Thousands of protesters have blockaded Australia's embassy in Dili calling for a new border in the oil-rich Timor Sea.

A treaty signed by Australia and East Timor in 2006 outlined the allotment of billions of dollar in revenue from oil and gas fields in the sea between the neighbours.

Dili says Canberra was spying during these negotiations giving Australia an unfair commercial advantage.

It wants the treaty torn up and a new maritime border negotiated.

Claims were made before a tribunal in The Hague that the Australian Secret Intelligence Service (Asis) used listening devices, planted in East Timor's cabinet office under the guise of refurbishment, to obtain information about a Timor Sea gas treaty in 2004.

Some protesters carried signs urging Australia to "stop stealing our oil"
Australia and East Timor agreed in 2002 that Dili would get 90% of revenue from the Joint Petroleum Development Area (JPDA).

- The JPDA includes some or all of two major resource sites - Sunrise and Troubadaour (known together as Greater Sunrise) and Bayu-Undan.

- But East Timor would get more if a maritime boundary in the Timor Sea were re-drawn.

- The boundary, agreed in 1972 by Australia and East Timor's former ruler Indonesia, currently gives Australia the lion's share of the resources.

- East Timor wants it redrawn at a point equidistant between the two nations.

More than 10,000 activists gathered in Dili on Tuesday with schools across the capital closed for the day, organisers say.

"This is possibly the biggest demonstration we've seen since we declared independence," protest coordinator Juvinal Dias told the AFP news agency.

Timorese supporters in Australia, Indonesia, Malaysia and the Philippines are expected to stage protests in solidarity.