



Annual Report 2013



Message from President



"2013 has been another eventful year for ANP. Significant progresses were made to build capabilities to deal with emerging operational issues and promote active involvement with industry and governments stakeholders"

The year in review

2013 has been another eventful year for ANP. Significant progresses were made to build capabilities to deal with emerging operational issues and promote active involvement with industry and governments stakeholders. Our work to review key policies, initiatives and capabilities continued as high priority to ensure that they remain relevant in our fast changing working environment.

As a new organization ANP adopts a very proactive approach to regulate oil and gas activities in the Timor Leste Exclusive Area (TLEA) and the Joint petroleum Development Area (JPDA) in the Timor Sea. This approach has enabled us to establish not only better understanding of the industry but also confidence as partners in the industry. This positive interaction coupled with our commitment had enabled the delivery of many of the programs in 2013.

Reviewing Regulations

Our attempt to review regulations for exploration and exploitation of oil and gas not only in the JPDA but also in the TLEA had resulted in the identification of areas for improvement and establishment of Draft Regulations. This will continue to be a major undertaking in 2014, until a new regulation is established.

Exploring for Potentials

Despite relinquishment of the contract areas, to maintain the pace of exploration activity, a new Production Sharing Contract in the Joint Petroleum Development Area was awarded. This new area is within the proximity of existing oil field and oil discoveries. Exploration program will examine the prospectively of the area which is predominantly an oil discovery area.

Production

The two existing producing fields in the Joint Petroleum Development Area shows decline in liquid production. The Kitan field shows sharper decline in production, nonetheless several drillings were made

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to maintain the production in both fields. With the decline in liquid production, gas production in Bayu Undan field became major revenue stream to the governments and the contractors.

Keeping Eyes on Health safety and Environment (HSE)

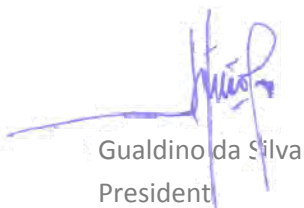
HSE remains paramount in every aspect of our work. Aging facilities requires adequate plans for maintenance to ensure integrity of the facility for continues safe operation. Our regular inspections coupled with audits and observations raises important findings which requires corrective actions from contract operators. The actions are thoroughly followed up to ensure that they are closed. In the fields, majority of the reported incidents were near misses and first aid, medical treatment and restricted duty cases were marginal, most importantly there was no work related fatality in 2013. Minimum impact to the health of the workers as a direct consequence from work processes and the environment has been a testimony of continuously improved interactions and cooperation between the contractors and the authority in enforcing the applicable governance framework.

Managing Downstream

Building on the 2012 accomplishment, in 2013 two regulations for downstream were established and effective to regulate the downstream industry. Engagement with downstream stakeholders in Timor Leste to raise awareness to the requirements of downstream activities has been a focus to path ways for better implementation of the downstream regulations.

Journey in 2014

As ANP prepares its journey into its sixth year in existence in 2014, it is expected that there will be more challenges ahead. ANP will continue to commit itself to striving for excellence, develop industry standard of skills and competencies for its personnel and work closely with our key stakeholders to manage and safeguard the exploration and exploitation of oil and gas in the Timor Leste and the JPDA, as well as ensuring gradual improvement in the enforcement of the Downstream governance framework in the country for the benefits of all parties.



Gualdino da Silva
President

Autoridade Nacional do Petróleo Timor-Leste

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I. AUTORIDADE NACIONAL DO PETRÓLEO IN BRIEF



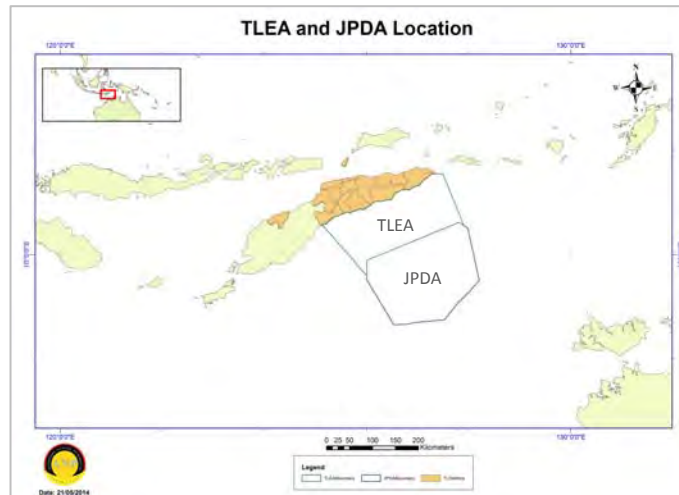
Autoridade Nacional do Petróleo (ANP) is Timor-Leste’s public institution established by the government of Timor-Leste in July 2008.

ANP is vested with administrative and financial autonomy to act as regulatory authority for oil and gas related activities in accordance with the provisions of the Petroleum Activities Law and the Timor Sea Treaty.

1.1 ANP REGULATORY JURISDICTION

In the JPDA, ANP is responsible to the Joint Commission and carry out the day today regulation and management of upstream petroleum activities thru regular supervision and control of petroleum activities including health, safety, environmental protection and assessments and work practices.

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



MAP 1 ANP JURISDICTIONAL AREAS

(Note: the above map showing ANP’s Jurisdictional Areas to the southern coast of TL as it is the area where contract areas on offer for petroleum exploration at present. It is important to note that the ANP’s jurisdictional areas extends to cover also the northern and eastern coastal areas of Timor-Leste, the enclave of Oecusse and the island of Atauro)

1.2 VALUES, VISION, MISSION AND GOALS

OUR VALUES



Collaboration

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

Openness

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

Unity

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

Responsibility

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

Accountability

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

Global view

Whilst operations for the ANP 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 ANP believes in excellence – in everything that it does.



OUR VISION

To be a leading petroleum 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 sector;

To promote best Health, Safety and Environmental practices;

To develop the institutional capacity of the Timor-Leste petroleum sector

OUR GOALS

Ensure that petroleum 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 sector in Timor-Leste;

1.3 ORGANIZATIONAL STRUCTURE AND DEVELOPMENT

STRUCTURE

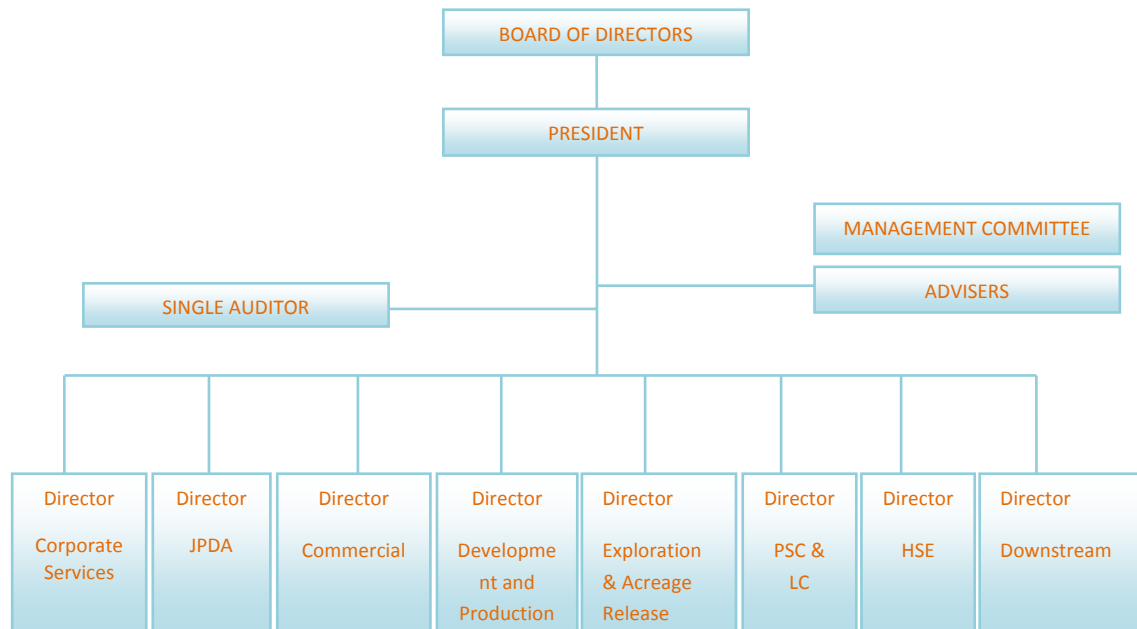


CHART 1: ANP ORGANIZATION STRUCTURE

BOARD OF DIRECTORS

Board of Directors is responsible for defining directions and policies for the ANP. In doing so, the board is responsible for approving corporate policies, strategic directions, technical regulations and directives under the Petroleum Act and approving ANP’s consolidated work plan and budget as prescribed under Article 7 of the Decree Law No 20/2008 on the Establishment of the ANP.

ANP Board of Directors in 2013

Gualdino da Silva	Chairman
Jorge Dasilaku Martins	Non executive member
Mateus da Costa	Executive member
Nelson de Jesus	Executive member

SINGLE AUDITOR

The functions of the Single Auditor are provided under Article 14 of the Decree Law on the establishment of the ANP. The Single Auditor is the organ responsible for monitoring legality, regularity, and proper financial and patrimonial management of the ANP.

MANAGEMENT COMMITTEE

Management committee is headed by the President of ANP and the members include all executive directors. Management committee holds meeting at least once in a month to address day to day management of ANP affairs and to address projects in JPDA and TLEA.

ANP Management Committee members in 2013

Dionisio Martins	Corporate Services Director
José Manuel Gonçalves	JPDA Director
Emanuel Angelo Lay	Commercial Director
Rui Soares	Development and Production Director
Verawati Cortereal de Oliveira	Health Safety and Environment Director
Mateus da Costa	Exploration and Acreage Release Director
Amado Hei	PSC and Legal Compliance Director
Nelson de Jesus	Downstream Director

1.4 MAJOR ACHIEVEMENTS IN 2013

GOLDEN AWARD FOR QUALITY AND BUSINESS PRESTIGE

ANP was amongst many other entities awarded with The GOLDEN AWARD FOR QUALITY & BUSINESS PRESTIGE. The award was presented by the ASSOCIATION OTHERWAYS MANAGEMENT & CONSULTING - FRANCE and OTHERWAYS INT'L RESEARCH & CONSULTANTS to entities around the world for their corporate achievements.



FIGURE 1: GOLDEN AWARD FOR QUALITY AND BUSINESS PRESTIGE

SIGNING OF NEW PSC IN THE JPDA

After a thorough negotiation and with prior consent of the Timor Sea Treaty Joint Commission, a new PSC was signed in April 2013 for petroleum exploration in the JPDA. This PSC is operated by ENI JPDA 11-106 BV, whilst Inpex JPDA 11-106, and the Timor GAP, E.P JPDA 11-106 are the Joint Venture Partners.

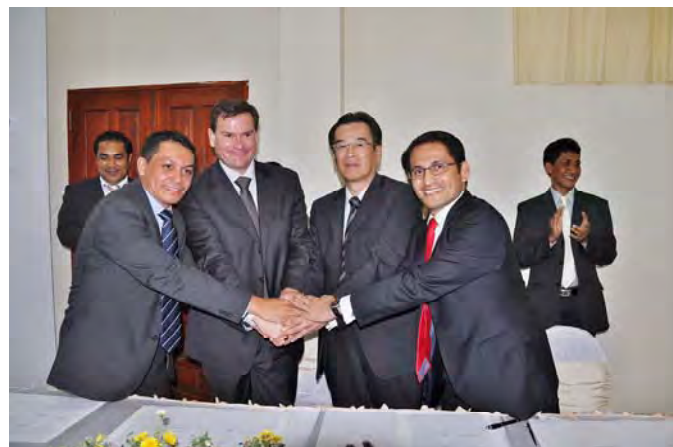


FIGURE 2: NEW PSC SIGNING CEREMONY

DOWNSTREAM REGULATION

Completion of two sets of Downstream Regulations to regulate Installation and operation of fuel filling stations as well as Fuel Lubricant and Biofuel Quality Standard and Specifications Regulation.

1.5 JOINT COMMISSION AND SUNRISE COMMISSION

MEMBERS OF THE TIMOR SEA TREATY JOINT COMMISSION IN 2013

- Francisco da Costa Monteiro (Commissioner for Timor-Leste)
- Antonio Sousa Loyola (Commissioner for Timor-Leste)
- Tania Constable (Commissioner for Australia)
- Domingos Lequisiga (Timor-Leste alternate Commissioner)
- Vicente Lacerda (Timor-Leste alternate Commissioner)
- Martin Squire (Australia alternate commissioner until 37th JCM)
- Demus King (Australia alternate commissioner replaced Martin Squire since 37th JCM)

Three Joint Commission Meetings were held in 2013

- 36th JCM on 19th March 2013 in Timor-Leste
- 37th JCM on 17th July 2013 in Australia
- 38th JCM on 24th October in Timor-Leste

2013 Timor Sea Treaty JCM major resolutions, amongst others were:

- Approval of the ANP 2014 Work Program and Budget
- Approval of Kitan Additional Development Project
- Consent to award new PSC JPDA 11-106
- Establishment of Working Group to review the JPDA PSC model, JPDA Regulation and other related legal frameworks and the BU Condensate Lifting proposal from Timor-Leste
- Approval of Darwin LNG price review 2013-2016

MEMBERS OF THE SUNRISE COMMISSION IN 2013

- Tania Constable (Australia)
- Rod Smith (Australia)
- Francisco da Costa Monteiro (Timor-Leste)
- Martin Squire (Australia alternate)
- Vicente Lacerda (Timor-Leste alternate)

Two Sunrise Commission Meetings were held in 2013

- 13th SCM on 20th March 2013 in Dili
- 14th SCM on 24th October 2013 in Dili

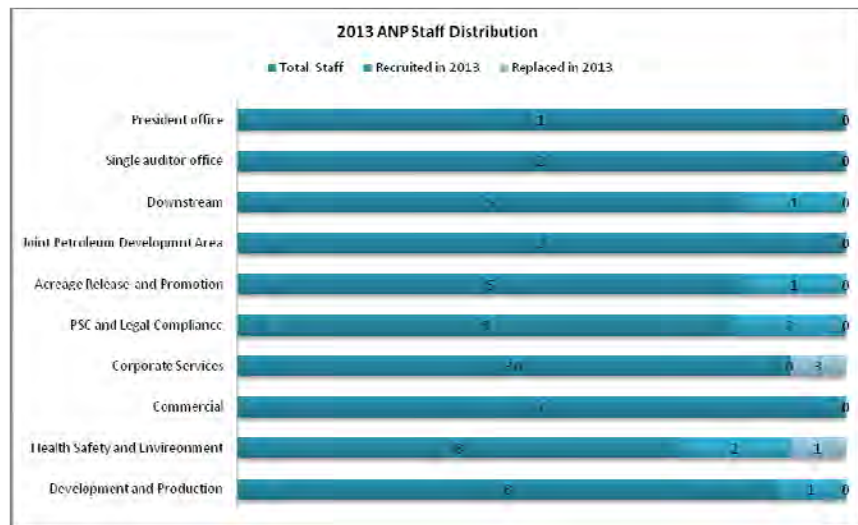
1.6 ANP HUMAN RESOURCE DEVELOPMENT

ANP invests significantly in human resource development both to attract most qualified Timorese and to develop their skills, knowledge, and their abilities to accomplish organizational goals to administer, regulate and provide better service to our key stakeholders.

