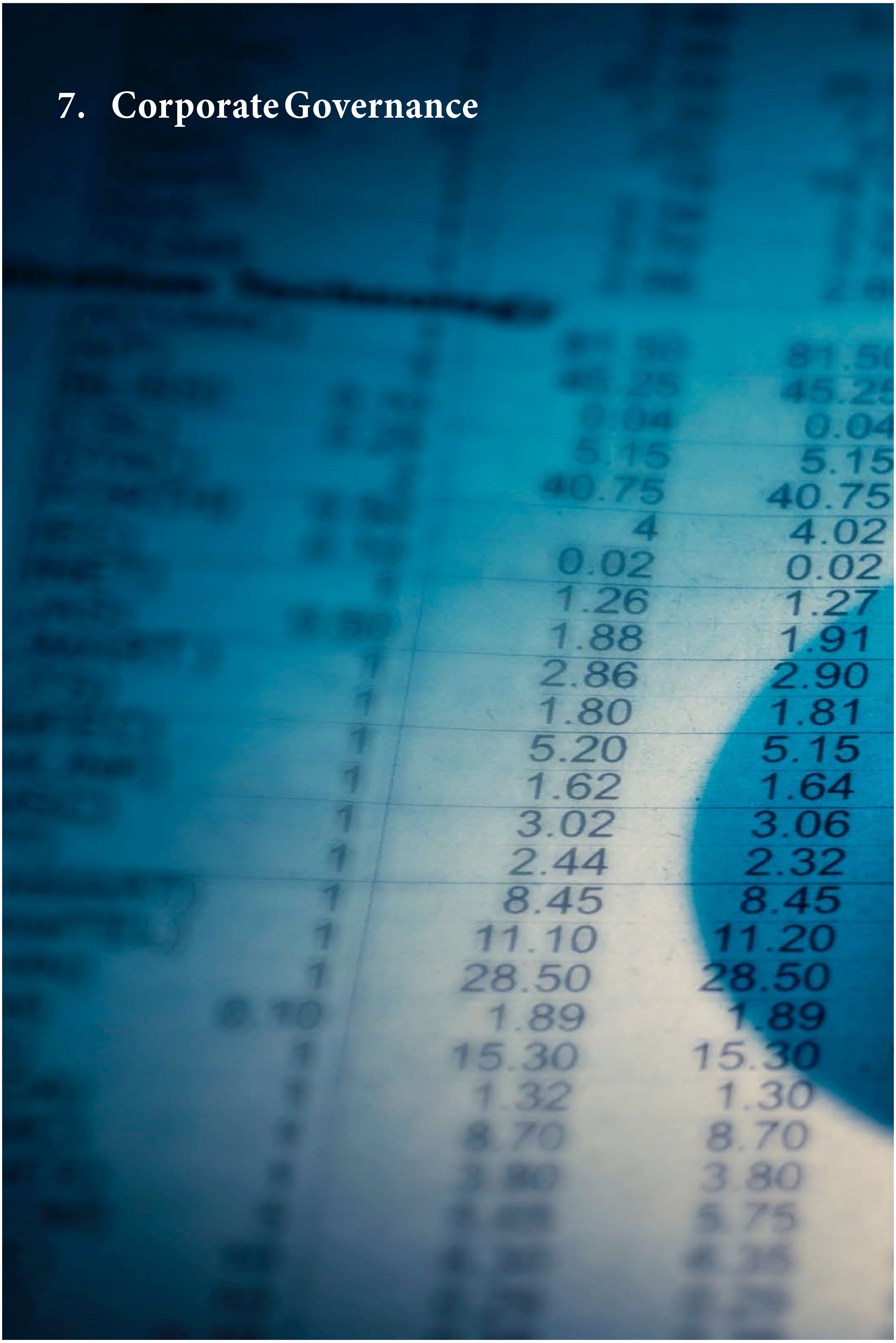
7. Corporate Governance

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7.1 Board of Directors

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

TIMOR GAP's Board of Directors is composed by the President of the Board and 3 other members. The President of the BOD is appointed by the Government body responsible for the petroleum sector, with the approval of the Council of Ministers. Mr. Francisco Monteiro was first appointed President of the Board and Chief Executive Officer (CEO) for a mandate of 4 years in 2011, and afterwards his mandate was renewed in 2015 and, more recently, in 2019 for an equal 4 years period ceasing in October 2023.

The remaining Board members were also appointed in 2011, shortly after the establishment of the company: Ms. Norberta Soares da Costa, Mr. Dino Gandara and Mr. António de Sousa, afterwards indicated as Vice-President in September 2014. All Board members hold a 4 years mandate also ceasing in October 2023.

Pursuant to the Decree Law no. 31/2011, the BOD is responsible for the direction and management of the company, being entrusted, amongst other, with the following duties: a) define the direction of TIMOR GAP's business and approve strategies, multiannual plans, budgets, as well as the participation in petroleum operations, related projects, PSCs and to incorporate subsidiaries; b) define general policies (commercial, financial, investment, environmental, human resources); and c) appoint and supervise the Executive Committee.

7.2 Executive Committee

The Executive Committee (EC) is entrusted with the daily exercise of the company's affairs, in accordance with its mission, objectives, strategies and guidelines approved by the Board of Directors. The EC is composed by the CEO, who is also the President of the Board, the Vice-President and the Executive Directors of TIMOR GAP business units, as schematically shown below on the Figure 7-1. The EC is chaired and headed by the company's President & CEO.

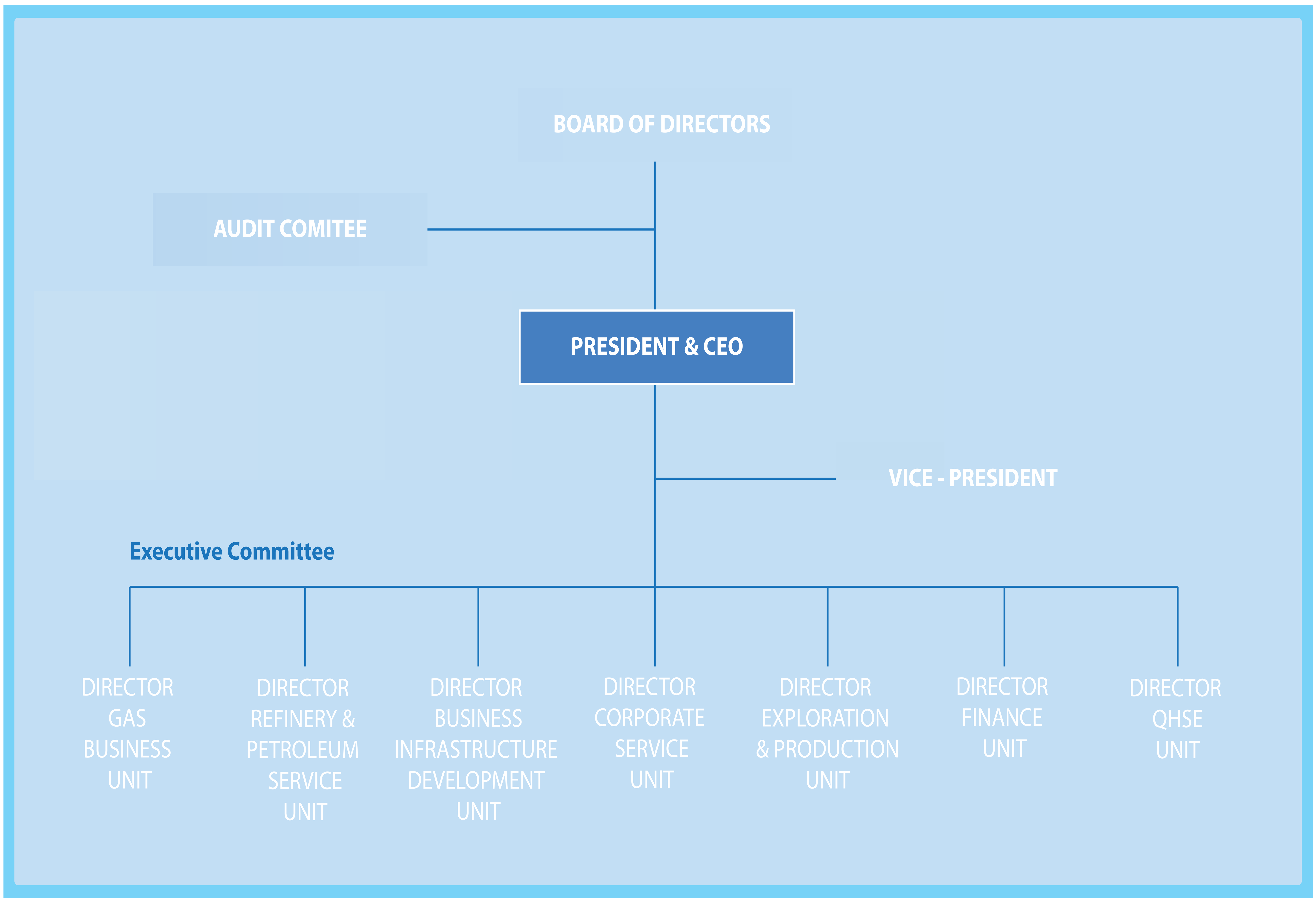


Figure 7-1: Organization Structure of TIMOR GAP, E.P.

