Joint Venture Partners

Our Petroleum resources are very important, and now we are a partner in the operations. JPDA-PSC 11-106 is adjacent to Eni’s producing Kitan oilfield. The permit was previously the relinquished parts of JPDA-PSC06-105 that Eni returned in the wake of the Kitan discovery. The licence covers 662 square kilometres, with water depths of between 100 metres and 300 metres. The joint venture is committed to drilling two exploration wells in the first two years, and has options for two contingent wells. The first well will be drilled in 2014, and a second soon after.

It will be explored by the joint venture partners; TIMOR GAP (14.00%), Eni (40.53%) as the Operator, and INPEX (35.47%).

As a newly established Timor-Leste’s national oil company, TIMOR GAP, E.P. is proud to take part in its first exploration activity of the exploration and development of oil and gas resources in the JPDA.

On 25th of October, the Joint Operating Agreement was signed.

The JPDA is situated in the Timor Sea between Australia and Timor-Leste. It was established by the 2003 Timor Sea Treaty (TST), which provides the framework for all petroleum exploration and development within the JPDA.

The TST is an interim agreement that is without prejudice to the position of either country on their maritime boundary claims. TST provides that upstream taxation revenue from petroleum production in the JPDA is split between Timor-Leste and Australia on a 90:10 basis.

The TST creates the Joint Commission to establish policies and regulations for petroleum activities in the JPDA, and oversee the work of the Designated Authority. The Joint Commission is comprised of one Australian Commissioner, and two Timor-Leste Commissioners.

Day-to-day regulation of the JPDA is managed by the Designated Authority, which is currently the Timor-Leste offshore regulator, the Autoridade Nacional do Petróleo (ANP). The ANP regulates operations in the JPDA and report to the Joint Commission. There are currently two operating fields in the JPDA. Bayu-Undan total recoverable field of reserves is 350-400 million barrels of hydrocarbon liquids and 3.4 TCF of gas and 110,000 barrels of condensate. ConocoPhillips which has a 57.2% operates the Bayu-Undan field in a joint venture with Eni (11%), Santos (11.5%), INPEX (11.3%) and Tokyo Electric Power and Tokyo Gas (9.2%).
**TIMOR GAP, E.P - HERA TERMINAL FACILITIES**

**DOWNSTREAM ACTIVITIES**

**Hera Terminal** is one of the projects under the Business Development Unit leads by the Director Luis Martins that had a soft launch on 8th of May 2013.

The Gas Business Unit's Director of TIMOR GAP, E.P., Mr. Domingos Lequi-Siga Maria, as the Officer in Charge of the Company at that time stated on behalf of the President & CEO of TIMOR GAP, E.P is pleased to work with IMG as its partner to develop this facility: “Hera marked TIMOR GAP, E.P’s second involvement in the downstream activities. As stipulated in the decree law no 31/2011 of the company creation, amongst others mandates, TIMOR GAP, E.P is tasked by the Law to provide national energy security for Timor - Leste. Hera terminal will serve our fuel security strategy by providing access to physical facilities for the importation and storage of fuel oil products. We initiated the concept discussion since the beginning of 2012/inception of TIMOR GAP, E.P. And, today we are pleased to present it to the country, with close collaboration with IMG”.

Hera Terminal is a Built-Operate-Transfer facility developed by IMG on behalf of TIMOR GAP, E.P capable to store a maximum of 20,000 kiloliters (KL) of oil products. IMG will also develop an oil and gas terminal storage and operation particularly for light oil according to international oil and gas industry standard to serve the Timor-Leste market. This terminal enjoys a fortunate location to deep-water access at Hera bay located offsite of the Power Plant. It is designed to accommodate gasoil, gasoline and fuel oil products. It is prepared to serve and supply this power plant whereas the retail market operation was completed by the end of 2013. Isra Dharma, President Director of IMG, stated that “The investment in Hera shows IMG’s confidence in the future of Timor - Leste and TIMOR GAP, E.P’s business opportunities. As an energy infrastructure developer, we are very excited to have entered into this alliance with TIMOR GAP, E.P. We are fully aware that basic infrastructure such as fuel terminal would provide foundation for TIMOR GAP, E.P downstream operation while also contributes into the country’s development. For IMG, Hera plays to the strengths of each parties – TIMOR GAP, E.P relationships in the local markets and IMG experience in energy infrastructure development”.

Timor-Leste’s electricity company EDTL has been operating one major power plant in Hera on the north coast of the country, to supply electric energy for domestic consumption. The power plant operates by using imported fuel. However, it is planned that it will use the country’s own fuel resources, produced by the Betano refinery, in the future. In 2012, a feasibility study for fuel supply and delivery to the EDTL power plant in Hera was prepared with Worley Parsons’ consultant engineering company. The study covered bathymetric survey, metocean, topography, pipeline, marine facilities and searched for options for a temporary system for the offloading of fuel oil from a coastal tanker to the Hera Power Station. The power station is currently using diesel fuel which is delivered by trucks. Substantial operating cost savings may be available if diesel fuel is replaced with heavy fuel oil (HFO) shipped to the power station directly from a refinery. TIMOR GAP therefore conducted a feasibility study on a temporary (3 to 5 years) single point mooring / offloading hose/barge system to deliver HFO to Hera Power Station.
Overview of the activities of SSB – SUAI SUPPLY BASE

The Minister of Petroleo, Mr. Alfredo Pires has been at the signing Ceremony of “Deklarasaun Komunidade Camenasa Aferadu” on 6th April 2013 that have been hand-over 1,113 ha of designated area for SSB Project and Industrial State on 12th April 2013 to the Prime Minister Xanana Gusmao. Community Leaders of Covalima District visited Lamongan Shorebase (Indonesia) and Kemaman Supply Base (Malaysia) to understand what is a supply Base and to know what are the impacts on the community daily life. All this process have been in Inter-Minstrel coordination.

