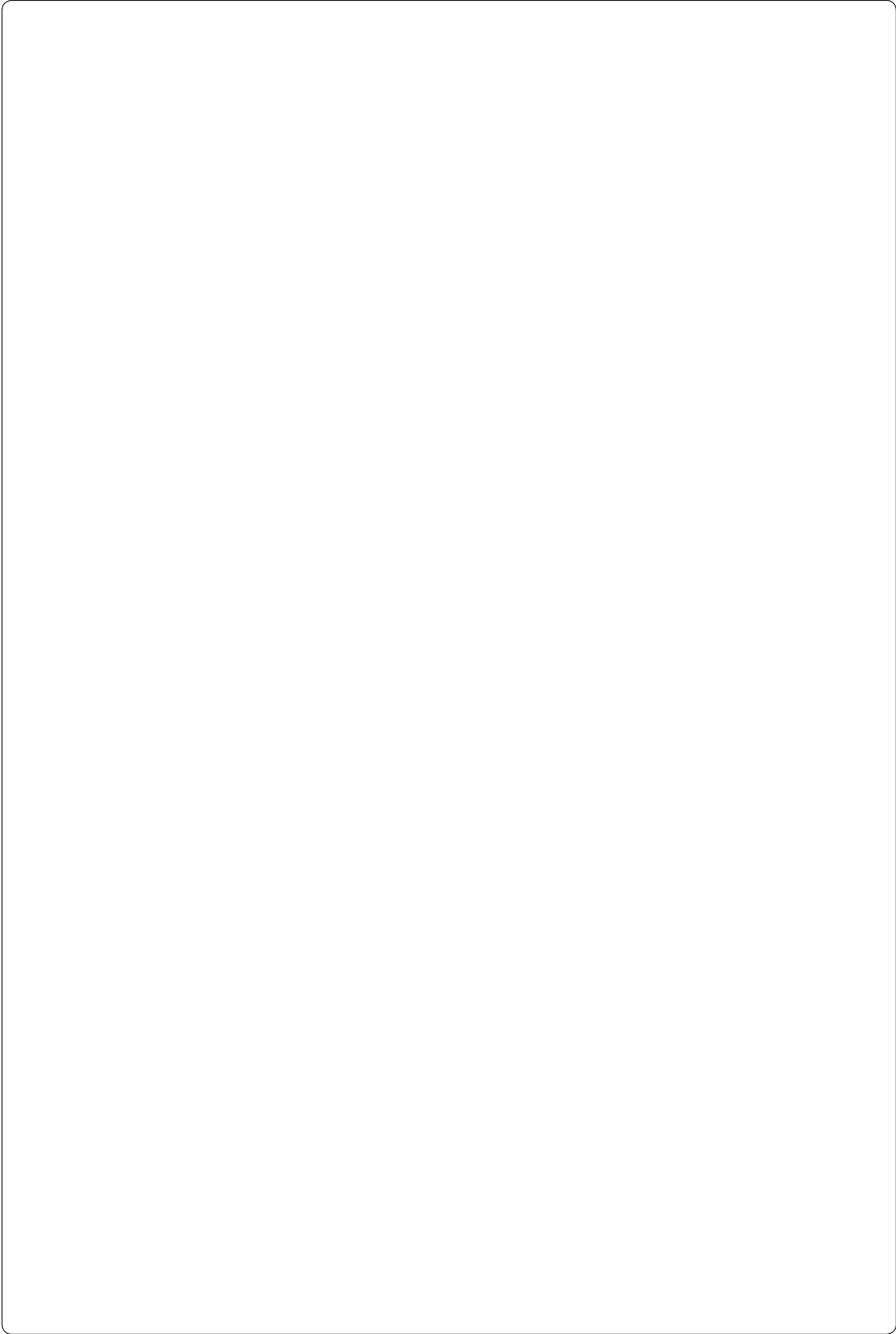
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Message of President & Chief Executive Officer

To all our stakeholders,

This year amid certain external instabilities, TIMOR GAP has achieved milestones parallel, in magnitude, with any achieved since its establishment as Timor-Leste National Oil Company 8 years ago. Geared towards diversification and maximizing the national petroleum resources revenues, this key objective becomes an element of focus, leveraging the longstanding strengths of the company, where we focus on building, performing, growing and expanding the upstream and downstream sector and expanding our portfolio, while investing on institutional and human resources development.

For this year annual report and accounts for fiscal year of 2019, it showcases the continuation of activities and accomplishments, and these developments will advance excellence at TIMOR GAP, generating successful achievements in the future. With further development in our core business on Exploration & Production, promotes a positive outlook, as Timor-Leste and Australia ratifies on 30 August 2019, the historic Permanent Maritime Boundaries Treaty. TIMOR GAP, as the National Oil Company, acting on behalf of the State, now find itself in the driving seat towards the exploration of unexplored oil and gas resources in the Timor Sea, in addition to existing onshore and offshore PSCs in place. This presents an opportunity to further the country's economic development, by way of implementing the projects that can bring a substantial value to the company and its stakeholder (the Government and the people of Timor-Leste). It has also remained crucial that our company continue to develop our downstream and services sector.

TIMOR GAP continues to proactively seek for greater efficiencies and adjustments to the current internal systems and strategies in response to external upheavals and challenges by further combining the strengths of the company, without never losing sight to its core values - Business Focus, Safety, Integrity, Competence and Teamwork - and further evolving these key characteristics to become a partner of choice. This approach will remain unchanged, as well as the unrelenting development of our human capital, our greatest source of resilience, through training and secondment.

Going forward, we have established a cohesive business portfolio, one that we can build on and work diligently to strengthen and deliver results for our stakeholders. We are confident of our future and enthusiastically embrace the changes and innovations that will redefine the oil and gas sector in the years to come, as we look towards a profound transformation, we will continue to **Build, Perform, Grow and Expand. Powering a better tomorrow.**

*“ Build, Perform, Grow and Expand.
Powering a better tomorrow. ”*



Francisco Monteiro
President & CEO

Executive Summary

TIMOR GAP, E.P. presents its 8th Annual Report & Accounts comprising the company's activities and programs conducted from January to December 2019. This annual report covers all projects developed under TIMOR GAP's scope, the activities and programs performed, ongoing and planned for the upcoming year, all in line with TIMOR GAP's Strategic & Business Plan 2016-2035. TIMOR GAP's activities and accounts were subject to an extensive and comprehensive external audit by a third part consultant, this resulting on detailed analyses of the financial results and statements presented in the Sections 8 and 9 of this Report.

Our business portfolio covers the pursuit of upstream and downstream petroleum activities, provision of services to the industry and the management of the Tasi Mane Project on behalf of the Government. The main activities and accomplishments attained during the year 2019 for the aforementioned sectors and projects are summarized below.

Upstream

TIMOR GAP's core business, Exploration & Production (E&P), saw a substantial boost this year with the ratification of the Permanent Maritime Boundaries Treaty signed between Timor-Leste and Australia, maximizing upstream business opportunities and propelling TIMOR GAP towards the participation in new Production Sharing Contracts (PSC).

In light of the above, TIMOR GAP signed a new and revised PSC, TL-SO-T 19-11, replacing the preceding JPDA 11-106, that now falls under Timor-Leste exclusive maritime jurisdiction. As set forth in the Transitional Agreements established under the Permanent Maritime Boundaries Treaty, the new PSC enjoys equal terms and conditions, not affecting the ongoing Exploration Work Programme and as such, TIMOR GAP and its joint venture partners for this PSC, INPEX and ENI, the Operator, commenced this year the drilling of a dual target at Kanase prospect.

In our onshore blocks, both located at the southern coast of Timor-Leste, we have completed the Vibroseis 2D Seismic Survey for PSC TL-OT-17-09 (Block C) on the fourth quarter of 2019, while preparing the drilling campaign for PSC TL-OT-17-08 (Block A). Further studies are being conducted for the offshore PSC TL-SO-15-01, namely a pilot project for Baleia prospect by CGG in its Kuala Lumpur office, and this is expected to be completed in 2020.

TIMOR GAP continues to work towards the expansion of its E&P portfolio, and with this, in 2019, a new PSC was signed for a block containing the Chuditch gas discovery, PSC TL-SO-19-16, a joint venture partnership between TIMOR GAP and the Singaporean-based E&P company SundaGas. In addition to the Chuditch gas discovery, the area has the potential to contain a substantial gas accumulation.

Downstream, Services and Subsidiaries

Aiming to be a truly integrated oil and gas company, we continued to invest in our downstream and services sectors by further developing our retail and wholesale fuel supply services and rendering services to the oil and gas industry through our subsidiaries, abiding to the highest quality and safety standards applicable to this industry.

TIMOR GAP fuel station in Suai continued to supply reliability and efficiency to build brand loyalty among consumers and this year, we secured a new fuel supply contract with Air Navigation Administration of Timor-Leste (ANATL, E.P.), and extended the fuel supply contract with Covalima Municipality Administration for an additional one year period. TIMOR GAP established an aviation fuel retail and wholesale service at the Suai Airport, with the setup of two Jet-A1 fuel storage tanks on the Airport premises, a business expected to flourish with the acquisition of one refueller planned for 2020.

We provide services for the oil and gas industry through our subsidiaries and this year, our TIMOR GAP Seismic Services, Unipessoal, Lda, in joint venture with PT. BGP Indonesia, completed the acquisition of 2D Seismic Survey for the onshore Block C, this resulting in enhancing our expertise in field and consolidating our position in the market. Other business prospects partnerships are managed through TIMOR GAP's several subsidiaries, pursuing activities in the fields of E&P, drilling services, fuel trading, maritime logistics, etc.

Tasi Mane Project

TIMOR GAP manages and administrates, on behalf of the Government of Timor-Leste, the Tasi Mane Project, which comprises three industrial clusters to be built on the southern coast and additional support infrastructures envisaged for each cluster.

The main achievements attained this year include the following: a) Suai Supply Base: concluded the 4th phase of land and properties compensation process, and completed the community support program for the agriculture sector; b) Betano Refinery & Petrochemical Complex: finalized the Optimization Design Project and concluded the land and properties clearance process for the Refinery and Petrochemical Complex site; c) Timor-Leste LNG (or “TLNG”) Complex in Beaçó: we continued to revise and update the TOR for the Pipeline and LNG Plant EIA Studies based on ANPM comments and review, and further advancements were made in relation to the LNG Human Resources Training Program, with 31 trainees concluding this year their fundamentals training at CNEFP Tibar.

Institutional and Human Capital Development

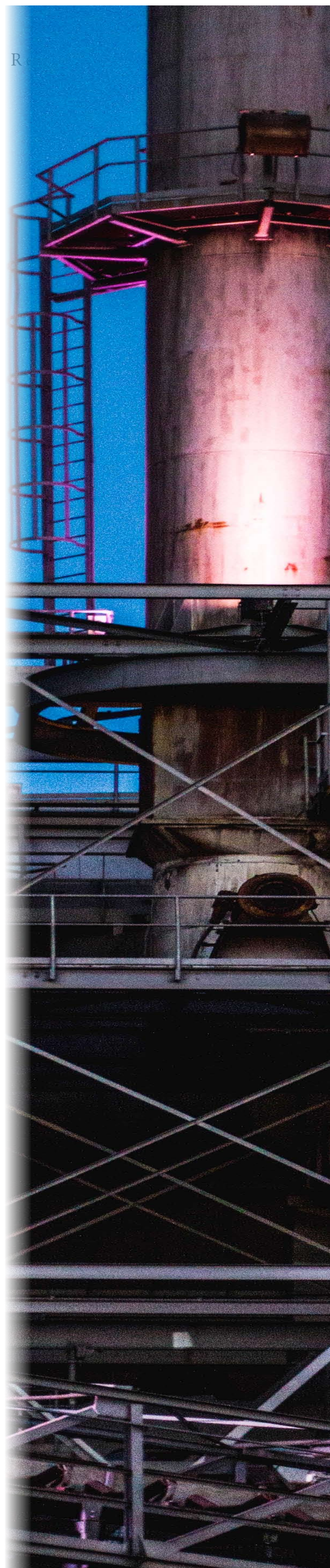
To achieve and execute the projects and programs outline above, TIMOR GAP is supported by a strong institutional and human capital development, a continuous and rewarding investment in our human resources capital and management; Quality, Health, Security and Environment (QHSE) system; and our Information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

Internal and external audits to our QHSE Integrated Management System (IMS) were performed this year, guaranteeing that the system is well-maintained and is up-to-date with the highest QHSE standards; the SAP Retrofit project was executed and concluded by Ernst & Young, further boosting the productivity and efficiency for our workplace.

