



2017 ANNUAL REPORT



To be a leading petroleum
and mineral regulatory
authority in the region

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FOREWORD



Dear Readers,

On behalf of the Board of the Directors, the Management Committee, and all staff of the National Petroleum and Mineral Authority of Timor-Leste, I am pleased present before you our 2017 Annual Report.

It has always been our commitment to present an annual report which contains information that is actual, verifiable or audited, and clear in order for the public to be well updated on most, if not all, activities conducted within the ANPM's jurisdiction and mandate.

You will note that this report presents a third party financial report which includes corporate finance of the ANPM, fees collected from mineral activities, and the fees and revenues collected from both downstream and upstream petroleum activities respectively within the jurisdiction of the ANPM.

As for the upstream petroleum, the Bayu Undan field continues to be the only active producing field from which Timor-Leste and Australia continue to receive revenues in the forms of profit oil, royalties and taxes in accordance with the Timor Sea Treaty. In addition to the revenues collected, this project has also increasingly offers opportunities for the employment and training of Timor-Leste nationals and permanent residents, and for the supply of goods and services from Timor-Leste. A number of regulatory activities involving inspections and audits to the petroleum activities are also addressed in this report. During the reporting period, two new Production Sharing Contracts were secured to commence, for the first time in history after Timor-Leste's independence, petroleum exploration in onshore.

As for the Downstream Petroleum, the ANPM continues to make its best endeavours to bringing all the existing businesses in the sector which includes supply or trades, storage, distribution and retails of petroleum products into compliance with the established downstream petroleum decree law and all ancillary regulations.

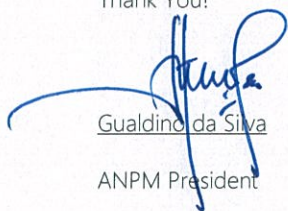
On activities related to the mineral sector, enhanced licensing processes introduced for the extraction of river sands and rocks as aggregates for construction projects has resulted in the improved control in this activities and the increase of fees collected for the state.

As an ongoing effort to better regulating the activities in the petroleum and the mineral sectors, ensure maximum benefits to Timor-Leste, and to better promote investment in the sectors, under the tutelage of the ministries responsible for Mineral and Petroleum sectors and in cooperation with other relevant line ministries, the ANPM continuously seeks to establish laws and regulations for the sectors. These include but not limited to the completion of the Draft Mining Code, and the draft decree laws pertaining to the Onshore Petroleum Activities, the utilisation of explosives for Petroleum and Mineral activities, and the Labour regime for the extractive industries.

A handwritten signature in blue ink, consisting of a stylized 'G' followed by a flourish.

In sum, I sincerely hope that this report could serve as a reference for the readers on the way the mineral and petroleum sectors are managed and regulated in our beloved country of Timor-Leste. All constructive feedback for future reporting are sincerely appreciated.

Thank You!

A handwritten signature in blue ink, appearing to read 'Gualdino da Silva', is written over the printed name. The signature is stylized with a large, sweeping initial 'G'.

Gualdino da Silva

ANPM President

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1. AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS IN BRIEF

Autoridade Nacional do Petróleo e Minerais (ANPM) is Timor-Leste's public institution established under Decree Law No.1/2016 of 9th February, 1st amendment of Decree Law No.20/2008 of 19th June.

ANPM is vested with administrative and financial autonomy to act as regulatory authority for the oil, gas and mineral related activities in accordance with the provisions of the Petroleum Activities Law, Interim Petroleum Mining Code, the Timor Sea Treaty and the Diploma Ministerial of the Minister for Petroleum and Minerals No. 1/2016.

1.1 ANPM REGULATORY JURISDICTION

In the JPDA, ANPM is responsible to the Joint Commission and carry out the day-to-day regulation and management of upstream petroleum activities thru regular supervision and control of petroleum activities including but not limited to health, safety, environmental protection.

In the TLOA, apart from being responsible for the upstream petroleum activities equivalent to those in the JPDA, ANPM is also responsible to regulate downstream petroleum activities which includes supply, processing, storage, transportation, trading and marketing of oil and gas products.

ANPM is also responsible to regulate all phases of mineral activities in the country which includes reconnaissance, exploration, development, exploitation, processing, treatment, transportation, and commercialization of mineral resources.

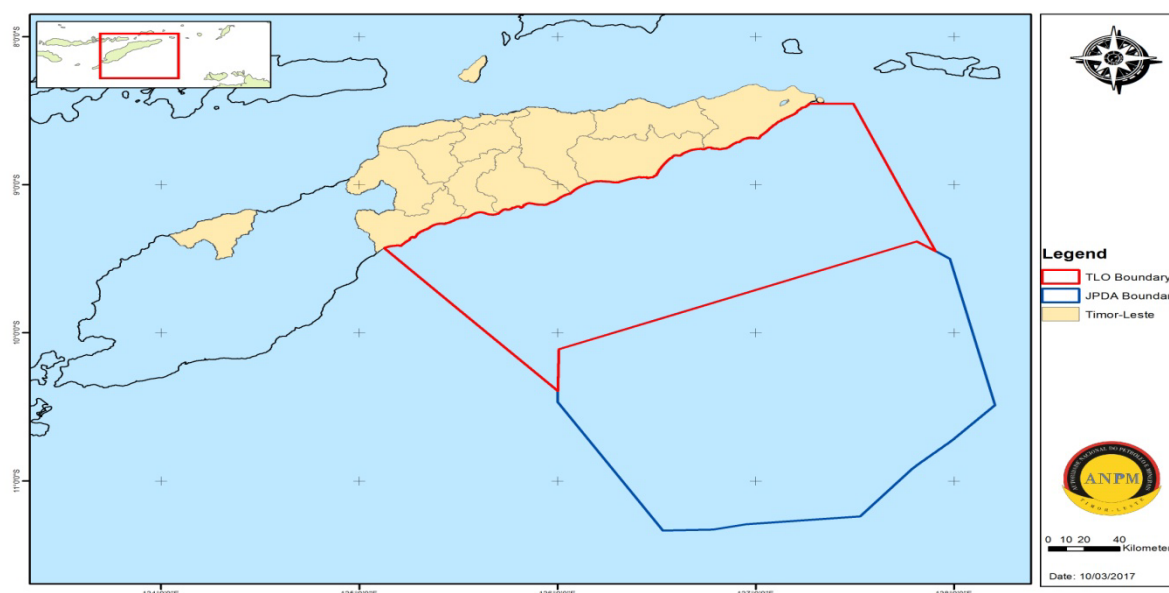


FIGURE 1: ANPM JURISDICTIONAL AREAS

1.2 VALUES, VISION, MISSION AND GOALS



OUR VALUES

Collaboration

To conduct efficient and effective collaboration among (i) ANPM's internal Directorates, and (ii) with its stakeholders.

Openness

Honesty and transparency – underpinned by a culture of trust and respect.

Unity

ANPM promotes and displays a high degree of teamwork and integration of its employees and Directorates. Whilst appreciating and respecting the cultural and intellectual diversity of the individuals that work within it, the ANPM is united in its ambition to become a world class organization in Timor-Leste.

Responsibility

As true leaders, ANPM team members take full responsibility for the results of their actions.

Accountability

ANPM and its team members are fully accountable for their ethical standards, behavior and performance at all times. Furthermore the ANPM is accountable for the governments of Timor-Leste. In performing the task in and for the JPDA, the ANPM is accountable for Timor-Leste and Australia.

Global view

Whilst operations for the ANPM reside in Timor-Leste, its view is a global one. It works with and coordinates activities with operators that are multi-national in nature, size and scope.

Excellence

In line with developing a world class organization, the ANPM believes in excellence – in everything that it does.

OUR VISION & MISSION

Our Vision

- To be a leading petroleum and mineral regulatory authority in the region and a model for institutional development in Timor-Leste.

Our Mission

- To Maximize revenue and multiply economic benefits;
- To maximize the participation of Timor-Leste in the development of its petroleum and mineral sectors;
- To promote best Health, Safety and Environmental practices;
- To develop the institutional capacity of the Timor-Leste petroleum and mineral sectors.

OUR GOALS

Ensure that petroleum and mineral resources are effectively explored, developed, managed and regulated;

Ensure that economic benefits are delivered to the contracting states;

Maximize employment opportunities for Timor-Leste nationals;

Develop organizational excellence;

Promote and ensure best HSE practices;

Regulate all downstream petroleum activities in Timor-Leste;

Maximize economic activities of petroleum and mineral sectors in Timor-Leste;

1.3 ORGANIZATIONAL STRUCTURE AND DEVELOPMENT

STRUCTURE

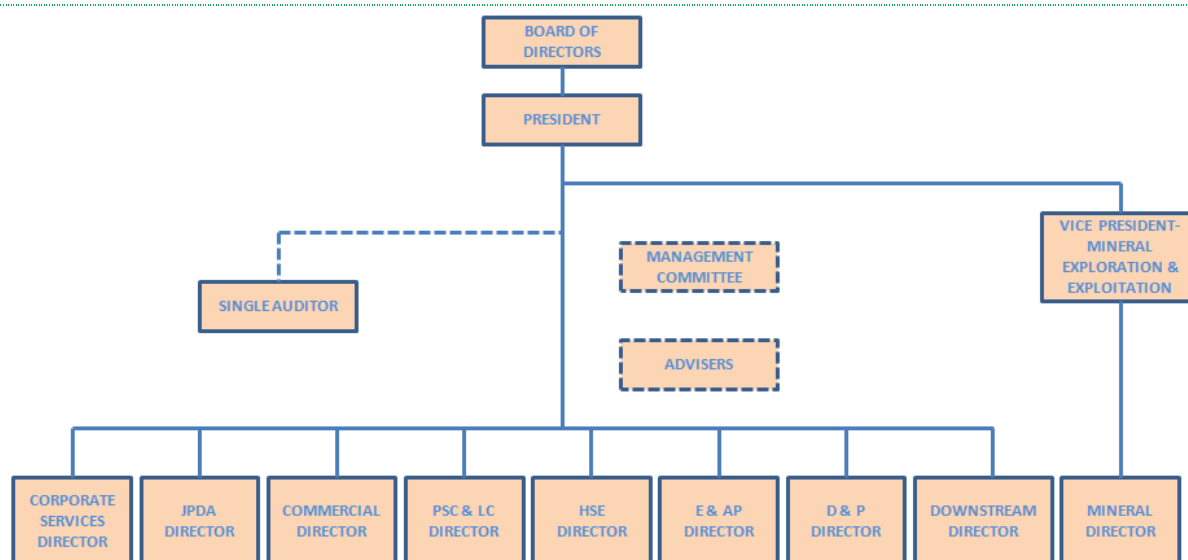


CHART 1: ANPM ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS (BoD)

ANPM Board of Directors in 2017 composed of:

Gualdino da Silva ,BEng(GeoEng) Hons.	Chairman
Jorge Dasilaku Martins, Msc	Non executive member
Jose Manuel Gonçalves, BEng(MiningEng)	Executive member
Angelo Lay, MCom	Executive member
Nelson de Jesus, SE	Executive member

This composition based on ANPM Decree Law article 7.

BoD is responsible for defining directions and policies for the ANPM. In doing so, the board is responsible for approving internal regulations, strategic directions, technical regulations and directives under the Petroleum Act and approving ANPM's consolidated work plan and budget as prescribed under Article 8 of the ANPM decree law.

SINGLE AUDITOR

The roles and functions of the Single Auditor (SA) are stipulated under Article 12 and 14 of the Decree Law on the establishment of the ANPM. The Single Auditor is the organ responsible for monitoring legality, regularity, and proper financial and patrimonial management of the ANPM.

MANAGEMENT COMMITTEE

Management committee is chaired by the President which consists of the vice president and all executive directors. The Management committee holds meeting at least once in a month to address day-to-day management of the ANPM and regulate all petroleum and mineral activities within its jurisdiction.

Jose Manuel Gonçalves, BEng (MiningEng)	Vice President - Mineral Exploration & Exploitation
Dionisio Martins, SE, MSc	Director - Corporate Services
Florentino Soares Ferreira, BSc. (Hons.) MS	Director - JPDA
Emanuel Angelo Lay, Mcom	Director - Commercial
Fernando da Silva, ST, MEDEA	Director - Development and Production
Verawati Corte Real de Oliveira, BSc	Director - Health Safety and Environment
Mateus da Costa, MSc	Director - Exploration and Acreage Release
Rosentino Amado Hei, SH	Director - PSC and Legal Compliance
Nelson de Jesus, SE	Director - Downstream

1.4 MAJOR ACHIEVEMENTS AND PROJECTS HIGHLIGHTS IN 2017

TIMOR-LESTE ONSHORE PRODUCTION SHARING CONTRACTS (PSCs) SIGNING

Considering the importance of Petroleum resources for the National Strategic Development, there is a need to increase oil and gas exploration activities in the Territory of Timor-Leste. On April 7th, 2017, ANPM awarded two Onshore Production Sharing Contracts (PSCs); TL-OT-17-08 and TL-OT-17-09 to TIMOR GAP Onshore Block, Unipessoal, Lda (a subsidiary of TIMOR GAP, E.P.) and its partner the TIMOR RESOURCES PTY LTD.

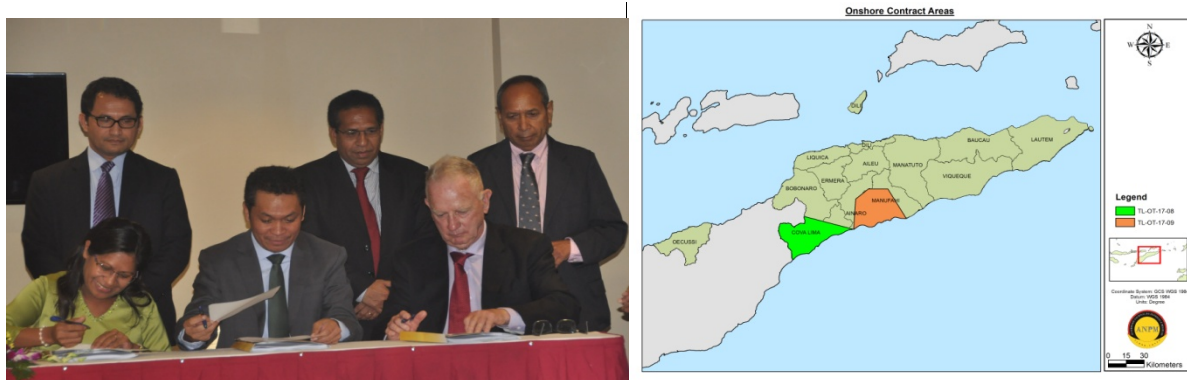


FIGURE 2: SIGNING OF ONSHORE PSCs & MAPS OF BLOCK A AND C OF PSCs

PUBLIC CONSULTATION ON DRAFT ONSHORE DECREE LAW FOR PETROLEUM OPERATIONS

During 2017, ANPM conducted public consultation on Draft Onshore Decree Law for Petroleum in all regions of Timor-Leste.



FIGURE 3: PUBLIC CONSULTATION AND TV TALK SHOW ON DRAFT ONSHORE DECREE LAW OF PETROLEUM

ESTABLISHMENT OF ANPM NEW DATA CENTER

In mid 2017, ANPM established a functioning ANPM's New Data Center in the new office at the Ministry of Finance Building.



FIGURE 4: NEW DATA CENTER ESTABLISHED IN ANPM NEW OFFICE AT MOF

LAUNCHING FIRST PHASE CONSTRUCTION OF NATIONAL LIBRARY

In August 2017, ANPM in cooperation with Eni JPDA Pty Ltd, the Ministry of Tourism and Secretariat Estate of Culture through Ministry of Petroleum and Mineral Resources launched the first phase of the construction of National Library in Dili. The project is associated with the development of KITAN oil field.



FIGURE 5: LAUNCHING OF FIRST PHASE OF CONSTRUCTION OF NATIONAL LIBRARY

1.5 JOINT COMMISSION AND SUNRISE COMMISSION

MEMBERS OF THE TIMOR SEA TREATY JOINT COMMISSION IN 2017

- | | |
|-----------------------------------|------------------------------------|
| • Mr. Francisco da Costa Monteiro | Timor-Leste |
| • Mr. Antonio de Sousa Loyola | Timor-Leste |
| • Mr. Bruce Wilson | Australia |
| • Mr. Domingos Lequisiga | Timor-Leste alternate Commissioner |
| • Mr. Vicente Lacerda | Timor-Leste alternate Commissioner |

One Joint Commission Meetings were held in 2017

- 47th JCM on 27th April 2017 in Australia

MEMBERS OF THE SUNRISE COMMISSION IN 2017

- Bruce Wilson Australia
- Francisco da Costa Monteiro Timor-Leste

During 2017, no Sunrise Commission Meeting.

1.6 ANPM HUMAN RESOURCE DEVELOPMENT



FIGURE 6: ANPM'S STAFF PARTICIPATED IN TRAINING

ANPM has invested significantly to its staffs capacity development program. The program may take form of training program for, workshop, conferences and secondment/internships.

STAFFING

During 2017, ANPM conducted 5 recruitment for new and replacement positions in order to respond to the ANPM's activities. By end of 2017, ANPM has 99 staff deployed across different directorates and units within the institution.

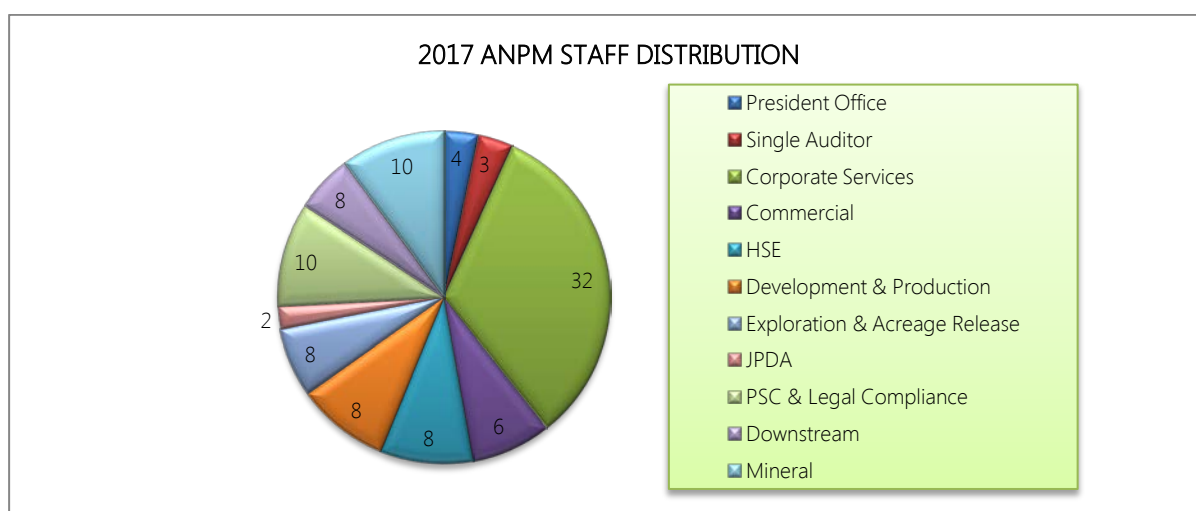


CHART 2: ANPM STAFF DISTRIBUTION IN 2017

TRAINING AND CAPABILITY DEVELOPMENT

A total of fifty seven individual training programs were attended by relevant ANPM employees. Most of these training programs were in the area of Management and Technical attended in overseas. Besides that there were hundred seventy two other collective training programs conducted within the country for designated employees from various

directorate within the ANPM. ANPM also facilitated participations of its senior staff to take part at international workshops and conferences either as participants or speakers to share our experiences whilst also learning from others in the industry. Further details can be found in annex 1 of this report.

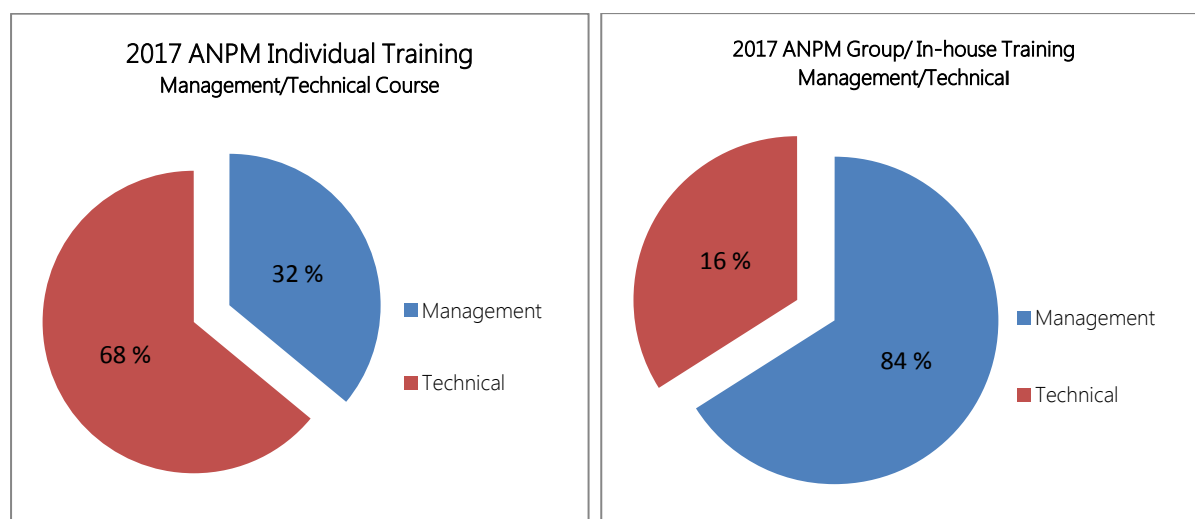


CHART 3: TRAINING AND CAPABILITY DEVELOPMENT IN 2017

1.7 CORPORATE PROCUREMENT

Corporate procurement is categorized into four major groups; Consultancy, Audit, Goods and Services. In 2017, Corporate procurement amounts to a total of USD \$ 2,421,120.69. In terms of value distribution, corporate procurement in 2017 mostly expend on Goods and Consultancy. Further details can be found in annex 2 of this report.

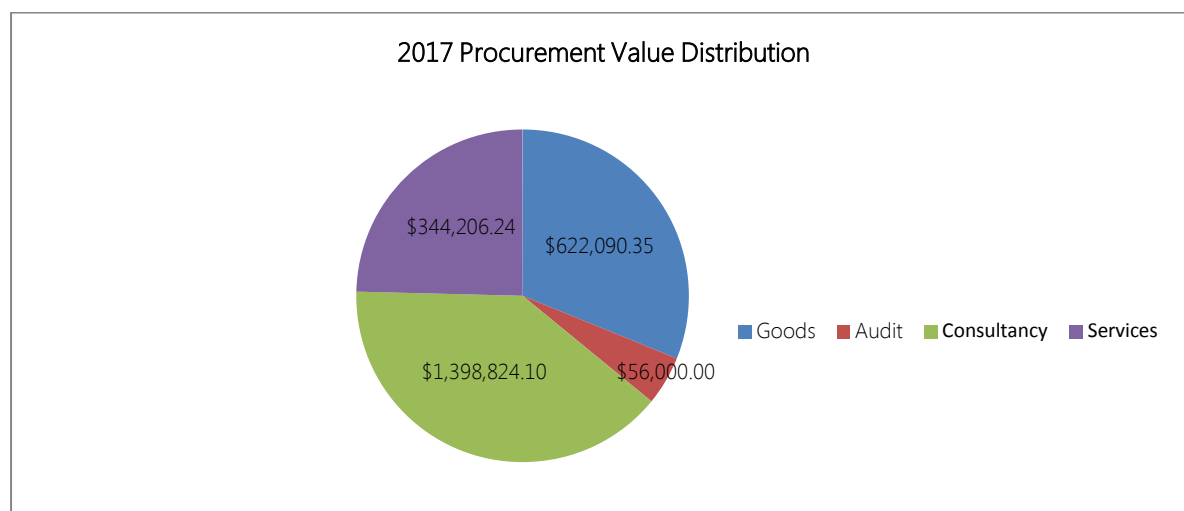


CHART 4: 2017 ANPM PROCUREMENT BY CATEGORIES

1.8 SINGLE AUDITOR

The SA together with the internal audit team revisited previous audit reports and working papers, including files which gave a good guidance to develop sophisticated audit plans and programs that will extensively cover internal control and compliances.

Facilitating the team to carry out proper internal audit exercises, audit plans and work programs have to be developed as such to address scope of audit. The programs covered ANPM's corporate internal control compliance of human resources and training, travel, procurement, control environment as well as the finance. The final report with findings and recommendations were presented and issued to Board of Directors (BoD) to consider and to make decision. Other roles of the SA is to provide technical opinion on the annual budget so the team issued and presented the 2017 annual budget opinion to management and BoD. SA also regularly provides advice and reviews on the systems of internal control, processes, procedures and policies.

1.9 FINANCIAL STATEMENT AND AUDITOR'S REPORT

ANPM - CORPORATE EXPENSES REPORT

Below is the ANP's audited expenses report for 2017. All figures presented are in United States Dollar.

Expenses Report Per 31 December 2017 Audited)		
	Actual	Budget
Development Fees	\$ 3,983,200.00	\$ 3,658,200.00
Contract Services Fees	\$ 879,956.00	\$ 880,000.00
Subsidy from Timor - Leste Government for ANPM Operation	\$ 1,950,000.00	\$ 1,800,000.00
Timor-Leste Government Funding for petroleum audits *	\$ 291,111.00	\$ -
Downstream Fees	\$ 248,300.00	\$ 129,400.00
Downstream Trading License Fees	\$ 91,102.00	\$ -
Interest	\$ 4,053.00	\$ -
Profit and disposal of assests	\$ 26,052.00	\$ -
Other Income		\$ -
Total Income	\$ 7,473,774.00	\$ 6,467,600.00
EXPENSES		
Employee Cost	\$ 2,657,536.00	\$ 2,911,561.56
General and Administration	\$ 3,476,852.64	\$ 3,424,572.02
Depreciation and Amortisation	\$ 406,993.12	\$ 375,600.95
Government petroleum audit cost*	\$ 291,111.00	\$ -
Net Loss in Foreign Exchange	\$ (11,435.51)	
Contingency		\$ 56,282.70
Total Expenditure/Budget	\$ 6,821,057.25	\$ 6,768,017.23
Surplus	\$ 652,716.75	\$ (300,417.23)
* non ANP asset fund (an income to execute Timor - Leste Government program)		
Percentage Budget vs Actual	101%	
Percentage Income vs Expenditure	91%	

ANPM - CORPORATE FINANCIAL STATEMENT

AUTORIDADE NACIONAL DO PETRÓLEO

2017 Financial Report (audited)

		2017	2016
	Notes	\$	\$
REVENUE AND OTHER INCOME			
Development fees		3,983,200	3,983,200
Contract service fees		879,956	815,695
Subsidy from Timor-Leste Government		1,950,000	2,800,000
Timor-Leste Government funding for petroleum audits		291,111	220,000
Downstream fees		248,301	94,424
Downstream licenses - trading fees		82,651	-
Gain on disposal of property, plant and equipment		26,052	182
Interest		4,053	-
Other income		-	2,644
TOTAL INCOME		7,465,324	7,916,145
EXPENSES			
Employee costs	12	2,657,536	2,289,266
General and administration	13	3,476,853	3,293,475
Depreciation and amortization		375,455	490,958
Government petroleum audit costs		291,111	220,000
Net (gain)/loss in foreign exchange		(11,436)	1,341
TOTAL EXPENSES		6,789,519	6,295,040
SURPLUS FOR THE YEAR		675,805	1,621,105
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		675,805	1,621,105

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	12,893,737	11,053,423
Cash and cash equivalents - Joint Petroleum Development Area	4, 11	13,261,980	5,517,756
Trade and other receivables	5	15,512	39,367
Other current assets	6	30,036	37,576
Total Current Assets		26,201,265	16,648,122
NON-CURRENT ASSETS			
Property, plant and equipment	8	921,924	526,200
Intangibles	7	117,288	208,772
Total Non-Current Assets		1,039,212	734,972
TOTAL ASSETS		27,240,477	17,383,094
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	2,404,120	973,084
Payable in respect of Joint Petroleum Development Area Funds	9, 11	13,261,980	5,517,756
Contract service fees, development fees & downstream fees and downstream licenses - trading fees received in advance	10	1,598,626	1,592,308
Total Current Liabilities		17,264,726	8,083,148
TOTAL LIABILITIES		17,264,726	8,083,148
EQUITY			
Initial contribution	17	2,153,168	2,153,168
Accumulated funds		7,237,583	7,019,778
Capital asset reserve	22	585,000	127,000
Total Equity		9,975,751	9,299,946
TOTAL EQUITY AND LIABILITIES		27,240,477	17,383,094

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Initial Contribution	Capital Reserve	Accumulated Funds	Total Equity
	\$	\$	\$	\$
At 1 January 2016	2,153,168	275,700	5,249,973	7,678,841
Transfer out of capital reserve	-	(275,700)	275,700	-
Transfer into capital reserve	-	127,000	(127,000)	-
Total surplus for the year	-	-	1,621,105	1,621,105
At 31 December 2016	2,153,168	127,000	7,019,778	9,299,946
Transfer out of capital reserve	-	(127,000)	127,000	-
Transfer into capital reserve	-	585,000	(585,000)	-
Total surplus for the year	-	-	675,805	675,805
At 31 December 2017	2,153,168	585,000	7,237,583	9,975,751

The above Statement of Changes in Equity Position should be read in conjunction with the accompanying notes.