The Community Liaison Team is currently preparing summary presentation for Draft Decree Law on Temporary Ownership Rights and its related documents to consult to community in Suai. The consultation is planned to take place in early March 2014. Our Minister, H.E. Alfredo Pires will lead the consultation team. After the consultation the Draft Decree Law will be submitted to Council of Minister for approval. Then after that the process of direct compensation for community’s plantation and others properties will take place as well as signing the agreement between the Government and Community on the Temporary Ownership Rights for the Land that is going to use for SSB project and future industrial state.

Technical & Consultant activities:

Tender Evolution: Seven companies were shortlist from 14 companies and the result submitted to NPC for final review. NPC has recommended only 5 companies to CoM for approval. The Council of Minister had approved 5 PQ companies and it had announced in the Minister of Finance website in late October. The five PQ companies / bidders are: 1. Hyundai Engineering & Construction (Korea), 2. Essar Projects Ltd (India), 3. Afcons Infrastructure Ltd (India), 4. BAM International (Netherland) in JV with Van Oord Dredging & Marine Contractor bv and PT Wijaya Karya Tbk (Indonesia), 5. Constructora San Jose SA in JV with Tecnicas Reunida.

Currently in finalizing of Bidding Documents in close collaboration with NPC (National Procurement Commission) under the PM Office; and the Bidding Documents will be issued to the 5 Pre-Qualified Bidders by February 2014. NPC is responsible for whole bidding process until the award of contract is approved by the Chamber of Auditor.

REFINERY

One of the centres of the South Coast Project, Betano, is planned for a refinery and petrochemical plant. Betano will also have a new city, known as Nova Betano. The Refinery Project has been strongly supported by PTT Group since 2009. On 8th September 2010, under the Memorandum of Understanding on the Joint Cooperation in Energy Development, the Secretary of State for Natural Resources (SERN) and PTT International Company Limited, Thailand (PTTI) jointly hired a reputable international consultant firm which conducted the pre-feasibility study for a refinery and expansion to petrochemical plant. The objective of the study was to assess the feasibility of building a refinery in Timor-Leste. The joint study was completed in 2011. Early 2013, the relationship with PTT was strengthened with the Signing of the Joint Trading Agreement and Joint Cooperation Agreement. Based on the study, the refinery with the capacity of 30,000 barrels per day will produce the following products: LPG, Naphtha, Gasoline, Jet Fuel and Diesel. Twenty percent of these products will be consumed domestically to meet national demand while the remaining 80 percent will be exported abroad. Based on the pre-feasibility study, the technical studies have been underway since 2013. These studies include:

1- Front End Engineering Design (FEED) and Cost Estimate
2- Land Survey Study
3- Land Development and Cost Estimate Study
4- Environment Impact Assessment (EIA)/Health impact Assessment (HIA) Study
5- Market Survey Study

These studies are a critical step of the Betano Refinery Project as they provide a necessary reference for the next phase of the Project that is the Engineering, Procurement and Construction (EPC) phase.
TIMOR GAP SUPPORTS EITI

Timor Leste was accepted as an EITI Compliant country on 1st July 2010. On June 2012 TIMOR GAP, E.P. declared its support as one of few National Oil Companies supporting EITI and on May 2013 reassert its commitment in Sydney EITI Conference. Countries rich in natural resources as oil, gas and mining have tended to under-perform economically, have a higher incidence of conflict, and suffer from poor governance. These effects are not inevitable and it is hoped that by encouraging transparency in countries rich in these resources, some of the potential negative impacts can be mitigated. Benefits for implementing countries include an improved investment climate by providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. The country produces EITI Reports that disclose revenues from extraction of its resources. Companies disclose what they have paid in taxes and other payments and the government discloses what it has received. These two sets of figures are compared and reconciled. In extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial for business. Transparency of payments made to a government can also help to demonstrate the contribution that their investment makes to a country. Benefits to civil society come from increasing the amount of information in the public domain about those revenues that governments manage on behalf of citizens, thereby making governments more accountable. TIMOR GAP, E.P. also pay taxes and royalties, and dividend to Government.

Coming Soon:

January 2014 – TIMOR GAP will be part of an official visit to England together with the H.E. Prime Minister Xanana Gusmao and the H.E. Minister of Petroleum of Timor-Leste. February 2014 - TIMOR GAP will visit some countries in Africa, in the context of the proposal for the CPLP consortium of exploration onshore.

TIMOR GAP presents “The Triangle Futsal event”
With the special presence of TV Osaka Date: 09.11.2013 Venue: Batalhão Ordem Pública in Dili Friendly event with three teams: TIMOR GAP, BOP and Clough Amec with WorleyParsons.

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TIMOR GAP, E.P.

SOUTHERN COAST PROJECTS

Today, The Company is focused on the Southern Coast (Tasi Mane) Project as the main activity in the formation of a Company Portfolio in the future. The project will focus on the development of the coastal zone from Suai to Beacó that requires infrastructure to support a growing domestic petroleum industry. Following on from this development, the company will diversify into other areas of operations, not limited to petroleum, but engaging in other business sectors.