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

Francisco Monteiro

President & CEO

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

António de Sousa

Vice-President – Drilling and Technology, New Ventures

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

Norberta da Costa

Member of the Board

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

Dino Gandara

Member of the Board

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

Luís Martins

Director, Business Infrastructure Development Unit

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

Domingos Lequi Siga

Director, Gas Business Unit

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

Vicente Pinto

Director, Refinery & Petroleum Services Unit

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

Vicente Lacerda

Director, Exploration & Production Unit

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

Henrique Monteiro

Director, Finance Unit

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

Jacinta Paula Bernardo

Director, Corporate Service Unit

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

7.3 Governance

7.3.1 Law on Petroleum Activities

The **Law No. 13/2005 on Petroleum Activities** indicates that pursuant to international law, Timor-Leste has sovereign rights for the exploration, exploitation and management of its natural resources, including petroleum. The country is entitled to all petroleum resources existing in the subsoil of its territory, both onshore and offshore. One of the objectives of the Law is to ensure stability and transparency in regulating the development of petroleum resources. Therefore, the Law is complemented with transparency requirements.

7.3.2 Petroleum Fund

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

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

7.3.3 Extractive Industries Transparency Initiative (EITI)

Timor-Leste is committed to full transparency in accounting for income resulting from its petroleum resources, which have been the greatest source of State budget revenue. Our commitment to transparency is demonstrated through the adherence to the Extractive Industry Transparency Initiative (EITI), which is a global coalition of governments, companies, and civil society, to improve accountable management of revenues from natural resources. More openness on how a country manages its natural resources, such as oil, gas, metals and minerals, helps to ensure that they can benefit all citizens. Timor-Leste was admitted in 2008 as a candidate to implement the EITI and became in 2010 an **EITI Compliant Country**, meaning that it meets all requirements in the EITI Standard.