ALLOCATION OF SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Joint Petroleum Development Area	Timor-Leste Exclusive Area	Total for the year
YEAR ENDED 31 DECEMBER 2017	\$	\$	\$
Development fees	3,983,200	-	3,983,200
Contract service fees	879,956	-	879,956
Subsidy from Timor-Leste Government	-	1,950,000	1,950,000
Timor-Leste Government funding for petroleum audits	-	291,111	291,111
Downstream fees	-	248,301	248,301
Gain/Loss on disposal of property, plant and equipment	-	26,052	26,052
Downstream licenses - trading fees	-	82,651	82,651
Interest	4,053	-	4,053
Total Income	4,867,209	2,598,115	7,465,324
Expenses split per JPDA Joint Commission approved budget	(4,576,136)	(2,213,383)	(6,789,519)
Surplus for the year	291,073	384,732	675,805

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Operating activities			
Operating surplus before tax		675,805	1,621,105
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	8	224,441	244,954
Amortization of intangible assets	7	151,014	246,006
Gain on disposal of property, plant and equipment		(26,052)	-
Operating surplus before working capital changes		1,025,208	2,112,065
Working capital adjustments:			
Decrease in trade and other receivables	5	23,855	868,121
Decrease/(increase) in other current assets	6	7,540	(19,886)
Increase/(decrease) in trade and other payables	9	9,175,259	(17,091,722)
Increase in unearned income	10	6,319	1,010,457
Cash generated from/(used in) operations		10,238,181	(13,120,965)
Net cash flow provided by/(used in) operating activities		10,238,181	(13,120,965)
Investing activities			
Purchase of intangibles	7	(59,530)	(127,771)
Purchase of property, plant and equipment	8	(620,325)	(346,199)
Proceed on disposal of assets		26,212	-
Net cash flow used in investing activities		(653,643)	(473,970)
Net increase/(decrease) in cash and cash equivalents		9,584,538	(13,594,935)
Cash and cash equivalents at beginning of year		16,571,179	30,166,114
Cash and cash equivalents at end of year	4	26,155,717	16,571,179

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

AUTORIDADE NACIONAL DO PETRÓLEO OF TIMOR-LESTE
STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Revenue receipts by field			
Bayu-Undan	3	270,772,876	140,175,166
Kitan	4	670	59,278
Total revenue receipts received		270,773,546	140,234,444
Bank interest			
- Interest from Term Deposit	6	8,014	3,894
- Interest from Profit oil/gas interest		-	526
Total receipts received		270,781,560	140,238,864
Bank charges		(880)	(1,084)
Receipts less bank charges for the year		270,780,680	140,237,780
Cash at beginning of year		5,517,756	22,212,204
		276,298,436	162,449,984
Less: cash at end of year	5	(13,261,980)	(5,517,756)
Amount available for distribution		263,036,456	156,932,228
Distributed as follows:			
Distribution to Petroleum Fund of Timor-Leste		233,992,343	127,136,408
Distribution to Department of the Resources, Energy and Tourism, Australia		29,044,113	29,795,820
Total payments made		263,036,456	156,932,228

The above Statement of Petroleum Revenue Receipts and Payments should be read in conjunction with the accompanying notes

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Revenue receipts by type of accounts			
License Fees	3	21,500	23,700
Prospecting		-	2,000
Exploration		-	-
Mining		21,500	21,700
Mining Fees	4	395,579	260,041
Compensation Fees	5	617,490	-
Total revenue receipts deposited		1,034,569	283,741
Bank charges	6	(92)	(82)
Receipts less bank charges for the year		1,034,477	283,659
Cash at beginning of year		-	-
Less: cash at end of year		-	-
Total cash distributed for the year	7	1,034,477	283,659

The above Statement of Mineral Revenue Receipts and Payments should be read in conjunction with the accompanying notes.

2. CONTRACT OPERATOR'S ACTIVITY



FIGURE 7: SIGNING OF ONSHORE PSCs



FIGURE 8: LAUNCHING OF SITE WORKS FOR NATIONAL LIBRARY

ANPM's role is to ensure contractors' compliances in undertaking Petroleum Operations through evaluation of industries reports on Petroleum Operations, audits and inspections on facilities, vessel, rigs as well as audits as required by applicable laws in the Timor Leste Offshore Area (TLOA) and JPDA.

Overall, the reports in 2017 reflect the contract operators' activities associated evaluation with development drilling, 3D Seismic surveys, non-seismic airborne geophysical data, data processing and interpretation, as well as ANPM's increasing proactive involvement to enforce regulatory requirements.

2.1 CONTRACTS IN JPDA AND TIMOR-LESTE ONSHORE AND OFFSHORE TERRITORY

In 2017, there were ten (10) oil and gas contracts ; four (4) Production Sharing Contracts dedicated to Onshore and Offshore Timor Leste territory and whilst the other Six (6) PSCs are those of the JPDA.

Contract Operator	PSC	Locality	Status
ConocoPhillips JPDA 03-12 & 02-13 Pty Ltd	PSC JPDA 03-12 PSC JPDA 03-13	JPDA	Production
Eni JPDA 06-105 Pty Ltd	PSC JPDA 06-105	JPDA	This field has been temporary shut by the end of December 2015 due low price and productions decline. The wells have been temporarily shut in and may be re-developed using different facilities if the oil price is to recover and in favour for a new project economic of the field.
Woodside Energy Limited 03-29 Pty Ltd	PSC JPDA 03-19 PSC JPDA 03-20	JPDA	Exploration-Development Concept studies
Eni JPDA 11-106 Pty Ltd	PSC JPDA 11-106	JPDA	Exploration
Eni Timor-Leste SPA	PSC S-06-04	TLOA	Exploration

TIMOR GAP Offshore Unipessoal Limitada	TL-S-15-01	TLOA	Exploration
Timor Resources Pty Ltd	TL-OT-17-08	Timor	Exploration
	TL-OT-17-09	Onshore	

TABLE 1: PSCS IN JPDA AND TLOA

Figure below outlines active PSCs in JPDA and TLO by end of 2017.

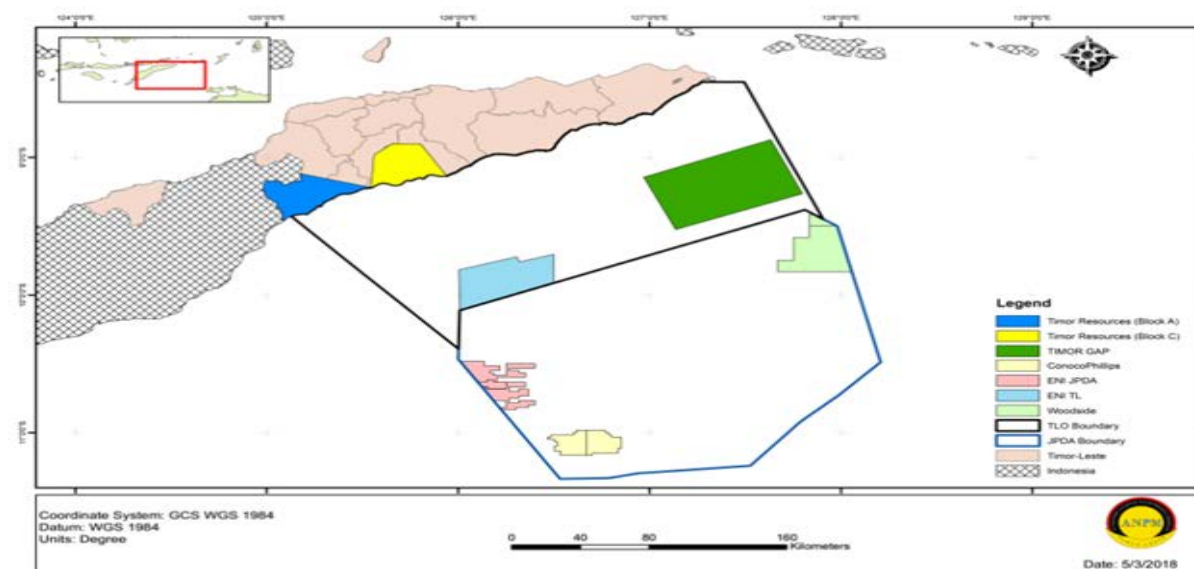


FIGURE 9:MAP OF JPDA AND TLOA ACTIVITIES PSCs

2.2 EXPLORATION PERFORMANCE

Petroleum exploration contracts by the year end of 2017 are provided in the following table.

PSC	Activities
<p>JPDA PSC 03-19 and 03-20</p> <p>Legend:</p> <ul style="list-style-type: none"> Timor Resources (Block A) Timor Resources (Block C) TIMOR GAP ConocoPhillips ENI JPDA ENI TL Woodside JPDA Boundary TLO Boundary Timor-Leste Indonesia <p>Coordinate System: GCS WGS 1984 Datum: WGS 1984 Units: Degree Scale: 0 40 80 160 Kilometers Date: 5/3/2018</p>	<ul style="list-style-type: none"> A joint study on third party opinion regarding the Sunrise-Troubadour Resources estimate conducted by a third party on behalf on both Australian and Timor-Leste Joint Commissions. The result of the Joint Study has been presented to the Regulatory Authority of the Joint Development Area (ANPM) and the Department of Resources, Energy and Tourism of Australia that is regulating the remaining Permits System of the Sunrise Troubadour field in the Australian Water Column Administration.

JPDA PSC 11-106

Legend

- Water Reservations (Black G)
- Water Reservations (Brown G)
- Hatched Land
- Conservation
- BWS 100
- Wetlands
- All Reservations
- JPDA Boundary
- Non-Indian
- Indian

Scale: 0 40 80 100 Miles

Coordinate System: GCS WGS 1984
Datum: WGS 1984
Units: Meters

Layer Name: JPDA_PSC11-106

Date: 5/3/2016

-
- TLO PSC S-06-04**
- Map showing land parcels, water bodies, and infrastructure. The map includes a legend, a scale bar, and a north arrow.
- Legend**
- Water Resources (Black H)
 - Water Resources (Black L)
 - Shaded Light
 - Crossed/Hatched
 - Area JPRA
 - JPRA IL
 - Wetlands
 - JPRA Boundary
 - National Boundary
 - International
- Scale: 0 40 80 160 Kilometers
- Coordinate System: GCS WGS 1984
Datum: WGS 1984
Units: Degree
- User Name: spmccoma
- Date: 5/3/2018

-
- TLO PSC TL-S-15-01**
- Legend
- Water Resources (Black H)
 - Water Resources (Black L)
 - TLO PSC Logo
 - Coastal Waters
 - Air, JICA
 - JICA II
 - Airports
 - Road Boundary
 - PSC Boundary
 - Indonesia
- Coordinate System: GCIS WGS 1984
Datum: WGS 1984
Units: Degree
- 0 45 90 180 Kilometers
- Date: 5/20/2018

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TLO-OT-17-08 and TL-OT-17-09

The map displays the geographical location of two oil and gas fields, TLO-OT-17-08 and TL-OT-17-09, within Timor-Leste. The fields are highlighted in blue and yellow. The map includes a legend identifying various features such as Timor Resources (Block A), Timor Resources (Block B), TIMOR GAP, Concessionaires, EPL APGA, PWT, WAP, S.D. Boundary, PWT Boundary, Outer Limits, and Seismicity. It also shows the coastline, major roads, and surrounding areas. The map is titled "TL-OT-17-08 and TL-OT-17-09" and includes a scale bar indicating distances up to 100 Kilometers. The coordinate system is GCS WGS 1984, UTM Zone 52S, and the datum is WGS 1984. The user name is fionnecap and the date is 16/02/18.

- In April 2017, the Ministry of Petroleum and Mineral Resources, on behalf Timor – Leste government, entering into two new Productions Sharing Contracts; – TL-OT-17-08 and TL-OT-17-09 with Timor Resources, and Australian company in partnership with TIMOR GAP E.P. to conduct petroleum activities in onshore Timor Leste.
- Over the period of 2017, the operator and its Joint Venture conducted various technical and geological and geophysical studies as part of the preparation for future onshore seismic survey and drillings.

TABLE 2: SUMMARY OF EXPLORATION PSCs ACTIVITIES

THE IMPLEMENTATION OF THE INTEGRATED AIRBORNE GEOPHYSICAL SURVEY - IAGS

The implementation of the Integrated Airborne Geophysical Surveys (IAGS) – project commenced in late Mid-late 2016 which covers four different Airborne Geophysical survey methods, namely the regional gravity survey, a combined regional magnetic - radiometric survey, detail electromagnetic survey and gravity gradiometric survey. Over the period of 2017, PT. Karvak and its sub-contractor Airborne Petroleum Geophysics (APG), a Canadian based company completed the acquisition of the regional gravity survey over the mainland Timor Island, the islands of Atauro and Jaco as well as the enclave of Oecussi. Upon the completion of the regional gravity survey data acquisition, PT. Karvak and its sub-contractor APG continued with the acquisition of a regional magnetic – radiometric survey over the same area of coverage and are expected to be completed by in 2018.



FIGURE 10: CAPACITY BUILDING I PHASE OF IAGS



FIGURE 11: SECOND SEMINAR OF IAGS PROJECT



FIGURE 12: GEOLOGICAL MAPPING AND FIELD OBSERVATIONS



FIGURE 13: RAD/MAG AIRBORNE SURVEY

2.3 PRODUCTION PERFORMANCE

PRODUCTION IN BAYU UNDAN FIELD (PSC 03-12 & 03-13)

Bayu Undan (BU) Field is located in the JPDA. The field is operated by ConocoPhillips and located approximately 250 km from south-east of Suai, Timor Leste and approximately 480 km from north-west of Darwin, Australia. BU facilities include a Central Production and Processing Complex (DPP and CUQ), FSO, WP1, subsea in-field pipelines and gas export pipeline to Darwin. As partial gas recycling field, the field is producing from 10 producing wells and injecting through three (3) gas injection wells.

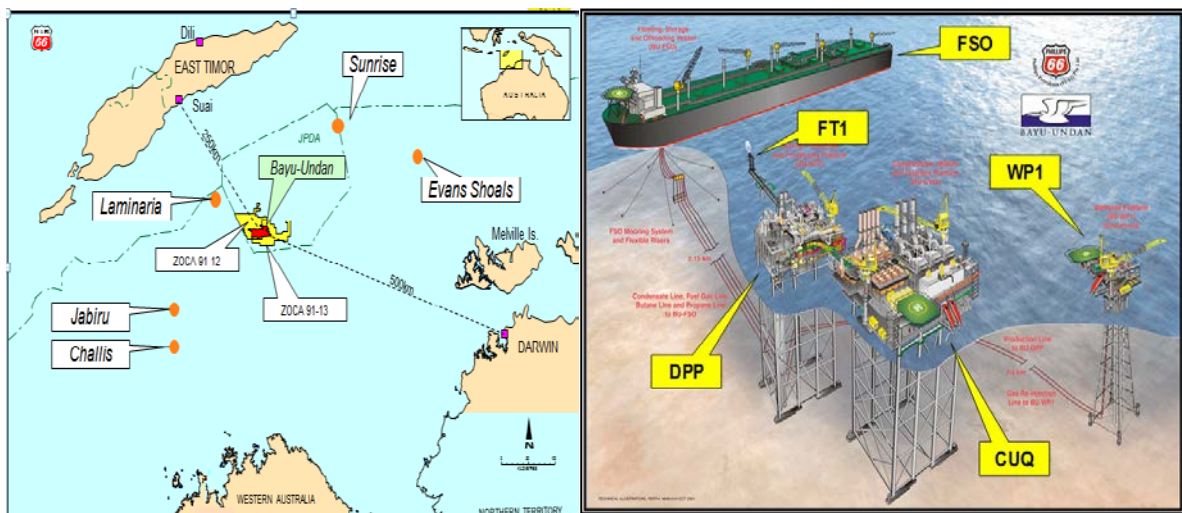


FIGURE 14: MAP DEPICTED BU FIELD IN THE TIMOR SEA & SCHEMATIC DIAGRAM OF BU FACILITIES(COURTESY OF CONOCOPHILLIPS)

Total of 10 production wells existed in Bayu-Undan field during 2017. The combined liquid production (Condensate and LPG) was averaging at 25.44 kbpd and the gas export to Darwin LNG was at an average of 510 MMscf/day from January to December 2017. There were production interruptions which include partial shutdown (SD) at offshore facilities for extended rate reduction from 31 March to 4 April 2017, DPP well intervention in May 2017, well barrier testing in July 2017, and well loading issues (BU-D05) in July 2017.



GRAPH 1: TOTAL WET GAS, LIQUID PRODUCED AND GAS EXPORTED

Graph 1 above shows the wet gas and liquid production performances were continuously declining mainly due to lean gas breakthrough with minor natural reservoir pressure depletion. The field average annual decline rate for wet gas and liquid (condensate, butane and propane) was 17.8%, 20.2% (22.6%, and 17.2% and 16.1 %) respectively.

KITAN FIELD (PSC JPDA 06-105)

The Kitan field is located in the Timor Sea JPDA area with approximately 500 km north of the Australian coast and approximately 170 km south of the Timor-Leste coast. There is no production from Kitan as this field was Shut-in on 16th December 2015. Risers were disconnected and completed topside process cleaning by flushing and purging of production plant. The FPSO departed from Kitan field on 27th February, 2016. The ANPM is in continuous discussion with ENI on the method and time for the final abandonment.

2.4 HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE

The HSE Directorate within ANPM regulates and enforces Health Safety and Environment (HSE) matters according to the applicable regulations in TLOA and JPDA. The HSE Directorate's main objective is to ensure that contract operators control and manage HSE risks of petroleum activities to As Low As reasonably Practicable (ALARP), hence preventing any harm to people, environment, and assets. This objective is achieved through monitoring of daily activities and other interventions such as inspection, audit, investigation of incidents and review of documents, to ensure compliance with the applicable laws and to encourage the adoption of good oil field practice and continuous improvement.

Whilst noting that the primary responsibility for safe operations in the contract areas lies on the contract operators, the ANPM-HSE directorate implements and maintains an effective monitoring (proactive and reactive) and compliance framework to ensure that the contract operators control and manage HSE risks to As Low as Reasonably Practicable (ALARP).

HSE REGULATORY ASSESSMENT

JPDA and Timor-Leste's legal framework has stipulated various requirements for petroleum activities. As the regulatory authority, ANPM aimed at maintaining effective and efficient regulatory assessment, to ensure rigorous review is carried

out and at the same time, meeting the project schedule. During this reporting year, rigorous regulatory assessment was carried out for the following activities;

a). Production of Bayu-Undan in the JPDA

With the ongoing production in the Bayu-Undan field, there are several key submissions to be regularly submitted for review and approval from the ANPM. This process is to ensure that regular review and update is carried out and evaluation for continuous improvement is implemented accordingly.

Document Title	Assessment Outcome/Status	Remarks
2017 Flaring and venting for BU operation.	Approval granted	Continuous discussion since Q4 2016 and the decision was made in early 2017
Annual Review of BU Operations Oil Spill Contingency Plan (OSCP).	Approval granted	Annual review of OSCP
BU Operations Environmental Management Plan (EMP).	Approval granted	Annual review of operations EMP
Application for FSO Air Diving Operations Manual and Project Emergency Response Plan.	Approval granted	New application for air diving
Application for revising FSO Hull remediation and release of garnet	Dispensation granted	
Application for 2018 shutdown waste water disposal	Assessment ongoing	
Annual 2018 BU Flaring and Venting Application.	Approval granted	

TABLE 3: LIST OF DOCUMENTS APPROVAL FOR BU

In addition to the above assessments, various vessels were authorised to support the Bayu-Undan production. The assessment involved review of vessel dossiers, third party report, and inspection to some of the vessels. Below is the list of vessels authorised to enter the JPDA and contract Area 03-12 and 03-13.

Vessel	Type	Remarks
MMA Inscription	Platform Supply Vessel: used to perform in-field support and supply services Note: this vessel was granted an annual entry authorisation which will expire on 31 st July, 2018	Operation ongoing
MMA Leveque	Platform Supply Vessel: used to perform Platform Supply Vessel activities from 1 st November 2017 - 31 st December 2017. Note: Extension was also granted during reporting period for the vessel to remain in the field from 1 st January 2018 - 15 th February 2018.	Operation ongoing

Beagle Bay	Offshore Tug/Infield Support Vessel. Note: review was carried out in 2017 and Entry authorization was granted in December, 2017 to continuously supporting BU operations. Validity as follow: 1 st January 2018-31 st May 2018.	Operation ongoing
offtake tankers	For the purpose of LPG and condensate offtakes	

TABLE 4: LIST OF VESSEL ENTRY TO JPDA

In addition to the vessel, the movement of people in and out from contract areas in the JPDA requires the use of helicopters for transportation. The use of helicopter in the Petroleum Operations is to facilitate crew changes and emergency response such as cyclone downmanning and medivac.

In 2017, a number of helicopters were granted entry into the JPDA for the above purpose. A total of 6 entry authorisations were granted to three types of aircrafts operated in the JPDA. Out of 6 entry authorisations, there were 3 new authorisations granted for S92, H175-NYI and H175-NYJ for the purpose of familiarization flights to BU helideck facilities, and the other 3 authorisations were the extension for the same three aircrafts to support BU operations in the JPDA in year 2018.

Helicopter Type	Scope of Work	Date of Approval
Babcock Aircraft H175 - Airbus Helicopter EC 175 B VH-NYI - Airbus Helicopter EC 175 B VH-NYJ	First flight to conduct familiarization flight to BU helideck facility	27 Dec 2017
Babcock Aircraft S92	Conduct familiarization flight to BU helideck specifically ASV Seafox Frontier helideck	27 Dec 2017
Babcock Aircraft H175 - Airbus helicopter EC 175 B VH-NYI - Airbus helicopter EC 175 B VH-NYJ	To support Bayu-Undan operations Note: authorization granted to start supporting the BU operations in 2018.	29 Dec 2017
	To support Bayu-Undan Operations as back-up helicopter and authorized to land on ASV Frontier helideck only.	

Babcock Aircraft S92 - Sikorsky S92 VH-NYZ	Note: authorization granted to start supporting the BU operations in 2018.	30 Dec 2017
---	--	-------------

TABLE 5: LIST OF HELICOPTERS ENTRY TO JPDA

b). Asset Integrity Survey at the Bayu Undan Field – PSC JPDA 03-12

Bayu Undan field operator, COP 03-12 Pty Ltd, conducted a scheduled asset integrity survey of the Bayu-Undan Infield Pipelines, together with a broader collection of data for asset integrity, BUIW Program Execution, and the Bayu-Undan to Darwin Gas Export Pipeline. As part of the review process, document review to the vessel and equipment to be used for the activity was also undertaken during the reporting year.

Vessel	Type	Remarks
Mermaid Pinnacle	A Survey Vessel: Used to perform asset integrity surveys of the Bayu Undan Infield Pipelines and collection of data for asset integrity and BUIW Execution, and the Bayu Undan to Darwin Gas Export Pipeline	Survey Completed

TABLE 6: ASSET INTEGRITY SURVEYS

c). Bayu Undan Infill Well (BUIW) Activities

Bayu Undan Infill Wells is a development project in Bayu Undan Field that aims to drill three wells in the Bayu Undan Field; i.e. drilling two platform wells, one from WP1 (W12), one from DPP Platform (D10) and one (1) subsea well (DS05) using a Jack-U Drilling rig in the field. Various works had started in 2017 whilst the drillings are scheduled to be carried out until the 2019. Below are the key documents submitted in 2017 and the status of ANPM's assessment as of 31 December, 2017:

Document Title	Assessment Outcome/Status
Independent Verifying Body for BU Wells (BUIW) Project	Approval granted
Scope of Verification and Validation for BUIW Project	Agreement granted
Revision to agreed Scope of Verification and Validation for BUIW Project.	Agreement granted
Consent to Construct and Install Topsides Pre-works	Consent granted
BUIW Drilling Environmental Management Plan.	Assessment ongoing
BUIW Construction, Installation & Commissioning Environmental Management Plan.	Assessment ongoing
BUIW Drilling Oil Spill Contingency Plan (OSCP).	Assessment ongoing
Noble Tom Prosser (NTP) Mobile Offshore Drilling Unit (MODU) Safety Case.	Assessment ongoing
NTP MODU Application for Mobile Platform Approval and Consent to Use.	Assessment ongoing

TABLE 7: LIST OF DOCUMENTS ANPM VALIDATED AND APPROVE FOR BU INFILL WELLS

Additional key regulatory submissions for the BUIW projects are expected to be delivered by contract operator in 2018. In the meantime, review processes for submitted documents were in progress and communications is kept open with the contract operator during the process.

d). Kitan Field (Eni JPDA 06-105)

Kitan field operator, Eni JPDA 06-105, conducted the following surveys in July 2017 using remotely operated vehicle (ROV) from Dive Support Vessel (DVS) namely Bhagwan Dryden:

- General Visual Inspection and Cathodic Protection Survey as part of the Kitan Field Stewardship plan to fulfil its commitment made under the accepted safety case for the Kitan Phase I pre-decommissioning. This survey was to monitor the integrity of the Kitan subsea structures. The result of the survey showed that the flowlines, riser end connections, subsea trees and infrastructure were found in good condition sitting on top of the seabed with minimal marine growth. No significant degradation in cathodic protection.
- An opportunistic environmental monitoring survey in Kitan Field also took place from the same vessel at the same time. This scope of this survey covered water/plankton/sediment/sediment/infauna sampling at Kitan -6, Kitan-5, Kitan-4, Kitan 3, Kitan-2 and the former FPSO Site. This survey was to determine if there has been any contamination of the site.

The above surveys were successfully completed with no significant HSE incidents.

Document Title	Assessment Outcome/Status
Notification Letter – Survey Scope of work carried out in JPDA 06-105	Acknowledgement granted
Kitan Survey Health & Safety Management Plan	Approval granted
Vessel entry authorization for Bhagwan Dryden A survey vessel: Used to carry out field monitoring as part of Kitan Field Stewardship Plan in order to monitor the integrity of the structure as well as environmental monitoring as an opportunistic activity in Kitan Field.	Entry Authorisation granted

TABLE 8: LIST OF DOCUMENTS ANPM VALIDATED AND APPROVED FOR KITAN FIELD

Kitan Field continues to be remained shut in during the reporting period. Continuous Satellite monitoring on Kitan field were ongoing in which 12 images were taken so far since October 2016. No oil sheen was observed from the sea surface. Field monitoring to the Kitan subsea facility was carried out by Eni in July to monitor the integrity of the Kitan assets.

e). Kitan Decommissioning Plan – Phase II

Contract operator for PSC JPDA 06-105 submitted its Kitan Decommissioning Comparative Assessment Report to ANPM in August for ANPM's review. This report outlines the comparative assessment carried out to various decommissioning methodology for Kitan field. This report is under review during reporting period.

f). Kanase Field (Eni JPDA 11-106)

Contract Operator for PSC JPDA 11-106, conducted the Geophysical and Geotechnical survey in July 2017 by a survey vessel namely Bhagwan Dryde. The geophysical survey was to determine the site bathymetry and sub seabed material density across two potential drilling sites; and the Geotechnical survey was to investigate the suitability of the mudline for MODU anchor installations in the proposed locations. The survey was successfully completed with no significant HSE incidents.

Document Title	Assessment Outcome/Status
Vessel entry authorisation for Bhagwan Dryden A survey vessel: Used also to carry out the Kanase geophysical survey.	Survey completed
Kanase Project Geophysical Survey Environmental Management Plan	Acceptance granted
Kanase Survey Health & Safety Management Plan	Approval granted

TABLE 9: LIST OF DOCUMENTS ANPM VALIDATED AND APPROVED FOR KANASE FIELD

g). Block A PSC-TL-OT-17-08

Contract operator for PSC-TL-OT-17-08 is planning to carry out the seismic survey activities in Block A. The Project Document of the seismic survey activities for contract area was submitted in July 2017 to the ANPM to start the process of environmental assessment at early stage. The ANPM's assessment of the environmental submissions was ongoing during reporting period. This assessment is carried out in collaboration with direcção geral do meio-ambiente direcção nacional do controlo poluição e impacto ambiental. The assessment is ongoing.

h). Block C PSC-TL-OT-17-09

Contract operator for PSC TL OT-17-09 (Block C) is planning to carry out the seismic survey activities in Block C. The Project Document of the seismic survey activities for contract area was submitted in July 2017 to the ANPM to start the process of environmental assessment at early stage. The ANPM's assessment of the environmental submissions was ongoing during reporting period. This assessment is carried out in collaboration with direcção geral do meio-ambiente direcção nacional do controlo poluição e impacto ambiental. The assessment is ongoing

i). TIMOR GAP, E.P.

In December, 2016, TIMOR GAP, E.P. submitted a request for an environmental license for the proposed development of subsea gas pipeline project to Beço, Viqueque. During the reporting period, ANPM carried out various review to the submission, including review of application for environmental license in collaboration with direcção geral do meio-ambiente direcção nacional do controlo poluição e impacto ambiental. The review was carried out pursuant to the Decree Law no. 05/2011, on that note, it started with the review of Project Document for the proposed project.

HSE PERFORMANCE IN JPDA

INCIDENTS IN JPDA

Contract operators are required to report on regular and periodic basis matters related to HSE especially on HSE performance. This routine reporting includes non-work related incident and work related incident which occurred in the production facilities, support vessels, seismic survey vessels and Mobile Offshore Drilling Unit (MODU), if any. The statistics below covers all incidents occurred during 2017 reporting year.

Overall in 2017 there were 108 incidents reported in relation to Petroleum Production in JPDA. Majority of the incidents fell within the low risk ranking consisting of 66 near misses, 39 first aid cases, 2 medical treatment cases and 1 lost time injury. Graph below represents the percentage of each incident by category (Chart 1) and the spread of each incident category across the month during the reporting period (Chart 2).