Permanent Maritime Boundaries Treaty Ratification & Greater Sunrise Special Regime

Timor-Leste and Australia ratified the Treaty Establishing their Permanent Maritime Boundaries in the Timor Sea on 30 August 2019, an extraordinary chapter in the Timor-Leste history that is expected to bring a vast impact in its economic development. The Greater Sunrise fields are subject to the Greater Sunrise Special Regime established by this Treaty, stipulating the sharing of upstream revenue: 70% for Timor-Leste and 30% for Australia in the case of a pipeline transporting the gas for processing in Timor-Leste. TIMOR GAP, as the country’s National Oil Company, supports the Government’s aim in development of the Greater Sunrise fields via an onshore LNG development within Timor-Leste and has been elected to rigorously document the technical and commercial viability and competitiveness of a TLNG project.

TIMOR GAP holds a 56.56% participating interest in the Greater Sunrise as a result of the acquisition of Shell and ConocoPhillips participating interests, and partakes in the negotiations with the Upstream Joint Venture Partners, currently ongoing.



1. About TIMOR GAP, E.P.

WHO WE ARE

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

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

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

OUR VISSION

*To be a regional leader
in oil & gas
for sustainable
national development.*

OUR MISSION

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

OUR CORPORATE VALUES

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

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

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

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

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

1.1 Business Units

TIMOR GAP business units comprise the following activities:

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



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



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



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



The **Refinery and Petroleum Services Unit**

manages and coordinates the refinery project and is in charge of other downstream activities, including petroleum products and distribution in Timor-Leste.



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



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



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



1.2 Financial Overview

The audited Financial Statements are contained in Section 8 of this Report, and have attached a detailed analysis of the results for 2019, which are for a period of 12 months, with 31 December as financial year end. TIMOR GAP has been using International Financial Reporting Standards (IFRS) to ensure a well-recognized framework. The figures shown in this Report are stated in US Dollars.

The company received a government grant of \$16,900,000 during the year ended 31 December 2019 (2018: \$9,948,762). The main sources of income were originated from fuel trading business of \$226,983 (2018: \$406,175) and profit on sale of property, plant and equipment of \$39,620.

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

Offices and Units	Remarks on the main expenses incurred during the period
President & CEO Office	Expenditures associated with projects, particularly with legal & technical consultancy fees for the Greater Sunrise negotiations, including Asset Evaluation & Transaction Support project. Expenditures with general legal consultant services, expenses related to BOD/Executive Committee Meetings, business travel, salary & wages, and fixed asset (software) and other capital acquisitions.
Vice-President Office - Drilling and Technology, New Ventures	Project expenditures related to new ventures meetings, legal and technical consultant fees for upstream business subsidiaries, including staff secondments; general operational expenditures, capital items, business travel and staff salary and wages, and investment related expenditure.
Corporate Service Unit	Company's operational expenditures as stationary, telephone, electricity, vehicle & office rental & maintenance, IT infrastructure and other items, including SAP software consultant and staff salary & wages, and capital expenditures.
Business Infrastructure Development Unit	Project expenditures, such as: project supervision & monitoring, dissemination & community liaison related expenditures on Tasi Mane projects; investment in vessel and general marine logistic services, and for capital expenditure. Unit expenditure for staff professional development, minor equipment, salary & wages, and other unit related expenditure.
Exploration & Production Unit	Bayu-Undan Re-development, Upstream Data Management & IT Infrastructures Support projects related expenditures; expenditures with PSC TL-SO-T 19-11 particularly for general administration costs and technical meetings during the preparation of the upcoming drilling of the block TL-SO-T 19-11. Unit expenditure for consultant fees, business travel, staff professional development, salary & wages, capital, and other overhead related expenditures.
Refinery and Petroleum Services Unit	Project expenditures, mainly for Betano Refinery Optimization Design and Suai Airport Aviation Fuel Depot Operations. Expenses related with to the Fuel Station, Refinery, fuel supply and trading projects. Unit expenditure for staff professional development, capital expenditure, salary & wages, and other operational related expenditures.
Gas Business Unit	Expenses related to the Greater Sunrise TLNG Optimization Concept and to LNG Human Resources Development Project. Expenses with Beço Land and Property Identification Project and Beço EIA study, which covers not only Greater Sunrise to Beço pipeline but also the LNG Plant and Marine Facility in Beço. The remaining expenditures are related with staff training and professional development, overheads, staff salary & wages, purchase of computer software and other capital items.
Quality, Healthy, Safety and Environment Unit	Unit expenditures, technical consultant for QHSE Integrated Management System implementation, internal audit and ISO certification audit, Personal Protective Equipment (PPE), salary & wages, and staff professional development.

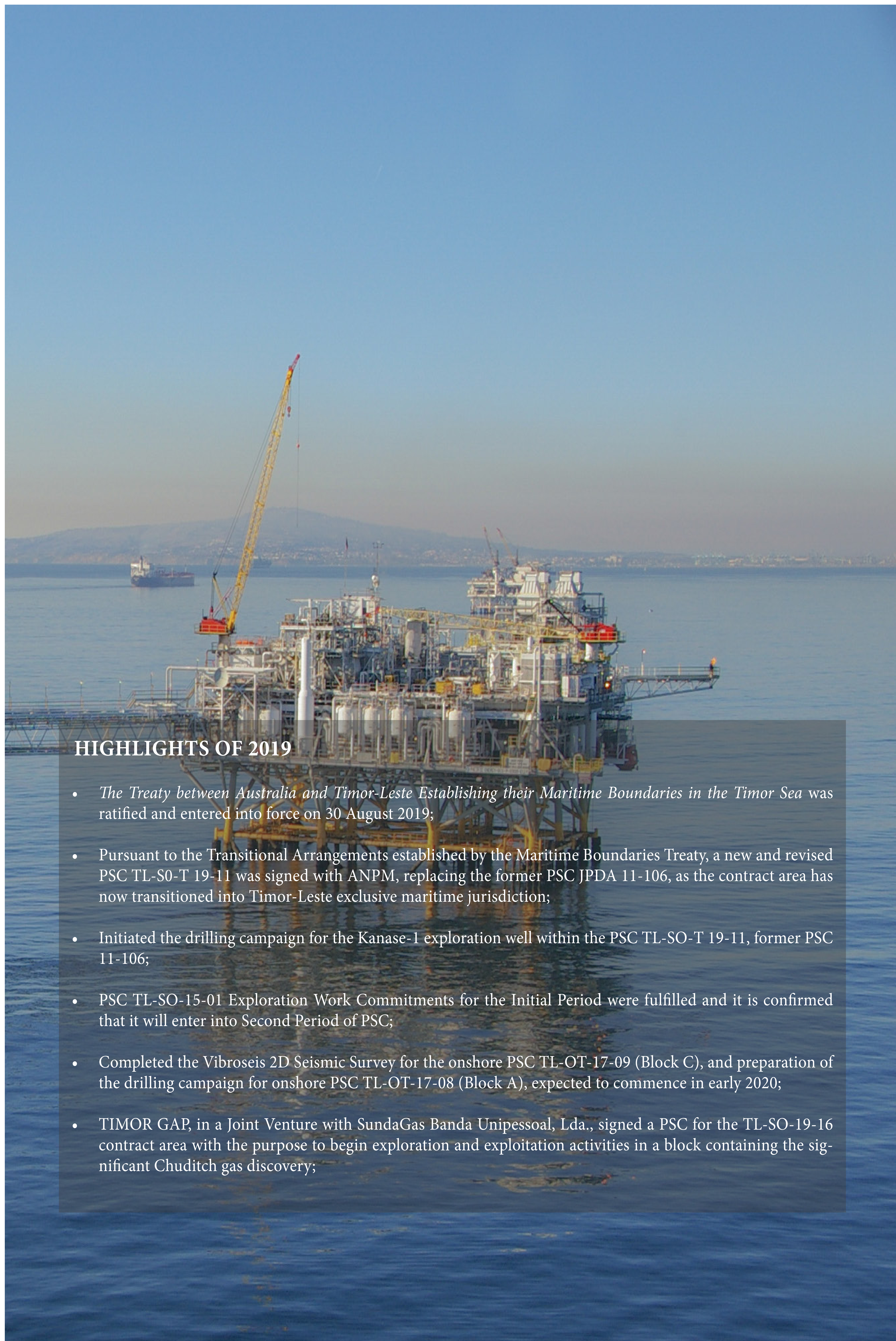
Offices and Units	Remarks on the main expenses incurred during the period
Finance Unit	Expenses Expenses related to TIMOR GAP’s investments: investment in offshore exploration Block TL-SO-15-01; investment in two onshore blocks exploration, TL-OT-17-08 (block A) and TL-OT-17-09 (Block C); and for TIMOR GAP Greater Sunrise Retention Lease NT/RL2, Retention Lease NT/RL4, PSC 03-19 and PSC 03-20. Finance Unit’s general expenditures, such as consultant costs, travel expenses for project finance meetings, external financial audit fees, staff professional development costs, purchase of capital items including upgrading of the existing accounting software package, and salary & wages.

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

The main components of the 2019 Financial Year were related to the development and management of several projects, as detailed from Sections 2 to 6.

2. Upstream





HIGHLIGHTS OF 2019

- *The Treaty between Australia and Timor-Leste Establishing their Maritime Boundaries in the Timor Sea* was ratified and entered into force on 30 August 2019;
- Pursuant to the Transitional Arrangements established by the Maritime Boundaries Treaty, a new and revised PSC TL-SO-T 19-11 was signed with ANPM, replacing the former PSC JPDA 11-106, as the contract area has now transitioned into Timor-Leste exclusive maritime jurisdiction;
- Initiated the drilling campaign for the Kanase-1 exploration well within the PSC TL-SO-T 19-11, former PSC 11-106;
- PSC TL-SO-15-01 Exploration Work Commitments for the Initial Period were fulfilled and it is confirmed that it will enter into Second Period of PSC;
- Completed the Vibroseis 2D Seismic Survey for the onshore PSC TL-OT-17-09 (Block C), and preparation of the drilling campaign for onshore PSC TL-OT-17-08 (Block A), expected to commence in early 2020;
- TIMOR GAP, in a Joint Venture with SundaGas Banda Unipessoal, Lda., signed a PSC for the TL-SO-19-16 contract area with the purpose to begin exploration and exploitation activities in a block containing the significant Chuditch gas discovery;

