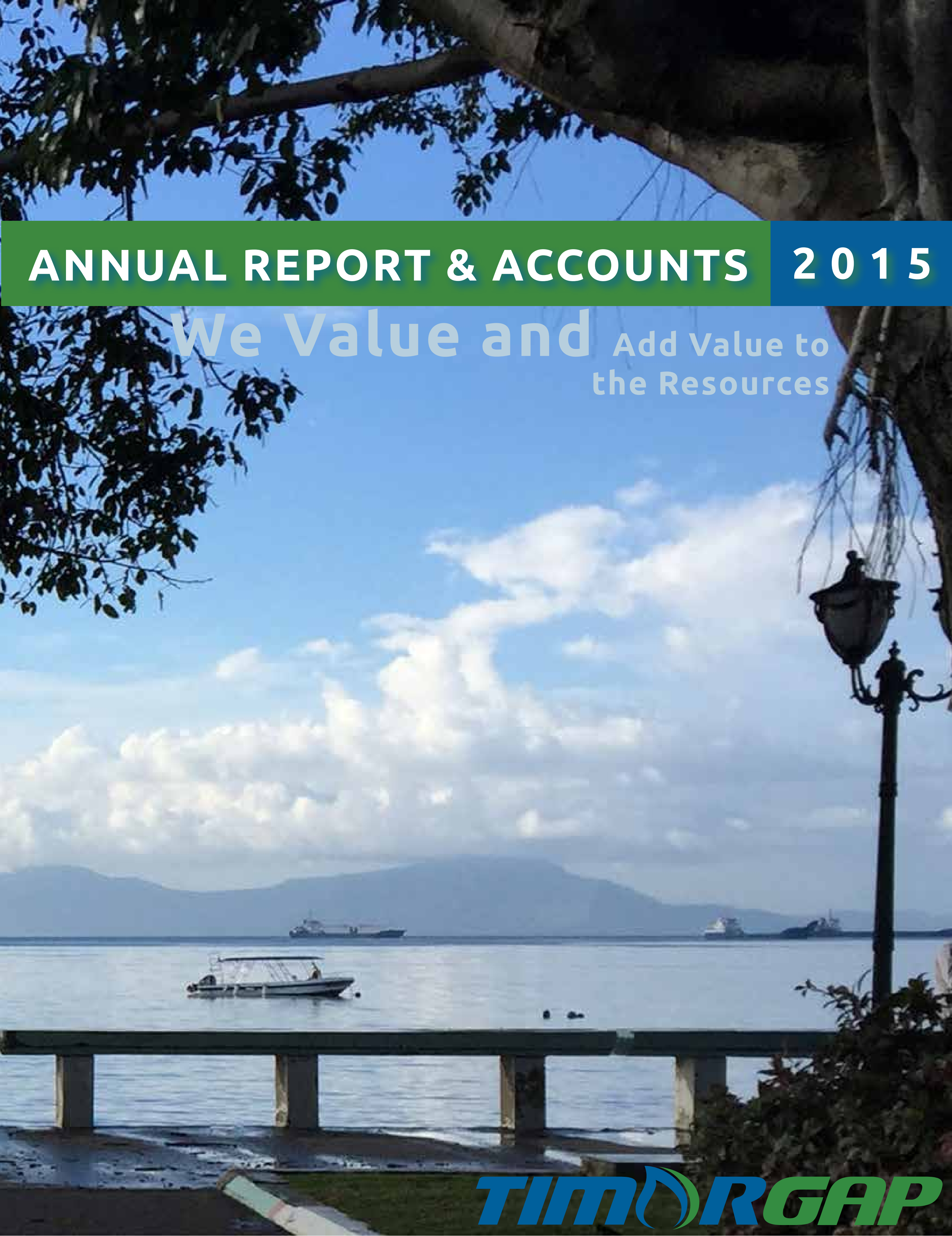
ANNUAL REPORT & ACCOUNTS 2015

We Value and Add Value to the Resources



TIMORGAP

CONTENTS

President & CEO Message

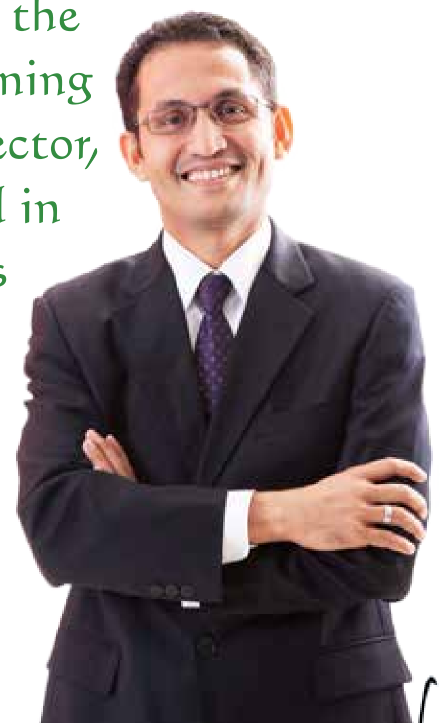
It is with a great pleasure that I, on behalf of the Board & Executive Committee, present the TIMOR GAP's Annual Report for 2015. This report covers the accomplished activities undertaken by our company for the period, building on the consolidation and achievements of previous years. We continue consolidating and strengthening our corporate and professional capabilities, true to our belief that our most valued assets relies within our human resources, emphasizing the very profound CAN DO value embedded in the foundation of our company. We are reaching a new milestone towards our firm commitment in the importance of quality, health, safety and environment. We are in the process to attain our first ISO certification where we recognize that to achieve our success, a strong QHSE standard intertwines with the success in this sector, to also achieve a good work environment, and continuing attracting high skill candidates to our national oil company.

Aiming towards strengthening our portfolio, we continuously seek to seize new business opportunities. In 2015 that aim remained and brought us further expansion with the establishment of two new subsidiaries: TIMOR GAP Seismic Services, Lda and TIMOR GAP Offshore Block Unipessoal, Lda; and also finding ourselves to expand our exploration portfolio. After the company's first involvement in the upstream activities with our first ever PSC 11-106 signed in 2013, a further step in the building of our exploration portfolio was accomplished with the grant of two blocks for offshore and onshore exploration, including the conduction of a 3D seismic survey on the offshore block in TLEA. We feel a great enthusiasm and optimism towards TIMOR GAP's participation in the TLEA and these activities will be of significant towards enhancing and strengthening our participation in the upstream sector, thus bringing us closer to our goal in becoming an integrated oil and gas company and a partner of choice.

The recent years has seen the downturn in the oil and gas prices, and as a young company, this phase may affect seizing further new business opportunities. Nonetheless, this year we are looking towards expanding our trading activities, with renowned international companies for the provision of services in JPDA and the fuel supply required for the construction of the Suai supply base project. Exposing our company and to promote TIMOR GAP as a brand, we invest in our image, and with that we see the opportunity in the construction of our first fuel station in Suai, that commenced its construction this year, thus bringing commercial and social benefits and exposure of TIMOR GAP's continuing and significant role in the country.

The Government of the Democratic Republic of Timor-Leste, with their continuing support, entrusted TIMOR GAP with the management and administration of the Tasi Mane Project, a mega project geared towards the development of the nation, as well as building the foundation for development of the company's future portfolios. In 2015, several activities towards the successful achievement of this mega project has been achieved, through land title clearance and compensation (Refinery) and with further studies as Pre-Feed (LNG plant). Similarly, the ongoing activities for the complementing infrastructures projects, as the Airport of Suai and the new resettlement area, have seen the construction progressing throughout 2015 and is expected to be completed in 2017.

"TIMOR GAP's participation in the TLEA .... enhancing and strengthening our participation in the upstream sector, thus bringing us closer to our goal in becoming an integrated oil and gas company and a partner of choice."



Francisco Monteiro
President & CEO

Executive Summary

TIMOR GAP is the state owned company of Timor-Leste, which started operations in 2012, aiming to optimize the economic benefits derived from the oil resources and related activities, attracting technologies, developing qualified human resources and also ensuring the country's energy security, taking on the role of one of the main drivers of economic and social development.

Upstream

We continue our involvement in the PSC 11-106 exploration block in the JPDA area and, in 2015, we initiated another activity in the upstream sector which was to conduct 3D seismic survey on an offshore block in TLEA area, undertaken altogether with our Joint Venture Partners. This year, TIMOR GAP sees for the first time since its establishment, its participation in the exploration activities within the TLEA, with the grant of two onshore and offshore exploration blocks. Other upstream studies include the review of Greater Sunrise reserve, Bayu-Undan full field review and Greater Sunrise upstream review. More information on Section 2 of this Report.

Downstream, Services and Subsidiaries

TIMOR GAP continues to invest in the downstream projects, such as the JPDA offshore services tenders and Suai fuel station, a milestone in the company's brand and growth in the downstream and services sectors, and enhance import and trading capability. Other business opportunities and partnerships are managed through the subsidiaries GAP-MHS Aviation Lda, TIMOR GAP Oil & Gas Marine and Logistics and the recently created TIMOR GAP Seismic Services and TIMOR GAP Offshore Block (Section 3).

Tasi Mane Project

We continue with the management and administration of Tasi Mane Project on behalf of the Government. The project foresees the creation of three industrial clusters in the south coast of Timor-Leste: a Supply Base in Suai; a Refinery and Petrochemical Complex in Betano; and a Pipeline and LNG Plant in Beaço. The development of the national petroleum industry also includes complementing infrastructures such as the Suai Airport, a Highway, as well as Suai, Betano and Beaço new towns development. A follow up on the Tasi Mane Project and its current status is available on Section 4.

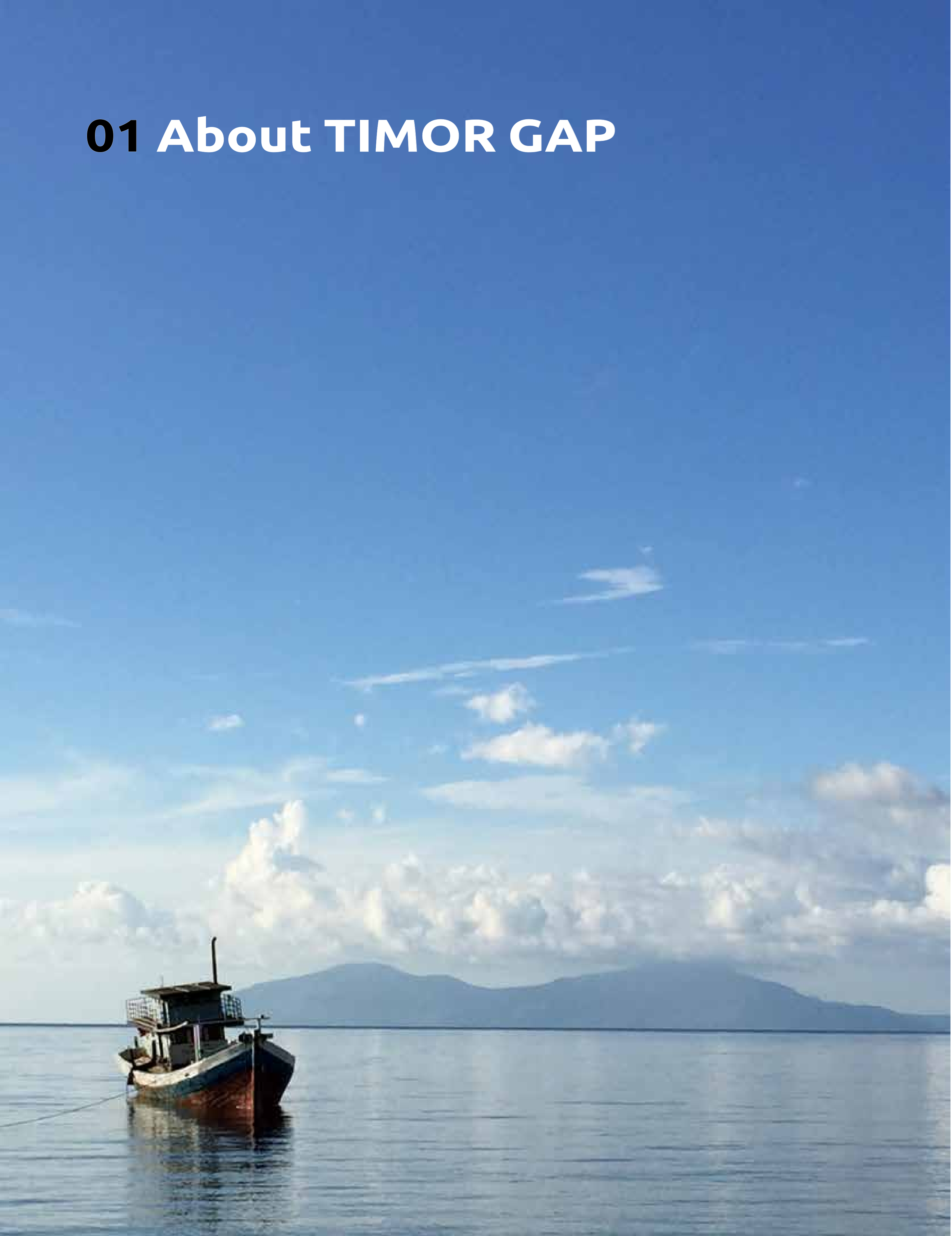
Corporate and Professional Development

We keep close attention to corporate and professional development, with focus on training of our human capital (Section 1).

Greater Sunrise

As the national oil company, TIMOR GAP plays a distinctive role in supporting the government's aim of building a gas pipeline from Greater Sunrise, which includes the Sunrise and Troubadour fields located in Timor Sea, to the south coast of Timor-Leste (in Beaço). The building of a LNG Plant to process the natural gas onshore is therefore part of our planned business growth.
TIMOR GAP also participates in the Joint Commission and Sunrise Commission, for the supervision of petroleum activities in the Timor Sea, alongside Government officials (Section 5).

01 About TIMOR GAP



OUR VISSION

To be an integrated Oil and Gas Company and a partner of choice

Who we are

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

TIMOR GAP was also assigned with the execution of downstream business activities, including the storage, refining, processing, distribution and sale of petroleum and its by-products, comprising the petrochemical industry.

As the national oil company of Timor-Leste, TIMOR GAP received the mandate to optimize the country's economic benefits from petroleum resources and associated activities.

OUR MISSION

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

TIMOR GAP's corporate values are embedded in the words **"CAN DO":**

Competent and knowledgeable – skilful and accurate in its work.

Assess and siege the opportunity for business – proactive, loyal and purposeful in its actions.

Non-discriminatory and responsible – integer, honest, trust-worthy, fair and accountable to its people/shareholders.

Doer and creative – innovative, open minded and caring for its work.

Optimistic of its business – professional, disciplined and dedicated to work - confident, team contributor and sharing and objective that promotes achievement of TIMOR GAP's vision and mission.

Business Units

On January 2015, the Company established two new units: Quality, Health, Safety and Environment Unit and Finance Unit. TIMOR GAP comprises business units with the following core activities:

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

The **Business Development Unit (BDU)** finds business opportunities for TIMOR GAP and provides business support to the other Units. This support includes legal issues, identification of business opportunities, database and analysis. The BDU also liaises with the government on issues concerning the company's activities.

H.E. Prime-Minister of RDTL, Dr. Rui Araújo, visit to TIMOR GAP

The **Exploration & Production and Supply Base Unit (EP&SBU)** manages and coordinates upstream activities, developing the exploration and production of oil and gas. The EP&SBU is also responsible for the activities related to the building and operating of a petroleum logistic Supply Base.

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

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

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

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

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

Financial Overview

The audited Financial Statements are contained in Section 7 of this Report, and have attached a detailed analysis of the results for 2015, which are for a period of 12 months, with 31 December as financial year end. TIMOR GAP has been using International Financial Reporting Standards (IFRS) to ensure a well-recognized framework. The figures shown in this Report are stated in US dollars.

The company received a government grant of $9,700,000 during the year ended 31 December 2015 (2014 : $5 million). The second main source of Income originated from a dividend of our subsidiary GAP-MHS $1,357,038 (2014 : $1,409,400). Other income derived from fixed contract service fees of $28,922 (2014 : $183,431).

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

Offices and Units	Remarks on the main expenses incurred during the period
President & CEO Office	Costs for strategic projects. Expenses related to Board of Directors meetings, Joint Commission and Sunrise Commission meetings, Sunrise negotiation and asset evaluation & transaction projects.
Vice-President Office - New Ventures Unit	Expenses for open area exploration, CPLP and ASEAN consortium activities, staff salary, new ventures related travel & expenses.
Corporate Service Unit	Expenses for human capital development and training, capital items, set-up systems, investment in ICT, assets, consultancy fees, office operational costs, staff salary and travels.
Business Development Unit	Feasibility studies, consultancies fees and expenses to support several business projects including lifting & marketing of Bayu-Undan condensate, fuel supply to SSB construction project, JPDA offshore tenders, Metinaro petroleum import terminal, marine services subsidiary, Suai airport and new resettlement area; capital items, set-up system, training and secondment, staff salary and travels.
Exploration & Production and Supply Base Unit	Expenses associated to the PSC JPDA 11-106 project, Suai supply base project, trainings, software purchase and set-up, capital items, staff salary, travels and meetings.
Refinery and Petroleum Services Unit	Expenses related to studies for the Betano refinery project and fuel stations network, staff secondment and salary, travels and meetings.
Gas Business Unit	Supporting metocean (meteorological and oceanographic) survey activities for the marine facility, pipeline from Greater Sunrise gas field to Beaço, LNG plant Pre-FEED, as well as regular consultations and meetings with the communities in Beaço; staff salary, travels and meetings.
Quality, Healthy, Safety and Environment Unit	Expenses associated to technical consultant for QHSE management system implementation, internal audit and certification audit, Personal Protective Equipment (PPE), QHSE training program for all staff and staff salary.
Finance Unit	Expenses related to Sage ACCPAC and SAP ERP Foundation Software maintenance and related technical consultant fees, retainer fees for project financing advisor, external financial audit, and capital items using in the Finance Unit.

The main components of the 2015 Financial Year were related to the development and management of several projects, as detailed from Sections 2 to 4.

Our People

Human Resources Development

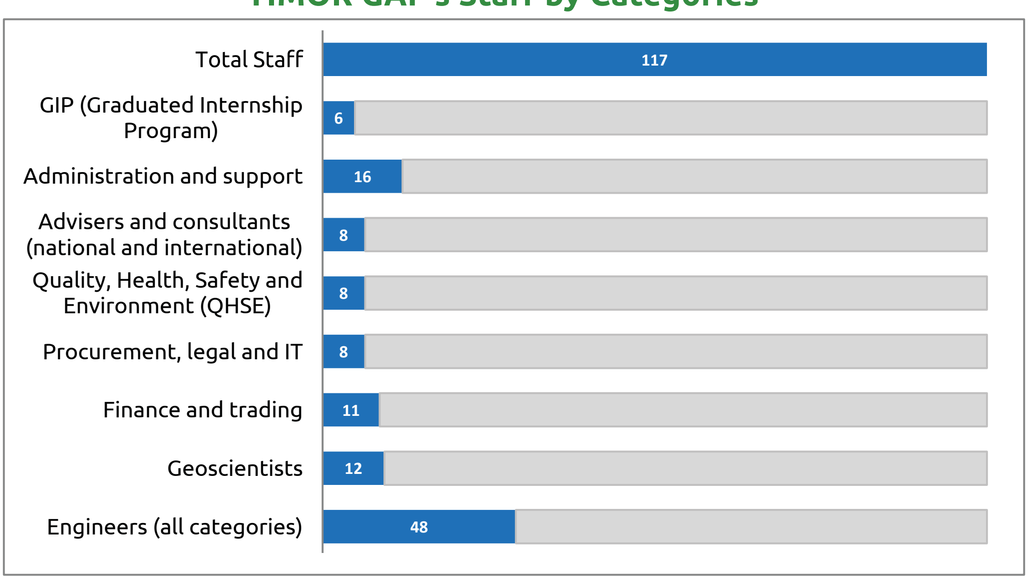
We firmly believe that our employees are our most valuable resource and asset. In 2015, TIMOR GAP continued its policy in investing heavily in human resources and its commitment to continually enhance and develop the skills and capabilities of its employees. Our human resources are constantly progressing through the development of programs and trainings in several areas of the petroleum and gas sector. Capacity development and on-the-job-training are also being provided through secondments with our partners, renowned international oil and gas companies, and as well as through cooperation programs.