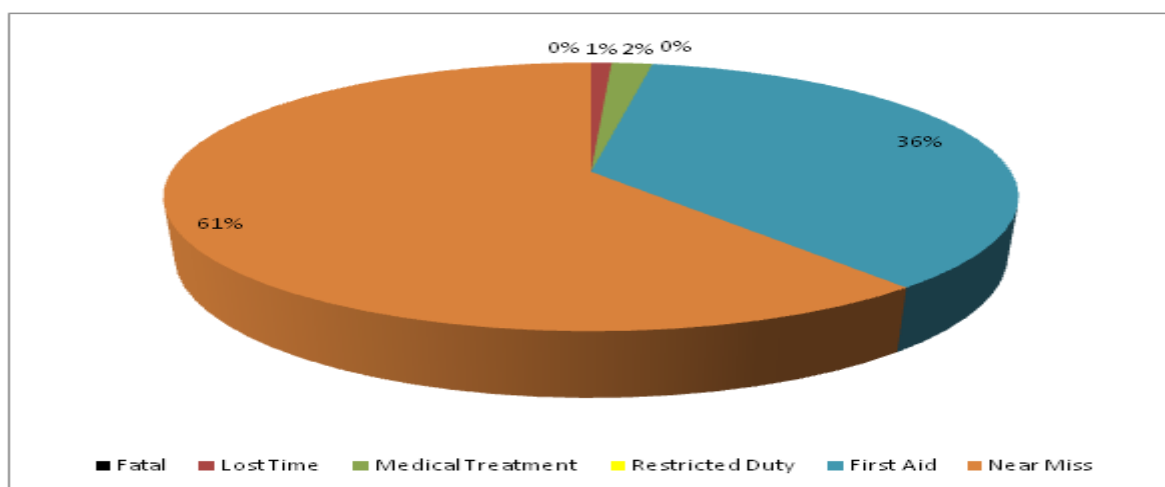
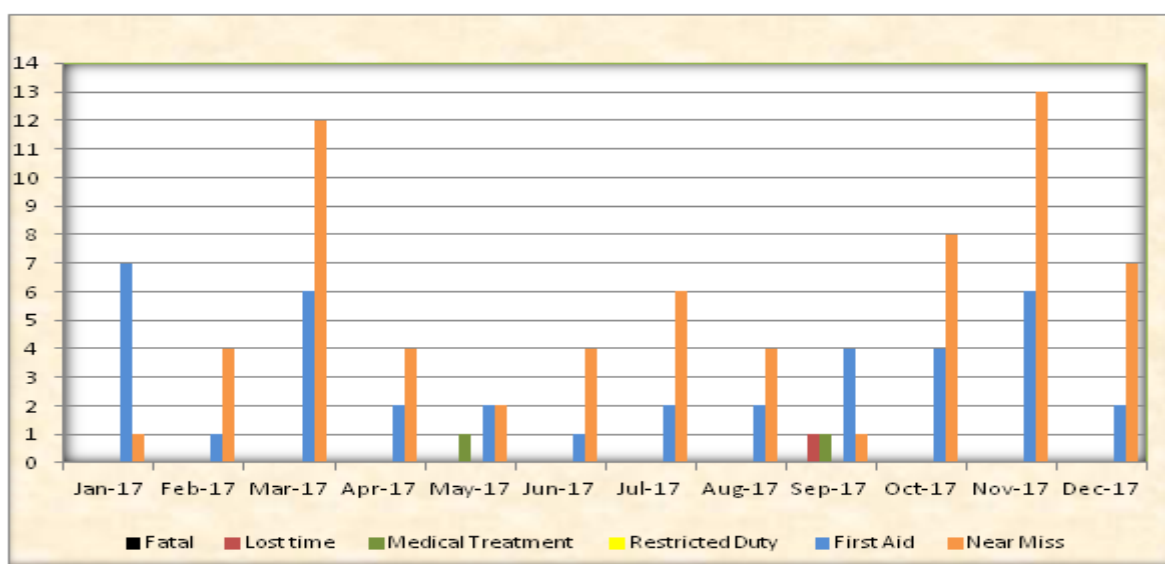


CHART 5: 2017 JPDA ANNUAL PERCENTAGES BY INCIDENT CATEGORY



GRAPH 2: 2017 MONTHLY INCIDENTS IN THE JPDA

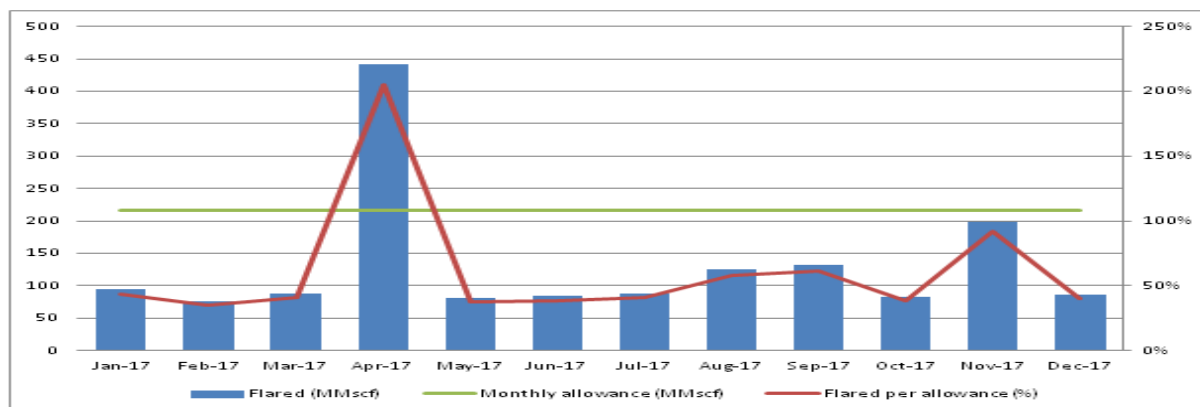
No fatality and restricted duty incidents were recorded during the reporting period. In addition to the above, they were two environmental incidents recorded with low risk ranking.

GAS DISPOSAL IN PRODUCTION FACILITIES IN THE JPDA

Flaring allowance is approved annually based on the activities to be undertaken each year. In 2017, a total of 2,590 MMscf was requested and subsequently approved to be flared. The amount requested took into account a combination of historical actual flare data accumulated since commencement of steady-state operation (2005) and the known scope of planned activities in 2017. In addition to routine operational activities, the 2017 application included the allowance for flaring from the following planned non-routine activities:

- 2017 Rate Reduction Campaigns (including extended rate reduction for process safety valve maintenance), and
- 1 condensate tank inspection.

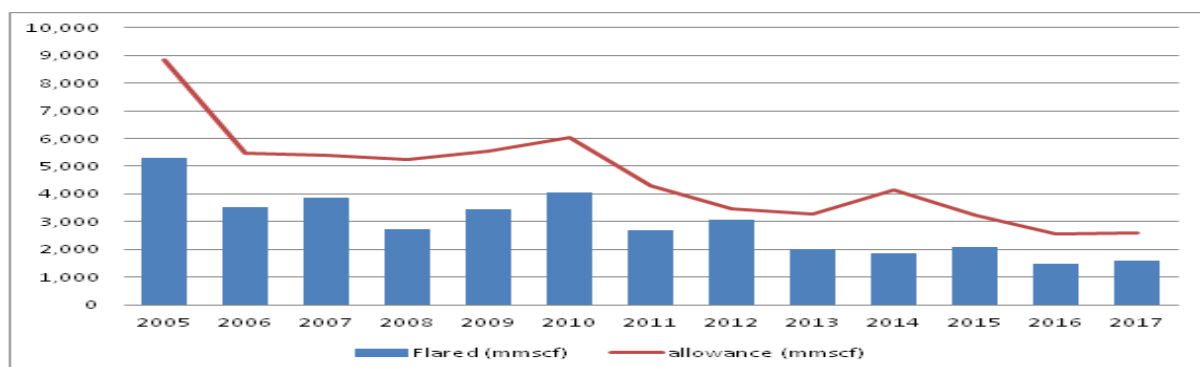
Total actual volume flared during 2017 was 1,580 mmscf which is lower than the approved volume by the ANPM for the duration of the twelve months periods. The graph no. 1 below shows the flaring allowance and the actual volume flared gas during 2017 in monthly basis.



GRAPH 3: 2017 FLARING ACTUAL VS FLARING ALLOWANCE IN JPDA

As graphically portrayed above, the amount monthly flared for most of the time has been well below the allowed flaring volume. However, a spike was recorded in the month of April 2017. This is due to a scheduled rate reduction in April 2017. The approved flaring volume took into consideration the planned non-routine activities, the 2017 Rate Reduction Campaign which were the main driver of flaring spike in April 2017.

The JPDA Annual Flaring trend has been showing a steady decrease of the amount flared (Graph 2).



GRAPH 4: ANNUAL FLARING TREND (2005 – 2017) IN THE JPDA

Efforts for reduction of flaring has also been one of the main focuses of discussion with the contract operator and will continuously be carried out throughout the years until the end of field life.

2.5 MARKETING PERFORMANCE

The Bayu-Undan project, as usual produces three different types of petroleum product; Condensate, Liquefied Petroleum Gas (LPG) and Liquefied Natural Gas (LNG). These types of products also differ in their marketing. LPG and LNG sell under term basis in line with the existing arrangements, while condensate sold under a mixture of spot and term basis. The 2017 cargoes comprise of similar portions of spot and term contract cargoes. The latter appeared stronger and received premium over North West Shelf condensate. During 2017, global oil prices remain volatile significantly, and after some period of volatility, the prices have recovered relatively to 2016, the realized oil price achieved in 2017 is above USD 60/bbl as the market increasingly responded to the effects of OPEC production cuts and sustained demand growth.

The total production in 2017 was lower than previous year. This can be seen from total volume sold for BU condensate in 2017 was recorded at 5.9 mmbbls slightly lower compared to 2016 that was at 7.2 mmbbls.

Bayu-Undan LPG and Natural gas sold under term contract to Japan, the rise and fall in LPG and LNG also relates to the global demand for crude on the worldwide market. Darwin LNG kept the production stable with no significant issue on lifting; therefore all cargoes produced were delivered to the Japanese buyers. Following is the details of each of the products.

CONDENSATE

Generally, in 2017 Bayu Undan production was decline compare to previous year. The declining resulted from natural depletion and planned maintenance shutdown which taken place in early April and October 2017, total cargo sold in 2017 were 9 cargoes, lower than 2016 which were 11 cargoes. Although there is decreasing in production profile however, the price of BU Condensate started to rise as the demand for regional Condensate remain robust from strong petrochemical margins, new splitter start-ups and effect of the OPEC production cuts.

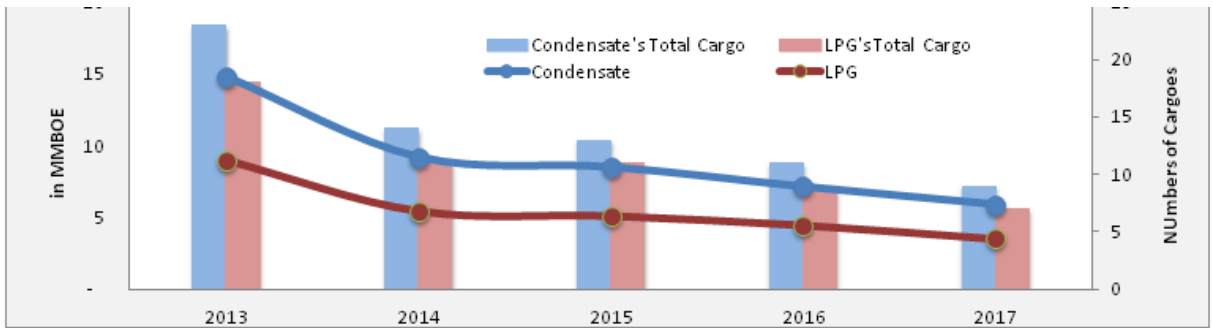
LIQUEFIED PETROLEUM GAS (LPG)

As a cleaner alternative to coal and fuel oil, LPG attracted more demand from the industrial sector. LPG from US Gulf continues to dominate Asian market specifically Japan and South Korea. Asia Pacific's other key consuming country is China and India. China's LPG demand remained high in 2017, driven by strong petrochemical plants demand which is Propane Dehydrogenation plants and industrial consumptions. While in India LPG demand growth slow but the government continues promoting subsidies program to boost economic expansion.

Generally, butane sold premium over propane in the first quarter reflecting strong Indian demand and limited availability from Mideast Gulf however in December propane price premium over butane in the fact of winter demand increased. In overall, Bayu Undan LPG was realized at competitive market price at the end of the year driven by United States Gulf Coast hurricanes and seasonal winter demand.

Bayu-Undan LPG continued sold under term contract. Astomos was the term buyer in 2017 and will be for 2018 contract year.

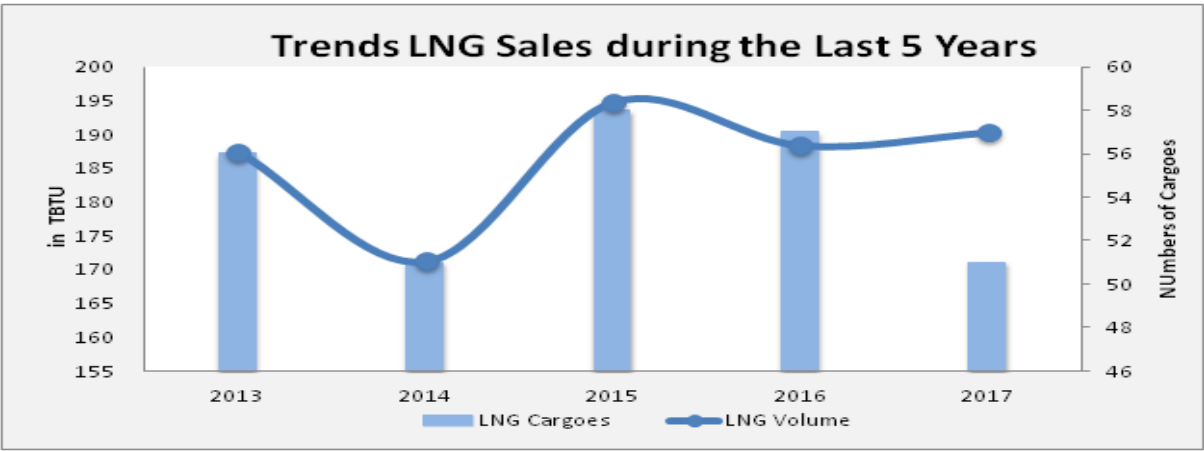
As can be seen on the above graph the Bayu Undan Condensate and LPG cargo sold remain lower than previous year driven by field depletion and planned shutdown for maintenance purpose.



GRAPH 5: BAYU UNDAN CONDESATE AND LPG VOLUME SOLD IN THE LAST 5 YEARS

LIQUEFIED NATURAL GAS (LNG)

DLNG operated at half rate production during the year as a result total 51 cargoes were sold to the term buyers JERA and Tokyo Gas. Despite LNG demand from Japan’s power sector appeared to fall as nuclear power supply increased but LNG price rose significantly compare to a year earlier and contribute to the revenue collection.



GRAPH 6: BAYU UNDAN LNG VOLUME SOLD IN 2017

2.6 EXPLORATION EXPENDITURE PERFORMANCE

A. JOINT PETROLEUM DEVELOPMENT AREA (JPDA) - EXPLORATION PSCs

- PSC 06-103

Oilex JPDA 06-103 is the operator of this Production Sharing Contract (PSC). This PSC was terminated in July 2015 as a result of consequences of non-performance. ANPM and Oilex, as the contract operator has been under negotiation, demand for penalty from Oilex and its JVs for failure to deliver its work commitment under the contract. Both parties have agreed to continue discuss without prejudice to settle amicably.
- PSC JDPa 11-106

Eni, a Milan base oil firm is the operator of this field. Eni is in partnership with Inpex, and Timor GAP, E.P has a 24% interest under this PSC. This PSC has been extended until 2018, where Eni plans to drill its two wells commitment in first quarter of 2018.

- **PSC 03-19 & 03-20**

Woodside Petroleum, an Australia oil company is the operator of the Sunrise PSC together with ConocoPhillips, Shell Royal Dutch and Osaka Gas are the Joint Ventures. Sunrise and Troubadour is a proven discovered gas field with associated condensate. The development of this project is very much subject to the on-going negotiation between Timor-Leste, Australia and the Sunrise JV Partners. These PSCs are continued to be maintained at minimum annual work programs and budget for local office, permits and corporate initiative investments.

B. TIMOR-LESTE OFFSHORE AREA – EXPLORATION PSCs

- **PSC TLOA S06 – 04 block E**

Eni SpA, a Milan base oil firm together with Galp Petroleum and Korean Gas acquired this PSC in 2006. Eni SpA as the operator of this PSC, Eni has requested an extension to the deferral of its drilling commitment as a result of the sustained low oil prices. The ANPM granted its extension in 2016, the extension would enable Eni to finalise its G&G studies to firm up its exploration economics.

- **PSC TLS – SO-15-01**

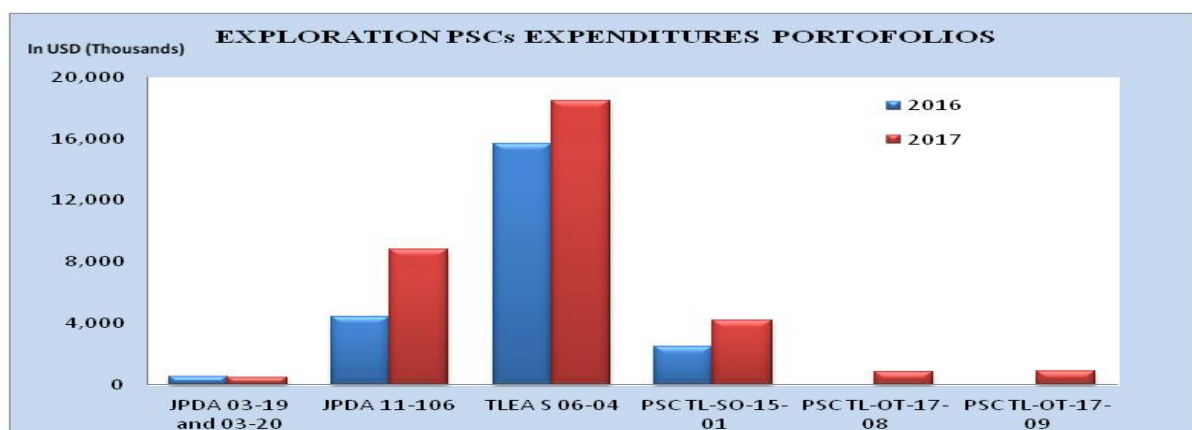
This PSC is 100% owned and operated by Timor GAP OFFSHORE BLOCK ("TGOB"). In early 2016, BGPCG and TGOBT had carried out its seismic survey and acquisition for its contract area and interpretation. Major expenditure was G&G, seismic costs, including permit maintenance and local content.

C. TIMOR-LESTE ONSHORE AREA – EXPLORATION PSCs

- **PSC TL-OT-17-08 and PSC TL-OT-17-09**

Both PSCs were granted in 2017 to Joint Ventures between the Timor Resources Lda and the TIMOR GAP ONSHORE BLOCK. Acting as operator for both PSCs is the Timor Resources Lda. During the year of 2017, Timor Resources carried out the initial exploration works in Geological Studies. Major expenditure was G&G Study costs, including permit maintenance and local content.

To summaries the total Exploration expenditures, below graph tries to outline the 2017 exploration expenditures reported with comparison of previous year, those expenditures are inclusive of the investment credit and uplift for the period.



GRAPH 7: JPDA AND TLOA PSCs EXPLORATION EXPENDITURE

2.7 DEVELOPMENT EXPENDITURE PERFORMANCE

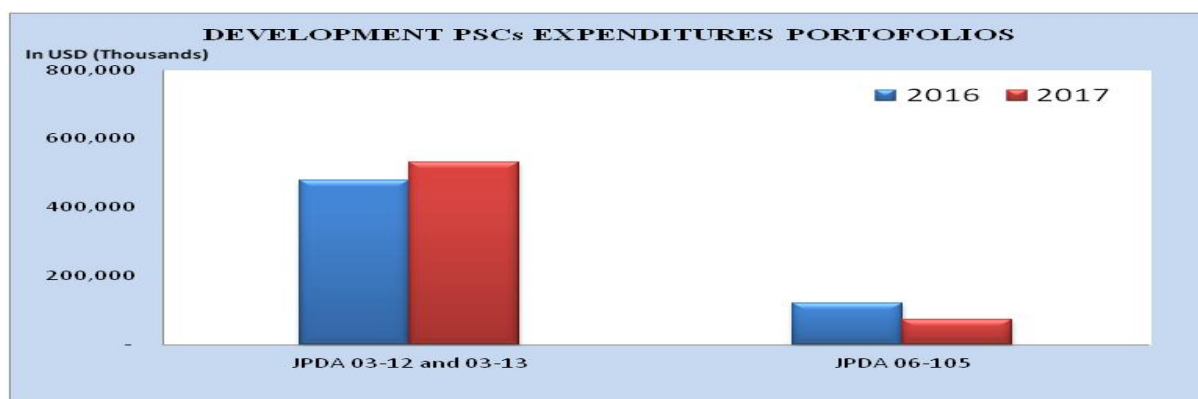
- PSC JPDA 03-12 & PSC JPDA 03-13 (Bayu Undan Field)

ConocoPhillips as the contract operator proposed to drill 3 infill wells to maintain the production and guarantee export gas to Darwin LNG Plant. Bayu-Undan field continues experience natural production declining, as a result of water influx and lean gas breakthrough. Bayu-Undan annual operating costs mainly to cover the operation of the production of liquids as controllable costs which to cover lifting costs, logistic, supply, minor and major maintenance. In 2017, there was no major capital incurred for infill wells.

As can be seen from the graph below that 2017 expenditure was slightly higher than previous year, this was mainly the resultant of optimization of expenditure focusing on critical maintenance and the preparation for Bayu Undan infill well drilling.

- PSC JPDA 06-105 (Kitan Field)

The operation of this PSC was suspended due to the impact of low oil price to the economics of the Kitan field and reserved for future development of the field. Expenditures reported and incurred for year ended 31st December 2017 are mostly related to expenditures associated to the other general and administrative in order to maintain the contract area including activates on the studies of future development or Decommissioning options. The development PSCs expenditures for year 2017 are shown in the below graph:



GRAPH 8: JPDA PSCs DEVELOPMENT EXPENDITURE

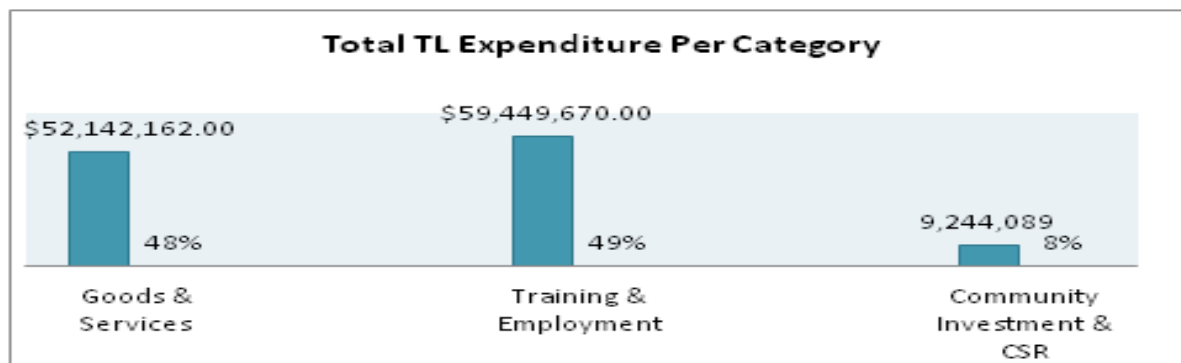
2.8 LOCAL CONTENT PERFORMANCE

The ANPM was established to work closely with oil and gas companies operating in JPDA and Timor-Leste Exclusive Area, ensuring that all petroleum operations are complied with the law and Timor-Leste as resource owner makes efforts to improve the local economy by leveraging linkages to extractive projects, beyond the revenues these petroleum operations generated. The approach to enhance local content to ensure that a company is hiring local labour and procuring local goods and services to the oil and gas industry operations and which can be measured in monetary terms to promote local content with lasting sustainable benefit to the country.

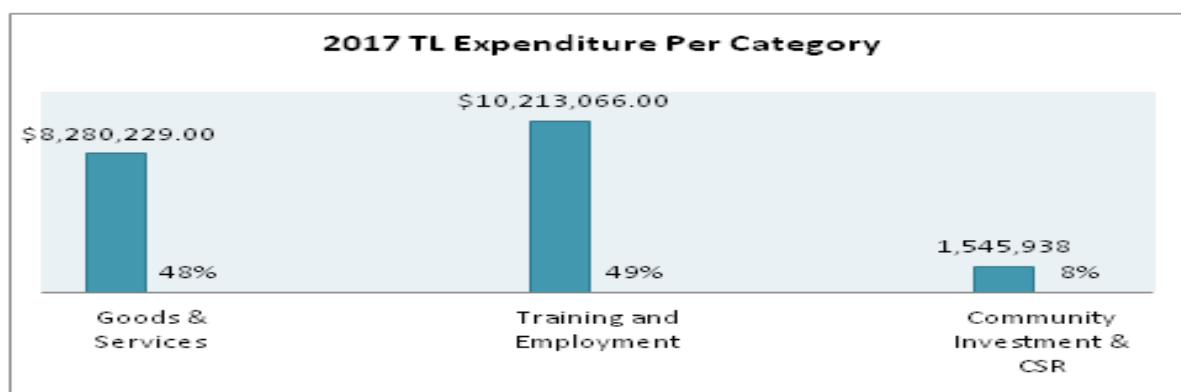
The 2017 annual Timor-Leste Local Content Performance within the Timor-Leste jurisdiction area has been gradually reflecting the local participation in procuring and supplying of local goods and services and ensuring the preferential shall be given to the Timorese suppliers for petroleum operations in the JPDA. In addition to the supply chain of goods and services, petroleum operators is required to grant preference in employment to Timor-Leste nationals and permanent residents with due regard to occupational health and safety requirements for the petroleum activities.

THE 2017 LOCAL CONTENT PERFORMANCE AND EXPENDITURE

The commulative historical expenditure of US\$120,835,921 at the end of 2017 as reflected in graph below. While the 2017 local content expenditures presented in other graph below is potraying moderate increase in comparison with 2016 expenditure due to the introduction of the enhanced measures under the Bayu Undan Consolidated Local Content Plan (BUCLCP) which resulted in the increase to the expenditures on Goods and Services (G&S) with amount of US\$52,142,162.00, Training and Employment (T&E) US\$59,449,670.00 and Community Investment and Corporate Social Responsibility (CSR) a total of US\$9,244,089.



GRAPH 9: 2002-2017 BAYU UNDAN-TL CONTENT HISTORICAL EXPENDITURE



GRAPH 10: 2017 BAYU UNDAN-TL CONTENT EXPENDITURE

PROCUREMENT OF LOCAL GOODS AND SERVICES

One of the targets of Local Content is to maximize the TL Suppliers participation in all ConocoPhillips tender processes. And an enhanced approach to Goods & Services has been agreed through the BUCLCP. In this regard, this enhanced approach includes a compendium of measures that aim to essentially improve and increase local suppliers' participation in Bayu-Undan's procurement process through three options as the following:

- a. **Timor-Leste Content Requirements** (historical option) – scopes establish with requirements for a contract specific local content plan. These are generally work scopes of longer duration and with high labour content offering opportunity for employment and training, or procurement of local goods and services. As of 31 December 2017, the contracts awarded under this category were four (contracts), which were Accommodation Support Vessel (ASV), helicopter services, fit for purpose supply based and provision of valve management, maintenance and repair.
- b. **Targeted Procurement Option** – low risk scopes with potential to target TL suppliers' involvement based on existing scopes or by unbundling scopes into smaller segments. For these scopes, the Contract Sponsors determined whether there were any local suppliers capable of providing that work, based on existing knowledge/engagement with the local Procurement Officer in Dili, and the Timor-Leste Supplier Register created during the Timor-Leste Industry Capability Study carried out in 2015.

For Bayu-Undan normal operation, goods and services are provided in the scopes of:

- Operational Fabrication – In cooperation with Clough AMEC, COPA contracted with RMS, a Timorese entity, for fabrication work. To date, an initial batch of structural piping supports has been fabricated in Dili. The fabrication work, training and inspection services associated to this scope have all been delivered through Timor-Leste local companies.
- Personal Protective Equipment, General Hardware & Consumables - Four general hardware and electrical Timorese suppliers have now been set up in COPA's Purchasing and Finance system (SAP), with 14 Purchase Orders with 150-line items have been issued for the above mentioned scopes.
- Catering and Cleaning services - Dry goods and consumable supplies from Timor-Leste have continued successfully throughout 2017 through ESS as the contracting company.

For Bayu-Undan Infill Wells (BUIW) project, goods and services are provided in the scopes of:

- Fabrication – the scope contract was awarded to South Horizon, a Timorese registered company, in January 2018. South Horizon has an international partner, Aibel, for the delivery of this scope. Fabrication works, carried out in Thailand, started in February 2018. As an additional local content component of this contract scope, 1 welder and 1 fitter will be hired from CNEFP Tibar for job training and additional qualifications at Aibel's facility in Thailand.
- Electrical & Instrumentation Bulks – placed multiple Purchase Orders with Oceania Unipessoal Lda, a Timorese entity, for the supply of electrical and instrument materials required for BUIW project.

- c. **Centralized Enhanced Training Approach** - scopes which due to limitations (short duration, highly specialized and other such restrictions) would provide more meaningful local content through a contribution to a centralized training approach (LC-CETA). The contracts awarded under this category were seventeen (17) contracts, which mainly required for BUIW project.

Besides, the effort to enhance Timor-Leste supplier's participation through enhancement with local suppliers by enhancement of procurement process and the establishment of fit-for Purpose Supply Base in Dili, Timor-Leste, to support the direct supply of dry goods from Dili to Bayu-Undan.

DILI SUPPLY BASE & TRANSPORTATION FROM DILI TO BAYU-UNDAN

Dili based facility provides a 200m² yard and 50m² of internal space which can accommodate the handling and packing of catering goods and other materials to supply to Bayu-Undan on a regular basis. Since December 2016 to the end of 2017 the Goods and services sourced in Timor-Leste have been transported through an established commercial route from Dili to Bayu-Undan.

EMPLOYMENT

Below chart shows the number of Timor-Leste Nationals (TLN) and Permanent Residents employed in the Bayu-Undan operation, with the total number of 372 personnel in 2017. These number represents 54% of employment offshore, 26% of employment onshore, 17% of employment through service companies and 3% of employment for Bayu-Undan Infill Well (BUIW) project. Most of the TLN are employed through operation and maintenance services with Clough Amec Pty. Ltd (CAPL), catering and cleaning services with Euros Support Services (ESS) and accommodation support vessels services with Seafox.