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

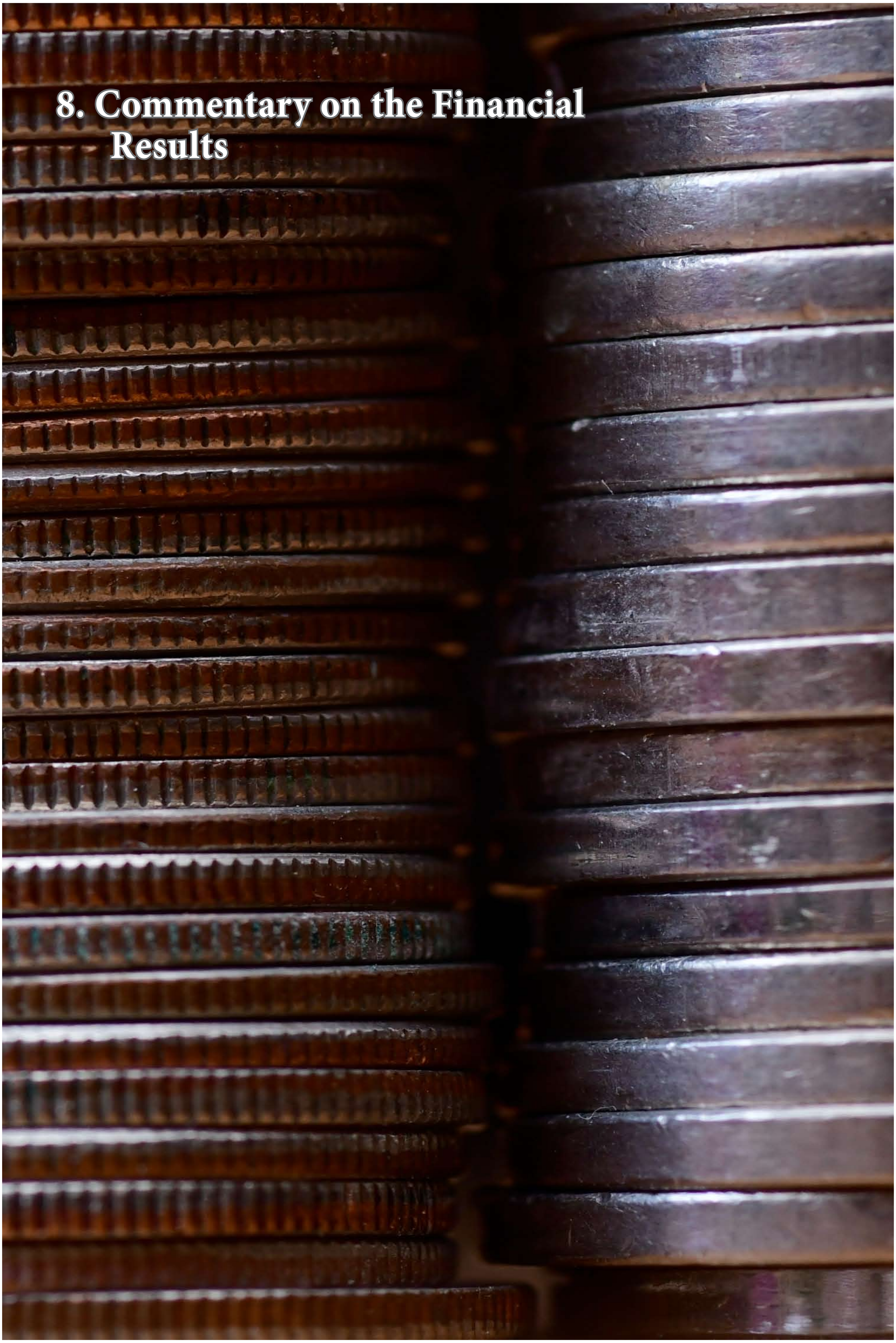
7.3.3.1 TL-EITI

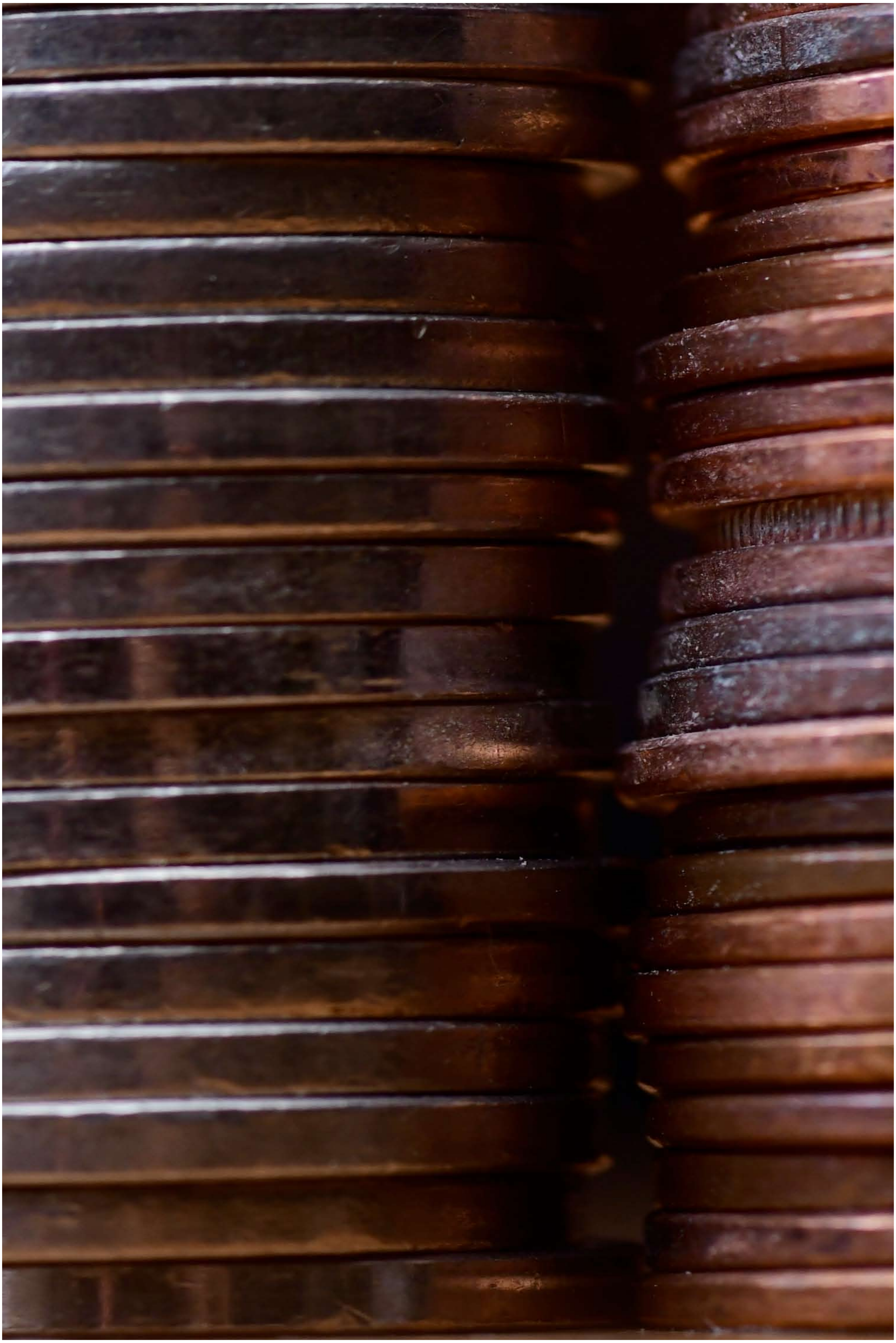
Timor-Leste is proud to be the first country in Southeast Asia and the third in the world to achieve the status of EITI Compliant Country. In 2007, Timor-Leste's Government invited civil society and industry to nominate representatives to form a Multi-Stakeholder Working Group (MSWG). Upon its establishment,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

In June 2012, six months after the start of operations, TIMOR GAP became one of the few national oil companies in the world supporting the EITI. TIMOR GAP, as the state owned enterprise, participates in the MSWG's monthly meetings, which brings together relevant key stakeholders, such as representatives from the Government (MPRM, ANPM, Central Bank of Timor-Leste, Ministry of Finance), petroleum industry, civil society and international organizations. This working group is responsible for discuss and approve by unanimously the EITI-TL reports, prepared by an Independent Administrator (IA) selected by public tender, the supplementary EITI reports, the annual plan and the progress report. Following its approval by the MSWG, the reports are published by the Secretariat in accordance with the standard set by the International Council of EITI. The published reports are intended to transparently demonstrate the payments made by the extractive companies as well as the revenues collected by the State (reconciliation).

During 2019, TIMOR GAP continued to partake in the regular monthly MSWG' meetings, covering topics such as the approval and publication 10th Timor-Leste EITI Reconciliation Report which covers information for Fiscal Year 2017. The published report was produced by the Independent Administrator, Ernst & Young Audit & Associados – SROC, SA, which was selected in accordance with the 2016 EITI Standard, and contains important information related to the transparency of the oil and mining sectors as well as annexed models of financial data collection tailored to each type of institution.

8. Commentary on the Financial Results





Set out below are the audited consolidated financial statements of TIMOR GAP group for the year ended 31 December 2019. This is the group's eighth trading period. TIMOR GAP has adopted International Financial Reporting Standards (IFRS) to ensure that reporting is based on a well-recognized reporting framework.

8.1 Grant Funding

During the current year a grant of $16.9 million (2018: $9.9 million) was provided by the Government to fund the 2019 operations of the company including to carry out some related studies on asset evaluation and transaction support on the Greater Sunrise Reserve Study.

8.2 Revenue

Likewise, previous years, the government grant of $16.9 million (2018: $9.9 million) forms the majority of TIMOR GAP's revenue for the year 2019. While the company depends on government grant to carry out major project expenses, the company has also internally generated income from fuel trading business which recorded fuel sales of $226,983 (2018: $406,175). Further, the company earned a profit of $39,620 on sale of Property, Plant and Equipment.

The company is a 60% quota holder GAP-MHS Aviation Lda (GAP-MHS). During the 2019 financial year no dividends were received by TIMOR GAP.

Subsequent Event

GAP-MHS Aviation, LDA has been dissolved w.e.f 22nd January 2020 and has obtained the Certification of Dissolution of Company by the Service Agency. All physical assets have been depreciated to zero value for taxation and commercial purposes, and that title to those physical assets is passed to TIMOR GAP, E.P. The current assets that recorded are cash on hand amounting to $206,765 as on 31 December 2019.

8.3 Contract 1/2012

Contract 1/2012 relates to the previously completed pre-feasibility studies and pre-Front End Engineering Design (pre-FEED) options for a Marine facilities design at Beaço, District of Viqueque, as part of the LNG project. In consultation with SERN (Secretary of State for Natural Resources) the Coastal Harbour onshore basin layout was selected for the FEED or design stage. The design will form part of the planned LNG plant and provides a standard marine facility which includes a jetty, product loading facility, material offloading facility, and a trestle for pipe carrying LNG product to the loading arms and breakwater. In addition to the design, further Metocean studies were conducted to determine the physical environment near the planned site from both a meteorology and oceanography perspective. The contract was completed in 2018 and no impact is made on financial statements for the financial year 2019..

8.4 Contract 2/2012

Contract 2/2012 relates to a refinery facilities study for the Betano Refinery FEED. The project objective meets the Timor-Leste Government's Strategic Development Plan to capture more value added from its produced petroleum.
The contract has five main components which include the following:

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

In the current year, no additional funds were received from the Government of Timor-Leste for either of these projects as the full contract value less than withholding taxes had been received in 2012 and 2013. During 2019, no costs was expended on the projects.

The project contract fixed service fee is only recognized as income based on the percentage of costs incurred to date on the project compared to the total costs expected. Since no costs was expended on this project, no revenue was recognized in the financial statements during the year 2019 (2018: $3,850).

At year end $891,983 (2018: $835,233) remained of the funds received for use in 2021 when the projects are expected to be completed.

8.5 Project Expenses

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

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

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

8.6 Financial Results

8.6.1 Comprehensive Profit/Loss for the Year

The company's operating profit/loss for the year ended 31 December 2019 amounted to $215,919 (2018: $872,051) and total comprehensive profit/loss of $181,637 (2018: $767,964).

On a group basis, the operating profit/loss for the year ended 31 December 2019 stood at -$4,401,657 (2018: -$1,411,793) which is further decreased by the share of profit of associates (GAP-MHS Aviation, Lda) to the extent of -$74,955 (2018: -$103,106), which resulted into Profit/ (Loss) before tax of -$4,476,612 (2018: -$1,514,899) on group basis. The Profit/ (Loss) on group basis is further reduced by the Income Tax Expense of -$189,248 (2018: -$104,087) and reversal of Deferred Tax Asset charge of $2,419,920 (2018: -$613,827) which is actually the reversal of tax component calculated on accumulated losses in the group companies. Summing up all the elements in the Income statement resulted into total comprehensive Profit/ (Loss) of -$7,085,780 (2018: -$1,005,159) on the group basis.