2.1 Overview

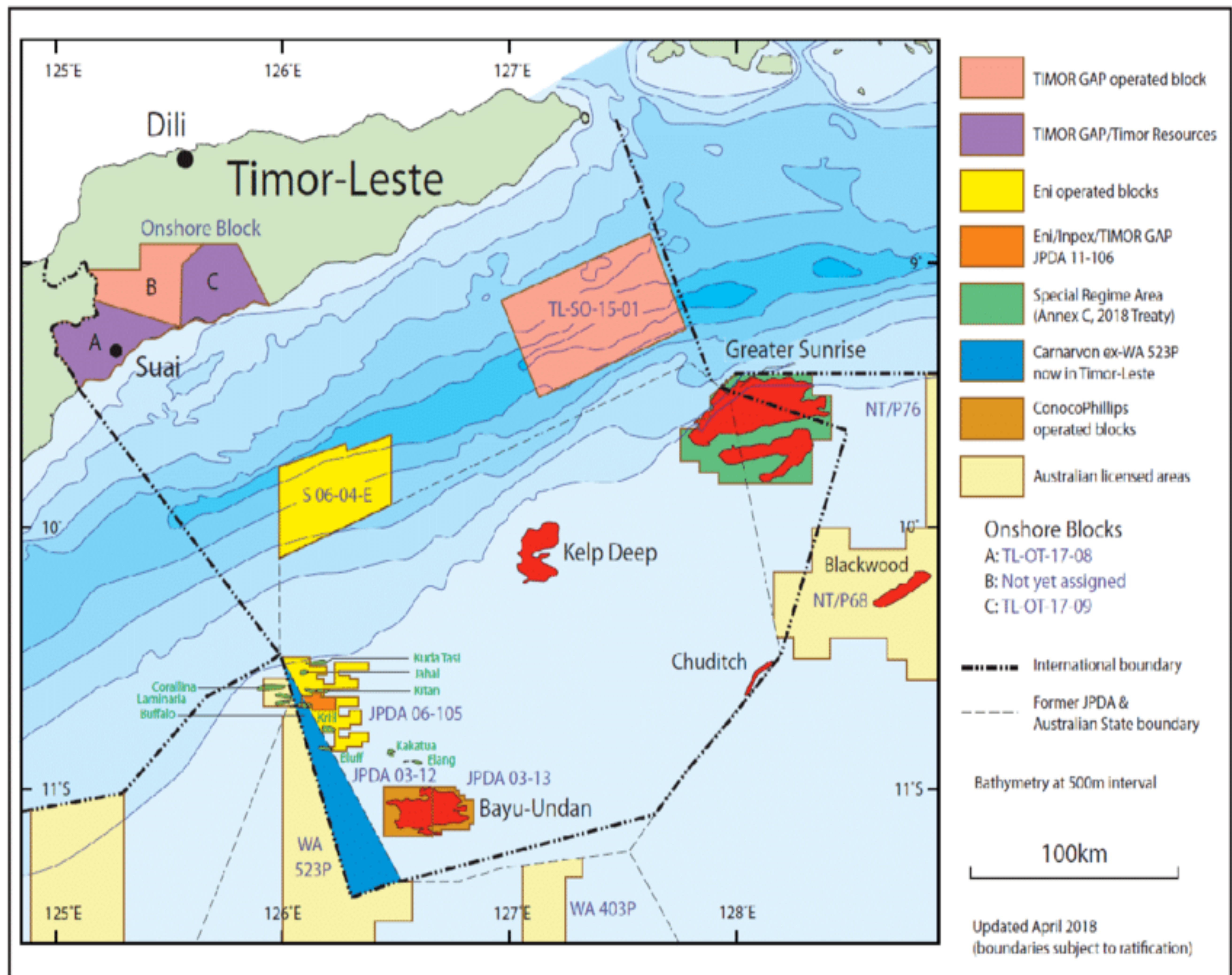


Figure 2-1: Timor-Leste current PSC license areas, with offshore international boundaries following the 2018 Treaty with Australia

Our core business, where the best opportunities match your best capabilities, is Exploration & Production (E&P). This sector has been identified as the most viable source of income in the short to medium term, given the current privileges as the National oil Company, we have the competitive edge in marketing and strategically seek potential partnerships to boost the Exploration & Production activities and develop our portfolio.

A significant leverage to develop our portfolio and strengthen our position among the oil & gas players of the region has been provided by the ratification and entry into force of the Maritime Boundary Treaty signed between Timor-Leste and Australia on 6 March 2018. The Treaty exponentially expands Timor-Leste's area of exclusive maritime jurisdiction, triggering multiple opportunities for TIMOR GAP to enter into new Production Sharing Contracts (PSCs) and to tap undeveloped oil & gas fields, such as the Greater Sunrise fields subject to a Special Regime under the Maritime Boundary Treaty. Additional revenue streams are expected to flow from the

petroleum exploration and exploitation activities in the Timor Sea, with TIMOR GAP taking an active role in securing strategic partnerships and E&P opportunities. The company currently holds PSCs both on offshore and onshore, in several stages of the Exploration Work Program.

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

2.2 PSC TL-SO-T 19-11

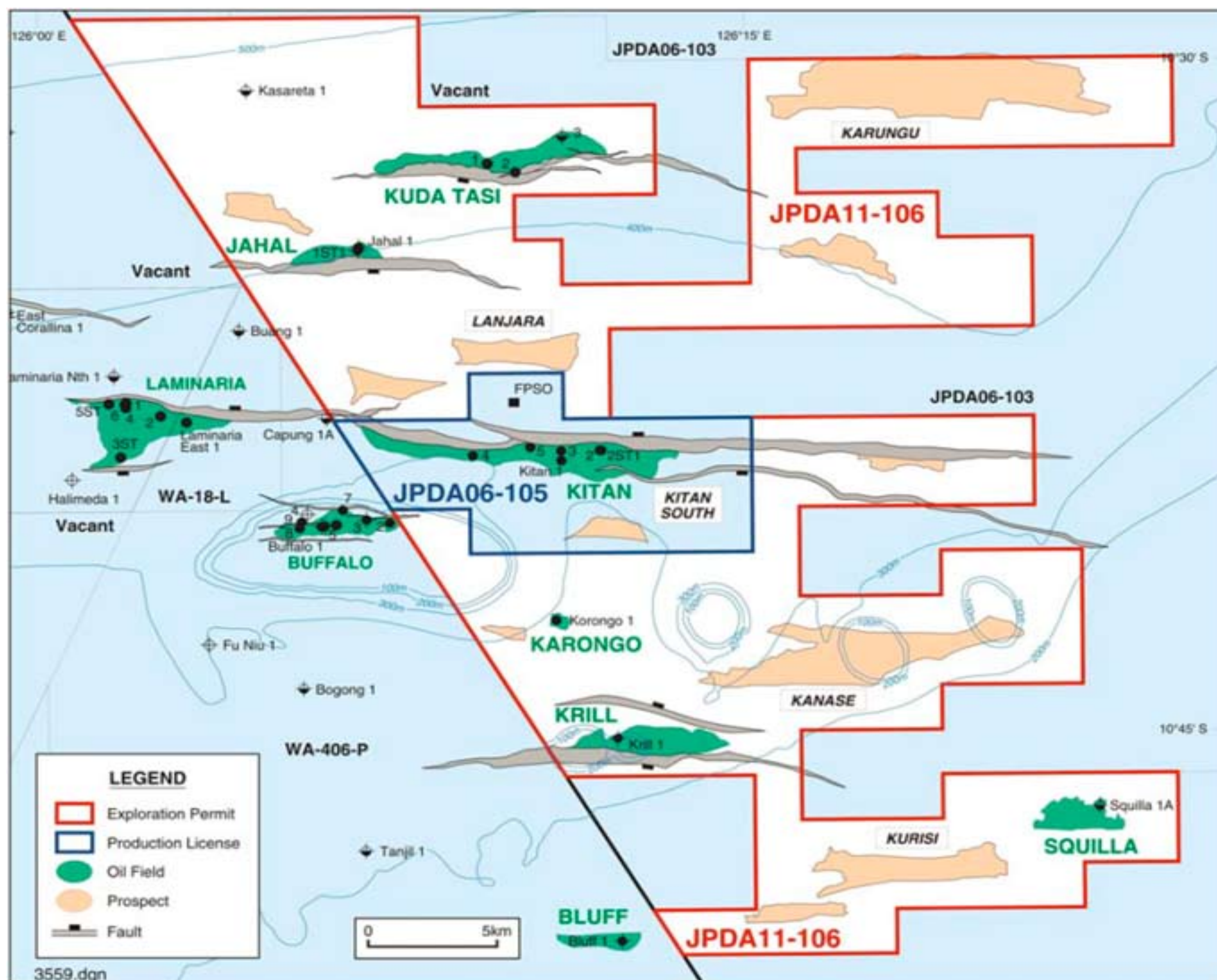


Figure 2-2: Map of the prospects in PSC JPDA 11-106

TIMOR GAP signed its first PSC in 2013, through its wholly owned subsidiary TIMOR GAP PSC 11-106, to begin the process of exploration, development and exploitation of petroleum resources in a block located in the former Joint Petroleum Development Area (JPDA), established by the Timor Sea Treaty and jointly administered by Timor-Leste and Australia. Following the ratification and entry into force of the Treaty between Australia and Timor-Leste Establishing their Permanent Maritime Boundaries in the Timor Sea on 30 August 2019, which resulted in the cessation of the JPDA, the PSC contract area has now transitioned to Timor-Leste's exclusive maritime jurisdiction, being subject to a Transitional Arrangement established under the Treaty. Aligned with this, a new and revised PSC, designated TL-SO-T 19-11, was signed with ANPM on 28 August 2019, replacing the preceding PSC JPDA 11-106. Pursuant to the terms set forth by the Transitional Arrangement, the new PSC TL-SO-T 19-11 (PSC 19-11) enjoys of conditions or terms equivalent to those previously in place, ensuring that the ongoing operations continue with minimal impact.

The Joint Venture partnership for the above PSC is composed by TIMOR GAP, holding a participating interest of 24%, ENI, as the Operator of the Contract with a 40.53% participating interest, and INPEX, holding the remaining 35.47%. The area being explored by the Joint Venture partners is located approximately 240 km south of Dili and 500 km northwest of Darwin, covering an area of 662 km² adjacent to the Kitan oil field and laying in an average water depth of 350m.

The main target of the study is on already proven but unproduced reserves at Jahal, Kuda Tasi (+/- 20MMbbls), Squilla and Krill fields. An extensive technical evaluation of drillable prospects within the contract area was conducted in with the Exploration Work Program, including review of the existing sub-commercial discoveries within the contract area and assessment of further potential drilling locations, covering shallow and deeper prospects. Joint venture partners have been focused on assessment of the Jurassic Plover sandstone reservoir and a review of fault trap integrity, essential to exploration in this region,

as well as evaluation of deeper prospects in the Triassic. Pursuant to the findings attained with the foregoing technical evaluation and with the subsequently endorsement of the Designated Authority (ANPM), JV partners opted to drill a deeper dual target well at Kanase prospect to test the Triassic reservoir level, in lieu of the two exploration wells commitment program set out for the Initial Period. In case the Triassic play is proven in the Kanase area, it will open up a new exploration concept, not only in the permit area but across the entire area within Timor-Leste maritime boundaries.

In accordance with the Minimum Exploration Work Requirements for the Initial Period, to which ANPM has granted a second 24 months extension until 22 October 2020, the drilling campaign preparation was afterwards initiated for the dual target well at Kanase prospect. The referred prospect is located at approximately 13km from the Kitan field, 8km from the Krill discovery and 11km from Squilla discovery. The dual target comprises a primary target aiming for proven Jurassic Laminaria/Plover formation reservoir predicted at 3507 mSS with a mean Oil-Initially-In-Place (OIIP) of approximately 185 MMbbl, and a secondary target aiming for untested Triassic Nome formation play predicted at 4011 mSS with a mean OIIP of approximately 188 MMbbl.

In the first quarter of 2019, as part of the final preparation for Kanase-1 drilling campaign, a Pre-Drill Technical Workshop and a DWOP (Drill Well on Paper) Workshop were conducted by the JV partners, with the presence of ANPM, contractors and subcontractors. The DWOP is the most critical technical gate process of the project and requires participation, input and feedback from the major contractors in the project such as the drilling contractor and primary third-party services (Drilling & Measurement, Mud Logging, Drilling Fluids, Cementing, Open Hole Logging, etc.) whose specific equipment and service processes need to be factored into final well plans and drilling programs. Afterwards, the Kanase-1 Exploration

Well Kick-Off Meeting was held on 12 March 2019, in Dili, focusing on pre-operation for Kanase-1 exploration well drilling program.

The Kanase-1 exploration well drilling commenced on 20 March 2019, carried out by the semi-submersible rig Maersk Deliverer deployed into the Timor Sea for this purpose. The Danish drilling rig operator Maersk Drilling was awarded in 2018 with a Contract for the provision of its semi-submersible rig Maersk Deliverer for the drilling of one well, Kanase-1 exploration well. The service scoop includes an option for an additional well with an expected duration of an additional two months.

The Kanase-1 exploration well drilling was encountered few problems both during the pre-drilling and drilling period. The primary target was reached at 3544mSS with reservoir properties on trend with expectation and with oil shows, whereas the secondary target was encountered at 4207mSS, within 6m of pre-drill predicted depth. After experiencing continued heavy losses, Total Depth was called at 4574mSS within the Plover Formation, and the well was plugged and abandoned. The rig was released at 12:00 on 20 June 2019.

TIMOR GAP technical team prudently evaluates the work of the operator and in parallel, carries out independent technical studies to evaluate the prospectivity of the PSC area. All technical evaluation is periodically reviewed by the management and it also provides opportunity for the team to improve their technical capabilities. In addition to this, during the Kanase-1 exploration well drilling campaign, a secondment was carried out in ENI Office in Perth, during a period of 3 months, providing an opportunity to actively involve our technical team in the Operator ENI daily Kanase-1 well operations activities and further deepen their knowledge in the areas of Drilling & Engineering and Exploration (G&G). Further information on this secondment is available under the Section “5.2.3. Employees Training”.