We Value and Add Value to the Resources

Our Employees

As the Company grows and matures, the number of employees has increased accordingly. In early 2012, TIMOR GAP started operations with 22 people. The numbers have grown significantly in the following years, with the total employees in the company rising to 101 by the end of 2014.
In 2015, with the establishment of the new business Units and due to the increasing needs of Human Capital specially those who can bring significant value to the company, we continue to consolidate and expand, adding to a total of 117 employees with a gender breakdown of 36 female and 81 male. We comprise staff in the following categories:

TIMOR GAP's Staff by Categories



Courses and Training for TIMOR GAP

The motivation and dedication of our employees is essential for the progression and success of the company. TIMOR GAP will strive to provide opportunities through training courses to further enhance the professional capacity, performance and knowledge of its staff in their specific areas of expertise, as well as in the overall oil and gas industry. Training opportunities are identified both nationally and internationally of which staff are encouraged to attend.

From top to bottom (left to right): Petrel geoscience software training; First aid training; FIDIC Conditions of Contract for Plant and Design Build training; SAP training.

In 2015, our staff had the opportunity to attend the following courses and trainings:

- First Aid training provided by ISAT;
- Petrel Geoscience Software provided by Schlumberger;
- SAP implementation training provided by Exictos;
- FIDIC Conditions of Contract for Plant and Design Build provided by AntaVaya Convex;
- Basic Training for Plant Operation provided by INSTEP;
- Project Management & Petroleum Economics training provided Schlumberger;
- Internal Auditor Training ISO 9001, 14001 & OHSAS 18001 provided by Siglar;
- T-BOSIET (Tropical Basic Offshore Safety Induction and Emergency Training and Certification) provided by Samson Tiara, in Jakarta, Indonesia;
- Reserve Volume Estimation Training provided by Schlumberger;
- Portuguese Language Course.

Workshops and Conferences

Depending on the contents of conference/seminar, opportunities will be extended to the staff to attend as deemed relevant and beneficial to their job responsibility and the overall objective of the company.
In 2015, TIMOR GAP's employees had the opportunity to participate in various workshops and conferences during the period:

- Workshop on Environmental;
- 1st Meeting of Energy Ministers of the CPLP;
- National Workshop on Health, Safety and Environment in Port Areas;
- LNG Plant Pre-FEED Study Workshops;
- 26th World Gas Conference;
- 28th Gastech Conference;
- National Workshop for Public Works Masterplan;
- Concept Select Workshops for LNG Plant Pre-FEED Study.

Secondments and On-The-Job-Training

Secondments and on-the-job-trainings is a strategy that the Company continued to implement in 2015 to further enhance the professional capacity of its staff. Through TIMOR GAP's international business partners, secondments and job placement programs was provided in 2015, namely:

PT. Badak NGL, Indonesia
Two engineers were placed at PT. Badak NGL, Indonesia, in order to participate in the OPITO certified training for LNG process operation and maintenance. The first phase of this training was completed on November 2015, while the second phase is planned for early 2016.

RPS, Singapore
Two staff from the E&P team participated in a secondment in RPS's offices in Singapore, where they have carried out independent interpretation (both seismic and petrophysics) over the Greater Sunrise field. They compared their interpretation, with the work done by RPS. Apart from this, the secondment program also approached topics such as seismic well ties, synthetic seismogram generation and depth conversion methodologies.

Secondment at PT.Badak NGL, Indonesia

Shell, Malaysia
In early 2015, one of our staff completed a four months secondment program at Shell's office in Kuala Lumpur, Malaysia. This secondment involved technical studies in the TLEA.
Consequently, one other staff was placed in Shell's office in Kuala Lumpur, Malaysia, for a three months secondment program, in order to acquire further knowledge and expertise in data interpretation, management and process, for instance 2D and 3D seismic data.

Amec Foster Wheeler, United Kingdom.
As part of the consultant obligations agreed under the Timor-Leste LNG Plant Pre-Feed Study in regards to the Local Content, Amec Foster Wheeler (AFW) is required to provide training and transfer of know-how skills for TIMOR GAP's engineers. Therefore, during a period of approximately five months, three engineers received an on-job-training in AFW office in Reading, United Kingdom, where they were trained on specific topics related to the LNG process and facilities operations and maintenance while at the same time working closely with AFW's specialists to deliver Pre-FEED for Timor-Leste LNG Plant.

Secondment at Amec Foster Wheeler, UK

Study Leave

TIMOR GAP's employees can undergo further studies as a professional development option. The study leave enables them to pursue studies that will improve future contribution to the company.
In 2015, one employee returned to the company after completing a Master's degree in Project Management at Queensland University of Technology, Australia.
Two employees are continuing their scholarships program in international renowned universities, namely:

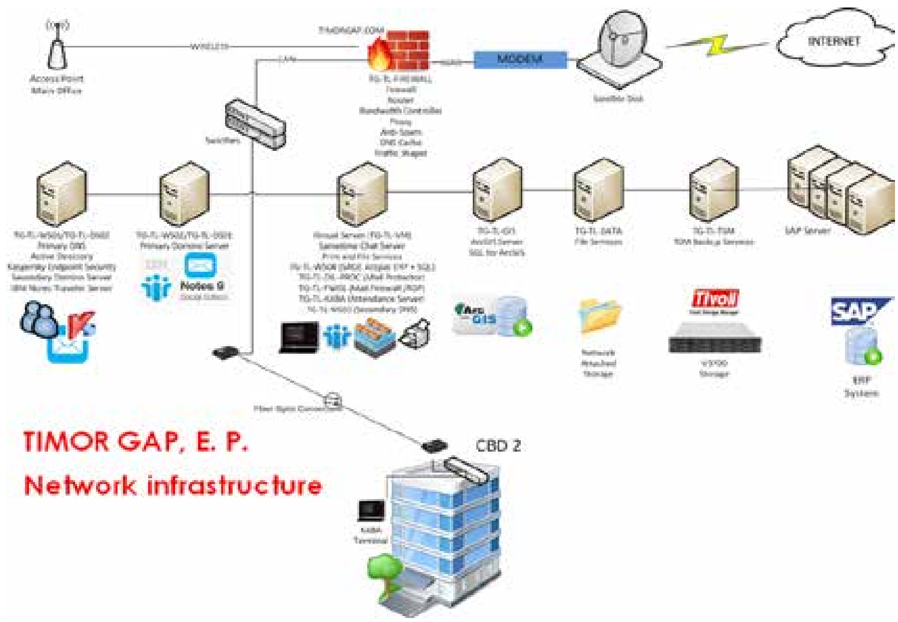
- Master's degree in Geoscience at Wollongong University, Australia, under Australian Awards Scholarship program.
- Master's degree in Project Management at George Washington University, Washington DC, USA, under SERN - Fulbright scholarship program.

Corporate Institutional Development

System, Application and Product (SAP)

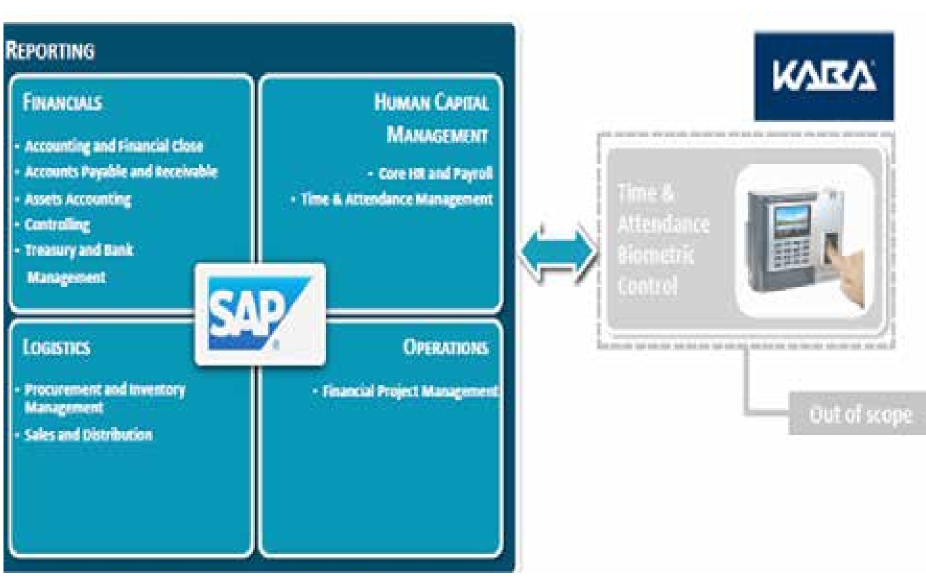
Since its inception, TIMOR GAP has invested in Information and Technology System in order to successfully achieve the Company's goals. It is essential that TIMOR GAP's Information Technology and Communication (ICT) supporting infrastructure is perfectly aligned with the business needs and also to ensure the connectivity, reliability and security.

To respond to this, TIMOR GAP is required to implement an Enterprise Resource Planning (ERP) system that supports all business lines in an integrated way and standardizing the systems and processes across the company. The SAP (System, Application and Product) software is the system that will help TIMOR GAP respond to the changes in business environment with more agility and effectiveness. The specific step identified that needs to be addressed in the short term can represent with quick solution in TIMOR GAP with the SAP Foundation Implementation.



TIMOR GAP Network Infrastructure

The main purpose of the SAP Foundation Implementation is to address Company's business needs, with a crucial focus on Finance, Human Capital Management, Logistics & Procurement, Sales & Distribution and Financial Project Management.



Attendance System

TIMOR GAP also deployed a certified biometric system which is easily integrated into the SAP Human Resource Attendance System link to the payroll system. This biometric system was acquired through a different software, KABA system, compatible with SAP Time and Attendance Management Module.

In 2015, SAP Project Implementation was conducted through approval of Business Blueprint Documents for SAP Foundation Business Areas, Prototype Phase, System Acceptance Test, Configurations Adjustment and Go Live Phase. The total duration of the project took approximately eight weeks, including End User Training for all SAP Key Users.

TIMOR GAP's Strategic & Business Plan 2016 -2035

In 2015, TIMOR GAP commenced a dynamic and inclusive process aiming to define the company's key strategic goals and ambitions for the next 20 years, which comprises of short, medium and long term strategic goals. Through surveys, workshops and consultations, every TIMOR GAP's staff were involved in this process and had the opportunity to contribute and shape the path for the company toward a solid, integrated and successful oil company.

TIMOR GAP's Strategic & Business Plan was built upon three key questions that steered its plan to effectively implement our strategy and our mission to contribute to a strong national development: "where we are", "where we want to be" and "how to get there". This plan lays on a flexible structure that allows its update as appropriate as the company moves forward.

TIMOR GAP's Strategic & Business Plan Working Group

Quality, Health, Safety and Environment (QHSE)

TIMOR GAP is committed to the promotion of quality, heath, safety and environment, as well as social responsibility. These are the values that shape the way TIMOR GAP conducts its business and, therefore, our commitment is clear, thus expressed through the establishment of a new Unit in 2015 within the company, aiming to contribute and enhance our company continuing excellence in providing services for the oil and gas industry with quality, health, safety and environment best standards. As a result, TIMOR GAP has been working on adopting the QHSE Management Systems Standard, and endeavors to obtain the ISO Certification in 2016.

From left to right: QHSE team delivering a presentation on safety procedures; Timor Plaza fire drill simulation.

Integrated Management System (IMS)

TIMOR GAP is taking a comprehensive institutional approach to its Integrated Management System (IMS) which respects the International Organization for Standardization (ISO) requirements, where it encompasses the implementation of ISO 9001:2008 (Quality Management), ISO 14001 (Environment) and OHSAS 18001:2007 (Occupational Health and Safety). This management system integrates all components of a business into a coherent system so as to enable the accomplishment of TIMOR GAP's key corporative objectives and strategic goals.
The QHSE Management System, or Integrated Management System (IMS), was established at the end of the year 2014 and approved by the Board of Directors on July 2015, followed by its disclosure and socialization to all TIMOR GAP's units through an IMS campaign. The IMS campaign focus on the 54 approved procedures consisting of IMS Manual, IMS General Procedures, Personal Safety, Health and Hygiene, Process Safety and Environment Procedures.

TIMOR GAP is fully committed to adopting the integrated ISO standard of QHSE in order to enhance its internal management systems. Hence, a gap assessment for the IMS was then carried out by DNV-GL (Singapore). The aim of this particular assessment is to evaluate and assure the compliance of QHSE management system with ISO standard requirements. The systems standard and procedures are in line with the ISO 9001 on QMS, ISO 14001 on EMS and OSHAS 18001 on OHSMS. Following the process, the first and second stage of Certification Audit was then conducted in November and December respectively, mainly consisting in a process of how the certification is going to be granted to TIMOR GAP. It is expected that the ISO certificate of ISO 9001, 14001 and OHSAS 18001 is going to be obtained by the first quarter of 2016.

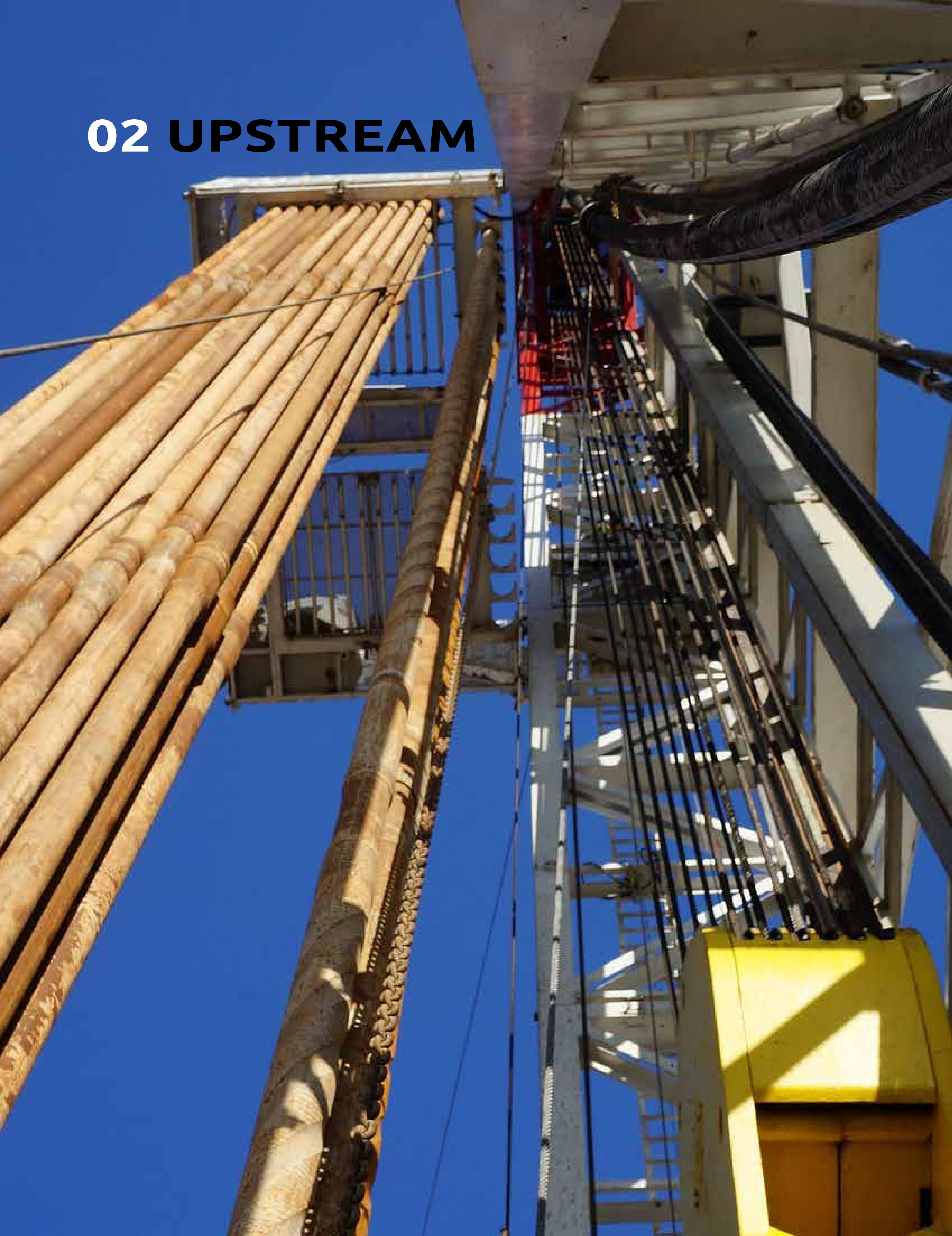
EIA and SEIA for TIMOR GAP's projects

Our company's projects are based on studies that assess potential impacts of the project that might have on the environment and social communities. Environmental Impact Assessments (EIA) have been carried out by TIMOR GAP and partners, with the objectives to identify, predict, evaluate and mitigate biophysical, social and other relevant potential adverse impacts of our projects, as well as specific measures to avoid them.

An EIA determines changes to the environmental and social parameters, while a strategic environmental impact assessment (SEIA) is a first step in assessing those effects. In that regards, the Tasi Mane project under our portfolio, realized in 2012 a SEIA which was conducted for two of the planned industrial clusters: the refinery and petrochemical complex in Betano, and the Beaço LNG plant. The project of the Suai supply base, which will be the first cluster to be built and of which had more detailed information available, produced a comprehensive EIA. In 2013, the environmental license for the Suai industrial cluster was granted by the Secretary of State for Environment (SEMA).
An EIA study for the fuel supply and fuel station development in Suai was also undertaken in 2014, encompassing public consultation with community leaders, environmental authority and other relevant entities as civil society and Non-Governmental Organizations. The final Simplified Environment Impact Statements (SEIS) and Environment Management Plan (EMP) were then submitted to SEMA for approval and the licence was granted in April 2015.

Furthermore there will be EIA study undertaken for the Betano refinery and petrochemical complex, and onshore pipeline road (Betano – Suai). The study is also including Health Impact Assessment (HIA), which is expected to commence in the first quarter of 2016.
These processes involved stakeholder public consultations and "socializasaun" in the proposed project. The objective of the consultation and socialization was to inform local community and community leader in order to ensure that the project is well-understood in terms of economic benefit, direct and indirect and also the risk involved with mitigation measures.