STAFFING

In 2013, eleven competent qualified Timorese were recruited for seven new positions and four to replace outgoing staff. These positions were for HSE, Process and Maintenance, Local Content, Acreage Release, Downstream and Corporate Services.

By end of 2013, ANP has a total of 78 staff spread accorss different directorates. Staff distribution across relevant directorates and Offices by end of 2013 is as shown in chart 2 below.



TRAINING AND DEVELOPMENT

Efforts to develop employees' skill, knowledge and abilities are done by identifying areas for improvements and by establishing means for improvement including, attending dedicated individual training and secondment program as well as collective training program.

A total of sixty individual training programs were attended by relevant ANP employees. Most of these training programs were in the area of engineering, management, health and safety and finance. On the other hand, six collective training programs including CBS, HSE awareness, Basic oil and Gas as well as Languages were offered in 2013 for wider group of participants.

ANP also facilitate participations of its senior staffs to take part at international workshops and conferences either as participants or speakers to share our experiences and learn from others in the industry.



CHART 3: 2013 ANP COLLECTIVE TRAINING PROGRAMS

CHART 4 : 2013 ANP TRAINING AND DEVELOPMENT BY DISCIPLINE

1.7 CORPORATE PROCUREMENT

Procurement is categorized into four major items; Consultancy, Audit, Goods and Services. In 2013, Corporate procurement amounts to a total of USD 1,084,336.66. In terms of value distribution, corporate procurements in 2013 mostly expend on Services item which accounts for 42% of the total corporate procurement; this includes, in house training, office maintenance and services, rentals, fuel and electricity. Consultancy works account for 33 % of the total corporate procurement, followed by audit and goods, each account for 18 % and 7 %, respectively. Details of each items can be found at annex 1.



CHART 5: 2013 ANP PROCUREMENT DISTRIBUTION BY CATEGORIES

1.8 INTERNAL AUDIT EXERCISE

The Single Auditor unit had been performing internal audit to financial reports and its internal procedures and control on regular basis. This internal audit extends to include petroleum revenue.

1.9 CORPORATE FINANCIAL STATEMENT

ANP CORPORATE EXPENSES REPORT

Financial Statement Per 31 December 2013 (Audited)		
	Actual	Budget
Development Fees	\$ 3,983,200.00	\$ 3,983,200.00
Contract Services Fees	\$ 977,208.00	\$ 880,000.00
Subsidy from Timor - Leste Government	\$ 1,950,000.00	\$ 2,200,000.00
Interest	\$ 53.00	\$ 40,848.00
Net Gain in Foreign Exchange	\$ -	\$ -
Profit and disposal of assests	\$ 18,107.00	\$ -
Other Income	\$ 1,404.00	\$ -
Total Income	\$ 6,929,972.00	\$ 7,104,048.00
EXPENSES		
Employee Cost	\$ 2,168,047.00	\$ 2,386,673.33
General and Administration	\$ 3,129,905.00	\$ 4,196,374.67
Depreciation and Amortisation	\$ 338,491.00	\$ 253,000.00
Net Loss in Foreign Exchange	\$ 25,013.00	\$ -
Purchase of Intangibles and Property, Plant & Equipment	\$ 258,215.80	\$ 268,000.00
Total Expenditure/Budget	\$ 5,919,671.80	\$ 7,104,048.00
Surplus	\$ 1,010,300.20	\$ -

The ANP actual total expenditure in 2013 is \$5,919,657.80 This represents 83.33% of the 2013 approved Budget of \$7,104,048.00.

ANP CORPORATE FINANCIAL STATEMENT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
	Note	\$	\$ (restated)
INCOME			
Development fees		3,983,200	3,983,200
Contract service fees		977,208	960,533
Subsidy from Timor-Leste Government		1,950,000	1,500,000
Interest		53	263
Profit on disposal of assets		18,107	28,250
Other income		1,404	20
TOTAL INCOME		6,929,972	6,472,267
EXPENSES			
Employee benefits	12	2,168,047	2,388,446
General and administration	13	3,129,905	3,258,497
Depreciation and amortisation		338,491	289,387
Net loss in foreign exchange		25,013	852
TOTAL EXPENSES		5,661,456	5,937,182
SURPLUS FOR THE YEAR		1,268,516	535,085
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,268,516	535,085

The above statement of comprehensive income should be read in conjunction with the accompanying notes in annex 2

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	2013	2012
		\$	\$
			(restated)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4&11	7,820,215	6,059,172
Cash and cash equivalents – Joint Petroleum Development area	4&11	64,891,494	50,131,905
Trade and other receivables	5	134,272	15,651
Other non-financial assets	6	76,719	11,577
Total Current Assets		72,922,700	56,218,305
NON-CURRENT ASSETS			
Property, plant and equipment	8	596,118	588,726
Intangibles	7	263,899	353,429
Total Non-Current Assets		860,018	942,155
TOTAL ASSETS		73,782,718	57,160,460
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9&11	1,603,862	1,009,762
Payable in respect of the JPDA funds	9&11	64,891,494	50,131,904
Prepaid contract service fees & development fees	10	1,478,057	1,478,004
Total Current Liabilities		67,973,413	52,619,670
TOTAL LIABILITIES		67,973,413	52,619,670
EQUITY			
Initial contribution		2,153,168	2,153,168
Accumulated funds		3,656,138	2,387,622
Total Equity		5,809,306	4,540,790
TOTAL EQUITY AND LIABILITIES		73,782,719	57,160,460

The above statement of financial position should be read in conjunction with the accompanying notes in annex 2

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Expressed in United States Dollars)

	Note	Initial Contribution \$	Accumulated Funds \$	Total Equity \$
At 1 January 2012 as restated		2,153,168	1,852,537	4,005,705
Surplus for 2012 as restated	3	-	535,085	535,085
At 31 December 2012		2,153,168	2,387,622	4,540,790
Surplus for 2013		-	1,268,516	1,268,516
At 31 December 2013		2,153,168	3,656,138	5,809,306

The Initial Contribution is the net equity transferred from the Timor Sea Designated Authority (ANP's predecessor entity), to ANP on its formation on 1 July 2008.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**ALLOCATION OF SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Timor-Leste Exclusive Area \$	Joint Petroleum Development Area \$	Total for the year \$
Development fees	-	3,983,200	3,983,200
Contract service fees	-	977,208	977,208
Subsidy from Timor-Leste Government	1,950,000	-	1,950,000
Interest	12	41	53
Profit on disposal of assets	3,984	14,123	18,107
Other income	309	1,095	1,404
Total Income	1,954,304	4,975,668	6,929,972
Expenses split per JPDA Joint Commission approved budget	(1,636,483)	(4,024,973)	(5,661,456)
Surplus for the year	317,821	950,695	1,268,516

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

		2013	2012
	Note	\$	\$ (restated)
Operating activities			
Surplus for the year		1,268,516	535,085
Adjustments to reconcile profit before tax to net cash flows:			
Interest received		(54)	(263)
Profit on disposal of property, plant and equipment		(18,107)	(28,250)
Amortisation of intangible assets		101,060	47,073
Depreciation of property, plant and equipment		237,430	242,314
		1,588,845	795,959
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(118,621)	5,538
(Increase)/decrease in other non-financial assets		(65,142)	15,612
Increase in trade and other payables		15,353,688	21,844,744
Decrease in annual leave provision		-	(150,243)
Increase in prepaid contract service fees & development fees		53	914,017
		16,758,823	23,425,627
Interest received		54	263
Net cash flow from operating activities		16,758,877	23,425,890
Investing activities			
Purchase of intangibles		(11,531)	(284,005)
Proceeds from the disposal of property, plant and equipment		21,094	37,510
Purchase of property, plant and equipment		(247,809)	(229,576)
		(238,246)	(476,071)
Net increase in cash and cash equivalents		16,520,631	22,949,819
Add opening balance carried forward		56,191,077	33,241,257
Cash and cash equivalents ending balance	4&11	72,711,708	56,191,077
Comprising:			
Cash on hand and at banks	4&11	72,711,708	56,191,077

The above statement of cash flows should be read in conjunction with the accompanying notes in annex 2

ANP REVENUE AUDIT REPORT

STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013
	Note \$
Revenue receipts by field	
Bayu-Undan	3 1,868,991,847
Kitan	4 219,397,203
Total revenue receipts received	2,088,389,050
Interest earned from:	
• term deposits	15,210
• from contractors for profit oil/gas delayed payment	6 & 7 10,302
Total receipts received	2,088,414,562
Bank charges	(1,961)
Receipts less bank charges for the year	2,088,412,601
Cash at beginning of year	50,131,905
	2,138,544,506
Less: cash at end of year	5 (64,891,494)
Amount available for distribution	2,073,653,012
Distributed as follows:	
Distribution to Petroleum Fund of Timor-Leste	1,866,287,711
Distribution to Department of the Resources, Energy and Tourism, Australia	207,365,301
Total payments made	2,073,653,012

The above statement of cash flows should be read in conjunction with the accompanying notes in annex 3

II. CONTRACT OPERATOR'S ACTIVITY



ANP uses information from reports, investigations, inspections and audit to analyze trends for better improvement and decision making.

Overall, the quantity and scope of reports was increased in 2013 reflecting the amount of contract operators' activities associated with development drilling as well as ANP's increasing proactive involvement to enforce regulatory requirements when dealing with oil and gas operator operating in the JPDA and the TLEA.

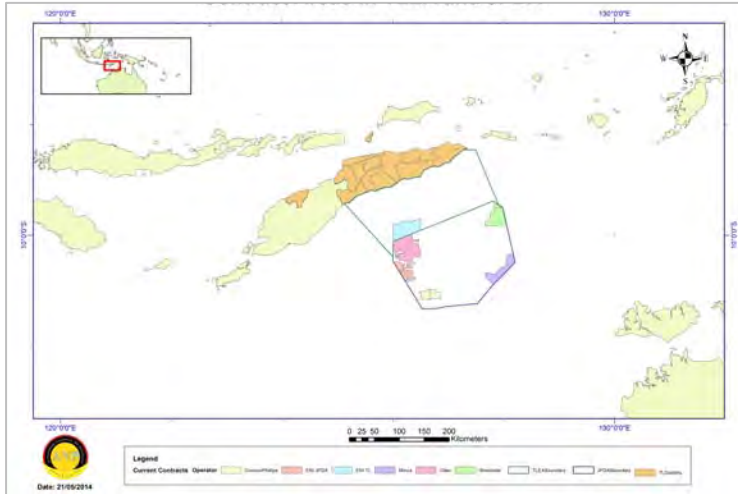
2.1 CONTRACTS IN JPDA AND TLEA

In 2013, most of the acreages in both TLEA and JPDA are open for further investment. A total of 12 PSCs are in existence in early 2013, of which 4 are in TLEA and 8 are in JPDA. By fourth quarter 2013, three PSCs in TLEA were fully relinquished by relevant Contract Operator. Below are status of the PSCs in JPDA and TLEA by end of 2013.

Contract Operator	PSC	Locality	Status
ConocoPhillips JPDA 03-12 Pty Ltd	PSC JPDA 03-12 PSC JPDA 03-12	JPDA	Production
Eni JPDA 06-103 Pty Ltd	PSC JPDA 06-105	JPDA	Production
Woodside Energy Limited	PSC JPDA 03-19 PSC JPDA 03-20	JPDA	Exploration
Minza Limited	PSC JPDA 06-101(A)	JPDA	Exploration
Eni JPDA 11-106 BV	PSC JPDA 11-106	JPDA	Exploration
Oilex (JPDA 06-103) Ltd	PSC JPDA 06-103	JPDA	Exploration
Eni Timor Leste SpA	PSC S06-04	TLEA	Exploration
Eni Timor Leste SpA	PSC S06-02	TLEA	Relinquished in March 2013
Eni Timor Leste SpA	PSC S06-05	TLEA	Relinquished in March 2013
Eni Timor Leste SpA	PSC S06-03	TLEA	Relinquished in September 2013

TABLE 1: PSCs IN JPDA AND TLEA

Map 2 outlines active PSCs in JPDA and TLEA by end of 2013. In TLEA, one PSC remain active, whilst in the JPDA there are 8 active PSCs.



MAP 2: JPDA AND TLEA ACTIVE PSCS

2.2 EXPLORATION PERFORMANCE

Most of the exploration areas in the TLEA were fully relinquished by end of 2013. This contributes to a significant increase open area inventory of TLEA. In the JPDA, the open area inventory increased in 2013 as a result of the 25 % relinquishment of exploration area in both PSC JPDA 06-103 and PSC JPDA 06-101(A). Below are summary of exploration PSCs in the JPDA and in the TLEA in 2013.

PSC	ACTIVITY
<p style="text-align: center;">PSC 06-101A Location</p>	<ul style="list-style-type: none"> - Acquired and processed a total of 800 km² 3D data in the PSC area, and additional 400 km² data from surrounding areas - Performed sub surface evaluation to determine target for drilling - Prepared to drill one committed exploration well

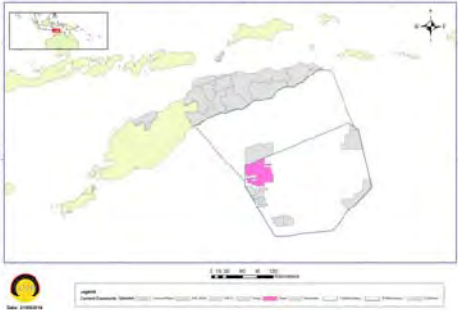



<p style="text-align: center;">PSC 06-103 Location</p> 	<ul style="list-style-type: none"> - Prepare to drill one committed exploration well - Request to terminate PSC on mutual ground - Review to the proposal was well underway by all relevant stakeholders by the end of 2013
<p style="text-align: center;">PSC 03-19 and PSC 03-20 Location</p> 	<ul style="list-style-type: none"> - No technical work performed in the two PSCs - Future works awaiting on directions from government of Timor-Leste and Australia
<p style="text-align: center;">PSC 11-106 Location</p> 	<ul style="list-style-type: none"> - A new PSC signed on 13th April 2013, - Commenced G&G studies for drilling of two committed exploration wells in 2014, and may extend to another two contingent wells thereafter
<p style="text-align: center;">PSC 5-06-04 Location</p> 	<ul style="list-style-type: none"> - G&G studies - Preparation for drilling in 2014