2.3 PSC TL-SO-15-01

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

The PSC block is located within Timor-Leste exclusive

maritime jurisdiction, at approximately 60km southeast of Timor's island eastern tip midway between Timor and the Greater Sunrise gas-condensate field in intermediate water depths. A 2780 square kilometers Crocodile 3D seismic survey was acquired in 2016 and the full prospectivity assessment performed by CGG GeoConsulting, including interpretation of the 3D seismic data, AVO analysis, play analysis, prospect ranking and economics.

The seismic surveys results indicated a “world-class prospectivity” in the block with the seismic data allowing the imaging of 31 individual closed seismic structures at

various geological levels (Jurassic, Triassic and Permian), frequently stacked vertically, in 17 geographically distinct locations (11 Plover Fm prospects, 11 Triassic prospects and 9 Permian prospects), with most locations having multiple targets. From the 31 prospects initially identified, approximately six have more than 1 billion of Petroleum-Initial-In-Place (PIIP). It is likely that all three Petroleum Systems identified – Jurassic, Triassic and Permian – provide chances for preserved hydrocarbon accumulations, with greater emphasis on Jurassic Petroleum System, especially Plover Formation. Baleia prospect deserves greatest attention in 3D Crocodile Study

Area of Interest, with Tubarão being second attractive.

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

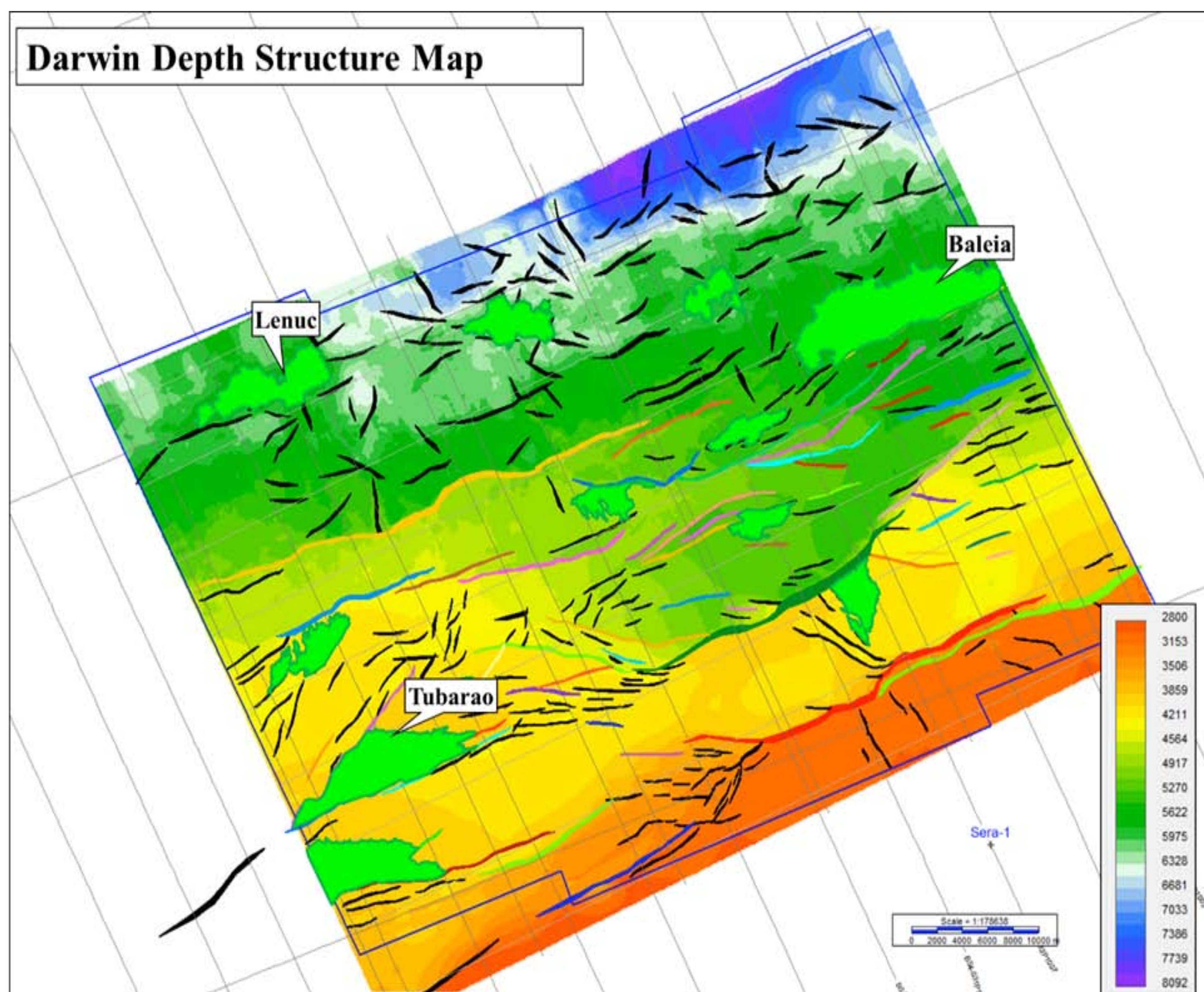


Figure 2-3: Prospects within Jurassic Reservoir (Plover Formation)

In addition to the above-mentioned, a pilot project is currently being conducted on Baleia prospect by CGG in its Kuala Lumpur office. The pilot project will engage the latest technique in data processing, namely Full Wave Field Inversion (FWI) and Time Reverse Migration (RTM), which are expected to improve depth image underneath thrust and lithology prediction. The ultimate outcome shall be a better reserve estimation and lower uncertainties prior to drilling program on Baleia prospect. This pilot project is due to be completed in March 2020.

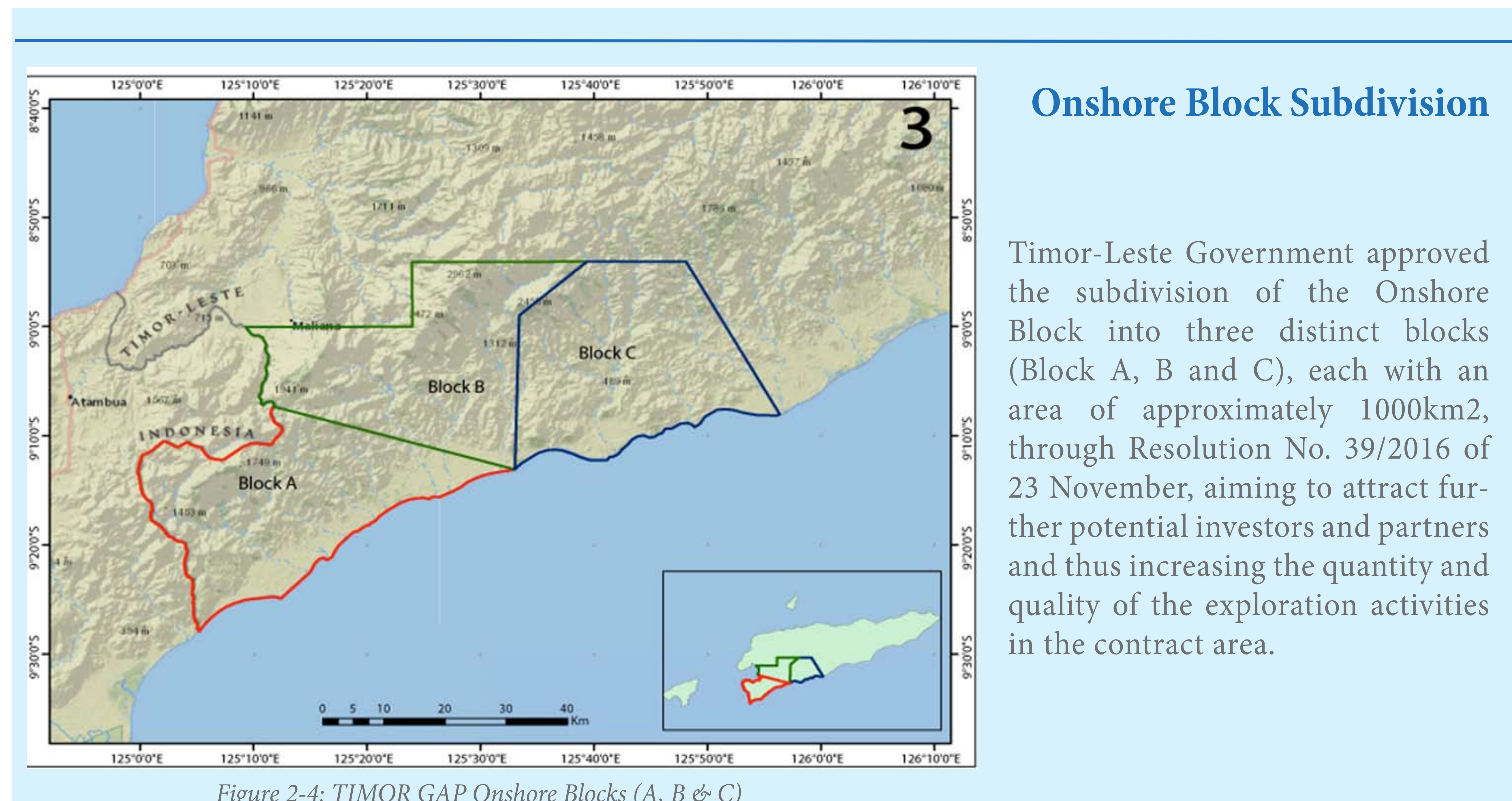
Pursuant to the terms agreed under the PSC, the Minimum Exploration Work Requirements for the Second Period anticipate the obligation to drill one exploration well (contingent) until December 2020. Therefore, TIMOR GAP OFFSHORE BLOCK requested a drilling extension of two years to ANPM during Management Committee Meeting (MCM), held on 19 December 2019. TIMOR GAP OFFSHORE BLOCK is awaiting ANPM approval for drilling extension until 2022.

It is expected that, in case the FWI pilot project proves to be successful, TIMOR GAP OFFSHORE BLOCK will extend its studies to the other two prospect areas (Tubarão and Lenuc) until the end of 2020, while the subsidiary actively seeks for farm-in partnerships to the PSC TL-SO-15-01.

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

TIMOR GAP's first onshore PSCs, a significant milestone to the company, signed in 2017, through TIMOR GAP's wholly owned subsidiaries TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda, and TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda, in partnership with Timor Resources Pty Ltd, a company incorporated in Australia

and an affiliate of the NEPEAN Engineering Group of Companies, have commenced oil and gas exploration activities in Block A (PSC TL-OT-17-08) and Block C (PSC TL-OT-17-09). TIMOR GAP was awarded the exclusive hydrocarbon exploration rights to Onshore Block through the Government Resolution n. 44/2015.



The two contracts cover an area spanning over four Municipalities in the south-western part of the country. Block A covers mostly areas within Covalima and Bobonaro Municipalities, while Block C stretches over Manufahi and Ainaro Municipalities. Both areas are considered to be highly prospective due to the several oil and gas seeps identified within the referred area, indicating the existence of an active petroleum system. In fact, more than 70 natural or drilling-induced hydrocarbon seeps or shows are now documented from across Timor-Leste, with more than 30 in Block A and at least 6 in Block C. Although the potential for onshore oil and gas had long been recognized, it has remained largely untapped and under-explored. No wells have been drilled onshore in Timor-Leste since 1972, when Timor Oil drilled the last of their 18 exploration wells in the onshore block area (16 in Block A, 2 in Block C), with hydrocarbons encountered in 9 wells in Block A, and 1 well in Block C. Of these, two wells in Block A tested significant oil flows: Matai-1A at an unsustained rate of 110 bbl/day, and Cota Taçi-1 at 216 bbl/day.

The PSCs establish a 50:50 joint venture between TIMOR GAP ONSHORE BLOCK & TIMOR GAP ONSHORE BLOCK C and its partner Timor Resources, with the latter assuming the Operatorship. Both parties committed

to a 7 years Exploration Work Programme with Minimum Exploration Work Requirements covering technical studies, Geology and Geophysical studies, Environmental Impact Assessment (EIA), Environmental Management Plan, 2D seismic data planning and execution, and a drilling commitment to a minimum cumulative depth of 2000 meters during the Initial Period.