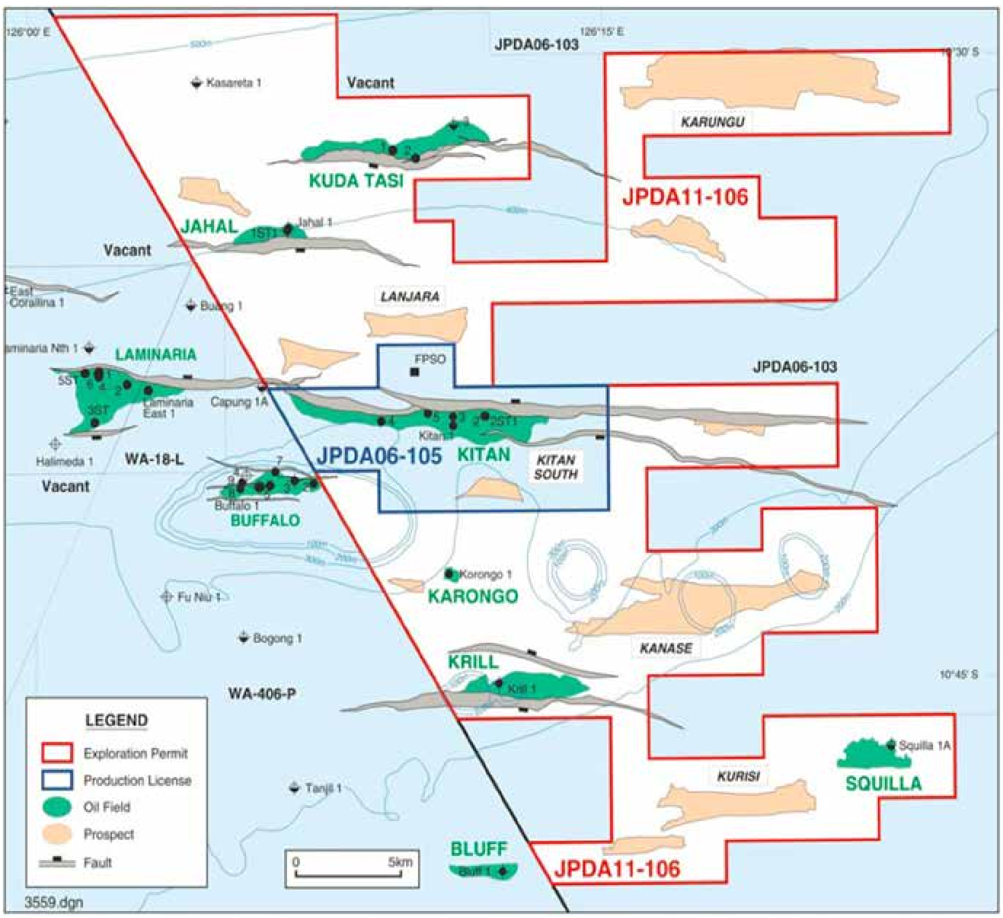
02 UPSTREAM



PSC JPDA 11-106

Our first Production Sharing Contract (PSC) was signed in 2013, through the wholly owned subsidiary TIMOR GAP PSC JPDA 11-106, to begin exploration offshore in the Joint Petroleum Development Area (JPDA) of the Timor Sea. In the Joint Venture partnership, TIMOR GAP has a share of 24%, which envisages a good starting point considering experience levels as a young national oil company and as well a symbolic number, marking the number of years of Timor-Leste's struggle for independence. ENI, the operator of this Contract, has a share of 40.53% and INPEX, the third JV partner, 35.47%. The joint operating agreement (JOA) was signed on October 2013.

The area being explored by the PSC 11-106 JV is located approximately 240 km south of Dili and 500 km northwest of Darwin, covering an area of 662 km^2 adjacent to the Kitan oil field and lies in an average water depth of 350m. The focus of the study is on already proven but unproduced reserves at Jahal, Kuda Tasi (+/-20MMbbls), Squilla and Krill fields, with the concept of eventual production by tie-in to Kitan field FPSO facility, which is also operated by ENI.



PSC JPDA 11-106 – Discoveries and Prospects

Technical evaluation of the area is ongoing, including review of the existing sub-commercial discoveries within the PSC. A minimum of two exploration wells will be drilled to fulfil the minimum work program commitment and appraisal wells will be planned subsequently. Prospect mapping has been completed and discussions' regarding prospect ranking and selection for drilling is progressing between the Joint Venture partners. The drilling campaign is scheduled for 2016 and the Joint Venture Partners have requested the ANP for an extension to the initial exploration period by 18 months.

TIMOR GAP technical team prudently evaluates the work of the operator and in parallel, carries out independent technical studies to evaluate the prospectivity of the PSC area. All technical evaluation is periodically reviewed by the management and it also provides opportunity for the team to improve their technical capabilities. TIMOR GAP and ENI are in discussions regarding staff secondment and training, as part of the local content commitment under the PSC.

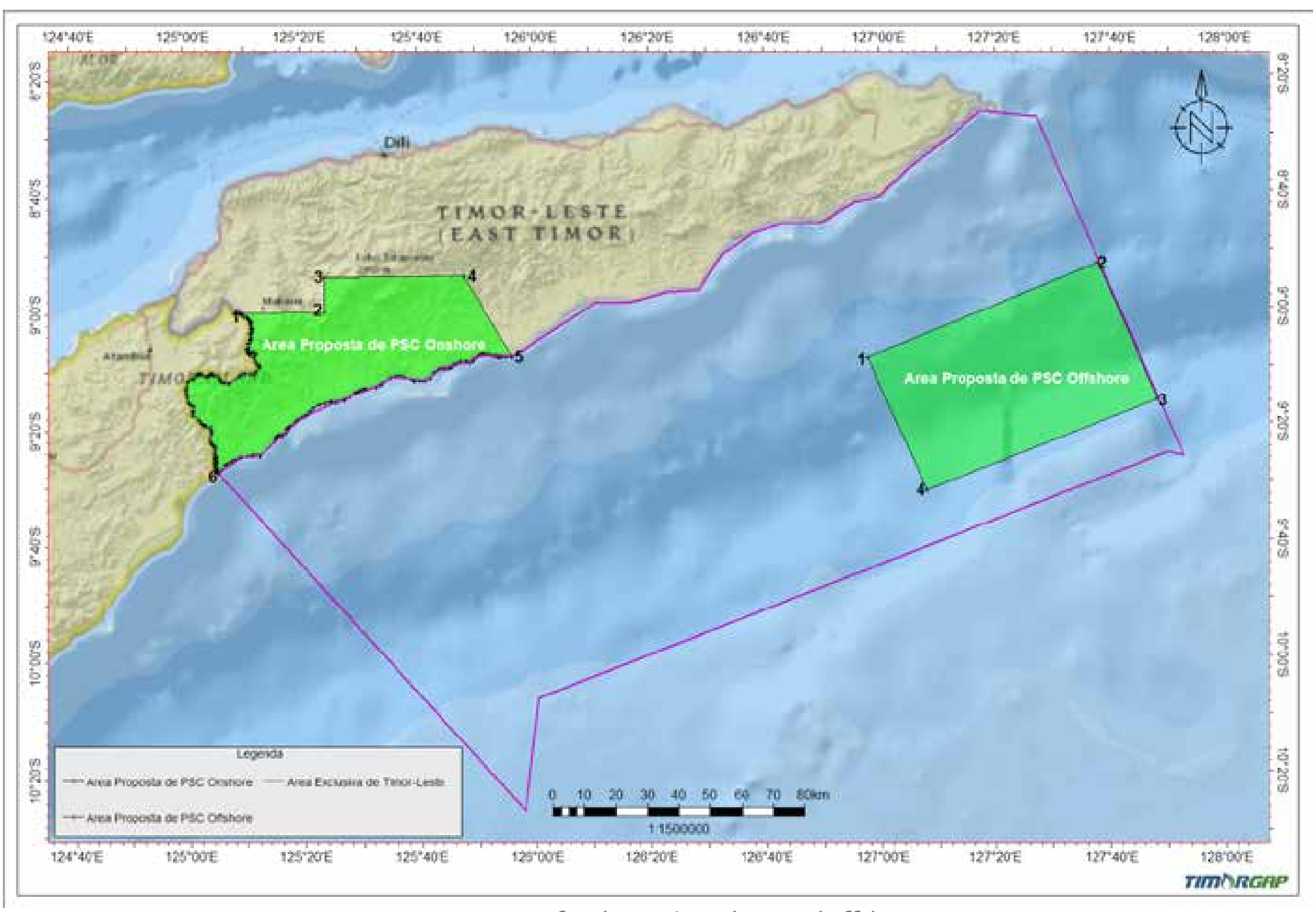
TIMOR GAP' Participation in TLEA

In 2015, a further step in the building of our company's exploration and production portfolio has been achieved through the Government Resolution No. 44/2015 of 22nd December, which authorized TIMOR GAP's participation in Production Sharing Contracts (PSC) for onshore and offshore exploration blocks with a participating interest up to 100%, located in the Timor-Leste Exclusive Area (TLEA), including an authorization to carry out the multi-client 3D seismic survey in the offshore block.

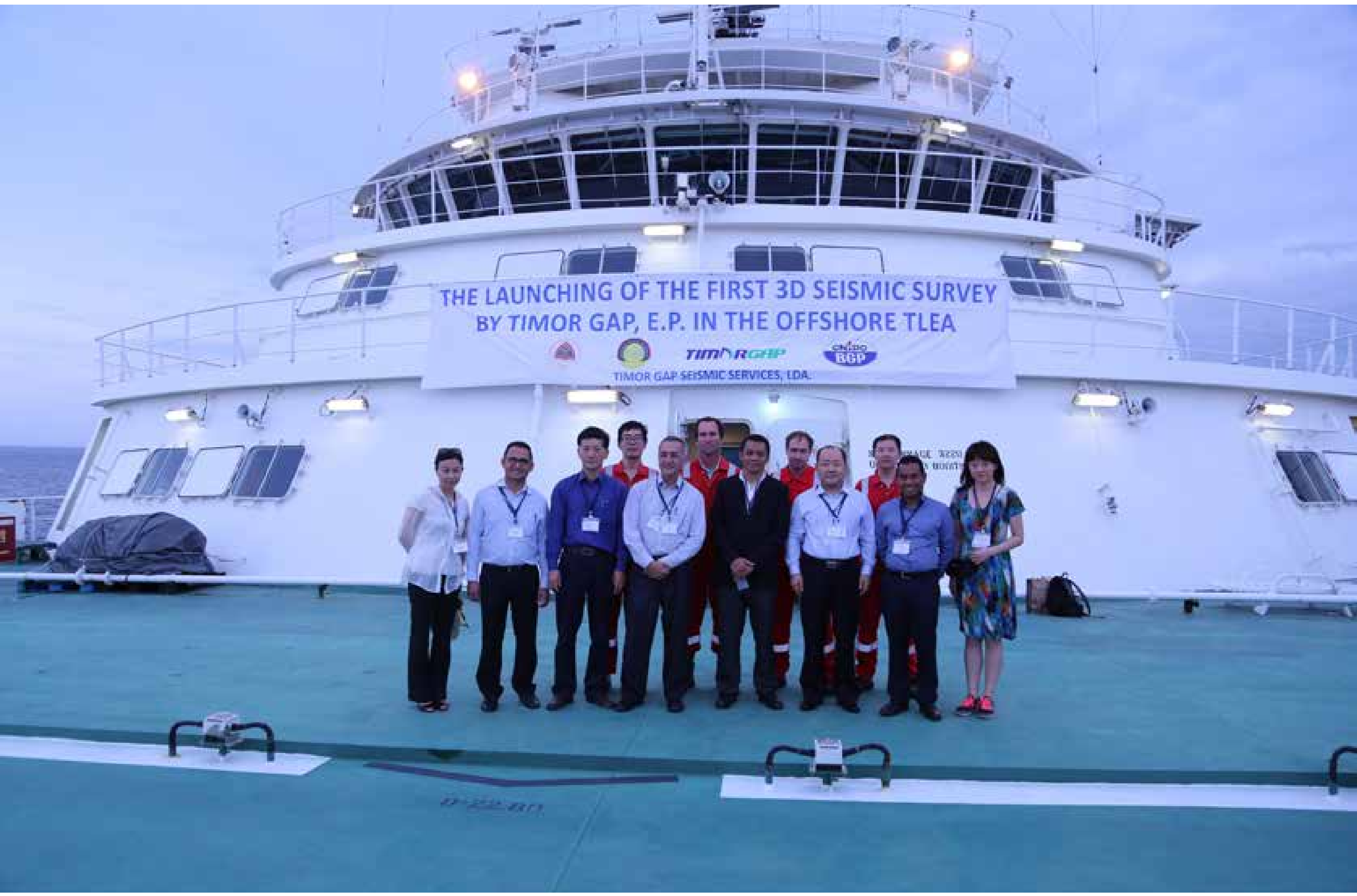
Prior to 2015, TIMOR GAP's participation in the upstream sector has been solely concentrated in the JPDA area. Hence, our company's participation in TLEA, also through additional data acquisition, will have a relevant role in attracting more potential investments on this particular under-explored frontier of the offshore TLEA and structurally complex onshore of Timor-Leste.

Therefore, on 23rd December 2015, TIMOR GAP signed its second PSC, through its wholly owned subsidiary company TIMOR GAP Offshore Block, to begin exploration offshore in the block TL-SO-15-01. The work program will mainly be covering seismic acquisition, processing and interpretation in the first initial period of the exploration work program. TIMOR GAP engaged TIMOR GAP Seismic Service, a joint venture company between TIMOR GAP and BGP Geoexplorer established in 2015, to carry out the multi-client 3D seismic survey, which commenced in December.

> On 23rd December 2015, TIMOR GAP signed its second PSC, through its wholly owned subsidiary company TIMOR GAP Offshore Block, to begin exploration offshore in the block TL-SO-15-01.



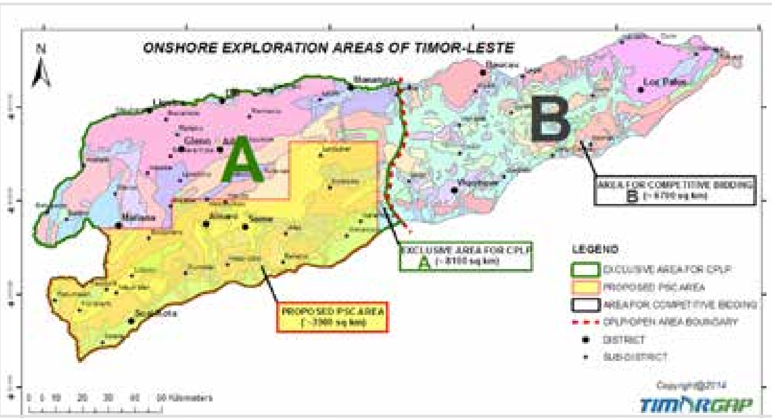
Contract area for the PSC's onshore and offshore

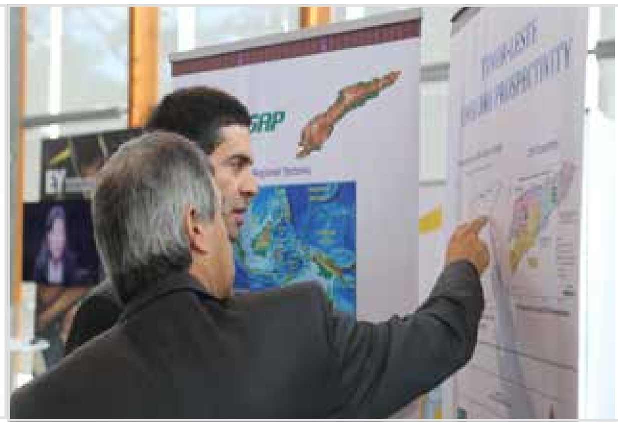


Launching of the first 3D Seismic Survey by TIMOR GAP in the offshore TLEA

This is a significant milestone in TIMOR GAP's development as a national oil and gas company. The trust invested in our company through the direct award of the two PSCs and the authorization to carry out a 3D multi-client survey would enable TIMOR GAP boosting its confidence in the upstream sector in order to enhance its experiences and capabilities. Furthermore, the surveys and integrated prospecting studies would also contribute to a better understanding of the subsurface structures in the offshore TLEA, plays, leads and potential prospects in the relevant areas.

TIMOR GAP within CPLP: A Consortium for Onshore Exploration





From left to right: the proposed PSC area for CPLP Consortium; TIMOR GAP's participation in the "1st Meeting of Energy Ministers of the CPLP".

Timor-Leste assumes the Community of Portuguese Speaking Countries (Comunidade dos Países de Língua Portuguesa, CPLP) Presidency role on a biennial term (2014-2016), and with this role, it gives the platform for Timor-Leste to explore and expose itself within the members states and afar, giving the opportunity to better and acquire further knowledge on the importance of the energy sector, that is, the main driving force for the economic growth in the country.

An initiative from Timor-Leste was the establishment of a cooperation program in the petroleum area with the countries from the intergovernmental organization of the CPLP, with TIMOR GAP in coordination with the National Petroleum Authority (Autoridade Nacional do Petróleo, ANP) received directions and instructions from the Ministry of Petroleum and Mineral Resources to present and discuss, both at commercial and governmental level, to several national oil companies of CPLP, a proposal to establish a consortium to exploit hydrocarbon resources in the Timor-Leste Exclusive Area (TLEA), allocated by the Government for exploration activities to maximize economic growth.

The objective of a proposed CPLP consortium project is to undergo the signing of the first production sharing contract onshore Timor-Leste, with the framework of a proposed joint venture composed by CPLP companies, with the potential involvement of petroleum producing countries with major reserves of oil and gas, with the likes of Brazil, Angola, Mozambique or Equatorial Guinea.

In 2015, it was held the "1st Meeting of Energy Ministers of the CPLP" in Cascais, Lisbon. This meeting had the participation of Energy Ministers of the Member States of CPLP, as well as the presence of several companies involved and operating in the energy sector. The 1st Meeting of Energy Focal Points of CPLP is planned to take place in 2016.

From left to right: President & CEO speech at "1st Meeting of Energy Ministers of the CPLP"; TIMOR GAP's stand in the event

Cooperation with Galp Energia

Under the framework of CPLP Consortium for hydrocarbon exploration in the Timor-Leste onshore, in 2015, a Cooperation Agreement between TIMOR GAP and Galp Energia was signed. This agreement provides for cooperative activities that incorporates the area of training and secondment programs for technical staff of TIMOR GAP in the offices of Galp, with the purpose and aim of developing a joint technical work on projects of common interest in the petroleum exploration and exploitation sector.

Other Upstream Studies

Greater Sunrise Reserve Study

The Sunrise Commission, which was established by Timor-Leste and Australia to consult on issues related to the exploration and exploitation of petroleum in the area of the Greater Sunrise field, ordered for a reserve estimate study in 2012. TIMOR GAP, on behalf of Timor-Leste's government, has been managing this study with the objective of independently estimating the Greater Sunrise reserves through third party consultants. The Petroleum Initially in Place of the Greater Sunrise Field study has been completed and the results have been reviewed by both Timor-Leste and Australia.

In addition, TIMOR GAP Exploration & Production team continued to carry out further technical studies to ascertain the Greater Sunrise reserves and commercial value through asset evaluation and transaction project. The results of the technical studies are now in its final stage and it's expected to be completed in early 2016.

Bayu-Undan Full Field Review

TIMOR GAP was entrusted by the Government of Timor-Leste through the Joint Commissioners and MPRM to carry out a full field review of the Bayu-Undan field, with the objective of resource management and optimization. TIMOR GAP technical studies to estimate the gas initially in place and review of the production till date has been completed. A comprehensive report on the results of the study has been submitted to the Government, while TIMOR GAP is carrying out further analyses to optimize the recoverable resources from the Bayu-Undan field. The Exploration & Production team has completed the Geomodelling for the Bayu-Undan field and the dynamic modeling is expected to be completed in the first quarter of 2016. TIMOR GAP will continue to engage in discussions with the ANP and the Bayu-Undan joint venture partners to maximize revenues for the stakeholders and Timor-Leste in particular.