TABLE 2: EXPLORATION PSCs ACTIVITY SUMMARY

2.3 PRODUCTION PERFORMANCE

BAYU UNDAN FIELD

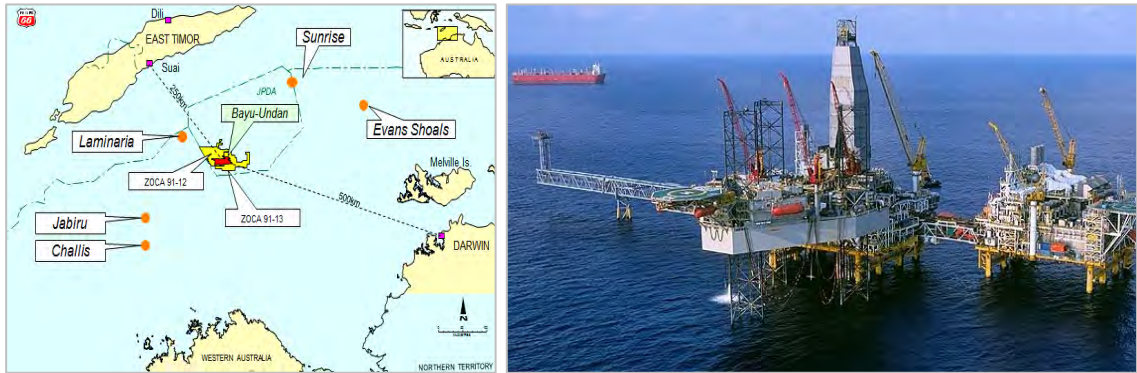
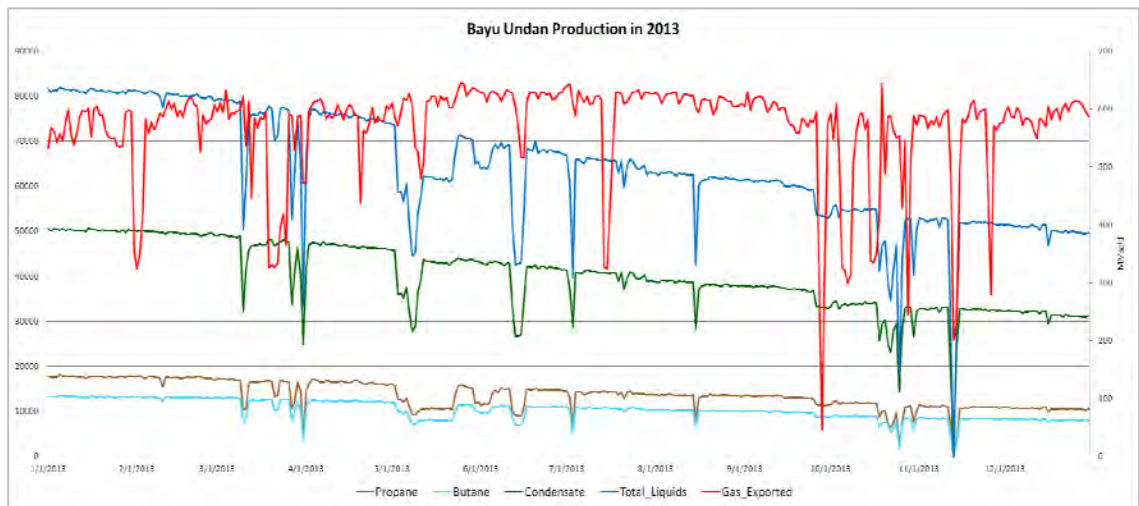


FIGURE 3: BU FIELD

BU is a gas condensate field located 250 km from Timor-Leste South coast and 480 km north-west of Darwin, Australia. The field facilities include a Central Production and Processing Complex (DPP and CUQ), FSO, WP1, subsea in-field pipelines and gas export pipeline to Darwin. The field has 12 producing wells, 4 gas injection wells and 2 water injection wells.

In 2013 the field produced from 12 wells, however, two producing wells were latter shut in due to mechanical problem and increase in water production.

The average wet gas production for 2013 is 1,093 MMscf/day which yields total average liquid production (Condensate and LPG) of 63.9. kbpd, whilst the export gas to Darwin LNG remains steady at an average of 570 MMscf/day and 299 MMscf/day reinjected back to the reservoir. The liquid production decreased from 83.7 kbpd reported in 2012.



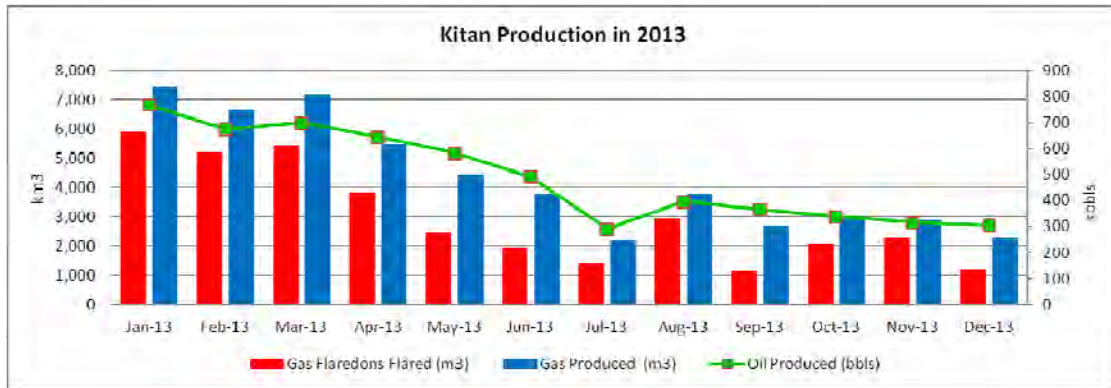
GRAPH1: BU PRODUCTION

KITAN FIELD



FIGURE 4: KITAN FIELD

Kitan is an oil field located approximately 150 km from Timor Leste South coast and over 480 km north-west of Darwin, Australia. The field produced from 3 production wells, hydrocarbon produced is processed and stored for offloading with FPSO facility.



2.4 HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE

ANP works closely with contract operators in accordance with the applicable laws, and the best practices of the oil and gas industry managing petroleum activities in the TLEA and JPDA to avoid loss of life, property, processes and damage to environment.

ANP has the duty to hold contract operators account for any infringement of their legal and contractual obligations. ANP also works closely with contract operators to uphold the best possible Health, Safety and Environmental outcomes in accordance with the regulatory requirements and best industry practices.

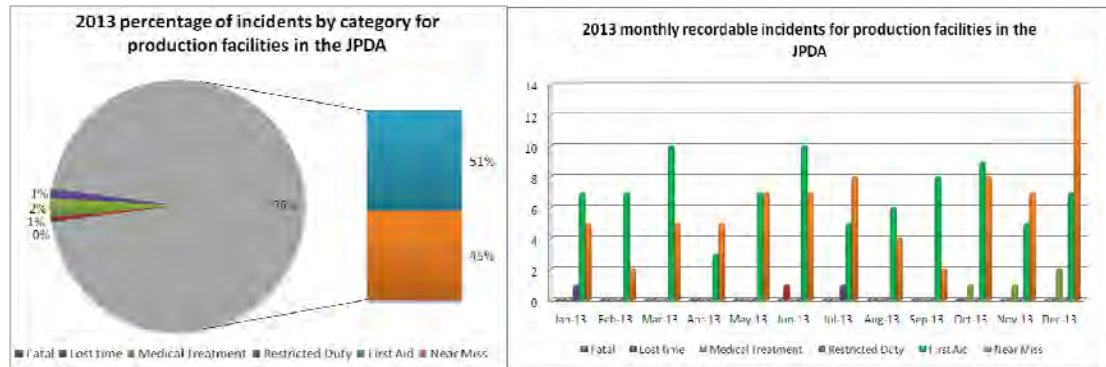
HSE PERFORMANCE IN JPDA

INCIDENTS IN JPDA

By law contract operators are required to provide report on their HSE performance on regular basis, including work and non-work related incidents occurred in the production facilities, supporting vessels, seismic survey vessels and MODU.

Overall, in 2013 there were 165 incidents reported from the two production facilities operating in the JPDA.

Below chart represents 2013 percentage of each incident by category and the spread of each incident category during duty shift.



GRAPH3: JPDA PRODUCTION FACILITIES RECORDABLE INCIDENT DISTRIBUTION STATISTIC

Majority of the reported incidents in 2013 were first aid case and near miss which accounts for 51% and 45%, respectively. There was no work related fatality recorded in 2013, medical treatment cases and restricted duties were marginal.

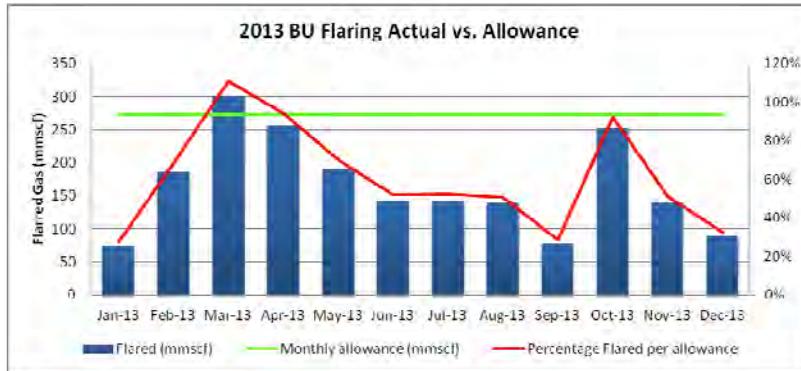
The highest number of incidents was recorded in December (23 cases) and the lowest number of incidents was recorded in April (8 cases). During the reporting year only one (1) lost time injury recorded in June.

FLARING AND VENTING IN JPDA

Bayu-Undan flaring

Flaring allowance is approved annually based on the activities to be undertaken each year. In 2013, a total of 3270 MMscf was requested to be flared in BU field. This application had assumed the 2013 rate reduction campaign, well interventions, and Asset Integrity Maintenance program.

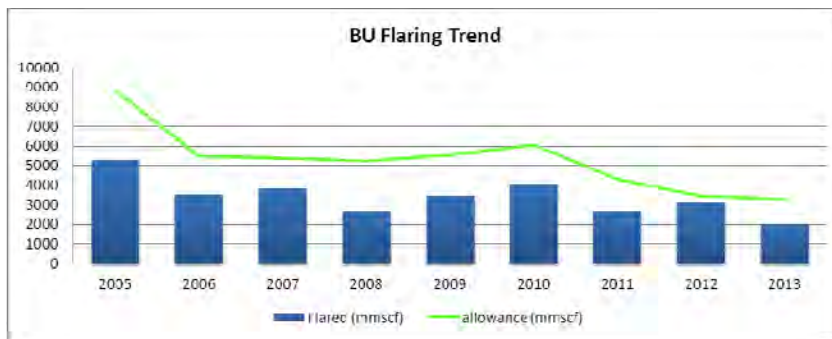
The graph below shows flaring allowance and the actual volume of gas flared during 2013.



GRAPH4: BU FLARING STATISTIC

The total volume flared during 2013 was 1997 MMscf. This amount of actual gas flared is 39% less than the 2013 approved allowance. The high flare observed in certain months indicated in the graph 4 above was due to Emergency Shutdown, Process Shutdown and 2013 planned maintenance shutdown.

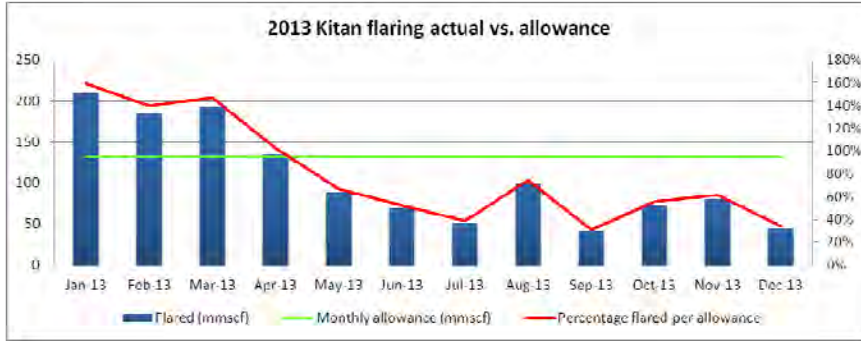
Nevertheless, as indicated in the graph 5 below, the volume of flared gas since 2005 is within the approved allowance. The request allowance showed dramatic reduction from inception in 2005 to 2006, then it tabled for a while. There was further discussion and initiative undertaken in 2010 to look at options to further reduce the request allowance. It is to be noted that actual gas flared in 2013 is 35% less compared to 2012 and about 62% less compared to 2005.



Kitan Flaring

Gas disposal arrangement for Kitan was approved for the period of 1 November 2013 to 31 October 2015, following a Study of Gas Disposal Alternatives. Produced excess gas not utilized for fuel is flared for the period mentioned above.

The graph below shows that Kitan 2013 flaring was within the approved volume.



GRAPH6: KITAN FLARING STATISTIC

In 2013, a total volume of 1577 MMscf was requested to be flared in Kitan field. The total volume flared was 1268 MMscf.

HSE PERFORMANCE IN TLEA

In 2013, petroleum activities in activity in the TLEA are relatively small, and mostly limited to exploratory and seismic survey. A 2D seismic survey was carried out in TLEA without any major incidents.

2.5 MARKETING PERFORMANCE

Marketing of liquids produced from BU and Kitan have been separately performed by ConocoPhillips, Eni and Inpex, respectively. Whilst gas produced from BU is solely marketed by ConocoPhillips on behalf of the Joint Ventures. The Designated Authority’s entitlements to different products were waived throughout 2013, allowing companies to market different petroleum products on its behalf.

BU AND KITAN MARKETING PERFORMANCE

In 2013, JPDA revenue performance was slightly affected by field performance and decrease in production rate in both BU and Kitan field. In BU, Condensate lifting was recorded at 23 cargoes compared to the previous year, of 28 cargoes, whilst LPG was recorded at 19 cargoes, down by 3 cargoes from previous year. On the other hand, LNG production remained stable, buyers of LNG had very much supported the lifting of all its volume under ACQ entitlements.

Despite the oil price volatility as observed in the months of May and June as a reaction to the increasing geopolitical tension in the Middle East and North Africa, Iraq, Syria, Turkey and Libya as well as the austerity measures for some European countries, overall marketing performance of BU and Kitan was considered satisfactory due to high oil price throughout the year.

BU CONDENSATE MARKETING PERFORMANCE

In 2013, total condensate volume sold was 14.83mmbbls compared to 2012 volume at 18.25mmbbls. Condensate from BU, mostly sold at spot basis, continued to be attractive to petrochemical companies in Asia. The main buyers in 2013 were Petrobras, CPC Corporation, Unipac Asia, EXTAP and others.

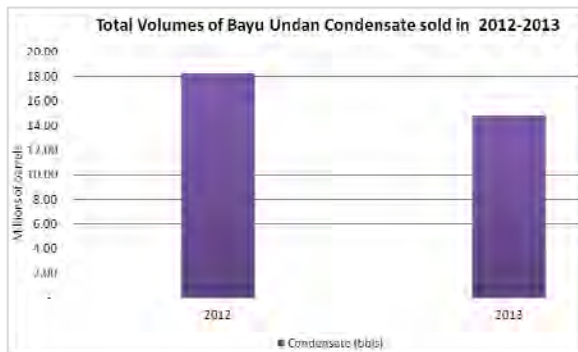
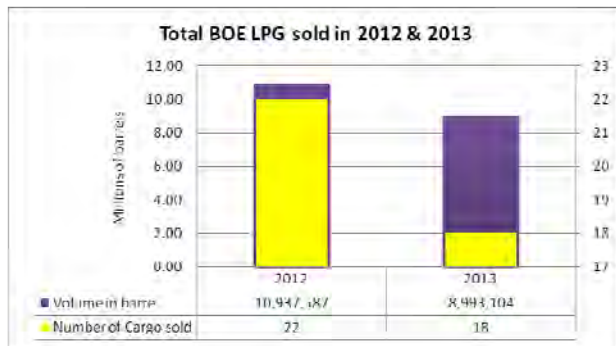


CHART 6: BU CONDENSATE SOLD



CHART 7: BU CONDENSATE BUYERS

BU LPG MARKETING PERFORMANCE



GRAPH7: LPG SOLD IN 2013

The LPG lifting was also impacted by overall Bayu-Undan production performance, as a result, in 2013, 18 cargoes was sold to Astomos under the current term contract. In 2012, a total of 22 LPG cargoes were lifted by the same buyer.