Pursuant to the Minimum Exploration Work Requirements set for the Initial Period, that stipulates the acquisition, processing and interpretation of 100 kilometers 2D Seismic Survey for each PSC, the onshore Vibroseis Fafulu 2D Seismic Acquisition Survey was conducted and concluded in 2018 in Block A, with the acquisition of 186km of seismic data. The 2D seismic data acquired during this survey was processed and interpreted during 2019, with the findings confirming the existence of several prospective structures within the permit area.

Similarly to the seismic survey conducted for Block A, in 2019, the Joint Venture Partners engaged BGP Indonesia in a joint venture with our subsidiary TIMOR GAP Seismic Services to carry out the onshore Vibroseis 2D Seismic Survey for the Block C contract area. For this purpose, vibroseis trucks were deployed to Betano and a camp established, employing a total of 200 staff, including

operational and logistic employees. We strive to recruit and employ local staff as much as possible, and thus the majority of our operational and logistic personnel comprise workers recruited locally, providing job opportunities and promoting an active participation of the local communities in the project. Goods and services necessary to the camp daily operations, such as the provision of cat-

tle and vegetables, are acquired locally, thereby providing some income for the local families through the selling of their products, and boosting the local economy. A good relationship with the local community is crucial to the successful completion of a seismic survey and, with this in view, TIMOR GAP and its partner Timor Resources continue to work hard towards that end.



Figure 2-5: Camp in Betano

The Vibroseis 2D seismic survey for Block C was concluded in October 2019, passing through 14 villages within Manufahi Municipality. A total line of 145.400 km seis-

mic data was acquired over Block C, with the preliminary results showing potentially good prospectivity within the contract area.



Figure 2-6: Vibroseis trucks during the 2D seismic acquisition in Block C

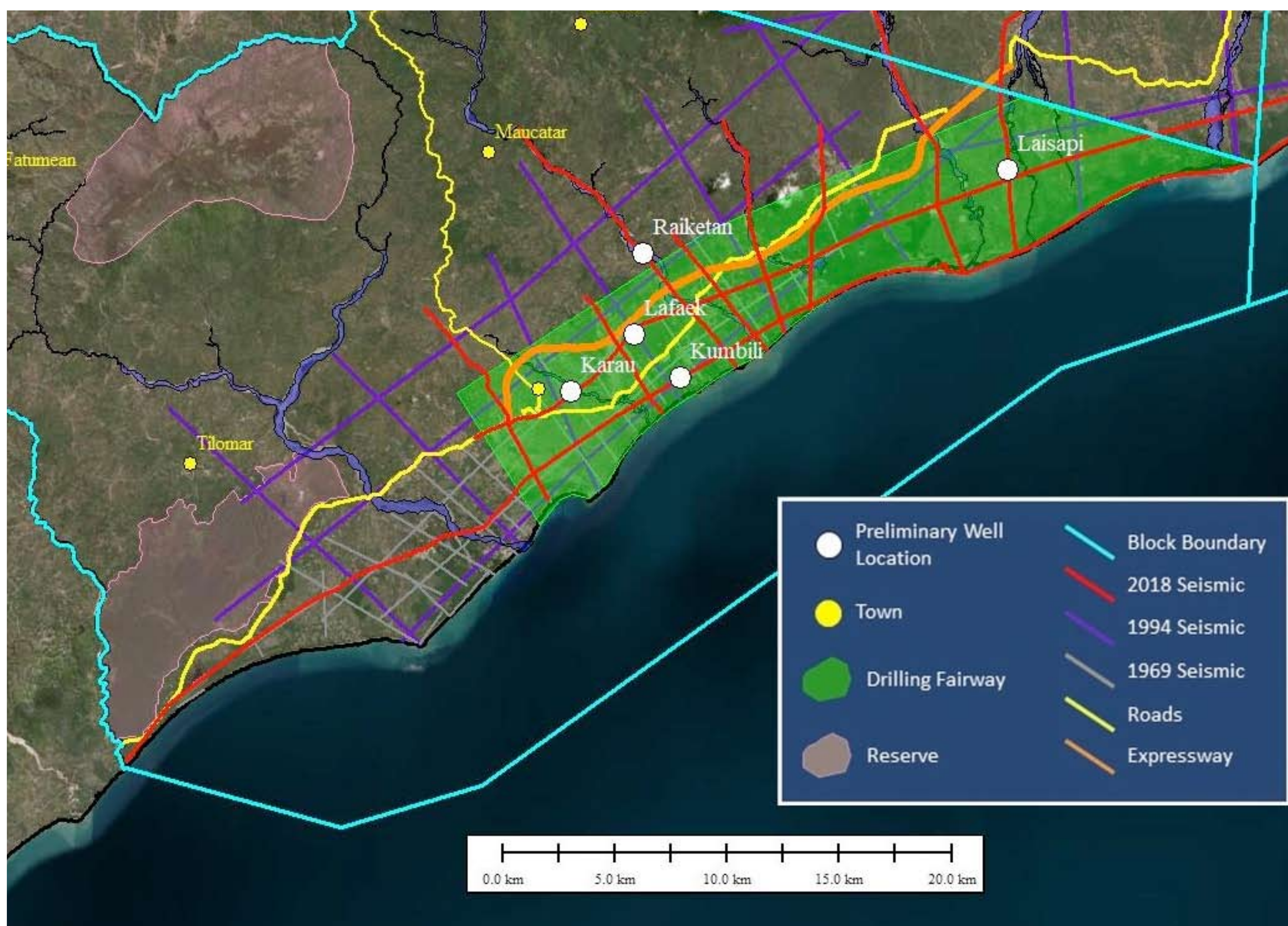


Figure 2-7: Map of the proposed exploration wells

While the seismic data collected in the Block C is currently undergoing processing and interpretation, TIMOR GAP ONSHORE BLOCK and its partner Timor Resources are finalizing the preparation for the drilling campaign within the Block A permit, which is expected to commence in early 2020. The campaign anticipates the drilling of up to five exploration wells corresponding to the prospects of Karau, Kumbili (with a dual target), Laisapi, Lafaek and Raiketan. The proposed exploration wells are located on the coastal fringe between Suai in the west and Zumalai in the east, and up to 7km inland from the coastline. The wells will be sited within three Administrative Posts, Suai, Maucatar and Zumalai, in Covalima Municipality.

The drilling program is designed to test three types of plays within the onshore acreage, maximizing the potential for a commercial discovery, namely: Pliocene-Pleis-

tocene age Viqueque Formation within the syn-orogenic basal section; “Lower Allochthon” (Permian-Eocene) succession; and Triassic-Jurassic age Babulu/Aitutu and Wai-Luli Formations beneath a regional metamorphic over thrust.

Following a competitive tender, Eastern Drilling Services was awarded a contract for the provision of a drilling rig and associated services for this drilling campaign. Karau-1, the first well in the campaign, will be drilled to 1,080m depth, targeting an approximately 430 meters thick gross reservoir interval in the Viqueque Formation. The five-well drilling campaign marks the first onshore drilling in Timor-Leste since 1972, a significant achievement that we are looking forward to commence with the potential to bring substantial value to the project stakeholders.

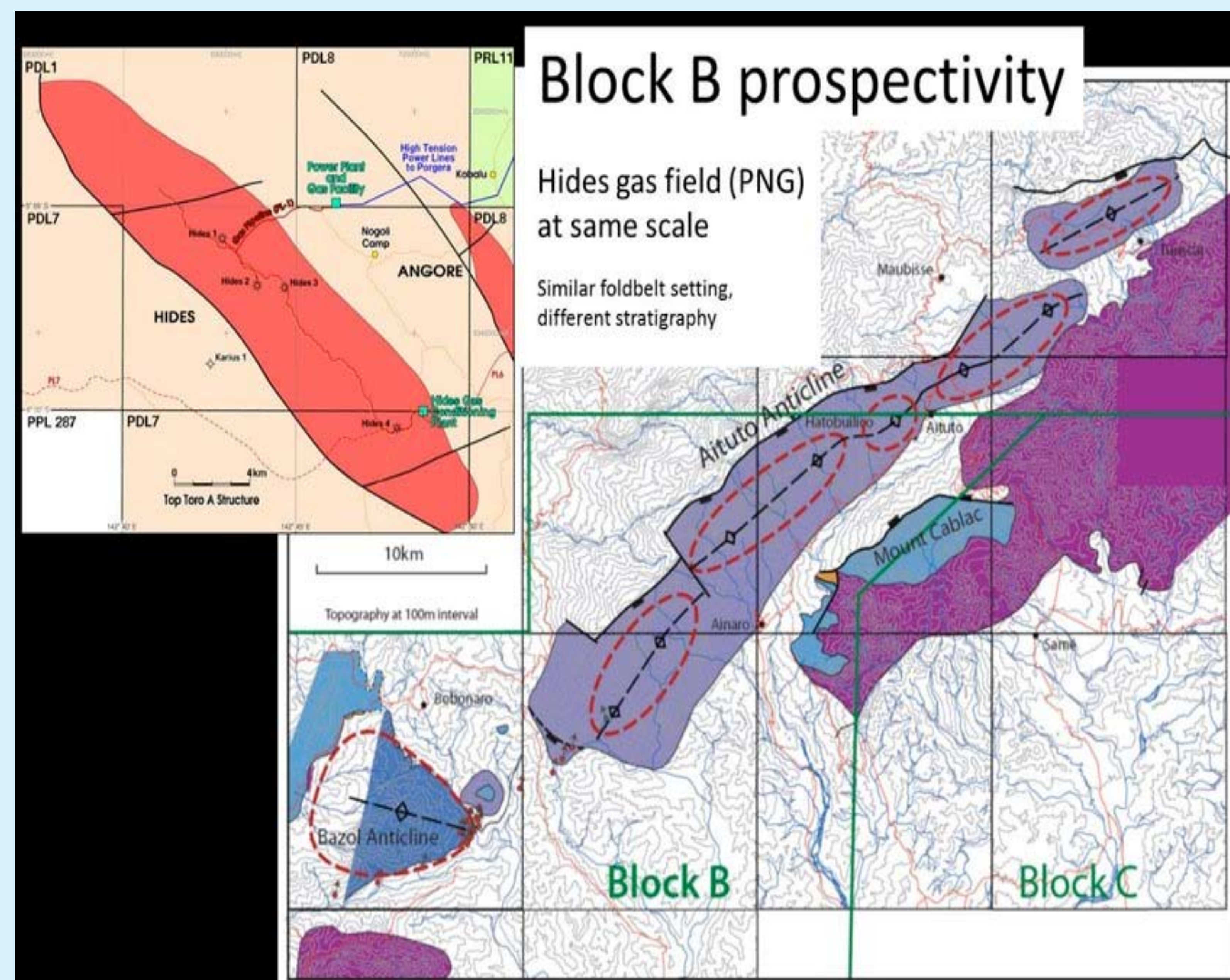


Figure 2-8: Block B prospectivity

Onshore Block B

TIMOR GAP, through its subsidiary TIMOR GAP ONSHORE BLOCK B, continues to liaise with potential partners and promoting farm-out opportunity for Block B, which occupies the more interior parts of the Onshore Block area with a total area of 1005 square kilometers. The area exhibits abundant surface hydrocarbon indications, particularly associated with the Bazol Anti-cline, and to a lesser extent the Aitutu Anticline. Field reconnaissance and geochemical sampling were initiated in 2018, leading to the identification of at least 17 naturally burning gas seeps and one oil seep, associated with the Bazol and western Aitutu anticlines, in northern Block B, and additional leads further south in the block.

2.5 PSC TL-SO-19-16

On 8 November 2019, TIMOR GAP CHUDITCH, through its wholly owned subsidiary TIMOR GAP Chuditch Unipessoal, Lda., and its joint venture partner, SundaGas Banda Unipessoal, Lda., signed a PSC for the TL-SO-19-16 (PSC 19-16) contract area with ANPM, acting on behalf of the Ministry of Petroleum and Minerals, with the purpose to begin appraisal of the Chuditch gas

discovery field and exploration of adjacent prospective areas within Chuditch discovery field. The Joint Operation Agreement was signed between TIMOR GAP CHUDITCH Unipessoal, Lda., and SundaGas Banda Unipessoal, Lda. on 27 November 2019, and became effective on 19 December 2019 upon approval from ANPM.