03 Downstream, Services & Subsidiary Companies

Projects Underway

In addition to the Tasi Mane Project (Section 5), TIMOR GAP continues to explore further opportunities to add, diversify and strengthen its current and future portfolio, thus TIMOR GAP finds responsible in the management of the following other project and studies:

- Retail fuel stations
- Plan for lifting and marketing of Bayu-Undan condensate
- JPDA offshore service tenders
- Fuel supply to SSB construction works
- Metinaro petroleum import terminal

Retail Fuel Stations

In order to secure the supply of petroleum products to fulfill national demand, TIMOR GAP foresees to set up a network of retail fuel stations across the country, which is planned to begin with the opening of one retail fuel station in Suai.

The construction of the first fuel station in Suai, a joint partnership with Pertamina, will be a significant milestone for TIMOR GAP, a precedential phase to achieve further success in the TIMOR GAP brand and growth of the company in the downstream sector.

The EIA study for the retail fuel station in Suai was conducted in 2014 and included public consultation, collecting soil samples, topographical survey and collecting information about hazards and cultural aspects of the site. In February 2015, ANP (downstream) approved the fuel station project documents as a step to start construction. The Environmental License was granted to TIMOR GAP in May.

In 2015, following a re-tender process for the construction of the retail fuel station, where after the technical process, five bidders were selected to open for commercial proposal. After further prescreening process, the Tender Assessment Panel (TAP) entered into negotiation with the first potential bidder. The Intent to Award was issued on 7th July, and the Construction Agreement was signed between TIMOR GAP, Glory Enterprise & PT. Saka on 27th July.

On 31st July, a Ground Breaking Ceremony marked the beginning of the construction of the fuel station & gasoil storage and by the end of 2015, where it completed overall 87% of its construction works. The Suai fuel station is expected to be completed and fully operational in early 2016.

TIMOR GAP pursues and continues to work hard in the achievement of a greater local participation, by respecting and valuing the local content participation in its current and future projects. The fuel station construction project employs a total of 30 people on site, with a 57% of the total employed of Timorese citizenship. The remaining are foreign workers who are used to fill the technical skill void that locals are unable to fulfill.

The construction of a second retail fuel station in either Baucau or Oecusse is expected to commence in middle 2016.

From top to bottom (left to right): Fuel station design; Fuel station and gasoil storage construction progress in Suai

Plan for Lifting and Marketing of Bayu-Undan Condensate

TIMOR GAP has a joint trading agreement with PTT Public Company for the lifting and marketing of the condensate equity share of the Government of Timor-Leste from the Bayu-Undan and Kitan fields located in Joint Petroleum Development Area (JPDA) in the Timor Sea. Timor-Leste is entitled to a combined total lifting volume of ±6,750,000-10,000,000 barrels per annum (2013).

A Condensate Lifting Working Group (CLWG) was established with the aim to assess legal and commercial documents, by allowing Timor-Leste to physically lift its share from Bayu-Undan with the intention to market and sell its respective share of crude oil. The CLWG is composed of Timor-Leste and Australian Government, ConocoPhillips on behalf of the Bayu-Undan Joint Venture partners, and the National Petroleum Authority (ANP) as the Chair, who manages daily the Bayu-Undan field acting as the Designated Authority (DA) and the work overseen by a Joint Commission, composed by Commissioners from Timor-Leste and Australia.

In 2015, several meeting were held in the CLWG, where a draft of the Confidentiality Deed has been finalized and ConocoPhillips presented a 3 draft proposal of a framework agreement, consisting of a New Agreement between DA and Contractor, Amended Operational Agreement and Agency Marketing Agreement.

Timor-Leste re-assessed the ConocoPhillips/ANP Lifting Model, and developed and presented Production Sharing Contract (PSC) Model calculation as an alternative solution to the present Lifting Model.

However, in August 2015, the JPDA Commissioners ceased further discussions on the condensate lifting due to the long-term risks associated with the proposed non-PSC arrangements, where the fundamental misalignment of matters of principle, have not been undermined as time goes by.

JPDA Offshore Service Tenders

TIMOR GAP has been participating on several offshore services tenders for the JPDA area, predominately in Bayu-Undan and Kitan petroleum fields in Timor Sea. In 2015, TIMOR GAP and consortium/partners continue to participate in tenders for the Bayu-Undan and Kitan project.

TIMOR GAP also supported Aker Solutions Australia bid for Bayu-Undan Engineering Services Scope of Work tender, in the development of Timor-Leste's local content plan and engineer for future secondment program in Australia, where the confidentiality Agreement was signed in regards of the Intention to Tender (ITT) information. TIMOR GAP's Pre-Qualification supplier information and due diligence were finalized and submitted to Aker Solutions. TIMOR GAP to further assist Aker Solutions in collecting relevant information to strengthen its tender position.

In 2015, TIMOR GAP continued its consortium with SDV and Siglar for the provision of logistic support to Bluewater Glas Dowr FPSO vessel. The contract with Bluewater was ceased in September.

COSL (China Oilfield Services Limited) as the main bidder submitted an Expression of Interest (EOI) to provide semi-submersible drilling and jack-up drilling for phase 3B development of Bayu-Undan field with TIMOR GAP as partner and playing a support role. The pre-qualification to prospective tender issuance is still pending.

TIMOR GAP following meetings and discussions with CenerTech Headquarter, achieve a positive outcome with a signed Confidentiality Agreement and followed with the submission of EOI for the JPDA 11-106 Drilling Campaign. CenerTech is a company capable of providing various drilling services and capable of developing marginal field.

Fuel Supply to Suai Supply Base Construction Works

Pursuant to the requirements under the Design-Build Contract for the Suai Supply Base (SSB), TIMOR GAP has been appointed as the fuel supplier to the SSB construction project with Hyundai as the main contractor for the project.

In 2015, TIMOR GAP and Pertamina conducted a consultation for a preliminary proposal in order to provide basic information to the bidders, such as type of fuel and regulating framework, for supplying fuel to TIMOR GAP to meet the requirements from Hyundai.

A negotiation for a Fuel Supply Agreement with Hyundai was undertaken with the estimation of fuel demand to be provided and the type of equipment to be used during construction phase, further fuel specs are to be provided in a later stage once the dredging work is confirmed through a subcontractor.

The Request for Proposal (RFP) to supply fuel for Hyundai's land and marine equipment has been drafted and issued and a Tender Evaluation Panel established. For the Land Work RFP, 8 bidders were invited with 3 submitting their proposal; and for the Marine Work RFP, 9 bidders were invited and one submitted the proposal.

Metinaro Petroleum Import Terminal

TIMOR GAP plans to develop a petroleum import terminal at Metinaro bay, located 30 km east of Dili, on the northern coast of Timor-Leste.
There are two development options for the petroleum import terminal project in Metinaro:

- Option 1 provides for a 3 months national security stockpile of gasoline and diesel.

- Option 2 is a possible future expansion of the first option, which extends the petroleum import terminal into a trading hub for gasoline, diesel and potentially LPG and other products.

TIMOR GAP finalized a feasibility study in August 2015. Currently, TIMOR GAP seeks to promote and find partners investment for this project.

Project for the Metinaro jetty facilities

Subsidiary Companies

In carrying out any activities covered by its purpose, TIMOR GAP, E.P., is authorized to incorporate subsidiaries, which may be associated with other national or foreign companies.
Therefore, to conduct specific business activities in the petroleum sector and related services, TIMOR GAP holds five subsidiary companies as follows:

- GAP-MHS Aviation Lda, that provides support for helicopter services for offshore operations (created in 2012);
- TIMOR GAP PSC 11-106 Unipessoal Lda, to participate in the petroleum exploration and production of a block in the JPDA (also created in 2012);
- TIMOR GAP Oil & Gas Marine and Logistics, to provide general services in the marine industry (created in 2014);
- TIMOR GAP Seismic Services, Lda, created in 2015. This subsidiary performs seismic surveys; and
- TIMOR GAP Offshore Block Unipessoal Lda, created in 2015, to participate in exploration and exploitation activities in a block located in the TLEA.

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

The Consolidated Financial Statements of TIMOR GAP and its subsidiaries and associates can be seen in Sections 7 and 8.

GAP-MHS Aviation

GAP-MHS Aviation Lda

GAP-MHS Aviation Lda is owned by TIMOR GAP (60%) and MHS Aviation (TL) Lda (40%), which is a subsidiary of Malaysian Helicopter Services (MHS) Aviation Berhad, a company specialized in oil and gas aviation support operations.
GAP-MHS Aviation concentrates in offshore petroleum aviation support operations in the Timor Sea. In 2015, GAP-MHS continue providing aviation support services for Bluewater Glas Dowr FPSO vessel, operating regular helicopter flights between Dili and Kitan field, where the Glas Dowr has its producing operations.
In December 2015, GAP-MHS Aviation had 34 local employees, with a gender breakdown of 24 male and 10 female, and 1 international staff.

Throughout the year, further training and courses on aviation industry were conducted, in a practice consistent with knowledge and technology transfer to local entities and in line with the local content aspiration. Besides the English courses and safety training provided, in 2015, two engineers completed an engineering course at the Malaysian Institute of Aviation Technology (MIAT), Kuala Lumpur.

TIMOR GAP Oil & Gas Marine and Logistics

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

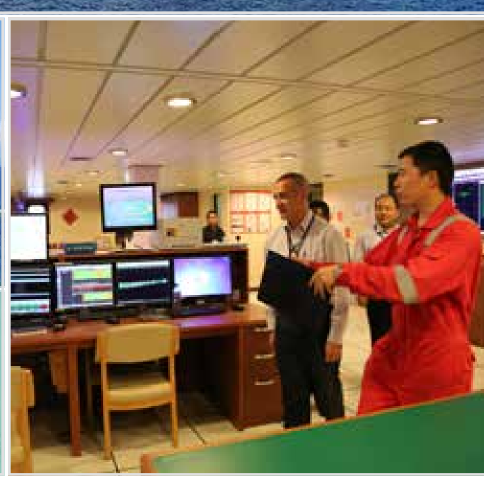
In 2015, TIMOR GAP Oil & Gas Marine and Logistics established the South Horizon Offshore Services, Lda, a joint venture company with Siglar Offshore Services Timor, with the purpose to provide support services to vessels and offshore installations operating in the Timor-Sea (both JPDA and TLEA), to own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

TIMOR GAP Seismic Services

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

TIMOR GAP Seismic Services main scope is to perform 2D/3D seismic acquisition and processing and with an expansion to interpretation. It is envisaged that the newly formed subsidiary will also provide training opportunities and technology development to its local staff, which will enable us to enhance our skills and expertise.

On 23rd December, the first 3D seismic survey by TIMOR GAP was launched, which involved TGSS and BGP Geoexplorer as the contractors to carry out the Crocodile 3D Seismic acquisition in the offshore TLEA, covering an area of 2780 Km^2 within the offshore PSC TL-SO-15-01. The survey is being carried out by BGP Prospector vessel (12 streamer seismic vessel) with the estimated time for the survey of 60 days. Upon completion of the survey, TIMOR GAP will continue with the next work program of processing and interpretation.



From top to bottom (left to right): BGP Prospector vessel; TIMOR GAP'S team during the Seismic Survey; H.E. Minister Afredo Pires visit to BGP Prospector; On board the BGP Prospector vessel.

TIMOR GAP Offshore Block

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

TIMOR GAP, through its subsidiary TIMOR GAP Offshore Block, entered in its second Production Sharing Contract, a PSC for the block TL-SO-15-01 contract area of the Timor-Leste Exclusive Area. The PSC was signed on 23rd December 2015 and followed by the signing of Service Agreement with TGSS & BGP Geoexplorer to execute the 3D Seismic Survey for the contract area as part of the exploration work program.

From top to bottom: PSC TL-SO-15-01 signature between ANP and TIMOR GAP Offshore Block; Service Agreement signature with TGSS and BGP Geoexplorer.

04 Tasi Mane Project: A National Petroleum Sector Industrialization

Three clusters of the Tasi Mane project

The Tasi Mane project is envisioned in the Government's Strategic Development Plan 2011-2030, which identifies the petroleum sector as a basis for our nation's sustainable development.

Tasi Mane comprises the development of a national petroleum industry that will provide direct economic benefits from Timor-Leste's natural resources, including job creation in the oil sector as well as in related services, and supporting businesses. In addition, the Tasi Mane project will create multiplier effects in the economy, thus assisting the raise of living standards of the people.

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

Tasi Mane is a multi-phase integrated project composed by three industrial clusters, to be built from Suai in the district of Covalima to Beaço, district of Viqueque, and planned additional facilities for each site.

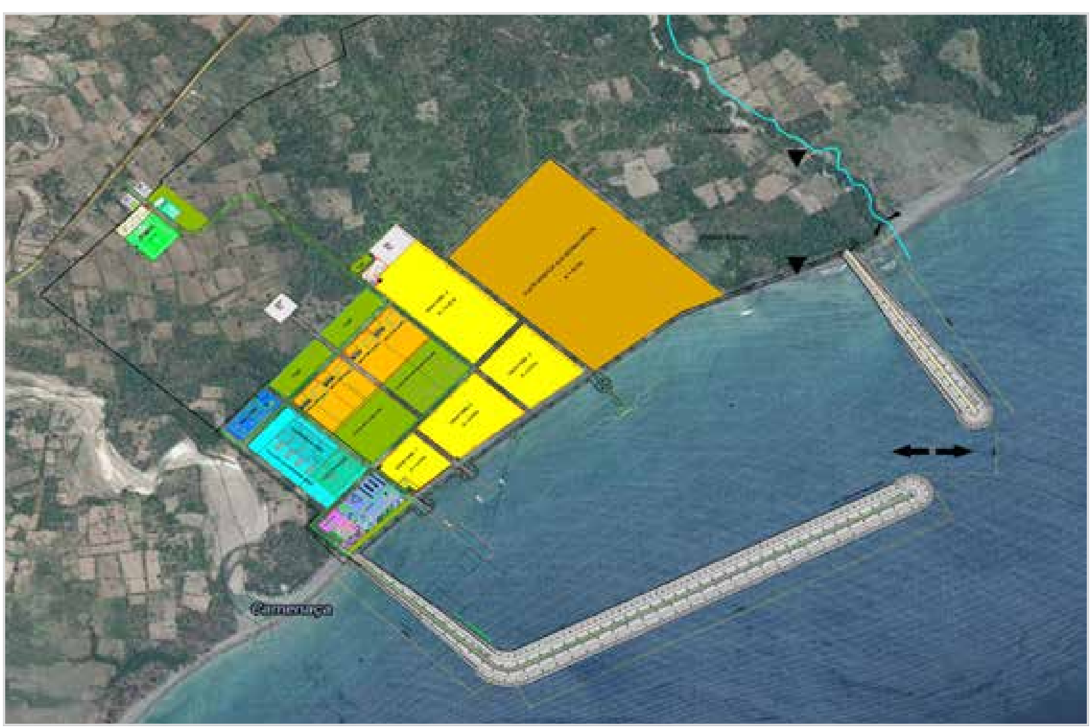
Industrial Clusters	Aditional Facilities
Suai Supply Base	New towns to accommodate the workforce and resettlement of local residents
Betano Refinery and Petrochemical Industry	The upgrade of two existing airstrips, in Suai and Viqueque
Beaço LNG Plant	A highway connecting project locations along the south coast (Suai-Betano-Beaço)

The Government of Timor-Leste, as the proponent of the Tasi Mane integrated project, will finance some of these projects, such as the basic infrastructures, e.g. Suai supply base and airport.

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

Suai Supply Base

The Suai Supply Base (SSB) facility constitutes an important role within Timor-Leste's government Strategic Development Plan (SDP) and is recognized as a notable project and landmark in the south coast.



SSB Facilities layout

Considering that, the SSB facilities as one of a key national project for Timor-Leste, the government through the Ministry of Petroleum and Mineral Resources (MPRM) has developed the stages of the implementation of the Tasi Mane Projects. Part of it, is the construction of SSB logistics and marine facilities in Suai, situated in Camanasa, Municipality of Covalima. Besides that, it will support all of petroleum activities in Timor-Leste Exclusive Area (TLEA) and Joint Petroleum Development Area (JPDA) and its vicinity, as well as commercial and industrial's business activities.

It will also serve as an entry point to accommodate the supply chain management of other two planned industrial clusters activities in Betano's refinery and petrochemical complex and Beaço's LNG plant.

Suai Integrated Facilities Layout (SSB, Airport, Highway and Nova Suai)

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

- Land facilities – operations building, covered warehouses, mini shore bases, fuel tank farm, water storage tanks, waste management system, parking areas, recreational and community facilities, and others;
- Marine facilities - three jetty structures consisted of main jetty, barge jetty and LCT Ramp supported with a tug boat berth, passenger boat berth and a shore connected rock breakwater in order to provide shelter from the waves, creating a safe, calm and protected harbor for the facility;
- Social impact - the Suai cluster will be a platform in driving and stipulating a job creation opportunities, generating hundreds of new jobs, support a national economic development, and potentially to upgrade skills of local workforce in areas such as steel fabrication, marine and civil construction, mechanical and electrical engineering, etc. Furthermore, other non-oil industries, such as commercial fisheries, are expected to be incorporated to the SSB marine shore facilities, especially in the east area of the breakwater; and
- Environmental issues – the Environmental Impact Assessment (EIA) for the SSB was conducted in 2012, including its public consultations ("socializasaun") on the project. The Environmental License was granted in 2013 and renewed in June 2015.

Suai Supply Base Procurement and Construction Process

During 2013 and 2014, TIMOR GAP, on behalf of the project owner (MPRM) had initiated the tender process of the SSB project through the National Procurement Commission (NPC) and assisted by the consultant Eastlog. NPC is the Government body responsible for the tender process until approval of the contract by the Audit Chamber. The SSB project is an international public tender with aim to select a qualified contractor for the design and build contract. Subsequently, this tender process reached its final stage and a further endorsement in the Council of Minister, NPC announced the intent to award of the SSB Design-Build Contract to Hyundai (HDEC-HEC) Consortium (South Korea) in June 2015, which was accompanied by the issuance of the Letter of Award (LOA).

The Design-Build Contract for the Suai Supply Base was signed between the Government of Timor-Leste and Hyundai on 27th August 2015. The signing ceremony was organized by TIMOR GAP in coordination with NPC. Afterwards, the Design-Build Contract was submitted to the Audit Chamber by NPC for further approval before entering to construction phase of the SSB project when issuing the Notice to Proceed (NTP) by the Employer's consultant.

The Audit Chamber, on 26th October, following the preliminary review procedure, issued a ruling pursuant to which it was decided not to approve the Design-Build Contract. The Government through the Council of Ministers approval has submitted its appeal in November 2015. A final outcome of this process is expected in 2016.