The company is now having an equity of $10,532,825 (2018: $10,351,189) and the same at group level is -$3,083,960 (2018: $3,987,209). During the year the other income generated by the company through Suai fuel-trading business has marginally facilitated to exceed the operational expenses of the company. The company's retained earnings as at 31 December 2019 is $8,032,825 (2018: $7,851,189).

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

8.6.1.1 Depreciation and Amortization Expense

During the period TIMOR GAP has additions to property, plant and equipment worth $719,476 (2018: $54,535) as set out in Note 8, and additions of $147,293 (2018: $220,356) of computer software explained in Note 8 to the financial statements. For the first time, TIMOR GAP has adopted IFRS 16 lease accounting guidelines which introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. TIMOR GAP being lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a result of recognizing the right to use asset, there is an additional capitalization of $ 3,073,423 of Assets which also resulted in an increase in total depreciation of $496,626 in financial year 2019.

During the year, the addition of Property, Plant and equipment of $719,476 is on account of purchase of JetA1 Fuel Tank in Suai and other capital asset additions in Office equipment's, Furnitures and fittings and IT hardware of another $190,618. Further, TIMOR GAP has also discharged fully book depreciated motor vehicle for $124,850 through approved bidding and procurement process in the financial year 2019. As a result of capitalization of new asset and discard of old asset, the resulting net block for tangible assets has increased by $785,244 for financial year 2019.

As set out in the accounting policies TIMOR GAP has adopted the straight-line basis of accounting for depreciation and amortization over the expected useful lives of the assets from the date they were acquired and were ready for first use. During 2019, depreciation of property, plant and equipment amounted to $179,692 (2018: $194,705), for computer software the amortization for the year was $242,913 (2018: $292,984) and for Right to use asset $496,626 (2018: $0). The depreciation of tangible assets has slightly reduced due to change in estimated life of assets in financial year 2019. The amortization cost was incurred due to part capitalization of software license in Financial year 2019 purchased for the Exploration and Production Unit.

8.6.1.2 Employee Costs/Expenses

At 31 December 2019 TIMOR GAP had a staff of 131 employees (2018: 132 employees). Costs for staff increased from $2,964,470 in 2018 to $3,389,521 in the financial year 2019. The increase in costs is mainly due to the additional recruitment and enaction of social security contribution regime from Timor-Leste Government.

8.6.1.3 Project Expenses

The company's project expense was primarily for covering project consultant expenses such as technical and legal consultant on JPDA and Greater Sunrise Negotiation, Greater Sunrise TLNG optimization and Betano Refinery optimization design that are part of Tasi Mane Project. In addition to that, the project expense was also expended for project overhead disbursement and community liaisonings on Tasi Mane Project.

8.6.1.4 Other expenses

The most significant "other expenses" for the year ended 31 December 2019 for the company include the following items:

Particulars	2019	2018
Staff Training & Development Expenses	111,816	210,578
Rental Expenses	73,357	655,325
Telephone & Internet Expenses	91,007	106,946
Travel & Expenses	956,517	576,595
BOD Related Cost	24,310	-
Repairs & Maintenance	411,375	46,109
Office Maintenance	100,640	-
General Overhead Expenses	128,511	625,967
Total	**1,897,533**	**2,221,520**

The company's consultant expenses were mapped as Project expenses in 2019 and hence it is not shown in the schedule of other expenses as shown in the financial year 2018.

Travel & expenses include the costs to attend field trips for the Tasi Mane projects management and administration work. These include activities such as community liaisonings, land clearance by Inter-ministerial team, etc. In addition, travel & expenses also covered various activities for capacity development, participation at workshops and conferences, meetings, including Joint Commission meetings as well as other official requests from the Government for specific purposes.

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

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

8.7 Taxation

TIMOR GAP is subject to the Taxes and Duties Act of 2008. In the financial year 2019, the company has not estimated any taxes due to excess allowance of tax depreciation (100% Depreciation on Capital Assets as per Income Tax Laws) which resulted in the taxable losses (2018: $104,087). Further, till the year 2018, TIMOR GAP had recognized deferred tax assets (DTA) amounting to $ 2.4 Million primarily arising on the carry forward of tax losses in various subsidiaries. As per the provisions of IAS 12-Income Taxes, paragraph 34, when an entity has carry forward tax losses, DTA thereon can only be recognized when it is probable (supported by convincing evidence) of being utilised. TIMOR GAP and its subsidiaries are mostly in the exploration/appraisal stage of various PSC'S and accordingly will not have an evidence of taxable profit in near future against which the carry forward losses can be adjusted. Consequently, such DTA amounting to $ 2.4 Mn has been written off in the financial year 2019.

During the year, the company has timely paid withholding taxes to the extent of $915,688 (2018: $643,046) to Timor-Leste Tax Authority which is primarily deducted on wages and salaries paid to employees, payments of rental fees and payments on non-resident supplies at the prescribed rate as mentioned in the decree law of Timor-Leste. The company has recognized a withholding tax liability payable of $143,586 (2018: $206,853) which is already paid after the year end closing of 2019.

8.8 Statement of Financial Position

8.8.1 Intangible assets under development

The group had entered into an agreement with ConocoPhillips's and Shell Australia in 2018 for acquisition of their respective participating interest, totaling to 56.56%, in Greater Sunrise Oil Fields at a total consideration of $ 651,677,390. The transaction has been completed during the current year with effective date of April 16, 2019. These intangible assets have been capitalised in the Balance Sheet for the financial year 2019.

8.8.2 Current Assets

Current assets include amounts expected to be received within a year of the balance sheet date. Current assets of the company amount to $14,547,046 (2018: $12,299,943) and include prepayments of $ 76,810 (2018: $55,946) and receivables of $332,387 (2018: $306,146), the rental and other refundable deposits of $151,838 (2018: $179,514). At year end 2019 cash at the bank and on hand amounted to $284,902 (2018: 2,364,787).

As of that date, the Company's current assets exceeded its current liabilities by $7,689,146 (2018: $8,276,536), while for the group the current liabilities exceeded the current assets by $7,456,997 (2018: $725,829). Due to reversal of Deferred tax asset amounting to $ 2.4 Mn, the current liability is higher than current assets for the financial year 2019 on a group basis.

As set out in Note 30 the financial statements have been prepared on the going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of business.

8.8.3 Borrowing Costs

To mitigate the liquidity risk, the Group has borrowed the fund to the extent of $650 Mn from the Petroleum Fund of Timor-Leste with longer moratarium period and expects to generate revenue by then to meet its obligation. These loans are taken from Petroleum Fund of Timor-Leste for the purpose of acquiring participating interests and rights in the Greater Sunrise oil and gas field. The loan is unsecured and carrying interest rate of 4.5 % compounded annually. The loan tenure is of 18 years whose first annual repayment is due on 15th March 2028. As per International Accounting Standard (IAS 23), "Borrowing Costs", Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset and not charged off to the Profit and Loss Account and hence these borrowing costs have been fully capitalised in the Balance Sheet as Current Financial Liability for the financial year 2019.

8.8.4 Earnings and Equity

The company recorded a net profit of $181,637 (2018: $767,964), (Group Loss of: -$7,085,780) during the year ended December 31, 2019.

The company had recorded an equity of $10,532,825 (2018: $10,351,189) while the group equity stands at
-$3,018,960 (2018: $3,987,209). The decrease in the equity is generally due to accumulation of losses in the group companies which is assumed to be recovered in the subsequent years of operations and reversal of deferred tax asset and further by adoption of IFRS rules on lease accounting.