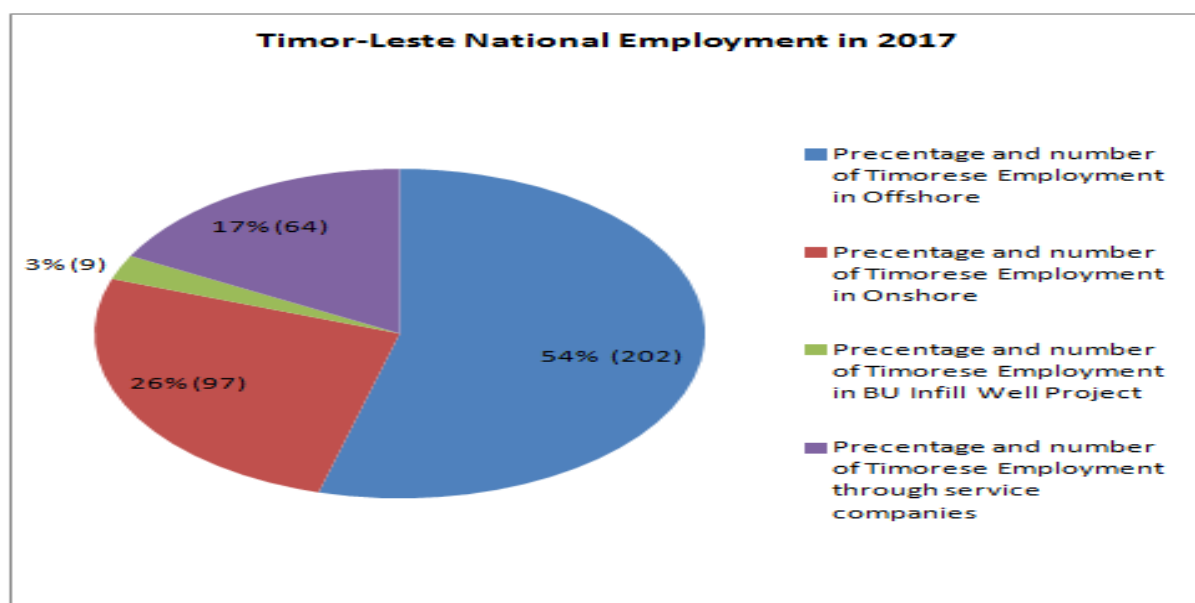
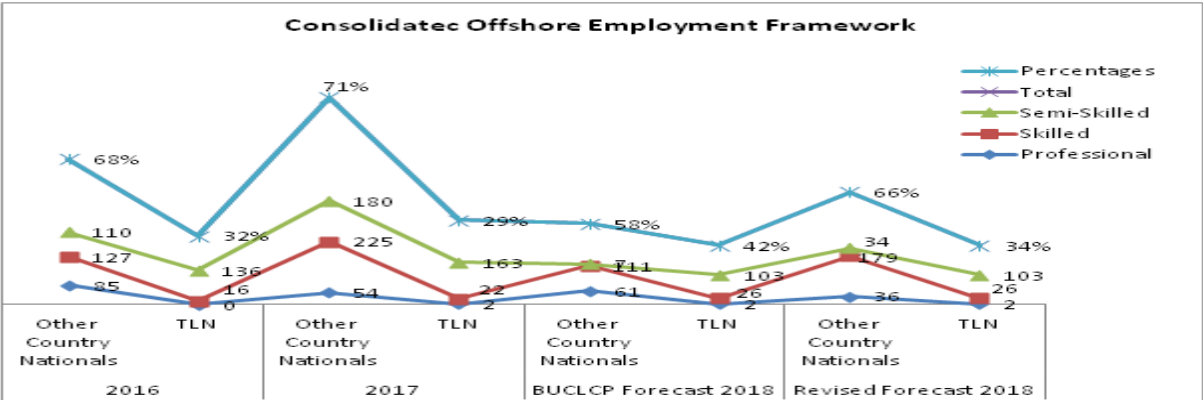


CHART 6: BAYU UNDAN TIMORESE NATIONALS EMPLOYMENT IN 2017

The alignment on BUCLCP between the operators and ANPM in the First Quarter of 2017, shall aim to enhance Timor-Leste local content by improving the Timor-Leste skilled labours and promoting the participation of local suppliers in the process of procuring of goods and services for the Bayu-Undan operation and Bayu Undan Infill Well project. Figure 4

below shows the consolidated offshore employment framework and Figure 5 presents the consolidated onshore employment framework.

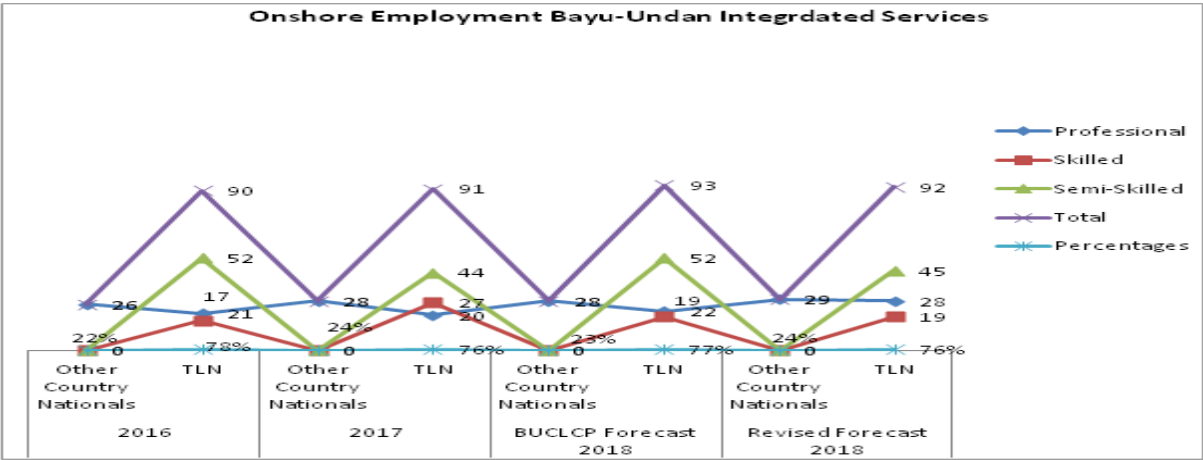


*TLN: TIMOR-LESTE NATIONALITIES

GRAPH 11: CONSOLIDATED OFFSHORE EMPLOYMENT FRAMEWORK

In the intial offshore employment scenario presented on the Figure above, forecasts a total of 152 TLN Employment in 2016 and respectively 131 in 2018. Out of the 131 TLN 2 Timor-Leste Professional employees, 26 Timor-Leste skilled employees and 103 Timor-Leste semi-skilled employees.Though the TLN employment target remains unchanged in the *revised forecast 2018*, it foresees a difference of -8% reduction for Timor-Leste offshore employment, due to the greater number of specialist and experiences of Other Country Nationals (OCN) to perform fabric maintenance scope of work in the larger FSO campaign by end of 2019, which was contrary to the initial *BUCLCP forecast 2018* estimated in 2016 that outlined a small fabric maintenance team to be retained on CPP and FSO to conduct ongoing coating maintenance, repair and preservation post ASV departure.

For continuous mentoring and supervision to TLN and the continuation of the re-baseline of eighteen (18) trade trainees program to Certificate III from CAPL a number of foreign workers have also been recruited. These have resulted in the rise of the numbers of OCN in the *revised forecast of 2018* from 179 to 249 persons.



*TLN: TIMOR-LESTE NATIONALITIES

GRAPH 12: CONSOLIDATED ONSHORE EMPLOYMENT FRAMEWORK

In the initial onshore employment scenario presented on the Figure 5 above, reveals the number of TLN employment in 2016 were 90 personnel. In the revised forecasted in 2018 remains on target, with a total of 92 Timor-Leste National employs onshore which represents 28 Timor-Leste Professional employees, 19 Timor-Leste skilled employees and 45 Timor-Leste semi-skilled employees.

TRAINING AND COMPETENCY DEVELOPMENT OF THE NATIONAL EMPLOYEES FOR THE BAYU UNDAN PROJECTS

There were various training and competency development programs offered to TLN and as a result, few of the TLN were progressing to the higher roles in the 2017, through CAPL, Seafox, ESS, Wood Group and Oceaneering, as follows:

a). CAPL-Operation and Maintenance Core Crew Trades Training Program

CAPL had established Operation and Maintenance Core Crew Trades Training Program in accordance with their local content plan. The program offered to 18 TLN to attend the Certificate II in Electro technology and Mechanical in Engineering (Mechanical Fitting) for a period of 6 months in Site, Philippines, in 2016. They have been placed offshore to undertake on-the-job-training, aiming to gain more knowledge and experiences in the field. In Q3 2017, the incumbent trainees are undertaking the Certificate III qualification in Charles Darwin University (CDU), Australia, to complete their transition into their core crew roles. The mechanical trainees will achieve the Certificate III in 2018 and the instrumentation trainees will achieve Certificate III in 2019.

b). CAPL-Promotion and other competency training for TLN

In 2017, there were few promotions achieved by the TLN, such as the promotion of a TLN scaffolder to HSE trainee and competency training for 2 TLN Pipefitters who commence Cert. IV Mechanical Engineering at Charles Darwin University, Australia. Also, Offshore scaffold backfill role from a TL Onshore Construction Trainee after attending Scaffold training.

c). CHC

In December 2017, this contract services has been concluded. 4 Timorese aircraft engineers obtained their Diploma of Aeroskills from Civil Aviation Safety Authority (CASA) license accreditation requirements and become fully Licensed Aircraft Maintenance Engineers (LAME).

Babcock as the new contract under this service, commenced their operation in January 2018, all TLN employees employed under CHC are transferred to Babcock, including 3 Stores Supervisor/Assistants, 2 Operations Officers 3 general hands and 6 Engineers, including the 4 fully Licensed Aircraft Maintenance Engineers will also undertake additional training to advance their skills and capabilities. Babcock will train 2 co-pilots and 2 new Licensed Aircraft Maintenance Engineers as per their local content plan.

d). ESS

ESS also has promoted 2 TLN to ESS Offshore Unit Manager (OUM). Moreover, 2 TL Chefs are undertaking 6 month buddy system to increase their knowledge and confidence into transition to the Head Chefs roles in September or October 2018. It is expected a 100% of local content delivery offshore with ESS remain on target to be achieved by September 2018.

e). Oceaneering

Under this service contractors, there were 4 Onshore Non Destructive Testing (NDT) Technicians who received the Personnel Certification in Non-Destructive Testing (PCN) Level 2 Certification after successfully undertaking training and exams in British Institute of Non-Destructive Testing (BINDT).

f). Seafox

There were also promotion achieved within this services contractors, such as the Promotion of 2 TL Junior HSE to act as Senior HSE as required in June 2017, the promotion of TL trainee Deckhand to Full Deckhand Position, also the promotion of 4 TL Trainee Deckhands to fill Full Deckhand Positions.

g). Wood Group

Wood Group has also promoted a TLN Data Entry Clerk to Document Controller and Deputy Team Lead has been promoted to Team Lead.

h). Graduate Internship Program (GIP)

Buidling on the successful implementation of the 1st Batch of the GIP Program, both ANPM and ConnocoPhillips Australia started to plan in the second half of 2017, to commence the 2nd batch of the GIP program in 2018, after to all the administrative arrangements are in place. The program will focus in various disciplines such as Engineering, Operations, Finance/Accounting, Exploration, Marine, Information Technology, Procurement, Supply Chain and Logistics. It is estimated that, as many as fourteen (14) candidates can be selected through an open and competitive process for Stage One (1) to undertake the foundational skills training and the participants who are successfully completes the Stage One (1), will be eligible to be selected for a one year paid internship with ConocoPhillips, estimate to a number of seven (7) interns. The program is planned to start in the latter half of 2018 and conclude by the First Quarter 2020.

The ANPM continues to track the implementation of BUCLCP against its plan, upon the achievement of training and employment target, including a 100% of local content delivery offshore with ESS, the delivery of 46 % of Timor-Leste Nationals employment with Clough Amec Pty. Ltd., including upskilling of eighteen (18) Timor-Leste Nationals to Certificate III in Mechanical and Instrumentation. Further more, to track also the career progression of TLN to the higher roles.

KITAN FIELD

According to 2017 JPDA 06-105 Kitan Local Content Report, Eni and its contractors have made an excessive efforts in employing and providing various of training opportunities to Timor-Leste Nationals and Permanent Residents, throughout the operation in Kitan field.

Since the operation in Kitan field has ended in 2016, as reported in 2017 JPDA 06-105 Kitan Local Content Report , thus, the training and employment activities are also completed in the Kitan field. The four (4) Timor-Leste Nationals who are employed by Eni throughout the year of 2017, are only to maintain its administrative activities in Eni's Dili Office.

3. REGULATORY PERFORMANCE



FIGURE 15 : METERING TEAM CARRIED OUT AUDIT AT DARWIN LNG FACILITY

3.1 UPSTREAM

LEGAL FRAMEWORK REVISION

Within the period of 2017, the ANPM continued to revise the latest draft Decree-Law for Onshore Petroleum Operations in Timor-Leste aiming for better governance of the Petroleum resources exploration and exploitation in the Onshore Territory of Timor-Leste.

To support both onshore petroleum, mining activities and civil construction, the ANPM cooperate with the Ministry of Security and Defense in preparing and reviewing draft Decree-law for import, transport, storage and use of commercial explosive to be used for activities related to Petroleum, Mining and civil construction. The ANPM also worked closely with other relevant ministry in preparing and reviewing a draft Decree-Law for employment in extractive activities.

The ANPM also engaged in an inclusive consultation and robust discussion with relevant government ministries, international organizations, International universities, research centers in preparing and revising draft Timor-Leste Mining code. This include, presenting it at the council of Ministers for approval, including discussion and defending the code at the National Parliament.

PETROLEUM DATA AND REPORTS

As part of the ANPM's efforts to managing Petroleum data and information to support petroleum and resources management; ANPM has established an integrated fiscal data room and an interactive online information display called a LAFAEK database system with its function is to manage data and reports information from all the Petroleum activities in both TLOA and JPDA. This database is established to serve the interest of data storage and data management regarding petroleum sector. The ANPM also is currently developing a relevant data base system relevant to mineral activities which shall be expanded slowly to serve the needs for mineral sectors related data management.

The ANPM continues to improve the data inventories systems by collecting all the relevant seismic and non-seismic data acquired, as well as various information and reports in relation to the mineral resources management in our systems.

ANPM INSPECTIONS, SUPERVISIONS, MONITORING AND APPROVAL OF PETROLEUM OPERATIONS



FIGURE 16: METERING AND PRODUCTION TEAM CARRIED OUT MASS BALANCE AUDIT AT BU FACILITY

The JPDA Interim Petroleum Mining Code (IPMC), Petroleum Mining Code (PMC) and JPDA interim Regulations issued under article 37 of the IPMC provides basis for inspections, supervision, monitoring and approval of petroleum production operations in the JPDA.

The objective of the regulatory function of Development and Production Directorate as mandated by the above mentioned legal framework is to ensure the production operation carried out in prudent manner. This objective has been reflected under ANPM 2012-2017 strategic action plans through:

- Monitoring the performance of petroleum production from all fields.
- Carrying out regular process, maintenance, metering inspections.
- Ensuring the application of secondary and tertiary recovery methods on the existing producing fields.
- Actively involving in the review of BU and Kitan decommissioning plan

INSPECTION				
DIRECTORATE	TITLE	LOCATION	SCHEDULE	REMARKS
DEVELOPMENT & PRODUCTION	Metering	DNLG, Darwin Australia	13-16 February 2017	
	BU Maintenance	ConocoPhillips Perth Office	8-16 August 2017	
	BU Maintenance	BU Offshore	31 August-3 September 2017	
HEALTH, SAFETY &	CHC Facilities	Dili	23-24 January 2018	Finding rectified
	MMA Pinnacle	Singapore	18 July 2018	Finding rectified

ENVIRONMENT	BU FSO, CPP, CUQ	BU Offshore	5-12 June 2018	Rectifying activities to close these findings are ongoing
	Babcock Helicopter	Dili	19 December 2018	Finding rectified

TABLE 10: D & P AND HSE INSPECTION DURING 2017

Through these inspections ANPM identified 4 non-compliances to the JPDA regulations and 17 non-conformances to operator HSE Management System – internal procedures in addition to some areas require improvement.

These inspections on different petroleum facilities in JPDA and those used to support the operational requirements have different scopes targeted looking at different performance requirements of those facilities. However, the objectives for those inspections were similar i.e. verifying the compliance with the applicable regulation in the JPDA as well as making sure those facilities conforming to the International Best Practices and Standards.

Findings identified during the inspection are recorded in a report format and communicated to relevant contract operators and their sub-contractors for closing out in a timeline agreed both by ANPM and Contract Operators.



FIGURE 17: HSE INSPECTION ACTIVITIES

SUPERVISION AND MONITORING		
TITLE	LOCATION	SCHEDULE
BU Field Metering Validation	BU FSO Facility	28 September-3 October 2017
BU Field Metering Validation	BU CUQ Facility	4-6 December 2017

TABLE 11: D&P SUPERVISION & MONITORING DURING 2017

APPROVAL AND ACCEPTANCE		
	Submission Type	Assessment Outcome
1. Development & Production	W09 Well suspension program	Approval & Granted
	BU-W12 Drilling	Approval & Granted
2. Health, Safety & Environment	2017 Flaring and venting for BU operation	Approval & Granted
	Annual Review of BU Operations Oil Spill Contingency Plan (OSCP).	Approval & Granted
	BU Operations Environmental Management Plan (EMP).	Approval & Granted
	Application for FSO Air Diving Operations Manual and Project Emergency Response Plan.	Approval & Granted
	Application for revising FSO Hull remediation dispensation request	Dispensation granted
	Application for 2018 shutdown waste water dispensation.	Assessment ongoing
	Annual 2018 BU Flaring and Venting Application	Approval & Granted
	Independent Verifying Body for BU Wells (BUIW) Project	Approval & Granted
	Scope of Verification and Validation for BUIW Project	Agreement granted
	Revision to agreed Scope of Verification and Validation for BUIW Project	Agreement granted
	Consent to Construct and Install Topsides Pre-works	Consent granted
	BUIW Drilling Environmental Management Plan	Assessment ongoing
	BUIW Construction, Installation & Commissioning Environmental Management plan	Assessment ongoing
	BUIW Drilling Oil Spill Contingency Plan (OSCP).	Assessment ongoing
	Noble Tom Prosser (NTP) Mobile Offshore Drilling Unit (MODU) Safety Case	Assessment ongoing
	NTP MODU Application for Mobile Platform Approval and Consent to Use	Assessment ongoing
	Notification Letter - Survey Scope of work carried out in JPDA 06-105	Acknowledgement granted
	Kitan Survey Health & Safety Management Plan	Approval & Granted
	Kitan Decommissioning Environmental Comparative Assessment	Assessment ongoing
	Kanase Project Geophysical Survey Environmental Management Plan	Acceptance granted
	Kanase Survey Health & Safety Management Plan	Approval & Granted

	Project Document for Seismic Survey in Block A	Assessment ongoing
	Project Document for Seismic Survey in Block C	Assessment ongoing
	Project Document for the Development of Environmental Impact Assessment (EIA) for Pipeline Component of Timor-Leste LNG Project "Greater Sunrise to Beaco Subsea Gas Pipeline.	Assessment ongoing

TABLE 12: D&P AND HSE APPROVAL OF PETROLEUM OPERATION

DRILLING

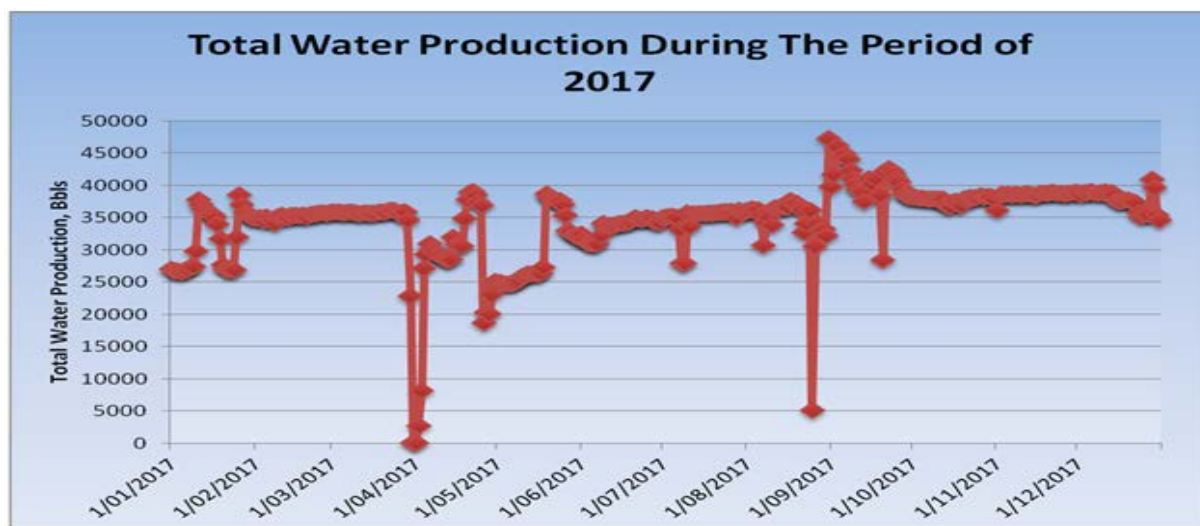
There was no drilling activity in Bayu Undan field during this period. In relation to Bayu Undan infill well project, relevant inspection activities were successfully completed such as Gooseneck and Dewatering Manifold, jumper and production flowline pressure testings.

SUBSURFACE

The ANPM's subsurface team continued cooperating with third party consultant to carry out the assessment of Bayu-Undan reservoir models including the re-evaluation of volumetric hydrocarbon in place, the assessment of individual well performance and the locations of Bayu-Undan Infill Wells.

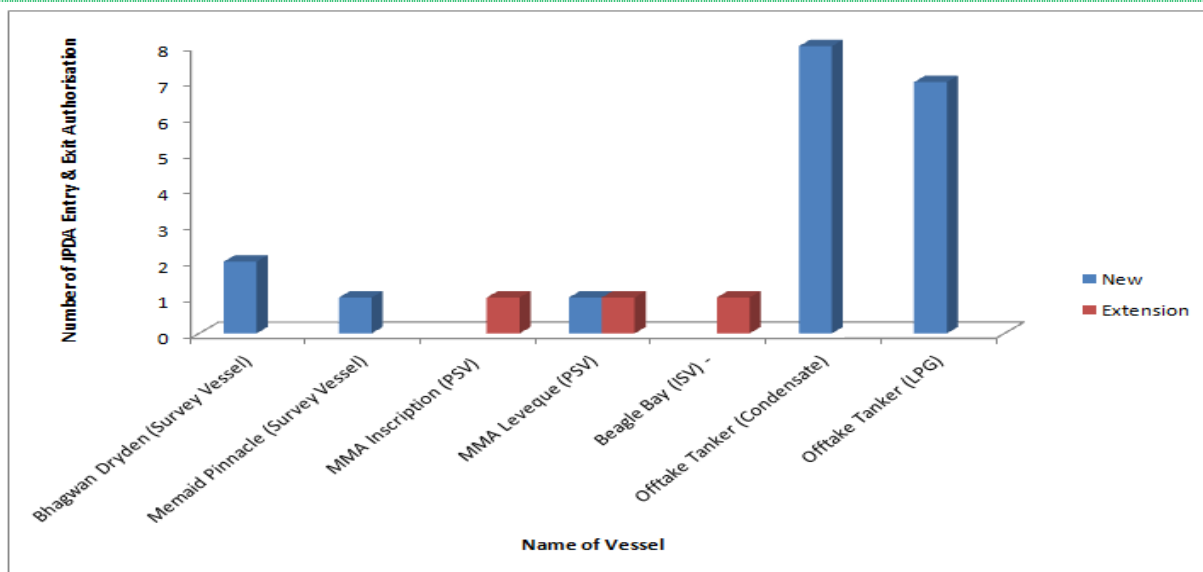
The team monitored the Bayu Undan reservoir performance through constant review of reservoir performances reports and engagement with operator in arranging regular meetings and workshops.

In addition to wet gas production presented in graph 14 below depicted the increase of water production throughout the period. There was a water production drop to zero in early April due to the fact that all wells were offline. Also, there was a drop almost to 5000 bbls in late August relatively due to the reasons that most of the wells were offline.



GRAPH 13 : ANNUAL TOTAL WATER PRODUCTION IN BAYU UNDAN FIELD

VESSEL OPERATION IN JPDA



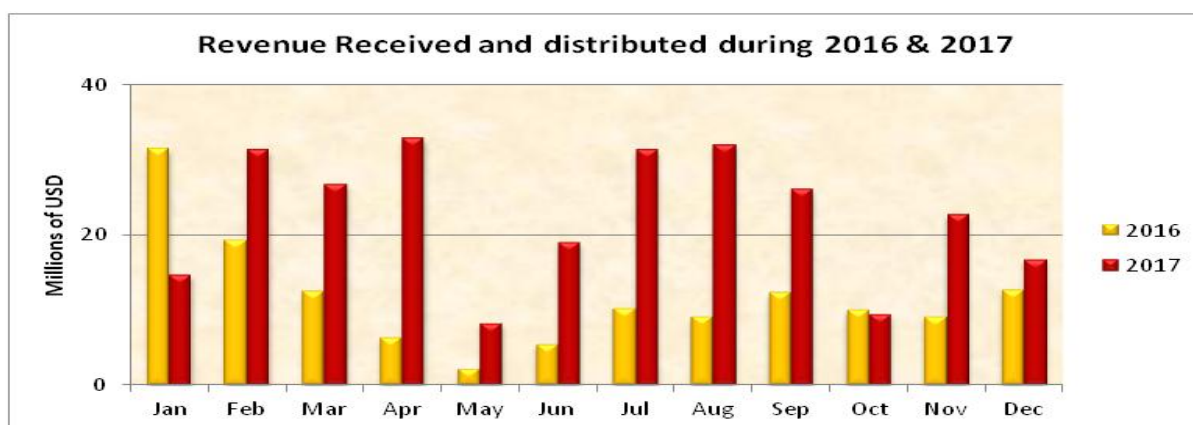
GRAPH 14: 2017 JPDA VESSEL ENTRY AUTHORISATIONS (NEW ENTRY AND EXTENSION)

During the reporting period, a total of 22 entry authorisations to enter and exit the JPDA were granted to the contract operators operating in the JPDA. Out of 22 entry authorisations, there were 19 authorisations for new vessels (including offtake tankers) and 3 extensions for existing vessels in the JPDA (Chart 3).

All vessels were authorised to enter the JPDA for the purpose of carrying out Petroleum Operation are subject to regulatory inspections by the ANPM to ensure health and safety and environmental matters are addressed properly before approval by the ANPM to enter the field is granted, except tankers for purpose of petroleum offtake in JPDA.

REVENUE DISTRIBUTION

Although Bayu-Undan field has been in steady declining as a result of natural depletion and the shutdown for maintenance, however stable production from LNG has helped to increase the revenues for the contracting states. The graph below shows the comparison of total revenue receipted and distributed by ANPM to both states in 2016 and 2017. In 2017 the revenue receipt is highest than the previous year. Revenue distributed in 2017 surpassing the previous record in 2016 of USD 140.2MM and has increased to about 52% at USD 270.8MM.



GRAPH 15: REVENUE RECEIVED DURING 2016 – 2017

LOCAL CONTENT INVESTMENT SERN-FULBRIGHT

The Ministry of Petroleum and Natural Resources (MPRM) through ANPM has been working collaboratively with the United States Embassy in Timor-Leste, United States Institute of International Education (IIE) and ConocoPhillips Pty Ltd through the Bayu-Undan cost recoverable program to send the potential SERN-Fulbright scholars to pursue Masters and PhDs in the energy and environmental studies across various universities in the United States.

In total there are 15 students who have graduated and returned to Timor-Leste and now contributing to the development of Timor-Leste in their respective areas. This represents 75% of the success for the 1st Fulbright-SERN Scholarship program.

No.	Name	Study Area	University	Start	Finish
1.	Abílio Barros	Master of Natural Resource Economics	North Dakota University	Jan 2013	Dec 2014
2.	Florentino Ferreira	Master of Geoscience, Reservoir Characterization	University of Tulsa	Jan 2013	Dec 2014
3.	Cosme Belo	Master of Engineering Management	Rochester Institute of Technology	Jan 2013	Dec 2014
4.	Rafael de Araújo	Master of Petroleum	Missouri University	Jan 2012	Dec 2014
5.	Odivio Gusmão	Master of Law	University of Pittsburgh	Jan 2013	Dec 2014
6.	Augusto Pinto	Master of Environmental Science	University of Oregon	Jan 2013	Dec 2014
7.	José Soares	Master of Geology	Western Michigan University	Sept 2012	Jul 2015

8.	Decio Sarmiento	Master Environmental Health	Georgia State University	Jan 2013	May 2015
9.	Profirio Xavier	Master of Urban Planning	University of Kansas	Mar 2013	Dec 2015
10.	Almanzo Salsinha	Master of Public Policy	Western Michigan University	Jul 2014	May 2016
11.	Aida Baptista	Master of Accounting	University of Akron	Mar 2013	Dec 2015
12.	Palmira G.A. Vilanova	MBA Project Management	George Washington University	Jul 2014	May 2015
13.	Nizia Lopez da Cruz	Master of Environmental Science	North Dakota State University	Feb 2014	May 2016
14.	Simão Pereira	Master of Geology	Souther Illinois Uni at Carbondale	Feb 2014	June 2016
15.	Venancio Pinto	Master of Environmental Science	Georgia State University	Feb 2014	Aug 2016

TABLE 13: LIST FULBRIGHT SERN PROGRAM BENEFICIARIES

The 2nd Fulbright-SERN Scholarship program recruited four (4) Timorese scholars to study in the United States as a result of successfully selection process conducted in fourth quarter 2015. The other three scholars commenced their academic years starting June 2016 until May 2018 academic year at the selected university across the United States and as reported by the IIE through the U.S. Embassy in Timor-Leste and ConocoPhillips. The four (4) ongoing students are progressing well in their academic studies and expected to graduate in mid 2018. The recruitment for the third batch of the program commenced in 2018 with the main objectives to focus on oil and gas and mineral study areas in order to support petroleum and mineral activities in the country.

The U.S Embassy in Dili opened application of third Fulbright-SERN program batch in May 2018, however, due to low IELTS scores only 9 out of 17 shortlisted candidates were considered eligible to sit for the interview. Five candidates were selected through the interview process, also due to the small number of applicants unfortunately there are no reserves candidates. In addition, two (2) out of five candidates decided to turn down the scholarship offers due to the offers of another scholarship program. As of December 2017, three candidates are confirmed to undertake the scholarship in their respective university in the US commencing August 2018, depending on offers made by respective universities. A send-off ceremony for the successful candidates is planned to be held in June 2018.

TIMOR-LESTE BAYU UNDA-GRADUATE INTERNSHIP PROGRAM

Timor-Leste really needs skilled work force required for the in-country relevant economic development mainly in the extractive industry sector. Combination of theoretical and practical skills and relevant industrial skills are a must have-key

skill elements which will enable the Timor-Leste national and permanent residents to participate in the industry world and labour market both nationally and regionally.