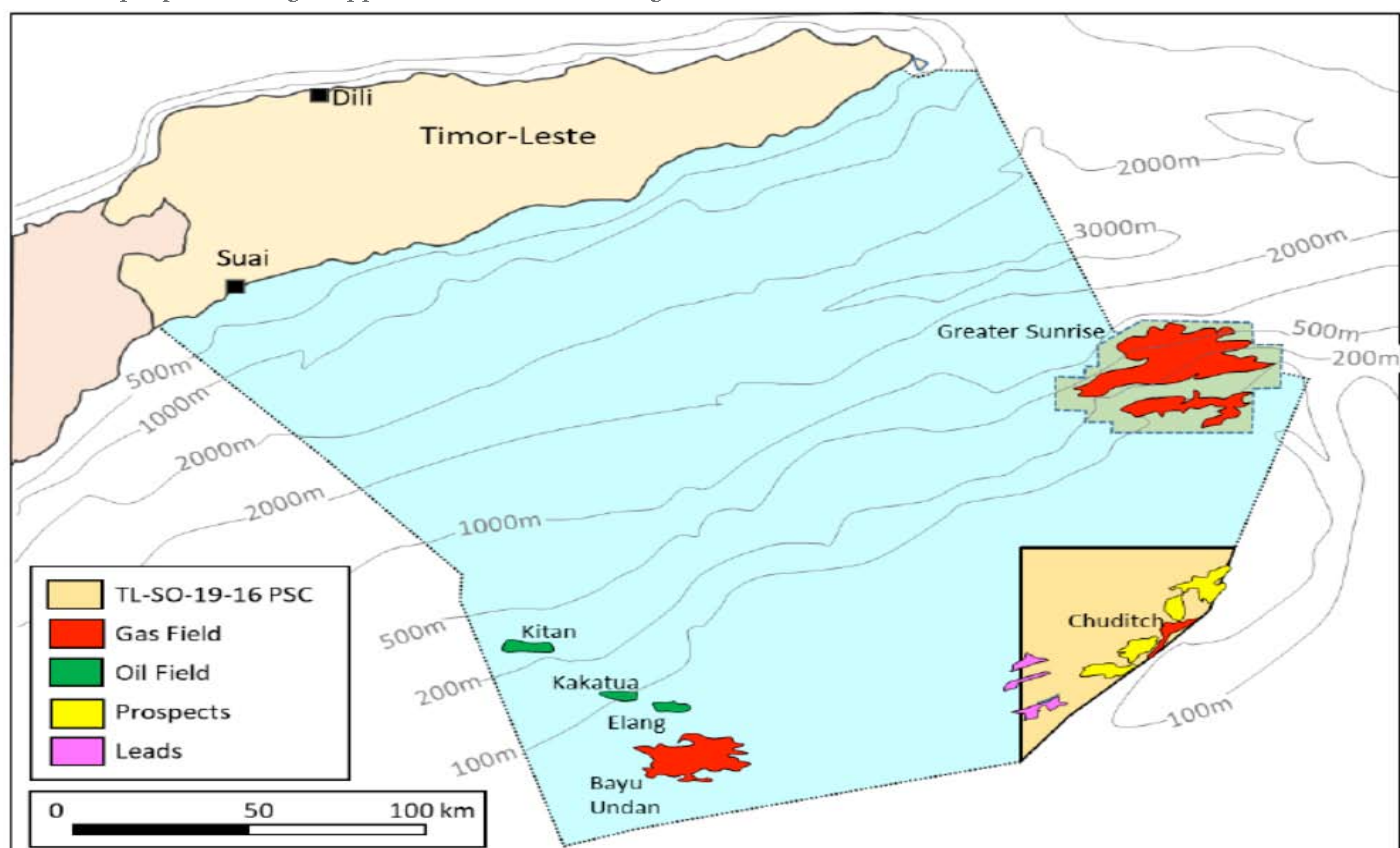


Figure 2-9: Location Map of the Contract Area for PSC TL-SO-19-16

The above PSC is entered into and granted pursuant to the provisions set forth in the Petroleum Activities Law No. 1/2019, of 18 January, First Amendment to the Law No. 13/2005, of 2 September, being awarded by the Government, through direct negotiation, to the joint venture partnership composed by TIMOR GAP, holding a 25% participative interest, and SundaGas, holding a 75% participative interest, whilst assuming the Operatorship of the Contract. SundaGas is a Singapore-based E&P company, focused on exploring and developing gas opportunities across the greater Southeast Asia region.

With the ratification and entry into force of the Permanent Maritime Boundary Treaty in 2019, the block contract area situated in the south of the former JPDA, is now under Timor-Leste exclusive maritime jurisdiction. Located approximately 185km south of Timor-Leste, the PSC TL-SO-19-16 covers approximately 3,571.49 km², in water depths of 50-100 meters, and encompasses the Chuditch-1 gas discovery, which was discovered by Shell in 1998. The Chuditch field has 25m gas column with a good to excellent reservoir quality with a water depth of around 70m. The reservoir target for the Chuditch field is approximately 2900m from the seabed. Initial discovery by Shell presented that the field is estimated to contain 0.6 – 1.6 Tcf of gas with minor CO₂.

Both Parties have committed to a seven-year Exploration Work Programme with the Minimum Exploration Work Requirements stipulated as following: Initial Period (Years 1-3) envisages seismic reprocessing (pre-stack depth migration) of 800 km² of 3D seismic data and a 2000 kilometers line of 2D seismic data, review of hydrocarbon potential of the entire contract area (geological and geophysical studies) and one appraisal well, subject to positive seismic reprocessing result that supports the presence of a significant structure associated with the Chuditch discovery; Second Period (Years 4 and 5) includes post-well evaluation study and drilling of one (1) exploration well, and development scenario planning for Chuditch discovery; and Third Period (Years 6 and 7) comprises geological and geophysical studies, development scenario planning, and drilling of two (2) exploration or appraisal wells.

Based on the significant gas discovery made by Shell in 1998 and on more recent technical studies carried out by Minza, the PSC contract area has the potential to accommodate a substantial gas accumulation and, in addition to the important Chuditch gas discovery, the field is expected to contain untested exploration targets, thus making it an asset of significant value.

2.6 Other Upstream Studies

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

The PSC of Bayu-Undan operated by ConocoPhillips on behalf of joint-ventures Santos, Inpex, ENI and Tokyo Timor Sea Resources, is anticipated to expire in mid-2022 and thus TIMOR GAP, as the national oil company, is working towards the preparation of a possible re-development of the referred gas field. Bayu-Undan is a gas-condensate field in the Timor Sea, 250km south of East Timor and 500km north of Australia, now falling within Timor-Leste maritime exclusive jurisdiction, after the Permanent Maritime Boundaries Treaty ratification in 2019.

TIMOR GAP was entrusted by the Government of Timor-Leste, through the Joint Commissioners and the Ministry of Petroleum and Minerals, to carry out a full field review of the Bayu-Undan field, with the objective of resource management and optimization. The Post PSC subsurface and surface studies to be carried out by TIMOR GAP, such as reservoir static and dynamic modelling, history matching and forecasting, prefeasibility study and preliminary review of topside weight and cost,

are required as part of the Bayu-Undan redevelopment preparation in order to proceed with a final decision both economic and technical viability of the project.

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

The feasibility study for the Bayu-Undan topsides modification post PSC was adjudicated to Aibel and completed in 2018, indicating that the Bayu-Undan topside facilities are able to handle the Extended Life 2022 Case with only a new pig launcher and limited modifications. The new operating mode may be handled through adjustments of the existing equipment.

Throughout 2019, TIMOR GAP continued to work with experts to evaluate the remaining potential of the Bayu-Undan field, conducting comprehensive technical studies related to production optimization and re-development strategy post PSC of the Bayu-Undan field, with emphasis to the subsurface modelling study to be finalized in 2019.

While the studies are being updated with the new production data, and as a preparation for the Bayu-Undan

redevelopment project for post PSC, TIMOR GAP have improved the technical competency of its employees by setting up a capacity building agreement with ConocoPhillips, Bayu-Undan current field operator, to expose the TIMOR GAP technical team to the field's current operation. TIMOR GAP employees totaling around 6 staff were sent to different domains in ConocoPhillips and its subcontractor such as Schlumberger, and Baker Hughes. Further information on these secondment is available under the Section "5.2.3. Employees Training".



3. Downstream, Services and Subsidiary Companies





HIGHLIGHTS OF 2019

- TIMOR GAP's Fuel Station in Suai expanded its non-cash customers by signing a fuel supply contract with ANATL, E.P., and signed a new contract with Covalima Municipality Administration to extend fuel supply for its vehicles for an additional year;
- Completion of Demand & Supply Study for Petroleum Products in Timor-Leste commissioned by TIMOR GAP and performed by Frost & Sullivan;
- Conclusion of Vibroseis 2D Seismic Survey for the onshore Block C conducted by TIMOR GAP Seismic Services and its partner BGP Indonesia;
- TIMOR GAP Drilling Services entered into a partnership agreement with COSL for the Bayu-Undan Decommissioning Project. The tender bidding process for this project is currently under way.



Figure 3-1: TIMOR GAP Fuel Station in Suai

3.1 Overview

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

Plans to set a trading business to market crude, condensate and fuel are envisaged to complement and further

expand the company, with the aim to establish a TIMOR GAP-branded wholesale and retail petroleum services focused in the south coast. TIMOR GAP first retail fuel station in Suai continued its operations in 2019 generating revenue for the company and increasing our brand-loyal customers.

TIMOR GAP provides a wide range of services through its subsidiaries in partnership with renowned international companies. Currently, TIMOR GAP holds several subsidiaries, pursuing business opportunities and activities in the areas of Exploration & Production, marine and logistics services, fuel supply, fabrication works, seismic data acquisition and processing.

3.2 Marketing of Petroleum Products

3.2.1 Retail Sales

TIMOR GAP aims to establish a strong presence in the domestic market by setting up a TIMOR GAP single-brand retail network, spread across the country, providing the best services and products to meet and fulfil the national petroleum products demand.

TIMOR GAP's first fuel station located in Suai, Covalima Municipality, continued to supply reliability and efficiency to build brand loyalty among consumers and secure new fuel supply Contracts. On 30 May 2019, TIMOR GAP signed a fuel supply contract with ANATL, E.P., for the provision of fuel during the period from 1 June 2019 to 31 May 2020. In addition, by securing a new Sale

and Purchase Agreement with the Covalima Municipality Administration to extend fuel supply for its vehicles for an additional period from 1 January to 31 December 2019, TIMOR GAP became Covalima Municipality Administration sole fuel supplier since the start of its first fuel station operations in 2016.