BU LNG MARKETING PERFORMANCE

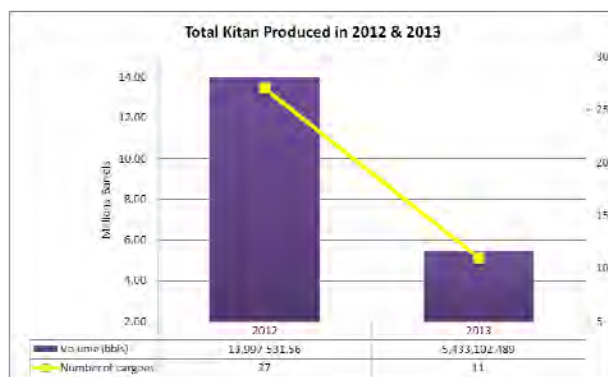


GRAPH8: LNG SOLD IN 2013

In spite of half rate reduction of LNG production that the DLNG was experiencing in May and October for maintenance purpose, it has no significant impact to DLNG plant as the DLNG managed to meet all contract volume to the buyers (Tokyo Electric and Tokyo Gas). There were 49 cargoes and 56 cargoes lifted in 2012 and 2013, respectively.

In addition to term contract with LNG buyers, DLNG also supplied gas to Northern Territory Power Company on a need basis subject to priority being given to supply to the DLNG plant. In this year, PWC has made nomination of feed gas from Bayu-Undan with total volume of 495 TJ.

KITAN CRUDE MARKETING PERFORMANCE



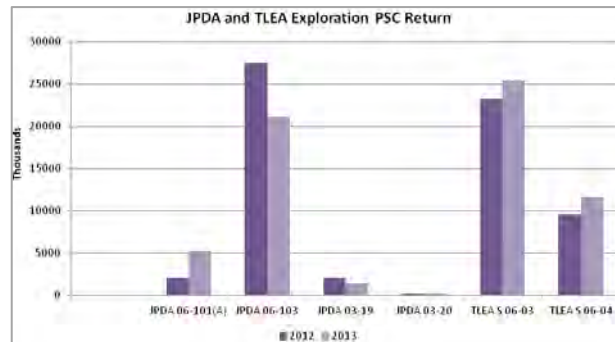
Since the commencement of kitan crude marketing, kitan crude has been well received by trader and end user due to its quality. Although there was significant drop in volume produced in 2013 compared to 2012, kitan crude marketing continued to perform well.

GRAPH9: KITAN VOLUME SOLD IN 2013

2.6 EXPLORATION EXPENDITURE PERFORMANCE

Exploration activities undertaken by operators during the year ended 31 December 2013 in the JPDA for both contract operators Oilex (JPDA 06-103) and Minza (JPDA 06-101A) were mostly on exploration work such as geological, geophysical and operational, including planning and general & administration. Whereas, Woodside Petroleum (Timor Sea 19) Pty Ltd and Woodside Petroleum (Timor Sea 20) Pty Ltd were spending on general and administration in order to keep maintaining the office operation.

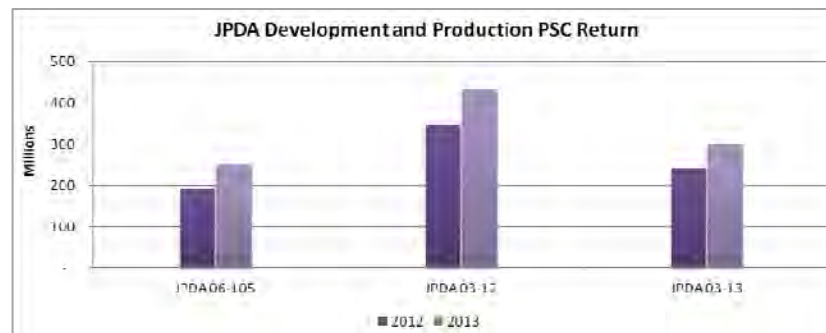
Detail of the total exploration expenditure including the investment credit or uplift is shown at below graph.



GRAPH10: JPDA AND TLEA EXPLORATION PSC RETURN

2.7 DEVELOPMENT EXPENDITURE PERFORMANCE

BU and Kitan are the two development fields that have been in production for some time now. The operators of the PSCs are ConocoPhillips and Eni. As development project, the expenditure is mostly for the operational of the fields, while there could be minor capital investment incurred as a result of maintenance work carried out on the facilities, drilling cost and also long lead item for drilling campaign. Below column illustrates total expenditure spent from the respective PSCs. Given the size of the project, BU continues to be the major in terms of expenditure and followed by Kitan.



GRAPH 11: JPDA DEVELOPMENT AND PRODUCTION PSC RETURN

2.8 LOCAL CONTENT PERFORMANCE

Oil and Gas companies operating in both TLEA and JPDA jurisdictions are required by law to procure goods and services that are produced or supplied by providers in Timor Leste for TLEA and in Timor Leste and Australia for JPDA. In both jurisdictions, oil and gas companies are required to give preference

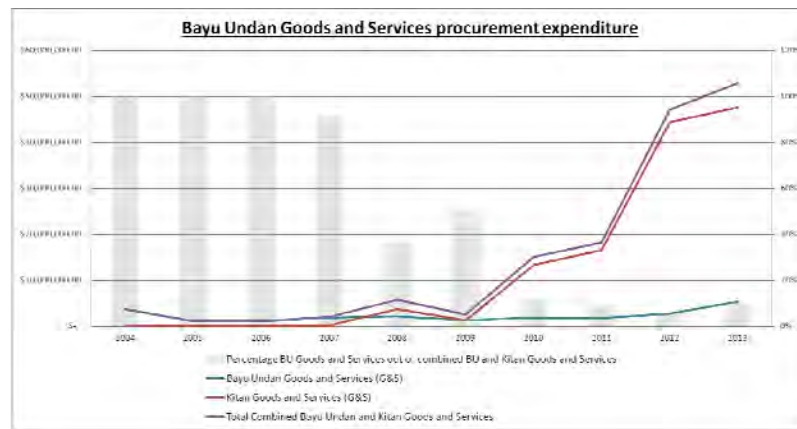
in employment to Timor Leste nationals and permanent resident, with due regard to occupational health and safety requirements.

ANP works closely with oil and gas companies in JPDA and TLEA to measure Local Content performance in terms of local participation in procurement of goods and services as well as training and employment for petroleum activities in both jurisdictions.

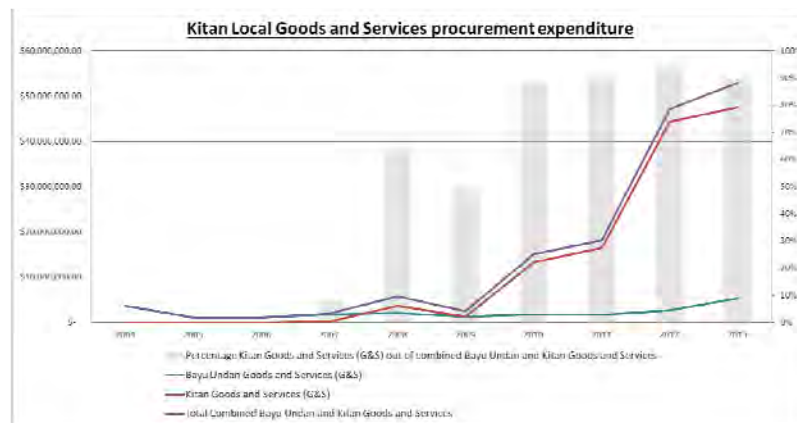
It should be noted that the figures presented below are extracted from regulatory reports provided by PSC operators. Due to timing of the report submission, the figures provided are yet to be verified thru audit.

PROCUREMENT OF LOCAL GOODS AND SERVICES

Below graphs shows local goods and services procured in Timor-Leste to support two existing producing fields in the JPDA; BU and Kitan.



GRAPH12: BU LOCAL GOODS AND SERVICES PROCUREMENT EXPENDITURE



GRAPH13: KITAN LOCAL GOODS AND SERVICES PROCUREMENT EXPENDITURE

In 2013, combined BU and Kitan local goods and services procurement reached a total of USD 58,568,987.00, of which 89.9% was expended to support Kitan project. The combined BU and Kitan local goods and services procurement value increased from USD 47,117,980.00 reported in 2012, this corresponds to approximately 12 % increases in goods and services procurement in Timor-Leste. This

increase is observed to be contributed by ongoing projects in BU and Kitan, ANP expects continues increase in 2014 as a result of planned development drilling activities which will take place not only in both production fields but also in other exploration PSC areas.

TRAINING AND EMPLOYMENT

Below chart shows percentages employment of Timor-Leste nationals to support petroleum operations in JPDA, both in BU and Kitan field in 2013 across different services. It is important to note that the number quoted below represents direct employment under immediate contract and employment through second or third layer services contracts.

In 2013, a total of 276 Timorese employees were recorded to support BU project. Out of this number, majority of the employment was under ESS for catering services contract, CAJV/CALTECH for operations and maintenance services as well as CHC Helicopters for offshore personel transportation contract. Kitan project recorded employment of 137 Timorese, of which majority are employed through GAP MHS contract for offshore personel transportation, followed by Bluewater for FPSO contract and SDV for Marine Support Vessel contract. In summary a total of 413 Timorese nationals were employed either directly or indirectly to support BU and Kitan project.

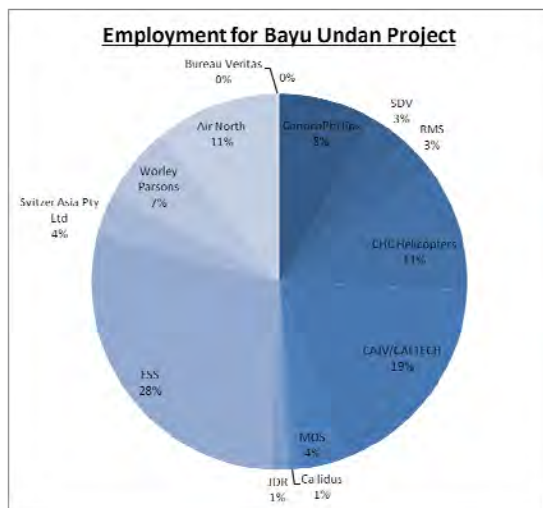


CHART 8: BU LOCAL EMPLOYMENT

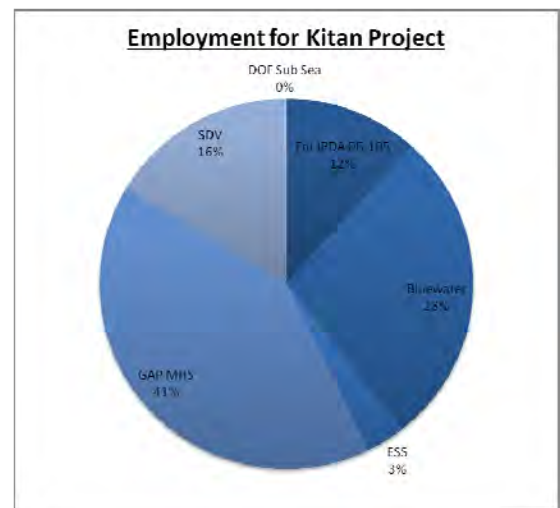


CHART 9: KITAN LOCAL EMPLOYMENT

III. REGULATORY PERFORMANCE



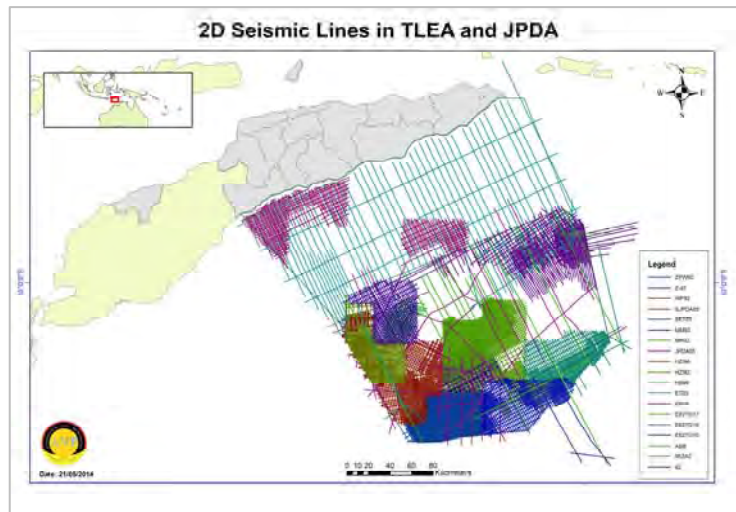
3.1 UPSTREAM

LEGAL FRAMEWORK REVISION

ANP undertook an initial work to review and proposed new sets upstream legal framework in for exploration and exploitation of oil and gas in TLEA and JPDA. This proposed framework includes a revised regulation and model PSC for further consideration by the Government of Timor-Leste for TLEA and both the Governments of Timor Leste and Australia for the JPDA. In anticipation for upcoming acreage release ANP had also prepared for further discussion with the Governments guidelines with respect to Exploration Block Division, Bidding Prequalification and Bidding Assessment.

PETROLEUM DATA AND REPORTS

As part of ANP’s effort to manage petroleum data and information to support its function, ANP had established internal database to manage data and reports from Petroleum Activities in JPDA and TLEA. By 2013, ANP has significant coverage of both 2D and 3D seismic data in its areas of Jurisdiction. Below maps indicated some of the 2D data available at ANP’s database.



MAP 3: 2D SEISMIC LINES COVERAGE IN JPDA AND TLEA

PROSPECTING AND ACCESS AUTHORIZATION

ANP granted one Prospecting Authorizations in 2013 to carryout 2D multiclient seismic survey. The Authorization was granted to CGG Veritas to carryout BandaSeis Multiclient seismic survey in offshore TLEA covering a total a total of 4600 line kilometers of 2D data. Nothing in the Prospecting and Access

Authorization authorizes the holder to drill a well or to have any preference or right for a contract. The survey was performed using the latest Seismic Acquisition technology, the Broad Band Seismic technology. The new technology allows for a better subsurface imaging, especially in the sub-trust area near Timor Acretionary Prism. In order to ensure the full fold turning for the completion of the line, ANP also issued an Access Authorization to CGG to enter to the JPDA to make a full fold turning during the acquisition data in lines running North - South directions. Nothing in the Prospecting and Access Authorization authorized the company to drill a well or to have any preference or right for a contract.

Title	Validity	Authorised Person	Purpose
Prospecting Authorization	6 months	CGG Veritas	BansaSeisMulticlient seismic survey in offshore TLEA
Acess Authorization	6 months	CGG Veritas	Full fold turning for BansaSeisMulticlient seismic survey in offshore TLEA

APPROVAL AND ACCEPTANCE

To demonstrate prudent petroleum operations, contractors are obliged to seek for certain Approval or Acceptance from the ANP. Depending on the petroleum phase, certain requirements are imposed to the contractor. Those requirements can be embedded to the approval or acceptance to commence certain activities, or as part of evaluation to the existing operations for continuous improvement.

Numbers of technical documentation were submitted to the ANP for further review and Approval / Acceptance. Below is the list of Approval / Acceptance granted to the contractor.