Five Timorese Graduate interns have been successfully graduated from the Bayu-Undan Graduate Internship Program under Bayu Undan Project since February 2015 – Jun 2016. After the graduation, three potential Bayu-Undan interns have been recruited for further job placement both at ConocoPhillips ABU-West Perth Office and ConocoPhillips Dili Office. The placement contract or industrial secondment or real career deployment are negotiated for a minimum of 12 months contract and a maximum of 18 months at both Perth and Dili Offices, as well as with ConocoPhillips contracting companies. The first batch of the Bayu-Undan graduate internship program is a myriad success after more than a decade of operations ever conducted under the Bayu-Undan project in the JPDA.

Building on the successful delivery of the first batch of Bayu-Undan Graduate Internship Program ConocoPhillips and its Joint Ventures has expressed its commitment to continue support the second Graduate Internship Program which will commence in 2018. The initial discussion at the technical working group level between the ANPM and ConocoPhillips in the early second quarter of 2017 aimed to establish a clear implementation plan including administrative arrangements prior to commence the program in 2018. Various numbers of disciplines are in the area of Engineering, Operations, Finance/Accounting, Exploration, Marine, Information Technology, Procurement, Supply Chain and Logistics. It is estimated that, as many as fourteen (14) candidates can be selected through an open and competitive process for Stage One (1) to undertake the foundational skills training and the participants who have successfully completed the Stage One (1), will be eligible to be selected for a one year paid internship with ConocoPhillips, estimate to a number of seven (7) interns. The program is planned to start in the latter half of 2018 and conclude by the First Quarter 2020.



FIGURE 18: FIRST BATCH GRADUATION

TIMOR-LESTE SKILL VOCATIONAL AND EDUCATION TRAINING CENTER

Timor-Leste government has made efforts in identifying the Skill Vocational Training Program focusing on Electrical and Instrumentation training program as one of the important areas, which align with its national strategies development plan, to enhance Timorese specialized-skilled workforce to correspond to the need of industry requirements. The Timor-Leste government through the Secretary of State for Vocational Training and Employment Policy (SEPFOPE) is now



FIGURE 19: FIRST BATCH TRAINING AT CNEFP TIBAR

transformed to Secretary of State for Youth and Labour (SEJT), ANPM and ConocoPhillips were collaboratively in a working group, establishing a two year pilot program of Skill Vocational Training Program on Electrical and Instrumentation, adopting world standard and national qualification framework and curriculum development for the existing Training Centres in Timor-Leste. After the Memorandum of Understanding (MoU) signing initiated on 15th of December 2016, the technical working group further conducted several technical discussions to implement the 2 (two) year pilot program on Electrical and Instrumentation Training, as to ensure the delivery of Key Performance Indicator and Project Milestones that was set to achieved in the year of 2017, which covered:

- a. The mobilization of the CEGELEC trainers to Centro Nacional de Emprego e Formação Profissional (CNEFP), Tibar in First Half of 2017.
- b. The recruitment of eight (8) CNEFP, Tibar staff to work together with CEGELEC trainers for the program sustainability purpose.
- c. The recruitment of twenty (20) trainees to pursue the Level 1 of Electrical and Instrumentation training program and one trainee was unable to continue the training due to job offered. The nineteen (19) trainees are progressing well and on track as of December 2017, and they are expected to graduate in August, 2018.
- d. The identification and purchasing of Health and Safety and Environment (HSE) equipment, Level 1 Electrical and Instrumentation equipment and delivered to CNEFP, Tibar training centre in September 2017.

TIMOR-LESTE NATIONAL LIBRARY

The Timor-Leste National Library Project is a commitment by Eni under PSC JPDA 06-105 stated in the Kitan Field Development submitted to the ANPM to support the establishment of National Library as part of Eni and its joint Ventures' social contribution associated with Kitan Development Project. This project is conducted in cooperation with the State of Secretary of Arts and Culture (SEAC), Ministry of Tourism, Arts and Culture (MTAC) and the ANPM.

A total budget of US\$ 1.5 Million as contribution from government for site works was allocated under the Ministry of Finance, through *Fundo Contrapartida*, the execution follows procurement processes of the ANPM, commenced in mid 2016. The first part of the site works required to be completed in order to facilitate major mobilization of heavy equipment to start construction and second part will be executed after the construction.

Based on a government resolution No. 28/2017 dated on the 31 May 2017 the budget for Site Work construction with the total amount of USD 1.5MM had been entrusted to the ANPM to be executed based on its internal procurement procedures. Jova Construction Unipessoal, Lda was awarded the contract for Site Work (Before Package) construction through a competitive procurement process and a Service Agreement was signed between the ANPM and the contractor was signed on 16 August 2017. The official ground-breaking ceremony for the Site Work Construction was held on 16 of August 2017. A technical working comprises of SEAC and the ANPM as the project owners have committed to be the Supervising Consultant to supervise the work as per timeline of the project four and half month duration. The contractor has executed a work progress up to 17% of the work.

Progress on National Library Project Construction is in its Project Conceptual Design Development for tender process. Major detail works is carried out by Eni and its contractor P.T. Bitu Enarcon including following stages of Project development Program, Construction Estimates, and Conceptual design Report and Preparation of tender Documentation for tender in 2017. In parallel P. T. Bitu Enarcon also provided support in finalizing the project site work design which is expected to hand-over to SETAC for next step process which is procurement process which will take around 3-6 months.



FIGURE 20: GROUND-BREAKING CEREMONY OF TIMOR-LESTE'S NATIONAL LIBRARY CONSTRUCTION

CORE STORAGE DATA TAPE FACILITIES (PSC S-06-04)

The Local Content commitment under the TLOA (PSC S-06-04) and PSC JPDA 11-106; Eni as the operator of the refer PSC is remained committed to continue the construction of Core Storage and Data Tape Facility with total US\$ 3.02MM within the Universidade Nacional Timor-Leste (UNTL) area of Hera. Within the the timeline of the project starting implementation staring 2017 to 2020.

On 28th June 2017, the Steering Committee was held to revisit the project execution plan and detail scopes for project conceptual design including the fit out and equipment costs. Aside from that if any short fall in costs, to cover the costs for site work preparation will require additional contribution from Government side. And the actual figure of contribution will determined once the detail concept deisgn is finalized.

Major activities will be carried out by Eni in close collaboration with technical Working Group, this including defining the contract staregy and tendering process for engineering design and construction then seek the endorsement of the project steering committee.

3.2 DOWNSTREAM PETROLEUM

AMENDMENT OF DECREE-LAW NO.1/2012 ON DOWNSTREAM SECTOR

The Amendment of Decree-Law on Downstream Sector was proposed and approved by the Council of Ministers in late 2016, but it failed to pass due to the fact that the proposal was vetoed by H.E. President of the Democratic Republic of Timor-Leste.

Following the rejection of the proposal, the ANPM sought a legal counsel, which provided legal opinion on the underlying reasons of the decision made. However, due to the end of term for the President and Government in 2017, the ANPM did not resubmit the proposal.

The proposed amendment was aimed to only allow the Timorese citizen to perform Downstream Activities on non-retrospective basis, specifically for the activities related to the Fuel filling stations for automotive retail. This amendment is to provide more opportunity and maximize the Timorese citizens' participation in the petroleum Downstream sector.

This proposal was initiated due to the increasing commercial and technical abilities, and the good performance of Timorese citizens involved in the construction and the operations of Fuel filling stations in accordance with the requirements of existing Downstream Decree-Law and the Regulation on Installation and Operation of Fuel Filling Station.

RESOLUTION NO. 21/271 ON TEMPORARY AUTHORIZATION TO USE CEMENT TIMOR PORT AND LAI-ARA PORT

On April 25 2017, the Council of Ministers of V Government approved the Resolution No. 21/271 on Temporary Authorization to use Cement Timor Port and Lai-Ara Port. This Resolution was approved following the proposal from the ANPM due to closure of Tibar Port on 31 March 2017 by Project Management Unit (PMU) under Ministry of Public Works for the construction of new commercial port. Due to the national demands on Diesel Fuel and business opportunity for the existing fuel traders utilizing Tibar Port, this proposal was initiated and approved.

The ANPM proposed Cement Timor Port, Lai-Ara Port and Government Ports such as Cairabela Port located at Vemasse sub district and Com Port located at Lautem District. However, the government ports were not approved due to the condition of the ports. This resolution foresees the ANPM to take the responsibility of establishing the technical requirements prior to allowing the discharge of fuel in the approved ports. During 2017, only Cement Timor Port had been used to discharge fuel whilst Lai-Ara Port had not been used due to the pending construction of the port.

AMENDMENT OF REGULATION NO.1/2016 ON INSTALLATION AND OPERATION OF STORAGE FACILITY

In August 2017, the Downstream Directorate submitted a proposal to ANPM Board of Directors (BoDs) for the amendment of Regulation No. 1/2016 on installation and operation of Storage Facilities. The amendment was initiated based on the Directorate's experience during the implementation of the Regulation and it was assisted by the API (American Petroleum Institute) certified consultant. This amendment approved by the ANPM BoDs on 21 August 2017 and having its publication in the *Journal da Republica* on 27 October 2017.

The amendment mainly pertains to the adjustments of the applicable standards due to a better understanding of how they should be applied to storage facilities in the context of Timor-Leste, to ensure the general safety of public. The amendment also included the fees and insurance rules due to practical issues and reasonable concerns raised by operators of Storage Facilities and, on the other hand, aimed at preventing the negative impact of high fees on fuel prices charged to end consumers. The amended Regulation will increase the safety standards on Storage Facilities and ensure the steady and balanced development of the Timor-Leste downstream sector.

DISSEMINATION OF TRADING REGULATION

Following the publication of Trading Regulation in the government gazette on 28 December 2016, the Directorate conducted one day workshop informing the existing fuel Traders on Trading Regulation. This workshop aimed to disseminate the rules and requirements foresee under the approved Trading Regulation. The workshop was successfully carried out as most of the existing companies involved in the Trading of activity participated in the event

ANPM BOARD OF DIRECTORS' DECISION ON THE IMPORT OF FUEL THROUGH ISO TANKS

On 21 August 2017, the ANPM Board of Directors made a decision to ban the importation of Gasoline and Diesel through ISO Tanks. This decision was communicated to all of the existing ISO Tank Traders on 25 August 2017. This decision was made considering the existence of two Regulations established by the ANPM namely Regulation on Installation and Operation of Storage Facility and the Regulation on Trading of Fuel, Biofuel and Lubricant. Another fundamental reason behind this decision was the safety of the only commercial Port and inadequate means to tackle the ISO Tanks in the event of any incident, or emergency at Port.

SUPERVISING AND MONITORING DOWNSTREAM ACTIVITIES

LICENSING INSTALLATION AND OPERATION OF FUEL FILLING STATION (FFS)

In 2017, the Directorate granted approvals to 15 Automotive Fuel Filling Stations applications and one (1) Aviation Fuel Filling Station Application. Prior to granting the approvals, site verifications were conducted by the inspectors. Approval to the location proposed for Aviation Fuel Filling Station was the first approval granted to this type of Fuel Filling Station. Since there had not been any specific rules that govern the Aviation Fuel Filling Stations established by the ANPM, the ANPM used the rules under the existing Regulation on Installation and Operation of Fuel Filling Station to assess and approve the location proposed for aviation Fuel Filling Station. Details of Fuel Filling Stations that obtained Location and Project Approvals in 2017 are highlighted in the table below.

No	Operator	Location	Location Approval	Project Approval
1	Realistic	Hera	Yes	No
2	Mosalaki	Rasa, Lospalos, Lautem	Yes	No
3	Nusabe	Aileu	Yes	No
4	Miglen	Aileu	Yes	No
5	Miramar	Fatuhada, Dili	Yes	Yes (Rehabilitation phase)
6	Delta Nova Junior	Suai, Covalima	Yes	No
7	Ergin	Metinaro	Yes	Yes (Construction phase)

8	Roman Fuel	Ermera	Yes	Yes (Construction phase)
9	Timor Gap,E.P.	KXG Airport, Covalima	Yes	No
10	Arca Flow	Ainaro	Yes	No
11	Jomelanio	Viqueue	Yes	No
12	My Friend	Manufahi	Yes	No
13	Aidalau	Manufahi	Yes	No
14	Graca Silva	Bobonaro	Yes	No
15	Mira Mar	Atabae	Yes	Yes (Construction phase)
16	Sarjo	Manufahi	Yes	No

TABLE 14: FUEL FILLING STATIONS OBTAINED LOCATION AND PROJECT APPROVAL

Amongst Fuel Filling Station above, none of them obtained the operational license. However, the ANPM granted Operation license to five (5) Fuel Filling Stations in first quarter of 2017. The licensing process of these Fuel Filling Stations were carried forward from 2016. The license was granted since they had fulfilled the licensing requirements and obtained the location and project approvals. The detail of licensed Fuel Filling Station is outlined in the table below:

No	Name of FFS	Operator/Company	Location
1.	Fuel Filling Station Alexa Fuel	Alexa Fuel Unipessoal, Lda	Dato, Liquica
2.	Fuel Filling Station Lafaek Oil and Gas	Lafaek Oil and Gas Unipessoal, Lda	Comoro, Dili
3.	Fuel Filling Station Mãe da Graça	Mãe da Graça Unipessoal, Lda	Raikotu, Comoro, Dili
4.	Fuel Filling Station Devita Fuel	Devita Fuel Unipessoal, Lda	Tibar, Liquica
5.	Fuel Filling Station Andika Lima	Andika Lima Fuel Unipessoal, Lda	Dato, Liquica

TABLE 15: LICENSED FUEL FILLING STATION IN 2017

SUBSEQUENT INSPECTION



FIGURE 21: INSPECTION FROM DOWNSTREAM TEAM

In 2017, the Directorate conducted 26 subsequent inspections towards the existing Fuel Filling stations licensed in 2014, 2015 and 2016. These inspections were aimed at verifying the implementation of corrective actions listed under preliminary reports. Table below foresees list of Fuel Filling Stations targeted for subsequent inspection.

No	Name of FFS	Operator/Company	Location
1	Fuel Filling Station Alexa Fuel	Alexa Fuel Unipessoal, Lda	Leopa, Dato Liquica

2	Fuel Filling Station Lafahek Oil and Gas	Lafaek Oil and Gas Unipessoal, Lda	Rua Comoro, Dom Aleixo, Dili
3	Fuel Filling Station Mae da Graça	Mãe da Graça Unipessoal, Lda	Rua Comoro, Dom Aleixo, Dili
4	Fuel Filing Station Andika Lima	Andika Lima Fuel Unipessoal, Lda	Dato, Liquiça
5	Fuel Filing Station 68 Petroleum	68 Petroleum, Lda	Rua de Bairro Pite, Dom Aleixo, Dili
6	Fuel Filing Station Chong Ti Petroleum	Chong Ti Petroleum, Lda	Avenida Becora Culuhun, Cristo Rei, Dili
7	Fuel Filing Station 99 Petroleum	99 Petroleum, Lda	Rua do Bairro Pite Dom Aleixo, Dili
8	Fuel Filing Station De Shun Fuel	De Shun Fuel Station, Lda	Avenida Presidente Nicolau Lobato Fatuhada Dom Aleixo, Dili
9	Fuel Filing Station Culuhun Fuel	Culuhun Fuel Station, Lda	Rua Liberdade da Imprensa Culuhun Cristo Rei, Dili
10	Fuel Filing Station Realistic	Realistic Fuel Unipessoal, Lda	Avenida de Balide Cristo Rei, Dili
11	Fuel Filing Station Super Fuel	Super Fuel, Lda	Avenida Becora Culuhun , Cristo Rei, Dili
12	Fuel Filing Station Ruvic Fuel	Ruvic Unipessoal, Lda	Sukaer Laran, Cristo Rei, Dili
13	Fuel Filing Station Global Fuel	Global Fuel and trading product PYT, Lda	Suai, Covalima
14	Fuel Filing Station Abom Kase	Abom Kase Unipessoal, Lda	Bilicou Holsa, Maliana, Bobonaro
15	Fuel Filing Station Belak Fuel	Belak Fuel, Unpessoal, Lda	Rua Fomento, Comoro, Dom Aleixo, Dili
16	Fuel Filing Station Vida Diak Petroleum	Vida Diak Petroleum, Lda	Rua Lauhata Liquica
17	Fuel Filing Station Borala	Borala, Lda	Rua Nicolau Lobato Comoro, Dom Aleixo, Dili
18	Fuel Filing Station Mãe da Graça	Mãe da Graça Unipessoal, Lda	Rua Praia dos Coqueiros, Dom Aleixo, Dili
19	Fuel Filing Station Tiger Fuel	Specialized Vehicle Services Centre, Lda	Rua Palpaso Dom Aleixo, Dili
20	Fuel Filing Station Mega Petroleum	Mega Petroleum, Lda	Rua Martires da Patria Comoro Dom Aleixo, Dili
21	Fuel Filling Station Xalila	Xalila Fuel Unipessoal, Lda	Rua Manleuana, Dom Aleixo, Dili
22	Fuel Filling Station ETO	Esperança Timor Oan, Lda	Rua Paiol, Lahane Oriental, Dili
23	Fuel Filling Station Aitula	Aitula Fuel, Lda	Comoro, Dom Aleixo, Dili

24	Fuel Filling Station Aitula	E Silva Motors Trading as Rentlo Unipessoal, Lda	Rua Fomento, Comoro, Dom Aleixo, Dili
25	Fuel Filling Station Ruvic	Ruvic Unipessoal, Lda	Rua de Bairro Pite, Dom Aleixo, Dili
26	Fuel Filling Station Mekar	Mekar Fuel, Lda	Rua Nicolau Lobato, Comoro, Dom Aleixo, Dili

TABLE 16 : LIST OF FSS TARGETED FOR SUBSEQUENT INSPECTION

HEALTH, SAFETY AND ENVIRONMENT MONITORING PROGRAM AND HSE AWARENESS WORKSHOP

The Downstream Directorate in fourth quarter of 2017 conducted HSE monitoring program to Fuel Filling Stations licensed in 2016. The scope of this inspection covered verification to the implementation of Health Safety and Environmental Plan, Emergency Response Plan, Fire Protection System, Personal Protective Equipment and First Aid provision. Following are the companies targeted in this HSE monitoring program.

No	Name of FFS	Operator/Company	Location
1	Fuel Filling Station 68 Petroleum	68 Petroleum, Lda	Rua de Bairro Pite, Dom Aleixo, Dili
2	Fuel Filling Station Chong Ti Petroleum	Chong Ti Petroleum, Lda	Avenida Becora, Culuhun, Cristo Rei, Dili
3	Fuel Filling Station 99 Petroleum	99 Petroleum, Lda	Rua de Bairro Pite, Dom Aleixo Dili
4	Fuel Filling Station De Shun Fuel	De Shun Fuel Station, Lda	Avenida Presidente Nicolao Lobato, Fatuhada, Dom Aleixo, Dili
5	Fuel Filling Station Culuhun Fuel	Culuhun Fuel Station, Lda	Rua Liberdade da Imprensa, Culuhun, Cristo Rei, Dili
6	Fuel Filling Station Realistic	Realistic Fuel Unipessoal, Lda	Avenida de Balide, Cristo Rei Dili
7	Fuel Filling Station Super Fuel	Super Fuel, Lda	Avenida Becora, Culuhun, Cristo Rei, Dili
8	Fuel Filling Station Ruvic Fuel	Ruvic Unipessoal, Lda	Sukaer Laran, Cristo Rei, Dili
9	Fuel Filling Station Arjumar	Arjumar Unipessoal, Lda	Rua de Manleuana, Bairopite, Dom Aleixo, Dili
10	Fuel Filling Station Timor Gap, E.P.	Timor Gap, E.P.	Camanaca, Suai Villa, Covalima

TABLE 17: LIST OF HSE MONITORING TO FFS

Overall, the inspection result showed that most of the companies had not implemented their commitment under the established plans. The inspection results had been circulated to the companies for their corrective actions.

Apart from monitoring program, the Directorate also conducted a two-day workshop to continue raising the level of HSE awareness of Fuel Filling Stations' Operators. All licensed operators of Automotive Fuel Filling Stations were invited to this workshop.



FIGURE 22: TWO DAY'S WORKSHOP ON HSE AND MONITORING PROGRAM

INVESTIGATION ACTIVITY AT KULUHUN FUEL FILLING STATION

On Wednesday, 25 January 2017, fuel spill incident involving the use of ISO Tank occurred at Culuhun Fuel Filling Station. Following the incident, the Directorate immediately formed an investigation team consisting of Juvencia Costa as team leader, Gil Germano Goncalves and Cesaltino Babo. The investigation took place from 26 January and was concluded on 27 January 2017.

The scope of investigation was to find out the root cause of the incident. The investigation concluded with conclusive evidence that the root cause of the incident was the lack of operational procedures. The investigators further provided the recommendation both to ANPM as well as to the company to prevent the re-occurrence of such incident.

One of the recommendations to the ANPM was to not allow the ISO Tanks to discharge fuel directly at the Underground tanks at all Fuel Filling Stations and this recommendation had been implemented immediately following the approval of the investigation report.

COLLECTION OF FEES DURING LICENSING PROCESS OF AUTOMOTIVE FUEL FILLING STATION

The Downstream Directorate in 2017 collected fees with a total amount of \$ 130,550.00. These fees collected from the issuance of the license during 2017 and the annual fee of 2017 paid by the Fuel Filling Station Operators licensed in 2014, 2015 and 2016. The detail of operator, Fuel Filling Station and the amount of fees are summarized in table below.

No	Name of Company	Annual Fee	License date	Received
1	Alexa Fuel Unipessoal,Lda	\$ 1,200.00	6/02/2017	\$ 1,200.00
2	Lafaek Oil and Gas Unipessoal,Lda	\$ 1,200.00	22/02/2017	\$ 1,200.00
3	Mãe da Graça Unipessoal, Lda	\$ 3,500.00	7/03/2017	\$ 3,500.00
4	Divita Fuel Unipessoal, Lda	\$ 6,350.00	7/06/2017	\$ 6,350.00
5	Andika Lima Fuel Unipessoal, Lda	\$ 2,200.00	27/04/2017	\$ 2,200.00
6	Timor Gap E.P	\$ 8,200.00	8/06/2017	\$ 8,200.00
7	68 Petroleum, Lda	\$ 11,800.00	30/06/2016	\$ 11,800.00
8	Chong Ti Petroleum, Lda	\$ 6,700.00	30/06/2016	\$ 6,700.00
9	99 Petroleum, Lda	\$ 6,700.00	30/06/2016	\$ 6,700.00
10	De Shun Fuel Station, Lda	\$ 6,700.00	30/06/2016	\$ 6,700.00
11	Culu Hun Fuel Station, Lda	\$ 6,700.00	30/06/2016	\$ 6,700.00
12	Realistic Fuel Unipessoal, Lda	\$ 4,500.00	30/06/2016	\$ 4,500.00
13	Super Fuel, Lda	\$ 7,750.00	1/07/2016	\$ 7,750.00
14	Ruvic Unipessoal, Lda	\$ 3,500.00	28/06/2016	\$ 3,500.00
15	Arjumar Unipessoal, Lda	\$ 3,700.00	1/07/2016	\$ 1,850.00
16	Global Fuel and trading product PYT, Lda	\$ 1,600.00	1/12/2016	\$ 1,600.00
17	Abom Kase Unipessoal, Lda	\$ 1,200.00	16/12/2016	\$ 1,200.00
18	Belak Fuel,Unpessoal, Lda	\$ 5,950.00	19/06/2016	-
19	Esperança Timor Oan, Lda, Sucursal	\$ 3,450.00	28/05/2015	\$ 3,450.00
20	East Gas Corporation, Lda	\$ 2,350.00	12/10/2015	\$ 2,350.00
21	Vida Diak Petroleum, Lda	\$ 2,400.00	30/05/2015	\$ 2,400.00
22	Borala, Lda	\$ 8,500.00	15/06/2015	\$ 8,500.00
23	Mãe da Graça Unipessoal, Lda	\$ 2,200.00	2/12/2015	\$ 2,200.00
24	Specialized Vehicle Services Centre, Lda	\$ 11,300.00	21/06/2015	-
25	Mega Petroleo, Lda	\$ 5,200.00	2/12/2015	\$ 5,200.00
26	Xalila Fuel Unipessoal, Lda	\$ 7,750.00	30/05/2015	\$ 7,750.00
27	Esperança Timor Oan, Lda	\$ 8,350.00	25/10/2014	\$ 8,350.00
28	Aitula Fuel, Lda	\$ 3,850.00	24/10/2014	\$ 3,850.00
29	E Silva Motors Trading as Rentlo Unipessoal, Lda	\$ 1,200.00	27/10/2014	\$ 1,200.00
30	Ruvic Unipessoal, Lda	\$ 1,200.00	3/11/2014	\$ 1,200.00
31	Mekar Fuel, Lda	\$ 2,450.00	15/06/2014	\$ 2,450.00
	Total	\$ 149,650.00		\$ 130,550.00

TABLE 18: LICENSED COMPANIES AND THEIR CORRESPONDING FEES

The table above provides information on the Annual License Fee and the amount received by the ANPM. The amount received was lesser than Annual License Fee since two companies did not make any payment within 2017.

LICENSING AND MONITORING FUEL, BIOFUEL AND LUBRICANT TRADING ACTIVITY

a. Licensing the Existing Traders

The establishment of Regulation No. 2/2016 on Fuel, Biofuel and Lubricant Trading Activity on 28 December 2016 had enable the ANPM to start the licensing process of the existing companies involved in the activity of importing Gasoline, Diesel, Lubricant, LPG and Asphalt. The data recorded by the Directorate shows that there were 14 companies imported fuel and all of them were successfully licensed within 2017 since they had fulfilled the minimum requirement and the additional requirement sets under the approved Regulation. The following table provides detail information on the licensed companies for fuel trading activities in 2017.

No	Name of Company	Owner of the Company	License Number	Licensing Year	Licensing period
1	Mega Petroleum, Lda	Jung Min Song, Ponciano Pereira	ANPM/C/2017/001	2017	10 Years
2	Xalila Fuel Unipessoal, Lda	Petronila M. C. De A. Da	ANPM/C/2017/002	2017	10 Years
3	Pertamina International Timor, SA	Deni Febrianto	ANPM/C/2017/003	2017	10 Years
4	Esperança Timor Oan, Lda	Nilton Telmo Gusmão Dos Santos	ANPM/C/2017/004	2017	10 Years
5	Far Ocean Petroleum PTY, Lda	Alvin Chiang Mun Hoe	ANPM/C/2017/005	2017	10 Years
6	Arjumar Unipessoal, Lda	Arnaldo Mendes Ribeiro	ANPM/C/2017/006	2017	10 Years
7	Gilficac Unipessoal, Lda	Raul Secario Luis Pereira	ANPM/C/2017/007	2017	10 Years
8	EQ, Lda	Rojerio Jose De Araujo Pereira	ANPM/C/2017/008	2017	10 Years
9	Golden Energy VIP, Lda	Henry Sadely	ANPM/C/2017/009	2017	10 Years
10	Gafung Petroleum, Lda	Marcelina Oliveira	ANPM/C/2017/010	2017	10 Years
11	Oil and Gas Venture(OGV) Unipessoal,	Lucas Paulo De Assis Belo	ANPM/C/2017/011	2017	10 Years
12	Sacom Energia , Lda	Abilio Da Conceição De	ANPM/C/2017/012	2017	10 years
13	Express Distribution Service	Rui Miguel Lopes	ANPM/C/2017/013	2017	10 Years
14	King Coinstruction Unipessoal, Lda	Vanessa Lie	ANPM/C/2017/014	2017	10 Years

TABLE 19: DETAIL OF LICENSED FUEL TRADERS

b. 2017 Licensing Fee

Regulation No. 2/2016 sets up the payment of fee to be charged per liter based on the annual plan submitted by the Traders. The submission of Annual Plan was one of the additional requirements to be fulfilled by the Traders.

Based on the annual plan, the fees were calculated and shared with the companies to proceed with the payment at the dedicated bank.

This Regulation also foresees True Up Mechanism to be conducted at every fifth teen days of January to reconcile the fee based on import plan realization. Since all of the companies were licensed in 2017, this mechanism will be conducted by the ANPM in 2018. However, based on the data recorded by the Directorate, it shows that up to end of 2017 most of the companies did not realize the import plan. The details are provided in the table below.

No.	Company	Annual Plan (L)	Realization (L)	Differences	Fee paid based on 2017 Annual Plan	Actual Fee based on Realization
1	Mega Petroleum	2,260,000	203,400	2,056,600	1,130.00	101.70
2	Xalila	500,000	230,962	269,038	250.0	115.48
3	PITSA	63,227,000	59,070,755	4,156,245	31,613.50	29,535.38
4	ETO	53,250,000	66,981,051	-13,731,051	26,625.00	33,490.53
5	Far Ocean	15,200,000	16,251,749	-1,051,749	7,600.00	8,125.87
6	Arjumar	1,000,000	3,297,361	-2,297,361	500.0	1,648.68
7	Gilficac	2,000,000	1,232,920	767,080	1,000.00	616.46
8	EQ	10,800,000	2,379,502	8,420,498	5,400.00	1,189.75
9	VIP	150,000	200,283	-50,283	75.0	100.14
10	Gafung	4,000,000	-	4,000,000	2,000.00	-
11	Oil and Gas Venture (OGV)	1,890,000	-	1,890,000	945.00	-
12	Sacom	15,000,274	15,000,274	-	7,500.14	7,500.14
13	EDS	71,533	25,000	46,533	35.7	12.50
14	King Constructio	446,000	199,578	246,422	223.00	99.79
Total					\$ 84,897.40	\$ 82,536.42

TABLE 20: FUEL IMPORT REALIZATION IN 2017 AND THEIR CORRESPONDING FEES

Table above shows that the actual import realizations of eight companies do not reach the import plans. The remaining import plans and fees of the seven companies will be adjusted to 2018 based on true up mechanism to be conducted by the Directorate in the first two weeks of January.

The actual import realizations of four (4) companies above are beyond the plans whilst two (2) companies namely, Gafung and OGV did not realized the import plan.

