

TIMOR GAP Annual Report & Accounts 2019

ii. The following table shows the carrying amounts and fair values of company's financial assets and financial liabilities, including their levels in the fair value hierarchy:

31st December 2019	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	-	-
Cash and cash equivalents	284,902	-	-	284,902
Loans	-	-	13,607,025	13,607,025
Other financial assets	-	-	490,865	490,865
	284,902	-	14,097,890	14,382,792
Financial Liabilities				
a) Measured at amortized cost				
Lease Liabilities	-	-	2,594,288	2,594,288
Trade payables	-	-	3,909,297	3,909,297
Other financial liabilities	-	-	13,486	13,486
	-	-	6,517,071	6,517,071

31st December 2018	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial Assets				
a) Measured at amortized cost				
Trade receivables	-	-	18,937	18,937
Cash and cash equivalents	2,364,787	-	-	2,364,787
Loans	-	-	9,281,491	9,281,491
Other financial assets	-	-	485,660	485,660
	2,364,787	-	9,786,088	12,150,875
Financial Liabilities				
a) Measured at amortized cost				
Lease Liabilities	-	-	-	-
Trade payables	-	-	1,899,662	1,899,662
Other financial liabilities	-	-	15,500	15,500
	-	-	1,915,162	1,915,162

Equity investment in subsidiaries and associate included in note no 10 are carried at cost as per IAS 27 "Separate Financial

30. Going Concern

The Standalone and consolidated financial statement has been prepared on the going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of business.

The Group is in the business of developing the hydrocarbon reserves, which has long gestation period and marketing the petroleum product. Some of its hydrocarbon reserves are in the advance stage of exploration, appraisal and development of hydrocarbon block.

The ability of the Group to continue as going concerns is dependent on the support received/to be received from Government of Republic of Timor-Leste to carry out its operations and discharge its liabilities. In view of the continued support received / expected to be received from the Government, these standalone and consolidated financial statements has been prepared on a going concern basis.

31. Segment Reporting

The Group is organized into business units based on its products and services and has two reportable segments as below:

- i. Hydrocarbon- Developing hydrocarbon reserves and production of hydrocarbons
- ii. Trading of Fuel

There are no reportable geographical segments, since all business is in Timor-Leste.

Particular	Hydrocarbon		Other		Total	
	2019	2018	2019	2018	2019	2018
<u>Revenue</u>						
Segment Revenue	17,145,012	12,476,342	226,983	406,175	17,371,995	12,882,517
less: Inter Segment	-	-	-	-	-	-
Total Revenue	17,145,012	12,476,342	226,983	406,175	17,371,995	12,882,517
Segment Expenses	21,447,835	13,934,799	204,661	359,511	21,652,496	14,294,310
less: Inter Segment	-	-	-	-	-	-
	21,447,835	13,934,799	204,661	359,511	21,652,496	14,294,310
Segment Results	(4,302,823)	(1,458,457)	22,322	46,664	(4,280,501)	(1,411,793)
Share in loss of associate	(77,968)	(103,106)	-	-	(74,955)	(103,106)
Tax Expenses (including Deferred Tax)					(2,609,168)	509,740
Net Profit	(4,380,791)	(1,561,563)	22,322	46,664	(6,964,624)	(1,005,159)
Segment Assets	678,630,604	7,265,314	1,283,390	770,267	679,913,994	8,035,580
Segment Liabilities	679,841,313	8,035,580	72,681	-	679,913,994	8,035,580

32. Acquisition of participating interest in Greater Sunrise Oil Fields

The group has entered into an agreement with ConocoPhillips's and Shell Australia in 2018 for acquisition of their respective participating interest, totaling to 56.56%, in Greater Sunrise Oil Fields at a total consideration of \$ 651,677,390. The transaction has been completed during the current year with effective date of April 16, 2019.

33. Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

34. Investment in Associate

The Group has a 60% interest in GAP-MHS Aviation, LDA, which is involved in the business of providing commercial aviation support services to the offshore and onshore petroleum industry operating in the Timor-Sea and Timor-Leste. The Group's interest in GAP-MHS Aviation, LDA is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in GAP-MHS Aviation, LDA:

Particulars	2019	2018
Non Current Assets	-	-
Current Assets	211,787	393,677
Non Current Liabilities	-	-
Current Liabilities	-	56,965
Equity	211,787	336,712
Group's share in Equity - 60% (2018 : 60%)	127,071	202,026
Group Carrying value of Investment (Note 10)	127,071	202,026

Particulars	2019	2018
Revenue	24,837	42,250
Employee benefits expense	63,105	75,215
Other expenses	86,657	186,126
Loss before tax	(124,925)	(219,091)
Tax Expenses	-	2,282
Loss after tax	(124,925)	(221,373)
Other Comprehensive Income	-	-
Total Comprehensive Income	(124,925)	(221,373)
Group's share of loss	(74,955)	(132,824)

The associate had no contingent liability as on 31 December 2019 and corresponding previous year ended 31 December 2018.

35. Subsequent Event

Winding up of the Associate - GAP-MHS Aviation, LDA

GAP-MHS Aviation, LDA is in the business of providing commercial aviation support services to the offshore and onshore petroleum industry operating in the Timor-Sea and Timor-Leste. It has been dissolved w.e.f. 22nd January 2020 and has obtained the Certification of Dissolution of Company by the Service Agency and hence its financial statements have been prepared on realisable value basis. All physical assets have been depreciated to zero value for taxation and commercial purposes, and that title to those physical assets is passed to TIMOR GAP, E.P. The current assets are cash on hand amounting to \$206,765.

36. Related party disclosures

Information about Subsidiaries

Name	Principal Activities	Place of incorporation	Ownership interest	
			2019	2018
TIMOR GAP PSC 11-106, Unipessoal Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Oil & Gas Marine and Logistics, Unipessoal, Lda	Logistic and Support services	Democratic Republic of Timor Leste	100%	100%
South Horizon Offshore Services, Lda	Support services	Democratic Republic of Timor Leste	51%	51%
TIMOR GAP Seismic Services, Unipessoal, Lda	Seismic Survey services	Democratic Republic of Timor Leste	60%	60%
TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Drilling & Services, Unipessoal, Lda	Drilling Service	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP Chuditch, Unipessoal, Lda	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-19. Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%
TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.	Hydrocarbons Exploration	Democratic Republic of Timor Leste	100%	100%

Joint arrangement in which the Company is a joint venture

The Company has a 60% interest in GAP - MHS Aviation Lda (2018: 60%).

Key Management Personnel (KMP):

Name	Designation
Francisco da Costa Monteiro	President & Chief Executive Officer
Antonio Jose Loyola de Sousa	Vice President
Domingos Lequi Siga	Director of Gas Business Unit
Luis Martins	Director of Business Infrastructure Development Unit
Vicente Pinto	Director of Refinery & Petroleum Services Unit
Vicente Lacerda	Director of Exploration and Production Unit
Henrique Monteiro	Director of Finance Unit
Jacinta Paula Bernardo	Director of Corporate Service Unit
Dino Gandara Rai	Board Member
Norberta Soares da Costa	Board Member

Transactions with related parties

The following transactions occurred with related parties:

Particulars	Group		Company	
	2019	2018	2019	2018
Loans Given to Subsidiaries				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda			1,700,000	1,500,000
- TIMOR GAP PSC 11-106, Unipessoal Lda			150,000	-
-TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda			361,201	-
-TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda			117,265	-
-TIMOR GAP CHUDITCH, Unipessoal, Lda			-	50,000
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.			641,028	-
-TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.			815,859	-
-TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.			333,196	-
-TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.			12,307	-
-TIMOR GAP ONSHORE BLOCK , Unipessoal, Lda			449,478	-
Investment on Subsidiaries				
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.			5,000	-
-TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.			5,000	-
-TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.			5,000	-
-TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.			5,000	-
Payment made on behalf of Subsidiaries				
- TIMOR GAP SEISMIC SERVICES, Unipessoal, Lda			210	-
Interest Income from Subsidiary				
- TIMOR GAP ONSHORE BLOCK, Unipessoal, Lda			44,570	-
Payment Received from subsidiaries against Other Receivable				
- TIMOR GAP PSC 11-106, Unipessoal Lda			82	-