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

9. Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019
Amount in USD

Particulars	Notes	Group		Company	
		Year ended 31 Dec'19	Year ended 31 Dec'18	Year ended 31 Dec'19	Year ended 31 Dec'18
Revenue					
Revenue from contract with customers	4	406,983	410,025	226,983	410,025
Other income	5	16,965,012	12,472,492	16,991,773	12,472,492
Revenue (A)		**17,371,995**	**12,882,517**	**17,218,756**	**12,882,517**
Project Expenses		14,618,177	7,898,826	10,548,905	5,977,275
Purchase of Stock of Fuel		205,625	403,493	205,625	403,493
(Increase)/decrease in inventory	6	(964)	(43,982)	(964)	(43,982)
Employee Costs	7	3,584,650	3,234,483	3,306,275	2,964,470
Depreciation and amortization expense	8	930,222	493,106	919,231	487,690
Finance cost on lease liabilities		126,232	-	126,232	-
Other expenses	9	2,309,710	2,308,384	1,897,533	2,221,520
Total Expense (B)		**21,773,652**	**14,294,310**	**17,002,837**	**12,010,466**
Operating Profit/(Loss) (C)=(A-B)		(4,401,657)	(1,411,793)	215,919	872,051
Share of Profit of Joint Venture/Associates (D)		(74,955)	(103,106)	-	-
Profit/(Loss) before tax (E) = (C+D)		(4,476,612)	(1,514,899)	215,919	872,051
Tax expense					
Income tax expense		189,248	104,087	-	104,087
Deferred tax charge/(Credit) (Refer Note 18)		2,419,920	(613,827)	34,282	-
Total Tax Expense (F)		2,609,168	(509,740)	34,282	104,087
Profit/(Loss) after tax (G)= (E-F)		**(7,085,780)**	**(1,005,159)**	**181,637**	**767,964**
Other Comprehensive Income (H)					
Total Other Comprehensive Income (H)		-	-	-	-
Total Comprehensive Profit/(Loss) (I)= (G+H)		**(7,085,780)**	**(1,005,159)**	**181,637**	**767,964**

Particulars	Notes	Group		Company	
		Year ended 31 Dec'19	Year ended 31 Dec'18	Year ended 31 Dec'19	Year ended 31 Dec'18
Total Profit/(Loss) attributable to :					
TIMOR GAP, E.P.		(7,289,461)	(1,005,159)	-	-
Non-Controlling Interest		203,681	-	-	-
Total Comprehensive Profit/(Loss) attributable to :					
TIMOR GAP, E.P.		(7,289,461)	(1,005,159)	-	-
Non-Controlling Interest		203,681	-	-	-

See accompanying notes to the financial statements 1-38

Statement of financial position as at 31st December 2019
Amount in USD

Particulars	Notes	Group		Company	
		As at 31 Dec'19	As at 31 Dec'18	As at 31 Dec'19	As at 31 Dec'18
ASSETS					
Non-current assets					
Property, plant and equipment	8	1,576,789	803,578	1,521,015	790,613
Right-of-use assets	8	2,576,797	-	2,576,797	-
Capital Work in progress		159,869	788,816	159,869	788,816
Intangible assets	8	353,604	449,224	353,604	449,224
Intangible assets under development	10	673,290,100	-	-	-
Financial assets					
Investments	11	127,071	251,501	365,370	46,000
Deferred tax asset (net)		-	2,419,919	-	-
Total non-current assets		678,084,230	4,713,038	4,976,655	2,074,653
Current assets					
Inventories	12	94,084	93,120	94,084	93,120
Financial assets		-	-	-	-
Trade receivables	13	-	18,937	-	18,937
Cash and cash equivalents	14	1,178,119	2,822,389	284,902	2,364,787
Loans	15	-	-	13,607,025	9,281,491
Other financial assets	16	478,406	388,096	484,225	485,660
Other current assets	17	79,155	-	76,810	55,946
Total current assets		1,829,764	3,322,542	14,547,046	12,299,941
Total assets		**679,913,994**	**8,035,580**	**19,523,701**	**14,374,594**
LIABILITIES AND EQUITY					
Liabilities					
Non-current liabilities					
Deferred Tax Liability (Net)	18	-	-	34,282	-
Financial Liabilities					
Borrowings	19	671,612,500	-	-	-
Lease Liabilities		2,093,144	-	2,093,144	-
Provisions	20	5,550	-	5,550	-
Total non-current liabilities		673,711,194	-	2,132,976	-
Current liabilities					
Financial Liabilities					
Trade payables	21	6,093,195	1,924,990	3,909,297	1,899,662

Particulars	Notes	Group		Company	
		As at 31 Dec'19	As at 31 Dec'18	As at 31 Dec'19	As at 31 Dec'18
Lease Liabilities		501,144	-	501,144	-
Other financial liabilities	22	-	3,000	13,486	15,500
Provisions	23	1,307,461	946,569	1,111,737	946,568
Other current liabilities	24	1,384,960	1,173,812	1,322,236	1,161,675
Total current liabilities		9,286,760	4,048,371	6,857,900	4,023,405
Total liabilities		682,997,954	4,048,371	8,990,876	4,023,405
Equity					
Contributed Capital		2,500,000	2,500,000	2,500,000	2,500,000
Retained Earnings		(5,802,252)	1,487,209	8,032,825	7,851,189
Non- Controlling Interest		218,292	-	-	-
Total equity		(3,083,960)	3,987,209	10,532,825	10,351,189
Total equity and liabilities		**679,913,994**	**8,035,580**	**19,523,701**	**14,374,594**

See accompanying notes to the financial statements 1-38

Statement of changes in equity for the year ended 31st December 2019
Amount in USD

i. Contributed Capital

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Contributed Capital as at the beginning of the year	2,500,000	2,500,000	2,500,000	2,500,000
Received during the year	-	-	-	-
Contributed Capital as at the end of the year	**2,500,000**	**2,500,000**	**2,500,000**	**2,500,000**

ii. Retained Earnings

Partciulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Balance at the beginning of the year	1,487,209	2,492,368	7,851,189	7,083,224
Profit/(Loss) for the year	(7,289,461)	(1,005,159)	181,637	767,964
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**(7,289,461)**	**(1,005,159)**	**181,637**	**767,964**
Balance as at the end of the year	**(5,802,252)**	**1,487,209**	**8,032,825**	**7,851,189**

iii. Non-Controlling Interest

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Balance at the beginning of the year	-	-	-	-
On Reclassification of associates to subsidiaries #	43,164	-	-	-
Dividend Paid	(28,553)	-	-	-
Total comprehensive income for the year	203,681	-	-	-
Balance as at the end of the year	**218,292**	-	-	-

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

Statement of Cash Flows for the year ended 31st December 2019
Amount in USD

Particulars	Group		Company	
	Year ended 31 Dec'19	Year ended 31 Dec'18	Year ended 31 Dec'19	Year ended 31 Dec'18
Cash flow from operating activities				
Operating Profit / (Loss)	(4,476,612)	(1,514,899)	215,919	872,051
Adjustments for:				
Depreciation expenses	930,222	493,106	919,231	487,690
Finance Cost on right to use liabilities	126,232	-	126,232	-
Bad Debts / Provision for bad debts	15,377	-	15,377	-
Profit on sale of PPE	(39,620)		(39,620)	
Interest income	(25,392)		(52,153)	(23,730)
Loss from investment in associate	74,955	103,106	-	-
Increase / (Decrease) in trade payables	4,168,205	1,410,066	2,009,635	1,606,939
Increase / (Decrease) in other current financial liabilities	(3,000)	-	(2,014)	(5,000)
Increase / (Decrease) in other current liabilities	211,147	(62,675)	160,560	(624,223)
Increase / (Decrease) in provisions	170,717	-	170,717	387,245
(Increase) / Decrease in Trade receivables	3,203	(130,773)	3,560	(18,937)
(Increase) / Decrease in loan	-	-	(4,280,879)	(1,549,999)
(Increase) / Decrease in other financial assets	(92,309)	-	8,937	(77,242)
(Increase) / Decrease in Inventory	(964)	(43,982)	(964)	(43,982)
(Increase) / Decrease in other current assets	(79,155)	-	(20,864)	(55,947)
Income tax paid	-	-	-	-
Net cash flows provided by (used in) operating activities (A)	983,005	253,949	(766,326)	954,865
Cash flow from Investing activities				
Payment for property, plant and equipment and intangible assets	(482,239)	(615,743)	(428,440)	(605,109)
Income from investment in associates	-	-	(319,370)	-
Interest income	-	-	-	23,730
Proceed from sale of property, plant and equipment	39,620	-	39,620	-
Net cash flow provided by (used in) investing activities (B)	(442,619)	(615,743)	(708,190)	(581,379)
Cash flow from Financing activities				
Proceeds from long-term borrowings	(1,677,600)	-	-	-
Payment of lease liabilities	(605,369)	-	(605,369)	-
Net cash flow provided by (used in) financing activities (C)	(2,282,969)	-	(605,369)	-