The total actual fee received for Trading Activity in 2017 based on the data recorded by the ANPM is **US\$ 82,536.42**.

c. Import of Fuel through ISO Tanks and the Administrative Sanction

After the BoDs' decision to ban the importation of Gasoline and Diesel through ISO Tanks was communicated, the import of Gasoline and Diesel through ISO Tanks was discontinued. However, in October 2017, one of the licensed trader continued importing Gasoline through ISO Tanks. 14 ISO Tanks were imported. This act breached the BoDs' decision which had been communicated with the company previously. Following this import, the ANPM

conducted meeting with the company to inform the ANPM's way forward toward the 14 ISO Tanks. The company finally agreed and subsequently submitted a declaration to ANPM. A part of the declaration was the agreement to pay the administrative sanction with an amount of US\$ 15,000 within 10 days after the removal of the ISO Tanks from Dili Port. The company also declared to not continue importing Gasoline and Diesel through ISO Tanks.

Following the submission of decalaration, the ANPM provided the authorization to remove the ISO Tanks from Dili Port.

LICENSING STORAGE ACTIVITY

In 2017, the Directorate continued the lisensing process of PITSA and Esperança Timor Oan (ETO) Fuel Storage Facility.

The location verifications were conducted in January 2017 by the Downstream Inspector and Project Inspection were conducted in March 2017 assisted by Certified API Consultant, Bro Nant International.

Location approval was granted to ETO Fuel Storage Facility, while approval for PITSA was pending due to uncertainty of land status.

PITSA Storage Facility was an existing facility which had been in operation since 1985. Land Status was one of the information to be provided by the PITSA under location approval form. However, PITSA was unable to provide any document to ANPM on land status. Therefore, the approval was pending until the ANPM obtained clear information on land status from PITSA.

ETO Storage Facility was newly constructed and there were several findings that required some improvement prior to the granting of Project Approval and the Operational License. ETO Management immediately performed the corrective actions in accordance with the inspection recommendations. All findings were able to be closed.

Following the implementation of inspection recommendations by ETO, the Directorate granted Project Approval and the Operation License. The Operational License was granted for a period of 20 years. Following are the pictures taken during inspection activity to PITSA and ETO Facility.



FIGURE 23: EXTERNAL TANK SHELL AND TANK ROOF INSPECTION AT PITSA FACILITY



FIGURE 24: INSPECTION TO FIRE PROTECTION FACILITY AND INTERNAL TANK AT ETO FACILITY

COLLECTION OF FEES DURING THE LICENSING PROCESS OF INSTALLATION AND OPERATION OF STORAGE FACILITIES

The issuance of License to ETO Fuel Storage Facility was subjected to the payment of fee. The Directorate collected US\$ 74,291.67. Due to the facility had not been in operation, the fee was paid for the first month of licensing date.

FUEL QUALITY MONITORING PROGRAM

Fuel Quality Monitoring Program is one of the planned activity. In 2017, this activity was performed to three fuel supply point such as PITSA, ETO and Far Ocean. The samples taken were limited to Gasoline and Automotive Diesel to confirm their specification established in the Amendment Regulation No.1/2015 on Fuel, Biofuel and Lubricant Quality Standards and Specifications. Following are some of the pictures taken during the fuel sampling activities.



FIGURE 25: FUEL SAMPLING ACTIVITY AT PITSA STORAGE FACILITY

Five (5) samples were collected which consist of 3 for Diesel and 2 for Petrol. The Diesel samples were taken from PITSA, ETO and Far Ocean facilities whilst Petrol samples were taken from PITSA and ETO facilities. These samples were sent to Intertek laboratory for testing. The laboratory results show that two Diesel samples belong to PITSA and Far Ocean were off specification particularly on the parameter of Filter Blocking Tendency. Two Petrol samples belong to PITSA and ETO were also off specification particularly on the parameter of Final Boiling Point and Olefins. The violation on the importation of fuels that not conform to the established fuel quality and standard specification as well as approved authorization still under discussion to be imposed to the above listed fuel traders.

JOINT REVIEW OF ENVIRONMENTAL DOCUMENTS

The establishment of the Memorandum of Understanding on Environmental License in 2016 had enabled the Downstream Directorate and the Nasional Directorate of Pollution Control and Environmental Impact to jointly review the environmental applications. In 2017, 13 Project Documents (PDs) were reviewed; nine existing facilities which had been in operation and four new proposed facilities. A total of four Project documents were concluded and followed by the issuance of the project category. After the issuance of project category, two Simplified Environmental Impacts Statements and three Environmental Management Plans were submitted. Following table foresees detail information on project proponent and the review of Environmental License applications.

No	Proponent	Type of Project	Project Documents	Project Category	Terms of Reference	SEIS & EMP
1	PITSA	Storage facility (Existing facility at Pantai Kelapa)	Review concluded and the project category was issued on 14 February 2017	A	Existing facility and N/A	21-Sep-17
2	PITSA	Fuel Filling Station (Existing Fuel Filling station at Bebora)	Review concluded and the project category was issued on 14 February 2017	B	N/A	21-Sep-17
3	PITSA	Aviation Fuel Filling Station	Review concluded and the project category was issued on 14 February 2017	B	N/A	21-Sep-17
4	Waiwatu	Storage facility (Pilila, Liquica)	The review was performed and further revision was required from the company prior to conclude and decide the category of project	-	-	-
5	Lai-Ara Nikmat Mujur	Storage facility (Kasaid, Liquica)	Review concluded and the project category was issued on 17 July 2017	A		-

6	Sacom Energia	Storage facility (at Hera)	The review was performed on 3 May 2017 and further revision was required. The revised version was submitted on 30 May 2017. The process was discontinued due to rejection from F-FDTL.	-	-	-
7	68 Petroleum	Fuel Filling station (existing fuel station at Hudilaran)	The review was performed and further revision was required from company prior to conclude and decide the category of project	-	-	-
8	De Shun Fuel	Fuel Filling Station (Existing fuel station at Fatuhada)	The review was performed and further revision was required from company prior to conclude and decide the category of project	-	-	-
9	Culuhun Fuel	Fuel Filling Station(Existing fuel station at Culuhun)	The review was performed and further revision was required from company prior to conclude and decide the category of project	-	-	-
10	Chong Ti Petroleum	Fuel Filling station(existing fuel station at Hudilaran)	The review was performed and further revision was required from company prior to conclude and decide the category of project	-	-	-
11	99	Fuel Filling Station(existing	The review was performed and further	-	-	-

	Petroleum	fuel station at Hudilaran)	revision was required from company prior to conclude and decide the category of project			
12	Timor Gap EP	Beaco LNG Plant (LNG Plant Complex Marine facility)	The review was performed and further revision was required from company prior to conclude and decide the category of project	-	-	-
13	Alexa	Fuel filling station(existing fuel station at Liquica)	The review was performed on 19 December 2017 and further revision was required from the company prior to conclude and decide the category project	-	-	-
14	Andika Lima	Fuel Filling station (existing fuel station at Liquica)	Not yet reviewed			

TABLE 21: LIST OF ENVIRONMENT DOCUMENTS REVIEW

INTER-MINISTERIAL COOPERATION

The Downstream Directorate has been committed to continue its coordination and relationship with relevant government entity and institution in Timor-Leste in order to expedite the licensing process of Downstream Activities namely Installation and Operation off Fuel Filling Stations and the Installation and Operation of Storage Facility. The coordination was also done to monitor the implementation of Trading Activity. Several meetings were conducted with National Directorate of Land, Property on land clearance and Port Authority, and Custom Authority on Trading activity.

LICENSE FEES

In 2017, the Directorate collected total fees of \$ 302,378.09. These fees were collected during the licensing process of Installation and Operation of Fuel Filling Station, Installation and Operation of Storage Facility, and Trading of Fuel,

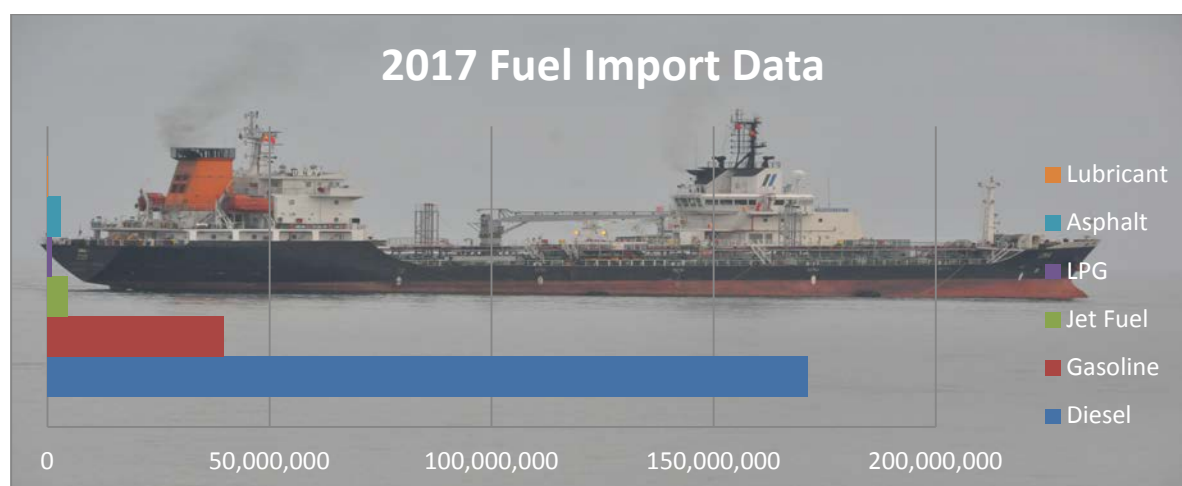
Biofuel and Lubricant. The Directorate also collected Annual Fees from the Fuel Filling Stations licensed in 2014, 2015 and 2016 and the administrative sanction. Table below summarizes the total fees received during 2017.

No	Type of the Activity	Fee Received
1	Installation and Operation of Fuel Filling Station	\$ 130,550.00
2	Installation and Operation of Storage Facility	\$ 74,291.67
3	Fuel, Biofuel, and Lubricant Trading	\$ 82,536.42
4	Administrative Sanction	\$ 15,000.00
	Total	\$ 302,378.09

TABLE 22: TOTAL FEE RECEIVED IN 2017

FUEL IMPORT DATA

According to the data established by the Downstream Directorate, there are six (6) types of Fuel have that had been imported in 2017. Below figure indicates types of Fuel and their corresponding volume and percentage based on the data recorded.



GRAPH 16: 2017 FUEL IMPORT DATA

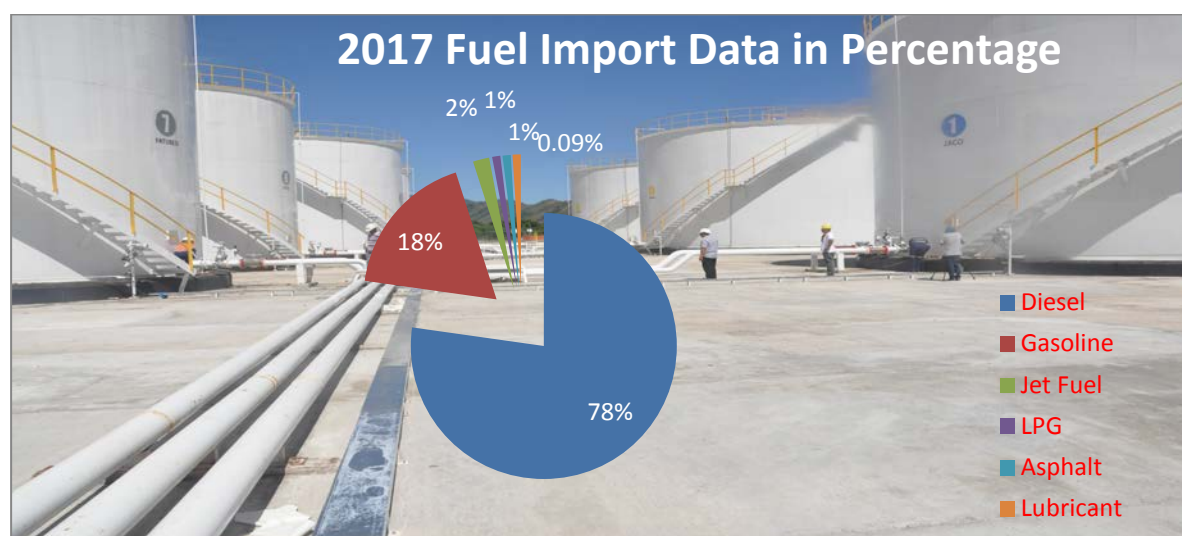


CHART 7: 2017 FUEL IMPORT DATA BY PRODUCTS IN PERCENTAGE

Diesel makes up 78% of total fuel imported to the country. Importation of Diesel compared to 2016 has slightly decreased by 2%. The importation of Gasoline and Jet Fuel remains constant in 2016 at 18% and 2 % respectively. LPG and Asphalt makes up 1% whilst Lubricant makes up 0.09%.

According to the established data, the main importation of Diesel is used for the generation of Power Plants within the country. Following figure foresees the detail of Diesel Import Data:

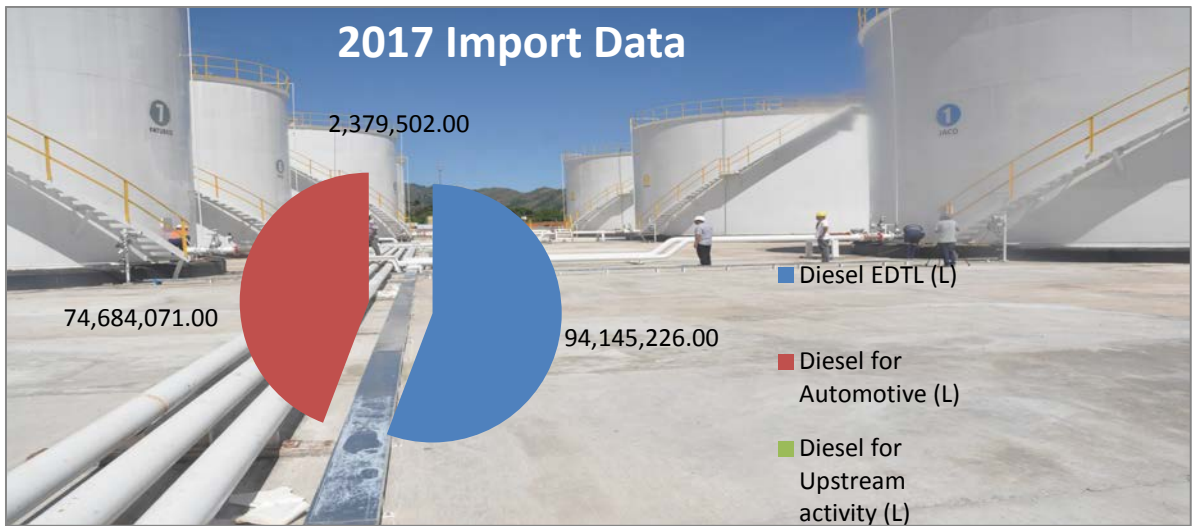


CHART 8: DIESEL IMPORT FOR POWER HOUSES VS PUBLIC

4. ACTIVITIES OF THE MINERAL DIVISION

4.1 MINING SECTOR DEVELOPMENT AT A GLANCE

Since the establishment of Mineral Directorate and the implementation of Ministerial Diploma No. 64/2016 November 16, Administration and technical processes involved in obtaining a mineral license from regulatory authority have significantly been improved. The authority's requirements for an applicant to apply for mineral license is comprehensive therefore it has lead to awareness from a mineral company to fully comply with regulations and further contribute to the collection of revenues to the state. In general, most of material extracted is construction materials and has been utilized to support the private and government construction projects.

4.2 PUBLIC CONSULTATION AND REGULATION OF CONSTRUCTION MATERIAL

4.2.1 PUBLIC CONSULTATION

Socialization of Diploma Ministerial 64/2016 November 16, conducted in Covalima and Liquica Municipality held on 31 July 2017 and 10 November 2017 respectively, with the objective to disseminate information on how the regulation applies for all mineral quarries and the requirement to comply by quarry operator and compensate the use of public asset by contributing the revenue to the state. This socialization involved local authority, company, consultant, the representative from Ministry of Public Works, and PNTL.



FIGURE 26 : PUBLIC CONSULTATION IN COVALIMA MUNICIPALITY



FIGURE 27 : PUBLIC CONSULTATION IN LIQUICA MUNICIPALITY

4.2.2 INTER MINISTERIAL COOPERATION

To facilitate the issuance of mineral license process particularly on the administration, operation and extraction activity Mineral Directorate has established its cooperation and coordination with other relevant Ministries such as the Ministry of Petroleum and Mineral Resources, Ministry of Public Works Telecommunication, Ministry of Commerce Industry and Environmental, Ministry of Justice on the issues of Environmental license, Land clearing and road project.

4.2.3 MINERAL JOINT COMMISSION FOR ENVIRONMENTAL LICENSE

Considering the complexity and technical specialty in petroleum and mineral sector as pursuant to the Article 28.1(i) Organic Law the VI Government Constitutional, the Autoridade Nacional do Petróleo e Minerais (ANPM) under the Ministry of Petroleum and Mineral Resources (MPMR) and Direcção Nacional de Controlo da poluição e Impacto Ambiental (DNCPIA) under the Ministry of Commerce Industry and Environment (MCIE) signed the Memorandum of Understanding (MoU) on 20th May 2016 to form the Joint Commission for Environmental Impact Assessment (JCEIA) in order to screening/scoping, issue the technical comments and feedback, classify/categorize the project and recommend to the higher/superior of Environmental Authority for the issuance of environmental license pursuant to Decree Law 5/2011 Environmental Licensing Process. The JCEIA has issued 5 Project Documents (PD), 10 Simplified Environmental Impact Statements and Environmental Management Plan (SEIS&EMP) which are category B project, 7 Site Specific Environmental Management Plan (SSEMP) and 1 an Environmental Impact Assessment (EIA) comment for a category A project.

4.3 LICENSE AND REVENUE COLLECTED IN 2017

4.3.1 LOCATION APPROVAL

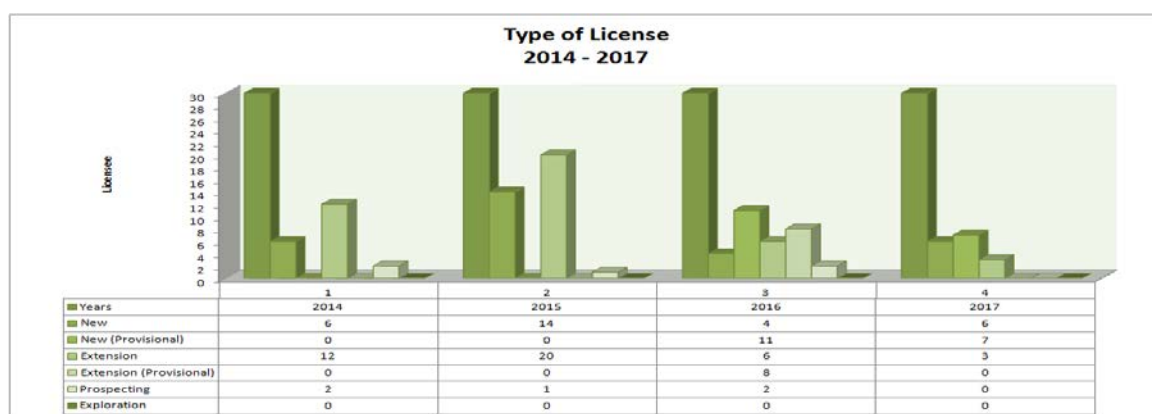
Approximately 62 locations were requested to be approved for mining activity. The proposed locations are mostly for supporting specific road construction projects within the country. In 2017, 39 locations were approved for both local and international company and 23 locations were under technical assessment. These locations are newly proposed locations and exclude those which have already obtained license.



FIGURE 28: STRUCTURE OF LOCATION APPROVAL

4.3.2 LICENSE

For the year of 2017, a total of 41 Mineral applications submitted to Mineral Directorate for assessment and following the evaluation only 16 licenses granted and the Ministerial Diploma 64/2016 of November 16, Article 42.2 authorized the authority to collect compensation for unlicensed Mineral extraction activity which resulted in the collection of compensation of payment from 29 companies.



GRAP 18: LICENSES ISSUED TO LOCAL AND INTERNATIONAL COMPANIES FROM MEDIUM TO LARGE SCALE

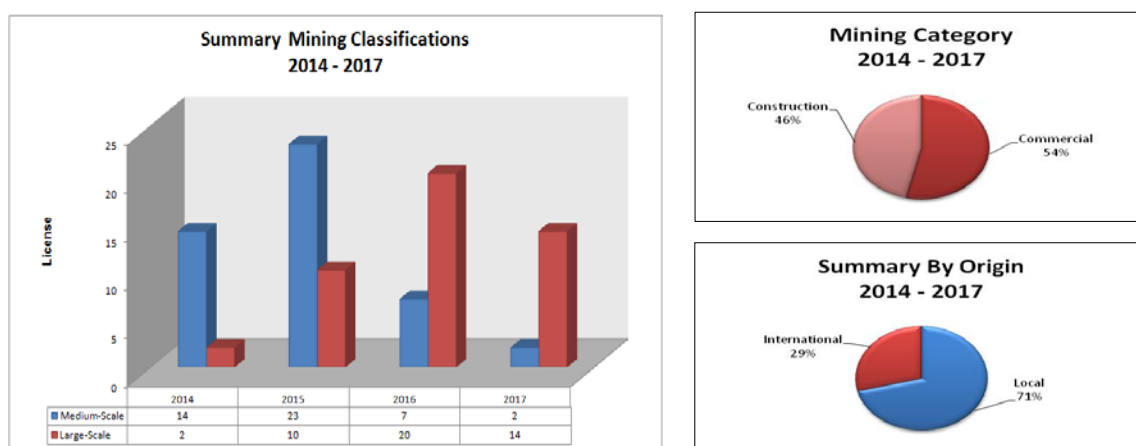
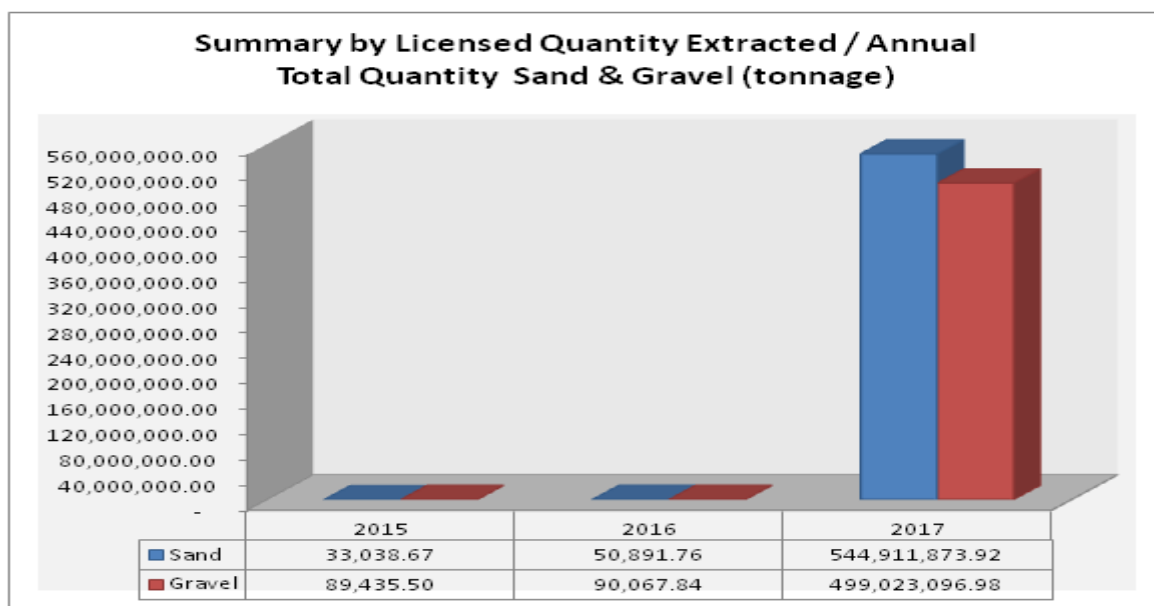


CHART 9 : LICENSE ISSUED FOR LOCAL AND INTERNATIONAL FROM MEDIUM TO LARGE SCALE

4.3.3 PRODUCTION IN 2017

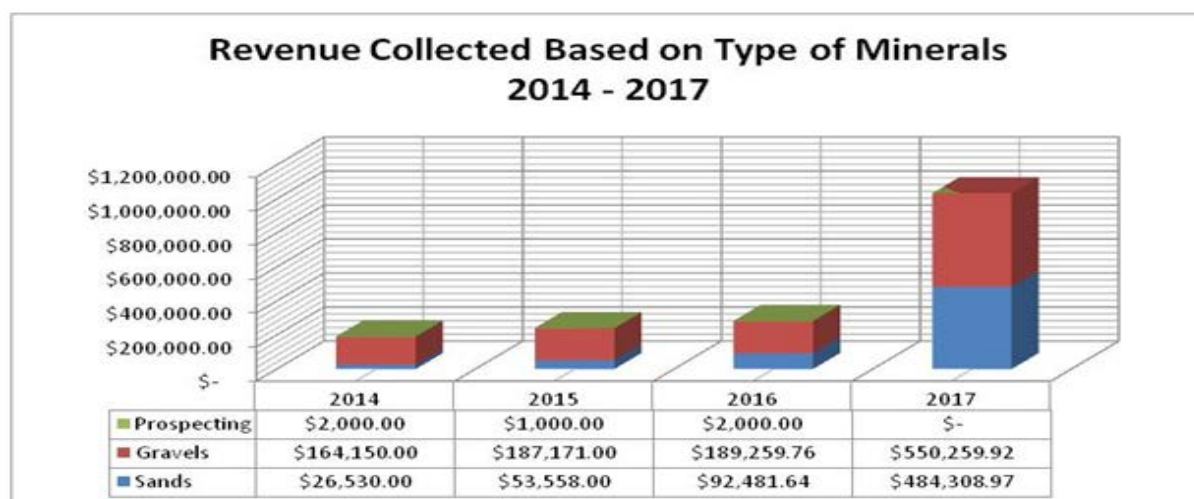
The construction material extracted in 2017 is 1,043,394,970.90 tons which is the sum of 544,911,873.92 tons of gravel and 499,023,096.98 tons of sands. The quantity of construction material produce during 2017 is the highest compare to the previous two years because of the additional payment for compensation collected during 2017. The details comparison of material extracted can be seen on the following chart;



GRAPH 18: PRODUCTION QUANTITY LICENSED FROM 2014-2017

4.4 REVENUES COLLECTED

The mineral revenues are collected under category of prospecting license fee, exploration and mining license fee and compensation fee. In 2017, total mineral revenue collected is USD 1,034,568.90 which is the sum of USD 417,079.40 and USD 617,489.50 collected from compensation. The revenue collected is significantly increasing compare to the previous year because of the authorization to collect compensation payment for mineral fee from unlicensed quarry operator.



GRAPH 19: REVENUE COLLECTION FROM 2014-2017

5. CORPORATE INITIATIVES

As a Timorese Autonomous organization, ANPM assumes obligation to share knowledge and experience on its core business with relevant stakeholders and academic graduates within the country and those from overseas. In 2017, our initiatives in sharing of knowledge and experience were stepped up by not only increasing the number but also expanding the areas of disciplines. This is primarily contributed by opportunities and lessons learnt from previous years.

5.1 GRADUATE INTERNSHIP PROGRAM

Graduates are attached to the ANPM by means of a Graduate Internship Program. The successful candidates are offered with the opportunity to learn firsthand experience from our experienced staffs in a range of disciplines and have the opportunity to get exposed to some field activities to gain knowledge and experience on real projects. In 2017, the ANPM only provided once GIP program for the period six months duration. A total of 10 graduates were selected to be attached to the directorates within the ANPM.

Program Type	Number of Student	Area of Interest
Graduated Internship Program (GIP)		
	1	Petroleum Engineering
	1	Geology and Geophysics
	1	Health & Safety
	1	Oil and Gas Commercial
	1	Technical Downstream
	1	Corporate Administration
	1	Corporate Finance
	1	Information and Technology
	2	Training & Human Resources

TABLE 23: 2017 GRADUATION INTERNSHIP PROGRAM

5.2 UNIVERSITY STUDENTS FINAL YEAR PROJECTS

The ANPM offers mentoring opportunity for final year students at university level to gain some work experiences and data collection for their thesis writing purpose as a part of university curriculum's requirements. A total of 19 students were assisted in completing their field study program and 14 students for data collection with different directorate within the ANPM in 2017.

Program Type	Number of Student	Area of Interest	University
Final Year Project (FYP)			
Data Information Collection	2	Health, Safety & Environment	DIT & UNDIL
	5	Development & Production	UNDIL, DIT and UNP Veteran Yogyakarta
	5	Commercial	DIT
	2	Downstream	DIT
Field Study Program	14	Commercial; D&P	DIT
	2	T&HR	UNTL
	3	D&P	UNDIL

TABLE 24: 2017 FINAL YEAR PROJECT

5.3 PUBLIC EVENTS

NATIONAL & INTERNATIONAL EXHIBITION AND SEPFOPE JOB FAIR

In 2017, ANPM has been invited to take part at two National Exhibitions for commemorating 15th Anniversary of Restoration of Independence of Timor-Leste and 42th Anniversary of Independence Day and one International Industrial Exhibition organized by Ministry of Trading, Industry & Environment and one Job Fair organized by Secretariat of State for Employment Policy and Vocational Training (SEPFOPE).