Payment made to subsidiaries against Other Payable				
- TIMOR GAP SEISMIC SERVICES, Unipessoal, Lda			3,000	-
Expenses Incurred by Subsidiary on behalf of Company				
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.			986	-
Payment to KMPs	710,343	702,641	710,343	702,641

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Particulars	Group		Company	
	2019	2018	2019	2018
Other Receivable				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda			20,633	19,942
- TIMOR GAP OIL & GAS MARINE LOGISTICS, Unipessoal, Lda			5,500	5,500
- South Horizon Offshore Services, Lda			31,869	31,869
- TIMOR GAP PSC 11-106, Unipessoal Lda			64,396	64,478
- TIMOR GAP Seismic Services, Unipessoal, Lda			410	200
- TIMOR GAP ONSHORE BLOCK , Unipessoal, Lda			75,536	74,710
Other Payables				
- TIMOR GAP Seismic Services, Unipessoal, Lda			-	3,000
- TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda			5,000	5,000
- TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda			5,000	5,000
- TIMOR GAP Drilling & Services, Unipessoal, Lda			2,500	2,500
- TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.			986	-
Loan Given				
- TIMOR GAP OFFSHORE BLOCK, Unipessoal, Lda			9,710,000	8,010,000
- TIMOR GAP PSC 11-106, Unipessoal Lda			800,116	650,115
- TIMOR GAP ONSHORE BLOCK , Unipessoal, Lda			1,035,007	840,330
- TIMOR GAP ONSHORE BLOCK B, Unipessoal, Lda			361,201	-
-TIMOR GAP ONSHORE BLOCK C, Unipessoal, Lda			117,265	-
-TIMOR GAP Chuditch, Unipessoal, Lda			50,000	50,000
- TIMOR GAP GREATER SUNRISE RL2, Unipessoal, Lda.			641,028	-
-TIMOR GAP GREATER SUNRISE RL, Unipessoal, Lda.			815,859	-
-TIMOR GAP GREATER SUNRISE 03-19, Unipessoal, Lda.			333,196	-
-TIMOR GAP GREATER SUNRISE 03-20, Unipessoal, Lda.			12,307	-

Terms and condition relating to related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

37. Note on Global Pandemic of Covid-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Group is dependent on assistance from the government to fund its activities and technical support from its project partners. Developments such as social distancing, shelter-in-place directives and government initiatives to support livelihood in the country may have impact on the ongoing assistance received by group from the government and on the ongoing projects of the group. While expected to be temporary, prolonged disruptions in assistance from government may negatively impact the ongoing projects of the group and overall liquidity. Further, the outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may lead to impairment of the Group’s asset like Intangible assets under development.

The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended December 31, 2019 and has concluded that there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Group’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

38. The previous year figures have been reclassified/regrouped, wherever applicable to make them comparable.

ANNEX 1

ACRONYMS

ANPM	Autoridade Nacional do Petróleo e Minerais (National Petroleum and Minerals Authority)
Bpd	Barrels Per Day
DNCPIA	Direção Nacional de Controlo de Poluição e Impacto Ambiental (National Directorate of Pollution Control and Environmental Impact)
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
E&P	Exploration & Production
FEED	Front End Engineering Design
GIIP	Gas-Initial-In-Place
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
ISO	International Organization for Standardization
JOA	Joint Operating Agreement
JPDA	Joint Petroleum Development Area
JV	Joint Venture
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MPRM	Ministério do Petróleo e Recursos Minerais (Ministry of Petroleum and Mineral Resources)
PIIP	Petroleum-Initial-In-Place
Pre-FEED	Pre-Front End Engineering Design
PSC	Production Sharing Contract
QHSE	Quality, Health, Safety and Environment
SAP	System, Application and Product
SSB	Suai Supply Base
Tcf	Trillion Cubic Feet
TIMOR GAP	Timor Gás e Petróleo
TLNG	Timor LNG





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