Approval/Acceptance			
	Title	Assessment outcome	Conditions
Development & Production	Application to drill Kitan-6 and Kitan South-1	Application approved	
HS&E	Drilling Safety Case for Kitan-6 and Kitan South-1	Safety Case accepted	
	OSCP for Kitan Operations	OSCP Approved	
	EMP for Kitan 6 and Kitan South-1 Drilling Campaign	EMP Accepted	
	Application for consent to use the drilling rig Stena Clyde for Kitan 6 and Kitan South-1 Drilling Campaign	Consent to use granted	
	Flaring application for Bayu Undan	Flaring Approved	
	Flaring application for Kitan	Flaring Approved	
<p>* Assessment for approval/acceptance involves requesting for clarification, evidence and further document submission, which led to the revised version of the document.</p> <p>* Above lists excludes regular approval for vessel and helicopter entry authorization as well as approval on procurement for Petroleum Operations.</p>			

TABLE 3: REGULATORY APPROVALS AND ACCEPTANCE

INSPECTIONS, AUDIT AND OBSERVATIONS

From time to time the ANP conducts Inspections and audits to ensure that operations are carried out in accordance with the Regulation. HSE inspection, process inspection, metering inspection and financial audit are carried out regularly. Contractor will need to propose corrective actions to close out ANP's inspection findings and recommendation. Corrective action implementation will be verified through ANP's CAP inspection.

INSPECTIONS				
	Title	Location	Schedule	Total Findings
Development & Production	Asset Integrity Maintenance (combined HSE and D&P)	BU Facility	3 -5 May 2013 16 -17 May 2013	21
	Process Inspection (combined HSE and D&P)	Kitan Process Facility	27 Feb - 4 March 2013	78
HS&E	Annual HSE Inspection to Infield Support Vessel	Lanpan 6, Sea Port Dili	22 July 2013	18
	HSE follow-up Inspection/CAP	Glas Dwr/FPSO	16 - 17 October 2013	10
	Vessel Health, Safety & Environment Inspection	Anchor Handling Tug Vessel "Lady Astrid" Darwin	17 October 2013	40

	Vessel Health, Safety & Environment Inspection	Anchor Handling Tug Vessel "Far Fosna", Darwin	18 October 2013	35
	Inspection against Safety Case	MODU Stena Clyde, Darwin	21 - 23 October 2013	59
	Asset Integrity Maintenance Inspection.	BU facilities & Onshore/Perth Office	3 - 5 May & 16 – 17 May 2013	21
	HSE annual vessel inspection	ISV Svitzer Brani, Dampier	29 March 2013	25
	HSE annual vessel Inspection	PSV Melinda, Darwin	9 - 10 September 2013	14
	Annual HSE Inspection to BU facility	FSO, Bayu-Undan	28 - 30 October 2013	29
	HSE Inspection on Seismic Vessel & related support vessels	Bin Minh 02, Mitra Anugerah 26 & Indies Surveyor, Sea Port in Dili.	14 December 2014	27

TABLE 4: 2013 REGULATORY INSPECTIONS

* Inspections findings covers both positive (good practice, encourage to maintain and improve) negative findings (those requires Corrective Action Plan for improvements).

* Above list covers those requires Corrective Action Plan from Contract Operator

AUDIT				
	Title	Location	Schedule	Total Findings
Development & Production	BU FSO CTS metering audit	BU FSO	8-10 April 2013	2
Commercial	PSC JPDA 03-19/03-20 return audit	Perth, Australia	15 - 17 April 2013	-
	PSC JPDA 03-12/03-13 return audit	Perth, Australia	18 - 22 April 2013	-
	PSC JPDA 06-103 return audit	Perth, Australia	8 - 9 April 2013	-
	PSC JPDA 06-105 return audit	Perth, Australia		-
	PSC JPDA 06-101(A) return audit	Dili, Timor-Leste	4 – 6 March 2013	1
	PSC JPDA S06-02 and S06-05 return audit	Perth, Australia	30 August – 4 September 2013	-

TABLE 5: 2013 REGULATORY AUDIT

Note: PSC JPDA 06-105 return audit was performed with the assistance of a third party

OBSERVATIONS			
	Title	Location	Schedule
Development & Production	Darwin LNG – PWC gas meter online testing	DarwinLNG	20-26 July 2013
	BU FSO meter calibration	FSO Liberdade	3-8 July 2013
	Kitan Meter	FPSO Glasdowr	2-27 March 2013
	Kitan Meter	FPSO Glasdowr	14-25 August 2013
	Kitan Meter	FPSO Glasdowr	20-27 November 2013
	Kitan Metering – Master Meter Change Out, secondary instruments' verification and sampling grabber issue	FPSO Glasdowr	20-27 November 2013

TABLE 6: 2013 REGULATORY OBSERVATIONS

IMPROVEMENT NOTICE

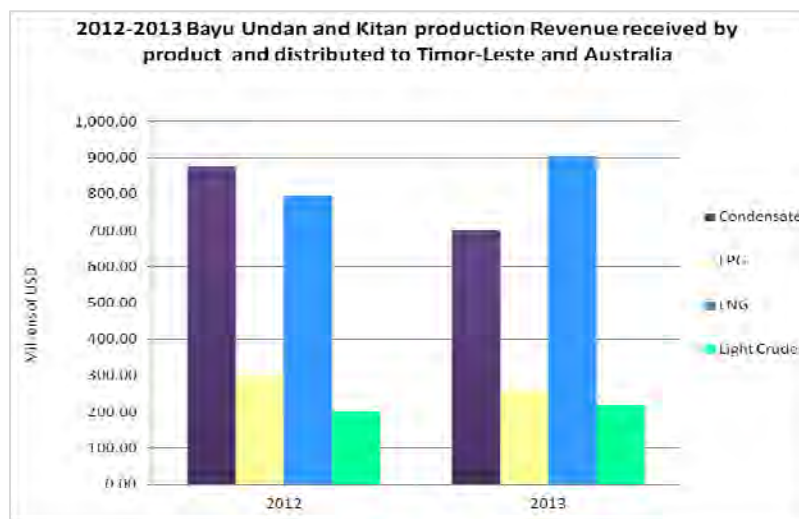
In August 2013 ANP issued Improvement Notice to Eni JPDA 06-105 for inadequate communication between Eni and its subcontractors preventing GAP-MHS helicopter carrying ANP inspectors to board the FPSO Glass Dowr which eventually led to the cancellation of a planned HSE inspection. The Contract Operator was required to establish a communication protocol with its subcontractor.

PROHIBITION NOTICE

No prohibition notice were issued in 2013

REVENUE DISTRIBUTION

ANP manage revenue distribution from the sale of oil and gas on behalf of both the contracting states. Below graph summarizes total revenue collection in 2012 and 2013. The total revenue received by ANP on behalf of states overall was slightly decreased compare to last year. FTP and Profit Oil received was recorded at USD 241.5Million compared to last year was about USD 290Million. Similarly, total profit oil/gas was also lower than 2012, from USD 1,882.5Million in 2012 to USD 1,846.8Million recorded in 2013. Overall, total revenue recorded for 2013 decreased by 5% compared to the previous year.



GRAPH14: REVENUE RECEIVED AND DISTRIBUTED TO STATES

Total Net Revenue received from Bayu-Undan and Kitan in 2013 was lower than previous year. Other income from BU profit oil interest received was lower in 2013 mainly due to lower interests which reflect the behavior of financial market.

Petroleum Revenue Receipts and Distribution from Bayu-Undan and Kitan in 2012 & 2013			
	2012	2013	Increase /decrease
Opening Balance	\$ 28,486,781.20	\$ 50,131,905.15	
Revenue Received YTD	\$ 2,173,055,962.75	\$ 2,088,389,138.05	\$ -84,666,824.70
Other income	\$ 1,618,333.90	\$ 25,423.24	\$ -1,592,910.66
Related expenses:			
Bank charges	\$ -1,920.24	\$ -1,960.50	\$ 40.26
Net revenue YTD	\$ 2,203,159,157.61	\$ 2,138,544,505.94	\$ -64,614,651.67
Revenue Distribution YTD			
Timor Leste	\$ 1,937,724,527.20	\$ 1,866,287,711.09	\$ -71,436,816.11
Australia	\$ 215,302,725.24	\$ 207,365,301.23	\$ -7,937,424.01
Closing Balance	\$ 50,131,905.17	\$ 64,891,493.63	

** Note: Other Income refers to Term Deposit Interest and Interest on late payments*

TABLE 7: REVENUE RECEIPTS AND DISTRIBUTION FROM BU AND KITAN

AGREED LOCAL CONTENT PROJECTS

In addition to the provision of Employment and Training, and procurement of Goods and Services there are also other Local Content Activities agreeable between the ANP and the PSC Contractors.

NATIONAL LIBRARY

The National Library project is a local content commitment attached to the Kitan field development. The project requires collaboration from relevant stakeholders; including Ministry of Tourism and Secretary of State for Culture and Arts, MPRM, ANP and the Kitan Joint Venture Partners. In 2013, progress was made on securing the land for project development in Dili and working with the surrounding community to facilitate smooth implementation of the National Library project. ANP expects continuous progress to be made in 2014.

HORTICULTURE PROJECT

The Horticulture Project is a continuation on Horticulture Value Chain program, to introduce modern farming techniques and establishing green house and irrigation system in the communities of Sarin and Liurai in Aileu District. The project is implemented by USAID in collaboration with BU Joint ventures, Ministry of Agriculture and Fisheries as well as ANP.

The project have been successfully implemented and observed to have positive impact in terms of maximizing involved farmer's revenues and welfare. In 2013, the project Steering Committee and relevant stakeholders is discussing continuation and expansion of the project in 2014.

GRADUATE INTERNSHIP PROGRAM (GIP)

The Graduate Internship Program is an initiative to second qualified Timorese Graduates to ConocoPhillips oil and gas operations aiming at providing relevant operational experiences to Timorese

selected Timorese graduates. In 2013, the program has been agreed to be implemented by BU Joint Venture Partners in collaboration with MPRM and we as ANP. The program will commence in 2014.

SERN-FULBRIGHT SCHOLARSHIP PROJECT

The SERN - Full-Bright Scholarship program is an initiative of the then Secretariat of State for Natural Resources (SERN) to offer scholarship in the oil and gas discipline to qualified Timorese to study in overseas. ANP in collaboration with BU Joint Venture Partners through the operator ConocoPhillips and the US embassy in Dili for implementation of this project. until the year 2013, this program has offered scholarships to 20 qualified Timorese to pursue master and Doctoral program in the oil and gas and related discipline throughout universities in the USA. All stakeholders are in discussion for possible extension of this program in the future.

SEISMIC DATA TAPE AND CORE STORAGE FACILITY

As a part of Social Development and commitment to develop Petroleum Infrastructure, Eni Timor-Leste on behalf of its Joint Venture Partners in collaboration with the MPRM and ANP commits to contribute to the establishment of a seismic data tape and core storage facility. In 2013, discussion is still ongoing to implement this project.

3.2 DOWNSTREAM

Downstream activity refers to any activity carried out downstream of exploration and production of crude oil and natural gas not affecting any reservoir, as well as of feedstock for the production of biofuels or for any other alternative forms of fuels, including Supply, Processing, Transportation and Storage, Trading and Marketing, which is carried out independently from exploration and production operations and for commercial purposes.

MANAGEMENT OF DOWNSTREAM SECTOR DOWNSTREAM LEGAL/REGULATORY FRAMEWORK

To effectively manage the performance of downstream activities in Timor-Leste, the ANP continuously established ancillary Regulations. Ancillary Regulations are listed in Article 7.2 of Downstream Decree Law No. 1/2012, ANP establish these regulations by means of priority and to address immediate needs of the current existing activities in Timor-Leste.

In the 2013, two Regulations were established and effective to regulate Installation and operation of fuel filling stations as well as Fuel Lubricant and Biofuel Quality Standard and Specifications Regulation. This was then followed by public dissemination and publication in the Government Gazette (Journal da Republica).

In the same year, two additional Regulations to regulate Fuel Storage and Trading were still in review process for completion in the following year.

Having all these Regulations in force provides ANP adequate tools to regulate downstream activity and give certainty and guidance to downstream industry players in the country.

INTER MINISTERIAL COOPERATION

By law, ANP is responsible for technical and Health, Safety and Environment aspects for the downstream industry. Nonetheless, ANP also works closely with other government entities including MCIE and SERVE under the Ministry of Finance to harmonize the licensing processes. Figure 5 below outlines the requirements across different government entities for the granting of Downstream Licenses.

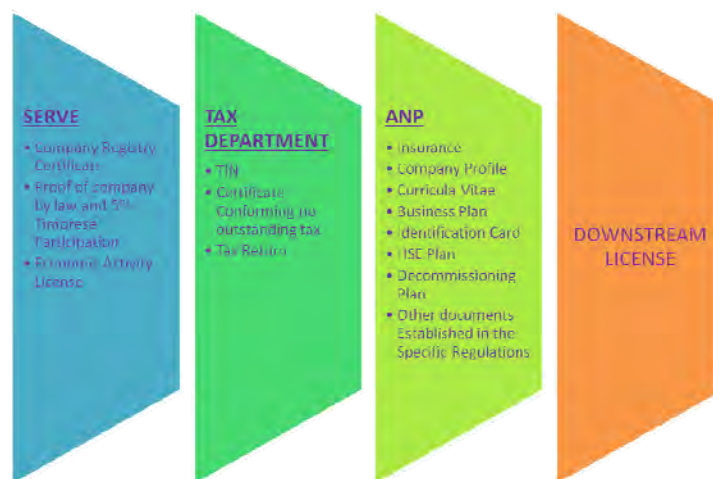


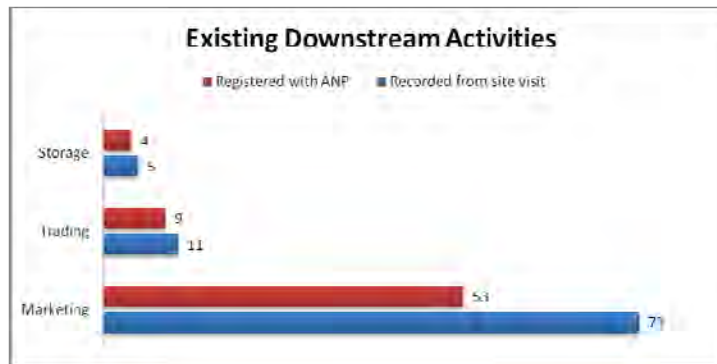
FIGURE 5: DOWNSTREAM LICENSE REQUIREMENTS

REGULATING DOWNSTREAM ACTIVITIES

Timor-Leste’s petroleum downstream sector generally characterized by general business. People involved in downstream business according to the demand of the market; as a consequence downstream business is often carried out without necessarily following legal and technical requirements.

Despite this challenge, ANP works closely with downstream industry in Timor-Leste to implement technical requirements safe and efficient downstream operation.

According to the ANP Atlas list, there were 79 retailers for fuel products, 11 fuel traders and 5 companies carry out fuel storage activities. These numbers were existed before the establishment of the current downstream legal framework.



GRAPH15: THE EXISTING DOWNSTREAM ACTIVITIES IN TIMOR-LESTE

A GLANCE OF THE CURRENT DOWNSTREAM ACTIVITY

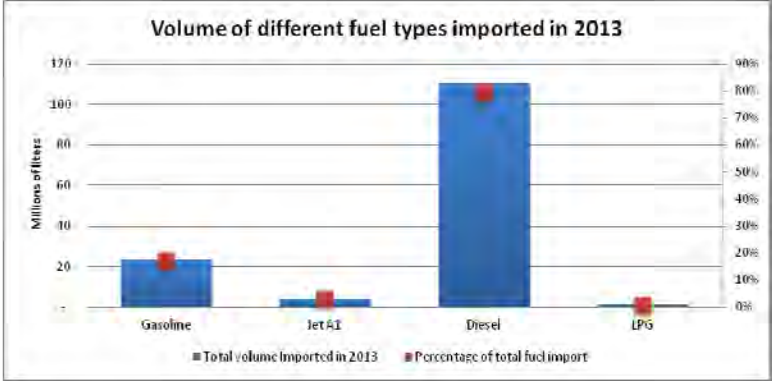
OVERALL DOWNSTREAM ACTIVITY

Majority of the fuel products imported into Timor-Leste territory are in the form of Gasoline, diesel Jet A1 fuel and LPG. These products are imported by major companies operating out of Timor-Leste. Below figure indicates types of fuel products and their corresponding importers.