Design-Build Contract signing ceremony between the Government of Timor-Leste and Hyundai

Land Title Clearance

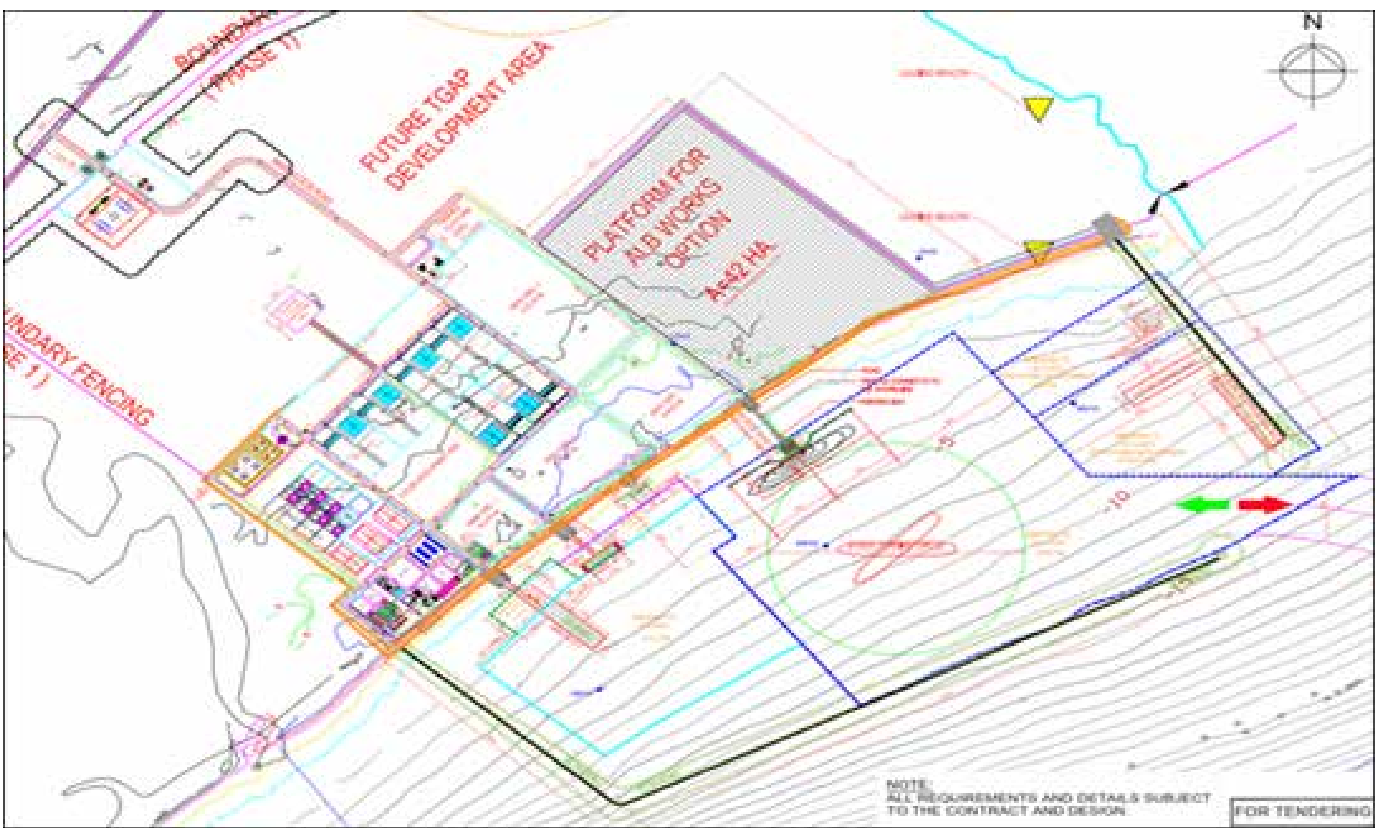
In 2015, TIMOR GAP continued its participation in the land identification process and in close coordination with the Inter-ministerial Working Group (Ekipa Konjunta Interministerial Alargado), proceeding with the second stage of the program for compensation of land and properties. In September, inter-ministerial meetings and a field trip were conducted by TIMOR GAP, for the data re-verification and signing of agreements for the second stage of compensation, which consist of 230 parcels of land and 18 subsidies of livestock, in a total area of 178 hectares.

In the first and second stage of the compensation were cleared a total area of 326 hectares out of 1,113 hectares.

Suai Supply Base Rescheduled Masterplan

The Reschedule Masterplan of the SSB was carried out by the project owner through its consultant in order to integrate other marine facilities needs that were previously planned for the Betano refinery cluster. In this case, the TIMOR GAP as Employer's representative and the Eastlog, as project consultant had finalized this SSB rescheduled masterplan proposal and its scope changes. The SSB scope changes comprised of an additional scope for liquid berth jetty and dredging works, and it was acknowledged by the NPC and afterwards approved by the Council of Ministers, through Government Resolution No. 19/2014 for the SSB rescheduled masterplan in July 2014.

With the Rescheduled Masterplan, it encompasses a change in the scope of the works to be executed, where it was required an increase of the quantum and the level of engineering resources for the supervision of the works, with a period extension so as to be consistent with the Design-Build Contract. Therefore, and in order to accommodate these additional requirements, Eastlog requested to amend the current Consultancy Agreement for the SSB construction supervision. After intensive discussion and sought third party (technical & legal) opinion and consulted with relevant Governments Institution regarding Eastlog's proposal to revise the current Agreement, it was agreed to amend the current Agreement in October. The Amendment No. 2 to the Consultancy Agreement was approved by the Council of Ministers on 12th October and signed on 15th October between the Government of Timor-Leste and Eastlog Project Limited. Following its signature, the Amendment No. 2 was submitted to the Audit Chamber for approval. However, its approval was postponed due to the Design-Build Contract that has not yet been approved.



SSB revised master plan, with the additional liquid jetty and required dredging to –14m ACD

Regulation on Commercial Explosive Materials

The Suai Supply Base project will require the use of explosive materials during its construction stage especially dealing with quarry blasting needs. Therefore, the purpose of establishing a regulation is to ensure the public safety and security during the process of import, transportation, storage and utilization of explosive materials. The establishment of the regulation was drafted by a working group composed from TIMOR GAP, MPRM and the Ministry of Interior.

TIMOR GAP initiated and coordinated in the process of drafting a Regulation of Commercial Explosive Materials and actively participating in meetings and discussions. A final draft was accomplished by the end the year of 2015. Thus, the early year of 2016 will be subject to a final review from a larger inter-ministerial team that consists of Customs, SEMA, DNTT, and other relevant institutions.

Nova Suai

Nova Suai will support the development of supply base activities. It will house oil and gas companies' staff, contractors, support companies and visitors. Nova Suai will include several multi-family residences and employee dormitories in a 213 ha of land, as it will also accommodate the general population.

In 2014, TIMOR GAP commenced to seek a partnership with investors or private companies for planning and developing the industrial state adjacent to the Suai supply base and Nova Suai. In 2015 there were works with potential partners to study the possibility of developing and financing commercially this new town.

Suai Airport Upgrade

The Suai airport is located between Matai and Holbelis, Covalima district, at a distance of 202 km from Dili and 15 Km from Suai town.

Suai Airport design

The Suai airport will be upgraded to provide for expanded passenger and freight services for the petroleum industry. The airport runway will be expanded (1,500m), with a new terminal building and a hangar shelter for helicopters.

The airport project is based on International Civil Aviation Organization (ICAO) standards and the rehabilitation has the main purpose of allowing safe operations of light airplanes and helicopters to support petroleum activities and supply base operations, thus benefiting the companies working on oil and gas platforms, the Tasi Mane project, and the communities living in the south coast. The upgrade will also contribute to social and economic development and creation of new job opportunities.

Pursuant to a Cooperation Protocol between Ministry of Petroleum and Mineral Resources (MPRM) and Ministry of Transport and Communication (previous Ministry of Public Works, Transport and Communications) in 2014, the former became responsible for community liaison, land title clearance and construction of infrastructure facilities for the support of Suai Airport, while the latter is the body responsible for the construction and supervision of the airport.

The land and properties compensation process for the Suai airport and the support infrastructure facilities was mostly completed in 2015.

Suai Airport Construction Process

Following a procurement process, the contract for the Suai airport construction project was awarded to the Indonesian company PT Waskita Karya. The construction commenced on May 2014, progressing throughout 2015 and involving a total of 372 employees by the end of the year.

During its construction, a Project Management Unit composed by representatives of MPRM, TIMOR GAP and Ministry of Public Works, Transport and Communications (MOPTC), was established, aiming to monitor, accompany and report the physical progress of airport construction, including the technical administration.

From top to bottom (left to right): Suai airport design; Suai airport construction progress; Runway total area.

Construction of Infrastructure Facilities for the Support of Suai Airport

CHL Industries Unipessoal, Lda has been commissioned to develop a masterplan and housing design for the resident of Lohorai and Holbelis villages, where will be required to resettle to allow for planned expansion of Suai airport. The masterplan design was completed in the beginning of 2014 and the contract for the construction of infrastructure facilities for the support of Suai airport was signed between MPRM and CHL by the end of 2014.

The house designs selected will provide a quality living environment, making the most of the thermal properties of the *tijolu kesi* walls (produced locally), whilst also being fast and affordable to build using low skilled labor. The houses will provide good levels of sanitation, security and comfort, and reflect the qualities inherent in the traditional local architecture.

This construction project also involves the setup of a Training Centre for the Production and Construction, which was established in May 2015. The Training Centre aims to produce local building materials such as *tijolu kesi* (soil bricks), while providing training to people from affected communities in construction and production of the above building materials.

The project foresees the construction of 72 new houses to be built in two stages: the first stage comprises 25 new houses, that commenced in 2015, involving a work force of 124 local employees and also encompasses the construction of a road. By the end of the year, 87% for the 25 new houses and 26% for road and drainage was the progress and construction report.

The construction of infrastructure facilities for the support of Suai airport is expected to be completed in the third quarter of 2016.

From left to right: The master plan for airport project and support infrastructure facilities in Suai; Master plan design for the infrastructure facilities.


Construction progress of the infrastructure facilities for the support of Suai airport

Betano Refinery and Petrochemical Complex

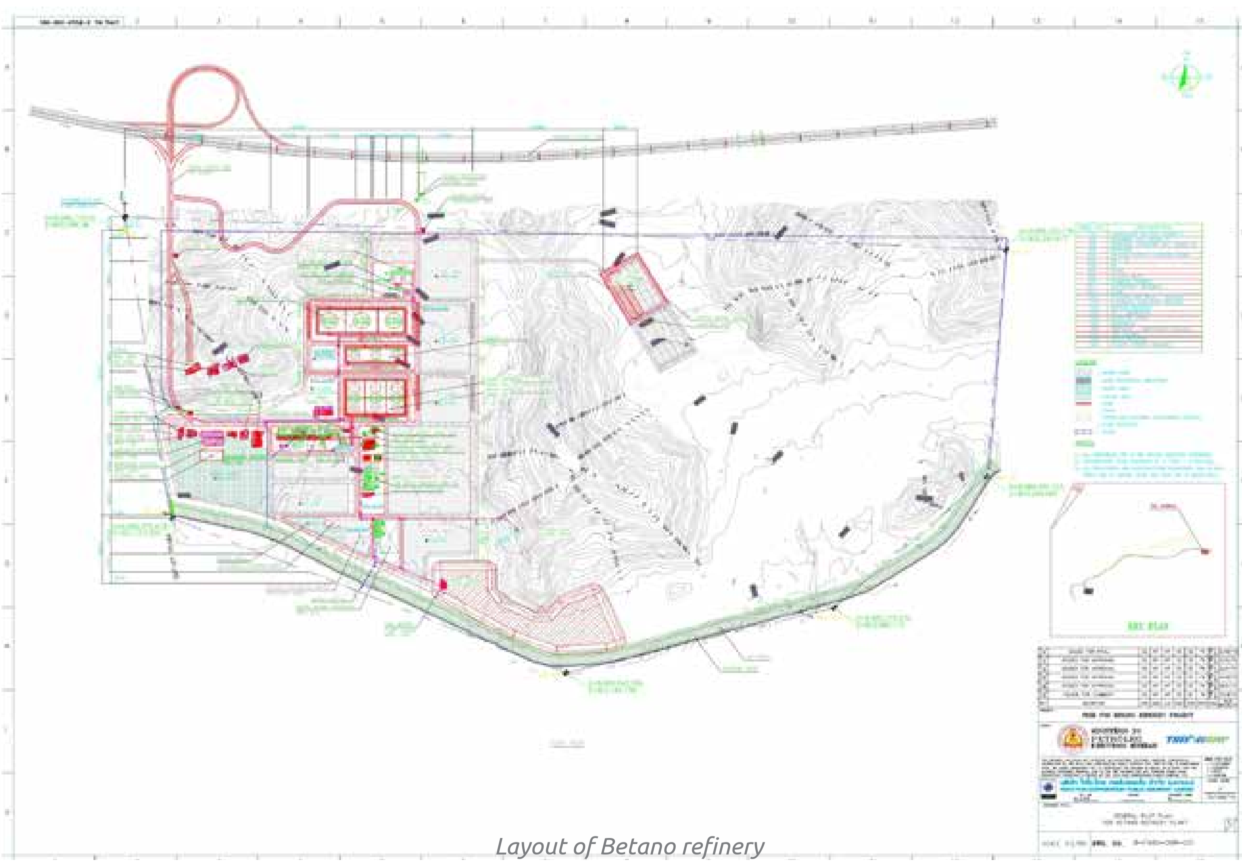
A petroleum Refinery and Petrochemical Complex are planned as the second industrial cluster of the Tasi Mane project, to be located in Betano (Manufahi district, 70 km south from Dili), with the objective of processing petroleum from the fields offshore and onshore Timor-Leste.

These complex facilities are projected to enable the production of fuels, fertilizers, pesticides and other petrochemical products that are currently imported. The refinery project comprises three phases: a refinery producing naphtha, diesel, gasoline and LPG in the short term, expanding to produce reformer in the medium term, and expanding further into a petrochemical complex, producing aromatics in the long term. The initial phase will establish a relatively small size refinery (condensate splitter plant) with a capacity of 30,000 barrels per day (bpd), with the viability to progressively increase its capacity to 100,000 bpd.

The main objective of this project is to capture more added value on Timor-Leste's condensate or light crude oil. The main field producing in Timor Sea is Bayu-Undan, while other fields, in particular Greater Sunrise, can be developed in the future, which can become the feedstock for Betano Refinery.

The refinery cluster in Betano will be established through a commercial venture which TIMOR GAP being driver of development. It is also planned that the development of this cluster will be supported by the construction of a new city, the Nova Betano.

The stakeholder consultation for the Betano refinery project was led, by then, Secretary of State for Natural Resources (SERN) with TIMOR GAP's participation and a Strategic Environmental Impact Assessment (SEIA) was completed in 2012.



Layout of Betano refinery

Betano Refinery Studies

Under the Memorandum of Understanding (MoU) and Joint Cooperation Agreement (JCA) signed between TIMOR GAP and PTT Thailand, the two Companies are jointly conducting the feasibility studies for Betano refinery project which includes Front End Engineering Design (FEED) & Cost Estimation, Land Survey, Land Development, Market Study and Environmental Impact Assessment/Health Impact Assessment (EIA/HIA). Most of these studies were completed in 2014, except EIA/HIA which was instigated at the end of 2015 and will continue into 2016.

Environment Impact Assessment Study

The Environment Impact Assessment (EIA) Study for Betano refinery project was approved and launched in July 2015, with 18 companies showing their interest to the project. The Pre-Bid Meeting for EIA was then conducted on August, in TIMOR GAP's office. By the closing date on 26th August, which was followed by the Technical Bid Opening, from the 8 proposal submitted, 7 proposals were considered as eligible, passing through preliminary examination.

From the 7 proposals considered as eligible, 3 bidders were considered to pass the minimum technical passing score and recommended to proceed with the Financial Bid Opening and further evaluation:

- TEAM – ATT;
- PT. Hatfield Indonesia; and
- GHD Pty Ltd.

The Financial Bid Opening took place on the 27th October. Continuing the procurement process, the EIA study was awarded to TEAM – ATT, with a Letter of Award issued in December.

The execution of the EIA study will take place in 2016.

Land Title Identification

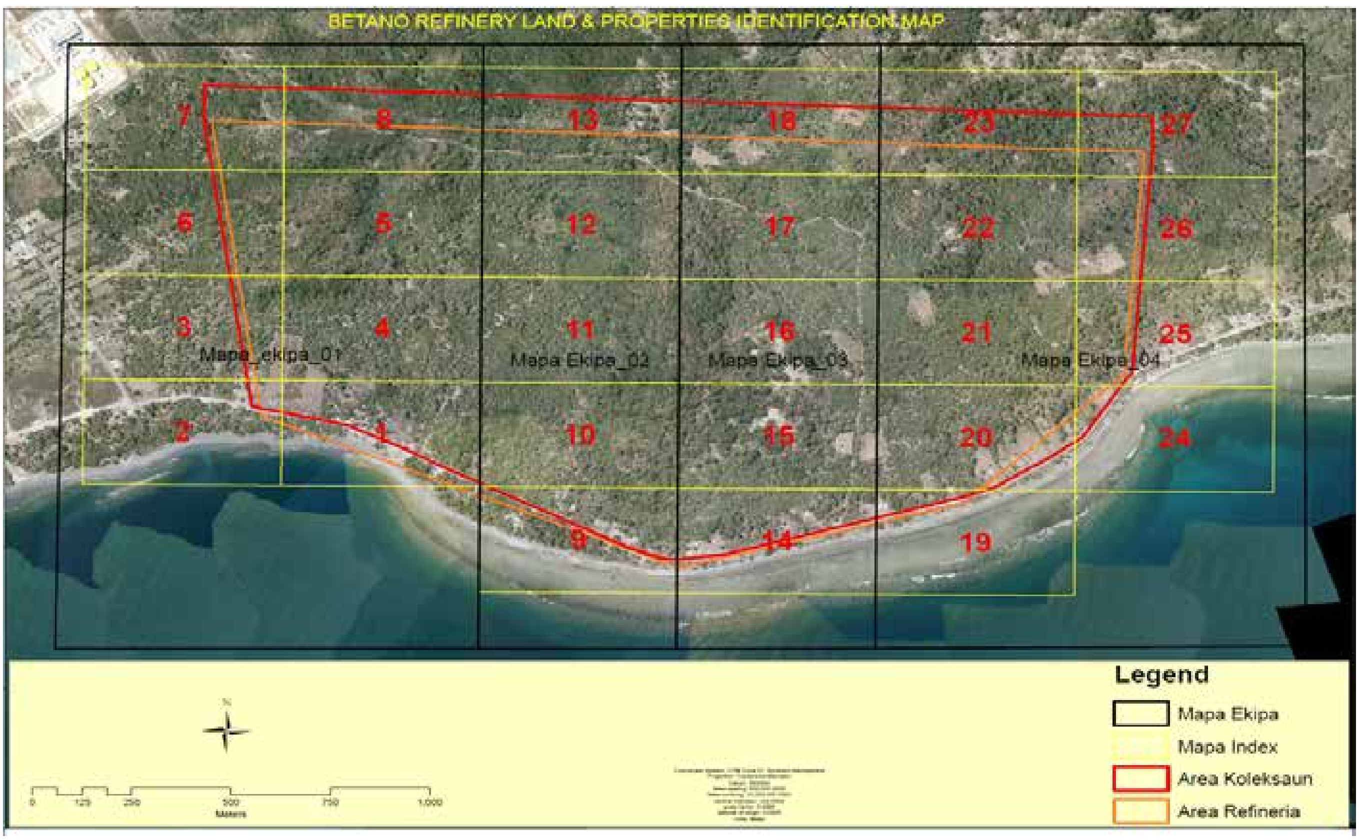
Land title identification and socialization for the refinery project in Betano

In 2015, TIMOR GAP initiated the land title identification process for the refinery site in Betano. A High Level Inter-Ministerial meeting was held in June, followed by a Technical Inter-Ministerial Team meeting in August. The Team is composed of representatives from the relevant ministers (MPRM -TIMOR GAP as lead, MoJ – Secretary State for Land & Properties, Ministry of Agriculture, Ministry of Interior, Ministry of State Administration and Ministry of Tourism - Secretary of State for Culture), including also the participation of community leaders, veterans and traditional leaders.

