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Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 11
24 Mitchell Street
Darwin NT 0800
GPO Box 4296
Darwin NT 0801 Australia

Tel: +61 (0) 8 8980 3000
Fax: +61 (0) 8 8980 3001
www.deloitte.com.au

Ministry of Finance
Democratic Republic of Timor-Leste
Edificio No. 5, Res-do-Cao
Palacio do Governo
DILI, TIMOR-LESTE

**For the attention of:
Ms. Emilia Pires, Finance Minister**

17 June 2010

Dear Madam

Report on Factual Findings relating to the estimated reduction in the Estimated Sustainable Income (Article 9)

In accordance with Amendment #05, Contract No. RDTL-83683 dated 16 May 2010 we have performed certain agreed upon-procedures solely for the purpose of providing a report to the Government of the Democratic Republic of Timor-Leste in accordance with Article 9 (c) of the Petroleum Fund Law 9/2005. Our engagement was performed in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. This report should be read in conjunction with our contract which sets out the basis on which our work was performed.

Scope of work and statement of responsibility

At your request and agreement, we performed the procedures set out in the table below. The scope of our work was limited solely to those procedures. You are responsible for determining whether the scope of our work is sufficient for your purposes and we make no representations regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might have come to our attention that would be reported to you.

This report should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of the report.

The procedures we performed did not constitute a review or an audit of any kind and we have not expressed any opinion or drawn any conclusions on the procedures we have performed. We did not subject the information contained in this report or given to us by the Ministry of Finance to checking or verification procedures except to the extent expressly stated below. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to have revealed fraud or misrepresentation by the Ministry of Finance. Accordingly, we cannot accept responsibility for detecting fraud (whether by management or by external parties) or misrepresentation by the management of the Ministry of Finance

This report is provided solely for your exclusive use and solely for the purpose of satisfying the requirements Article 9 (c) of the Petroleum Fund Law 9/2005. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

Procedures and Findings

Procedures	Findings
1. Obtain the underlying calculations which support the report of Government that is to be provided to Parliament pursuant to Article 9(b);	1. The underlying calculations which support the report of Government to be provided to Parliament pursuant to Article 9(b) were obtained from the Ministry of Finance on 31 May 2010.
2. Agree the calculation methodology to the Estimated Sustainable Income calculation for the Fiscal Year Budget 2010 as previously obtained by the Deloitte;	2. The calculation methodology was agreed to that of the Estimated Sustainable Income calculation used for the Fiscal Year Budget 2010 as previously obtained by Deloitte.
3. Obtain the value of the proposed Government transfer being an amount in excess of the Estimated Sustainable Income calculated by the Government for purposes of the Fiscal Year Budget 2010 and agree the value to the updated underlying calculation, which incorporates the proposed Government transfer;	3. A proposed Government transfer of US\$811 million was advised by the Macroeconomics Department of the Ministry of Finance to Deloitte and is noted to exceed the Estimated Sustainable Income of US\$502 million as previously calculated by the Government for purposes of the Fiscal Year Budget 2010, by US\$309 million. The US\$811 million was incorporated into the updated underlying calculation.
4. Re-perform the calculation of the estimated reduction in the Estimated Sustainable Income for the Fiscal Years commencing 1 January 2011 that results from the proposed Government transfer from the Petroleum Fund in Fiscal Year 2010;	4. The calculation of the estimated reduction in the Estimated Sustainable Income for future Fiscal Years commencing 1 January 2011 was re-performed without exception. The estimated reduction in the Estimated Sustainable Income in each future year from 2011 to 2025 ranged from US\$9 million to US\$10 million over the period as set out in Appendix A.
5. Provide a report to Government in accordance with Article 9(c) of the Petroleum Fund Law 9/2005.	5. Report herewith

Yours faithfully



Deloitte Touche Tohmatsu

Projected future payments

Fiscal Year	Estimated Sustainable Income Withdrawals in 2010	
	\$502 million	\$811 million
2011	499	490
2012	497	488
2013	495	486
2014	493	484
2015	491	481
2016	489	479
2017	486	477
2018	484	475
2019	482	473
2020	480	471
2021	478	469
2022	476	467
2023	474	465
2024	472	463
2025	470	461