Particulars	Group		Company	
	Year ended 31 Dec'19	Year ended 31 Dec'18	Year ended 31 Dec'19	Year ended 31 Dec'18
Net increase in cash and cash equivalents (A+B+C)	(1,742,583)	(361,794)	(2,079,885)	373,486
Cash and cash equivalents at the beginning of the year	2,822,389	3,184,183	2,364,787	1,991,301
Cash and cash equivalents at the beginning of the year of associates classified as subsidiaries	98,313	-	-	-
Cash and cash equivalents at the end of the year	**1,178,119**	**2,822,389**	**284,902**	**2,364,787**

Notes to Accounting Policies
(Amount in USD)

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

1. **Corporate and Group Information**

   a. **Corporate Information**

   TIMOR GAP, E.P. ('the Company', 'the Parent') is a limited liability company by quotas ("Sociedade por Quotas") incorporated and domiciled in the Democratic Republic of Timor Leste whose registered office is located at Timor Plaza, Level 3, Rua Presidente, Nicolao Lobato, Comoro, Dili, Timor-Leste. TIMOR GAP, E.P. is incorporated with the object to explore and develop hydrocarbon resources through subsidiaries and market the petroleum products.

   The consolidated financial statements of TIMOR GAP, E.P and its subsidiaries (collectively, the Group) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 18th June 2020.

   b. **Group Information**

   The Consolidated financial statements of the Group includes:

Subsidiaries:

Name	Principal Activities	Place of incorporation	Ownership interest	
			2019	2018
TIMOR GAP PSC 11-106, Unipessoal Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	Logistic and Support services	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Drilling & Services, Unipessoal, Lda	Drilling Service	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Chuditch, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%

TIMOR GAP GREATER SUNRISE 03-19. Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
South Horizon Offshore Services, Lda	Support services	Democratic Republic of Timor Leste	51%	51%
TIMOR GAP Seismic Services, Unipessoal, Lda	Seismic Survey services	Democratic Republic of Timor Leste	60%	60%

Associate :

The Group has a 60% interest in GAP-MHS Aviation Lda (2018 - 60%). For details, refer Note 34

2. Summary of significant accounting policies

a. Basis of preparation and consolidation

Basis of preparation:

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

Basis of Consolidation:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, transactions, unrealized gains and losses resulting from intra-group transactions, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Investment in Associate:

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

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

b. Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.
A liability is current when:

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

Or

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
The company classifies all other liabilities as non-current.

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

c. Revenue

i. Revenue from contracts with customers

Revenues from the production of hydrocarbon properties, in which the group has an interest with other contractors, are recognized based on Company's participating interest in the Production Sharing Contract.
Revenues from the sale of petroleum products are recognized at the time when performance obligations are satisfied. Performance obligations are satisfied at a point in time when the control of the goods have passed to the buyer, usually on delivery of the goods.
Revenue from seismic and drilling service are recognised over the time with reference to stage of completion of activity at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
Revenue is recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
Revenue from *contract fixed service fee* is recognized by reference to the stage of completion of the contract as a percentage of actual expenditure incurred on the project of the total contracted amount.

ii. Other Income

Government Grants

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

d. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Timor- Leste where the company operates and generates taxable income.

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

Deferred tax

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

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

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

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

e. Foreign Currencies

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

Transactions and balances

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

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

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

f. Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. During 2019, the useful life and residual value of assets has been revised basis technical estimate and to align with the public ruling issued by Ministry of Finance, Republic of Timor Leste, which are as follows:

Asset Class	Previous Years		Effective from 2019	
	Useful Life (Years)	Residual Value	Useful Life (Years)	Residual Value
Building	20	NIL	20	20%
Leasehold Improvements	7	NIL	7	20%
Machinery & Equipment	10	NIL	10	20%
Furnitures & Fittings	5	NIL	8	NIL
Vehicles	6	NIL	6	20%
Computer Hardware	3	NIL	3	NIL
Computer Software	3	NIL	3	NIL
Office Equipment	4	NIL	4	NIL
Other Intangible Assets	4	NIL	4	NIL

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

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

g. Lease

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

Company as a lessee

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

i) Right-of-use assets

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

ii) Lease liabilities

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

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

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

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and low value assets on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.
5. Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

h. Borrowing Costs

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

i. Intangible Assets

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

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. An intangible asset with an indefinite useful life are not amortised.

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

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

Exploration and Evaluation, Development and Production cost

(i) Pre-acquisition cost

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

(ii) Acquisition cost

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

Exploration and development stage

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

Production stage

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

(iii) Survey cost

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

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

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

(v) Production costs

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

j. Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Derecognition

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

Impairment of Financial Assets

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

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

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

ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The company's financial liabilities include trade and other payables, lease liabilities and borrowings.

Subsequent measurement

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition

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

k. Impairment of non-financial assets

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

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

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

l. Cash and short-term deposits

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

m. Inventories

Inventories include Traded Goods are valued at the lower of cost and net realisable value. Cost of inventories include cost of purchase, freight charges and other costs incurred in bringing the inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The comparison of cost and net realizable value is made on item by item basis.

n. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

o. Employee Benefits

i) Short-term obligations

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

ii) Other long-term employee benefit obligations

a. Defined contribution plan

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

b. Other long term benefits

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

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

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

p. Fair Value Measurement

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

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

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

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

q. Changes in accounting policies and disclosures

New and amended standards and interpretations
IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the company is the lessor.

The Group adopted modified retrospective approach with the date of initial application of 1 January 2019 recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The new standard does not have significant impact in the financial statement.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group and Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

The amendment has no significant impact on the group's financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Since the Group’s current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

r. Significant accounting judgements, estimates and assumptions

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

Judgement

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: recoverability of asset carrying values; provisions and contingencies; post-retirement benefits and impairment of financial assets. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

New IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

This standard is not applicable to the company.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the company's financial statements.

4. **Revenue from Contracts with Customers**

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Income from fuel trading business	226,983	406,175	226,983	406,175
Income from Seismic Service Fixed	180,000	-	-	-
Contract Service Fees	-	3,850	-	3,850
	406,983	**410,025**	**226,983**	**410,025**

5. **Other Income**

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Assistance received from Government	16,900,000	9,948,762	16,900,000	9,948,762
Income – Onshore exploration farm-out	-	2,500,000	-	2,500,000
Profit on sale of PPE	39,620	-	39,620	-
Interest Income	25,392	23,730	52,153	23,730
	16,965,012	**12,472,492**	**16,991,773**	**12,472,492**

6. **(Increase)/decrease in inventory**

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Opening stock of fuel	93,120	49,138	93,120	49,138
Closing stock of fuel	94,084	93,120	94,084	93,120
	(964)	**(43,982)**	**(964)**	**(43,982)**

7. **Employee Costs**

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Employee benefit expenses (including directors) comprise:				
Wages and salaries	3,206,679	3,234,483	2,944,139	2,796,670
Defined contribution pension cost	182,842	-	167,132	167,800
Other long-term employee benefits	170,013	-	170,013	-
Staff Welfare	25,116	-	24,991	-
	3,584,650	**3,234,483**	**3,306,275**	**2,964,470**

8. Property, plant and equipment

Group

Particulars	Tangible								Intangibles		
	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software	Total Intangibles	Right to use #
Gross block											
Opening Balance as at 1st January 2019	492,403	91,156	739,540	547,503	186,701	423,797	741,043	3,222,142	1,556,640	1,556,640	-
Additions	-	719,476	53,000	-	46,476	16,191	128,751	963,894	147,293	147,293	3,073,423
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	**492,403**	**810,632**	**667,690**	**547,503**	**233,177**	**439,988**	**869,794**	**4,061,186**	**1,703,933**	**1,703,933**	**3,073,423**
Accumulated depreciation/amortisation/impairment											
Opening Balance as at 1st January 2019	492,403	60,599	536,821	73,075	173,837	414,684	667,145	2,418,564	1,107,416	1,107,416	-
Charge for the year	-	20,823	54,392	14,332	9,706	4,120	87,310	190,683	242,913	242,913	496,626
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850		-	-
Balance at 31st Dec 2019	**492,403**	**81,422**	**466,363**	**87,407**	**183,543**	**418,804**	**754,455**	**2,484,397**	**1,350,329**	**1,350,329**	**496,626**
Net Book Value:											
31st December 2019	**0**	**729,210**	**201,327**	**460,096**	**49,634**	**21,184**	**115,339**	**1,576,789**	**353,604**	**353,604**	**2,576,797**