The socialization for land title identification was conducted on July in Betano, with an approximately attendance of 500 locals. The objective was to inform people of the refinery project and the upcoming phase of land identification and ensure that the project was understood by local communities, with benefits highlighted and concerns addressed.

The land title identification took place in October, with a total of 191 hectares identified by the Inter-Ministerial Team, consisting of 150 land parcels. The refinery and petrochemical complex's construction will require a total area of 253 hectares, which shelters houses, plantations, livestock and areas with cultural and archaeological value. In addition, a construction of a weir facility is also planned for the Betano project in order to channel the water for the refinery operations, which will require a total area of 8 hectares.

The land title identification database was then completed and a report prepared, which will be disseminated to the relevant stakeholders. The final report is planned to be submitted to the Council of Ministers for approval in early 2016.



Betano refinery land & properties identification map

Investment Appraisal for the Project

A Final Investment Decision (FID) for the Betano Refinery is still to be made. In addition to the partnership with PTT Thailand on the refinery project, TIMOR GAP is also seeking for other potential investors to be involved, and in that regard, meetings have been held with Andrade Gutierrez throughout 2015, where seen as a potential investor and EPC contractor.

On the subject of feedstock for the refinery, the project is expecting condensate production from Bayu-Undan field and in the future, from Greater Sunrise, and other fields in the Timor Sea and onshore.

LNG Plant in Beaço

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

The Front End Engineering Design (FEED) studies for the Gas Pipeline and Marine Facility were completed in 2013.

The Beaço industrial cluster project comprises:

- Gas pipeline;
- LNG plant;
- Marine facility;
- Nova Viqueque & Nova Beaço towns; and
- Upgrade of the Viqueque airstrip

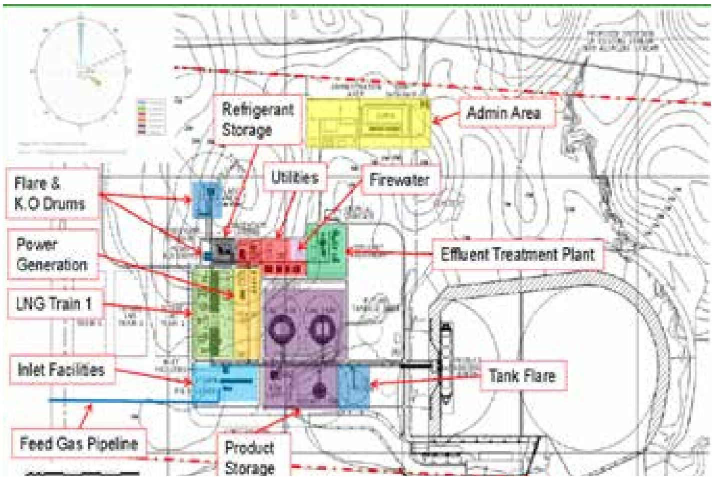
From top to bottom: LNG Plant Layout; Marine facility design

LNG Plant

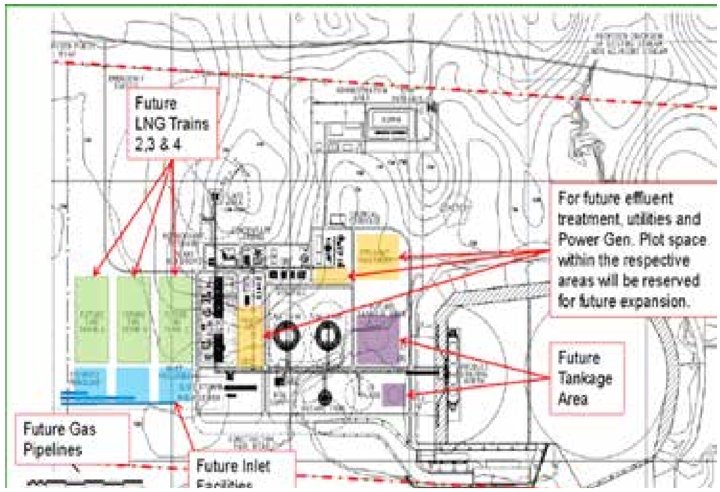
Both the pre-feasibility study and conceptual study for the LNG plant were completed in 2010. The findings of the studies indicated the viability of LNG plants with an initial capacity of 5 MTPA, and a possible future expansion of up to 20 MTPA.

Following the completion of the procurement process conducted by Government's National Procurement Commission (NPC) and supported by TIMOR GAP, the Pre- Front End Engineering Design (Pre-FEED) Contract for the LNG Plant was awarded to the company Amec Foster Wheeler (AFW), based in Reading, United Kingdom. The Letter of Award was issued to AFW and followed by the Contract signing between the Minister of Petroleum and Mineral Resources and AFW.

By the end of 2015, about 95% of the project was completed. An LNG Operation Specialist from PT Badak NGL was also engaged in 2015 to assist TIMOR GAP in the oversight of Pre-FEED study by AFW.



LNG Plant site layout development – plant areas (1st train)



LNG Plant site layout development – future areas (2nd, 3rd and 4th trains)

Community Liaisons

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

Following the representatives of Beaço community's 2014 comparative study to Suai project area, at the request of the Beaço Community, in 2015, TIMOR GAP and MPRM have been working closely with the community of Beaço to implement the SOLS' English language training in Beaço. Throughout the year, various discussions and meetings were held in Beaço with the key stakeholders, consisting of MPRM, SOLS representatives and community leaders, in order to support and ensure the establishment of the training centres as well as the basic housing for the teachers.

A contract between MPRM and SOLS for the delivery of language training was secured and the construction of the training centre and teachers housing was undertaken in 2015. The commencement of the SOLS training is expected to start in early 2016.

Nova Beaço and Nova Knua's

Throughout 2015, we continued supporting the activities of the Beaço community related to new access road to Nova Knua's – Knua Makaliku and Knua Kailoibere – and further discussions on site verifications with the community leaders were undertaken. Other supporting activities being undertaken included locating the water sources – Beaço spring and Ulu-Ira Spring – in order to supply Nova Knua's and Nova Beaço in the future.

From left to right: Newly opened access road to the proposed area for Nova Beaco & Nova Knua's ; SAS Technician undertaking manual measurement of water flow rate at Ulu-Ira Spring

Highway

To support the development of the Tasi Mane Project, it is planned that a road along the south coast, connecting the three industrial clusters from Suai to Beaço, will be built in stages according to logistic and economic necessities.

Following a tender process for construction of the highway and its supervision, the process was submitted to the Council of Ministers for approval, resulting in the awarding of China Overseas Engineering Group Co.,Ltd. in joint venture with China Railway First Group Co., Ltd. (COVEC – CRFG JV) with a construction contract for the phase one of the highway project.

The projected highway has a distance of 151.66 km and is split into four sections:

1. **Suai – Fatucai /Mola;**
2. **Fatucai/Mola – Betano;**
3. **Betano – Clacuc;**
4. **Clacuc – Beaço.**

The design speed is 100km/h for flat areas (and 60 km/h for mountain area), with as estimated travel time from Suai to Beaço of around 2 hours.

Highway Design

Land Title Clearance

In 2015, TIMOR GAP proceed with its participation in the land title identification and clearance process, in close collaboration with an inter-ministerial team, for the phase one of the highway project, namely the construction of the section 1: Suai – Zumalai (33 Km).

In that aspect, inter-ministerial meetings and a field trip were conducted by the inter-ministerial team for the socialization and consultation with the Suai community. In May, the land title identification process was concluded and the results were published in the Sucos Debos, Ogues, Matai, Labarai, Belecasac, Beco, Tashilin and Zumalai for review and verification process.

Throughout August and September, a field trip was held in order to carry on with the agreements signature between the Government, represented by National Directorate of Land and Properties (Direção Nacional de Terras e Propriedades – DNTP), and the land title holders, with a total of signed agreements as follow:

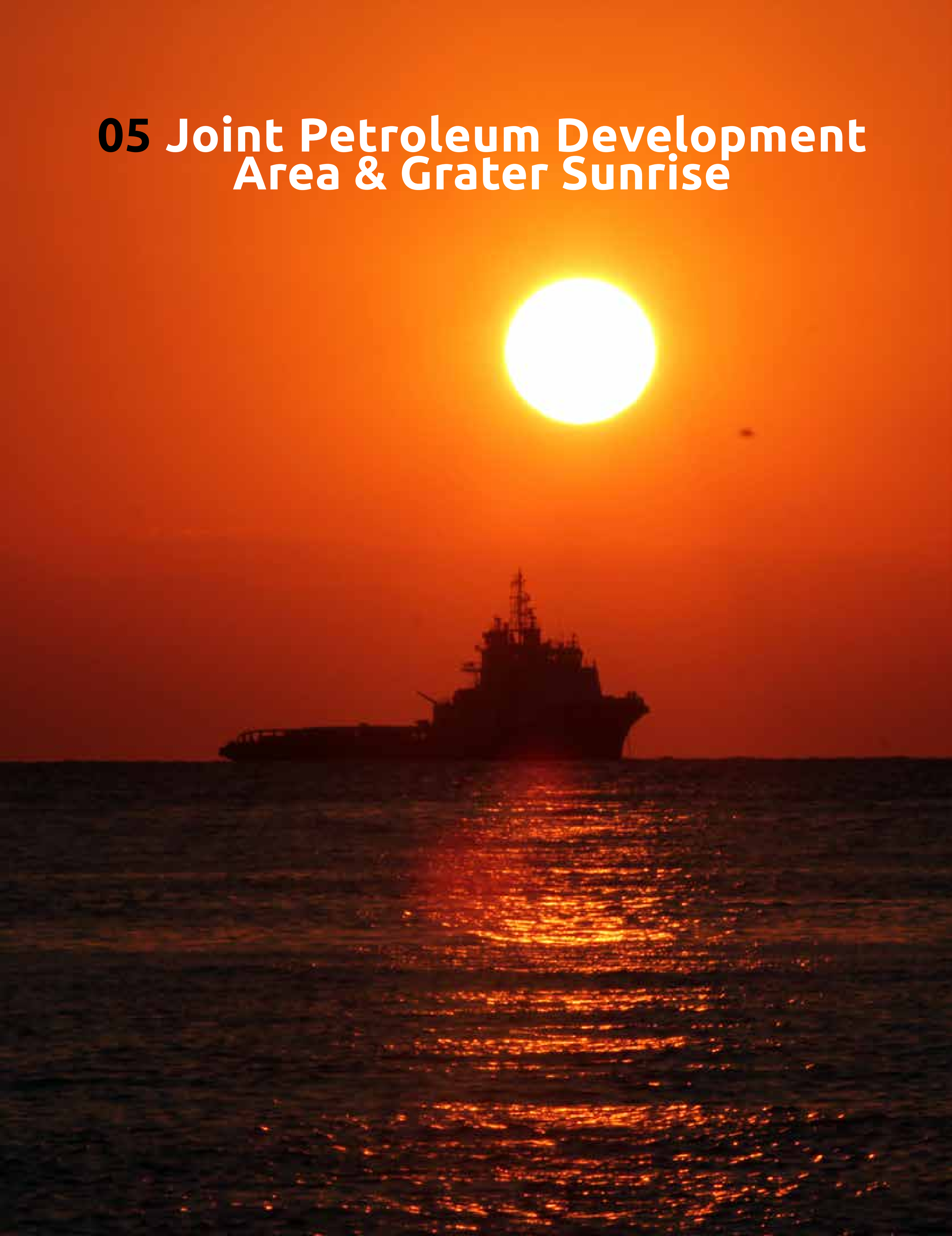
- Suco Matai: 72 agreements;
- Suco Labarai: 157 agreements;
- Suco Belecasac: 2 agreements;
- Suco Tashilin: 90 agreements;
- Suco Beco: 160 agreements; and
- Suco Zulo & Raimea: 88 agreements.

A total number of 532 contracts were submitted to Major Projects Secretariat (MPS) for appraisal, consisting of 511 contracts for land and properties and 21 contracts of livestock. The submission of few contracts is still pending due to re-alignment issues and the existence of oils seeps in some areas. By the end of December, the payment process for 515 contracts was completed.

By the end of the year, the constructor equipment mobilization for the section 1 (Suai- Zumalai) was accomplished and the construction of temporary jetty and access road to Suai Loro was completed.

The construction of the section 1 of the highway project is planned to commence in the first quarter of 2016.

05 Joint Petroleum Development Area & Grater Sunrise



Besides developing petroleum activities and managing the projects mentioned in previous sections related to Tasi Mane, TIMOR GAP as the national oil company supports the Government's goal to build a gas pipeline from Greater Sunrise field to Beaço on the south coast of Timor-Leste, as well as to build a LNG plant to process the natural gas onshore.
The Sunrise and Troubadour gas and condensate fields, collectively known as the Greater Sunrise fields, are located in the Timor Sea, 140 km south-east of Timor-Leste and 450 km north-west Australia. They were discovered in 1974. Our company provides advice and participates in the Joint Commission and Sunrise Commission, along with Government officials from Timor-Leste, the Autoridade Nacional do Petróleo (ANP) and Australia.

Joint Commission

The Timor Sea Treaty was signed with Australia on the first day of Timor-Leste's independence, 20th May 2002. Article 6 (c) of the Timor Sea Treaty provides for the establishment of a Joint Commission to create policies and regulations regarding petroleum activities in the Joint Petroleum Development Area (JPDA), which is jointly administered by Timor-Leste and Australia, and to oversee the work of the Designated Authority (ANP).

The Joint Commission consists of two Commissioners appointed by Timor-Leste and one Commissioner by Australia and each of them may be represented by their nominated alternate. The Commission should meet regularly on a quarterly basis and the meetings may be requested by each Commissioner or the ANP.

The President & CEO of TIMOR GAP, Mr. Francisco da Costa Monteiro, is one of the Timor Sea Treaty Joint Commission members. Mr. António de Sousa, Vice-President of TIMOR GAP, is the other Timor-Leste's JPDA Commissioner. The alternate Commissioners are Mr. Vicente Lacerda and Mr. Domingos Lequisiga who are the Executive Committee members and Unit Directors at TIMOR GAP.

44th Joint Commission Meeting

The following Joint Commission meetings were held in 2015:

- 42nd Joint Commission meeting on 14th April, in Dili;
- 43rd Joint Commission meeting on 12th and 13th August, in Cairns;
- 44th Joint Commission meeting on 2nd December, in Dili.

Similar to last year, Timor-Leste emphasized commission meetings had no prejudice to the Certain Maritime Arrangements in Timor Sea (CMATS) arbitration and the Goverment to Goverment discussions.

Sunrise Commission

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

The IUA agreement came into force on February in 2007 and article 9 provides for the establishment of a Sunrise Commission to facilitate the implementation of the agreement and consult on issues related to the exploration and exploitation of petroleum in the unit area.

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

The President & CEO of TIMOR GAP, Mr. Francisco Monteiro, represents Timor-Leste in the Sunrise Commission, and Mr. António de Sousa (Vice-President) is the alternate Commissioner.

Meetings in 2015:

- The 16th Sunrise Commission meeting was held in 13th April, in Dili;
- The 17th Sunrise Commission meeting was held in 14th August, in Cairns.

Similar to 2014, due to the CMATS arbitration process, no major meetings were held nor were relevant decisions taken in what regards Sunrise project.

16th Sunrise Commission Meeting

Dream BIG

06 Governance

Board of Directors

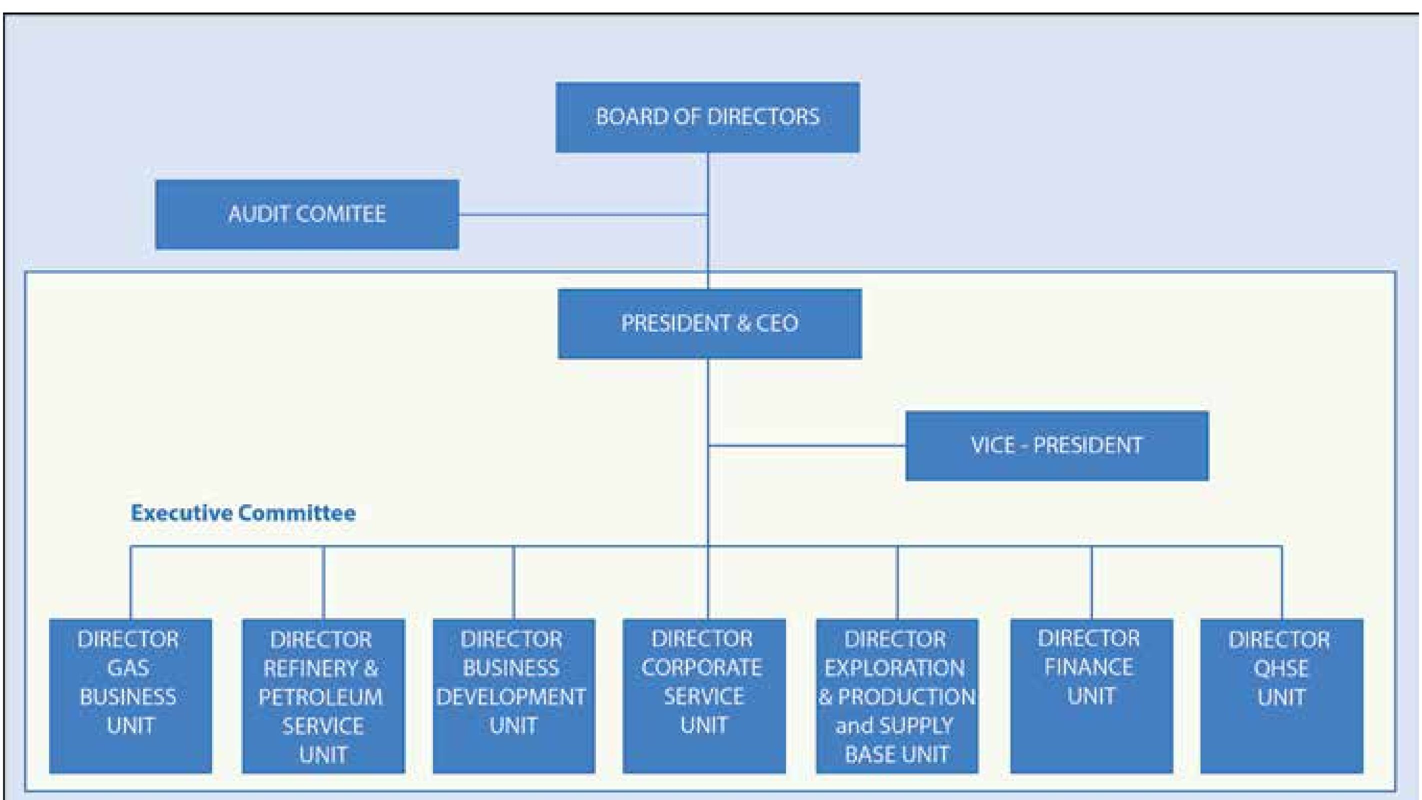
The Board of Directors (BOD) is the highest body in TIMOR GAP, responsible for defining directions, policies and management.
Under Decree Law no. 31/2011, of 27th July, the President of the BOD is appointed by the Government body responsible for the petroleum sector, with the approval of the Council of Ministers. In October 2011, Mr. Francisco Monteiro was appointed as the President of the Board and Chief Executive Officer (CEO) for a mandate of 4 years. In 2015, the Council of Ministers approved the reappointment of Mr. Francisco Monteiro as President of the Board of Directors and CEO of TIMOR GAP, E.P., for a new 4 year mandate, until October 2019.
The remaining Board members were also appointed in October 2011, shortly after the establishment of the company: Ms. Norberta Soares da Costa, Mr. Dino Gandara and Mr. António de Sousa, who was also nominated as Vice-President in September 2014.