FIGURE 25: ANPM ON NATIONAL EXHIBITION AND SEPFOPE JOB FAIR 2017

LIST OF ABBREVIATIONS

2D: Two Dimension, 28	km: kilo meter, 24, 25
ANP: Autoridade Nacional do Petróleo, 6, 7, 8, 9, 10, 12, 13, 14, 15, 20; Autoridade Nacional doPetróleo, 22, 25, 31, 45	LNG: Liquified Natural Gas, 24
APORTIL: Port Authority of Timor-Leste, 42, 43	LPG: Liquified Petroleum Gas, 24
BoD: Board of Directors, 8	MMscf: Million Standard Cubic Feet, 24
BU: Bayu Undan, 28	MODU: Mobile Offshore Drilling Unit, 26, 36
CUQ: Compression, Utilities and Quarters, 24	NZ: New Zealand, 45
DIT: Dili Institute of Technology, 45, 46	OPEC: Organization of Petroleum Exporting Countries, 28
DNTPSC: Direcção Nacional de Terras, Propriedades e Serviços Cadastrais, 42	PNTL: Polícia Nacional de Timor-Leste, 42
DPP: Drilling Procesing and Production Platform, 24	PSC: Production Sharing Contract, 22, 23, 31
ERP: Emergency Response Plan, 46	SCM: Cunrise Commission Meeting, 11
FPSO: Floating Production, Storage and Offloading, 25	SEMA: Secretario do Estado E Meio Ambiente, 42
FSO: Floating Storage and Offloading, 24	SERVE: Serviço de Registo e Verificação Empresarial, 42
IOB: Institute of Bussiness, 45, 46	TLOA: Timor Leste Exclusive Area, 6, 9, 22, 25, 28, 31
JCM: Joint Commission Meeting, 11	UGM: Universitas Gadjra Madah, 45
JPDA: Joint Petroleum Development Area, 6, 7, 9, 22, 24, 25, 26, 28, 31	UNPAZ: Universidade da Paz, 45
kbpd: Thousand barrels per day, 24	UNPROK: Universitas Proklamasi, 45
	US: United States, 28
	USD: United States Dollar, 13
	WP1: Well Head Platform 1, 24

ANNEX 1 – LIST OF INDIVIDUAL AND COLLECTIVE TRAINING IN 2017

Type of training	Individual and Collective Training					
	Management	Participants		Technical	Participants	
		Male	Female		Male	Female
Individual Training						
	HR Conference - AHRI	1	0	Operation, Management and Safety of Oil and Gas Marine Terminal in Accordance with International Standard	0	1
	ISO90001quality management of organization	1	0	TBOSIET/HUET certificate extension	4	1
	Ticketing and Accommodation training	1	0	Gatech Exhibition and Conference		1
	Advance Procurement Management	1	0	Practical Training for PQMS (Petroleum Quality Management System)	1	0
	Project Management Training with MS Project	2	0	Remote Pilot Certificate Training	1	0
	Leadership Exploration and Development (LEAD)	1	0	South East Asia Australia Offshore & Onshore Conference (SEAAOC)	1	0
	Problem Solving & Decision Making Training	0	2	Advance Certificate in Procurement Compliance (ACPC)	3	1
	Accounting-Understanding Receivables and Payables	1	2	Fundamental of E&P Data Management	1	0
	Beginning Auditor Tools and Technique	1	1	Production Sharing Contract and International Petroleum Fiscal System	1	0
	Certified Career and Talent Management Specialist	1	0	Process Modeling and Modeling LNG Plant using Aspen HYSY	2	1
	Certified Career and Talent Management Specialist	1	0	Dispute resolution and Arbitration in Energy, Mining and Infrastructure	1	0
	Corporate Finance and Strategy	0	2	Basis of design on components involve in BUIW practical preparation	1	0
				International Oil Trading: Physical & Paper	1	0
				CISCO CCNA-Accelerated v3.0 and Exam	1	0
				Process Hazard Assessment Using the HAZOP Technique and HAZOP team leader	1	0
				Singapore International Arbitration Academy 2017	1	0
				Internal Audit Report Writing Improving Mindset Clarity Focus Brevity for Greater Impacts to Clients	1	0
				Developing ASP.NETMVC Web Applications	1	
				International E&P Oil & Gas Accounting	1	1
				Contracts Management	0	1
				17th Pacific Gas Insiders	0	1
				Airborne Project - Capacity Building Phase II	2	2
				PIX4D Mapping Software Training	1	
				Nebosh Health and Safety at Work (HSW)	1	0
				Environmental Impact Assessment	2	0
		11	7		29	10
	Total	18			39	
Collective / In-house Training						
	Procurement Awareness Training	35	15	Emergency Response Plan	14	3
	Portuguese Courses – Nivel Basico (A1)	30	16	Liquid Fuel Dispenser verification and calibration	7	3
	Portuguese Courses – Nivel Avancado (C1)	4	2			
	Portuguese Courses - Nivel Intermediarios (B1 & B2)	17	10			
	English for Specific Purpose: Report Writing	8	8			
		94	51		21	6
	Total	145			27	

Type of Program	GIP and FYP - 2017				
	ANPM Directorate	University Name		Participants	
				Male	Female
Final Year Project (FYP)					
Data Information Collection	D&P	DIT	3	0	
		UNDIL	1	0	
		UNP Veteran Yogyakarta	1	0	
	Commercial	DIT	3	2	
	HSE	DIT	0	1	
		UNDIL	1	0	
	Downstream	DIT	0	2	
Total students			14		
Field Study Program	Commercial; D&P	DIT	11	3	
	T&HR	UNTL	0	2	
	D&P	UNDIL	1	2	
Total students			19		
Graduate Internship Program (GIP)					
2017 (Only one Intake Provided)	Technical Group				
	Petroleum Engineering			0	1
	Geology and Geophysics			0	1
	Health and Safety			1	0
	Oil and Gas Commercial			0	1
	Oil and Gas Legislation			No Applications	
	Local Content			No selected candidate	
	Downstream Administration			Interview	
	Technical Downstream			0	1
	Corporate Group				
	Corporate Administration			0	1
	Corporate Finance			1	0
	Information and Technology			1	0
	Training & Human Resource			1	1
Total Interns			10		

ANNEX 2- CORPORATE PROCUREMENT IN 2017

Audit, Consulting, Project and Office Maintenance Services Updates (January - December 2017)

I	Consultancy	Contract Fee /Items Price	Successful Company/Vendors
1	Procurement Awareness In House Training (Ref: ANPM/CRM/RFP/16/011)	\$ 20,000.00	Miranda & Associados, Sociedade de Advogados, SP, RL, Portugal
2	Economic Benefits Multiplier effect form Bayu Undan Investment	\$ 247,000.00	Delloite Unipessoal Lda
3	Metering Inspection at Darwin LNG Phase II Month of February 2017	\$ 8,480.26	Gas Measurement & Auditing Pty. Ltd
4	Redrafting Oil & Gas Reserves & Resources Reporting Guidelines (Ref: ANPM/RCM/RFP/16/016)	\$ 55,605.00	Petroleum Development Consultants Limited (PDC), London, UK
5	Continuation of Competency Training for HSE staff	\$ 33,378.17	British Safety Services LTD
6	RFP National Library Site Work Construction (Ref: ANPM/PROC/ITB/17/006	\$ 458,273.92	Jova Construction Lda
7	RFP Mass Balance Audit Bayu Undan Offshore Production facility and the Darwin LNG (Ref : ANPM/PROC/RFP/17/007	\$ 55,915.75	KELTON Engineering Ltd
8	Technical Review on Decommissioning Comparative Assessment Report (Ref: ANPM/PROC/RFP/17/009)	\$ 48,171.00	Linch - Pin Enterprise Pty Ltd
9	Valuation of Marble Resources in Timor Leste with Ref number (ANPM/PROC/RFP/16/010)	\$ 472,000.00	Resource Futures Pty Ltd, Victoria, Australia
Sub Total		\$ 1,398,824.10	
II	Services	Contract Fee /Items Price	Successful Company/Vendors
1	Video Production of Airborne Project in Timor Leste	\$ 28,950.00	Pixel Asia Productions Dili
2	Software Renewal of Production Data Core and OFM within one year (Jan - Dec 2017)	\$ 15,289.87	Schlumberger Oil Field Australia Pty Ltd
3	Internet Services for ANPM (local engagement with local Internet Provider) in 3 Mbps for ANPM new Downstream Office (Mineral Office)	\$ 19,980.00	Telemor
4	Internet Services for ANPM (local engagement with local Internet Provider) in 3 Mbps for ANPM new Ministry of Finance building	\$ 24,300.00	Telkomcel
5	VOIP Installation at the ANPM Office in new Building of MoF Aitarak Laran Dili	\$ 25,000.00	Telkomcel
6	VOIP Monthly services at the ANPM Office in new Building of MoF Aitarak Laran Dili	\$ 56,400.00	Telkomcel
7	Generator Maintenance and Services (Ref: ANPM/PROC/RFP/2017/003)	\$ 540.00	A1 Services

8	Updating PSC Contract form and View on Lafaek and Website Database	\$ 2,184.00	ISW Development Pty Ltd
9	Time Attendance Machine maintenance on Generate the staff attendance	\$ 1,615.00	Time and Attendance Pty Ltd
10	Purchase tools for Refurbish Server HP 6G DP 15K SAS 146GB	\$ 3,200.00	Loro Sae Computer Services
11	Subscription of Argus Market Reporting on LPG Market Information within 1 year	\$ 18,216.66	Argus Media Ltd, England, London, UK
12	Renewal IBM Software License Yearly basis	\$ 19,891.11	ISW Development Pty Ltd
13	Internet Service Migration	\$ 500.00	Telkomcel
14	Extension of Service Agreement on an existing license of CERBERUS FTP Server ENTERPRISE for 1 year	\$ 750.00	CERBERUS LLC
15	One Time Set UP and Installation for Internet Connection at Ministry of Finance Building at Aitarak Laran	\$ 1,462.50	Globalnet Unipessoal Lda
16	Petrel Software Lease and Maintenance for 1 year services (yearly basis extension)	\$ 44,953.08	Schlumberger Oil Field Australia Pty.Ltd
17	Minor Civil Work on Installation Fiver Optic at Farol Office	\$ 2,975.20	Globanet Unipessoal Lda
18	Symantec Endpoint Protection Renewal for 12 months for 50 users	\$ 1,075.50	ISW
19	Symantec Endpoint Protection Renewal for 12 months for 100 users	\$ 1,076.50	ISW
20	Office Maintenance on Reallocation to dismantling the Kobe House in Palacio do Governo	\$ 21,496.95	RMS Engineering & Construction Unipessoal Lda
21	Software Renewal of Production Data Core and OFM within one year (Jan - Dec 2017)	\$ 15,289.87	Schlumberger Oil Field Australia Pty Ltd
22	Internet Services for ANPM (local engagement with local Internet Provider) in 3 Mbps for ANPM new Downstream Office (Mineral Office)	\$ 19,980.00	Telemor
23	Internet Services for ANPM (local engagement with local Internet Provider) in 3 Mbps for ANPM new Office at Ministry of Finance Building	\$ 19,080.00	Timor Telecom
24	RFP Ticketing Services (Ref: ANPM/ANPM/PROC/RFP/17/002)	Based on invoice submission	Fatubesi Travel Unipessoal Lda
25	Fuel Supply to ANPM	Based on invoice submission	Belak Fuel
Sub Total		\$ 344,206.24	
III	Audit	Contract Fee /Items Price	Successful Company/Vendors
1	ANPM Financial Statement, Petroleum Revenue External Audit Services (Ref: ANPM/CRM/RFP/16/017)	\$ 56,000.00	Ernst & Young Perth Australian

Sub Total		\$ 56,000.00	
IV	Goods	Contract Fee /Items Price	Successful Company/Vendors
1	Supply New Vehicles to the ANPM Office (Ref : ANPM/PROC/RFP/17/004)	\$ 126,000.00	Toyota Auto Timor Leste
2	Purchase new UPS for backing up power at Server room in Palacio Office	\$ 2,100.00	NTECH
3	Purchase new to replace HDD failure for HP Proliant Server G6	\$ 3,200.00	Loro Sae Computer Services
4	IT Hardware and Software Supply for ANPM Data Center (Ref: ANPM/CRM/RFP/16/013)	\$ 386,091.35	Telemor, Dili - Timor Leste
5	Dismantle the Tower and Antenna also Wire Bracing at Farol Office	\$ 1,895.00	InfoSystem Unipessoal Lda
6	Purchase PPE for D&P Staff	\$ 610.00	ESSET
7	Supply IT Hardware and Software and Establishment of NOC room for ANPM on LOT A Wireless Access Point and LOT B on CCTV Surveillance Service and Maintenance (Ref: ANPM/PROC/RFP/17/008)	\$ 42,232.00	Lorosa'e Computer Services
8	Supply IT Hardware and Software and Establishment of NOC room for ANPM on LOT C NOC Room, LOT D on Thin Client Desktop Virtualization and LOT E on Printer Management (Ref: (ANPM/PROC/RFP/17/008)	\$ 59,962.00	Visimitra Unipessoal Lda
Sub Total		\$ 622,090.35	
TOTAL		\$ 2,421,120.69	



**AUTORIDADE NACIONAL DO PETRÓLEO E
MINERAIS
TIMOR-LESTE**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

GENERAL INFORMATION

Board of Directors:	Mr. Gualdino do Carmo da Silva (President and Chairman) Mr. Jose Gonçalves Mr. Jorge Martins Dasilaku Mr. Emanuel Angelo Lay (January 2017) Mr. Nelson de Jesus
Date of formation:	In terms of Decree-Law No.1/2016 dated 9 February 2016 as the 1 st amendment to the Decree Law no. 20/2008
Principal Activities:	Autoridade Nacional do Petróleo e Minerais (ANPM) is a public institution created pursuant to the Decree Law No.1/2016 dated 9 February 2016 as the 1 st amendment to the Decree Law no. 20/2008 of the Democratic Republic of Timor-Leste. The ANPM is Timor-Leste's body responsible for managing and regulating petroleum and mineral activities in Timor-Leste areas and in the Joint Petroleum Development Area ('JPDA') in accordance with the Decree Law on the establishment of the ANPM, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty ('Treaty').
Place of business:	Edifício do Ministério das Finanças, Pisos 6 e 7 Apartado 113, Aitarak Laran, Dili, Timor-Leste
Single Auditor:	Mr Oscar Sanches Faria
Director of Corporate Services:	Mr Dionisio Martins
Bankers:	Australia and New Zealand (ANZ) Banking Group Limited
Currency:	United States Dollars

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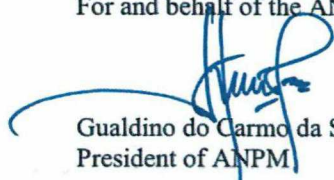
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DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Autoridade Nacional do Petróleo E Minerais ('ANPM') in the opinion of the directors:

- (a) The financial statements of ANPM are drawn up so as to present a true and fair view of the financial performance and cash flows of ANPM for the year ended 31 December 2017, and the financial position of ANPM as at 31 December 2017.
- (b) The financial statements have been prepared in accordance with International Financial Reporting Standards.

For and behalf of the ANPM Board of Directors:



Gualdino do Carmo da Silva
President of ANPM



Dionísio Martins
Director Corporate Services

Dili, Timor Leste
25 May 2018

Independent auditor's report to the Directors of Autoridade Nacional do Petróleo e Minerais

Opinion

We have audited the financial report of Autoridade Nacional do Petróleo e Minerais ("the Authority"), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Authority as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The directors of the Authority are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Perth
25 May 2018

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR END 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
REVENUE AND OTHER INCOME			
Development fees		3,983,200	3,983,200
Contract service fees		879,956	815,695
Subsidy from Timor-Leste Government		1,950,000	2,800,000
Timor-Leste Government funding for petroleum audits		291,111	220,000
Downstream fees		248,301	94,424
Downstream licenses - trading fees		82,651	-
Gain on disposal of property, plant and equipment		26,052	182
Interest		4,053	-
Other income		-	2,644
TOTAL INCOME		7,465,324	7,916,145
EXPENSES			
Employee costs	12	2,657,536	2,289,266
General and administration	13	3,476,853	3,293,475
Depreciation and amortization		375,455	490,958
Government petroleum audit costs		291,111	220,000
Net (gain)/loss in foreign exchange		(11,436)	1,341
TOTAL EXPENSES		6,789,519	6,295,040
SURPLUS FOR THE YEAR		675,805	1,621,105
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		675,805	1,621,105

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	12,893,737	11,053,423
Cash and cash equivalents - Joint Petroleum Development Area	4, 11	13,261,980	5,517,756
Trade and other receivables	5	15,512	39,367
Other current assets	6	30,036	37,576
Total Current Assets		26,201,265	16,648,122
NON-CURRENT ASSETS			
Property, plant and equipment	8	921,924	526,200
Intangibles	7	117,288	208,772
Total Non-Current Assets		1,039,212	734,972
TOTAL ASSETS		27,240,477	17,383,094
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	2,404,120	973,084
Payable in respect of Joint Petroleum Development Area Funds	9, 11	13,261,980	5,517,756
Contract service fees, development fees & downstream fees and downstream licenses - trading fees received in advance	10	1,598,626	1,592,308
Total Current Liabilities		17,264,726	8,083,148
TOTAL LIABILITIES		17,264,726	8,083,148
EQUITY			
Initial contribution	17	2,153,168	2,153,168
Accumulated funds		7,237,583	7,019,778
Capital asset reserve	22	585,000	127,000
Total Equity		9,975,751	9,299,946
TOTAL EQUITY AND LIABILITIES		27,240,477	17,383,094

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Initial Contribution	Capital Reserve	Accumulated Funds	Total Equity
	\$	\$	\$	\$
At 1 January 2016	2,153,168	275,700	5,249,973	7,678,841
Transfer out of capital reserve	-	(275,700)	275,700	-
Transfer into capital reserve	-	127,000	(127,000)	-
Total surplus for the year	-	-	1,621,105	1,621,105
At 31 December 2016	2,153,168	127,000	7,019,778	9,299,946
Transfer out of capital reserve	-	(127,000)	127,000	-
Transfer into capital reserve	-	585,000	(585,000)	-
Total surplus for the year	-	-	675,805	675,805
At 31 December 2017	2,153,168	585,000	7,237,583	9,975,751

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Operating activities			
Operating surplus before tax		675,805	1,621,105
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	8	224,441	244,954
Amortization of intangible assets	7	151,014	246,006
Gain on disposal of property, plant and equipment		(26,052)	-
Operating surplus before working capital changes		1,025,208	2,112,065
Working capital adjustments:			
Decrease in trade and other receivables	5	23,855	868,121
Decrease/(increase) in other current assets	6	7,540	(19,886)
Increase/(decrease) in trade and other payables	9	9,175,259	(17,091,722)
Increase in unearned income	10	6,319	1,010,457
Cash generated from/(used in) operations		10,238,181	(13,120,965)
Net cash flow provided by/(used in) operating activities		10,238,181	(13,120,965)
Investing activities			
Purchase of intangibles	7	(59,530)	(127,771)
Purchase of property, plant and equipment	8	(620,325)	(346,199)
Proceed on disposal of assets		26,212	-
Net cash flow used in investing activities		(653,643)	(473,970)
Net increase/(decrease) in cash and cash equivalents		9,584,538	(13,594,935)
Cash and cash equivalents at beginning of year		16,571,179	30,166,114
Cash and cash equivalents at end of year	4	26,155,717	16,571,179

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. NATURE OF OPERATIONS

The Autoridade Nacional do Petróleo E Minerais ('ANPM') was established on the 1st of July 2008 after the Decree Law No. 20/2008 was passed on the 19th of June 2008. The ANPM is Timor-Leste's body responsible for managing and regulating petroleum and Mineral activities in Timor-Leste's exclusive jurisdictional areas and in the Joint Petroleum Development Area (JPDA) in accordance with the Decree Law on the establishment of the ANPM, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty. The financial statements were authorized for issuing in accordance with a resolution of the directors on 22 May 2018.

Under Article 6(b) of the Timor Sea Treaty, between the Government of Australia and Timor-Leste, the ANPM has the juridical personality and such legal capacities under the law of both Contracting States as necessary for the exercise of its powers and the performance of its functions

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial statements for ANPM are general purpose financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For the purposes of preparing the financial statements, ANPM is a not-for-profit entity.

The financial statements have been prepared on a historical cost basis, and amounts are presented in United States Dollars (which is also the ANPM's functional currency) except when otherwise indicated. The financial statements provide comparative information in respect of the previous period.

b. Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period, or

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within the normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The ANPM classifies all other liabilities as non-current.

c. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the ANPM and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized.

Development fees

The fees are recorded on an accrual basis when the ANPM becomes entitled to the revenue.

Contract services fees

The fees are recorded on an accrual basis on the anniversary of the commencement of the Production Sharing Contract. Contract service fees received in advance are deferred and brought to account as income in the years to which they relate. Contract service fees received on termination of a Production Sharing Contract are brought to account as income in the year in which they are received.

Subsidy from Timor-Leste Government

Subsidy from the Timor-Leste Ministry of Petroleum and Mineral Resources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

Downstream fees

The fees consist of licensing fees payable to the ANPM for any company which is conducting downstream activity in Timor-Leste during the financial period. Downstream activity includes the installation and operation of fuel stations, the installation and operation of storage facilities and the importing/exporting of oil and gas. Fees are collected in advance as unearned income and recognised as income on a monthly basis over the license period.

Timor-Leste Government Funding for Petroleum Audits

This funding received in advance from the Timor-Leste Ministry of Petroleum and Mineral Resources is intended to finance the costs of auditing petroleum contracts. Revenue is recognized when the related expenditure occurs. Any unspent portion as at the end of the financial year is recognized as a liability in the statement of financial position.

d. Foreign Currency

The financial statements are presented in US dollars, which is also the ANPM's functional currency.

Transactions and balances

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

e. Property, plant and equipment

The initial cost of a property, plant, equipment comprises its purchase price or construction cost, any cost directly attributable to bringing the asset to working condition for its intended use.

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the ANPM recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 – 5 years
Vehicles	4 – 5 years
Leasehold improvements	5 – 20 years
Office Equipment	3 – 5 years
Office Furniture	4 – 5 years
Other Assets	3 – 6 years

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 profit or loss when the asset is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

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

f. Intangible assets

Acquired intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The useful lives of the intangible assets range from 2 to 4 years. Amortization has been included within depreciation and amortization.

Subsequent minor expenditures on the maintenance of computer software and brand names are expensed as incurred whilst major costs to improve the intangible assets are capitalized.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or other expenses.

g. 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.

h. Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale (“AFS”) financial assets, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

The ANPM does not have any financial assets at fair value through profit or loss, held-to-maturity investments and AFS financial assets.

Loans and receivables

This category is the most relevant to the ANPM. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (“EIR”) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The ANPM has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the ANPM has transferred substantially all the risks and rewards of the asset, or (b) the ANPM has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the ANPM has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the ANPM continues to recognize the transferred asset to the extent of the ANPM's continuing involvement. In that case, the ANPM also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the ANPM has retained.

Impairment of Financial Assets

The ANPM 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 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.

i. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

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

The ANPM's financial liabilities include trade and other payables.

Subsequent measurement

Trade and other payables - These amounts represent liabilities for goods and services provided to the ANPM prior to the end of financial year which are unpaid. Trade accounts payable, including accruals not yet billed, are recognized when the ANPM becomes obliged to make future payments as a result of a purchase of assets or services. The amounts are unsecured and are generally settled within agreed supplier terms. Payables to related entities are carried at the principle amount.

Derecognition

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

j. Impairment of non-financial assets

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

k. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and cash on hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Joint Petroleum Development Area receipts and payments

The Timor Sea Treaty formed the Joint Petroleum Development Area (JPDA) within the Timor Sea, which is jointly controlled and managed for the benefit of the peoples of Timor-Leste and Australia.

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Article 4 of the Timor Sea Treaty sets out the sharing of petroleum production between the Governments of Timor-Leste and Australia as follows:

(a) Timor-Leste and Australia shall have title to all petroleum produced in the JPDA. Of the petroleum produced in the JPDA, ninety (90) percent shall belong to East Timor and ten (10) percent shall belong to Australia.

(b) To the extent that fees referred to in Article 6(b)(vi) and other income are inadequate to cover the expenditure of the Designated Authority in relation to this Treaty, that expenditure shall be borne in the same proportion as set out in paragraph (a). The Autoridade Nacional Do Petroleo e Minerais (ANPM) has been appointed the Designated Authority for administrative purposes under Article 6 (b)(ii) of the Timor Sea Treaty. Acting as the Designated Authority the ANPM is responsible for the day-to-day regulation and management of petroleum activities under Article 6 (b)(iv). Thus the ANPM is responsible for the receipt of funds from the operations within the JPDA and distribution of the funds to the governments of Timor-Leste and Australia as set out above. Petroleum monies received and paid are held in a separate bank account for this purpose in the name of the ANPM. These monies together with any interest received and net of any bank charges incurred is distributed to the respective governments.

I. Employee benefits

Provision is made for certain employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages. The liabilities are measured at their nominal amount and are expected to be settled within twelve months.

Contractually local employees receive 15 % or 7.5% of their basic salary to be paid into a Retirement Fund of their choice, or a savings account on a monthly basis. Currently money is only paid into savings accounts in employee's names. Employees may not access these monies during employment without the permission of the Retirement Investment Fund (RIF) committee. After termination of employment employees may have direct access to the money regardless of age. The Retirement Investment Fund was established to respond temporary employee saving. At the end of August 2017, a new Social Security (SS) Law came into force and replaced the RIF. SS Law and its ancillary laws define the total percentage that each employee and employer should contribute. The employee contributes 4% out of their gross salary to be withheld by the ANPM. In addition, the ANPM contributes a further 6% of their gross salary to the RIF. On the 20th of the following month, the ANPM will transfer its social security contributions withheld to a designated bank account under the signature holder of the Social Security office. This practice has been done since October 2017 until now. In addition to the SS Law obligations, the ANPM is also required to

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provide employee reimbursements for medical assistance from pre-approved healthcare providers of up to \$50 per employee.

m. Provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the ANPM can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognized.

n. Economic dependence

The ANPM is dependent upon the ongoing receipt of Timor-Leste Government support and contract service fee and development fees from contract operations to ensure the ongoing continuance of its operations.

At the date of this report, the Directors have no reason to believe that this financial support will not continue.

o. Significant accounting judgements and estimates

The preparation of the ANPM's 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.

No accounting judgements or estimates have been identified that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

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p. Allocation of costs

The ANPM carries out functions on behalf of the Joint Petroleum Development Area (JPDA) under the Timor Sea Treaty as the Designated Authority, and also carries out functions in the Timor-Leste Exclusive Area (TLEA). Article 6 (b) (vi) of the Timor Sea Treaty states that the Designated Authority of the JPDA, being the ANPM, shall be financed from fees collected under the Petroleum Mining Code.

Each year the Joint Commission of the JPDA authorizes a budget of the ANPM based on their work plan for the year. The budget includes the percentages expenditure should be split between the JPDA and TLEA for each internal directorate.

For 2017 the expenses were split as follows based on the approval of the Joint Commission in January 2016:

Directorate	2017		2016	
	JPDA %	TLEA %	JPDA %	TLEA %
President's Office	80	20	61	39
Vice President's Office	-	100	-	-
Single Auditor Unit	80	20	61	39
Corporate Services	80	20	61	39
Joint Petroleum Development Area	100	-	100	-
Commercial	75	25	85	15
Health Safety and Environment	85	15	85	15
Development and Production	95	5	93	7
Exploration & Acreage Release	75	25	60	40
PSC & Local Content	70	30	50	50
Downstream	-	100	-	100
Mineral	-	100	-	100
BOD	80	20	61	39
Overhead	80	20	61	39
Contingencies	80	20	61	39

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3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) *New accounting standards and Interpretations*

For the year ended 31 December 2017, the directors have reviewed all of the new and reviewed Standards and Interpretations issued by the International Accounting Standards Board that are relevant to the ANPM and effective for the current reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the ANPM and, therefore, no material change is necessary to the ANPM's policies.

(ii) *Accounting Standards and Interpretations issued but not yet effective*

International Financial Reporting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the ANPM for the financial reporting period ended 31 December 2017, outlined in table as per subsequent page.

Standard	Title	Summary	Application date of standard	Application date ANPM
IFRS 15	<i>Revenue from Contracts with Customers</i>	<p>IFRS 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>.</p> <p>IFRS 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation <p>The ANPM is in the process of evaluating the impact of this standard. This work is ongoing and additional impacts may be identified later in the implementation process.</p>	1 Jan 2018	1 Jan 2018

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IFRS 16	Leases	<p>The key features of IFRS 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • IFRS 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>IFRS 16 supersedes:</p> <ul style="list-style-type: none"> • IAS 17 Leases; • IFRIC 4 Determining whether an Arrangement contains a Lease; • SIC-15 Operating Leases—Incentives; and • SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.</p> <p>The ANPM is in the process of evaluating the impact of this standard. This work is ongoing and additional impacts may be identified later in the implementation process.</p>	1 Jan 2019	1 Jan 2019
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IFRS 9	<i>Financial Instruments</i>	<p>IFRS 9 (December 2014) is a new standard which replaces IAS 39.</p> <p>This new version supersedes IFRS 9 issued in December 2009 (as amended) and IFRS 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.</p> <p>However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement IFRS 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of IAS 39. There are also some changes made in relation to financial liabilities. The main changes are described below.</p> <p>Financial assets</p> <ul style="list-style-type: none"> • Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. • Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognized in profit or loss and there is no impairment or recycling on disposal of the instrument. • Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. 	1 Jan 2018	1 Jan 2018
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		<p>Financial liabilities</p> <p>Changes introduced by IFRS 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss <p>IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognized in OCI. These amounts recognized in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timely basis.</p> <p><i>Hedge accounting</i></p> <p>Amendments to IFRS 9 (December 2009 & 2010 editions) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>The ANPM is in the process of evaluating the impact of this standard. This work is ongoing and additional impacts may be identified later in the implementation process.</p>		
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4	CASH AND CASH EQUIVALENTS	2017	2016
	ANZ Dili ANPTL – JPDA	7,012,546	8,002,448
	ANZ Dili USD account*	5,740,703	2,918,967
	Corporate Credit Card Security Placement	140,488	132,008
	HSBC Singapore USD account	-	
	Cash and cash equivalents held for the operations of the ANPM	12,893,737	11,053,423
	<i>Other cash and cash equivalents under the administration of ANPM - see note below</i>		
	ANZ Dili JPDA funds**	13,261,980	5,517,756
		26,155,717	16,571,179

* In 2017 the Government of Timor-Leste transferred \$1,500,000 to this ANPM account to fund the Timor-Leste National Library project. As the funds can only be used for the local project, the amount is restricted from being used for any other purpose. As at 31 December 2017, the restricted balance amounts to \$1,493,204.

** The ANZ Dili Joint Petroleum Development Area ('JPDA') funds are held in name of the ANPM as the Designated Authority of the Joint Petroleum Development Area in terms of article 6 (b) (iv) of the Timor Sea Treaty. The money is held on behalf of the Governments of Timor-Leste and Australia in respect of revenues received from the petroleum operations in the Joint Petroleum Development Area - see notes 9 and note 11.