FIGURE 6: TIMOR-LESTE FUEL IMPORTERS (TRADERS)

Diesel fuel makes up 79% of the total fuel imported into Timor-Leste, followed by Gasoline, Jet A1 fuel and LPG at the least. Diesel fuel is largely used for power generation for the country.



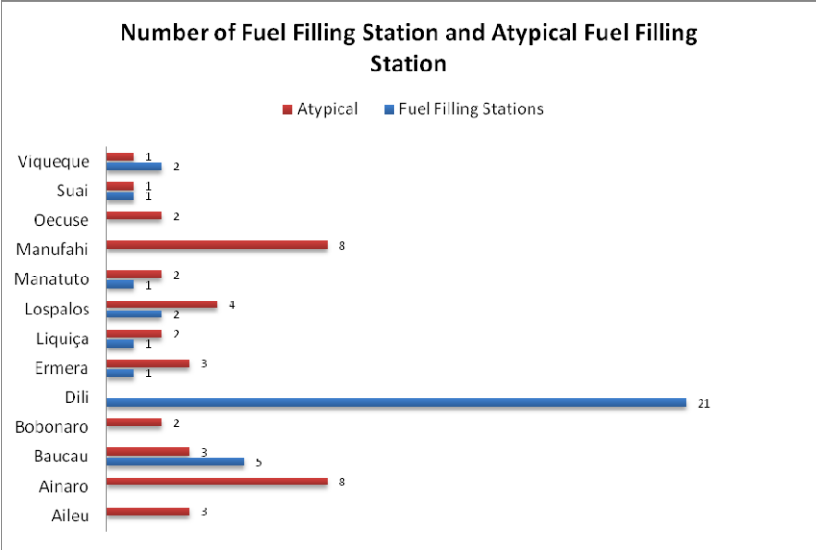
GRAPH16: FUEL TYPES AND THEIR CORRESPONDING PERCENTAGES IMPORTED IN 2013

MARKETING ACTIVITY

Data obtained during 2013 shows that the number of Atypical Fuel Filling Stations is much higher than “Standard” Retail Fuel Filling Station.

Retail Fuel Filling Station represents Fuel Filling Stations destined for selling Liquid and Liquefied Fuels, and products and services within the scope of Ancillary Activities to consumers; whilst “Atypical Automotive Fuel Filling Stations” represents automotive Fuel Filling Stations that may be authorized by the ANP for special locations as result of specific market requirements or conditions. This type of filling station is authorized for operations out side of cities.

Below figure shows comparison between the two types of marketing activities throughout Timor-Leste territory.



GRAPH17: TYPES OF RETAIL FUEL STATIONS

IV. CORPORATE INITIATIVES - SOCIAL ACTIVITIES

As a Timorese Autonomous organization, ANP assumes obligation to share knowledge and experience on its core business with relevant stakeholders and academic graduates within the country and those from overseas.

4.1 INTERNSHIP PROGRAM

2013 marks a busy year in terms of our involvements to share knowledge and experience with Timorese graduates. Graduates are attached to the ANP by means of a Graduate Internship Program; ANP also offers internship to students completing their relevant course. The successful candidates are offered with the opportunity to learn firsthand from the knowledge and experience of our staffs in different disciplines and have the opportunity to get exposed to some field activities to gain knowledge and experience on real projects.

Many of the students completing their Internship Program with ANP completed their studies and found their way to work with the industry.

Program type	Number of students	Area of Interest	University
Graduate Internship Program	2	Development and Production	Universitas Pembangunan Nasional Yogyakarta (UPN Veteran) - Indonesia
	2	Health Safety and Environment	University of Hawai'i at Manoa - USA
	1	Exploration	Institut Teknologi Adhi Tama Surabaya - Indonesia.
	1	Commercial	Dili Institute of Technology (DIT) - Timor Leste
	1	Legal Compliance	Dili Institute of Technology (DIT) - Timor Leste
Internship for students	3	Commercial	Dili Institute of Technology (DIT) - Timor Leste
	1	Finance	Institute of Business (IOB) Dili - Timor Leste
	1	Information and Technology	Instituto Profissional de Canossa, Dili - Timor

			Leste
	1	Legal Compliance	Universitas Pembangunan Nasional Yogyakarta (UPN Veteran) - Indonesia

TABLE 8: INTERNSHIP PROGRAMS

* ANP also assists final year students with provision of information and mentoring.

4.2 PUBLIC EVENTS

PUBLIC INFORMATION DISSEMINATION



ANP took part in a seminar organised by Dili Institute of Technology sharing its knowledge and experience regulating oil and gas activity with particular focus on the importance of Health Safety and Environment in the oil and gas industry. ANP also took part in many public events throughout the year including exhibitions and presentation organised by different institutions in the country.

FIGURE 7: SHARING KNOWLEDGE ON OIL AND GAS

DOWNSTREAM INTERMINISTERIAL WORKSHOP



The workshop aimed to inform the sector, the respective Ministries' roles and responsibilities on how should licensing petroleum downstream sector.

FIGURE 8: DOWNSTREAM REGULATION WORKSHOP

ENERGY CUP



ANP took part in a social sporting event competition "Energy Cup" jointly organized by industry and government institutions. Despite the fact that the event was successfully planned and executed, it proves our continuous constructive interaction beyond profession.

FIGURE 9: ANP SOCCER TEAM PLAYING AGAINST SDV LOGISTIC TEAM

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LIST OF ABBREVIATION

2D: Two Dimension, 22, 28
3D: Three Dimension, 16
ACQ: Annual Contract Quantity, 23
ANP: Autoridade Nacional doPetróleo, 3, 4, 6, 7, 8, 9, 10, 11, 12, 15, 19, 26, 27, 28, 29, 31, 32, 33, 34, 35, 36, 37, 38
BU: Bayu Undan, 23, 24, 25, 30, 31
CAP: Corective Action Plan, 29, 30
CBS: Corporate Business Skills, 10
CUQ: Compression, Utilities and Quarters, 18
DLNG: Darwin Liquefied Natural Gas, 24
DPP: Drilling Procesing and Production Platform, 18
FPSO: Floating Production, Storage and Offloading, 19, 27, 30, 31
FSO: Floating Storage and Offloading, 18, 30, 31
G&G: Geology and Geophysics, 17
JCM: Joint Commission Meeting, 9
JPDA: Joint Petroleum Development Area, 3, 4, 7, 8, 9, 15, 16, 19, 20, 23, 25, 26, 27, 28, 31
kbpd: Thousand barrels per day, 18
km: kilo meter, 18, 19
km ² : kilo meter square, 16
LNG: Liquefied Natural Gas, 9, 18, 23, 24, 31
LPG: Liquefied Petroleum Gas, 18, 23, 24, 35, 36
MCIE: Ministry of Commerce Industry and Environment, 34
mmbbls: Million Barrels, 23
MMscf: Million Standard Cubic Feet, 18, 20, 21, 22
MODU: Mobile Offshore Drilling Unit, 20, 30
MPRM: Ministry of Petroleum and Mineral Resources Timor-Leste, 33

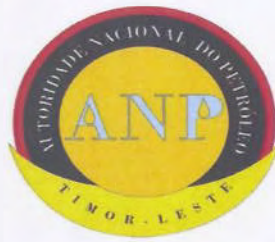
PSC: Production Sharing Contract, 7, 8, 9, 15, 16, 17, 25, 26, 27, 28, 31, 33
PWC: Power and Water Corporation, 24, 31
SCM: Sunrise Commission Meeting, 9
SERVE: Serviso de Registu e Verivikasaun Empresarial, 34
Timor GAP, E.P: Timor Gas e Petróleo Emprezaia Publica, 8
TJ: Tera Joules, 24
TLEA: Timor Leste Exclusive Area, 3, 7, 15, 16, 19, 22, 25, 26, 28, 29
USA: United States of America, 33, 37
USAID: United States AID, 33
USD: United States Dollars, 11, 27
WP1: Well Head Platform 1, 18

ANNEX 1: LIST OF CORPORATE PROCUREMENTS IN 2013

CONSULTANCY		
Offshore Process Audit in the Kitan FPSO within the JPDA 06-105 Block	\$92,400.00	DELTA CONSULTANT Pty. Ltd
Offshore Process Audit in the Kitan FPSO within the JPDA 06-105 Block	\$16,000.00	DELTA CONSULTANT Pty. Ltd
Review of BU 2012 Condensate & LPG Sales	\$50,000.00	Poten & Partners
Rational of LNG Price Review and Price Slop	\$35,000.00	Poten & Partners
EOI - Review Reservoir Modeling in the Bayu Undan Field	\$135,000.00	Gaffney, Cline and Associate (GCA)
RFP - Review Kitan Crude Oil Sales for the Period of May 2012 - June 2013	\$25,000.00	IHS Global Pte. Ltd
Consultancy fees for Domino Mailing, VPN Server, Virtual Machine and MS SQL	\$1,950.00	Precise Solution, SA
SUB TOTAL	\$355,350.00	
SERVICES		
In House Training - Process and Maintenance Workshop	\$30,000.00	Neo Edge Pty. Ltd
In House Training - Introduction of Oil and Gas for Non Technical Staffs	\$20,000.00	Synergis Global Pty. Ltd
In House Training - Safe Driving Awareness Workshop	\$5,900.00	SDT Safe Drive
RFP-Process Engineering Training as an in house training	\$58,000.00	Delta Consultant PTY.LTD
Internet Service Provider	\$135,600.00	Websatmedia Pte.Ltd
Office Maintenance and Services	\$36,000.00	Timau Construction
Vehicles Maintenance & Services	\$30,000.00	Dragon Workshop
Documents translation from Portugues to Tetum for Instalação e Operação de Posto		
Abastecimento Combustível (Instalation and Fuel Stations Operation)	\$1,183.00	Mr. Tomas Fernandes
Rental Venues and Accommodation for 3 days training on Introduction of Oil and Gas for Non Technical staffs	\$4,800.00	Knua Morabeza Restaurante & Bar
Network Cabling Installation for Wifi	\$744.00	Loro Sae Computer Services
Security Provision at Farol Office	\$30,000.00	Gardamor Protective services
Office Cleaning and Services	\$31,953.60	Mukun Timor Diak, Lda
ANP refuel of Diesel and Petrol for ANP Vehicles, Genset and motor cycle	\$37,223.36	Tiger Fuel Trading
Energy Electricity consumption in ANP offices (Palacio, Downstream and EITI Offices)	\$36,456.00	EDTL
SUB TOTAL	\$457,859.96	
AUDIT		
ANP Financial Statement External Audit Services	\$16,276.00	LOCHAN&CO
IT Security Audit Service	\$61,000.00	PT. Trikarsa Jakarta
SUB TOTAL	\$77,276.00	
GOODS		
New Printer Machine for T&HR DEPT with trade mark HP COLOR LASERJET ENTREPRISE 500 MFP M 575 SERIES (A4 SIZE)	\$3,785.00	Zeon International
Two Units new Pajero for D&P and Downstream Directorates	\$55,000.00	Tokyo Vehicle Lda
NEW Laptops 20 units and LCD's 40 Units	\$52,814.00	ISW Development PTY.LTD
Tonnors and Drums for Admin Color Printer with brand HP laserjet HP 6015dn	\$3,070.00	Zeon International
Tonnors for Finance Printer Machine	\$2,380.00	Zeon International
New UPS APC 650 VA	\$750.00	Boaventura
IT Minor Equipment for SQL Server	\$2,931.00	Precise Solution SA
IBM Tivoli Storage Fastback 10 processor value unit for backup system	\$37,537.00	Precise Solution SA
Tonnors for T&HR Printer Machine	\$992.00	Zeon International
PPE of for Technical Staffs (safety boots 19 pairs) with brand Bloodstone and Yakka Boots	\$3,380.00	Esset shop
Purchased one unit Printer Machine brand HP LaserJet Pro 100M175nw with Tonnors as spares	\$850.00	Zeon International
Procure new Fire Extinguisher (Powder type) 9 kg & 6 Kg (7 pcs)	\$661.70	Premier Hardware, Lda (previously Makikit Hardware)
Stationeries Supply	\$18,000.00	Sylvia Dili
Drinking Water Supply	\$11,700.00	Indo Dili
SUB TOTAL	\$193,850.70	
TOTAL	\$1,084,336.66	

ANNEX 2: ANP 2013 AUDITED FINANCIAL REPORT

AUTORIDADE NACIONAL DO PETRÓLEO



AUTORIDADE NACIONAL DO PETRÓLEO – TIMOR-LESTE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

AUTORIDADE NACIONAL DO PETRÓLEO

GENERAL INFORMATION

Board of Directors:	Mr. Gualdino do Carmo da Silva (President and Chairman) Mr. Jorge Martins Dasilaku Mr. Mateus da Costa Mr. Nelson de Jesus
Date of formation:	In terms of Decree-Law No 20/2008 on 1 July 2008
Principal Activities:	The Autoridade Nacional do Petróleo of Timor-Leste ('ANP') was established on the 1 st of July 2008 after the Decree Law No. 20/2008 was passed on the 19 th of June 2008. The ANP is Timor-Leste's body responsible for managing and regulating petroleum 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 ANP, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty ('Treaty').
Place of business:	Ground Floor East Wing of Pálacio do Governo
Single auditor:	Mrs Cipriana Sousa
Director of Corporate Services:	Mr Dionisio Martins
External Auditor:	Deloitte Unipessoal Lda
Bankers:	Australia New Zealand Bank Hong Kong Shanghai Bank
Currency:	United States Dollars

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Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Accounting Policies and Explanatory Notes to the Financial Statements	10 - 22

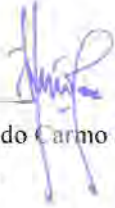
AUTORIDADE NACIONAL DO PETRÓLEO

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Autoridade Nacional do Petróleo ("ANP") in the opinion of the directors:

- (a) The financial statements of the Authority are drawn up so as to present a true and fair view of the financial performance and cash flows of the Authority for the year ended 31 December 2013, and the financial position of the Authority as at 31 December 2013.
- (b) The prior year the financial statements were restated in the current year as explained in the notes to the accounts
- (c) The financial statements have been prepared in accordance with International Financial Reporting Standards.