TIMOR GAP provides a consistent source of supply of quality products, results in retaining and gaining new customers to our fuel station and improving our business performance. In 2019, Suai fuel station registered a total sales volume of 172,696 liters, consisting of 82,009 liters of gasoline and 90,687 liters of diesel. Sales volume

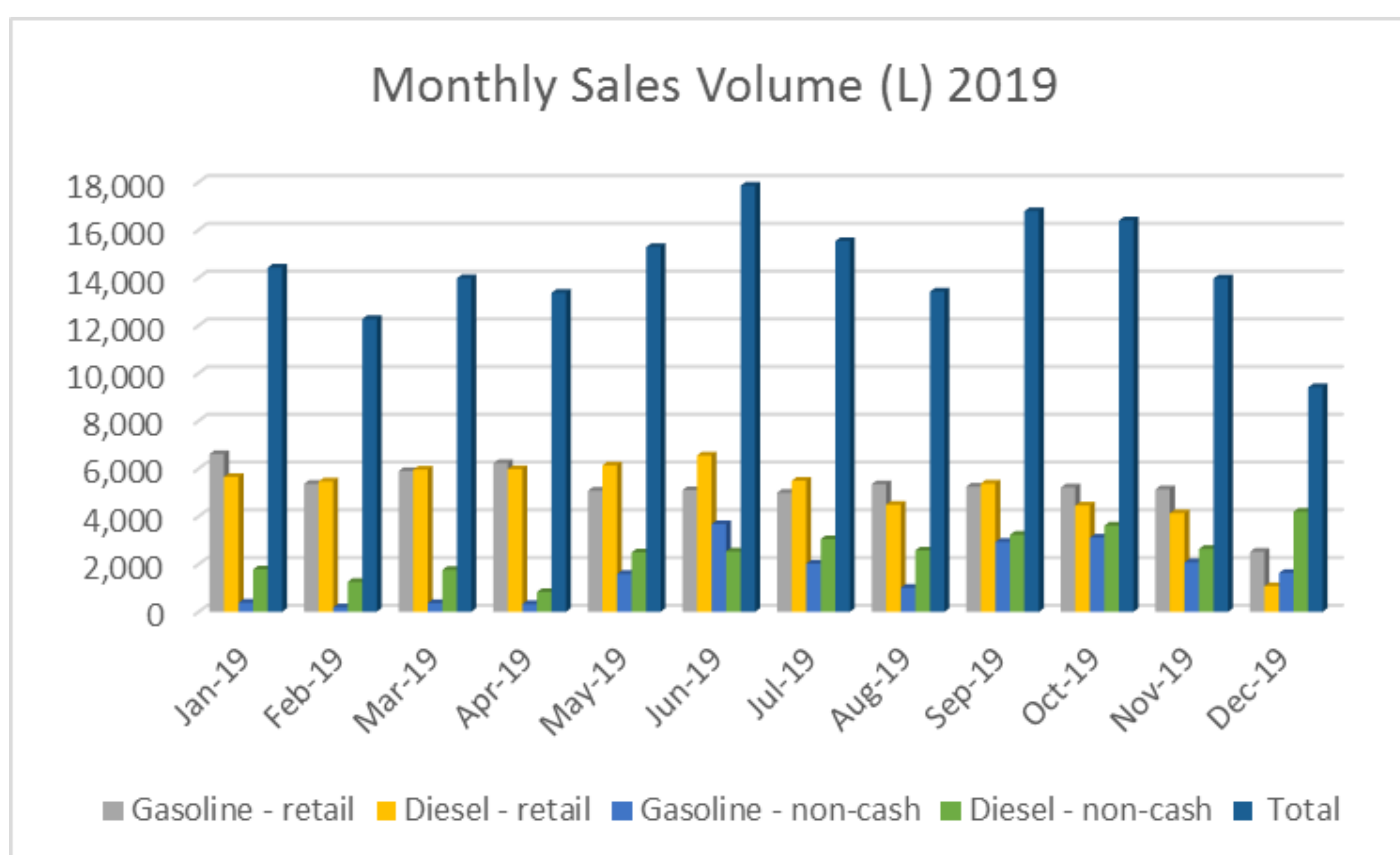


Figure 3-2: Suai Fuel Station monthly sales volume for 2019

for the non-cash customers, Covalima Municipality and ANATL, E.P., accounts for 28 percent of the total sales volumes for 2019.

While increasing our business profitability and promoting and exposing TIMOR GAP's brand, we create job opportunities for local Timorese and ensure that the local content requirements are fully respected in each and all of company's projects. The fuel station employs a workforce of 13 staff recruited locally and fully trained to excel in the customer service deliverance. Our daily operations are conducted following a rigorous compliance with the highest quality, safety, security and environmental protection standards. Regular inspections were carried out through 2019, guaranteeing that the Suai fuel station observes and meets all the safety requirements and guarantees a fully operational safety area for both our workers and customers.

TIMOR GAP plans the commissioning of a fuel station prototype design consisting of detail engineering design, cost estimation, detail construction scope of work and project bidding documents. All the referred technical specifications and detailed drawing shall be elaborated in accordance Decree-Law No. 1/2012 on Downstream Sector, 1st amendment to ANPM regulation No.1/2013 on Installation and Operation of Fuel Filling Station, and applicable international standards. The purpose of the prototype design is part of TIMOR GAP's goal of expanding its retail business to all municipalities. Having a prototype will allow the company to develop its retail business with a clear brand identity. In 2019, the budget for prototype design was not executed as the procurement process was cancelled because it did not fulfil the Procurement Policy's best value for money principle due to lack of competition.

3.2.2 Aviation Fuel Wholesale and Retail



Figure 3-3: TIMOR GAP Jet A-1 fuel tank (left) and depot facility (right) in the Suai Airport

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

In response, TIMOR GAP built Jet A-1 depot facility within Suai Airport to store and supply into plane fuel to the Offshore Aviation Firms based in the Suai Airport. The depot consists of two fuel tanks with a capacity of 60kl each, manufactured by Austank. The fuel tanks and its equipment were built in strict compliance with JIG 4 (Joint Inspection Group) edition 34 and International Aviation Transport Association (IATA) standard, in accordance with the recommendations made by relevant stakeholders. However, the facility has not been fully op-

erated since it was commissioned by Air BP in October 2018 due to power supply issue which sourcing from Suai Airport. Hence, TIMORGAP has been looking into an alternative electrical power supply connecting directly from the City Power (EDTL Suai).

In order to provide fuel to plane service, TIMOR GAP will purchase its own refueller vehicle. In early December 2019, an international Invitation for Bid (IFB) was launched to invite aviation refueling truck manufacturers to submit a design and manufacturing proposal. This contract is expected to be award in early 2020.

As part of our commitment to capacity building, we have employed and trained one (1) fuel supervisor and one (1) fuel handler, who received on the job training by Air BP in Broome, Australia.



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

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

The Terms of Reference (TOR) for the Demand & Supply Study for Petroleum Products in Timor-Leste were prepared and endorsed by TIMOR GAP's management, followed by the issue of a Request For Proposal (RFP) invitation for public in the fourth quarter of 2018. The

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

The final study report was concluded and presented to TIMOR GAP on November 2019.



3.3 Subsidiary Companies

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

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

In furtherance of the company's purpose, TIMOR GAP had since established several subsidiaries aiming to conduct specific business activities in the petroleum sector and related services.

TIMOR GAP holds the following subsidiaries/joint venture company:

- GAP-MHS Aviation, Lda
- TIMOR GAP PSC 11-106 Unipessoal Lda
- TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda
- South Horizon Offshore Services, Lda
- TIMOR GAP Seismic Services, Unipessoal, Lda
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda
- TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda
- TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda
- TIMOR GAP Drilling & Services, Unipessoal, Lda
- TIMOR GAP CHUDITCH, Unipessoal, Lda
- TIMOR GAP Offshore Block Resources, Unipessoal, Lda
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda
- TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda
- TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda



3.3.1 GAP-MHS Aviation, Lda

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

Following Management's decision, the subsidiary has been dissolved on 22 January 2020 and has obtained the Certification of Dissolution of Company by the Service Agency.

3.3.2 TIMOR GAP PSC 11-106, Unipessoal, Lda

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

TIMOR GAP, through TIMOR GAP PSC 11-106, signed in 2013 its first Production Sharing Contract (PSC) to commence offshore exploration in the contract area JPDA 11-106, with the Italian company ENI and the Japanese company INPEX as Joint Venture (JV) partners and the regulator National Petroleum and Minerals Authority (ANPM). This PSC is located on formerly designated Joint Petroleum Development Area (JPDA). With the ratification and entry into force of the Treaty between Australia

and Timor-Leste Establishing their Permanent Maritime Boundaries in the Timor Sea on 30 August 2019, this resulting in the cessation of the JPDA, the PSC contract area has now transitioned to Timor-Leste's exclusive maritime jurisdiction, being subject to a Transitional Arrangement established under the Treaty. A new and revised PSC, designated TL-SO-T 19-11 (PSC 19-11), was signed with ANPM on 28 August 2019, replacing the preceding PSC JPDA 11-106. The new PSC provides conditions or terms equivalent to those previously in place, ensuring that the ongoing operations continue with minimal impact.

Following the drilling campaign preparation carried out on the previous years, in 2019, TIMOR GAP commenced the drilling of a dual target well, Kanase-1, aiming to assess deeper prospects and to test the Triassic reservoir level. Further information on this subject is available under the Section "2.2 PSC TL-SO-T 19-11" of this Report.

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

TIMOR GAP Oil & Gas Marine and Logistics is a wholly owned subsidiary of TIMOR GAP created in 2014 to provide general services for the marine industry and to render logistic and support services to the petroleum indus-

try operating in the Timor Sea, Timor-Leste and afar. The subsidiary is expected to not only manage but eventually own and operate supply vessels, tug boats, and general marine services required in the petroleum industry.

3.3.3.1 South Horizon Offshore Services, Lda

In 2015, TIMOR GAP Oil & Gas Marine and Logistics established the South Horizon Offshore Services, Lda, a joint venture company with Siglar Offshore Services Timor, with the purpose to provide support services to vessels and offshore installations operating in the Timor-Sea, to own and operate offshore support vessels, and render any other services for the marine and Oil & Gas industry. In this joint venture partnership, TIMOR GAP Oil & Gas Marine and Logistics holds a share of 51% and Siglar Offshore Services Timor holds the remaining 49%.

Following the successful delivery of Topside Fabrication Services for the Bayu-Undan Infill Wells (BUIW) Project with ConocoPhillips in 2018, both South Horizon and

Aibel discussed a possibility of partnership to establish a small scale workshop in Suai to capture future services in Timor Sea especially the development of Greater Sunrise project. With this, a meeting and site visit were conducted on 23 April 2019, to Suai, Covalima Municipality.

In September, 2019, the Board of Director held its 1st Annual General Assembly (AGM) meeting and approved several resolutions in which instructed South Horizon Offshore Services managing director to actively pursue and seek for new business ventures and opportunities to provide services within the marine and oil & gas industry, even though no major contract was awarded during the 2019 period.

3.3.4 TIMOR GAP Seismic Services, Unipessoal, Lda

Established in 2015, TIMOR GAP Seismic Services (TGSS) is owned by TIMOR GAP (60%) and BGP Geoservices Pte, Ltd (40%), a subsidiary of China National Petroleum Corporation (CNPC) in the business of providing marine seismic services. TGSS was created through a Joint Venture Agreement signed in October 2015 by the two companies with the purpose of providing seismic survey services within the Timor-Leste's territory, with a planned expansion to overseas projects. TGSS main scope is to perform 2D/3D seismic acquisition, processing and, in the future, interpretation, whilst providing training opportunities and technology development to its local staff through its international partners.

Upon its establishment, on December 2015, TIMOR GAP launched its first 3D Broadband seismic survey, engaging TGSS and BGP Geoservices as the contractors to carry out the Crocodile 3D Seismic acquisition covering an area of 2780 Km² within the offshore PSC TL-SO-15-01. The survey was carried out by BGP Prospector vessel, a 12 streamer seismic vessel, and concluded in 2016.

TGSS was also committed to seek a potential partner to pursue onshore business opportunities, this resulting in

the signing of an agreement between TGSS and PT.BGP Indonesia in 2018, to work together on the onshore 2D Seismic Survey conducted on national territory. On August 2018, Timor Resources, the operator of the onshore PSCs, engaged TGSS Joint Venture with PT. BGP Indonesia to perform the onshore 2D seismic survey within PSC TL-OT-17-18 (Block A), in Covalima, and PSC TL-OT-17-19 (Block C), in Manufahi, both located on the southern coast of Timor-Leste. The total work load approximately covers 308.4 km, carried out by five (5) Vibroseis trucks. The first phase, corresponding to the Fafulu Vibroseis 2D seismic data acquisition on the Block A, was completed on 17 November 2018 with a vibroseis shooting point of around 4455vp covering an area of 179.32 km. In addition, as part of this agreement, PT BGP Indonesia is committed to set up a processing centre in Dili for the future development of TGSS.

The second phase of this project corresponds to the 2D seismic acquisition on Block C, commenced in the third quarter of 2019 and completed on 19 October 2019. For this project on Block C, three TGSS engineers were involved in the field operations for an on-job training and hands-on experience throughout the acquisition process.



Figure 3-4: TGSS team during planting Geophon

As part of the recent engagement between TGSS and PT.BGP Indonesia, both parties have committed to establish an explosive storage in Timor-Leste, aiming to provide services to all the oil & gas activities, amongst others. In line with this, TGSS continues its involvement

in all seismic activities within the territory of Timor-Leste, such as the seismic survey planned to be conducted in the Block B, as well as other potential onshore or/and offshore blocks.