Some of the main responsibilities of the BOD are:

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

Executive Committee

The Executive Committee (EC) is our corporate body that exercises daily management according to the goals and strategies of the Board of Directors.



TIMOR GAP's Corporate Structure

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

President & CEO
Mr. Francisco da Costa Monteiro

Vice-President
Mr. António de Sousa

Director of Corporate Service Unit
Ms. Jacinta Paula Bernardo

Director of Business Development Unit
Mr. Luís Martins

Director of Exploration & Production and Supply Base Unit
Mr. Vicente Lacerda

Director of Refinery and Petroleum Services Unit
Mr. Vicente Pinto

Director of Gas Business Unit
Mr. Domingos Lequi Siga

Director of Finance Unit
Mr. Henrique Monteiro

Director of Quality, Health, Safety and Environment Unit
Mr. Rony da Costa

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

"We Value and Add Value to the Reources"

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 13 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 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 10 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 6 years of experience in the areas of minerals, oil and gas, policy advocacy, management and administration in the fields of petroleum and mineral resources. Currently Ms. Costa is the Director General for Corporate Service of the Ministry of Finance in Timor-Leste.

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 9 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 new subsidiary TIMOR GAP Offshore Block, established in December 2015.

Luís Martins
Director - Busines 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 5 years of experience in both technical and management skills within the oil and gas sector under the Secretariat of State for Natural Resources (SERN) of Timor-Leste. Prior to joining SERN, he held managerial position at the UN Agency as well as other international organizations in the country. Currently he is the Director of BDU, which main responsibilities are to search and seize opportunities for the development of petroleum related industries and services.

Domingos Lequi Siga
Director - Gas Business Unit

Mr. Domingos Lequi Siga received in 2006 a BSc in Natural Resources & Environmental Management from University of Hawaii at Manoa, Honolulu, USA. In 2008-2009, he was awarded a Fulbright Scholarship to pursue his MSc in Energy Management from New York Institute of Technology. Mr. Lequi Siga has over 10 years of experience in both technical and managerial skills within the oil and gas sector under the Secretariat of State for Natural Resources (SERN) of Timor-Leste. 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 10 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 and Supply Base 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 16 years of experience in the oil & gas industry in both technical and management skills. He started his career in 1998 as Officer- Geologist at the Regional Department of Mines and Energy in Timor-Leste, Dili. He is Director of EP&SBU at TIMOR GAP.

Henrique Monteiro
Director - Finance Unit

Mr. Henrique Monteiro graduated from Griffith University, Brisbane, Australia, with a Master in Banking and Finance. He started his career in 2000 at the United Nations Agency and holds 15 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 ANP performing the role of corporate finance manager. In 2015, he became the Director of Finance Unit at TIMOR GAP.

Rony da Costa
Director - Quality, Health, Safety and Environment Unit

Mr. Rony da Costa graduated in 2011 from Massey University, New Zealand, with a Master of Environmental Management. He has 10 years of experience performing technical and management roles in areas such as Waste Management, Environmental Management System, Geographic Information System (GIS) and Quality, Health, Safety and Environment (QHSE). Mr. Rony da Costa commenced his career in 2006 as a Manager of GIS database at Ministry of Agriculture and Fisheries (MAF). Prior to joining SERN, Mr. Costa was a national consultant at the United Nations Development Program (UNDP). Currently, he is Director of QHSEU at TIMOR GAP.

Jacinta Paula Bernardo
Director - Corporate Service Unit

Ms. Jacinta Paula Bernardo graduated from Monash University, Melbourne, Australia with a degree in Business and Commerce, double major in Human Resources Management and Management, minor in Tourism Management. Ms. Bernardo worked for more than 10 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 holds the position of Director of Corporate Service at TIMOR GAP, whose main responsibilities are to manage and coordinate all business activities such as Human Resources Management, Procurement Management, Information and Communications Technology (ICT) and General Administration. In 2015, Ms. Bernardo was nominated by the Government of Timor-Leste to be a Commissioner for Civil Service Commission for the second mandate. Recently, she has appointed as one of the Board Member for TIMOR GAP Offshore Block, a Subsidiary of TIMOR GAP, E.P.

Governance Framework

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.

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.

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.

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. Timor-Leste's government invited civil society and industry to nominate representatives to form a multi-stakeholder group (MSG) in 2007. The then Secretary of State for Natural Resources, currently Minister of Petroleum and Mineral Resources (MPRM), H.E. Mr. Alfredo Pires, was designated focal point of the EITI process in Timor-Leste and chairs the MSG. He is also one of the Board Members of EITI International.

The petroleum revenue management department of the Ministry of Finance provides advice on transparency and accountability in accordance with the EITI and participates along with TIMOR GAP as the state owned enterprise in the national working group on the EITI. In June 2012, six months after the start of operations, we became one of the few national oil companies in the world supporting the EITI.

The MSG created the TL-EITI Secretariat office, which has been functioning since 2008 and is under the MPRM. The Secretariat supports the activities of the MSG, and organizes trainings, workshops and seminars. It ensures that the TL-EITI reports are publicly available and comprehensible.

The MSG holds monthly meetings, bringing together representatives from the government (MPRM, ANP, Central Bank of Timor-Leste, Ministry of Finance), petroleum industry including TIMOR GAP as the national oil company and international oil companies, civil society and international organizations.

Launching of the 5th TL-EITI report

Throughout 2015, TIMOR GAP continued actively involved in the EITI, participating in several meetings and workshops. Besides the MSG monthly meeting, in which TIMOR GAP participates, this year brought the following highlights:

- January - TIMOR GAP participated in the MSG workshop for the pre-validation of the TL-EITI report for 2012 and preparation for the second validation for 2015, held in Dili. Following the workshop, on 30th January, TIMOR GAP received the Regional Director EITI International Secretariat, Ms Dyveke Rogan;

- February - on 6th February, TIMOR GAP participated on the launch of the 5th TL-EITI report, with the presence of Ms. Clare Short, Chair of the EITI, H.E. Minister Alfredo Pires, TL-EITI Secretariat National Coordinator, and representatives from ConocoPhillips and Civil Society;

- June – as a MSG member, we participated with the Regional EITI Workshop MSG Members and National Coordinators, in Manila, Philippines;

- September - meeting with Solomon Island Multi-Stakeholder Group (SI MSG) delegation.

07 Commentary on the Financial Result

Set out below are the audited consolidated financial statements of TIMOR GAP group for the year ended 31 December 2015. This is the group's fourth trading period. TIMOR GAP has adopted International Financial Reporting Standards (IFRS) to ensure that reporting is based on a well-recognized framework

Grant Funding

During the current year a grant of $9.7 million (2014 : $5 million) was provided by the Government to fund the 2015 operations of the company including to carry out some related studies on asset evaluation and transaction support on the Sunrise Reserve.

Revenue

As in previous years the government grant of $9.7 million (2014 : $5 million) forms the majority of TIMOR GAP's revenue for the year 2015. In addition to the government funding the company earned contract fixed service fees during the year of $28,922 (2014 : $183,431). These monies were received in advance from the Government and are being released over the life of the contract on the percentage completion method based on costs incurred against the total contract value. (See sub-sections on Contract 1/2012 and Contract 2/2012 below).

The company is a 60% quota holder GAP-MHS Aviation Lda (GAP-MHS). During the 2015 financial year dividends were received of $1,357,038 by TIMOR GAP (2014 : $1,409,400). GAP-MHS continued to be profitable but marginally declined and contributed $403,861 (2014 : $854,719) to the consolidated results of the group.

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 at year end.

Contract 2/2012

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

The contract has five main components which include the following:

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

In the current year no further funds were received from the Government of Timor-Leste for either of these projects as the full contract value less the withholding taxes had been received in 2012 and 2013. During 2015, a further $371,626 (2014 : $2,738,741) was expended on the projects primarily to pay the contractors for the various phases of the project.

The project contract fixed service fee is only recognized as income based on the percentage of costs incurred to date on the project compared to the total costs expected. During 2015, $28,921 (2014 : $183,431) was earned as revenue from this contract.

At year end $1,018,341 (2014 : $1,389,967) remained of the funds received for use in 2016 when the projects are expected to be completed.

Project Expenses

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

- Suai Supply Base
- Suai Airport project
- Greater Sunrise upstream concept review and feasibility study
- Asset evaluation and transaction support project
- Highway project
- New venture – open area exploration

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

Financial Results

Comprehensive Profit/Loss for the Year

The company's operating profit/loss for the year ended 31 December 2015 amounted to $1,616,525 (2014 : -$1,820,968) prior to TIMOR GAP receiving a dividend of $1,357,038 (2014: $1,409,400) from GAP-MHS increasing TIMOR GAP's comprehensive profit/loss to $2,973,563 (2014: -$411,568).

On a group basis the operating profit/loss for the year ended 31 December 2015 of $1,616,153 (2014: -$1,766,735) was increased by the 60% share of the GAP-MHS's result of $403,861 (2014: $854,719) to a comprehensive profit/loss on a group basis of $2,020,014 (2014: -$912,017).

The profit/surplus incurred to date have improved the deteriorating of the total Capital received in 2012 at the Company level with the company now having an equity of $1,878,562 (2014: - $1,095,003). Due to the profitability of GAP-MHS, it strengthen the total equity at a group level to $2,079,466 (2014: $59,452). During the year, the income received has exceeded the operational expenses. Nevertheless, the company was not in a taxable position due to the accumulated tax losses at the beginning of the year of $599,200 (2014: $392,161), which was superior to the taxable profit in the current year at 10% of $160,840. The company's accumulated tax losses at the end of the year was $438,361 (2014: $599,200).

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

Depreciation and Amortisation Expense

During the period TIMOR GAP has additions to property plant and equipment worth $239,213 (2014: $455,273) as set out in Note 7, and additions of $350,865 (2014: $548,294) of computer software explained in note 8 to the financial statements.

As set out in the accounting policies TIMOR GAP has adopted the straight line method of accounting for depreciation and amortisation over the expected useful lives of the assets from the date they were acquired. During 2015 depreciation of property plant and equipment amounted to $441,150 (2014: $416,473), and for computer software the amortization for the year was $140,798 (2014: $68,720). The increase in the amortization amount was due to the additional software (Eclipse & Petrel, Hampson Russel Avo, and IP Software) purchased in 2015 and in use by the Exploration and Production Unit

Employee Costs/Expenses

At 31 December 2015 TIMOR GAP had a staff complement of 117 employees (2014 – 101 employees). Costs for staff increased from $1,966,208 in 2014 to $2,578,714 in 2015. The increase in costs is mainly due to the additional recruitment and a grading exercise implemented during the year based on the approved career development plan (Performance Management Policy) which streamlined the rates of pay per grade

Impairment of loan account

TIMOR GAP owns 100% of TIMOR GAP PSC 11-106 Unipessoal as required by the law and the contract. This special purpose company is party to a Joint Venture in the JPDA. TIMOR GAP entered into the Joint Operating Agreement in which it is not obliged to contribute costs incurred for the joint account during the exploration phase.

TIMOR GAP PSC 11-106 has incurred its own costs which are outside of those incurred by the joint account. As the development plan has not been approved yet there is no expected income for this company in the immediate future. As a result the costs incurred by the company which were paid for by TIMOR GAP and included as a loan account has been impaired until such time as recovery of the costs is probable. The amount impaired in the current year amounted $268,954 in the financial statements of TIMOR GAP.

Other expenses

The most significant “other expenses” for the year ended 31 December 2015 include the following items:

	$	$
	2015	**2014**
Office Rent	807,934	796,303
Organization promotion	56,141	64,229
Telephone & internet	163,325	155,966
Training & conferences	76,932	87,849
Travel & expenses	609,124	584,862

Office rent has increased due to the annual escalation rate of 3% of the rental fees as per outlined from the contract agreement.

Organisation promotion expenses included participation at various Government expositions. In 2015, TIMOR GAP E.P., participated in some government expositions that took place both nationally and internationally.

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

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.

Taxation

TIMOR GAP is subject to the Taxes and Duties Act of 2008. In the current year there is no income taxation payable due to the loss that the company has incurred.

The company has deducted and paid or accrued withholding taxes on payments to employees and suppliers at the appropriate rates. During 2015 a total of $594,467 (2014: $541,524) was paid in withholding taxes.

Statement of Financial Position

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 $1,761,009 (2014: $1,239,020) and include prepayments and receivables of $59,584 (2014: $129,510), the rental and other deposits of $195,914 (2014: $196,029). At year end 2015 cash at the bank amounted to $1,169,511 (2014: $577,482)

As set out in Note 20, the financial statements has been prepared on the going concern basis, which assumes the realisation of assets and the discharge of liabilities in the normal course of business. The company incurred a net profit before tax of $2,973,563 (2014: -$411,568) (consolidated: $2,020,014) during the year ended December 31, 2015 and, as of that date, the Company's current liabilities exceeded its current assets by $230,295 (2014: $2,745,917) (consolidated: $221,214) and the company had an equity of $1,878,562.

As a young national oil company, TIMOR GAP is reliant on government grants to sustain its operations until such time as the company grows its business to be become suficiently 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.

we value
we value
and add
to the resources

08 Financial Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2015.

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
Revenue					
Revenue from government grant	5	9,700,000	5,000,000	9,700,000	5,000,000
Fixed contract service fees	5	28,922	183,431	28,922	183,431
Marine Oil Terminal fees	5	-	140,205	-	140,205
Gross profit on sale of fuel	5	-	16,000	-	16,000
Gross profit on lease of marine oil terminal	5	-	64,987	-	64,987
Total revenue		**9,728,922**	**5,404,623**	**9,728,922**	**5,404,623**
Expenses					
Project expenses		(1,899,846)	(2,056,452)	(1,899,846)	(2,056,452)
Depreciation and amortization expense	7 & 8	(581,948)	(485,193)	(581,948)	(485,193)
Employee costs		(2,578,714)	(1,966,208)	(2,578,714)	(1,966,208)
Impairment of loan account	16	-	-	-	(268,954)
Other expenses		(3,052,260)	(2,663,505)	(3,051,888)	(2,448,784)
Total expenses		**(8,112,769)**	**(7,171,358)**	**(8,112,397)**	**(7,225,591)**
Operating Profit/ (Loss)		1,616,153	(1,766,735)	1,616,525	(1,820,968)
Dividend received from associate		-	-	1,357,038	1,409,400
Share of profit of associate	10	403,861	854,719	-	-
Profit /(Loss) before tax		2,020,014	(912,017)	2,973,563	(411,568)
Income tax expense	6	-	-	-	-
Profit / (Loss) for the period		2,020,014	(912,017)	2,973,563	(411,568)
Other comprehensive income		-	-	-	-
Total comprehensive Profit / (Loss)		**2,020,014**	**(912,017)**	**2,973,563**	**(411,568)**
Total comprehensive Profit / Loss attributable to: Controlling interest		2,020,014	(912,017)	-	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015.

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
Assets					
Non-current assets					
Property, plant and equipment	7	786,268	988,205	786,268	988,205
Intangible assets	8	859,774	649,708	859,774	649,708
Capital Work in progress		449,813	-	449,813	-
Investment in subsidiaries	9	-	-	10,000	10,000
Investment in associates	10	204,824	1,158,002	3,000	3,000
		2,300,680	**2,795,915**	**2,108,856**	**1,650,913**
Current assets					
Trade and other receivables	11	591,498	661,539	591,498	661,539
Cash and cash equivalents	12	1,174,592	581,935	1,169,511	577,482
Total current assets		**1,766,090**	**1,243,474**	**1,761,009**	**1,239,021**
Total assets		**4,066,770**	**4,039,389**	**3,869,865**	**2,889,934**
Equity and liabilities					
Equity					
Contributed equity	13	2,500,000	2,500,000	2,500,000	2,500,000
Accumulated losses		(420,534)	(2,440,548)	(621,438)	(3,595,003)
Total equity		**2,079,466**	**59,452**	**1,878,562**	**(1,095,003)**
Current liabilities					
Trade and other payables	14	890,964	2,483,048	894,964	2,488,049
Unearned fixed contract service fees and project advances	15	1,096,340	1,496,888	1,096,340	1,496,888
Total current liabilities		**1,987,304**	**3,979,937**	**1,991,304**	**3,984,937**
Total equity and liabilities		**4,066,770**	**4,039,389**	**3,869,865**	**2,889,934**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
Cash flows from operating activities					
Operating Profit / (Loss)		1,616,153	(1,766,735)	1,616,525	(1,820,968)
Adjustments for:					
Depreciation		441,150	416,473	441,150	416,473
Amortization		140,798	68,720	140,798	68,720
		2,198,101	(1,281,543)	2,198,473	(1,335,775)
Decrease/(increase) in trade receivables	11	70,041	960,289	70,041	1,014,633
Increase / (decrease) in trade and other payables		(1,592,085)	1,506,154	(1,593,085)	1,511,154
Cash generated from operations		676,057	1,184,900	675,429	1,190,011
Income tax paid		-	-	-	-
Net cash from operating activities		**676,057**	**1,184,900**	**675,429**	**1,190,011**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(239,213)	(455,273)	(239,213)	(455,273)
Purchase of intangible assets	8	(350,865)	(548,294)	(350,865)	(548,294)
Increase in Capital Work-in-Progress		(449,813)	-	(449,813)	-
Investment in subsidiary	9	-	-	-	(5,000)
Dividend from associate		1,357,038	1,409,400	1,357,038	1,409,400
Net cash used in investing activities		**317,147**	**405,833**	**317,147**	**400,833**
Cash flows from financing activities					
Increase / (decrease) in project advances		(400,548)	(2,922,172)	(400,548)	(2,922,172)

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
Net cash used in financing activities		**(400,548)**	**(2,922,172)**	**(400,548)**	**(2,922,172)**
Net increase in cash and cash equivalents		592,657	(1,331,440)	592,029	(1,331,328)
Cash & cash equivalents at start of the year		581,935	1,913,375	577,482	1,908,810
Cash & cash equivalents at end of the year		**1,174,592**	**581,935**	**1,169,511**	**577,482**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2015.