For and behalf of the ANP Board of Directors:



Gualdino do Carmo da Silva
President



Dionisio Martins
Director Corporate Services

Dili, Timor Leste

16 July 2014



Deloitte Unipessoal Lda
N. LPA 10248/MTCI/XII/2009

328/329 Timor Plaza Building
Rua President Nicolau Lobato
Comoro, Dili, Timor-Leste

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timor-leste@deloitte.com
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Independent Auditor's Report to Board of Directors of Autoridade Nacional do Petróleo of Timor-Leste in respect of the Financial Statements for the year ended 31 December 2013

Report on the Financial Statements

We have audited the accompanying financial statements of Autoridade Nacional do Petróleo ("ANP"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The ANP has not accounted for current or deferred income taxes since its formation on 1 July 2008. We are not aware of any Timor-Leste or Australian Government legislation that exempts the ANP from income taxes. In the absence of any such legislation, the ANP is liable to pay tax to the respective Governments in accordance with the relevant tax legislation. To calculate income taxes owed to the respective Governments, the ANP would need to, from 1 July 2008 to 31 December 2013, allocate all revenue and expenditure and the carrying value of assets and liabilities to either the Timor-Leste Exclusive Area or the Joint Petroleum Development Area. We were unable to obtain sufficient appropriate audit evidence by alternative means as to amount of the unrecorded current and deferred income tax assets or liabilities as at 31 December 2013. As a result, we were unable to determine the adjustments that would have been necessary in respect of unrecorded current and deferred income tax assets or liabilities, the taxation expense for the year ended 31 December 2013, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

In addition the predecessor auditors did not release for our review their audit working papers for the year ended 31 December 2012 to us. We were unable to obtain sufficient appropriate audit evidence by alternative means as to the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2012.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of ANP as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 3 to the financial statements which describe restatements to the prior year's results relating to:

- Recognising in the statement of financial position at 31 December 2012 the bank account balance and the corresponding liabilities to the Timor-Leste and Australian Governments. These monies are amounts collected on behalf of the Governments by the ANP in their capacity as the Designated Authority, in terms of the Timor Sea Treaty, from the operators in the Joint Petroleum Development Area;
- Adjustments to expenses, retained income and liabilities for withholding taxes which had not been accounted from 1 July 2008 to 31 December 2012; and
- Adjustments to expenses, retained income and liabilities for Annual Allowances in terms of Labour Code 4 of 2012 which had not been accounted for during the year ended 31 December 2012.

Other Matter

The financial statements of ANP for the year ended 31 December 2012 were audited by another auditor who expressed a modified opinion as follows:

"We believe that the audit evidence, we obtained, is sufficient and appropriate to provide a basis for our audit opinion except that the transactions of bank account maintained with Hong Kong Shanghai Banking Corporation, Singapore on behalf of the Petroleum Fund has not been accounted for in the books of account by the management with the fact that ANP is a custodian of bank account on behalf of the Petroleum Fund, Government of Timor-Leste."

Their audit report on those statements was issued on 10 May 2013.

As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 3 that were applied to amend the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the entity and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements taken as a whole.



DELOITTE

Chartered Accountants

Dili

16 July 2014

AUTORIDADE NACIONAL DO PETRÓLEO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$	2012 \$ (restated)
INCOME			
Development fees		3,983,200	3,983,200
Contract service fees		977,208	960,533
Subsidy from Timor-Leste Government		1,950,000	1,500,000
Interest		53	263
Profit on disposal of assets		18,107	28,250
Other income		1,404	20
TOTAL INCOME		6,929,972	6,472,267
EXPENSES			
Employee benefits	12	2,168,047	2,388,446
General and administration	13	3,129,905	3,258,497
Depreciation and amortisation		338,491	289,387
Net loss in foreign exchange		25,013	852
TOTAL EXPENSES		5,661,456	5,937,182
SURPLUS FOR THE YEAR		1,268,516	535,085
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,268,516	535,085

The above statement of comprehensive income should be read in conjunction with the accompanying notes

AUTORIDADE NACIONAL DO PETRÓLEO

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 \$	2012 \$ (restated)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4&11	7,820,215	6,059,172
Cash and cash equivalents -- Joint Petroleum			
Development area	4&11	64,891,494	50,131,905
Trade and other receivables	5	134,272	15,651
Other non-financial assets	6	76,719	11,577
Total Current Assets		72,922,700	56,218,305
NON-CURRENT ASSETS			
Property, plant and equipment	8	596,118	588,726
Intangibles	7	263,899	353,429
Total Non-Current Assets		860,018	942,155
TOTAL ASSETS		73,782,718	57,160,460
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9&11	1,603,862	1,009,762
Payable in respect of the JPDA funds	9&11	64,891,494	50,131,904
Prepaid contract service fees & development fees	10	1,478,057	1,478,004
Total Current Liabilities		67,973,413	52,619,670
TOTAL LIABILITIES		67,973,413	52,619,670
EQUITY			
Initial contribution		2,153,168	2,153,168
Accumulated funds		3,656,138	2,387,622
Total Equity		5,809,306	4,540,790
TOTAL EQUITY AND LIABILITIES		73,782,719	57,160,460

The above statement of financial position should be read in conjunction with the accompanying notes

AUTORIDADE NACIONAL DO PETRÓLEO

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in United States Dollars)**

	Note	Initial Contribution \$	Accumulated Funds \$	Total Equity \$
At 1 January 2012 as restated		2,153,168	1,852,537	4,005,705
Surplus for 2012 as restated	3	-	535,085	535,085
At 31 December 2012		2,153,168	2,387,622	4,540,790
Surplus for 2013		-	1,268,516	1,268,516
At 31 December 2013		2,153,168	3,656,138	5,809,306

The Initial Contribution is the net equity transferred from the Timor Sea Designated Authority (ANP's predecessor entity), to ANP on its formation on 1 July 2008.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**ALLOCATION OF SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Timor-Leste Exclusive Area \$	Joint Petroleum Development Area \$	Total for the year \$
Development fees	-	3,983,200	3,983,200
Contract service fees	-	977,208	977,208
Subsidy from Timor-Leste Government	1,950,000	-	1,950,000
Interest	12	41	53
Profit on disposal of assets	3,984	14,123	18,107
Other income	309	1,095	1,404
Total Income	1,954,304	4,975,668	6,929,972
Expenses split per JPDA Joint Commission approved budget	(1,636,483)	(4,024,973)	(5,661,456)
Surplus for the year	317,821	950,695	1,268,516

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AUTORIDADE NACIONAL DO PETRÓLEO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$	2012 \$ (restated)
Operating activities			
Surplus for the year		1,268,516	535,085
Adjustments to reconcile profit before tax to net cash flows:			
Interest received		(54)	(263)
Profit on disposal of property, plant and equipment		(18,107)	(28,250)
Amortisation of intangible assets		101,060	47,073
Depreciation of property, plant and equipment		237,430	242,314
		1,588,845	795,959
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(118,621)	5,538
(Increase)/decrease in other non-financial assets		(65,142)	15,612
Increase in trade and other payables		15,353,688	21,844,744
Decrease in annual leave provision		-	(150,243)
Increase in prepaid contract service fees & development fees		53	914,017
		16,758,823	23,425,627
Interest received		54	263
Net cash flow from operating activities		16,758,877	23,425,890
Investing activities			
Purchase of intangibles		(11,531)	(284,005)
Proceeds from the disposal of property, plant and equipment		21,094	37,510
Purchase of property, plant and equipment		(247,809)	(229,576)
		(238,246)	(476,071)
Net increase in cash and cash equivalents		16,520,631	22,949,819
Add opening balance carried forward		56,191,077	33,241,257
Cash and cash equivalents ending balance	4&11	72,711,708	56,191,077
Comprising:			
Cash on hand and at banks	4&11	72,711,708	56,191,077

The above statement of cash flows should be read in conjunction with the accompanying notes

AUTORIDADE NACIONAL DO PETRÓLEO

1. Nature of Operations

The Autoridade Nacional do Petróleo ('ANP') was established on the 1st of July 2008 after the Decree Law No. 20/2008 was passed on the 19th of June 2008.

The ANP is Timor-Leste's body responsible for managing and regulating petroleum 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 ANP, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty.

Under Article 6(b) of the Timor Sea Treaty, between the Government of Australia and Timor-Leste, the ANP 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 ANP have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, and amounts are presented in United States Dollars except when otherwise indicated.

b. Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- 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 in 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 ANP classifies all other liabilities as non-current.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the ANP 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 ANP has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements.

The specific recognition criteria described below must also be met before revenue is recognised.

Development fees

The fees are recorded on an accrual basis when the ANP 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

The subsidy received from the Timor-Leste Ministry of Petroleum and Mineral Resources is intended for use in the Timor-Leste Exclusive Area (TLEA) and any downstream activities and is recognised on receipt. Any surplus or deficit after accounting for relevant expenditure is transferred to retained income at year-end.

2. Significant Accounting Policies (continued)

d. Taxes

Income and deferred tax

It is not the ANP's policy to provide for income tax or deferred tax.

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.

e. Foreign currencies

The ANP's financial statements are presented in United States Dollars, which is also the Authority's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the ANP 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 recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

f. Property, plant and equipment

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 and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the ANP recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised 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 recognised 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 years
Vehicles	4 – 5 years
Leasehold improvements	5 – 8 years
Office Equipment	3 years
Office Furniture	4 – 5 years
Other Assets	4 – 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

2. Significant Accounting Policies (continued)

g. Intangible assets (continued)

The useful lives of intangible assets are assessed as being finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

A summary of the policies applied to ANP's intangible assets is as follows:

Useful lives	Finite (2 – 4 years)
Amortisation method	Straight line basis over the useful life

h. 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.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as cash and receivables. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Cash and receivables are 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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised 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 amortisation is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses for receivables.

For more information on receivables, refer to Note 5.

Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The ANP 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 ANP has transferred substantially all the risks and rewards of the asset, or (b) the ANP has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2. Significant Accounting Policies (continued)

i. Financial assets (continued)

When the ANP 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 ANP continues to recognise the transferred asset to the extent of the ANP's continuing involvement. In that case, the ANP also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the ANP has retained.

Impairment of Financial Assets

The ANP 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 reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the ANP first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the ANP determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the ANP. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

2. Significant Accounting Policies (continued)

j. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and payables. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss, and only if the criteria in IAS 39 are satisfied. The ANP has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

k. Impairment of non-financial assets

The ANP 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 ANP 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.

l. 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. 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) East Timor 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).

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2. Significant Accounting Policies (continued)

l. Cash and cash equivalents (continued)

The Autoridade Nacional Do Petroleo (ANP) 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 ANP is responsible for the day-to-day regulation and management of petroleum activities under Article 6 (b)(iv). Thus ANP 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 ANP. These monies together with any interest received and net of any bank charges incurred is distributed to the respective governments.

m. 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% 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 committee. After termination of employment employees may have direct access to the money regardless of age.

Employees and their immediate family are entitled to medical assistance from pre-approved healthcare providers within predetermined limits.

Eligible employees and their partners and up to two children are entitled to an annual leave travel allowance of \$800 per adult and \$400 per child.

International employees are entitled to a relocation package and repatriation to their home country.

n. Significant accounting judgements and estimates

The preparation of the ANP'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 a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

o. Allocation of costs

The ANP 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 ANP, shall be financed from fees collected under the Petroleum Mining Code.

Each year the Joint Commission of the JPDA authorises a budget of the ANP 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 2013 the expenses were split as follows based on the approval of the Joint Commission on 11 December 2012:

Directorate	JPDA %	TLEA %
President's Office	78	22
Single Auditor	78	22
Corporate Services	78	22
Joint Petroleum Development Area	100	-
Commercial	86	14
Health Safety and Environment	85	15
Development and Production	90	10
AR and Exploration	80	20
PSC & Local Content	50	50
Downstream	-	100
Overheads and contingencies	78	22

2. Significant Accounting Policies (continued)

p. Changes in accounting policies and disclosures IAS 8.14

New and amended standards and interpretations

Several amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the entity.

The nature and the impact of new standards and amendments are described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the entity), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. Except for note 3, the entity has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the entity's financial position or performance.

3. RESTATEMENT OF PRIOR YEARS RESULTS

Inclusion of Joint Petroleum Development Area related balances

The ANP has been appointed the Designated Authority for administrative purposes under Article 6 (b)(ii) of the Timor Sea Treaty since its inception in 2008. Acting as the Designated Authority the ANP is responsible for the day-to-day regulation and management of petroleum activities under Article 6 (b)(iv). Thus ANP 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.

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. Petroleum funds received and paid are held in a separate bank account for this purpose in the name of ANP. These funds together with any interest received and net of any bank charges incurred is distributed to the respective governments.

Historically the balances related to the functions of the Designated Authority have not been included in the financial statements of the ANP, but were disclosed by way of a note. The financial statements of 31 December 2012 have been restated to correct this error. The disclosures had no impact on the retained income. The effect of the restatement on the Statement of Financial Position are set out below:

	Effect on 31 December 2012 \$
Cash and cash equivalents - note 4	
HSBC Singapore JPDA funds	50,131,905
Trade and other payables - note 9	
Amount owing to the Government of Timor-Leste	45,118,715
Amount owing to the Government of Australia	5,013,190
Payables due by ANP as the JPDA Designated Authority (see note 4 and note 11)	50,131,905

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Adjustment for Annual Allowance in terms of the Labour Code 4 of 2012

In terms of section 44 of the Labour Code 4 of 2012 employees are entitled to an annual allowance by 20 December of each year which is based on one month's pay proportional to the number of months the employee has worked during the year. This amount was not paid in December 2012.

The financial statements of 31 December 2012 have been restated to correct this error. The effect of the restatement on those financial statements is set out below:

Increase in expenses and liabilities for the year	104 994
Decrease in surplus and equity for the year	104 994

Adjustment for withholding taxes on payments to third parties

In terms of section 57 of the Taxes and Duties Act 8 of 2008 "Every person making a payment of Timor-Leste source income to a non-resident person, other than a payment to which Section 52 or 53 applies, shall withhold tax, at the rate of 10%, from the gross amount of the payment." The ANP was not in compliance with all aspects this section of the Taxes and Duties Act of 2008 since its inception. The liability due to the National Directorate of Domestic Tax within Ministry of Finance of Timor-Leste for withholding taxes not deducted at source by the ANP were "grossed up" based on the foreign amounts paid to non-residents since inception.

The financial statements of 31 December 2012 have been restated to correct this error. The effect of the restatement on those financial statements is set out below:

Increase in expenses for the year ended 31 December 2012	201 507
Increase in liabilities as at 31 December 2012	724 642
Decrease in accumulated funds at 1 January 2012 for prior periods	523 135
Decrease in accumulated funds at 31 December 2012	724 642

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	2013 \$	2012 \$ (restated)
4. CASH AND CASH EQUIVALENTS		
HSBC Perth USD account	5,828,234	5,533,227
Corporate Credit Card Security Placement	180,000	180,000
HSBC AUD account	115,090	195,295
HSBC Singapore USD account	34,819	75,008
ANZ Dili USD account	1,662,072	75,641
Cash and cash equivalents held for the operations of ANP	7,820,215	6,059,172
<i>Other cash and cash equivalents under the administration of ANP - see note below</i>		
HSBC Singapore JPDA funds	64,891,494	50,131,905
Total	72,711,708	56,191,077

The HSBC Singapore Joint Petroleum Development Area funds are held in name of ANP 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 note 9 and note 11.