Particulars	Tangible								Intangibles		
	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software	Total Intangibles	Right to use
Gross block											
Opening Balance as at 1st January 2018	492,403	91,156	739,540	547,503	180,826	423,310	682,233	3,156,970	1,468,880	1,468,880	-
Additions	-	-	-	-	5,875	487	58,810	65,172	220,356	220,356	-
Deductions/ adjustments	-	-	-	-	-	-	-	-	132,596	132,596	-
Balance at 31st Dec 2018	**492,403**	**91,156**	**739,540**	**547,503**	**186,701**	**423,797**	**741,043**	**3,222,142**	**1,556,640**	**1,556,640**	**-**
Accumulated depreciation/amortisation/impairment											
Opening Balance as at 1st January 2018	488,761	37,752	495,104	45,637	159,921	391,986	599,280	2,218,442	814,432	814,432	-
Charge for the year	3,642	22,847	41,717	27,438	13,916	22,698	67,865	200,122	292,984	292,984	-
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2018	**492,403**	**60,599**	**536,821**	**73,075**	**173,837**	**414,684**	**667,145**	**2,418,564**	**1,107,416**	**1,107,416**	**-**
Net Book Value											
31st December 2018	**0**	**30,557**	**202,719**	**474,428**	**12,864**	**9,113**	**73,898**	**803,578**	**449,224**	**449,224**	**-**

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

Company

Particulars	Tangible								Intangibles		
	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software	Total Intangibles	Right to use #
Gross block											
Opening Balance as at 1st January 2019	492,403	91,156	739,540	547,503	185,801	422,970	721,543	3,200,916	1,556,640	1,556,640	-
Additions	-	719,476	-	-	46,476	15,391	128,751	910,094	147,293	147,293	3,073,423
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	**492,403**	**810,632**	**614,690**	**547,503**	**232,277**	**438,361**	**850,294**	**3,986,160**	**1,703,933**	**1,703,933**	**3,073,423**
Accumulated depreciation/amortisation/impairment								-			
Opening Balance as at 1st January 2019	492,403	60,599	536,821	73,075	173,537	414,470	659,398	2,410,303	1,107,416	1,107,416	-
Charge for the year	-	20,823	49,799	14,332	9,500	3,956	81,282	179,692	242,913	242,913	496,626
Deductions/ adjustments	-	-	124,850	-	-	-	-	124,850	-	-	-
Balance at 31st Dec 2019	**492,403**	**81,422**	**461,770**	**87,407**	**183,037**	**418,426**	**740,680**	**2,465,145**	**1,350,329**	**1,350,329**	**496,626**
Net Book Value:											
31st December 2019	**0**	**729,210**	**152,920**	**460,096**	**49,240**	**19,935**	**109,614**	**1,521,015**	**353,604**	**353,604**	**2,576,797**

Particulars	Tangible								Intangibles		
	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Buildings	Office Equipment	Fixtures & Fittings	IT Hardware	Total Tangibles	IT Software	Total Intangibles	Right to use
Gross block											
Opening Balance as at 1st January 2018	492,403	91,156	739,540	547,503	180,826	422,970	671,983	3,146,381	1,468,880	1,468,880	-
Additions	-	-	-	-	4,975	-	49,560	54,535	220,356	220,356	-
Deductions/ adjustments	-	-	-	-	-	-	-		132,596	132,596	-
Balance at 31st Dec 2018	**492,403**	**91,156**	**739,540**	**547,503**	**185,801**	**422,970**	**721,543**	**3,200,916**	**1,556,640**	**1,556,640**	**-**
Accumulated depreciation/amortisation/impairment								-			
Opening Balance as at 1st January 2018	488,761	37,752	495,104	45,637	159,921	391,929	596,493	2,215,597	814,432	814,432	-
Charge for the year	3,642	22,847	41,717	27,438	13,616	22,541	62,905	194,706	292,984	292,984	-
Deductions/ adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance at 31st Dec 2018	**492,403**	**60,599**	**536,821**	**73,075**	**173,537**	**414,470**	**659,398**	**2,410,303**	**1,107,416**	**1,107,416**	**-**
Net Book Value											
31st December 2018	**0**	**30,557**	**202,719**	**474,428**	**12,264**	**8,500**	**62,145**	**790,613**	**449,224**	**449,224**	**-**

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

9. **Other Expenses**

Particulars	Group		Company	
	2019	2018	2019	2018
Staff Training & Development Expenses	126,862	210,578	111,816	210,578
Rental Expenses	183,727	655,325	73,357	655,325
Telephone & Internet Expenses	91,698	108,241	91,007	106,946
Travel & Expenses	1,071,331	639,081	956,517	576,595
BOD Related Cost	84,270	-	24,310	-
Repairs & Maintenance	420,761	46,109	411,375	46,109
Office Maintenance	107,716	-	100,640	-
General Overhead Expenses	223,345	649,050	128,511	625,967
Total	**2,309,710**	**2,308,384**	**1,897,533**	**2,221,520**

10. **Intangible Assets Under Development**

Particulars	Group		Company	
	2019	2018	2019	2018
Cost				
Opening Balance	-	-	-	-
Expenditure during the period* (Refer Note-32)	651,677,600	-	-	-
Borrowing cost capitalized	21,612,500	-	-	-
Closing Balance	673,290,100	-	-	-
Accumulated Impairment				
Opening Balance	-	-	-	-
Provided during the period	-	-	-	-
Closing Balance	-	-	-	-
Carrying Amount	**673,290,100**	-	-	-
	673,290,100	-	-	-

*Expenditure includes $ 210 incurred on account of bank charges

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

11. Investments

Particulars	Group		Company	
	2019	2018	2019	2018
Investment in subsidiaries, valued at cost				
TIMOR GAP PSC 11-106, Unipessoal Lda	-		5,000	5,000
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	-		5,000	5,000
TIMOR GAP Seismic Services, Unipessoal, Lda	-		3,000	-
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda (SPV)	-		5,000	5,000
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-		5,000	5,000
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	-		5,000	5,000
TIMOR GAP ONSHORE BLOCK C	-		5,000	5,000
TIMOR GAP Drilling & Services, Unipessoal, Lda	-		5,000	5,000
TIMOR GAP Chuditch, Unipessoal, Lda	-		5,000	5,000
TIMOR GAP GREATER SUNRISE RL2	-		5,000	-
TIMOR GAP GREATER SUNRISE RL	-		5,000	-
TIMOR GAP GREATER SUNRISE 03-19	-		5,000	-
TIMOR GAP GREATER SUNRISE 03-20	-		5,000	-
Investment in Subsidiaries on Fair Value Accounting*				
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	-		299,370	-
Investment in associate, valued at cost				
GAP - MHS Aviation Lda	127,071	202,026	3,000	3,000
TIMOR GAP Seismic Services, Unipessoal, Lda	-	14,860	-	3,000
South Horizon Offshore Services, Unipessoal, Lda	-	34,615	-	-
	127,071	**251,501**	**365,370**	**46,000**

* The parent company has given loan to TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda. The loan is interest free and repayable when the latter starts generating revenue from onshore block. Thus the investment is on account of fair valuation accounting of loan given.