5	TRADE AND OTHER RECEIVABLES	2017	2016
	Refundable deposits	500	10,900
	Trading Fees	8,565	-
	Contract service fees	-	15,123
	Other receivables	6,446	12,748
	Cash advance	1	596
		15,512	39,367

Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6	OTHER CURRENT ASSETS	2017	2016
	Prepayment	30,036	37,576

7	INTANGIBLES	2017	2016
	<i>Software</i>		
	Balance at beginning of year	1,126,238	998,467
	Additions	59,530	127,771
	Balance at 31 December 2017	1,185,768	1,126,238

Accumulated Amortisation

	Balance at beginning of year	917,466	671,460
	Amortisation expense	151,014	246,006
	Balance at 31 December 2017	1,068,480	917,466
	Net book value	117,288	208,772

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Vehicles	Leasehold Improvements	Office Equipment	Office Furniture	Other Equipment	Total
Cost							
Balance at 1 January 2017	694,218	498,250	275,143	518,857	100,500	88,742	2,175,710
Additions	6,123	127,626	10,769	475,257	550	-	620,325
Disposal	(28,006)	(68,625)	-	(7,260)	-	-	(103,891)
Balance at 31 December 2017	672,335	557,251	285,912	986,854	101,050	88,742	2,692,144
Accumulated Depreciation							
Balance at 1 January 2017	646,732	279,680	180,556	371,922	86,689	83,931	1,649,510
Depreciation	22,636	66,022	27,557	97,534	6,880	3,812	224,441
Depreciation on disposal	(27,846)	(68,626)	-	(7,259)	-	-	(103,731)
Balance at 31 December 2017	641,522	277,076	208,113	462,197	93,569	87,743	1,770,220
Net book value	30,813	280,175	77,799	524,657	7,481	999	921,924

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Computer Equipment	Vehicles	Leasehold Improvements	Office Equipment	Office Furniture	Other Equipment	Total
Cost							
Balance at 1 January 2016	662,146	286,125	229,986	464,262	98,250	88,742	1,829,511
Additions	32,072	212,125	45,157	54,595	2,250	-	346,199
Balance at 31 December 2016	694,218	498,250	275,143	518,857	100,500	88,742	2,175,710
Accumulated Depreciation							
Balance at 1 January 2016	609,607	226,975	158,571	259,442	71,908	78,053	1,404,556
Depreciation and amortization	37,125	52,705	21,985	112,480	14,781	5,878	244,954
Balance at 31 December 2016	646,732	279,680	180,556	371,922	86,689	83,931	1,649,510
Net book value	47,486	218,570	94,587	146,935	13,811	4,811	526,200

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9	TRADE AND OTHER PAYABLES	2017	2016
	Trade payables	738,312	377,439
	Unspent Government funding for petroleum audits (Note a)	-	291,111
	Monies held in connection with assistance to Sao Tome & Principe (Note b)	89,250	103,725
	Unspent Government funding allocated for Timor National Library project (Note d)	1,493,204	-
	Monies held in connection with assistance in respect of Economic Benefit study on the petroleum activities in JPDA (Note c)	-	150,000
	Withholding tax for non-resident	6,295	26,692
	PAYG Clearing	24,101	24,117
	Payroll Clearing	2,023	-
	Payroll Clearing- Social Security	50,935	-
	Total	2,404,120	973,084
	To be distributed to the Government of Timor-Leste	11,935,782	3,829,725
	To be distributed to the Government of Australia	1,326,198	1,688,031
	Payables due by ANPM as the JPDA Designated Authority (see note 4 and note 11)	13,261,980	5,517,756
		15,666,100	6,490,840
		2017	2016
	a. Grant petroleum audit funding:		
	Opening balance	291,111	511,111
	Amount disbursed during the year	(291,111)	(220,000)
	Monies remaining	-	291,111
		2017	2016
	b. A Memorandum of Understanding was signed 18 May 2011 between the Government of Timor-Leste and Sao Tome and Principe. ANPM has been entrusted to administer the funds received from the Ministry of Petroleum and Natural Resources.		
	Opening balance	103,725	153,404
	Amount disbursed during the year	(14,475)	(49,679)
	Monies remaining	89,250	103,725

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

c. Initial allocation was to fund the MoU program signed by both Guinea Bissau and Timor-Leste government on 20 December 2016; however, due to other constraint, this fund was not executed. Hence, in 2017, the Minister of Petroleum and Mineral allowed to utilize this fund for the purpose of Economic Benefit study.

	2017	2016
d. National library funding: On 16 May 2017 a local content program was agreed between the Operator (ENI 06-105) and the Government to jointly fund the Timor-Leste National Library project. The Government's fund is managed by the ANPM. Hence, the Government transferred its funding to the ANPM account in relation to this project. The project is planned to be completed in 2019.		
Opening balance	-	-
Monies received from the Ministry of Petroleum and Natural Resources	1,500,000	-
Amount disbursed during the year	(6,796)	-
Monies remaining	1,493,204	-

10	UNEARNED INCOME	2017	2016
Contract service fees		608,219	608,175
Downstream fees		66,074	69,583
Development fees		914,550	914,550
Downstream licenses - trading fees*		9,783	-
		1,598,626	1,592,308

* Article 14 of Regulation no.2 2016, of 28 December 2016 on Trading Activities stipulates that the annual fees for the trading activities are payable based on the quantity of petroleum product trading activities plan. The fees are subject to true-up mechanism. Unrecognized amount will be maintained as unearned income and to be adjusted in the subsequent year annual plan; however, if the operator decides to cease its trading activity, the amount is subject to refund by the ANPM.

11	JOINT PETROLEUM DEVELOPMENT AREA BANK ACCOUNT MOVEMENTS SUMMARY	2017	2016
Opening balance ANZ Dili JPDA funds		5,517,756	22,212,204
Cash received from the operators		270,773,546	140,234,444
Interest received		8,014	4,420
Bank charges		(880)	(1,084)
Net funds available for distribution		276,298,436	162,449,984
Funds distributed to Timor-Leste		(233,992,343)	(127,136,408)
Funds distributed to Australia		(29,044,113)	(29,795,820)
Closing balance ANZ Dili JPDA funds		13,261,980	5,517,756
Payable in respect of JPDA funds:			
To be distributed to the Government of Timor-Leste		11,935,782	3,829,725
To be distributed to the Government of Australia		1,326,198	1,688,031
		13,261,980	5,517,756

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12	EMPLOYEE COSTS	2017	2016
	Salaries and wages	2,167,935	1,899,245
	Superannuation and retirement investment funding	251,484	221,513
	Social Security	66,042	-
	Staff amenities	46,339	48,293
	Insurance	53,489	40,641
	Employee benefits	3,218	3,135
	Overtime	59,102	51,386
	Other	9,927	25,053
		2,657,536	2,289,266

13	GENERAL AND ADMINISTRATIVE	2017	2016
	Consultancy	1,594,017	1,573,297
	Travel	373,793	277,140
	Training	458,872	340,296
	Motor vehicle and equipment related costs	252,101	250,007
	Advertising and promotion	234,504	342,606
	Utilities	232,524	189,786
	Printing and office supplies	91,939	119,561
	Professional fees	56,000	90,605
	Cleaning	51,106	30,988
	Security	38,606	34,765
	Subscription and membership	27,541	20,026
	Bank charges	11,023	11,560
	Other expenses	54,827	12,838
		3,476,853	3,293,475

14	FINANCIAL INSTRUMENTS
a)	Financial risk management objectives and policies
	The ANPM's principal financial instruments comprise receivables, payables, cash and Corporate Credit Card Security placement.
	The ANPM manages its exposure to financial risks, in accordance with its policies. The objectives of the policies are to maximize the income to the ANPM whilst minimizing the downside risk.
	One of the requirements under Production Sharing Contracts ('PSC') entered into between the ANPM and exploration companies is that the company must provide adequate security by way of a bank issued Letter of Credit, or equivalent security. The security document provides additional certainty that the exploration companies will meet their minimum expenditure requirements under the PSC.
	The Authority's activities expose it to normal commercial financial risk. The main risks arising from the ANPM's financial instruments are foreign exchange risk, interest rate 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 ANPM Board of Directors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 ANPM generally operates using United States denominated currency held in US dollar bank accounts. The ANPM is exposed to foreign exchange risk arising primarily from amounts owing to suppliers denominated in foreign currencies.

d) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The ANPM is exposed to interest rate risk primarily from its cash surpluses invested in short term interest bearing deposits. The deposits are only made with reputable financial institutions with maturity dates generally being no more than 30 days.

Monies held on behalf of the Timor-Leste and Australian governments may be placed in short-term term deposits of generally less than one month. Any interest accruing is paid to the governments and does not form part of the ANPM's income.

e) Credit Risk

Credit risk arises from the financial assets of the entity, which comprise 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 ANPM has a significant concentration to credit risk through its cash and deposits with banks. The main concentration is with one international bank with a credit rating (based on Standard & Poor's) of AA-.

f) Liquidity Risk

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

The ANPM 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. The payables reflected on the statement of financial position are all due within 12 months from balance date. ANPM has no non-current liabilities.

15 CONTINGENT LIABILITIES & ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2017 and 2016.

16 EVENTS AFTER THE REPORTING DATE

There are no events after balance sheet date.

17 EQUITY & RESERVES	2017	2016
Opening initial contribution	2,153,168	2,153,168
Closing initial contribution	2,153,168	2,153,168

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18 COMMITMENTS

ANPM has no non-cancellable operating lease commitments (2017:Nil)

19 KEY MANAGEMENT PERSONNEL

Key management personnel are those having authority and responsibility for planning, directing and contracting activities of the entity of the entity including whether executive or non-executive. Key management consist of several directorates such as Board of Director, President, Mineral, Vice President, Single Auditor, JPDA, Commercial, Development & Production, Exploration & Acreage Release, Corporate Service, PSC & Legal and Downstream Directorates. Disclosures regarding remuneration of key management personal are provided in the remuneration as following:

	2017	2016
Short term employee benefit	573,230	574,146
Total compensation paid to key management personnel	573,230	574,146

20 TAXES

Income and deferred tax

ANPM is being a government entity, is not subject to income tax as confirmed by the Ministry of Finance on 23 February 2015.

On 27 February 2015, the ANPM obtained legal advice from DLA Piper stating that the Authority is exempt from Australian income tax under the International Organisations (Privileges and Immunities) Act 1963 and the Timor Sea Treaty Designated Authority (Privileges and Immunities) Regulations 2003.

Withholding tax

Depending on the contractual arrangement, withholding taxes are either withheld against suppliers in specified industries or grossed up at the applicable rates and the monies paid over to the government of Timor-Leste.

21 ALLOCATION OF SURPLUS

	Joint Petroleum Development Area \$	Timor-Leste Exclusive Area \$	Total for the year \$
YEAR ENDED 31 DECEMBER 2017			
Development fees	3,983,200	-	3,983,200
Contract service fees	879,956	-	879,956
Subsidy from Timor-Leste Government	-	1,950,000	1,950,000
Timor-Leste Government funding for petroleum audits	-	291,111	291,111
Downstream fees	-	248,301	248,301
Gain/Loss on disposal of property, plant and equipment	-	26,052	26,052
Downstream licenses - trading fees	-	82,651	82,651
Interest	4,053	-	4,053
Total Income	4,867,209	2,598,115	7,465,324
Expenses split per JPDA Joint Commission approved budget	(4,576,136)	(2,213,383)	(6,789,519)
Surplus for the year	291,073	384,732	675,805

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

YEAR ENDED 31 DECEMBER 2016	Joint Petroleum Development Area	Timor-Leste Exclusive Area	Total for the year
	\$	\$	\$
Development fess	3,983,200	-	3,983,200
Contract service fee	815,695	-	815,695
Subsidy from Timor-Leste Government	-	2,800,000	2,800,000
Timor-Leste Government funding for petroleum audits	-	220,000	220,000
Downstream fees	-	94,424	94,424
Gain on disposal of property, plant and equipment	-	182	182
Other Income	-	2,644	2,644
Total Income	4,798,895	3,117,250	7,916,145
Expenses split per JPDA Joint Commission approved budget	(3,624,393)	(2,670,647)	(6,295,040)
Surplus for the year	1,174,502	446,603	1,621,105

22 CAPITAL ASSET RESERVE

Equity reserve

The capital asset reserve is used to classify equity (accumulated funds) during the financial period that represents cash used to purchase assets outside of the ANPM's planned budget for the year. In 2017, \$585,000 was incurred on capital expenditure on top of the ANPM's budgeted expenditure (2016: \$127,000).

22 CAPITAL RISK MANAGEMENT

The ANPM's capital comprises initial capital contributions, accumulated funds and capital asset reserve amounting to \$9,975,751 at 31 December 2017 (2016: \$9,299,946). The ANPM manages its capital to ensure its ability to continue as a going concern and carry out its responsibilities as the Designated Authority. Refer to Note 14 for further information on the ANPM's financial risk management policies.



AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE

**STATEMENT OF PETROLEUM REVENUE AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

AUTORIDADE NACIONAL DO PETRÓLEO OF TIMOR-LESTE
STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Board of Directors: Mr. Gualdino do Carmo da Silva (President and Chairman)
Mr. Jose Gonçalves
Mr. Jorge Martins Dasilaku
Mr. Emanuel Angelo Lay (January 2017)
Mr. Nelson de Jesus

Place of business: Edifício do Ministério das Finanças, Pisos 6 e 7, Apartado 11,
Aitarak Iaran, Dili, Timor Leste.

Bankers: Australia and New Zealand (ANZ) Bank

Single auditor: Mr. Oscar Sanches Faria

External Auditor: Ernst and Young, Perth

Country of Incorporation: Timor-Leste

Currency: United States Dollars

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APPROVAL OF THE STATEMENTS

The Statement of Petroleum Revenue Receipts and Payments for the year ended 31 December 2017 set out on pages xx to xx were authorised for issue in accordance with a resolution of the Board of Directors and are signed on their behalf by:


.....
Gualdino do Carmo da Silva
President of ANPM
25 May 2018


.....
Honesia Amaral
Manager of Marketing and Revenue Management
25 May 2018

Independent auditor's report to the Autoridade Nacional do Petróleo e Minerais

Opinion

We have audited the Statement of Petroleum Revenue Receipts and Payments ("the Statement") of Autoridade Nacional do Petróleo e Minerais ("the Authority"), which comprises the statement of petroleum revenue receipts and payments for the year ended 31 December 2017, notes to the statement of petroleum revenue receipts and payments, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the Statement of Petroleum Revenue Receipts and Payments is prepared, in all material respects, in accordance with the accounting policies disclosed in Note 2 of the Statement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Statement in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of accounting

We draw attention to Note 2 to the Statements which describes the basis of accounting. The Statement is prepared to assist the Authority to meet the requirements of Decree Law on the establishment of the Authority, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty ('Treaty') between the Governments of Australia and Timor-Leste. As a result the Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the statement

The Authority's Directors are responsible for the preparation of the Statement in accordance with the significant accounting policies disclosed in Note 2 of the Statement and for such internal control as the Directors determine is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

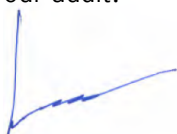
Auditor's responsibilities for the audit of the statement

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.
- ▶ Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Perth
25 May 2018

AUTORIDADE NACIONAL DO PETRÓLEO OF TIMOR-LESTE
STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Revenue receipts by field			
Bayu-Undan	3	270,772,876	140,175,166
Kitan	4	670	59,278
Total revenue receipts received		270,773,546	140,234,444
Bank interest			
- Interest from Term Deposit	6	8,014	3,894
- Interest from Profit oil/gas interest		-	526
Total receipts received		270,781,560	140,238,864
Bank charges		(880)	(1,084)
Receipts less bank charges for the year		270,780,680	140,237,780
Cash at beginning of year		5,517,756	22,212,204
		276,298,436	162,449,984
Less: cash at end of year	5	(13,261,980)	(5,517,756)
Amount available for distribution		263,036,456	156,932,228
Distributed as follows:			
Distribution to Petroleum Fund of Timor-Leste		233,992,343	127,136,408
Distribution to Department of the Resources, Energy and Tourism, Australia		29,044,113	29,795,820
Total payments made		263,036,456	156,932,228

AUTORIDADE NACIONAL DO PETRÓLEO
NOTES TO THE STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Nature of Operations

Autoridade Nacional do Petróleo e Minerais (ANPM) is a public institution created pursuant to the Decree Law No.1/2016 dated 9 February 2016 as the 1st amendment to the Decree Law no. 20/2008 of the Democratic Republic of Timor-Leste. The ANPM undertaken its role and functions as Regulatory Authority on behalf of the Ministry Responsible for Petroleum and Mineral Sectors to administer and regulate the upstream to downstream petroleum sectors and all the Mineral sectors within Timor-Leste Onshore and Offshore territory. In exercising its power and function, the ANPM shall act in accordance with Timor Sea Treaty and other JPDA regulatory framework in place including regulatory framework applicable in the Territory of Timor-Leste.

Under Article 6(b) of the Treaty, between the Governments of Australia and Timor-Leste, ANPM has the juridical personality and such legal capacities under the law of both Contracting Sates as necessary for the exercise of its powers and the performance of its functions.

ANPM, pursuant to Article 6 of the Treaty, is responsible for the management of activities relating to exploration for exploitation of the petroleum resources in the Joint Petroleum Development Areas. This includes the collection and distribution of proceeds generated from the sale of petroleum products produced from Bayu-Undan and Kitan field.

Article 4 of the Treaty sets out the sharing of petroleum production between the Governments of Timor-Leste and Australia as follows:

- (i) Timor-Leste and Australia shall have title to all petroleum produced in the JPDA. Of the petroleum produced in the JPDA, ninety (90) percent shall belong to Timor-Leste and ten (10) percent shall belong to Australia.
- (ii) To the extent that fees referred to in the Treaty, article 6(b)(vi) and other income are inadequate to cover the expenditure of the Designated Authority in relation to this Treaty, that expenditure shall be borne in the same proportion as set out in paragraph 6(a).

The Contracting companies operate in both the Bayu-Undan and Kitan fields.

The Bayu-Undan fields lie in the JPDA 03-12 and JPDA 03-13 Production Sharing Contract (PSC) areas. Discovered in 1995, with first production being in 2004, the Bayu Undan field is approximately 250 kilometres from Timor-Leste and 500 kilometres from the Australian coast. Bayu-Undan upstream produces condensate, liquefied petroleum gas, while liquefied natural gas is produced at the Darwin liquefaction plant under the downstream facilities. ConocoPhillips Corporation is the operator with a 56.94% interest, while its joint venture partners hold the following interest: Santos Corporation (11.49%); Inpex Corporation (11.38%); Eni Australia (10.99%); and Tokyo Timor Sea Resources (aggregate 9.2%).

The Kitan oilfield is in the JPDA 06-105 PSC area. Discovered in 2008 it lies approximately 170 kilometres offshore the Timor-Leste coast and 500 kilometres from the Australian coast. The Kitan field produces oil. Eni Corporation is the operator with a 40% interest, while its joint venture partners Inpex Corporation has 35% and Talisman Energy Resources has 25% interest.

2. Significant accounting policies

a. Basis of preparation

The statement of petroleum revenue receipts and payments is prepared on a cash basis. The statement is prepared for monies received by the ANPM as a Designated Authority under the Treaty. These petroleum proceeds are held on behalf of the Timor-Leste and Australia Governments in a ANZ bank account in the name of the ANPM and are distributed to the two governments on a regular basis, interest earned and net of bank charges incurred. The accounting policies have been applied consistently throughout the period.

b. Petroleum revenue receipts

Petroleum revenue receipts are recognised on receipt in the ANZ bank account. Petroleum receipts comprises of First Tranche Profits and Profits Oil and Gas as defined in the respective PSCs.

AUTORIDADE NACIONAL DO PETRÓLEO
NOTES TO THE STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

c. Payments

Payments are the distributions to the Timor-Leste and Australia governments in terms of the Treaty and the Decree Law No.1/2016 dated 9 February 2016 as the 1st amendment to the Decree Law 20/2008.

d. Foreign currency

The ANPM's statements of receipts and payments are presented in United States Dollars.

e. Cash and Cash Equivalents

Cash and cash equivalents includes amounts held in current and short term deposits at ANZ bank. Amounts held represent petroleum proceeds (royalty & profit oil & gas) received, with interest and net of bank charges.

These monies together with any interest received and net of any bank charges incurred is distributed to the respective governments. Distribution is made to the Petroleum Fund account of the Central Bank of Timor-Leste and the Department of the Resources, Energy and Tourism account, Australia. Distributions are made on a monthly basis for royalties and profit oil from Kitan, however, for profit generated from Bayu-Undan is distributed within the month on the following day the fund deposited by contracting companies in ANPM ANZ account.

f. Interest

Interest earned is made up mainly from fund held during the month from ANZ bank in any given month prior to the funds being distributed to the respective governments in the following month.

Profit oil interest is received as compensation to the delay of profit oil payment on ANPM's share of profit oil.

AUTORIDADE NACIONAL DO PETRÓLEO
NOTES TO THE STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. BAYU-UNDAN FIELD RECEIPTS

	2017			2016		
	\$	\$	\$	\$	\$	\$
	First Tranche Profits ("FTP")	Profit oil and gas	Total	First Tranche Profits	Profit oil and gas	Total
ConocoPhillips 03-12 Pty Ltd **	47,231,654	119,663,811	166,895,465	12,163,874	28,270,094	40,433,968
Tokyo Timor Sea Resources	-	21,218,448	21,218,448	-	24,005,010	24,005,010
Santos Petroleum Pty Ltd	-	29,590,942	29,590,942	-	27,881,870	27,881,870
Inpex Sahul	-	26,562,295	26,562,295	-	29,717,786	29,717,786
ENI JPDA 03-13	-	26,505,726	26,505,726	-	18,136,532	18,136,532
Total Bayu-Undan receipts received	47,231,654	223,541,222	270,772,876	12,163,874	128,011,292	140,175,166

Note: ** ConocoPhillips is the lifting party on behalf of all JVs partners; therefore the FTP portion has been part of this figure.

4. KITAN FIELD RECEIPTS

	2017			2016		
	\$	\$	\$	\$	\$	\$
	Royalty	Profit oil	Total	Royalty	Profit oil	Total
ENI 06-105	-	-	-	58,969	-	58,969
Talisman Resources	670	-	670	-	-	-
Inpex Timor Sea	-	-	-	309	-	309
Total Kitan receipts received	670	-	670	59,278	-	59,278

5. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
ANZ Dili held in the name of Autoridade Nacional do Petróleo e Minerais of Timor-Leste at year end	13,261,980	5,517,756
To be distributed as follows:		
- to Petroleum Fund of Timor-Leste	11,935,782	3,829,725
- to Department of the Resources, Energy and Tourism, Australia	1,326,198	1,688,031
	13,261,980	5,517,756

6. FIELD INTEREST FROM PROFIT DELAYED PAYMENT

	2017	2016
	\$	\$
Profit Oil:		
Bayu-Undan:		
Inpex Sahul	-	309
Tokyo Timor Sea Resources	-	217
ENI JPDA 03-13	-	-
	-	526

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS



**AUTORIDADE NACIONAL DO PETRÓLEO E
MINERAIS OF TIMOR-LESTE**

**STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Board of Directors: Mr. Gualdino do Carmo da Silva (President and Chairman)
Mr. Jose Gonçalves
Mr. Jorge Martins Dasilaku
Mr. Emanuel Angelo Lay (January 2017)
Mr. Nelson de Jesus

Place of business: Edificio do Ministerio das Financas, Pisos 6 e 7, Apartado 11,
Aitarak Iaran, Dili, Timor Leste.

Bankers: Banco Ultra Marino (BNU) Timor-Leste

Single auditor: Mr. Oscar Sanches Faria

External Auditor: Ernst and Young, Perth

Country of Incorporation: Timor-Leste

Currency: United States Dollars

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APPROVAL OF THE STATEMENTS

The Statement of mineral revenue receipts and payments for the year ended 31 December 2017 set out on pages 4 to 7 were authorised for issue in accordance with a resolution of the Board of Directors and are signed on their behalf by:



.....
Gualdino do Carmo da Silva
President of ANPM
25 May 2018



.....
Jose Goncalves
Vice President of ANPM
25 May 2018

Independent auditor's report to the Autoridade Nacional do Petróleo e Minerais

Opinion

We have audited the Statement of Mineral Revenue Receipts and Payments ("the Statement") of Autoridade Nacional do Petróleo e Minerais ("the Authority"), which comprises the statement of mineral revenue receipts and payments for the year ended 31 December 2017, comprising notes to the statement of mineral revenue receipts and payments, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the Statement of Mineral Revenue Receipts and Payments is prepared, in all material respects, in accordance with the accounting policies disclosed in Note 2 of the Statement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Statement in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of accounting

We draw attention to Note 2 to the Statements which describes the basis of accounting. The Statement is prepared to assist the Authority to meet the requirements of Decree Law on the establishment of the Authority and the Ministerial Diploma. As a result the Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the statement

The Authority's Directors are responsible for the preparation of the Statement in accordance with the significant accounting policies disclosed in Note 2 of the Statement and for such internal control as the Directors determine is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

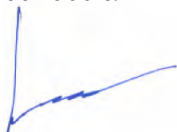
Auditor's responsibilities for the audit of the statement

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.
- ▶ Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Perth
25 May 2018

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Revenue receipts by type of accounts			
License Fees	3	21,500	23,700
Prospecting		-	2,000
Exploration		-	-
Mining		21,500	21,700
Mining Fees	4	395,579	260,041
Compensation Fees	5	617,490	-
Total revenue receipts deposited		1,034,569	283,741
Bank charges	6	(92)	(82)
Receipts less bank charges for the year		1,034,477	283,659
Cash at beginning of year		-	-
Less: cash at end of year		-	-
Total cash distributed for the year	7	1,034,477	283,659

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Nature of Operations

Autoridade Nacional do Petróleo e Minerais (ANPM) is a public institution created pursuant to the Decree Law No.1/2016 dated 9 February 2016 as the 1st amendment to the Decree Law no. 20/2008 of the Democratic Republic of Timor-Leste. The ANPM undertaken its role and functions as Regulatory Authority on behalf of the Ministry Responsible for Petroleum and Mineral Sectors to administer and regulate the upstream to downstream petroleum sectors and all the Mineral sectors within Timor-Leste Onshore and Offshore territory. In exercising its power and function, the ANPM shall act in accordance with Timor Sea Treaty and other JPDA regulatory framework in place including regulatory framework applicable in the Territory of Timor-Leste.

Under Article 28.1(a) of Decree Law No.6/2015, the Ministerial Diploma applies to the exploration and mining of construction materials and regulates the licensing procedure for Mining Activities in the territory of Timor-Leste. Under the Ministerial Diploma; prospecting, exploring and mining activities are to be levied through a licencing and mining fee. The assessment of these fees is to be managed by the ANPM, and paid to a designated bank account nominated by the Ministry of Finance of Timor-Leste.

2. Significant accounting policies

a. Basis of preparation

The Statement of Mineral Revenue Receipts and Payments (“the Statement”) is prepared on a cash basis. The Statement is prepared for monies received by the ANPM as a Regulatory Authority under the Ministerial Diploma. These licencing and mining fee deposits are received by the ANPM on behalf of the Ministry of Finance of Timor-Leste in a BNU Timor bank account and distributed to the Ministry on a daily basis, net of bank charges incurred. The accounting policies have been applied consistently throughout the period.

b. Mineral revenue

Mineral revenue is recognised on receipt in the BNU Timor bank account. Mineral revenue comprises of Prospecting Fees, Exploration Fees and Mining Fees. These are defined in Article 7 and 8 of the Mineral Ministerial Diploma No. 64/2016. Such fees are to be collected from the holder of mineral rights who undertakes the mining activities. Article 42 defines the revocation of licences, including the suspension and ceasing of mining activities, and the payment of compensation fees.

- **License Fees**

Article 7 of the diploma defines License fees levied on different mining activities, except artisanal mining for which no fee is levied. The fee stated under this article is applicable to both new and extended license.

- (a) Artisanal, no fee applied

- (b) Prospecting, Five hundred US Dollars (USD 500.00);

- (c) Exploration, One thousand and five hundred US Dollars (USD 1,500.00);

- (d) Mining;

- (i) Medium-scale mining, Five hundred US Dollars (USD 500.00);

- (ii) Large-scale mining, One thousand and five hundred US Dollars (USD 1,500.00)

- **Mining Extraction Fees**

Article 8 defines that mining fees levied on the value of construction materials, process materials and dimension and ornamental stones, and holder of mineral rights who undertakes the mining activities shall pay mining fees in accordance with the mining category and fees.

- **Compensation Fees**

Article 42.2 defines what constitutes the mining activities without holding valid license; the Regulatory Authority shall undertake the following measures:

- (a) Suspend the mining activities and obliges the natural or legal person to pay for construction materials, process materials or dimensions and ornamental stones collected or extracted; and

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

- (b) Close or shut-down the mining activities if natural or legal person does not apply for mining activity license within thirty (30) working days of notification from the Regulatory Authority.

c. Payments

Payments are distributions to the Ministry of Finance of Timor-Leste, in accordance with the Ministerial Diploma. These distributions of funds received are made on a daily basis and are net of bank charges incurred.

d. Foreign currency

The ANPM's statement of receipts and payments are presented in United States Dollars.

e. Bank Charges

Bank charges are applied to amounts deposited by the contract operator into the BNU Timor temporary bank account.

AUTORIDADE NACIONAL DO PETRÓLEO E MINERAIS OF TIMOR-LESTE
STATEMENT OF MINERAL REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. LICENSE FEE

	2017	2016
	\$	\$
Prospecting fees	-	2,000
Exploration fees	-	-
Mining Fees		
Medium-scale mining	1,000	700
Large-scale mining	20,500	21,000
Total License Fees receipts Deposited	21,500	23,700

4. MINING EXTRACTION FEES

	2017	2016
	\$	\$
Sands	172,560	81,281
Gravels	223,019	178,760
Total Mining Extraction Fees receipts Deposited	395,579	260,041

5. COMPENSATION FEES

Article 42.2 gives authority to the ANPM to apply a penalty to contract operators that operate without a Mining License. This fee is levied to compensate mining materials that have been extracted from sites. Furthermore, the operators will be temporarily suspended until the new license is granted.

	2017	2016
	\$	\$
Sands	297,249	-
Gravels	320,241	-
Total Compensation Fees receipts Deposited	617,490	-

6. BANK CHARGES

	2017	2016
	\$	\$
Bank Charges	92	82
Total Bank Charges	92	82

7. TOTAL CASH DISBRIBUTED FOR THE YEAR

Total cash distributed for the year is the amount transfer to the main account after bank fee charged by the bank.

	2017	2016
	\$	\$
Total cash receipted during the year (net of bank charges)	1,034,477	283,659
Total cash distributed to Ministry of Finance of Timor-Leste during the year	1,034,477	283,659