5. TRADE AND OTHER RECEIVABLES

Refundable deposits	10,900	10,900
Development fee receivable	99,410	-
Other	23,962	4,751
Total	134,272	15,651

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

6. OTHER NON-FINANCIAL CURRENT ASSETS

Prepayments	76,719	11,577
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7. INTANGIBLES

<i>Cost</i>		
Balance at beginning of year	583,316	299,311
Additions	11,530	284,005
Balance at end of year	594,846	583,316
<i>Accumulated Amortisation</i>		
Balance at beginning of year	229,887	182,814
Amortisation expense	101,060	47,073
Balance at end of year	330,947	229,887
<i>Net book value</i>	263,899	353,429

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8. FIXED ASSETS

2013

	Computer Equipment	Vehicles	Leasehold improvements	Office equipment	Office furniture	Other Assets	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>							
Balance at 1 January 2013	578,186	268,125	224,806	132,925	79,060	87,503	1,370,605
Additions	70,835	55,000	5,950	105,908	8,877	1,239	247,809
Disposals	(28,020)	(37,000)	(1,800)	(2,560)	(877)	-	(70,257)
	621,001	286,125	228,956	236,273	87,060	88,742	1,548,157
<i>Accumulated Depreciation</i>							
Balance at 1 January 2013	420,423	127,420	70,734	79,976	31,964	51,361	781,878
Depreciation expense	95,953	50,639	31,956	32,176	12,541	14,166	237,430
Depreciation on Disposals	(28,019)	(37,000)	-	(1,373)	(877)	-	(67,268)
	488,357	141,058	102,690	110,779	43,628	65,527	952,039
<i>Net book value</i>	132,644	145,067	126,266	125,494	43,432	23,215	596,118

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8. FIXED ASSETS (continued)

2012

	Computer Equipment	Vehicles	Leasehold improvements	Office equipment	Office furniture	Other Assets	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>							
Balance at 1 January 2012	498,052	252,875	188,454	104,055	66,090	97,253	1,206,779
Additions	80,134	81,000	36,352	28,870	12,970	9,345	248,671
Disposals	-	(65,750)	-	-	-	(19,095)	(84,845)
	578,186	268,125	224,806	132,925	79,060	87,503	1,370,605
<i>Accumulated Depreciation</i>							
Balance at 1 January 2012	312,081	132,999	39,855	56,025	22,097	32,997	596,054
Depreciation expense	108,342	50,911	30,879	23,951	9,867	18,364	242,314
Depreciation on Disposals	-	(56,490)	-	-	-	-	(56,490)
	420,423	127,420	70,734	79,976	31,964	51,361	781,878
<i>Net book value</i>	157,763	140,704	154,072	52,949	47,096	36,142	588,726

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	2013	2012
	\$	\$ (restated)
9. TRADE AND OTHER PAYABLES		
Trade and Other Payables	395,934	130,109
Monies held in connection with assistance to Sao Tome & Principe	135,473	-
Withholding Tax for non-resident	830,445	738,506
Annual Allowance for employees	225,336	104,994
Payroll Clearing	-	1,244
PAYG Clearing	16,350	33,460
Super Clearing	324	1,177
CB/AP Clearing HSBC USD Perth	-	272
Trade and other payables relating to ANP operations	1,603,862	1,009,762
To be distributed to the Government of Timor-Leste	58,402,345	45,118,714
To be distributed to the Government of Australia	6,489,149	5,013,190
Payables due by ANP as the JPDA Designated Authority (see note 4 and note 11)	64,891,494	50,131,904
Total	66,495,356	51,141,666
Trade and other payables are non-interest bearing and are normally settled on 30-day terms.		
A Memorandum Of Understanding was signed 18 May 2011 between the governments of Timor-Leste and Sao Tome and Principe. The ANP has been entrusted to administer the funds received from the Ministry of Petroleum and Natural Resources.		
Monies received from the Ministry of Petroleum and Natural Resources	250,000	-
Disbursed	114,527	-
Monies remaining	135,473	-
10. PREPAID CONTRACT SERVICE FEES AND DEVELOPMENT FEES		
	2013	2012
	\$	\$
Contract Service fees	563,507	563,454
Development fees	914,550	914,550
Total	1,478,057	1,478,004
11. JOINT PETROLEUM DEVELOPMENT AREA BANK ACCOUNT MOVEMENTS SUMMARY		
Opening balance HSBC Singapore JPDA funds	50,131,905	28,486,781
Cash received from the operators	2,088,389,138	2,173,055,962
Interest received	25,423	1,618,334
Bank charges	(1,960)	(1,920)
Net funds available for distribution	2,138,544,506	2,203,159,157
Funds distributed to Timor-Leste	(1,866,287,711)	(1,937,724,527)
Funds distributed to Australia	(207,365,301)	(215,302,725)
Total	64,891,494	50,131,905
To be distributed to the Government of Timor-Leste	58,402,345	45,118,715
To be distributed to the Government of Australia	6,489,149	5,013,190
Total	64,891,494	50,131,905

See note 4 and note 9.

2013

2012

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AUTORIDADE NACIONAL DO PETRÓLEO

12. EMPLOYEE BENEFITS	\$	\$ (restated)
Salaries	1,557,124	1,716,287
Annual allowance	120,342	104,994
Retirement funding	224,139	225,741
Annual Leave Travel	118,183	103,165
Insurance	31,745	50,982
Employee Benefits	33,198	29,161
Staff Amenities	58,478	115,028
Relocation	10,584	20,955
Other	14,254	22,133
Total	2,168,047	2,388,446

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

Consultants	1,369,148	1,139,689
Training education and conference expenses	627,312	1,049,435
Business travel	353,972	240,469
Organisation promotion	155,633	181,006

14. FINANCIAL INSTRUMENTS

a) Financial risk management objectives and policies

The ANP's principal financial instruments comprise receivables, payables, cash and Corporate Credit Card Security placement.

The ANP manages its exposure to financial risks, in accordance with its policies. The objectives of the policies are to maximize the income to the ANP whilst minimizing the downside risk.

One of the requirements under Production Sharing Contracts (PSC) entered into between the ANP 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 ANP'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 ANP Board of Directors.

b) Net fair value of financial assets and liabilities

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

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

14. FINANCIAL INSTRUMENTS (continued)

c) **Foreign Exchange Risk**

The ANP generally operates using United States denominated currency held in US dollar bank accounts although it has one Australian Dollar denominated account. ANP is exposed to foreign exchange risk with respect to the Australian Dollar arising primarily from:

- cash and short term deposits held in Australian Dollars
- 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 ANP 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 ANP'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 ANP has a significant concentration to credit risk through its cash and deposits with banks. The main concentration is with two international banks. The ANP ensures that this concentration is managed by the exposure not all being with one particular bank.

f) **Liquidity Risk**

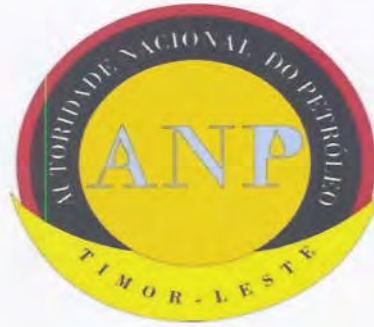
Liquidity risk arises from the financial liabilities of the entity and ANP's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The ANP 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.

15. CONTINGENT LIABILITIES

As stated in Note 3 to the financial statements the ANP was not in compliance with all aspects of the Taxes and Duties Act of 2008 since its inception. Failure to pay withholding taxes due to the National Directorate of Domestic Tax within Ministry of Finance of Timor-Leste may result in additional taxes in terms of Chapter 10 of the UNAET Regulation 18 of 2000 on the Revenue System for East Timor. Additional taxes calculated in terms of the Regulations may be waived by the Commissioner based on voluntary disclosure. The management of ANP have made voluntary disclosure of their breach and believe that their application to have the additional taxes waived will be successful. As a result no provision has been made for the outstanding amounts.

ANNEX 3: ANP 2013 AUDITED REVENUE REPORT



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

**STATEMENT OF PETROLEUM REVENUE
RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013**

**AUTORIDADE NACIONAL DO PETRÓLEO OF TIMOR-LESTE
STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

GENERAL INFORMATION

Board of Directors: Mr Gualdino da Silva (President and Chairman)
Mr Jorge Martins Dasilaku
Mr Mateus da Costa
Mr Nelson de Jesus

Commercial Director: Mr Angelo Lay

Place of business: Ground Floor East Wing of Pálacio do Governo
Dili, Timor-Leste

Bankers: Hong Kong Shanghai Bank Corporation

Single auditor: Mrs Cipriana Sousa

External Auditor: Deloitte Unipessoal Lda

Country of Incorporation: Timor-Leste


Currency: United States Dollars

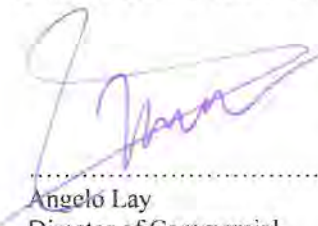
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Accounting Policies and Explanatory Notes	5-7

APPROVAL OF THE STATEMENTS

The Statement of Petroleum Revenue Receipts and Payments for the year ended 31 December 2013 set out on pages 4 to 7 was authorised for issue in accordance with a resolution of the Board of Directors and is signed on their behalf by:


.....
Gualdino do Carmo da Silva
President - ANP
16 July 2014


.....
Angelo Lay
Director of Commercial
16 July 2014

Independent Auditor's Report to the Board of Directors of Autoridade Nacional do Petróleo of Timor-Leste in respect of the Statement of Petroleum Revenue Receipts and Payments for the year ended 31 December 2013

We have audited the accompanying Statement of Petroleum Revenue Receipts and Payments of Autoridade Nacional do Petróleo of Timor-Leste, which comprise the statement of cash receipts and payments for the year ended 31 December 2013 including a summary of significant accounting policies and other explanatory information as set out on pages 4 to 7.

The Board of Directors' Responsibility for the Statement of Petroleum Revenue Receipts and Payments

The Board of Directors ("Directors") are responsible for the preparation and fair presentation of the Statement of Petroleum Revenue Receipts and Payments in accordance with Note 2 of the Significant Accounting Policies, and for such internal control as the Directors determine is necessary to enable the preparation of the Statement of Petroleum Revenue Receipts and Payments that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement of Petroleum Revenue Receipts and Payments based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement of Petroleum Revenue Receipts and Payments is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the Statement of Petroleum Revenue Receipts and Payments. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Statement of Petroleum Revenue Receipts and Payments, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement of Petroleum Revenue Receipts and Payments 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Statement of Petroleum Revenue Receipts and Payments.

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

Opinion

In our opinion, the Statement of Petroleum Revenue Receipts and Payments present fairly, in all material respects, the cash balances of Autoridade Nacional do Petróleo of Timor-Leste as at 31 December 2013 and its cash receipts and payments for the year then ended in accordance with the significant accounting policies in Note 2.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 2 to the Statement of Petroleum Revenue Receipts and Payments which describes the basis accounting. The Statement of Petroleum Revenue Receipts and Payments is prepared to assist the Autoridade Nacional do Petróleo of Timor-Leste to meet its financial reporting requirements. As a result the Statement of Petroleum Revenue Receipts and Payments may not be suitable for another purpose.



DELOITTE
Chartered Accountants
Dili

16 July, 2014

AUTORIDADE NACIONAL DO PETRÓLEO OF TIMOR-LESTE
STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$
Revenue receipts by field		
Bayu-Undan	3	1,868,991,847
Kitan	4	219,397,203
Total revenue receipts received		2,088,389,050
Interest earned from:		
• term deposits		15,210
• from contractors for profit oil/gas delayed payment	6 & 7	10,302
Total receipts received		2,088,414,562
Bank charges		(1,961)
Receipts less bank charges for the year		2,088,412,601
Cash at beginning of year		50,131,905
		2,138,544,506
Less: cash at end of year	5	(64,891,494)
Amount available for distribution		2,073,653,012
Distributed as follows:		
Distribution to Petroleum Fund of Timor-Leste		1,866,287,711
Distribution to Department of the Resources, Energy and Tourism, Australia		207,365,301
Total payments made		2,073,653,012

AUTORIDADE NACIONAL DO PETRÓLEO
NOTES TO THE STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

I. Nature of Operations

The Autoridade Nacional do Petróleo of Timor-Leste ('ANP') was established on the 1st of July 2008 after the Decree Law No. 20/2008 was passed on the 19th of June 2008.

The ANP is Timor-Leste's body responsible for managing and regulating petroleum 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 ANP, the Timor-Leste Petroleum Activities Law, and the Timor Sea Treaty ('Treaty').

Under Article 6(b) of the Treaty, between the Governments of Australia and Timor-Leste, ANP 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.

ANP, pursuant to Article 6 of the Treaty is responsible for the management of the activities relating to exploration for the exploitation of the petroleum resources in the JPDA. This includes the collection and distribution of proceeds generated from the sale of petroleum products produced from Bayu-Undan and the Kitan fields.

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 ANP as a Designated Authority under the Treaty. These petroleum proceeds are held on behalf of the Timor-Leste and Australia Governments in a HSBC bank account in the name of the ANP and are distributed to the two governments on a regular basis. Revenue distribution consist of First Tranche Profits ("FTP")/Royalties, profit oil/gas and interest earned, 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 HSBC bank account.

c. Payments

Payments are the distributions to the Timor-Leste and Australia governments in terms of the Treaty and the Decree Law 20/2008.

AUTORIDADE NACIONAL DO PETRÓLEO
NOTES TO THE STATEMENT OF PETROLEUM REVENUE RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. Significant accounting policies (continued)

d. Foreign currency

The ANP's statements of petroleum revenue receipts and payments is presented in United States Dollars.

e. Cash and Cash Equivalents

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

These proceeds 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. Profit generated from Bayu-Undan is distributed within the month on the following day of the contracting companies depositing funds into the ANP HSBC account.

f. Interest

Short term deposit interest is derived from short term deposits made at the HSBC 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 for the delay of profit oil payment on ANP'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 2013

	2013		
	\$	\$	\$
3. BAYU-UNDAN FIELD RECEIPTS			
	First Tranche Profits	Profit oil and gas	Total
ConocoPhillips 03-12 Pty Ltd	195,720,235	960,556,670	1,156,276,905
Tokyo Timor Sea Resources	-	147,728,074	147,728,074
Santos Petroleum Pty Ltd	-	184,573,920	184,573,920
Inpex Sahul	10,192,552	193,775,885	203,968,437
ENI JPDA 03-13	-	176,444,511	176,445,511
Total Bayu-Undan receipts received	205,912,787	1,663,079,060	1,868,991,847

ConocoPhillips is the lifting party on behalf of all Joint Venture partners except for Inpex Sahul. The FTPs for Tokyo Timor Sea Resources, Santos Petroleum Pty Ltd and ENI JPDA 03-13 is included in the ConocoPhillips FTP amount.

4. KITAN FIELD RECEIPTS			
	Royalty	Profit oil	Total
ENI 06-105	14,199,420	73,719,559	87,918,979
Talisman Resources	9,906,297	51,467,166	61,373,463
Inpex Timor Sea	10,948,305	59,156,456	70,104,761
Total Kitan receipts received	35,054,022	184,343,181	219,397,203

5. CASH AND CASH EQUIVALENTS			
HSBC Singapore held in the name of Autoridade Nacional do Petróleo of Timor-Leste at year end			64,891,494
To be distributed as follows:			
- to Petroleum Fund of Timor-Leste			58,402,345
- to Department of the Resources, Energy and Tourism, Australia			6,489,149
			64,891,494

6. BAYU-UNDAN FIELD INTEREST FROM PROFIT DELAYED PAYMENT			
	Profit oil interest	Total	
ConocoPhillips 03-12 Pty Ltd	-	-	
Tokyo Timor Sea Resources	4,396	4,396	
Santos Petroleum Pty Ltd	-	-	
Inpex Sahul	3,303	3,303	
ENI JPDA 03-13	1,088	1,088	
Total Bayu-Undan receipts received	8,787	8,787	

7. KITAN FIELD INTEREST FOM PROFIT DELAYED PAYMENT			
	Profit oil interest	Total	
ENI 06-105	-	-	
Talisman Resources	1,515	1,515	
Inpex Timor Sea	-	-	
Total Kitan receipts received	1,515	1,515	

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