3.3.5 TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda

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

covers approximately 3,000 square kilometers in the Timor-Leste offshore exclusive area. TIMOR GAP OFFSHORE BLOCK is the operator and sole right holder of the PSC TL-S0-15-01, which will terminate on 2022.

In 2015, TIMOR GAP, through its subsidiary TIMOR GAP OFFSHORE BLOCK, entered in its second Production Sharing Contract for the block TL-SO-15-01, which

In 2019, TIMOR GAP OFFSHORE BLOCK continued to carry out the Exploration Work Programme as set forth in the PSC TL-SO-15-01. Activities conducted within this reporting period are described under the Section “2.3 PSC TL-SO-15-01” of this Report.

3.3.6 TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda

TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda was established in 2017 for the purpose of partaking in exploration and exploitation activities in the onshore block located in the Timor-Leste exclusive area.

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

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

In 2019, TIMOR GAP ONSHORE BLOCK continued to carry out the Exploration Work Programme as set forth in the PSC TL-OT-17-08. Activities conducted within this reporting period are described under the Section “2.4 PSC TL-OT-17-08 & TL-OT-17-09” of this Report.

3.3.7 TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda

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

TIMOR GAP ONSHORE BLOCK B continues to liaise with potential joint venture partners to conduct exploration and production activities in the above-mentioned block.

3.3.8 TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda

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

purpose of entering into PSC TL-OT-17-09 signed with Timor Resources for the exploration and exploitation of the onshore Block C. TIMOR GAP ONSHORE BLOCK C holds a 50% participating interest in the onshore block with Timor Resources assuming the role of operator in the Joint Venture.

In 2019, TIMOR GAP ONSHORE BLOCK C continued to carry out the Exploration Work Programme as set forth in the PSC TL-OT-17-09. Activities conducted within

this reporting period are described under the Section “2.4 PSC TL-OT-17-08 & TL-OT-17-09” of this Report.

3.3.9 TIMOR GAP Drilling & Services, Unipessoal, Lda

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

Since its establishment, TGDS has participated in projects such as Bayu-Undan Infill Well (BUIW) and ENI Drilling Campaign. In the Bayu-Undan Infill Well Project, TGDS cooperated with China Oilfield Service Limited (COSL), a subsidiary of China National Offshore Oil Corporation (CNOOC), for the provision of Jack Up rigs. In 2018, TGDS and COSL agreed to expand its businesses to comprise the creation of a Liquid Mud Plant and Mud Storage Facility in Suai, which will directly respond to upcoming drilling campaign in the onshore Block A & Block C and perform drilling services. Timor Resources plans in drill-

ing 5 exploration wells in the onshore Block A.

As a subsidiary of the National Oil Company, TGDS is committed to be directly involved in the first onshore project conducted in Timor-Leste national territory since its independence and thus, TGDS entered into a partnership with Bohai Drilling Service Indonesia (BDSI) through an agreement signed on 18 March 2019. TGDS and BDSI submitted on 6 May 2019, a proposal to the tender issued by TIMOR GAP for the provision of a package of drilling services for the Block A drilling campaign. However, TGDS and BDSI proposal was not successful.

In the third quarter of 2019, TGDS also signed another partnership agreement with COSL for the Decommissioning Bayu-Undan Project which is now at ongoing tendering process. TGDS aims to establish a strategic and economic viable partnership to find the best commercial way to re-develop the Bayu-Undan field and also proactively seeking the potential companies to capture new business opportunities for the provision of upstream activities and drilling services.

3.3.10 TIMOR GAP CHUDITCH, Unipessoal, Lda

TIMOR GAP CHUDITCH, Unipessoal, Lda is a TIMOR GAP wholly owned subsidiary company established in 2016, as a response to TIMOR GAP's strategic goal in expanding its Exploration & Production portfolio.

On 8 November 2019, TIMOR GAP, through its subsidiary TIMOR GAP CHUDITCH, Unipessoal, Lda, and its joint venture partner, SundaGas Banda Unipessoal, Lda, signed a PSC for the TL-SO-19-16 contract area with ANPM with the purpose to begin the appraisal of the Chuditch gas discovery field and exploration of adjacent prospective areas within Chuditch discovery field.

With the ratification and entry into force of the Permanent Maritime Boundary Treaty on 30 August 2019, Timor-Leste now enjoys exclusive rights over the block, as its contract area is under the country's exclusive maritime jurisdiction.

In this joint venture partnership, TIMOR GAP CHUDITCH holds 25% of the participating interest, while SundaGas holds the remaining 75% and assumes the Operatorship of the Contract. Further information on this PSC is available under the Section “2.5. PSC TL-SO-19-16” for this Report.

3.3.11 TIMOR GAP Chuditch, Unipessoal, Lda

In 2016, TIMOR GAP established a wholly owned subsidiary company, TIMOR GAP Offshore Block Resources Unipessoal Lda, as a Special Purpose Vehicle (SPV) with the purpose of participating in exploitation activities in the Kitan field redevelopment or others undeveloped discovery fields located in the formerly designated Joint Petroleum Development Area, annulled by the Treaty signed on 2018 and ratified on 30 August 2019 between

Australia and Timor-Leste Establishing their Permanent Maritime Boundaries in the Timor Sea. Pursuant to the aforesaid Treaty, Kitan field is now under Timor-Leste's exclusive maritime jurisdiction.

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

3.3.12 Subsidiaries for Greater Sunrise

3.3.12.1 TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda

Established in 2018 in light of the Maritime Boundaries Treaty signed on March 2018 and ratified on 30 August 2019 between Timor-Leste and Australia, of which opened a path for development of the Greater Sunrise gas fields, TIMOR GAP GREATER SUNRISE RL2, Unipessoal Lda is a TIMOR GAP wholly owned subsidiary company created with the purpose to hold a participating interest in the Retention Lease NT/RL2 of the Greater Sunrise fields, or any other contract that may replace the retention lease in the future in order to conduct any petroleum operations to be developed in the referred gas fields.

The participating interest in the Retention Lease NT/RL2 was acquired through a Purchase and Sale Agreement signed between Shell and ConocoPhillips, as the sellers, and Timor-Leste on 16 April 2019. This transaction was approved by the Government, through Resolution no. 20/2018, of 24 October, and Resolution no. 5/2019, of 30 January, which endorsed the contract for the acquisition of participation interests and rights in PSC JPDA 03-19, PSC JPDA 03-20, Retention Lease NT/RL2 and Retention Lease NT/RL4 of the Greater Sunrise field, the participa-

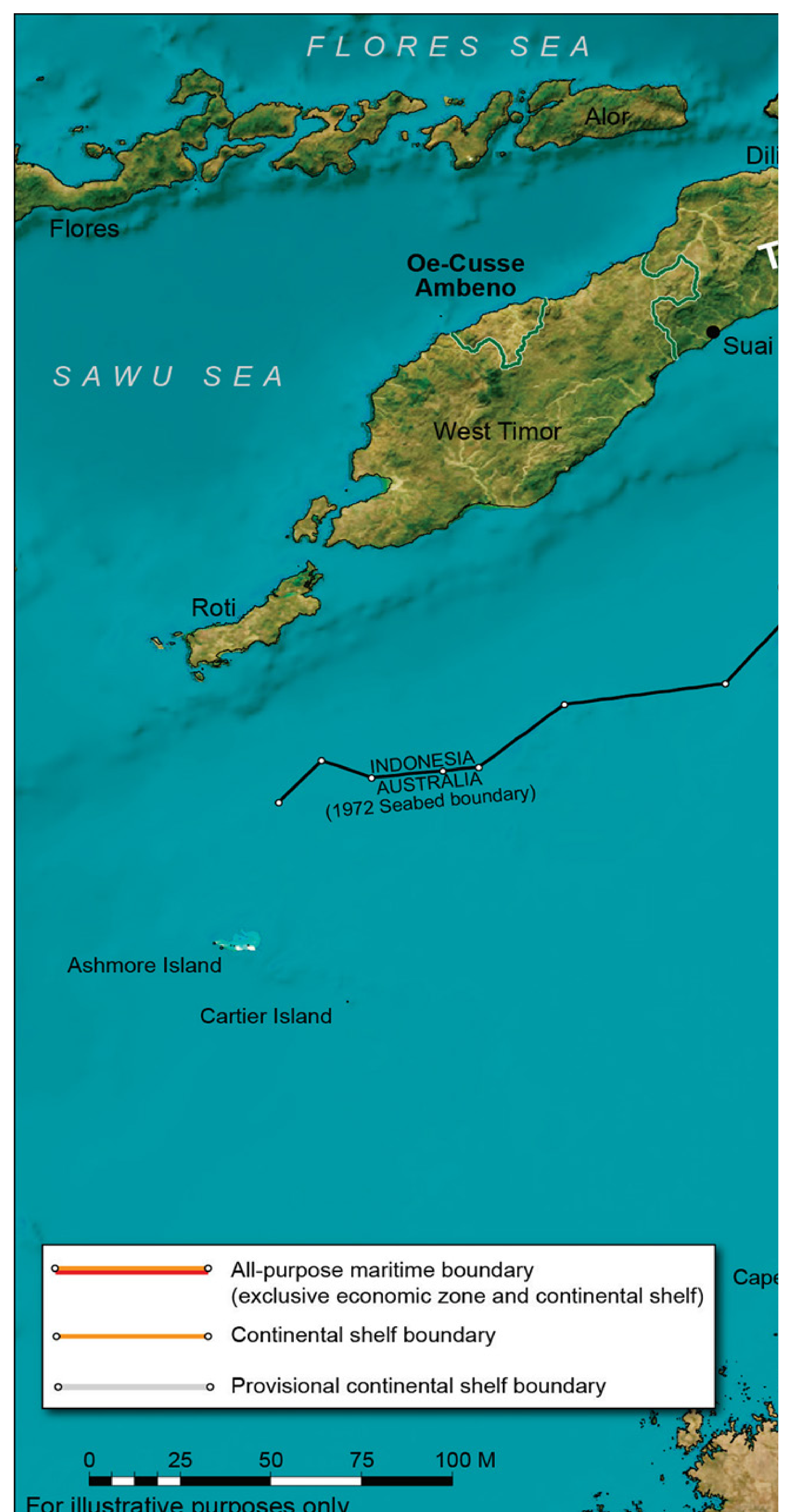
tion of Timor-Leste in petroleum operations and transfer of those participation interests and rights to TIMOR GAP and its subsidiaries for their holding and management, on behalf of the State.

Timor-Leste aims to develop Greater Sunrise by piping gas to a liquefied natural gas (LNG) plant on its south coast and thus, TIMOR GAP continues the discussions with the upstream joint venture partners in regards to the development concept preferred for the Greater Sunrise fields.

3.3.12.2. TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda

TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda is a TIMOR GAP wholly owned subsidiary company established in 2018 with the purpose of hold a participating interest in the Retention Lease NT/RL4 of the Greater Sunrise fields, or any other contract that may replace the retention lease in the future in order to conduct any petroleum operations to be developed in the referred gas fields.

The participating interests in the Retention Lease NT/RL4 was acquired through a Purchase and Sale Agreement signed between Shell and ConocoPhillips, as the sellers, and Timor-Leste on 16 April 2019, after Timor-Leste Government received funds approval from the Timor-Leste National Parliament, and the due regulatory approvals are met. As the National Oil Company, TIMOR GAP and its subsidiary will hold and manage the above participating interests.



3.3.12.3 TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda

TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda is a TIMOR GAP wholly owned subsidiary company established in 2018, with the purpose to hold participating interests in the PSC JPDA 03-19 of the Greater Sunrise fields, previously owned by Shell and ConocoPhillips and acquired through a Purchase and Sale Agreement on

16 April 2019, after Timor-Leste Government received funds approval from the Timor-Leste National Parliament, and the due regulatory approvals were met. As the National Oil Company, TIMOR GAP and its subsidiary will hold and manage the above participating interests..

3.3.12.4 TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda

TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda is a TIMOR GAP wholly owned subsidiary company established in 2018, with the purpose to hold participating interests in the PSC JPDA 03-20 of the Greater Sunrise fields, previously owned by Shell and ConocoPhillips and acquired through a Purchase and Sale Agreement on

16 April 2019, upon Timor-Leste Government received funds approval from the Timor-Leste National Parliament, and the due regulatory approvals were met. As the National Oil Company, TIMOR GAP and its subsidiary will hold and manage the above participating interests.