12. Inventory

Particulars	Group		Company	
	2019	2018	2019	2018
Inventory – Fuel	94,084	93,120	94,084	93,120
	94,084	**93,120**	**94,084**	**93,120**

13. Trade receivables

Particulars	Group		Company	
	2019	2018	2019	2018
Trade receivables	4,615	18,937	4,615	18,937
Less: Provision for impairment of Trade Receivables	(4,615)	-	(4,615)	-
	-	**18,937**	**-**	**18,937**

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

Particulars	Group		Company	
	2019	2018	2019	2018
Opening provision for impairment of Trade Receivables	-	-	-	-
Add: Increase During the year	4,615	-	4,615	-
Less: Receivables written off during the year as uncollectible	-	-	-	-
Closing provision for impairment of Trade Receivables	**4,615**	-	**4,615**	-

14. <u>Cash and cash equivalents</u>

Particulars	Group		Company	
	2019	2018	2019	2018
Cash in hand	7,485	14,719	4,870	11,738
Cash in Bank	1,170,634	2,807,670	280,032	2,353,049
	1,178,119	**2,822,389**	**284,902**	**2,364,787**

15. <u>Loans</u>

Particulars	Group		Company	
	2019	2018	2019	2018
Loans to subsidiaries	-	-	13,875,979	9,550,445
Less: Impairment on loan	-	-	(268,954)	(268,954)
	-	-	**13,607,025**	**9,281,491**

Movements in the impairment allowance on loan are as follows:

Particulars	Group		Company	
	2019	2018	2019	2018
Opening provision for impairment on loan	-	-	268,954	268,954
Add: Increase During the year	-	-	-	-
Less: Reversed during the year	-	-	-	-
Closing provision for impairment on loan	-	-	**268,954**	**268,954**

16. **Other financial assets**

Particulars	Group		Company	
	2019	2018	2019	2018
Other receivables	146,562	208,582	332,387	306,146
Refundable Deposits - Others	151,844	179,514	151,838	179,514
Contract Assets - Unbilled Revenue	180,000	-	-	-
	478,406	**388,096**	**484,225**	**485,660**

Refer related party disclosures.
Other receivables are generally receivable on demand and are non-interest bearing.

17. **Other Current Assets**

Particulars	Group		Company	
	2019	2018	2019	2018
Prepaid Expenses	79,155	-	76,810	55,946
	79,155	**-**	**76,810**	**55,946**

18. **Deferred Tax Asset/(Liability)**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 10%.

The balance comprises temporary differences attributable to:

Particulars	Group		Company	
	2019	2018	2019	2018
Deferred tax Liabilities:				
- Net Block of Property, Plant & Equipments	(321,158)	-	(321,158)	-
	(321,158)	-	**(321,158)**	-
Deferred tax Assets:				
- Carried forwards tax losses	265,425	2,419,919	231,143	-
-Provisions	55,733	-	55,733	-
	321,158	**2,419,919**	**286,876**	-
Deferred tax Asset/(Liability)	-	**2,419,919**	**(34,282)**	-

The Group has recognised the deferred tax assets to the extent of deferred tax liability only and consequently, the deferred tax assets amounting to $2,419,919 on unused tax losses recognised till last year have been reversed during the year on prudent basis. These unused tax losses amounting to $10,618,829 can be carried forward for the indefinite period as per current Income Tax laws for set off against future taxable income.

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

Particulars	Group		Company	
	2019	2018	2019	2018
Profit Before Tax	(4,476,612)	(1,411,793)	215,919	872,051
Enacted Tax Rate in Timor Leste	10%	10%	10%	10%
Computed Expected Tax Payable	-	-	21,592	87,205
Expenses disallowed under Income Tax Act	-	-	68,356	-
Difference between tax depreciation and book depreciation	-	21,280	(321,158)	21,280
Excess allowance of Tax depreciation resulting in taxable loss	-	-	231,210	-
Parent's/Subsidiary's Profit included in group loss Chargeable to Tax	189,248	87,205	-	-
Others		(4,398)		(4,398)
Income Tax Expense	**189,248**	**104,087**	-	**104,087**

19. Borrowings

Particulars	Group		Company	
	2019	2018	2019	2018
Loan from Petroleum Fund*	671,612,500	-	-	-
	671,612,500	-	-	-

* Loan is taken from Petroleum Fund of Timor-Leste for the purpose of acquiring participating interests and rights in the Greater Sunrise oil and gas field as fully explained in Note- 32. The loan is unsecured and carrying interest rate of 4.5 % compounded annually. The loan tenure is of 18 years whose first annual repayment is due on 15th March 2028.

20. Provisions (For Employee Leave)

Particulars	Group		Company	
	2019	2018	2019	2018
Provision for long term employee benefits	5,550	-	5,550	-
	5,550	-	**5,550**	-

21. Trade payables

Particulars	Group		Company	
	2019	2018	2019	2018
Trade payables	6,093,195	1,924,990	3,909,297	1,899,662
	6,093,195	**1,924,990**	**3,909,297**	**1,899,662**

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

22. Other Financial Liabilities

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Other payables	-	-	13,486	15,500
Payable to Related Party - Associate (TIMOR GAP Seismic Services, Unipessoal, Lda)	-	3,000	-	-
	-	**3,000**	**13,486**	**15,500**

Refer related party disclosures. Other payable are generally payable on demand and are non-interest bearing.

23. Provisions

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Provision for long term employee benefits	551,748	387,245	551,748	387,245
Provision for Income Tax	755,713	559,324	559,989	559,323
	1,307,461	**946,569**	**1,111,737**	**946,568**

24. Other Current Liabilities

Particulars	Group		Company	
	2019	**2018**	**2019**	**2018**
Deferred Income (Prepaid Vouchers)	72,681	-	72,681	-
Dues payable to government	420,297	281,830	357,573	269,693
Advance received from Government for Project Work	891,982	891,982	891,982	891,982
	1,384,960	**1,173,812**	**1,322,236**	**1,161,675**

25. Contributed Capital and Retained Earning

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

26. Contingent Liability

There is no contingent liability as on 31 December 2019 and corresponding previous year ended 31 December 2018.

27. Financial Instrument Risk Management

Group

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

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

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

Company

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

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

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

	Group		Company
Period	**Lease liability**	**Borrowings**	**Lease liability**
Within 1 Year	501,144	-	501,144
From 2nd to 3rd Year	1,072,414	-	1,072,414
From 4th to 5th Year	1,020,729	-	1,020,729
From 9th to 18th Year (per annum)	-	116,820,209	-

28. Leases where Group and Company are lessee

(ia) Changes in the carrying value of Right-of-use Assets

Particulars

Category of ROU Asset	Office Building	Total
Balance as at 1st January 2019	3,073,423	3,073,423
Additions	-	-
Deletion	-	-
Depreciation	496,626	496,626
Balance as at 31st December 2019	2,576,797	2,576,797

(ib) Changes in the Lease liabilities

Category of ROU Asset Particulars	Office Building	Total
Balance as at 1st January 2019	3,073,423	3,073,423
Interest Expense	126,232	126,232
Lease Payments	605,367	605,367
Balance as at 31st December 2019	2,594,288	2,594,288

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

Particulars	31-Dec-19
Current Lease Liabilities	501,144
Non-current Lease Liabilities	2,093,144

(iii) Amounts recognised in statement of Profit and Loss account

Particulars	Group	Company
Interest on Lease Liabilities	126,232	126,232
Low-value leases expensed	73,357	73,357

(iv) The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group	Company
Operating lease commitments as at 31 December 2018	3,480,850	3,480,850
Weighted average incremental borrowing rate as at 1 January 2019	4.5%	4.5%
Discounted operating lease commitments as at 1 January 2019	3,073,423	3,073,423

29. Fair Value Hierarchy

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

	Fair Value			
31st December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	-	-
Cash and cash equivalents	1,178,119	-	-	1,178,119
Loans	-	-	-	-
Other financial assets	-	-	478,406	478,406
	1,178,119	-	**478,406**	**1,663,165**
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	671,612,500	671,612,500
Lease Liabilities	-	-	2,594,288	2,594,288
Trade payables	-	-	6,093,195	6,093,195
Other financial liabilities	-	-	-	-
	-	-	**680,299,983**	**680,299,983**

	Fair Value			
31st December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	18,937	18,937
Cash and cash equivalents	2,822,389	-	-	2,822,389
Loans	-	-	-	-
Other financial assets	-	-	388,096	388,096
	2,822,389	-	**407,033**	**3,229,422**
Financial Liabilities				
a) Measured at amortized cost				
Borrowings	-	-	-	-
Lease Liabilities	-	-	-	-
Trade payables	-	-	1,924,990	1,924,990
Other financial liabilities	-	-	3,000	3,000
	-	-	**1,927,990**	**1,927,990**