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
Transactions with owners of the company Contributed Capital					
- 1 December 2011		2,000,000	2,000,000	2,000,000	2,000,000
- 23 February 2012		500,000	500,000	500,000	500,000
		2,500,000	2,500,000	2,500,000	2,500,000
Consolidated loss and comprehensive loss attributable to equity holders of the parent:					
At the beginning of the period		(2,440,548)	(1,528,532)	(3,595,002)	(3,183,436)
For the period		2,020,014	(912,017)	2,973,563	(411,568)
At the end of the period		(420,534)	(2,440,548)	(621,438)	(3,595,003)
Non-controlling interest		-	-	-	-
Total equity at 31 December		**2,079,466**	**59,452**	**1,878,562**	**(1,095,003)**

Accounting policies and explanatory notes to the Consolidated Financial Statements for the year ended 31 December 2015

1. General information

The Consolidated Financial Statements of the Group, which comprise Timor Gas e Petroleo, Empresa Publica (TIMOR GAP, as the parent) and its subsidiary and associate, for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the directors on XX April 2015.
These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. These Consolidated Financial Statements comprise separate financial statements of the parent entity and Consolidated Financial Statements of the Group. They are presented in United States Dollars (USD or $). The Consolidated Financial Statements have been prepared on a historical cost basis. The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.
  When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it 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 statement of comprehensive income from the date the Group gains control until the date Group ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.
Where the ownership of a subsidiary is less than 100% and, therefore, a Non-Controlling Interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.
Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2. Basis of preparation and accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and gross of any sales- related withholding taxes collected on behalf of the government of Timor-Leste.
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant

relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
Revenue from contract fixed service fee is recognized by reference to the stage of completion of the contract as a percentage of actual expenditure incurred on the project of the total contracted amount.
Sales of Fuel are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Fuel purchased is paid for after receipt of sale proceeds from the customer.
Marine Oil Terminal Lease Income is recognized on price per litre of fuel delivered.

Taxation

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

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

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

Foreign currencies

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest dollar (US $), except where otherwise indicated. The Group does not have any foreign operations.
Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of transaction.
Monetary assets and liabilities denominated in foreign currency are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.
Depreciation is recognized so as to write off the net cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their expected useful life using the straight-line method as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.
Tangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.
Intangible assets are comprised mainly of software products and are amortized over their estimated useful lives.

Impairment of non-financial assets
At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.
if an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments- initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

Derecognition
A financial asset is primarily derecognized when:

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

Impairment of financial assets

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

Financial assets carried at amortized cost

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

Financial liabilities at fair value through profit or loss

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transaction costs.
The Group's financial liabilities are classified, at initial recognition as:

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

Subsequent measurement

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

Derecognition

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

Cash and cash equivalents

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

Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into USD using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Provisions

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

Unearned contract fixed service fees and project advances

Cash received by the company from the Government of Timor-Leste as a project advance and for unearned contract fixed service fees is recognized as a liability on receipt.
The project advance liability is reduced by costs incurred with suppliers of services plus applicable withholding taxes.
The unearned project management fee is reduced by reference to the stage of completion of the contract as a percentage of actual expenditure incurred on the project of the total contracted amount.

3. Significant accounting judgements, estimates and assumptions

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

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

Contingencies
By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

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

4. Significant accounting judgements, estimates and assumptions
4.1 New and revised IFRSs applied with no effect on the financial statements

There are no new and revised IFRSs which have been adopted in these financial statements.

4.2 New and revised IFRS in issue but not yet effective

The company has not applied the following new and revised IFRSs that have been issued but are not yet effective. The Directors of the Company have not yet had an opportunity to consider the potential impact of the adoption of standards and interpretations in issue but not yet effective and anticipate that these amendments will be adopted in the Company's financial statements when they become effective.

Standard/Interpretation	Effective date (periods beginning on or after)
IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5. Revenue and other income

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Revenue and other income				
Government grant	9,700,000	5,000,000	9,700,000	5,000,000
Revenue from fixed contract service fee	28,922	183,431	28,922	183,431
Marine Oil Terminal fees revenue	-	140,205	-	140,205
Revenue	9,728,922	5,323,636	9,728,922	5,323,636
Sales of Fuel	-	800,000	-	800,000
Cost of fuel sold	-	784,000	-	784,000
Gross profit on Sales of Fuel	-	16,000	-	16,000
Marine Oil Terminal Lease Income	-	423,603	-	423,603
Marine Oil Terminal Lease Expenses	-	358,616	-	358,616
Gross profit on Lease of Marine oil Terminal	-	64,987	-	64,987

6. Income tax

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Income tax				
Income tax expense:				
Current income tax:				
Current income tax charge	-	-	-	-
Deferred income tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total tax expense reported in profit or loss	**-**	**-**	**-**	**-**
A reconciliation between tax expense and the accounting profit multiplied by Timor-Leste's domestic tax rate for the year is, as follows:				
Accounting Profit /(Loss) before tax	**2,020,014**	**(912,017)**	**2,973,563**	**(411,568)**
At Timor-Leste's statutory income domestic tax rate of 10%	202,001	(91,202)	297,356	(41,157)
Adjusted for tax effect of:				
Dividend received exempt from tax	-	-	(135,704)	(140,940)
Deferred tax asset due to accelerated depreciation not recognized	(813)	(51,837)	(813)	(51,837)
Deferred tax liability not recognized on impaired loan	-	-	-	26,895
Share of profit of associate exempt from tax	(40,386)	(85,472)	-	-
Current year - taxable Profit /(Loss) at 10%	160,802	(228,511)	160,840	(207,039)
Deferred tax				
Deferred tax relates to the following:				
Current year - taxable profit / (loss) at 10%	160,802	(228,511)	160,840	(207,039)
Accumulated tax losses at beginning of the year taxable loss at 10%	(626,150)	(397,639)	(599,200)	(392,161)
Accumulated tax losses at end of the year taxable loss at 10%	(465,348)	(626,150)	(438,361)	(599,200)

The group is yet to show a profit and is reliant on Government funding and therefore no deferred tax asset has been recognized.

7. Property, plant & equipment

	Leasehold Improvements	Plant & Equipment	Furniture, fixtures, & fittings	Motor Vehicles	Total
	$	$	$	$	$
Year ended 31 December 2015					
Cost:					
Balance at beginning of year	465,543	596,442	409,996	565,425	2,037,406
Additions	-	149,450	2,649	87,115	239,213
Balance at end of year	465,543	745,892	412,645	652,540	2,276,619
Amortization:					
Balance at beginning of year	(234,985)	(382,675)	(214,208)	(217,333)	(1,049,201)
Charge for the period	(134,837)	(131,852)	(82,461)	(92,000)	(441,150)
Balance at end of year	(369,822)	(514,527)	(296,669)	(309,333)	(1,490,351)
Book Value at beginning of year	230,559	213,766	195,788	348,092	988,205
Book Value at end of year	95,721	231,365	115,976	343,207	786,268
Year ended 31 December 2014					
Cost:					
Balance at beginning of year	317,000	430,289	313,749	521,095	1,582,132
Additions	148,543	166,153	96,247	44,330	455,273
Balance at end of year	465,543	596,442	409,996	565,425	2,037,406
Amortization:					
Balance at beginning of year	(147,818)	(220,955)	(135,127)	(128,829)	(632,727)
Charge for the period	(87,167)	(161,721)	(79,081)	(88,504)	(416,473)
Balance at end of year	(234,985)	(382,675)	(214,208)	(217,333)	(1,049,200)
Book Value at beginning of year	169,182	209,334	178,622	392,266	949,405
Book Value at end of year	230,559	213,766	195,788	348,092	988,205

8. Intangible Assets

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Cost:				
Balance at beginning of year	805,425	257,131	805,425	257,131
Additions	350,865	548,294	350,865	548,294
Balance at end of year	1,156,290	805,425	1,156,290	805,425
Amortization:				
Balance at beginning of year	(155,717)	(86,997)	(155,717)	(86,997)
Charge for period	(140,798)	(68,720)	(140,798)	(68,720)
Balance at end of year	(296,515)	(155,717)	(296,515)	(155,717)
Net Book Value at beginning of year	649,708	170,134	649,708	170,134
Net Book Value at end of year	859,774	649,708	859,774	649,708

9. Investment in Subsidiaries

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
The Company holds a 100% interest in a dormant Timor Leste incorporated entity, TIMOR GAP Marine Oil & Gas & Logistic Services, Unipessoal, Lda which it acquired in September 2014 at a cost of:	-	-	5,000	5,000
The Company holds a 100% interest in a Timor Leste incorporated entity, TIMOR GAP PSC 11-106, Unipessoal, Lda which it acquired in July 2014 at a cost of:	-	-	5,000	5,000
	-	-	10,000	10,000
Disclosure of Subsidiary Company operations During 2013 the company entered into a Joint Operating Agreement with ENI JPDA 11-106 B.V. and Inpex Offshore Timor-Leste Ltd with respect to Contract Area JPDA 11-106 Joint Petroleum Development Area, Timor Sea. In terms of the agreement TIMOR GAP PSC 11-106, Unipessoal, Lda is not obligated to contribute to costs incurred for the joint account for its carried interest. Its share of such costs are borne by the carrying parties (ENI and Inpex) proportionately. Each carrying party will recover its prorated share of its costs, with an uplift, from TIMOR GAP PSC 11-106. Unipessoal, Lda after the Designated authority approves a development plan and subject to other conditions specified in the agreement. The company's share of the Joint Operating Agreement is 24%.				
Total approved authority for expenditure			13,861,000	8,370,000
Unaudited expenditure incurred since commencement			(8,579,933)	(4,110,901)
Unspent at year end	-	-	5,281,067	4,259,099
Unaudited contributions by the carrying parties since commencement	-	-	8,094,652	4,822,324

10. Investment in Associate

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
The Company holds an 60% interest in a Timor-Leste incorporated entity, GAP MHS Aviation Lda, and the remaining 40% interest is held by MHS Aviation (Timor-Leste) Lda.				
The activities of GAP MHS Aviation Lda are to provide logistical and support services for the operations of MHS Aviation (TL) Lda who provide aviation services and facilities to other parties.				
The Group's interest in GAP MHS Aviation Lda is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in GAP MHS Aviation Lda:				
Current assets	3,918,747	7,100,196		
Non-current assets	177,153	574,828		
Current liabilities	(3,754,526)	(5,745,021)		
Equity	341,374	1,930,003	-	-
Proportion of the Group's ownership	60%	60%		
Carrying amount of the investment	204,824	1,158,002		
Revenue	5,060,722	12,275,681		
Cost of sales	(1,064,859)	(6,755,109)		
Administrative expenses	(3,054,140)	(3,305,347)		
Other income	4,953	1,173		
Profit before tax	946,677	2,216,398	-	-
Income tax expense	(273,576)	(791,867)		
Profit for the year (continuing operations)	673,101	1,424,531	-	-
Group's share of profit for the year	403,861	854,719	-	-
The 60% interest held by TIMOR GAP E.P. was acquired by the Company in July 2012 at a cost of			3,000	3,000

11. Trade and Other Receivables

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Trade receivables	-	-	-	-
Payments made on behalf of subsidiary	-	-	-	-
Other receivables and prepayments	59,584	129,510	59,584	129,510
Withholding taxes recoverable	336,000	336,000	336,000	336,000
Refundable deposits	195,914	196,029	195,914	196,029
	591,498	**661,539**	**591,498**	**661,539**

12. Cash & Cash Equivalents

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Cash at banks and on hand	1,174,592	581,935	1,169,511	577,482

13. Contributed Capital

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
The initial capital was subscribed and paid by appropriation from the				
General State budget of the Government of the Republic of Timor-Leste in the following tranches:				
- 1 December 2011	2,000,000	2,000,000	2,000,000	2,000,000
- 23 February 2012	500,000	500,000	500,000	500,000
	2,500,000	**2,500,000**	**2,500,000**	**2,500,000**

14. Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Trade payables	213,906	274,609	213,906	274,609
Other payables	396,862	2,002,235	396,862	2,002,235
Withholding taxes payable	235,419	169,720	235,419	169,720
Lanpan 6 joint venture	44,777	36,486	44,777	36,486
Amount owed to associate company	-	-	-	-
Amount owed to subsidiary company	-	-	4,000	5,000
	890,964	**2,483,049**	**894,964**	**2,488,049**

Terms and conditions of the above financial liabilities:

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

15. Unearned fixed contract service fees and advances

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Unearned fixed contract service fee at beginning of period	106,921	290,352	106,921	290,352
Cash received net of 4% withholding taxes	-	-	-	-
Withholding taxes treated as an advance payment of income tax	-	-	-	-
Contract fixed service fees earned based on the degree of completion of the projects	(28,921)	(183,431)	(28,921)	(183,431)
Unearned contract fixed fee at end of the year	78,000	106,921	78,000	106,921
Advances at beginning of period	1,389,967	4,128,708	1,389,967	4,128,708
Cash received for contractors' net of 4% withholding taxes	-		-	-
Withholding taxes treated as an advance payment of income tax	-		-	-
Amounts disbursed and accruing to contractors	(371,626)	(2,738,741)	(371,626)	(2,738,741)
Advances at end of the year	1,018,341	1,389,967	1,018,341	1,389,967
Unearned contract fixed service fees and advances	1,096,340	1,496,888	1,096,340	1,496,888

16. Related Party Transactions

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Compensation of key management personnel				
Salaries and annual allowance	611,458	391,100	611,458	391,100
Due by related parties:				
TIMOR GAP PSC 11-106, Unipessoal, Lda	-	-	268,954	268,954
Impairment of loan account	-	-	(268,954)	(268,954)
Due to related parties:				
Timor Gap Marine Oil & Gas & Logistic Services, Unipessoal, Lda	4,000	5,000	4,000	5,000
GAP MHS (Aviation) Lda	-	700,000	-	700,000

17. Financial Instruments

a) Financial risk management objectives and policies

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

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

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

b) Net fair value of financial assets and liabilities

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

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

c) Foreign Exchange Risk

The Company generally operates using United States denominated currency held in US dollar bank account. TIMOR GAP E.P. is exposed to foreign exchange risk with respect to the Australian Dollar arising primarily from amounts owing to suppliers denominated in foreign currencies.

d) Credit Risk

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

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

e) Liquidity Risk

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

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

f) Categories of Financial Instruments

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

Financial assets	Group		Company	
	2015	2014	2015	2014
Trade and other receivables	591,498	661,539	591,498	661,539
Cash and cash equivalents	1,174,592	581,935	1,169,511	577,482
Total financial assets	**1,766,090**	**1,243,474**	**1,761,009**	**1,239,021**
Financial liabilities				
Trade and other payables	890,964	2,483,048	894,964	2,488,049
Unearned contract fixed service fees and project advances	1,096,340	1,496,888	1,096,340	1,496,888
Total financial liabilities	**1,987,304**	**3,979,936**	**1,991,304**	**3,984,937**

g) Maturity of financial instruments

The table below details the Group's expect maturity for it non derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets. No interest will be earned as the company does not have surplus funds.

Financial assets	Group		Company	
	2015	2014	2015	2014
	1 -3	1 -3	1 -3	1 -3
	Months	Months	Months	Months
Trade and other receivables	591,498	661,539	591,498	661,539
Cash and cash equivalents	1,174,592	581,935	1,169,511	577,482
Total financial assets	**1,766,090**	**1,243,474**	**1,761,009**	**1,239,021**

The table below details the Group's financial guarantee contracts are for the maximum the Group could be forced to settle under the arrangement for the full guaranteed amount if the amount is claimed by the counterparty to the guarantee.

Financial liabilities	Group		Company	
	2015	2014	2015	2014
	3 -12	3 -12	3 -12	3 -12
	Months	Months	Months	Months
Trade and other payables	890,964	2,483,048	894,964	2,488,049
Unearned contract fixed service fees and project advances	1,096,340	1,496,888	1,096,340	1,496,888
Total financial liabilities	**1,987,304**	**3,979,936**	**1,991,304**	**3,984,937**

h) Financing Facilities

The Group is reliant on Government Funding for its operations.

18. Contingent Liability

	2015	2014
	$	$
During 2014 the company entered into a Memorandum of Understanding (MOU) with Siglar Offshore Service Unipessoal Lda and SDV Logistics East Timor Unipessoal Lda to provide vessel services to oil and gas entities. Per the MOU the operations initially will operate as an unincorporated Joint Venture 3 partners sharing profits equally.		
A project called "Lanpan 6 " was performed during the year and the company received monies described as their profit share for the period to 31 December 2015 amounting to	44,777	36,486
Subsequently SDV informed the company that due to a misunderstanding with the client that the project may instead incur losses per partner of	40,799	32,847
	85,576	69,333
The misunderstanding is currently under discussion with client and TIMOR GAP has not determined the extent of the loss, if any that it will accept. On this basis at 31 December 2015:		
∞ the company considers a contingent liability exists amounting to	85,576	69,333
∞ the amounts received to date for this project have been treated as a liability	44,777	36,486
Amount that company would have to pay	40,799	32,847

19. Operating Lease Arrangements

Leasing Arrangements

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Operating leases relate to leases of office premises with lease terms of between 1 and 5 years. The operating lease contracts contain clauses for 5-yearly market rental reviews. The Company does not have an option to purchase the leased property at the expiry of the lease periods.				
Payments recognize as an expense				
Minimum Lease payments	749,379	691,722	749,379	691,722
Contingents rentals	-	-	-	-
Sub-lease payments received	-	-	-	-
	749,379	691,722	749,379	691,722
Non-cancelable operating lease commitments				
No Later than 1 year	566,611	712,473	566,611	712,473
Later than 1 year and not later than 5 Years	-	532,892	-	532,892
Later than 5 years	-	-	-	-
	566,611	**1,245,365**	**566,611**	**1,245,365**

20. Going Concern

The financial report has been prepared on the going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of business. The company has earned a net profit of $2,973,563 (Group: $2,020,014) for the year ended 31 December 2015, however as of that date, the company's current liabilities exceeded its current assets by $230,295 (Group: $221,214).

The ability of the company and the group to continue as going concerns is dependent on the receipt of government grants to fund their operations.
The company is engaged in developing the petroleum industry and therefore evaluating identified investment opportunities and opportunities that are brought to its attention. This creates a degree of unpredictability in forecasting expenditure.

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

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

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ANNEX 1

ACRONYMS

ADN	Agência de Desenvolvimento Nacional (National Development Agency)
ANP	Autoridade Nacional do Petróleo (National Petroleum Authority)
BDU	Business Development Unit
Bpd	Barrels Per Day
CEO	Chief Executive Officer
CMATS	Certain Maritime Arrangements in Timor Sea
CNA	Comissão Nacional de Aprovisionamento (National Procurement Commission).
CPLP	Comunidade dos Países de Língua Portuguesa (Communities of Portuguese Speaking Countries)
CPP	Central Processing Platform
CSU	Corporate Service Unit
DMS	Detailed Marine Survey
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EKI	Ekipa Konjunta Interministerial (Inter-ministerial Team)
EP	Empresa Pública (Public Company)
E&P	Exploration and Production
FEED	Front End Engineering Design
FPSO	Floating Production, Storage and Offloading
GBU	Gas Business Unit
GIP	Graduate Internship Program
HSE	Health, Safety and Environment
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
JPDA	Joint Petroleum Development Area
JV	Joint Venture
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MMbbls	Millions of barrels
MOP	Ministério das Obras Públicas (Ministry of Public Works)
MOU	Memorandum of Understanding
MPRM	Ministério do Petróleo e Recursos Minerais (Ministry of Petroleum and Mineral Resources)
MSG	Multi-Stakeholder Group
MTC	Ministério dos Transportes e Comunicações (Ministry of Transport and Communications)
PSC	Production Sharing Contract
QHSE	Quality, Health, Safety and Environment
R&PSU	Refinery and Petroleum Services Unit
SAP	System, Application and Product
SEIA	Strategic Environmental Impact Assessment
SEMA	Secretaria de Estado do Meio Ambiente (Secretary of State for the Environment)
SERN	Secretaria de Estado dos Recursos Naturais Secretary of State for Natural Resources)
SSB	Suai Supply Base
TGSS	TIMOR GAP Seismic Services
TLEA	Timor-Leste Exclusive Area
TLNG	Timor LNG

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